



HM Treasury

BUDGET 2020

**DELIVERING ON OUR PROMISES TO
THE BRITISH PEOPLE**



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Return to an order of the House of Commons
dated 11 March 2020

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as laid before the House of Commons by the
Chancellor of the Exchequer when opening
the Budget.

Jesse Norman
Her Majesty's Treasury
11 March 2020

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The Budget report is presented pursuant to section 2 of the Budget Responsibility and National Audit Act 2011 and in accordance with the Charter for Budget Responsibility. The Budget report, combined with the OBR's Economic and Fiscal Outlook, constitutes the government's assessment under section 5 of the European Communities (Amendment) Act 1993 that will form the basis of the government's submissions to the European Commission under 121 TFEU (ex Articles 99/103 TEU) and Article 126 TFEU (ex Article 104/104c TEU) after the assessment is approved by Parliament.

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Executive summary

The Budget takes place against the backdrop of the global outbreak of COVID-19. The fundamentals of the UK economy are strong and the government is well prepared to protect people's health and support their economic security throughout this period of temporary economic disruption. The Budget sets out a plan to support public services, individuals and businesses that may be affected by COVID-19.

While the economy continues to face challenges, the government's careful management of the public finances means that it is able to support the economy in the short term, while investing in the future. The Budget announces investments in the roads, railways and digital networks that will underpin growth over the coming decade, as well as the world-class hospitals, schools, colleges and police forces that people rely on every day.

The Budget supports the government's ambition for a fair and sustainable tax system that helps people and families with the cost of living, funds the first class public services they expect and creates an environment for business to succeed. The government will build on this across the Parliament, creating a tax system fit for the challenges and opportunities of the 21st century.

The Budget also sets out a plan to invest in research and development (R&D) and cutting-edge technologies. It provides support for people in every nation and region of the UK to gain the skills that they will need as the economy evolves, so that the nation can seize the opportunities of the next decade and fulfil its potential.

In the year that the UK hosts the COP26 UN climate summit, the Budget takes steps to decarbonise the economy and protect the UK's natural habitats, ensuring that every part of the UK economy is ready for the challenges of decarbonisation, and ready to capitalise on the opportunities to become leaders in the green markets of the future.

This is the first Budget of a new government, the first of a new decade, and the first since the UK's departure from the European Union (EU). It is a Budget that lays the foundations of the UK's future prosperity and delivers on the government's promises to the British people.

Economic context

The UK economy has many strengths. It has a globally competitive tax system, it is home to many highly innovative firms, has a world-beating science and research base, and has sound, independent macroeconomic institutions. Employment growth remains strong – the employment rate reached a record high in the three months to December 2019 – and earnings growth remains above inflation.

The recent COVID-19 outbreak is creating short-term uncertainty. The Office for Budget Responsibility's (OBR) economy and fiscal forecast does not reflect the now global spread of COVID-19 nor an outbreak in the UK. The OBR notes that the spread and impact of a COVID-19 outbreak clearly represents a downside risk to the forecast, but the scale is highly uncertain and the economic impact is likely to be temporary.

Looking further ahead, the UK also faces challenges in the medium to long term. Productivity remains low compared to other countries and unevenly distributed across the country. And, in common with other advanced economies, the transition to a net zero emissions economy by 2050 will require radical changes in every sector. The Budget lays the foundations to address these challenges.

Outlook for the public finances

Over the past decade, the government has taken action to restore the public finances to health, reducing the deficit by four fifths. This, and the historically low cost of borrowing, mean that the government can support the economy in the short term, while providing significantly more investment in public services and infrastructure to support growth in the long term.

The Budget launches the Comprehensive Spending Review 2020 (CSR), setting out the overall level of public spending within which the CSR will be delivered. The CSR will conclude in July and will set out detailed spending plans for public services and investment, covering resource budgets for three years from 2021-22 to 2023-24 and capital budgets up to 2024-25.

The CSR will prioritise improving public services, levelling up economic opportunity across all nations and regions, strengthening the UK's place in the world and supporting the government's ambitions to reach net zero carbon emissions by 2050. It will focus on linking departments' spending proposals to the real-world outcomes they seek to achieve, and delivering value for money for taxpayers.

The policy changes set out in the Budget, including the spending totals that have been set for the CSR, have been delivered while ensuring the current budget is in surplus, public sector net investment does not exceed 3% of GDP and debt is kept under control.

HM Treasury will review the fiscal framework ahead of Autumn Budget 2020 to ensure it remains appropriate for the macroeconomic context, while ensuring the sustainability of the public finances.

Responding to COVID-19

Public safety is the government's top priority in its response to COVID-19 and it is taking firm and comprehensive action, consistent with the best scientific evidence.

As well as being focused on safety and the public health response to the outbreak, the government recognises that people will be concerned about the effect it will have on their livelihood, and business will be concerned about reduced demand, potential disruptions to supply chains and export markets, and to their workforce during this temporary period.

The Budget announces a £12 billion plan to provide support for public services, individuals and businesses, whose finances are affected by COVID-19. This includes a £5 billion COVID-19 response fund to ensure the NHS and other public services receive the funding they need to respond to the outbreak as the situation develops, and recover and return to normal afterwards.

For individuals it includes extending Statutory Sick Pay (SSP) for those advised to self-isolate, and those caring for others who self-isolate, and support through the welfare system for those who cannot claim SSP, as well as a hardship fund.

Finally, the government will support businesses that experience increased costs or disruptions to their cashflow. This includes expanded Business Rates reliefs, a Coronavirus Business Interruption Loan Scheme to support up to a further £1 billion lending to SMEs, a £2.2 billion grant scheme for small businesses, and a dedicated helpline for those who need a deferral period on their tax liabilities.

Tackling COVID-19 is a global challenge, and to complement our domestic response the Budget sets out steps the UK is taking to lead a swift and effective global response to deal with the impacts of the virus.

The measures set out in the Budget to support health and other public services, protect people and families and support businesses will be reflected in the public finances at Autumn Budget 2020.

Funding excellent public services

The people of the UK are rightly proud of its world-class public services. The NHS, schools and police provide the security and support that allow the British people to lead safe, prosperous and healthy lives. The government is committed to providing the funding that public services need and ensuring that excellent services are available in every nation and region of the UK.

Total departmental spending is set to grow twice as fast as the economy over the CSR period. Day-to-day departmental spending is set to grow at the fastest rate over a spending review period since Spending Review 2004.

Within this, the government will increase funding for its number one spending priority: the NHS. Compared to 2018-19, NHS England will receive a cash increase of £34 billion a year by 2024. In addition, the Budget commits over £6 billion of new funding over this Parliament, including to create 50 million more GP surgery appointments per year, ensure there are 50,000 more nurses, and fund wider commitments on hospital car parking and support for people with learning disabilities and autism. The Budget also sets out action to ensure that pensions tax rules do not deter doctors from taking on additional shifts.

The government will invest in the security of everyone in the UK with additional funding for counter-terrorism policing and the UK intelligence community. The government will keep people safe with strengthened community sentences and increased victim support.

Spending Round 2019 committed to a £7.1 billion cash increase in funding for schools by 2022-23. The Budget builds on this by providing £29 million per year by 2023-24 to support primary school PE teaching and help schools make the best use of their sports facilities, as well as £90 million per year to introduce an Arts Premium from September 2021 to help schools provide high-quality arts programmes and extracurricular activities for pupils.

Levelling up and getting Britain building

The government is committed to levelling up across the UK by raising productivity and growth in all nations and regions, creating opportunity for everyone, and addressing disparities in economic and social outcomes.

For too long the UK has under-invested in infrastructure, leaving many people stuck with delays and poor service.

By the end of the parliament, public sector net investment will be triple the average over the last 40 years in real terms. In total, around £640 billion of gross capital investment will be provided for roads, railways, communications, schools, hospitals and power networks across

the UK by 2024-25. The government will publish a National Infrastructure Strategy later in the spring, and the CSR will provide full departmental spending plans. The Budget announces:

- the largest ever investment in English strategic roads, with over £27 billion between 2020 and 2025, enough funding to fill in around 50 million potholes across the country, and unprecedented investment in urban transport, with £4.2 billion for five-year, integrated transport settlements for eight city regions on top of £1 billion allocated to shovel-ready transport schemes
- funding for the Shared Rural Network agreement to radically improve mobile coverage in rural areas, and a record £5 billion investment in gigabit broadband rollout in the hardest-to-reach areas of England, Scotland, Wales and Northern Ireland
- record funding of £5.2 billion for flood defences between 2021 and 2027, offering better protection from flooding for 336,000 homes and non-residential properties. Additional funding of £200 million will help communities most at risk of flooding recover faster in cases where they are affected by flood damage
- a £10.9 billion increase in housing investment to support the commitment to build at least 1 million new homes by the end of the Parliament, and an average of 300,000 homes a year by the mid-2020s
- the government will invest £1.5 billion (£1.8 billion including indicative Barnett consequentials) over five years in capital spending to refurbish further education colleges, and has committed to a new £2.5 billion National Skills Fund to improve adult skills (£3 billion including indicative Barnett consequentials). It will also boost science, technology, engineering and maths teaching with capital investment for up to eight new Institutes of Technology and 11 maths schools. The government is committed to giving everyone the opportunity to fulfil their potential, regardless of where they are from.

The government is also taking action to review the Green Book, which sets out how decisions on major investment programmes are appraised in order to make sure that government investment spreads opportunity across the UK.

The Budget reaffirms the government's commitment to strengthening the ties that bind the Union. As well as taking action that will support people and businesses in every nation of the UK, and targeted support to each nation, it sets out the funding the government will make available through Barnett consequentials for the devolved administrations to fund public services, infrastructure and other priorities.

Supporting people and families

The government is committed to taking action to help with the cost of living for everyone across the UK and ensure that the most vulnerable in society get the support they need.

Alongside the Budget, the government is formally announcing a new, ambitious target for the National Living Wage (NLW) to reach two-thirds of median earnings and be extended to workers aged 21 and over by 2024, provided economic conditions allow. Based on the latest OBR forecast, this means the NLW is expected to be over £10.50 in 2024.

This builds on the 6.2% increase of the NLW to £8.72 an hour that takes effect from this April, meaning the government is on track to meet its current target of 60% of median earnings by 2020. Since the NLW's introduction in 2016 real wages have grown fastest for the lowest paid full-time workers.

As people earn more, the government is committed to reducing taxes on their wages. The Budget confirms a tax cut for 31 million working people with the increase in the National Insurance contributions (NICs) thresholds for employees and the self-employed, saving the typical employee around £104 and a typical self-employed person around £78 in 2020-21. Taken together with increases to the NLW and to the Personal Allowance, an employee working full-time on the NLW anywhere in the UK will be over £5,200 better off compared to April 2010.

The government is investing a further £9.5 billion in the Affordable Homes Programme which in total will allocate £12.2 billion of grant funding from 2021-22 to support the creation of affordable homes across England.

The government is also helping people with the cost of living by freezing fuel duty for the tenth consecutive year, freezing all alcohol duties, applying a zero rate of VAT to e-publications, abolishing the tampon tax, and making it easier for parents of up to 500,000 school-age children to access Tax-Free Childcare.

The Budget confirms the end of the benefits freeze and continues the rollout of Universal Credit to support the most vulnerable in society, with extra help for parents of sick or premature babies, carers and victims of domestic violence.

The government will invest an additional £1 billion to remove unsafe cladding from residential buildings above 18 metres to ensure people feel safe in their homes.

The Budget also includes action to reduce rough sleeping, providing £643 million for accommodation and support services to help people off the streets.

Backing business

From the largest UK-headquartered multinationals to the smallest family-owned firm, businesses are the lifeblood of the UK economy. They have created 3 million new jobs since 2010, giving more people the chance to succeed in life and provide for their families.

The UK is one of the best places in the world to do business and the most attractive country for inward investment in Europe. The government is committed to unleashing businesses' potential, and the Budget supports the development of the high-tech, high-skill jobs of the future.

The government wants to ensure that the United Kingdom continues to be attractive to investment and remains a dynamic environment to start and grow a business. To cut the cost of taking on staff the government is increasing the NICs Employment Allowance to £4,000, benefiting 510,000 businesses. At 19% the UK's Corporation Tax rate remains the lowest in the G7 and G20. The government is reforming Entrepreneurs' Relief, while continuing to support the vast majority of entrepreneurs and increasing tax incentives for businesses investing in structures and buildings, and R&D.

The Budget also announces the launch of a fundamental review of business rates, due to report in the autumn.

The Budget will help businesses to take advantage of opportunities for the UK outside the EU, for example through new financial support for British exporters and by investing in additional business support for SMEs through Growth Hubs. The government will also extend the Start-Up Loans Programme to ensure would-be entrepreneurs can access the finance they need.

To ensure that the UK remains a dynamic and competitive regulatory environment, the government is launching a Reforming Regulation Initiative to collect ideas for regulatory reform, as well as implementing the recommendations of the Furman Review of digital competition, publishing further detail on the Financial Services Bill which will ensure that the UK maintains its world-leading regulatory standards and openness to international markets.

Investing in innovation

The UK's success in the global economy will be rooted in innovation and cutting-edge technology. By driving technological change, the government will create the high quality, highly paid jobs of the future, the Budget sets out plans to increase public R&D investment to £22 billion per year by 2024-25. The government will invest that money in the people, ideas and industries that will cement the UK's world-leading position in science and technologies ranging from nuclear fusion to electric vehicles and life sciences.

This landmark investment is the largest and fastest ever expansion in support of researchers and innovative businesses, taking direct support for R&D to 0.8% of GDP and placing the UK among the top quarter of OECD nations – ahead of the USA, Japan, France and China.

Achieving the government's ambitions on R&D will require investment from the private sector. To boost that investment the government will increase the rate of R&D tax credits and consult on widening the definition of qualifying expenditure to include data and cloud computing.

In life sciences, the government will provide the British Business Bank with additional resources to launch a dedicated £200 million investment programme which is expected to enable £600 million of investment, helping to ensure the UK remains a world leader in life sciences innovation.

Growing a greener economy

The UK has already cut carbon emissions by more than any other G7 country and in 2019 was the first major economy to legislate for a target of net zero greenhouse gas emissions by 2050. As the UK prepares to host this year's COP26 UN climate summit, the Budget announces a range of policies to reduce emissions, ensure our environment is protected and resilient to climate change, and generate green economic opportunities across the nations and regions of the UK.

Increasing the UK's use of clean energy is a vital part of reducing carbon emissions and putting the nation at the forefront of new innovative industries. The Budget announces a Carbon Capture and Storage (CCS) Infrastructure Fund to establish CCS in at least two UK sites, one by the mid-2020s, a second by 2030. To encourage more environmentally-friendly ways of heating homes and other buildings, the government will also introduce a Green Gas Levy to help fund the use of greener fuels, increase the Climate Change Levy that businesses pay on gas, and reopen and extend the Climate Change Agreement scheme by two years.

Road transport is responsible for 91% of domestic transport emissions, and around a fifth of overall UK emissions. To support drivers to move away from polluting vehicles, the Budget announces investment in electric vehicle charging infrastructure, which will ensure that drivers are never more than 30 miles from a rapid charging station, provides £532 million for consumer incentives for ultra-low emission vehicles, and reduces taxes on zero emission vehicles.

In addition, the government will promote air quality improvement by removing the entitlement to use red diesel except for agriculture, fish farming, rail and non-commercial heating. The government will tackle air pollution by providing £304 million to help local authorities reduce nitrogen dioxide emissions and improve air quality.

The government will also invest in the natural environment, planting enough trees to cover an area the size of Birmingham, restoring peatlands, and providing more funding to protect the UK’s unique plants and animals. The government will also go further to tackle the scourge of plastic waste by introducing a Plastic Packaging Tax, as well as providing further funding to encourage producers to make their packaging more recyclable.

Budget decisions

A summary of the fiscal impact of the Budget policy decisions is set out in Table 1. Chapter 2 provides further information on the fiscal impact of the Budget.

Table 1: Budget 2020 policy decisions (£ million)¹

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Total spending policy decisions	-355	-19,255	-40,185	-45,640	-48,780	-49,440
Total tax policy decisions	+960	+1,355	+3,755	+7,110	+7,625	+7,520
Total policy decisions	+605	-17,900	-36,430	-38,530	-41,150	-41,920

¹ Costings reflect the OBR’s latest economic and fiscal determinants.

Government spending and revenue

Chart 1 shows public spending by main function. Total Managed Expenditure (TME) is expected to be around £928 billion in 2020-2021.

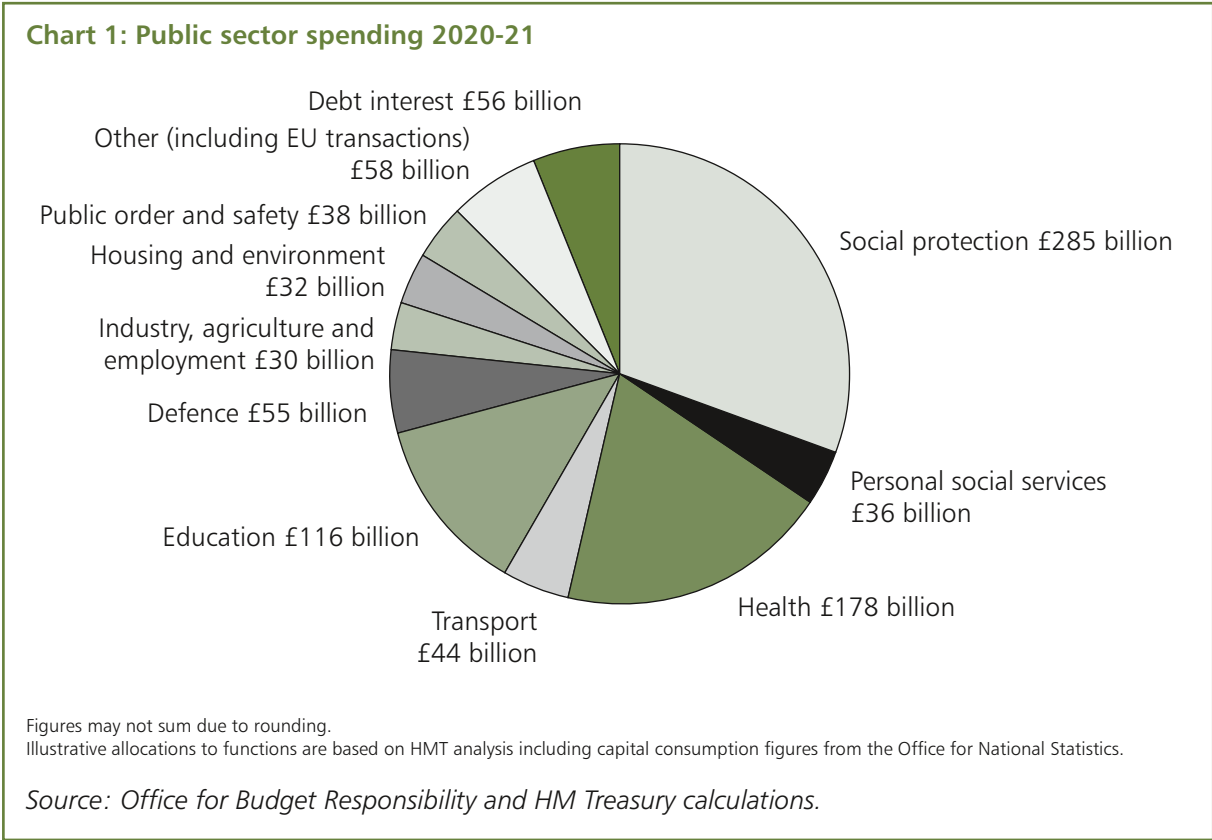
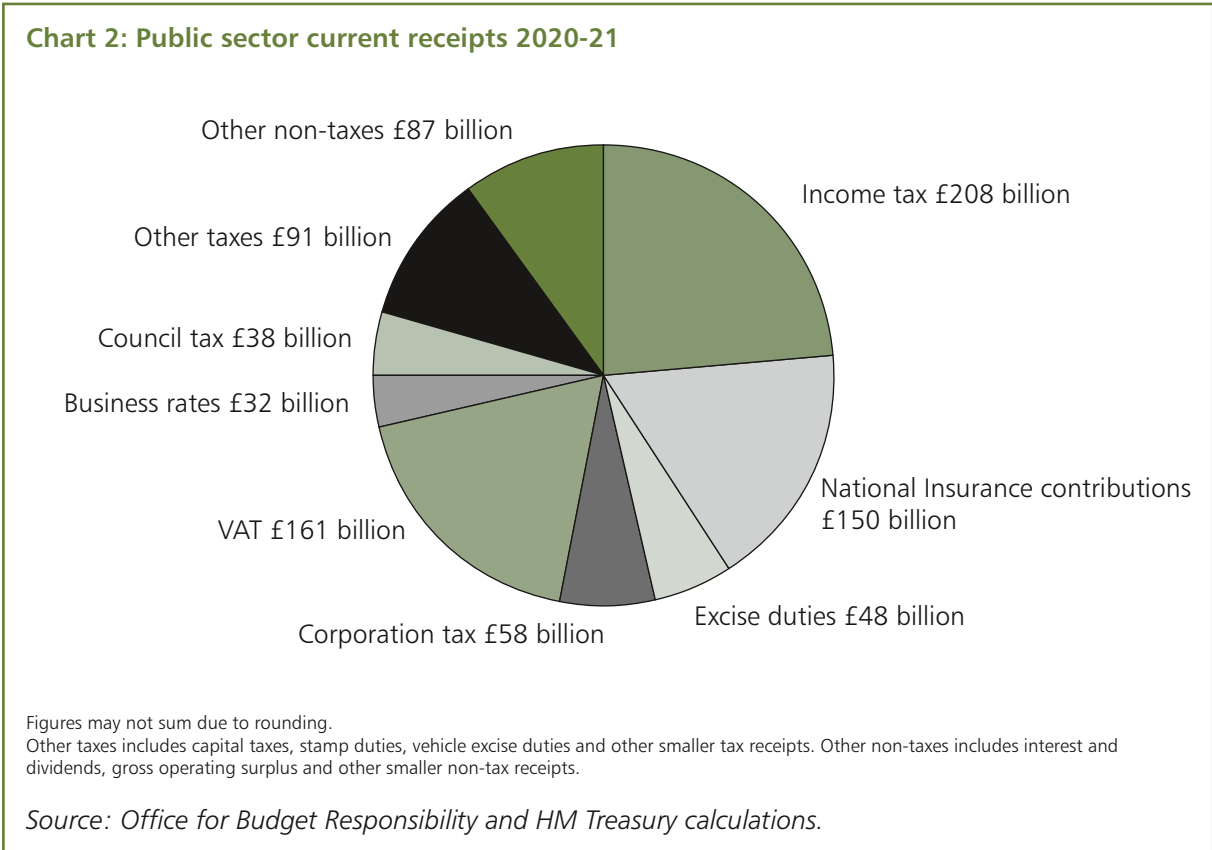


Chart 2 shows the different sources of government revenue. Public sector current receipts are expected to be about £873 billion in 2020-2021.



Budget Report

1

Budget Report

Economy and Public Finances

1.1 The UK economy has many strengths: a globally competitive tax system, some of the best universities in the world, is home to many highly innovative firms, and its economic prospects are underpinned by a strong macroeconomic framework. Since 2010, the economy has grown faster than France, Italy and Japan. Employment is at a record high and the unemployment rate is the joint-lowest since 1975. In common with other advanced economies, the UK faces economic challenges. In the near term, the outbreak of COVID-19 is expected to have a significant but temporary effect on the economic outlook. Productivity remains weak and is distributed unevenly across the country; and the transition to a net zero economy by 2050 will require radical changes in every sector.

1.2 The Budget announces a plan to support the economy over the short term in response to the COVID-19 outbreak. This includes measures to support public services, individuals and businesses.

1.3 The Budget builds on the UK's economic strengths and takes steps to address the UK's long-standing structural challenges. The government is committed to levelling up across the UK in order to raise productivity and growth in all nations and regions, creating opportunity for everyone and addressing disparities in economic and social outcomes.

1.4 Since 2010, the government has restored the public finances to health after inheriting debt that had nearly doubled in two years. The deficit has been reduced by four fifths from a post-war peak of 10.2%¹ of GDP in 2009-10 to 1.8% of GDP in 2018-19.

1.5 With historically low borrowing costs and the public finances in a more secure position, the government can now increase borrowing for investment without compromising fiscal sustainability. The Budget provides significant levels of funding for public services to meet the economic challenges and priorities of today, and to address the long-term challenge of low productivity growth.

1.6 This increase in spending, which provides the envelope for the upcoming CSR, has been delivered while meeting a set of fiscal rules that ensures the government is only borrowing to invest over the medium term, with the current budget in surplus, and that limits public sector net investment to an average of 3% of GDP, to keep control of borrowing and debt. To ensure the fiscal framework remains appropriate for the current macroeconomic environment HM Treasury will undertake a review over the summer and announce any changes by Autumn Budget 2020.

¹ Details of the sources of all numerical references, including National Statistics, used in this section can be found in 'Spring Budget 2020 data sources'.

Economic context

1.7 The OBR's economy forecast was closed for new data when the spread of COVID-19 was at a much earlier stage. As such, the OBR's forecast includes an estimate of the impact on global growth, based on the assumption that the spread of the virus would be relatively limited. The forecast does not reflect the now global spread of COVID-19 or an outbreak in the UK.

Global economy

1.8 The International Monetary Fund (IMF) estimates that the global economy grew by 2.9% in 2019, down from 3.6% in 2018, and the slowest growth since the financial crisis (Chart 1). The COVID-19 outbreak is expected to reduce global growth this year. The OBR forecasts that annual global GDP growth will be 3.0% in 2020, down from 3.6% in its Spring Statement 2019 forecast. This includes an assumption that the outbreak would be "relatively limited" and its impact on the forecast "largely confined to a modestly weaker outlook for growth in world trade and the UK's export markets." The OBR notes that, since closing its global forecast to new data, "it has become clear that the spread of coronavirus will be far wider than assumed in our baseline forecast, pointing to a deeper – and possibly more prolonged – slowdown."²

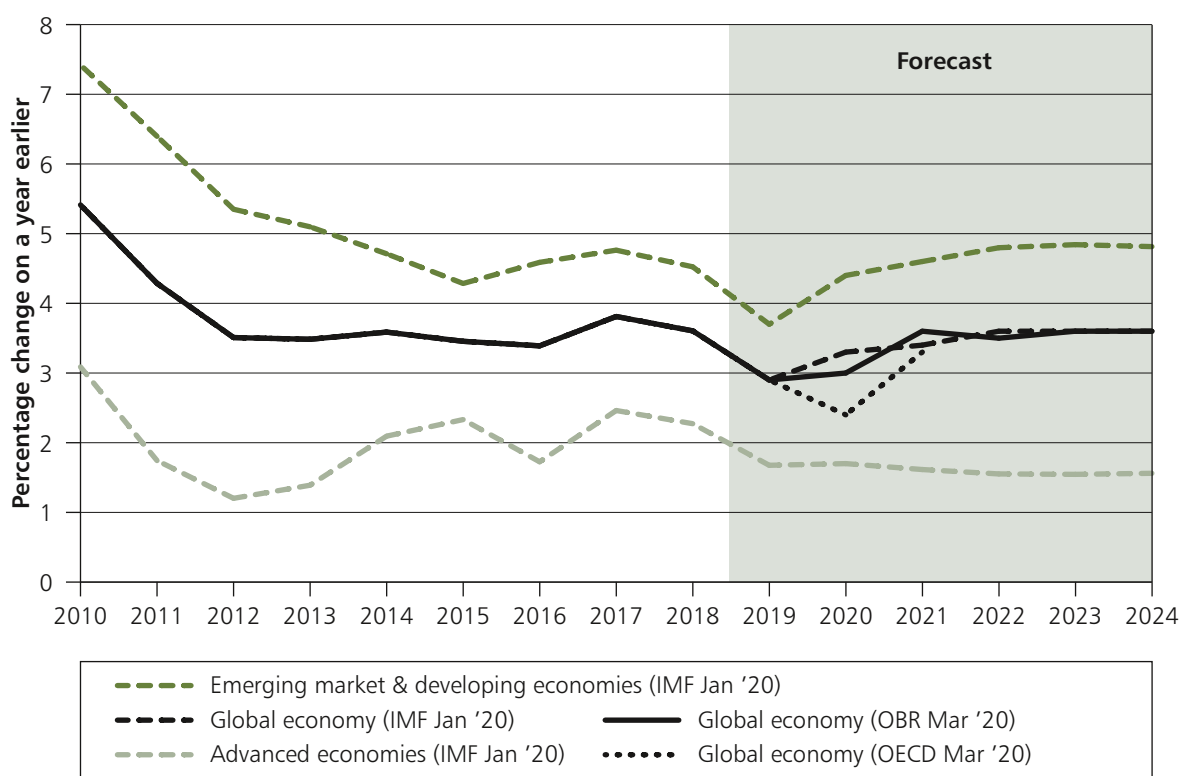
1.9 There have already been clear signs that activity in China, where the outbreak began, has slowed. In its most recent economic assessment published on 2 March 2020, the Organisation for Economic Co-operation and Development (OECD) downgraded its forecast for Chinese growth in 2020 by 0.8 percentage points, to 4.9%.

1.10 Highly integrated just-in-time manufacturing processes across the globe mean that disruption to Chinese output is likely to affect production globally. Lower Chinese growth will affect global demand. There will also be spillovers through financial markets and potential hits to business and consumer confidence.

1.11 The OECD has produced two scenarios. In the 'baseline' scenario it assumes the virus is contained largely in China and revised down expectations of global growth in 2020 from 2.9% to 2.4%. In a second scenario, assuming broader contagion, the OECD suggests that global growth could be reduced more significantly in 2020, to 1.5%.

² 'Economic and fiscal outlook', OBR, March 2020.

Chart 1.1: Global GDP growth



Source: International Monetary Fund; Office for Budget Responsibility; OECD, baseline scenario.

UK economy

1.12 The OBR closed its forecast before the spread of COVID-19 in the UK, noting that this means “the precise forecasts for the economy ... can no longer be regarded as central.”³ As an open economy, the UK will be affected because of the wider impacts the outbreak is having on the global economy. The OBR’s estimate of the impact on global growth, based on the spread of the virus being relatively limited, reduces UK GDP growth by 0.1 percentage points this year.

1.13 The impact of a wider spread outbreak of COVID-19 on the UK economy is highly uncertain. The drivers of any economic impact are health-related factors, including how many people get infected, the persistence of an outbreak and measures put in place to protect public health and prevent the spread. There will likely be significant, temporary disruption to the economy. Disruption could include temporary absences from work and interruptions to global supply chains, both of which would constrain the UK’s productive capacity for a temporary period. In addition, the economy could be affected by a reduction in consumer spending and lower business investment, largely reflecting the response to measures to contain the outbreak, and weaker demand for UK exports.

Growth

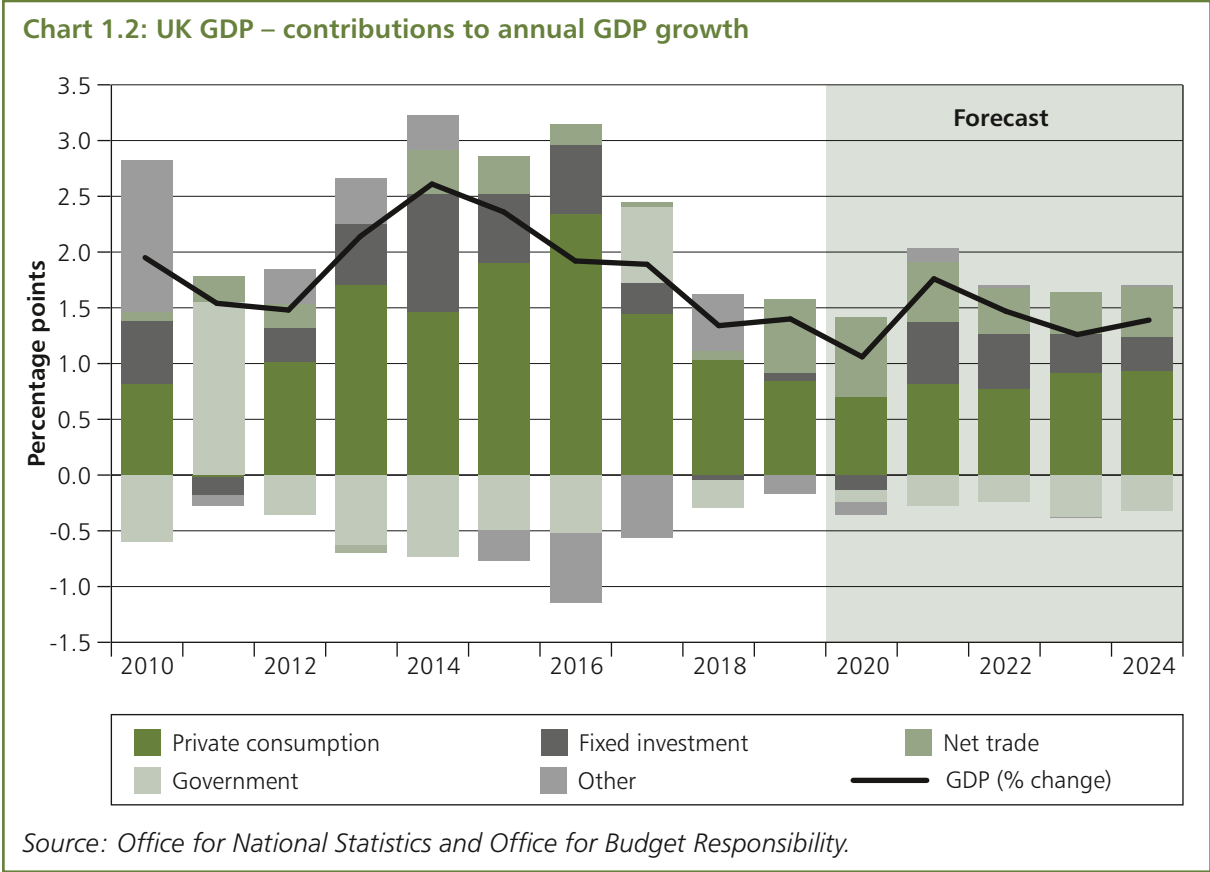
1.14 The Office for National Statistics (ONS) estimates that the UK economy grew by 1.4% in 2019, 0.1 percentage points higher than in 2018. Delays to the UK’s departure from the EU affected the profile of economic activity throughout 2019, leading to volatility in quarterly growth over the year.

1.15 Growth is distributed unevenly across the UK. England has historically had the highest GDP growth, averaging 2.2% between 1998 and 2018. Over the same period, Wales grew at an average rate of 1.7%, while Scotland and Northern Ireland both grew at an average rate

³ ‘Economic and fiscal outlook’, OBR, March 2020.

of 1.9%. Growth is also uneven at a regional level – London has seen the fastest growth of all regions, averaging 3.1% between 1998 and 2018, while the North East of England had an average growth rate of 1.5%, the slowest of all regions.

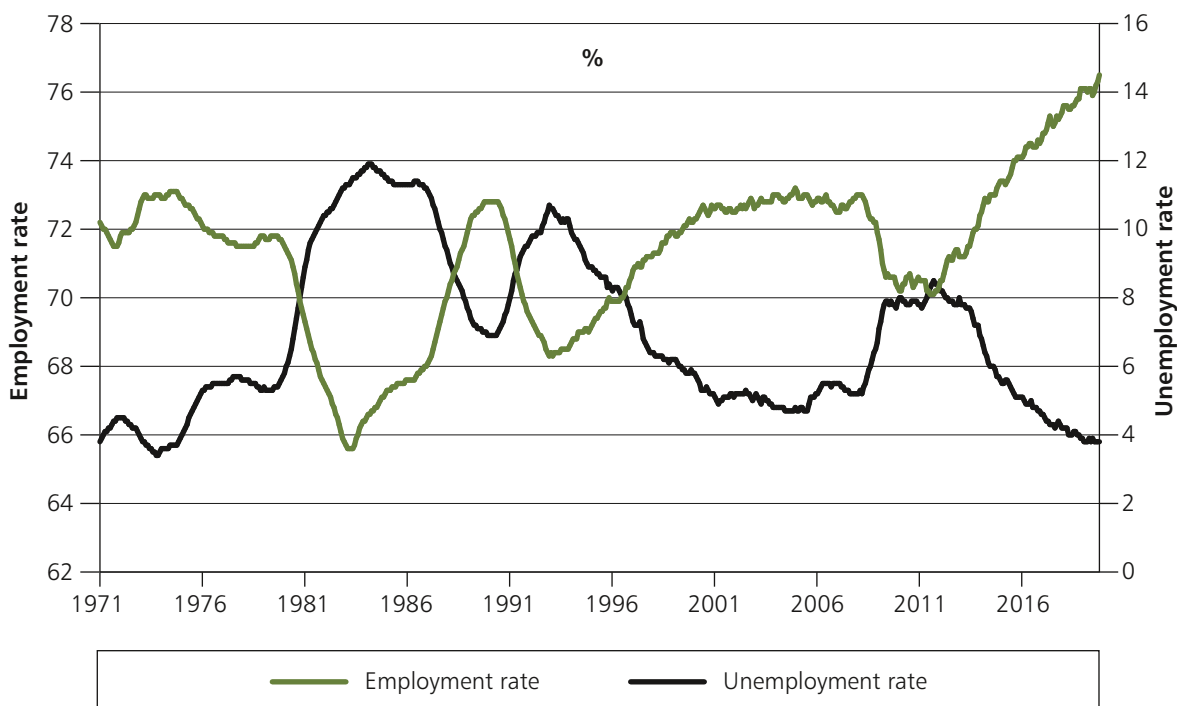
1.16 Over the forecast, the OBR has revised down its forecast for cumulative GDP growth by 0.5 percentage points, largely reflecting downward revisions to potential productivity and net migration. The OBR expects GDP growth of 1.1% in 2020, revised down from 1.4% in its Spring Statement 2019 forecast, with weaker contributions from both consumption and business investment growth. The OBR expects annual consumption growth to be 1.1% and for there to be no growth in business investment in 2020 (Chart 1.2). GDP growth is then expected to increase to 1.8% in 2021 before slowing slightly, reaching 1.4% in 2024.



The labour market and earnings

1.17 Employment is at a record high. The number of people aged 16 years and over in paid work was 32.8 million in 2019 and was at a record high of 32.9 million in the three months to December 2019. The employment rate – the proportion of people aged 16 to 64 who are in paid work – also reached a record high of 76.5% in the same period (Chart 1.3). The OBR expects the employment level to increase further over the forecast period, reaching 33.4 million in 2024.

Chart 1.3: UK employment and unemployment rates since 1971^{1,2}



¹ Employed people as a percentage of the population (aged 16-64).

² Unemployed people as a percentage of the economically active population (aged 16+).

Source: Office for National Statistics.

1.18 The unemployment rate – the proportion of the economically active population (those in work plus those seeking and available to work) who are unemployed – was 3.8% in the three months to December 2019, the joint-lowest in over 40 years. The OBR expects the annual unemployment rate to remain at 3.8% in 2020 and 2021, before rising to 4.1% by 2024.

1.19 Every nation and region of the UK has higher employment and lower unemployment than in 2010. Wales has seen the largest reduction in its unemployment rate since 2010, of 5.6 percentage points. There are 3.9 million more people in work than in 2010, with over 60% of the increase taking place in UK nations and regions outside London and the South East. Table 1.1 gives national and regional labour market statistics for the three months to December 2019.

1.20 Earnings growth remains above inflation. Nominal wage growth (including bonuses) and regular nominal wage growth (excluding bonuses) were 2.9% and 3.2% respectively in the final quarter of 2019. Over the same period, real total pay growth was 1.4% and real regular pay growth was 1.8%. The OBR forecasts average earnings to grow by 3.3% in 2020 and rise to 3.6% in 2021.⁴ It then expects growth to fall back to 3.1% by 2024.

1.21 Rising real wages have helped to support the growth of real household disposable income (RHDI) per head, a measure of living standards. RHDI per head grew by 0.3% in the year to Q3 2019, down from 1.0% in the year to Q2 2019. The OBR expects annual growth in RHDI per head of 0.6% in 2020, before reaching 1.1% by 2024.⁵

⁴ The OBR uses wages and salaries divided by employees to estimate wage growth, and so this will not necessarily correspond to the ONS headline Average Weekly Earnings measure.

⁵ The OBR's measure of RHDI per head differs from the ONS's by including households and non-profit institutions serving households (NPISH) in the calculations, whereas the ONS measure refers to households only.

Table 1.1: National and regional employment and unemployment rates (3 months to December 2019)

	Employment rate		Unemployment rate	
	Actual ¹	Difference from UK average ³	Actual ²	Difference from UK average ³
North East	71.1	-5.4	6.1	2.3
North West	75.9	-0.6	4.2	0.4
Yorkshire & the Humber	73.3	-3.2	4.5	0.7
East Midlands	78.4	1.9	3.6	-0.2
West Midlands	75.5	-1.0	4.4	0.6
East of England	78.6	2.1	3.3	-0.5
London	75.5	-1.0	4.3	0.5
South East	80.0	3.5	3.1	-0.7
South West	80.1	3.6	2.8	-1.0
Wales	74.4	-2.1	2.9	-0.9
Scotland	75.0	-1.5	3.5	-0.3
Northern Ireland	72.4	-4.1	2.4	-1.4
United Kingdom	76.5	0.0	3.8	0.0

¹ Employed people as a percentage of the population (aged 16-64).

² Unemployed people as a percentage of the economically active population (aged 16+).

³ Percentage points.

Source: Office for National Statistics.

Productivity

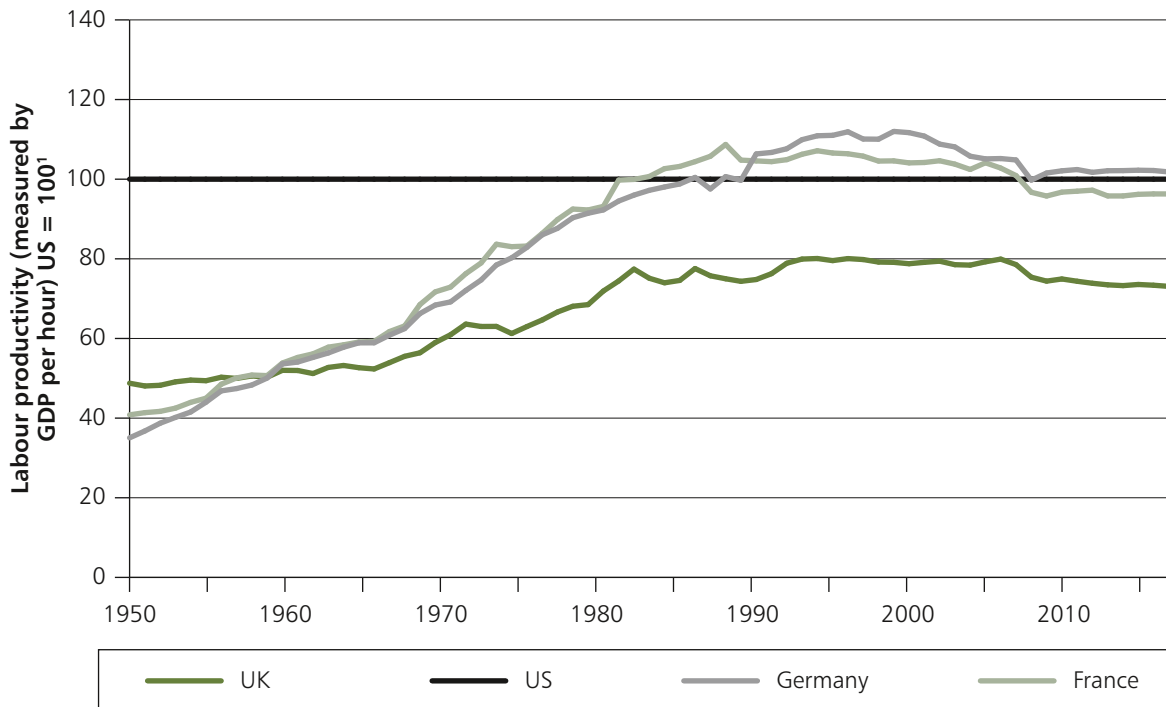
1.22 UK labour productivity (measured as output per hour) did not grow at all in 2019, following subdued growth of 0.5% in 2018. This weakness has partly contributed to the OBR's judgement to revise down potential productivity growth – the underlying rate that determines how quickly productivity can grow sustainably – by an average of 0.1 percentage points per year across the forecast.⁶ The OBR does note that “the significant planned increase in public investment potentially boosts productivity by raising the public capital stock, but we have assumed that the effect is likely to be felt mainly beyond our forecast horizon.”⁷

1.23 The UK's level of productivity has been lower than that of other advanced economies since the 1960s. The UK's level of productivity is more than 20% lower than other major advanced economies such as the US, France and Germany (Chart 1.4). In addition, UK productivity growth has slowed more since the financial crisis than other advanced economies. UK productivity growth has averaged 0.3% since 2008, slowing from 2.3% in the decade prior. By comparison, growth across the G7 has averaged 0.8% since 2008, compared to 1.9% in the decade prior.

⁶ The OBR's productivity growth forecast is based on Non-North Sea Gross Value Added (GVA) per hour, which is different from the ONS productivity growth measure.

⁷ 'Economic and fiscal outlook', OBR, March 2020.

Chart 1.4: Comparison of productivity levels relative to US



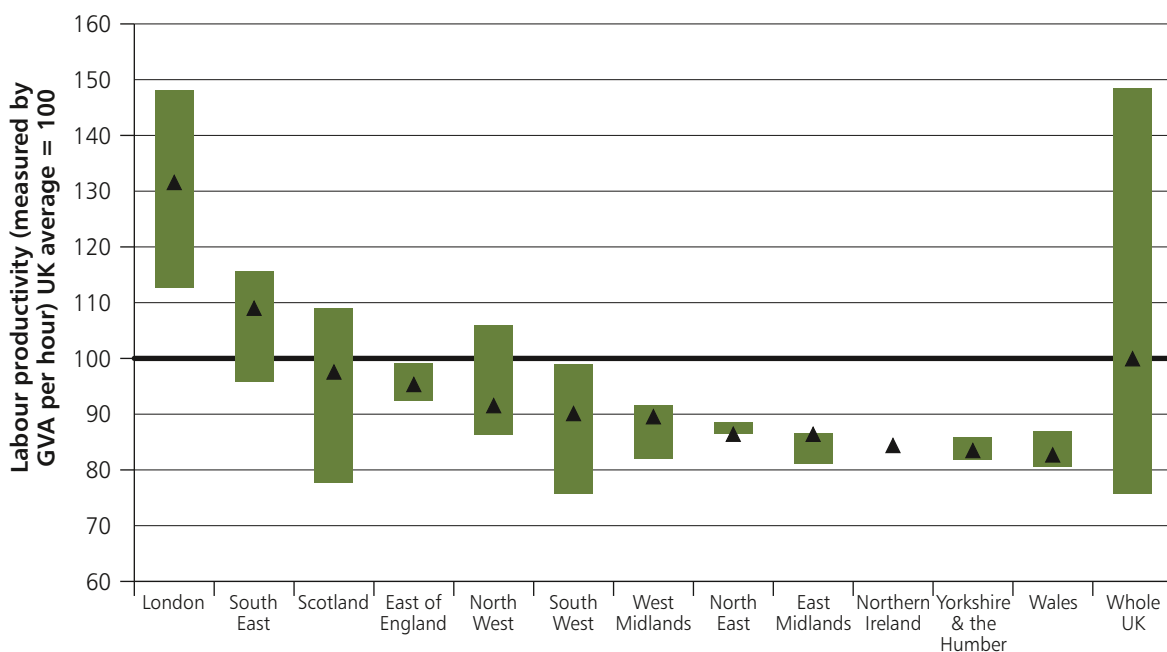
¹ 2010 US\$ on a Purchasing Power Parity basis.

Source: Data drawn from Bergeaud, Cette and Lecat (2016).

1.24 There is wide variation in productivity within the UK. As measured by output per hour, the only two areas with average levels of productivity above the UK average in 2018 were London (31.6% higher than the UK average) and the South East (9.1% higher than average). Productivity can vary significantly within each of the nations and regions as well as between them (Chart 1.5).

1.25 In the long term, higher productivity remains the only path to sustainable economic growth and rising living standards. Investing in skills and infrastructure to improve productivity across the UK permits growth by enabling firms to pay higher wages, offer goods and services at lower prices, and increase their profits. Productivity improvements, by enhancing economic growth, are also a fundamental source of long-run growth in tax receipts and the government’s ability to fund public services. A low average level of productivity – as well as significant variation between and within regions – are signs of untapped economic potential. The government is committed to levelling up investment across nations and regions to improve living standards nationally, as well as to address disparities in economic and social outcomes.

Chart 1.5: Spread of productivity across the UK, 2018^{1,2,3,4}



¹ Estimates are provided for Gross Value Added (GVA) of all NUTS1 areas in the UK – defined as major socio-economic regions that typically have populations of 3 to 7 million. (NUTS = Nomenclature of Territorial Units for Statistics).
² The ranges show the minimum and the maximum level of nominal productivity within each NUTS1 region, using estimates of the productivity of NUTS2 areas within them. NUTS2 areas are smaller and typically have populations of 0.8 to 3 million.
³ Triangles represent the average productivity for each NUTS1 region.
⁴ The ONS do not publish GVA per hour for subregional breakdowns in Northern Ireland.

Source: Office for National Statistics.

Prices

1.26 The annual rate of Consumer Prices Index (CPI) inflation was 1.8% in 2019, down from 2.5% in 2018. Inflation fell through much of 2019, reaching 1.4% in the final quarter of the year, before increasing to 1.8% in January 2020. The ONS’s headline measure of inflation, the Consumer Prices Index including owner occupiers’ housing costs (CPIH), was also 1.8% in January 2020.⁸ The OBR forecasts CPI inflation to be 1.4% in 2020, gradually rising to 2.1% in 2022 and 2023, and settling at 2.0% by 2024.

1.27 Alongside the Budget, the government and UK Statistics Authority (UKSA) are launching a consultation, announced on 4 September 2019,⁹ on UKSA’s proposal to address the shortcomings of the Retail Prices Index (RPI) measure of inflation. The consultation will cover, among other things, the issue of timing, including whether the UKSA’s proposal might be implemented at a date other than 2030, and if so, when between 2025 and 2030, and issues on technical matters concerning the implementation of its proposal. The consultation will be open for a period of six weeks, closing on 22 April 2020. The government and UKSA will respond to the consultation before the Parliamentary summer recess.

Current Account

1.28 The current account measures the flow of goods, services, income and transfers between the UK and the rest of the world. In 2018, the current account balance widened to a deficit of 3.9% of GDP from 3.5% in 2017. This was driven by a widening of both the trade and income deficits. The current account deficit averaged 4.7% of GDP in the first three quarters of 2019. The OBR expects the current account deficit for the whole of 2020 to be 3.8%. It is then forecast to remain close to 4.0% of GDP throughout the forecast period.

⁸ CPIH extends CPI to include costs associated with owning, maintaining and living in one’s own home as well as council tax.

⁹ ‘Letter from the Chancellor of the Exchequer’, HM Treasury, September 2019.

Monetary Policy

1.29 The Monetary Policy Committee (MPC) of the Bank of England has operational independence to set monetary policy to meet its primary objective of price stability and, subject to that, to support the economic policy of the government, including its objectives for growth and employment.

1.30 Independent monetary policy is a critical element of the UK's macroeconomic framework, alongside sustainable public finances and a resilient financial system. Low and stable inflation supports living standards and provides certainty for households and businesses, helping them make decisions about saving, investment and spending.

1.31 The Chancellor is responsible for setting the MPC's remit. In the Budget, the Chancellor reaffirms the symmetric inflation target of 2% for the 12-month increase in the CPI measure of inflation. This target applies at all times.¹⁰ The Chancellor also confirms that the Asset Purchase Facility (APF) will remain in place for the financial year 2020-21.

Table 1.2: Summary of the OBR's central economic forecast (percentage change on year earlier, unless otherwise stated)¹

	Forecast					
	2019	2020	2021	2022	2023	2024
GDP growth	1.4	1.1	1.8	1.5	1.3	1.4
GDP growth per capita	0.8	0.5	1.3	1.1	0.9	1.1
Main components of GDP						
Household consumption ²	1.3	1.1	1.2	1.2	1.4	1.4
General government consumption	3.6	3.7	2.8	2.1	1.9	2.2
Fixed investment	0.4	-0.8	3.4	2.9	2.0	1.8
Business investment	0.3	0.0	1.8	3.0	2.4	2.3
General government	2.1	1.9	10.9	4.6	1.8	1.2
Private dwellings ³	-0.3	-4.2	1.5	1.6	1.3	1.2
Change in inventories ⁴	0.1	-0.1	0.1	0.0	0.0	0.0
Net trade ⁴	0.0	-0.1	-0.3	-0.2	-0.4	-0.3
CPI inflation	1.8	1.4	1.8	2.1	2.1	2.0
Employment (millions)	32.8	33.0	33.1	33.2	33.3	33.4
Unemployment (% rate)	3.8	3.8	3.8	3.9	4.0	4.1
Productivity per hour	0.0	0.9	1.2	1.2	1.1	1.2

¹ All figures in this table are rounded to the nearest decimal place. This is not intended to convey a degree of unwarranted accuracy. Components may not sum to total due to rounding and the statistical discrepancy.

² Includes households and non-profit institutions serving households.

³ Includes transfer costs of non-produced assets.

⁴ Contribution to GDP growth, percentage points.

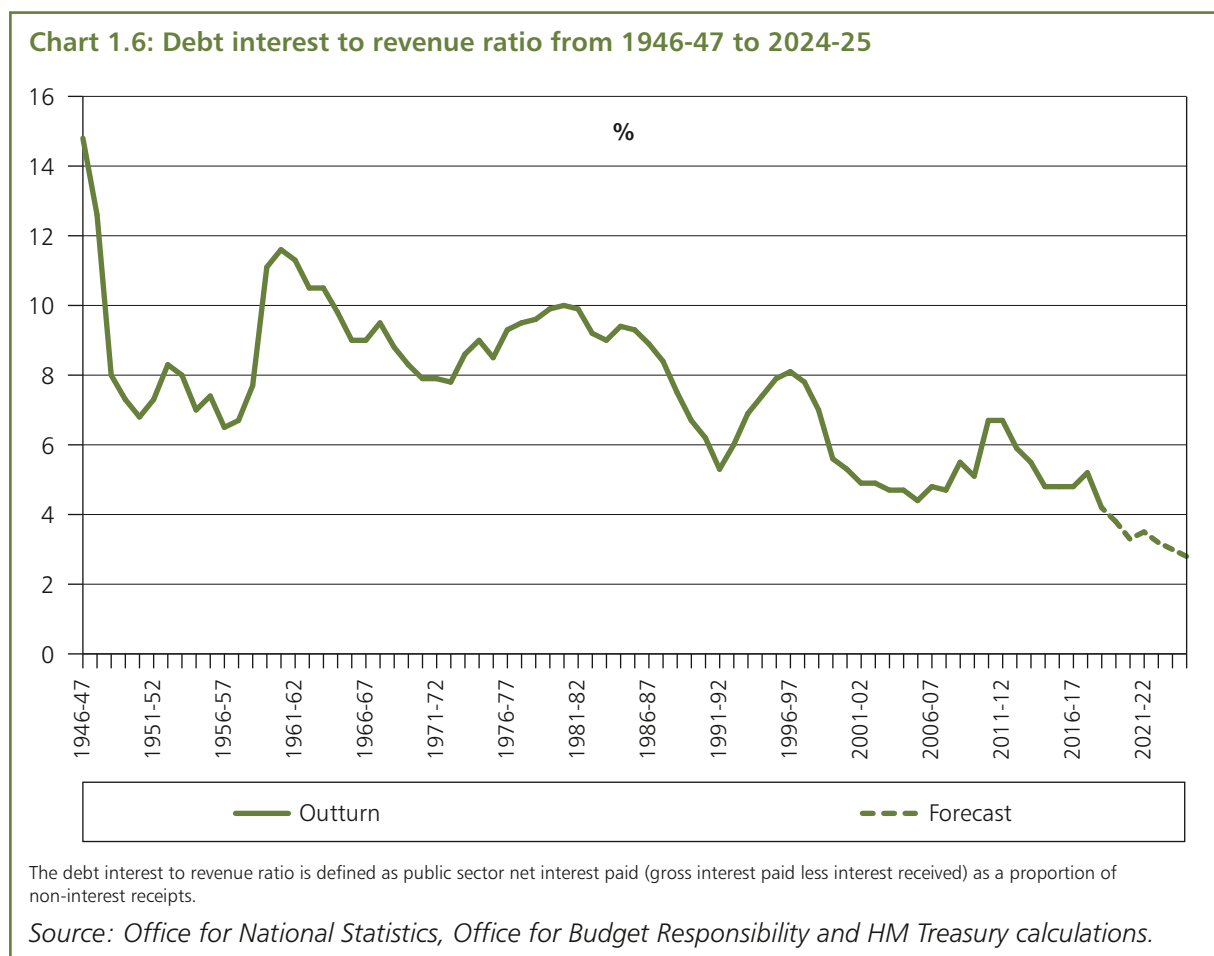
Source: Office for National Statistics and Office for Budget Responsibility.

¹⁰ 'Monetary policy remit: Budget 2020', HM Treasury, March 2020.

Public finances

1.32 Since 2010, the government has restored the public finances to health after inheriting a deficit at a post-war high and debt that had nearly doubled in two years. The deficit has been reduced by four-fifths from a peak of 10.2% of GDP in 2009-10 to 1.8% of GDP in 2018-19.¹¹ As Chart 1.6 and 1.7 show the cost of government debt as a share of government revenues is now at a post-war low, due to historically low interest rates on government borrowing.

1.33 With low borrowing costs and the public finances in a more secure position, the government can support the economy and fund the response to COVID-19 in the short-term and take action over the medium-term to drive growth and improve public services, without compromising fiscal sustainability. In addition to short-term support for the COVID-19 response, the Budget provides for a significant medium-term increase in day-to-day spending on public services. With historically low borrowing costs, it is right that the government borrows to invest in the country's future and address challenges. The government is therefore borrowing to fund a new set of growth-enhancing policies focused on delivering a step-change in infrastructure investment, which aims to raise the UK's productivity growth in the long-run.



¹¹ Public Sector Finances, UK: January 2020; Office for National Statistics; February 2020.

Chart 1.7: Historical quarterly 10-year gilt yields from 1989 to 2019



Benchmark 10-year Treasury gilt yield from 1989 to year end 2019.

Source: Bloomberg.

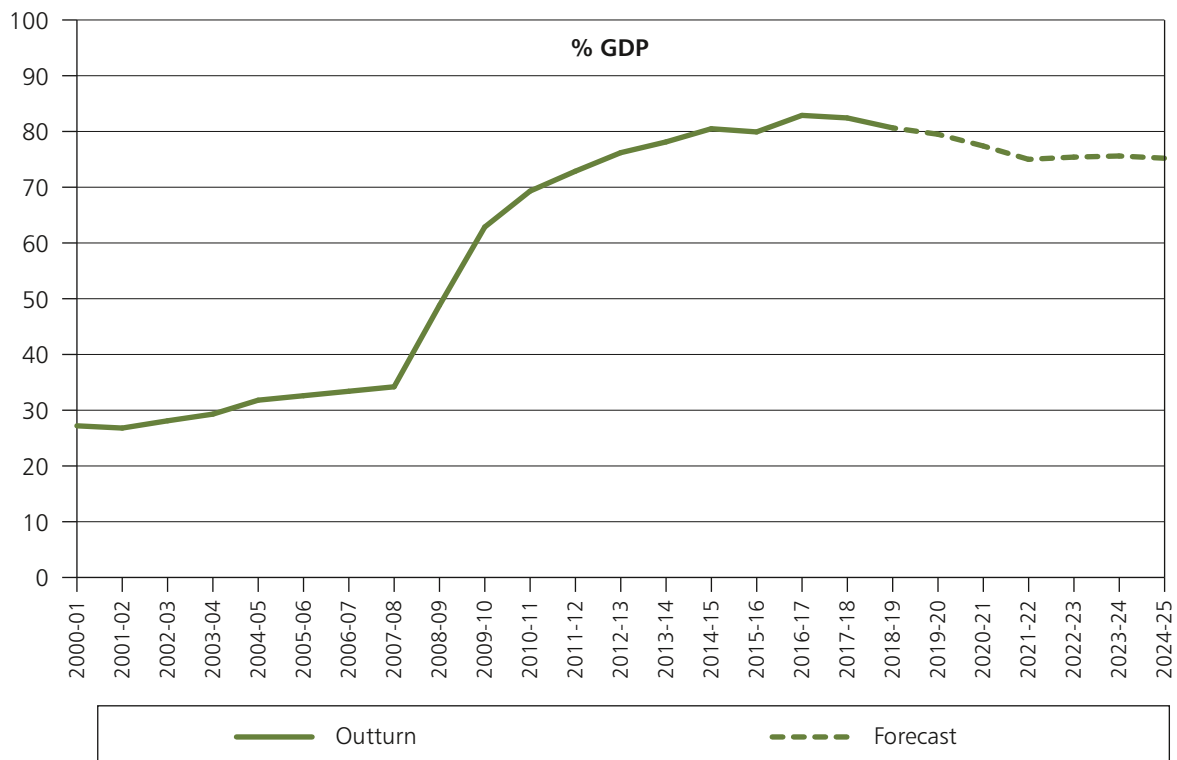
The fiscal framework

1.34 This Budget has been delivered to meet the following fiscal rules:

- to have the current budget at least in balance by the third year of the rolling five-year forecast period
- to ensure that public sector net investment (PSNI) does not exceed 3% of GDP on average over the rolling five-year forecast period
- if the debt interest to revenue ratio is forecast to remain over 6% for a sustained period, the government will take action to ensure the debt-to-GDP ratio is falling

1.35 The Budget also sets the spending envelope for the upcoming CSR within these rules, which allow for significant investment in growth-enhancing infrastructure while maintaining control of day-to-day spending. They allow policy to meet the economic demands of today while ensuring that borrowing and debt remain under control. Chart 1.8 shows that public sector net debt has stabilised after the sharp rise driven by the financial crisis and is expected to be broadly stable across the forecast period. The rules also provide the flexibility to respond fully to near-term shocks to the economy and public finances such as from COVID-19.

Chart 1.8: Public sector net debt from 2000-01 to 2024-25



Source: Office for National Statistics and Office for Budget Responsibility.

1.36 Interest rates are expected to remain at very low levels for an extended period. This has prompted an international debate around the implications of this environment for fiscal sustainability and the role of fiscal policy. In this context, the Chancellor has announced that HM Treasury will conduct a review of the UK’s fiscal framework, to:

- ensure that it remains appropriate for the current macroeconomic environment
- support the ambitious new policy agenda of the government to invest in and level up every part of the country
- keep the United Kingdom at the leading edge of international best practice in macroeconomic policy

1.37 The review will report back by Autumn Budget 2020, to allow the government to confirm its fiscal objectives for the Parliament. It will be undertaken by HM Treasury and will involve broad consultation with external experts from across the UK and internationally. The review will be guided by the following principles:

- fiscal policy should support the government’s economic objectives, while maintaining the sustainability of the public finances by keeping control over borrowing and debt
- low and stable inflation should be supported, as an essential pre-requisite to deliver the government’s economic objectives
- the UK’s existing institutional strengths in fiscal policy making – the independent Office for National Statistics (ONS) producing official economic and fiscal statistics, and the independent OBR producing the official economic and fiscal forecasts and assessing the government’s performance against its fiscal objectives – should be preserved and built on

1.38 The review will consider the following areas:

- **The low interest rate environment:** It has been argued that, given persistently very low interest rates, there is further fiscal space to borrow for investment. This needs to be weighed against the risks posed by high levels of public debt, for example from rapid changes in economic conditions and from longer-term fiscal pressures. The review will look at how to balance the opportunities and risks within the fiscal framework.
- **Macroeconomic stabilisation:** The review will consider the case for a more active role for fiscal policy in stabilising the economy, especially if there is reduced space for monetary policy due to low interest rates. This will be judged alongside consideration of the extent to which active fiscal policy can provide timely and effective demand management, and the implications for wider policy objectives and fiscal sustainability. The review will look at how to reflect these trade-offs within the fiscal framework.
- **Incentives for value for money prioritisation:** The fiscal framework should support the prioritisation of public investments which most enhance growth. The review will consider whether some well-evidenced spending, beyond what the current international frameworks class as capital investment, is currently disincentivised. This will include an assessment of the practical challenges in evolving the framework: including measurement issues, consistency with internationally recognised statistical and accounting frameworks, how other countries have approached these issues, and the need to balance fiscal sustainability objectives.
- **Developments in the management and measurement of the balance sheet:** Completion of HM Treasury's Balance Sheet Review discussed in Box 1.A in the summer provides an opportunity to consider its conclusions and options to improve the management of loans, guarantees, contingent liabilities, and wider balance sheet transactions. The review will also consider the strengths and limitations of using broader balance sheet measures to assess fiscal sustainability.
- **Mitigating fiscal risks and pressures:** The review will consider how to further support the effective management of fiscal pressures and risks, through a framework which can provide operationally-effective controls on the short and medium-term fiscal position, and can address and mitigate the challenge of longer-run pressures on fiscal sustainability, including from the ageing population and the actions needed to achieve net zero by 2050.
- **Building on the strength of the UK's world class institutions:** The review will consider options to support and strengthen the practices and institutions that deliver the UK's fiscal framework, including the independent OBR and ONS, and advisory bodies such as the National Infrastructure Commission. The review will also consider the case for strengthening the legislative underpinning for the UK's system of public financial management.

1.39 When the review is concluded, HM Treasury will lay before Parliament a new Charter for Budget Responsibility; the Autumn 2016 Charter therefore remains in force at the current time.¹² The Budget has been delivered within the fiscal rules set out above in paragraph 1.34. The Chancellor wrote to the OBR ahead of the Budget to ask it to assess the government against these rules, in addition to those set out in the Autumn 2016 Charter.¹³

¹² [Charter for Budget Responsibility: autumn 2016 update](#); HM Treasury, January 2017.

¹³ [ibid.](#)

Box 1.A: Balance Sheet Review

The government manages assets worth £2 trillion alongside £4.6 trillion of liabilities on behalf of citizens.¹⁴ The Balance Sheet Review (BSR) was launched in 2017 to identify opportunities to dispose of assets that no longer serve a policy purpose, improve returns on retained assets, and reduce the risk and cost of liabilities. This work aims to put the UK at the forefront of the international drive to reduce waste and deliver improvements in the cost-effective management of public wealth, as recognised by the IMF in its October 2018 Fiscal Monitor. The BSR will conclude and report at this year's Comprehensive Spending Review.

Strengthening the assessment of balance sheet transactions

The BSR has highlighted the importance of considering the impacts on the government's balance sheet, as well as on income flows over the longer term, when deciding to buy or sell assets and settle or incur liabilities. The government is therefore considering a new framework to evaluate the case for proceeding with significant balance sheet transactions. This will take into account impacts across a range of fiscal metrics, including Public Sector Net Debt (PSND), Public Sector Net Financial Liabilities (PSNFL) and Public Sector Net Worth (PSNW). The government will work with the ONS and OBR to further develop statistics and forecasts for PSNW and depreciation in the public sector finances, as well as assessing how these reconcile with the Whole of Government Accounts (WGA). This will inform the fiscal framework review set out in paragraphs 1.36 to 1.39.

Managing risk from contingent liabilities

The government is exposed to £192 billion of contingent liabilities, including guarantees and insurance provided to the private sector.¹⁵ The BSR has developed proposals to improve the management of these liabilities and address a key balance sheet risk recognised by the OBR in its July 2019 Fiscal Risk Report.¹⁶ The government is publishing a report alongside Budget: 'Government as insurer of last resort' providing more detail on the policy approach.

Knowledge assets

To improve social, economic and financial returns from its c.£150 billion¹⁷ of knowledge assets in the public sector, and following publication of a report at Budget 2018,¹⁸ the government will establish a new unit and fund to develop knowledge assets.

The fiscal outlook

1.40 Borrowing this year is forecast to be £47.4 billion, £0.2 billion lower than the OBR's restated March 2019 forecast. Underlying receipts are forecast to be £4.9 billion higher, driven by a combination of stronger National Insurance contributions (NICs), capital gains tax and onshore corporation tax receipts. The strength in receipts is offset by higher spending, which is forecast to be £5.3 billion higher and is largely due to an increase in local and public corporations' capital expenditure, an increase in company tax credits and lower than expected underspends by government departments. Policy decisions made by the government at Spending Round 2019 and at Budget, and described in Chapter 2, decrease borrowing by £0.6 billion in 2019-20.¹⁹

¹⁴ 'Whole of Government Accounts 2017 to 2018'; HM Treasury; May 2018.

¹⁵ *ibid.*

¹⁶ 'Fiscal Risks Report 2019'; Office for Budget Responsibility; July 2019.

¹⁷ 'Measuring Intangible Capital in the Public Sector'; SPINTAN; December 2016.

¹⁸ 'Getting smart about intellectual property and other intangibles in the public sector: Budget 2018'; HM Treasury; October 2018

¹⁹ 'Economic and fiscal outlook', OBR, March 2020.

1.41 Across the rest of the forecast, compared to the OBR's restated March 2019 forecast, the underlying forecast for borrowing is expected to be higher by £3.1 billion on average from 2020-21 onwards. The changes in the underlying fiscal outlook are due to a combination of the following factors:

- A downward revision to underlying receipts from 2020-21 onwards that is predominantly driven by downward revisions to growth in GDP and its components. Excluding a fiscally neutral switch that means that customs duty revenues previously remitted to the EU are now recognised in both receipts and spending, receipts are lower by an average of £3.0 billion a year from 2020-21 onwards. Lower wage growth, consumer spending and profits, and an adjustment to fuel efficiency assumptions have downward effects on income tax and NICs, VAT, corporation tax and fuel duty receipts respectively. Lower interest rates reduce the interest received from government assets.
- Underlying spending (excluding debt interest expenditure) is forecast to be higher in every year from 2020-21 onwards. Excluding the fiscally neutral change to the treatment of customs duties, non-interest spending is higher by an average of £7.4 billion. Higher expenditure on welfare, company tax credits, capital transfers associated with new student loans, and capital spending by local government are the main reasons for this increase.
- However, underlying debt interest expenditure has been revised down by £7.4 billion on average from 2020-21 onwards. This is due to downward revisions in the forecasts for RPI inflation and interest rates.

1.42 The most significant changes to the forecast since restated March 2019 are the decisions taken by the government in the Budget and described in Chapter 2, which increase borrowing across the forecast. On average they increase borrowing by £21 billion from 2020-21 onwards. The direct cost of the measures is partly offset by the positive short-term impact on the fiscal position of the higher economic growth that is generated as a result of the Budget package. Higher growth in the short term, and a medium-term increase in nominal GDP leads to increased tax revenues. This is partly offset by the effect of higher borrowing, interest rates and inflation which increase debt interest and welfare spending.

1.43 In the usual way, the OBR have incorporated Budget policy decisions (set out in Table 2.1) into their final post-measures forecast. The government has not asked the OBR to incorporate the fiscal and economic impacts of the government's plan to tackle the economic impact of COVID-19 into their final forecast. This reflects that the OBR's baseline forecast does not incorporate the most recent estimate of the likely economic and fiscal impacts of a spread of COVID-19 and to do so would have introduced an inconsistency between the baseline forecast and the policy package. Moreover, given the fast-developing situation, the government will continue to adapt its policy to best respond to the latest circumstances. The OBR has said that, relative to their Budget forecast, COVID-19 is likely to put upward pressure on borrowing in the short term but expect limited impact over the medium and longer term.

1.44 The government will therefore reflect the costs of its response to COVID-19 at a future fiscal event alongside an updated OBR forecast. The current fiscal framework provides the near-term flexibility to respond fully to the challenge of COVID-19, and the government has built headroom against the medium-term rules should it be needed.

Table 1.3: Changes to the OBR's forecast for public sector net borrowing since restated March 2019 forecast (£ billion)

	2019-20	2020-21	2021-22	2022-23	2023-24
Restated March 2019	47.6	40.2	37.6	35.4	33.3
Total underlying forecast changes since restated March 2019 ¹	0.4	2.3	5.1	3.6	1.5
<i>of which</i>					
Receipts forecast ²	-4.9	1.0	3.5	4.1	3.5
Debt interest forecast	-2.0	-6.7	-6.6	-7.7	-8.5
Other spending forecast ²	7.3	7.9	8.2	7.1	6.5
Total effect of government decisions since March 2019 ¹	-0.6	12.3	24.0	22.5	25.4
<i>of which</i>					
Direct effects	-0.6	15.6	31.1	32.2	33.8
Indirect effects	0.0	-3.3	-7.1	-9.7	-8.4
Total changes since restated March 2019	-0.2	14.6	29.1	26.0	26.9
Budget 2020	47.4	54.8	66.7	61.5	60.2

Figures may not sum due to rounding.

¹ Equivalent to lines from Table 1.3 of the OBR (March 2020) 'Economic and fiscal outlook'; full references available in 'Budget 2020 data sources'.

² Excludes a fiscally neutral change to the treatment of customs duty revenues previously remitted to the EU.

Source: Office for Budget Responsibility and HM Treasury calculations.

1.45 Compared to the restated March 2019 forecast, borrowing is lower in 2019-20, but higher in every other year of the forecast. It rises over the forecast period from 2.1% of GDP in 2019-20 to 2.8% of GDP in 2021-22, before falling to 2.2% in 2024-25.

Table 1.4: Overview of the OBR's borrowing forecast as a percentage of GDP

	Outturn		Forecast				
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Public sector net borrowing	1.8	2.1	2.4	2.8	2.5	2.4	2.2
Cyclically-adjusted public sector net borrowing	1.9	2.2	2.4	3.0	2.7	2.5	2.2
General government net borrowing ¹	1.8	2.2	2.5	3.1	2.6	2.4	2.4
<i>Memo: Output gap²</i>	<i>0.3</i>	<i>0.0</i>	<i>0.1</i>	<i>0.4</i>	<i>0.4</i>	<i>0.1</i>	<i>0.0</i>

¹ Consistent with Manual on Government Deficit and Debt, Eurostat, 2019.

² Output gap measured as a percentage of potential GDP.

Source: Office for National Statistics and Office for Budget Responsibility.

1.46 Compared with the restated March 2019 forecast, debt is lower in 2020-21, it is then higher in all the remaining years of the Budget forecast as a share of GDP, largely as a result of higher borrowing. Public sector net debt is expected to continue to fall over the forecast, from 79.5% in 2019-20, to a low of 75.0% in 2021-22 before rising slightly to 75.2% in 2024-25. Public sector net debt ex Bank of England is broadly stable across the forecast.

Table 1.5: Overview of the OBR's debt forecast as a percentage of GDP

	Outturn		Forecast				
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Public sector net debt ¹	80.6	79.5	77.4	75.0	75.4	75.6	75.2
Public sector net debt ex Bank of England ¹	72.3	71.9	71.9	72.3	72.9	73.1	72.9
Public sector net financial liabilities ¹	67.4	66.7	65.9	65.3	64.9	64.5	63.4
General government gross debt ²	84.1	83.2	82.9	83.2	83.3	83.3	83.0

¹ Debt and liabilities at end of March; GDP centred on end of March.

² Consistent with Manual on Government Deficit and Debt, Eurostat, 2019.

Source: Office for National Statistics and Office for Budget Responsibility.

Table 1.6: Changes to the OBR’s forecast for public sector net debt since restated March 2019 forecast as a percentage of GDP

	2019-20	2020-21	2021-22	2022-23	2023-24
Restated March 2019	81.3	78.2	74.3	73.6	72.7
Total forecast changes since restated March 2019 ¹	-1.8	-0.8	0.7	1.9	2.9
<i>of which</i>					
Change in nominal GDP ²	-1.0	-1.1	-1.2	-1.0	-0.9
Change in cash level of net debt	-0.8	0.4	1.9	2.9	3.8
Budget 2020	79.5	77.4	75.0	75.4	75.6

Figures may not sum due to rounding.

¹ Equivalent to lines from Table 3.34 of the OBR (March 2020) ‘Economic and fiscal outlook’; full references available in ‘Budget 2020 data sources’.

² Non-seasonally adjusted GDP centred end of March.

Source: Office for Budget Responsibility.

1.47 The OBR’s ‘Economic and Fiscal Outlook’ shows that the government is forecast to meet the fiscal rules set out above in paragraph 1.34. There is a current budget surplus of £11.7 billion in 2022-23, providing headroom against this rule. Net investment is expected to average 2.9% of GDP over 2020-21 to 2024-25 – below the 3% target – while the debt interest to revenue ratio remains below 6%.

Table 1.7: Metrics used for fiscal rules

	Forecast					
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Current budget deficit (% of GDP)	-0.1	-0.2	-0.1	-0.5	-0.7	-0.8
Public sector net investment (% of GDP)	2.2	2.6	2.9	3.0	3.0	3.0
Debt interest to revenue ratio ¹	3.8	3.3	3.5	3.3	3.1	2.9

¹ The debt interest to revenue ratio is defined as public sector net interest paid (gross interest paid less interest received) as a proportion of non-interest receipts.

Source: Office for Budget Responsibility.

Public spending

1.48 The government’s significant progress in restoring the public finances to health over the last decade means it can now afford to support the economy in the short term while investing to support long-term growth. The new fiscal framework allows for a significant increase in growth-enhancing infrastructure investment, while maintaining control of day-to-day spending and the commitment to long-term fiscal sustainability.

1.49 At Spending Round 2019, the government increased departmental spending by 4.1% in real terms between 2019-20 and 2020-21, delivering the fastest planned growth in day-to-day departmental spending in 15 years.²⁰ Spending Round 2019 funded vital public services: high-quality, readily accessible healthcare; schools and colleges that ensure every child receives a superb education; and action to cut crime and help keep our streets safe.

1.50 Individual budgets for all departments have been set until 2020-21 for both departmental capital totals (CDEL) and departmental resource totals (RDEL). Longer-term settlements have already been announced for the NHS and schools, which have confirmed budgets until 2023-24 and 2022-23 respectively.

²⁰ [Spending Round 2019](#); HM Treasury; September 2019.

Table 1.8: Departmental Capital Budgets in 2019-20 and 2020-21 (Capital DEL, in £ billion)

	2019-20	2020-21
Capital DEL		
Health and Social Care	7.1	8.2
Education	4.6	4.5
Home Office	0.7	0.8
Justice	0.5	0.7
Law Officers' Departments	0.0	0.0
Defence	10.5	10.6
Single Intelligence Account	0.6	0.8
Foreign and Commonwealth Office	0.1	0.1
International Development ¹	2.0	4.8
MHCLG Housing and Communities ²	8.4	13.1
MHCLG Local Government	0.0	0.0
Transport ³	14.6	17.6
Business, Energy and Industrial Strategy ⁴	11.2	12.3
Digital, Culture, Media and Sport	0.6	0.6
Environment, Food and Rural Affairs	0.8	0.9
International Trade	0.0	0.0
Work and Pensions	0.1	0.2
HM Revenue and Customs	0.3	0.4
HM Treasury	0.1	0.0
Cabinet Office	0.1	0.1
Scotland	4.4	5.5
Wales ⁵	2.3	2.4
Northern Ireland ⁶	1.4	1.7
Small and Independent Bodies	0.4	0.5
Reserves ⁷	0.0	3.4
Adjustment for Budget Exchange ⁸	0.0	-0.6
Total Capital DEL	71.1	88.5
<i>Remove CDEL not in PSGI⁹</i>	<i>-11.2</i>	<i>-13.3</i>
<i>Allowance for shortfall¹⁰</i>	<i>0.0</i>	<i>-3.9</i>
Public Sector Gross Investment in CDEL	59.9	71.2

¹ Figures for 2020-21 do not reflect all transfers which will be made from DfID to other government departments.

² MHCLG's CDEL budget in 2020-21 includes technical adjustments along with Budget announcements since Budget 2018.

³ DfT's CDEL budget in 2020-21 includes a net reduction due to business rates retention pilots.

⁴ BEIS and other government departments' CDEL budgets increased in 2020-21 to account for the reclassification of R&D in the National Accounts.

⁵ This includes the 5% needs-based Barnett formula uplift.

⁶ This includes the 2.5% VAT abatement.

⁷ 2020-21 adjusted to account for a change in the accounting treatment of leases. This money will be allocated to departments through the Estimates process.

⁸ Departmental budgets in 2020-21 include amounts carried forward from 2019-20 through Budget Exchange, which will be voted at Main Estimates. These increases will be offset at Supplementary Estimates in future years so are excluded from spending totals.

⁹ Capital DEL that does not form part of public sector gross investment, including financial transactions in Capital DEL.

¹⁰ The OBR's forecast of underspends in Capital DEL budgets.

Table 1.9: Departmental Resource Budgets in 2019-20 and 2020-21 (Resource DEL excluding depreciation, in £ billion)

	2019-20	2020-21
Resource DEL excluding depreciation¹		
Health and Social Care	133.3	139.8
<i>of which: NHS England</i>	123.7	129.9
Education	63.8	67.8
<i>of which: Schools</i>	44.4	47.6
Home Office	11.5	13.0
Justice	7.8	8.3
Law Officers' Departments	0.6	0.7
Defence	29.5	30.8
Single Intelligence Account	2.4	2.1
Foreign and Commonwealth Office ²	2.4	1.1
International Development ²	8.0	9.6
MHCLG Housing and Communities ³	2.6	1.7
MHCLG Local Government ³	5.2	8.2
Transport	3.8	4.2
Business, Energy and Industrial Strategy	2.5	2.5
Digital, Culture, Media and Sport	1.6	1.7
Environment, Food and Rural Affairs ⁴	2.1	3.9
International Trade	0.5	0.5
Work and Pensions	5.7	5.8
HM Revenue and Customs	4.0	3.9
HM Treasury	0.4	0.2
Cabinet Office	1.0	0.5
Scotland ⁵	16.9	21.1
Wales ^{5,6}	12.1	12.8
Northern Ireland ⁷	11.2	11.5
Small and Independent Bodies	1.5	2.2
Reserves	0.0	6.7
Adjustment for Budget Exchange ⁸	0.0	-0.1
Total Resource DEL excluding depreciation	330.4	360.6
<i>OBR allowance for shortfall⁹</i>	<i>-0.5</i>	<i>-3.2</i>
OBR resource DEL excluding depreciation forecast	329.9	357.3

¹ Resource DEL excluding depreciation is the Treasury's primary control total within resource budgets and the basis on which Spending Round settlements were made.

² Figures for 2020-21 do not reflect all transfers which will be made from DfID to FCO and other government departments.

³ MHCLG Housing and Communities DEL in 2020-21 excludes the New Homes Bonus, reflecting a transfer to Local Government (LG) DEL. LG DEL increase in 2020/21 is also driven by the ending of the 2019/20 75% Business Rates Retention pilots.

⁴ DEFRA's RDEL ex budget in 2020-21 increases due to the domestic replacement of Common Agricultural Policy spending.

⁵ Block grant adjustments have been agreed with the Scottish Government for tax and welfare devolution and with the Welsh Government for tax devolution as part of this respective fiscal framework.

⁶ This includes the 5% needs-based Barnett formula uplift.

⁷ This includes the 2.5% VAT abatement.

⁸ Departmental budgets in 2020-21 include amounts carried forward from 2019-20 through Budget Exchange, which will be voted at Main Estimates. These increases will be offset at Supplementary Estimates in future years so are excluded from spending totals.

⁹ The OBR's forecast of underspends in Resource DEL budgets.

The Spending Envelope and Comprehensive Spending Review 2020

1.51 The Budget marks the start of an ambitious programme of investment in communities across the country, many of whom feel left behind. The Budget launches the CSR, which will conclude in July.²¹

Path of Public Spending

The Comprehensive Spending Review envelope

1.52 The CSR will set Resource DEL budgets for three years to 2023-24 inclusive and Capital DEL funding for departments to 2024-25. The CSR will be delivered within the fiscal rules set out in paragraph 1.34. The Budget sets the overall spending envelope for resource and capital spending within which the CSR will be delivered. Total departmental spending is set to grow twice as fast as the economy over the CSR period. Day-to-day departmental spending is set to grow at the fastest rate over a spending review period since Spending Review 2004.

1.53 Having left the EU, from 2021 the UK will no longer contribute to the EU budget as a Member State, leaving only payments due as part of Financial Settlement obligations. The government has accounted for this when setting its spending plans, allowing it to determine how an additional £14.6 billion²² of spending by 2024-25 can be allocated to its domestic priorities, rather than be sent in contributions to the EU. The implementation period (IP) will end on 31 December 2020. The baseline scenario is that the UK will exit the IP at this time without a future relationship being agreed with the EU. HM Treasury will ensure that all necessary funding is made available to prepare for this outcome at the end of 2020.

Table 1.10: Total departmental budgets (Total DEL); Resource DEL excluding depreciation and Capital DEL from 2019-20 to 2024-25^{1,2,3} (£ billion, unless otherwise stated)

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	AARG 2019-20 to 2024-25 ^{4,5,6}
Total Resource DEL excluding depreciation	330.4	360.6	384.6	400.7	417.6	435.5	3.3%
OBR allowance for shortfall	-0.5	-3.2	-3.9	-4.1	-4.3	-4.4	
OBR resource DEL excluding depreciation forecast	329.9	357.3	380.8	396.6	413.3	431.1	
Total Capital DEL	71.1	88.5	101.7	107.5	109.1	112.8	6.9%
OBR allowance for shortfall	0.0	-3.9	-7.3	-7.8	-8.0	-8.1	
OBR capital DEL forecast	71.2	84.6	94.3	99.6	101.1	104.7	
Total departmental spending (Total DEL)	401.5	449.0	486.3	508.1	526.8	548.3	4.0%

¹ Budgeting totals are shown including the Office for Budget Responsibility (OBR) forecast Allowance for Shortfall.

² Resource DEL excluding ring-fenced depreciation is the Treasury's primary control within resource budgets and is the basis on which departmental Spending Review settlements are agreed. The OBR publishes Public Sector Current Expenditure (PSCE) in DEL and AME. A reconciliation is published by the OBR.

³ Capital DEL is the Treasury's primary control within capital budgets and is the basis on which departmental Spending Review settlements are agreed. The OBR publishes Public Sector Gross Investment (PSGI) in DEL and AME. A reconciliation is published by the OBR.

⁴ DEL in 2019-20 and 2020-21 is reduced by Business Rates Retention pilots that switched spending into AME. To ensure consistency, growth rates for Resource DEL and Capital DEL have been adjusted to reverse this DEL-AME switch.

⁵ Resource DEL from 2020-21 onwards is increased by the devolution of areas of welfare spending to the Scottish Government which has caused a decrease in the Block Grant Adjustment and subsequent increase in Resource DEL. To ensure consistency, growth rates for Resource DEL and Capital DEL have been adjusted to reverse this switch.

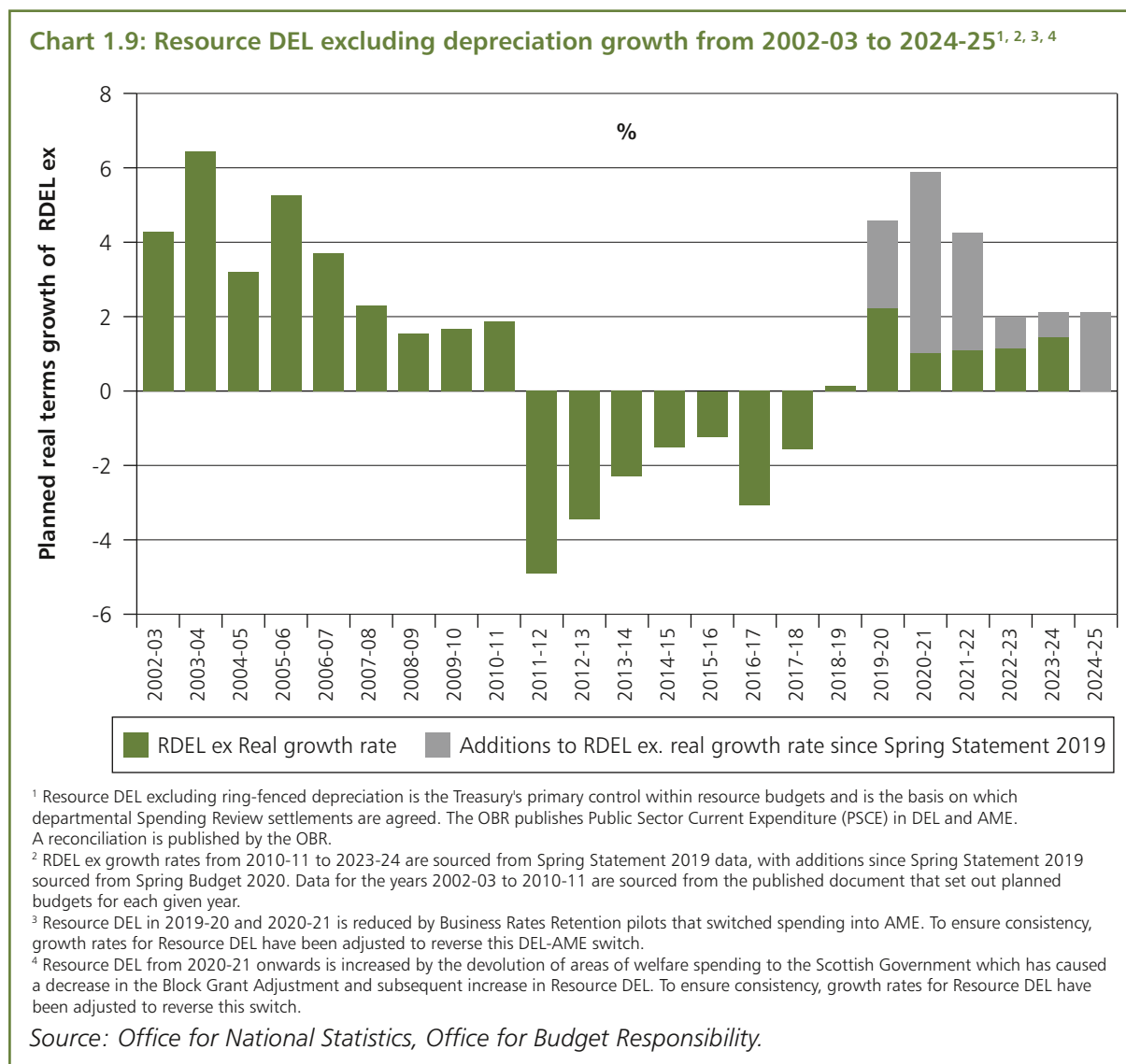
⁶ Capital DEL from 2020-21 onwards includes a provision for the impact of the IFRS16 reclassification of leases on departmental capital budgets. To ensure consistency, growth rates have been adjusted to reverse this provision.

²¹ The government will keep the timing of the CSR under review in the coming weeks, given the inherent uncertainty over the operational impact of COVID-19.

²² The OBR have removed the assumed spending in lieu of EU transfers from the forecast. This is a difference of £4.3 billion, increasing to £14.6 billion by the end of the forecast period.

Resource

1.54 The CSR will see an increase in day-to-day spending from £360.6 billion in 2020-21 to £417.6 billion by 2023-24. Overall Resource DEL spending will increase by 2.8% per year on average in real terms over the CSR period. Over the Parliament, it will grow by 3.3% on average in real terms. Chart 1.9 shows the real terms growth in day-to-day departmental spending over the forecast period.



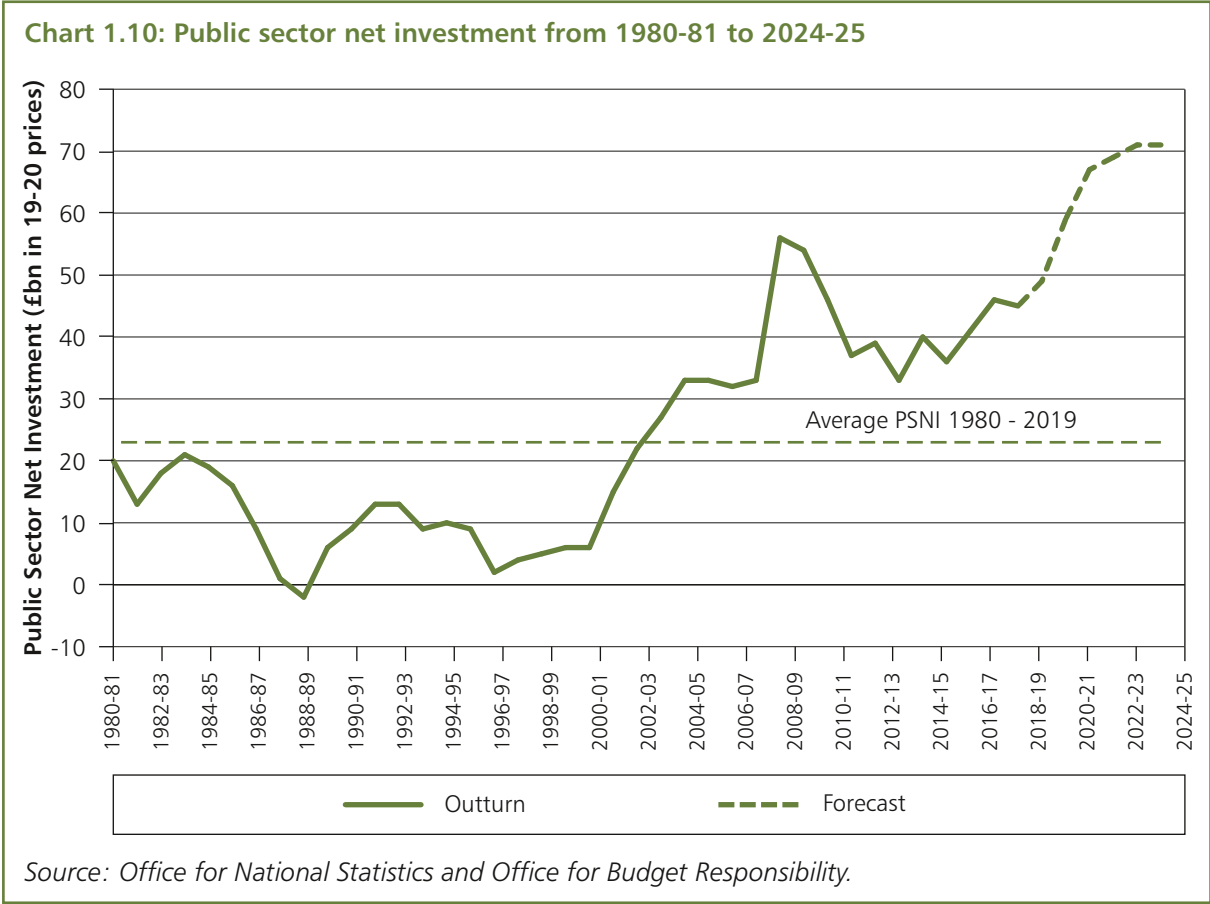
Capital

1.55 Over the next five years the public sector will invest £640 billion, as set out in Table 1.11. This significant increase in spending means that by 2024-25, public sector net investment will be triple the average investment over the last 40 years in real terms, as shown in Chart 1.9.

1.56 This spending will provide world-class infrastructure and public services, delivering value for money and focussing on efficient delivery. The CSR will allocate capital funding for projects across the UK to drive growth, level up economic opportunity, decarbonise the economy, and maintain and build high quality public infrastructure, including schools and hospitals. The Budget sets out plans to increase public R&D investment to £22 billion per year by 2024-25, taking public spending on R&D to 0.8% of GDP.

1.57 These allocations will be informed by early findings from the review of HM Treasury's Green Book, which will consider how the design and use of project appraisal affects the ability of all areas to achieve their economic potential. The review will enhance the strategic

development and assessment of projects, consider how to assess and present local impacts and look to develop new analytical methods for transformative or place-based interventions. It will also consider how project approval decisions are being made and provide clearer guidance and support to practitioners. The government will work with users, academics and others, and a revised Green Book will be published alongside the CSR.



Total managed expenditure

1.58 These firm decisions on the Departmental Expenditure Limits (DEL) envelope for the CSR mean that the average annual real growth of Total Managed Expenditure (TME), the total amount of money that the government spends through departments, local authorities, other public bodies and social security, will be 1.9% between 2019-20 and 2024-25. Table 1.11 sets out planned TME, public sector current expenditure (PSCE) and public sector gross investment (PSGI) up to 2024-25. Chart 1.11 which shows the change in government spending as a share of GDP over time, shows that tough decisions made in the aftermath of the financial crisis have restored the public finances to health and the government can now afford to invest more in public services and growing the economy.

1.59 Government spending is now set to be 40.7% of GDP in 2024-25. TME as a percentage of GDP has also increased because of classification and methodology changes that have impacted underlying spending, in particular those relating to student loans, public sector pensions and depreciation.²³ These are technical revisions that have been applied to the entire time series of data to ensure comparison to other years can be done on an equal basis.

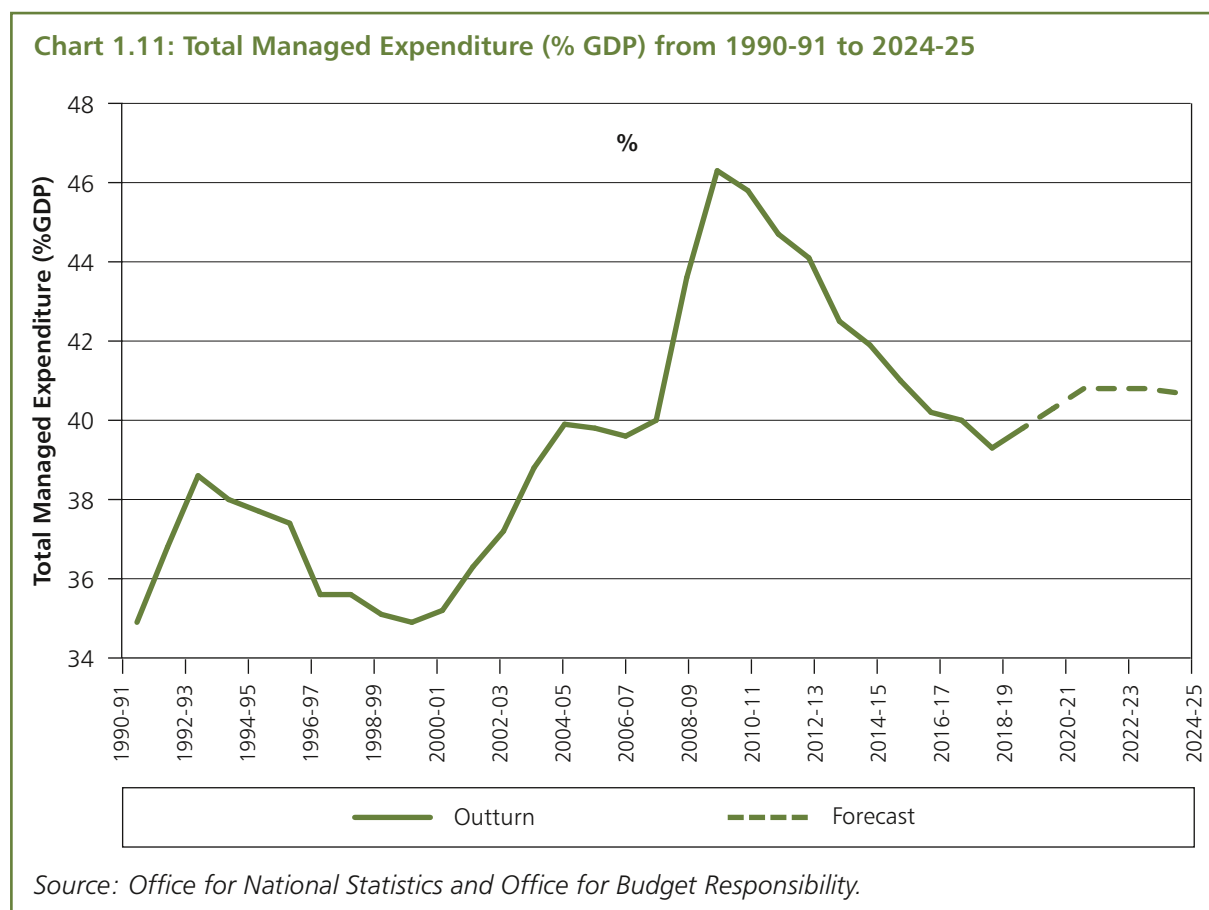
²³ Public Sector Finances, UK: August 2019; Office for National Statistics; September 2019

Table 1.11: Total Managed Expenditure¹ from 2019-20 to 2024-25 (in £ billion, unless otherwise stated)

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Current expenditure						
Resource AME	426.5	421.6	433.5	443.4	453.2	464.7
Resource DEL excluding depreciation	330.4	360.6	384.6	400.7	417.6	435.5
Ring-fenced depreciation	30.8	33.6	35.9	37.4	39.0	40.6
Total public sector current expenditure	787.7	815.8	854.1	881.5	909.9	940.8
Capital expenditure						
Capital AME	33.6	30.4	26.6	26.9	28.5	29.2
Capital DEL excluding financial transactions	65.5	81.6	96.7	102.3	106.5	110.2
Total public sector gross investment	99.1	111.9	123.3	129.2	135.0	139.4
Total managed expenditure	886.8	927.7	977.4	1010.7	1044.9	1080.2
<i>Total managed expenditure % of GDP</i>	<i>39.8%</i>	<i>40.3%</i>	<i>40.8%</i>	<i>40.8%</i>	<i>40.8%</i>	<i>40.7%</i>

¹ Budgeting totals are shown including the Office for Budget Responsibility (OBR) forecast Allowance for Shortfall. Resource DEL excluding ring-fenced depreciation is HM Treasury's primary control within resource budgets and is the basis on which departmental Spending Review settlements are agreed. The OBR publishes Public Sector Current Expenditure (PSCE) in DEL and AME, and PSGI in DEL and AME. A reconciliation is published by the OBR.

Source: Office for Budget Responsibility and HM Treasury calculations.



Allocations for the Comprehensive Spending Review

1.60 Chapter 2 of this document sets out further detail on the allocations made at the Budget. The overall allocations of total resource and capital funding over the CSR period will be determined at the CSR in July.

1.61 The CSR will prioritise:

- levelling up economic opportunity across all nations and regions of the country by investing in infrastructure, innovation and people, to drive productivity and spread opportunity
- improving outcomes in public services, including supporting the NHS and taking steps to cut crime and ensure every young person receives a superb education
- strengthening the UK's place in the world
- reducing carbon emissions and improving the natural environment

1.62 All new spending will be accompanied by a rigorous new focus on outcomes. To support this the government is conducting an exercise across departments to identify savings and projects that do not provide value for money or support these priorities. The government will redirect this spending through the CSR to help achieve its priorities. The CSR will also set out plans to improve the use of data, science and technology across the public sector, and to ensure all programmes are supported by robust implementation and evaluation plans.

1.63 In conducting the CSR, the government will also build on the lessons of previous spending reviews and ensure that policy issues are considered across departmental boundaries to maximise the effectiveness and value for money of government spending. The Budget announces the first allocation from the Shared Outcomes Fund to pilot improved approaches to supporting adults with complex needs. This fund was established at Spending Round 2019 to pilot new programmes to build an evidence base and test new ways of working collaboratively across the public sector. Further details on this bid can be found in Chapter 2.

1.64 The CSR will be informed by the Integrated Security, Defence, Development and Diplomacy Review (Integrated Review). The government intends to publish the main conclusions of the Integrated Review alongside the CSR.

1.65 At the CSR the government will set out funding to meet commitments to replace the Common Agricultural Policy and EU structural funds. The government may also choose to participate in certain EU programmes, where it is in UK interests and the contributions are fair and appropriate.

Improving public services

Priority outcomes and evaluation

1.66 The government's spending plans provide for significant real increases in spending on public services. It is crucial that increased government funding leads to real-world improvements that make a difference to people's lives. At the CSR, the government will establish a new approach to link departments' spending proposals to the outcomes they intend to achieve as part of a new Public Value Framework (PVF).²⁴

1.67 The government is developing the medium- to long-term priority outcomes that it is seeking to deliver for priorities such as levelling up, as well as the metrics that will be used to measure and improve performance against these outcomes. Assessment of spending's impact on these priority outcomes will be central to making spending decisions at the CSR. These priority outcomes and metrics will be published as part of the CSR and will include cross-cutting outcomes in areas where closer working between departments could help achieve better results.

²⁴ 'Public Value Framework and supplementary guidance'; HM Treasury; March 2019

1.68 In order to ensure government programmes deliver for the public, it is crucial that spending decisions are based on robust evidence and evaluation of their impact. At the CSR, the government will assess the state of evaluation across all departmental spending programmes and require every department to produce plans to improve evaluation of its work. This will lead to more evidence-based allocation of public funding and better outcomes in the long term.

1.69 These reforms will ensure that spending decisions are based on the delivery of outcomes and will put the UK at the forefront of international approaches to driving public value. This will help the government provide world-class public services and the best value for taxpayers' money.

Public representations

1.70 Throughout the CSR the government will engage with all regions and nations of the UK to ensure that its policies level up and spread opportunity. The government has started this engagement at Budget by launching a process for individuals and organisations to submit written CSR representations to HM Treasury.

Financial transactions

1.71 Some policy measures do not directly affect PSNB in the same way as conventional spending or taxation. These include financial transactions, which predominantly affect the central government net cash requirement (CGNCR) and public sector net debt (PSND). Table 1.12 shows the effect of the financial transactions announced since Budget 2018 on CGNCR. Details on the policy decisions made at the Budget can be found in Chapter 2.

Table 1.12: Financial transactions from 2019-20 to 2024-25 (£ million)^{1,2}

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Ending student loan sales programme	-2,125	-1,860	-1,740	-1,420	1,985	1,985
UKAR pension scheme	0	0	0	0	240	-35
VAT: cash flow impact of postponed accounting	0	-3,555	-180	910	295	-35
Freezing the maximum tuition fee cap: 2020-21	0	140	280	295	315	325
Entitlement to part-time maintenance loans	90	220	350	445	505	555
Nurse maintenance grants: student finance implication	0	-15	-65	-125	-175	-190
Removing student finance residence requirement for domestic abuse victims	0	neg	-5	-5	-5	-5
Increase to UK Export Finance Direct Lending Facility	0	-250	-445	-685	-435	-180
Help to Buy: policy definition	0	-65	570	650	0	0
Universal Credit: extending advances repayment period and reducing maximum debt deductions	0	0	-15	-165	-100	-85
British Business Bank: Start Up Loans	0	0	-115	25	25	20
British Business Bank: Life Sciences Investment Programme	0	-10	-30	-35	-30	-15
British Business Bank: growth capital for innovative business	0	-55	-95	-70	-50	-15
National Security Strategic Investment Fund	0	-50	0	0	0	0
Heat Networks Investment Project	0	0	-70	0	0	0
Nature for Climate Fund	0	-10	0	0	0	0
Total policy decisions	-2,035	-5,510	-1,560	-180	2,570	2,325

Note: This table details new financial transactions scored at this Budget

¹ Costings reflect the Office for Budget Responsibility's latest economic and fiscal determinants, and are presented on a UK basis.

² Negative numbers in the table represent a cost to the Exchequer.

Devolved administrations

1.72 The application of the Barnett formula to spending decisions taken by the UK government at the Budget will provide each of the devolved administrations with additional funding to be allocated according to its own priorities. To reflect the additional powers devolved to the Scottish and Welsh Governments their block grants will be adjusted as set out in their respective fiscal frameworks. This includes a substantial increase in the Scottish Government's block grant to reflect the additional welfare responsibilities being devolved from April 2020. The Scottish and Welsh Governments have already set provisional budgets for 2020-2021 using block grant adjustments based on previous OBR forecasts. They have been given the choice of taking on the updated block grant adjustments following the UK Budget or waiting for the outturn reconciliation processes that will take place after the end of 2020-2021.

1.73 While all block grant funding remains in DEL, the Scottish Government now has such substantial self-funding powers (from taxation, borrowing and reserves) that its spending is recorded in Annually Managed Expenditure (AME).

Welfare cap

1.74 The welfare cap was introduced in 2014 to limit the amount spent on certain social security benefits and tax credits. It improves Parliamentary accountability for welfare spending and supports the government's aim of ensuring the welfare system is sustainable.

1.75 The cap was last reset at Autumn Budget 2017, following the OBR's judgement that the government had successfully met the terms of the welfare cap set at Autumn Statement 2016. The cap applies to spending within its scope in 2022-23, with a 3% margin of flexibility to manage unavoidable fluctuations in spending.

1.76 In accordance with the Charter for Budget Responsibility, as is mandated for the first fiscal event of the Parliament, the OBR has formally assessed spending against the welfare cap in its 'Economic and fiscal outlook'. Total relevant spending is forecast to be within the welfare cap and margin, and so the fiscal rule is judged to have been met with £3.4 billion of headroom.

1.77 The government is now required to reset the welfare cap for the new Parliament. The cap will be based on the OBR's Budget forecast of the benefits and tax credits in scope, as set out in Annex B, and will apply to spending in 2024-25. In the interim years, progress towards the cap will be managed internally, based on monitoring by HM Treasury and the Department for Work and Pensions (DWP) of the OBR's welfare spending forecasts. As before, there will be a margin rising to 3% above the forecast to manage unavoidable fluctuations in spending. The cap will be breached if spending exceeds the cap plus the margin at the point of assessment. Performance against the cap will be formally assessed by the OBR at the first fiscal event of the next Parliament. This will avoid the government having to make short-term responses to changes in the welfare forecast, while ensuring welfare spending remains sustainable in the medium term.

Table 1.13: New welfare cap (in £ billion, unless otherwise stated)

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Cap	-	-	-	-	-	137.2
Interim pathway	119.3	125.7	127.5	130.5	133.8	-
Margin (%)	0.5	1.0	1.5	2.0	2.5	3.0
Cap, pathway and margin	119.9	127.0	129.5	133.1	137.1	141.3

Source: HM Treasury.

Debt and reserves management

1.78 The government's financing plans for 2020-21 are summarised in Annex A. They are set out in full in the 'Debt management report 2020-21', published alongside the Budget.

Supporting those affected by COVID-19

1.79 Since emerging in China in December 2019, COVID-19 has spread widely, with a significant number of cases reported worldwide, including an increasing number in the UK.

1.80 The impact of the outbreak of COVID-19 on the UK economy is highly uncertain, and while the effect could prove significant, it is expected to be temporary.

1.81 As an open economy, the UK will be affected because of the wider impacts the outbreak is having on the global economy. In a domestic outbreak, there could also be direct economic impacts in the UK driven by health-related factors, including how many people are infected and the persistence of any outbreak. Disruption could include temporary absences from work and interruptions to global supply chains, both of which would constrain the UK's productive capacity for a temporary period. In addition, the economy could be affected by demand-side impacts through a reduction in consumer spending, and lower business investment and exports. The government's Action Plan on Coronavirus sets out the potential scale of these effects in the event of a severe outbreak.

1.82 The government recognises that people will be concerned about the impact COVID-19 could have on their lives, and some businesses will be concerned about reduced demand, potential disruptions to supply chains and export markets, and to their workforce during this temporary period. Therefore, the Budget announces a three-point plan to provide support for:

- public services
- individuals
- businesses

1.83 The plan includes a range of timely, targeted and temporary measures to deliver support when and where it is needed, at a total cost of £12 billion. The wider Budget policy decisions set out in Table 2.1 represent £18 billion of additional government spending, which will provide support to the economy. Together, the government is taking £30 billion of policy action in 2020-21, equivalent to approximately 1.3% of GDP.

1.84 In addition to the measures set out here, the government will continue to monitor the situation and stands ready to provide further support, should it be needed. Support will be available for as long as it is needed, based on the latest scientific evidence. HM Treasury will continue to work closely with the Bank of England to coordinate the response of the UK authorities to ensure it is as effective as possible.

1.85 The government is working closely with the devolved administrations on this issue and it stands ready to provide further support. Where measures do not apply UK-wide, the devolved administrations will receive a share of any additional funding for support in devolved areas through the Barnett Formula. As set out in the Statement of Funding Policy the devolved administrations can also access the Reserve where they are unable to manage any disproportionate costs from their own resources.

1.86 The government welcomes the statement by UK Finance on behalf of the sector which announced that banks, building societies and credit card providers are ready and able to offer support to consumers, including offering or increasing an overdraft or allowing repayment relief for loan or mortgage repayments. Banks and other providers of SME finance will also provide support for businesses that are facing cash flow disruption and stand ready to help when needed.

1.87 Tackling COVID-19 is a global challenge. To complement its domestic response, the UK is leading the way to ensure a swift and effective global response, including by working closely with all our international partners and supporting the most vulnerable countries to deal with the impacts of the virus, including cooperating closely with counterparts in the G7 and G20.

1.88 The Chancellor will continue to co-operate closely with his counterparts in the G7 and G20. G20 Finance Ministers last week committed to monitoring the evolution of COVID-19 including its impact on markets and economic conditions, and highlighted their readiness to take further actions to aid in the response to the virus, support the economy and maintain the resilience of the financial system.

Support for public services

1.89 Public safety is the government's top priority in its response to COVID-19. The government will ensure that public services receive the funding they need to respond to the outbreak as the situation develops. This includes continuing to ensure our health services have the resources they need to respond.

1.90 COVID-19 response fund – HM Treasury is creating an emergency response fund, set aside to ensure the National Health Service (NHS) and other public services have the resources they need to tackle the impacts of COVID-19. Initially set at £5 billion, it will fund pressures in the NHS, support local authorities to manage pressures on social care and support vulnerable people, and help deal with pressures on other public services. The size of the fund will be reviewed as the situation develops, to ensure all necessary resources are made available.

1.91 Funding for research and development – The government is providing the National Institute for Health Research with £30 million of new funding to enable further rapid research into the disease. Research is essential in order to understand COVID-19, and it will inform how the NHS frontline service approach tackling the virus. The funding could also allow rapid screening of potential therapeutics and support clinical trials to inform treatment and improve patient outcomes.

1.92 Funding for diagnostic testing – The government will increase the capacity and capability of diagnostic testing and surveillance facilitated by Public Health England to support the NHS, by providing an additional £10 million of new funding to DHSC.

Support for individuals

1.93 The Budget announces measures to support people who are unable to work because of COVID-19.

1.94 Eligibility for Statutory Sick Pay (SSP) – The Prime Minister has already announced that the forthcoming COVID-19 Bill will temporarily allow SSP to be paid from the first day of sickness absence, rather than the fourth day, for people who have COVID-19 or have to self-isolate, in accordance with government guidelines. The Budget sets out a further package to widen the scope of SSP and make it more accessible. The government will temporarily extend SSP to cover:

- individuals who are unable to work because they have been advised to self-isolate
- people caring for those within the same household who display COVID-19 symptoms and have been told to self-isolate

1.95 Medical Evidence for SSP – The government has already issued guidance to employers, advising them to use their discretion not to require a GP fit note for COVID-19 related absences. This Budget announces that the government and the NHS will bring forward a temporary

alternative to the fit note in the coming weeks which can be used for the duration of the COVID-19 outbreak. This system will enable people who are advised to self-isolate to obtain a notification via NHS111 which they can use as evidence for absence from work, where necessary. This notification would meet employers' need for evidence, whilst taking pressure away from General Practices.

1.96 Support for those ineligible for SSP – The government recognises that self-employed people and employees below the Lower Earnings Limit are not entitled to SSP. The best system of financial support for these people is the welfare system and, in particular, 'new style' Employment and Support Allowance and Universal Credit. The government is committed to supporting these groups, and the Budget announces further support by making it quicker and easier to receive benefits:

- 'New style' Employment and Support Allowance will be payable for people directly affected by COVID-19 or self-isolating according to government advice for from the first day of sickness, rather than the eighth day
- people will be able to claim Universal Credit and access advance payments where they are directly affected by COVID-19 (or self-isolating), without the current requirement to attend a jobcentre
- for the duration of the outbreak, the requirements of the minimum income floor in Universal Credit will be temporarily relaxed for those directly affected by COVID-19 or self-isolating according to government advice for duration of the outbreak, ensuring self-employed claimants will be compensated for losses in income

1.97 Hardship Fund – The government will provide Local Authorities in England with £500 million of new grant funding to support economically vulnerable people and households in their local area. The government expects most of this funding to be used to provide more council tax relief, either through existing Local Council Tax Support schemes, or through complementary reliefs.

Support for businesses

1.98 Some businesses may experience increased costs or disruptions to their cash flow as a result of COVID-19. The Budget announces a set of measures to provide support to businesses during this temporary period by either reducing their costs or bridging cashflow problems arising from the outbreak, and to protect people's jobs.

1.99 Statutory Sick Pay – The government will support small and medium-sized businesses and employers to cope with the extra costs of paying COVID-19 related SSP by refunding eligible SSP costs. The eligibility criteria for the scheme are as follows:

- this refund will be limited to two weeks per employee
- employers with fewer than 250 employees will be eligible. The size of an employer will be determined by the number of people they employed as of 28 February 2020
- employers will be able to reclaim expenditure for any employee who has claimed SSP (according to the new eligibility criteria) as a result of COVID-19
- employers should maintain records of staff absences, but should not require employees to provide a GP fit note
- the eligible period for the scheme will commence from the day on which the regulations extending SSP to self-isolators come into force

- while existing systems are not designed to facilitate such employer refunds for SSP, the government will work with employers over the coming months to set up a repayment mechanism for employers as soon as possible

1.100 Business Rates Reliefs – The government has already announced the Business Rates retail discount will be increased to 50% in 2020-21. To support small businesses affected by COVID-19 the government is increasing it further to 100% for 2020-21. The relief will also be expanded to the leisure and hospitality sectors. These temporary measures, taken together with existing Small Business Rates Relief, mean that around 900,000 properties, or 45% of all properties in England, will receive 100% business rates relief in 2020-21. The government has also already announced the introduction of a £1,000 Business Rates discount for pubs with a rateable value below £100,000 in England for one year from 1 April 2020. To support pubs in response to COVID-19 the discount will be increased to £5,000. Local authorities will be fully compensated for these Business Rates measures.

1.101 Small business grant funding – The government recognises that many small businesses pay little or no business rates because of Small Business Rate Relief (SBRR). To support those businesses, the government will provide £2.2 billion of funding for Local authorities in England. This will provide £3,000 to around 700,000 business currently eligible for SBRR or Rural Rate Relief, to help meet their ongoing business costs. For a property with a rateable value of £12,000, this is one quarter of their rateable value, or comparable to 3 months of rent. Most properties that are eligible for SBRR will have a lower rateable value, and so this will represent an even greater proportion of their annual rent.

1.102 Time to Pay – The government will ensure that businesses and self-employed individuals in financial distress and with outstanding tax liabilities receive support with their tax affairs. Her Majesty's Revenue and Customs (HMRC) has set up a dedicated COVID-19 helpline to help those in need, and they may be able to agree a bespoke Time to Pay arrangement. Time to Pay was successfully used in response to flooding and the financial crisis, giving businesses a time-limited deferral period on HMRC liabilities owed and a pre-agreed time period to pay these back. These tailored arrangements will give a business the time it needs to pay HMRC to support their recovery while operating through any temporary financial challenges that occur. To ensure ongoing support, HMRC have made a further 2,000 experienced call handlers available to support firms when needed. HMRC will also waive late payment penalties and interest where a business experiences administrative difficulties contacting HMRC or paying taxes due to COVID-19.

1.103 Coronavirus Business Interruption Loan Scheme – The government will launch a new, temporary Coronavirus Business Interruption Loan Scheme, delivered by the British Business Bank, to support businesses to access bank lending and overdrafts. The government will provide lenders with a guarantee of 80% on each loan (subject to a per lender cap on claims) to give lenders further confidence in continuing to provide finance to SMEs. The government will not charge businesses or banks for this guarantee, and the Scheme will support loans of up to £1.2 million in value. This new guarantee will initially support up to £1 billion of lending on top of current support offered through the British Business Bank.

International response

1.104 The government has already committed £91 million to the international response. The Budget makes available £150 million from the UK's ODA budget to the International Monetary Fund's Catastrophe Containment and Relief Trust (CCRT), of which £75 million, with an immediate commitment of £75 million. This demonstrates that the UK can use its ODA budget to directly support our national interest. The government stands ready to provide further support as the situation develops, playing our full part in a well-coordinated global response.

1.105 Alongside the Budget, the government has published information about the support available to individuals and businesses whose finances are affected by COVID-19. This information, which will be regularly updated as the situation develops, can be found at: <https://www.gov.uk/government/publications/support-for-those-affected-by-covid-19>.

Investing in excellent public services

1.106 The government is delivering world-class public services for hard-working people across the UK. The Budget builds on the significant investment in public services made at Spending Round 2019, with action to make the UK a safer, healthier place to live.

Investing in the NHS

1.107 The NHS is the government's number one spending priority. The NHS settlement, confirmed in January 2019, provided the largest cash increase in public services since the Second World War – an additional £34 billion per year by 2023-24.²⁵ Spending Round 2019 confirmed the government's commitment to the NHS, with £139 billion for health budgets in 2020-21.²⁶ The Budget provides over £6 billion of further funding to strengthen the NHS in England and pay for vital services that will improve people's health, reaffirming the government's commitment to health and social care.

1.108 The government will invest to increase staffing, making sure that the NHS has the people it needs. This will include **a significant funding package to improve the recruitment, training and retention of nurses** in England, ensuring there are 50,000 more in the NHS; and for the recruitment, training and retention of up to 6,000 more GPs and 6,000 more primary care professionals in England, such as physiotherapists and pharmacists. This will **create 50 million more GP surgery appointments a year**. The government will also **change pensions tax rules to ensure that NHS staff across the UK, including senior doctors, whose income is less than £200,000 can work additional hours for the NHS without their annual allowance being reduced**. (7)

1.109 The government will invest in our hospitals, including **over £100 million in 2020-21 to make progress on 40 new hospital projects**, as part of a long-term programme of investment in health infrastructure to ensure the NHS has world-class facilities for patients.²⁷ This will be accompanied by an increase in DHSC's capital budget of £683 million in the 2020-21 financial year to **protect the level of NHS operational capital investment**. This will allow Trusts to continue to invest in important capital projects such as estate refurbishments and building maintenance. (5)

1.110 To ensure that new arrivals to the UK contribute to the funding of the NHS, the Immigration Health Surcharge will be increased to £624. The government will also introduce a new discounted rate of £470 for children in recognition of the increased financial impact on family groups. (6)

1.111 The government is committed to long-term reform of adult social care and the Secretary of State for Health and Social Care has written to parliamentarians to begin building cross-party consensus on reform. Ahead of those discussions, **the government will invest £1 billion of additional funding for social care next year, as announced at Spending Round 2019**. The Budget confirms that this additional funding will continue for every year of the current Parliament to continue to stabilise the system.

²⁵ [5 year NHS funding plan](#), Department of Health and Social Care, Her Majesty's Treasury, June 2018

²⁶ [Spending Round 2019](#), Her Majesty's Treasury, September 2019

²⁷ [Health Infrastructure Plan](#), Department of Health and Social Care, September 2019

Supporting schools and young people

1.112 At Spending Round 2019, the government committed to a £7.1 billion cash increase in funding for schools in England by 2022-23, compared to 2019-20 budgets. This funding settlement included an increase to minimum per-pupil funding levels, a commitment now enshrined in law.²⁸ The minimum per pupil amount will increase to £3,750 for primary schools and £5,000 for secondary schools in 2020-21, with the primary schools minimum then rising to £4,000 in 2021-22.²⁹ The settlement also provides for £780 million extra in 2020-21 to support children and young people with special educational needs, to ensure all can reach their potential.

1.113 On average, schools will see an increase of over 4% in funding per pupil compared to 2019-20 budgets.³⁰ The three-year settlement will also allow the government to raise starting salaries for teachers to £30,000 by September 2022.

1.114 This funding settlement reflects the government's commitment to high quality education for all school children. The Budget sets out new steps the government is taking to support children to have the opportunity of an active and enriching school experience.

1.115 To ensure that children get an active start in life, the government will bring forward an updated School Sport and Activity Action Plan following the Comprehensive Spending Review. Ahead of that, the Budget provides **£29 million a year by 2023-24 to support primary school PE teaching and help schools make best use of their sports facilities.** The funding will support high quality teacher training and professional development for PE, informed by best practice PE teaching.

1.116 The government also believes in the benefits of participating in the arts and the essential role it plays in all children's education. The Budget provides **£90 million a year to introduce an Arts Premium from September 2021**, averaging out as an extra £25,000 a year per secondary school for three years.³¹ The funding will help schools to provide high quality arts programmes and extracurricular activities for pupils, including those delivered in partnership with arts organisations, as well as supporting teachers to deliver engaging and creative lessons in the arts.

Ensuring people's safety and security

1.117 Protecting people and keeping them safe from crime and other threats is a principal responsibility of any government. The government announced an extra £750 million of funding at the 2019 Spending Round to begin the recruitment of 20,000 additional police officers, with the first 6,000 officers to be recruited by March 2021. The Budget makes further important investments in the police, security services and justice system.

1.118 In addition, the Budget will include £114 million in 2020-21 for counter-terrorism, to maintain capability and officer numbers in the face of a changing terrorist threat. This includes an extra £83 million for counter-terrorism policing, in addition to the government's police recruitment commitment, and £31 million for the UK Intelligence Community. The government will also provide an additional **£67 million for the UK Intelligence Community** which will enable them to develop further their world-leading technological capabilities to protect the UK's security and help keep the country safe. (9)

²⁸ [Minimum funding levels for schools](#), Department for Education, January 2020

²⁹ [National funding formula tables for schools and high needs: 2020 to 2021](#), Department for Education, October 2019

³⁰ *ibid.*

³¹ [Schools, pupils and their characteristics: January 2019](#), Department for Education, June 2019

1.119 The government is committed to increasing support for victims of crime in their experience of the criminal justice system. The government will provide **an additional £15 million to improve our offer to victims**. This will boost the support available to victims of rape and create a new digital hub to make the criminal justice process in England and Wales easier to understand. The government will also provide an additional **£5 million to begin a trial of domestic abuse courts** in England and Wales, allowing criminal and family matters to be considered together. To protect victims of severe domestic abuse and their children and reduce the number of serial perpetrators, the government will provide **£10 million for innovative new approaches to preventing domestic abuse, working with Police and Crime Commissioners to expand projects like the “Drive” prevention programme**.

1.120 The Budget contains an additional £5 million for the Youth Endowment Fund to support the **creation of a Centre of Excellence for Tackling Youth Violence**. This will create a single evidence hub on what works to divert young people away from criminal activity and improve the effectiveness of our wider investments in crime reduction, including the work of the Youth Endowment Fund and violence reduction units. The Budget will also provide £68.5 million to toughen community sentences, including by **increasing the number of offenders who are required to wear an electronic tag**.

1.121 The government will also provide **£20 million for Fire and Rescue Services** to enable them to increase fire inspection and enforcement capability and to build capacity to respond to the Grenfell Tower Inquiry’s findings, by investing in training, equipment and a stronger strategic centre for the fire service.

Improving local services and infrastructure

1.122 The government is committed to supporting the work of local authorities, in delivering high quality local services in communities across the country. The 2020-21 local government finance settlement enables a 6.3% nominal increase in councils’ Core Spending Power.³²

1.123 Local authorities also invest billions of pounds of capital finance every year in their communities. The government supports this activity, in part, by offering low cost loans through the Public Works Loan Board (PWLB). However, in recent years a minority of councils have used this cheap finance to buy very significant amounts of commercial property for rental income, which reduces the availability of PWLB finance for core local authority activities. To address this **the government will consult on revising the terms of PWLB lending to ensure LAs continue to invest in housing, infrastructure and front-line services**. To further enable high quality investment by local authorities, the government is **cutting the interest rates for investment in social housing by 1 percentage point, and making an extra £1.15 billion of discounted loans available** for local infrastructure projects. (11)

1.124 Further details and additional announcements relating to public services can be found in Chapter 2.

³² Core spending power: provisional local government finance settlement 2020 to 2021, Ministry of Housing, Communities and Local Government, December 2019.

Levelling up and getting Britain building

1.125 The Budget sets out the next stage of the government's comprehensive plan to level up opportunity and share prosperity across the UK. The only sustainable way to drive economic growth and improve living standards in every corner of the country is to boost productivity. The government is therefore investing in people and places – by taking the first steps in its plan to level up skills across the country, ahead of setting out further details at the CSR, and by committing record levels of investment to infrastructure that will directly support productivity. These actions will boost national growth as well as addressing economic and social disparities and restoring the fabric of our towns and cities.

Infrastructure

1.126 Infrastructure underpins the economy: it is essential for markets to function effectively, it supports jobs, attracts investment, and it matters to families, communities, towns and cities. **Later in the spring the government will publish a landmark National Infrastructure Strategy** which will set out plans for a once in a generation transformation of the UK's economic infrastructure.

Strategic transport projects

1.127 The government is transforming regional connections through the largest ever investment in England's motorways and major A roads.³³ **The second Road Investment Strategy (RIS2) will spend over £27 billion between 2020 and 2025.** It will take forward schemes such as dualling the A66 Trans-Pennine and upgrading the A46 Newark bypass to address congestion, and building the Lower Thames Crossing to increase road capacity across the Thames east of London by 90%.³⁴ RIS2 will be delivered alongside the government's plans for decarbonising the transport sector, which are set out in the 'Growing a greener economy' section of this chapter.

1.128 The government is also **investing £20 million to develop the Midlands Rail Hub**, progressing plans for a major programme of improvements to rail services across these regions.

Local transport

1.129 The government intends to make an unprecedented investment in urban transport, starting by **confirming allocations of over £1 billion from the Transforming Cities Fund.** This will deliver a range of local transport schemes, including an iconic new Central Park Bridge in Plymouth, a significant increase in the capacity of the Tyne and Wear Metro, and new cycleways in Bournemouth, Christchurch and Poole. In line with the government's priorities, this will also include around £800 million for bus and cycling infrastructure.

1.130 Building on the Transforming Cities Fund, the government will also provide **£4.2 billion from 2022-23 for five-year funding settlements for eight Mayoral Combined Authorities** (in West Yorkshire, Greater Manchester, West Midlands, Liverpool City Region, Tyne and Wear, West of England, Sheffield City Region and Tees Valley). While it will be for elected Mayors to put forward ambitious plans, the government would welcome the opportunity to support a range of schemes, such as the renewal of the Sheffield Supertram, the development of a modern, low-carbon metro network for West Yorkshire and tram-train pilots in Greater Manchester. As a first step, the government will open discussions with Greater Manchester, Liverpool City Region and the West Midlands in the coming months.

³³ 'Departmental update', Department for Transport, October 2019.

³⁴ 'Lower Thames Crossing', Highways England.

1.131 The government also intends to deliver better local transport for towns, rural areas and other cities. In February, the Prime Minister announced £5 billion of new funding for buses and cycling. Further details will be announced at the CSR, alongside a National Bus Strategy.

1.132 Well-maintained roads are important for all road users, including cyclists and bus passengers. To that end, the Budget announces **a new Potholes Fund that will provide £500 million a year**, resulting in a 50% increase to local road maintenance budgets in 2020-21. Furthermore, the Budget confirms **the development of 15 local road upgrades across the country**, helping to reduce congestion, improve journey times and unlock housing and employment opportunities in England. These include junction improvements to the A350 in Wiltshire, a link road connecting Chesterfield to Staveley, and a dual carriageway in Warwickshire.

1.133 The CSR will set out further plans for investment in local transport spending. To inform these plans, the Infrastructure and Projects Authority will lead a study, working with departments, into supply chain capacity, to assess how industry can best deliver the government's ambition.

Digital connectivity

1.134 Investment in broadband has had significant benefits to the UK economy.³⁵ Forty times faster than standard superfast broadband, gigabit broadband provides a step change in the UK's digital connectivity. The government is committing **£5 billion to support the rollout of gigabit-capable broadband in the most difficult to reach 20% of the country**, so that all areas are able to benefit. This investment will level up connectivity across the UK, particularly in rural areas.

1.135 As part of over £1 billion that the government has already committed to next generation digital infrastructure, the Budget announces the **next seven areas that have successfully bid for funding from the third wave of the Local Full Fibre Networks Challenge Fund**: North of Tyne (£12 million), South Wales (£12 million), Tay Cities (£6.7 million), Pembrokeshire (£4 million), Plymouth (£3 million), Essex and Hertfordshire (£2.1 million) and East Riding of Yorkshire (£1 million).

1.136 In too many places, phone reception is not good enough and people lack choice of mobile provider. **The Budget announces that the Shared Rural Network agreement has been finalised between the government and industry. The government will commit up to £510 million of funding, which will be more than matched by industry.** This means 95% of the UK's landmass will have high quality 4G mobile coverage by 2025.

Flooding and water

1.137 Flooding has a devastating impact on homes, businesses and communities, and the government is currently investing £2.6 billion in flood defences to ensure they are better protected. This winter, the Environment Agency's flood defences protected 127,000 properties.³⁶

1.138 However, the twin pressures of climate change and population growth mean that further action is needed. The government will **double the amount it invests in the flood and coastal defence programme in England to £5.2 billion over six years**, better protecting a further 336,000 homes and non-residential properties. According to Environment Agency modelling, this will reduce national flood risk by up to 11% by 2027. This doubling of funding

³⁵ 'The economic impact of broadband: evidence from OECD countries', Ofcom, April 2018.

³⁶ 'Flood risk begins to recede but public are warned to be vigilant', Environment Agency and Department for Environment, Food & Rural Affairs, February 2020.

exceeds the level of investment recommended by the National Infrastructure Commission. The government is also making available £120 million to the Environment Agency to **repair the assets** damaged by the storms this winter.

1.139 Where flooding and coastal erosion is inevitable, further action is needed to ensure that communities can respond and recover more quickly. The government will provide £200 million over the next six years for a **place-based resilience programme**. This will support over 25 local areas, urban, rural and coastal, from the North, the Midlands and the South, to take forward wider innovative actions that improve their resilience to flooding and coastal erosion. Areas will be selected based on a range of criteria, including repeated significant flooding in the past.

1.140 Climate change also makes it even more important that water resources are properly managed and conserved. The government will invest £39 million in the Environment Agency's network of **water supply and water navigation assets**.

1.141 As floods do not respect national boundaries, it is right that the devolved administrations will benefit from the Barnett consequential of this substantial increase in government investment in flood and water infrastructure.

Housing

1.142 Everyone should be able to access a safe and affordable home. Increasing housing supply is essential to creating a fairer, more affordable housing market and boosting productivity across the country.

1.143 The government has made good progress in boosting housing supply with over 240,000 new homes created in 2018-19, the highest level in 32 years.^{37,38} To continue to support the country's needs the government has committed to creating at least 1 million new homes in England by the end of this Parliament and an average of 300,000 homes a year by the mid-2020s.

1.144 The Budget sets out an ambitious package of investment to build the high quality and affordable homes the country needs. This includes **£12.2 billion for the Affordable Homes Programme** and £400 million for ambitious Mayoral Combined Authorities and local areas to establish housing on brownfield land across the country. The Budget also confirms allocations from the Housing Infrastructure Fund totalling £1.1 billion for nine different areas including Manchester, South Sunderland and South Lancaster.

1.145 Land availability, as constrained by the planning system, is the most significant barrier to building more houses. The Secretary of State for Housing, Communities and Local Government will shortly set out comprehensive reforms to bring the planning system into the 21st century, followed by a Planning White Paper in the spring. These reforms will aim 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.

³⁷ 'Written question – 292970', House of Commons, October 2019.

³⁸ 'Housing Statistical Release', Ministry of Housing, Communities & Local Government, December 2019.

Skills

1.146 Supporting people to improve their skills is a vital part of the government's aim to level up opportunity across the country. Increasing productivity depends on improving the skills levels of this generation and the next. Achieving this will require vocational and technical education that genuinely responds to the needs of business and the country as a whole. The government will confirm its plans on skills at the CSR. But the first steps come now.

1.147 Further education should be at the forefront of providing all learners with the opportunity and tools to progress into skilled employment. At Spending Round 2019, the government increased day-to-day spending on further education by £400 million in 2020-21, recognising its vital role in equipping people with the skills they need to succeed.

1.148 The Budget goes further, **providing £1.5 billion over 5 years (£1.8 billion inclusive of indicative Barnett consequentials) in capital investment to ensure that all further education college estates are in good condition.** This investment will ensure that colleges have cutting-edge facilities to train people for jobs in the industries of the future, and is part of the government's plan to upgrade the nation's infrastructure.

1.149 Alongside this, adult skills provision must improve to meet the needs of people and business now and in the future. To address this issue, **the government has committed to a new £2.5 billion (£3 billion inclusive of indicative Barnett consequentials) National Skills Fund** to improve the technical skills of adults across the country.

1.150 The government will consult widely in the spring on how to target this fund most effectively, before confirming details at the CSR. The government wants to hear directly from people and employers across England to understand what works in the current system and what does not, and to ensure that the fund is focused on helping people gain the skills they need for rewarding, well-paid jobs.

1.151 More broadly, the government wants to facilitate two culture changes with this fund: for individuals to be able to train and retrain over the course of their lifetimes; and for employers and the government to increase investment and fill the skills gaps that hold back productivity at a local, regional and national level.

1.152 Apprenticeships also provide the opportunity for people to learn valuable skills and get good jobs. Since its introduction in April 2017, the Apprenticeship Levy has enabled the government to raise the standard of apprenticeships, supporting employers to make a long-term, sustainable investment in training. The government will now look at how to improve the working of the Apprenticeship Levy, to support large and small employers in meeting the long-term skills needs of the economy. In the meantime, the government will ensure that sufficient funding is made available in 2020-21 to support an increase in the number of new high-quality apprenticeships in small- and medium-sized businesses.

Growth across the country

1.153 The growth of every region and nation in the UK is important for boosting the economy and creating a strong and inclusive society. In addition, the government will publish an English Devolution White Paper in the summer, setting out how it intends to meet its ambition for full devolution across England.

1.154 Towns are home to some of our key businesses and employers. This is why the government has already set up the **£3.6 billion Towns Fund to support the regeneration of high streets, town centres and local economies.** The government is also supporting our ports, which are major hubs for trade, innovation and commerce – it has launched a consultation on creating up to 10 new Freeports that will work for all of the UK.

1.155 The Budget goes further to support places, regions and nations to grow. As part of this **the government has agreed a devolution deal with West Yorkshire to establish a Mayoral Combined Authority with a directly-elected Mayor from May 2021**. This deal will provide £1.1 billion of investment for the area over 30 years, as well as devolving significant new decision-making powers on transport, planning and skills. It also underpins the agreement of a long-term intra-city transport settlement for the region starting in 2022-23. This devolution deal is an important step in delivering on our levelling up agenda by giving power and investment to local areas. As part of this, **the government is also providing up to £500,000 to support Bradford in its regeneration and development plans** to increase the benefits of potential Northern Powerhouse Rail connections.

1.156 In repatriating the EU structural funds, the government has an historic opportunity to design a UK Shared Prosperity Fund to match domestic priorities. The UK Shared Prosperity Fund will replace the overly bureaucratic EU structural funds, levelling up opportunity in each of the four nations of the country. Funding will be realigned to match domestic priorities, not the EU's, with a focus on investing in people. At a minimum, it will match current levels of funding for each nation from EU structural funds. The government will set out further plans for the Fund, including at the CSR.

1.157 The Budget also sets out how the government will make decisions differently in future. To ensure the civil service reflects the public it serves, **the government is committed to moving 22,000 civil service roles out of central London within the next decade**, the vast majority to the other regions and nations of the UK. The government will **establish a significant new campus in the north of England** focused on economic decision making, which will include teams from HM Treasury, DIT, BEIS and MHCLG. **Furthermore, as the UK's economics and finance ministry HM Treasury will establish representation in all the nations of the UK**, building on its existing presence in Scotland with new positions based in Northern Ireland and Wales for the first time.

1.158 A cornerstone of the government's levelling up agenda is its commitment to regional connectivity. The aviation industry has an important role to play in connecting the nations and regions of the UK. Following the review of Air Passenger Duty (APD) that has been undertaken by HM Treasury, the government will consider the case for changing the APD treatment of domestic flights, such as reintroducing a return leg exemption, and for increasing the number of international distance bands. These considerations will form part of a **consultation on aviation tax reform** that will be published in spring 2020.

Scotland, Wales and Northern Ireland

1.159 As part of its commitment to levelling up the whole of the UK, the government will support economic growth in each of the four nations and will strengthen the ties that bind them into a prosperous United Kingdom. The government will work closely with the devolved administrations on this agenda, especially where it is possible to achieve better outcomes in partnership with Cardiff Bay, Holyrood and Stormont.

1.160 The Budget announces changes across tax, welfare and public spending that apply across the whole of the UK and so will directly benefit people and businesses in Scotland, Wales and Northern Ireland. This includes steps to upgrade digital infrastructure, support decarbonisation and reduce tax for employees and the self-employed.

1.161 Where Budget measures do not apply across all nations, **the devolved administrations will receive significant additional funding through the Barnett formula** to invest further in public services, infrastructure and other priorities:

- the Scottish Government's block grant will increase by over £640 million through to 2020-21 before adjustments for tax devolution
- the Welsh Government's block grant will increase by over £360 million through to 2020-21 before adjustments for tax devolution, this includes a 5% uplift in Barnett consequentials agreed as part of the Welsh Government's fiscal framework in 2016
- the Northern Ireland Executive's block grant will increase by over £210 million through to 2020-21

1.162 The Budget announces £242 million to fund a further four City and Growth Deals across Scotland, Wales and Northern Ireland. This builds on the £2.5 billion already allocated to existing deals and ensures that every part of Wales and Northern Ireland benefits from a City or Growth Deal, with another deal that benefits Scotland.

1.163 The government will also take action to improve cross-border links, including improving transport links between North Wales and England by developing the A483 Pant Llanymynech Bypass, and supporting an independent economic review of the Western Gateway, which stretches across Wales and the west of England.

1.164 The Budget announces further support targeted at each of the nations – including a package for the whisky industry, action to allow TV channel S4C to recover in full any VAT it pays, and legislation to provide appropriate exemptions for payments for injuries relating to the Troubles in Northern Ireland.

1.165 Additionally, the government is working with the Scottish Government to devolve further tax and welfare powers as set out in the Scotland Act 2016. This includes transferring responsibility to the Scottish Government for around £3 billion of disability benefits in April 2020 and, from 2021, assigning half of the VAT revenues generated in Scotland.

1.166 Further details and additional announcements targeted at levelling up and getting Britain building can be found in Chapter 2.

Supporting people and families

1.167 Record employment and rising real wages have benefited households across the country.³⁹ The OBR forecasts employment to rise by 522,000 by the first quarter of 2025 and wages to outpace inflation in every year of the forecast.⁴⁰ The government's ambition is to support people and families through a fair and sustainable tax system, that rewards hard work, minimises economic distortions and funds first class public services.

1.168 The Budget announces a range of measures to improve living standards for people across the UK, delivering on commitments to cut taxes and costs, to put more money in people's pockets.

Helping hard-working people

1.169 The government is committed to keeping taxes low, helping hard-working people keep more of what they earn. In less than a decade, the Personal Allowance has increased by over 90% and has taken 1.7 million individuals out of income tax altogether compared to 2015-16.^{41,42} The Budget confirms the government's commitment to **increase the National Insurance contributions (NICs) Primary Threshold and Lower Profits Limit, for employees and the self-employed respectively, to £9,500 from April 2020.**⁴³ (12)

1.170 This increase will benefit around 31 million people,⁴⁴ with a typical employee saving around £104 and a typical self-employed person around £78 in 2020-21.⁴⁵ Around 1.1 million people will be taken out of paying Class 1 and Class 4 NICs entirely.⁴⁶ This is the first step in meeting the government's ambition to increase these thresholds to £12,500, which would save a typical employee over £450 per year.⁴⁷ Taken together with increases to the National Living Wage (NLW) and previous increases to the Personal Allowance, an employee working full-time on the NLW anywhere in the UK will be over £5,200 better off compared to April 2010.⁴⁸ This reform is in line with the government's ambition to support hardworking people and families through a fair and sustainable tax system.

1.171 By saving towards their future, families can give children a significant financial asset when they reach adulthood – helping them into further education, training, or work. Junior ISAs (JISAs) and Child Trust Funds (CTFs) are tax-advantaged accounts for children, designed to encourage a long-term savings habit. The Budget announces that **the amount families can save into a JISA or CTF will be more than doubled in 2020-21, increasing from £4,368 to £9,000.**

Fairer wages for the lowest paid

1.172 Since its introduction in 2016, the NLW has supported rapid earnings growth for the lowest earners. Supported by the NLW, real wages have grown fastest for the lowest paid full-time workers, by 11% above inflation between 2015 and 2019.⁴⁹ Following the recommendations of the Low Pay Commission (LPC), the government announced in December

³⁹ See 'Budget 2020 data sources'.

⁴⁰ 'Economic and Fiscal Outlook', OBR, March 2020.

⁴¹ HMRC analysis based on [Survey of Personal Incomes \(SPI\) 2017-18 data](#), and Budget 2020 OBR forecast.

⁴² Up to the year 2019-20.

⁴³ '31 million taxpayers to get April tax cut', HM Treasury, 30 January 2020.

⁴⁴ HMRC analysis based on [Survey of Personal Incomes \(SPI\) 2017-18 data](#), and Budget 2020 OBR forecast.

⁴⁵ HM Treasury analysis, see 'Budget 2020 data sources'.

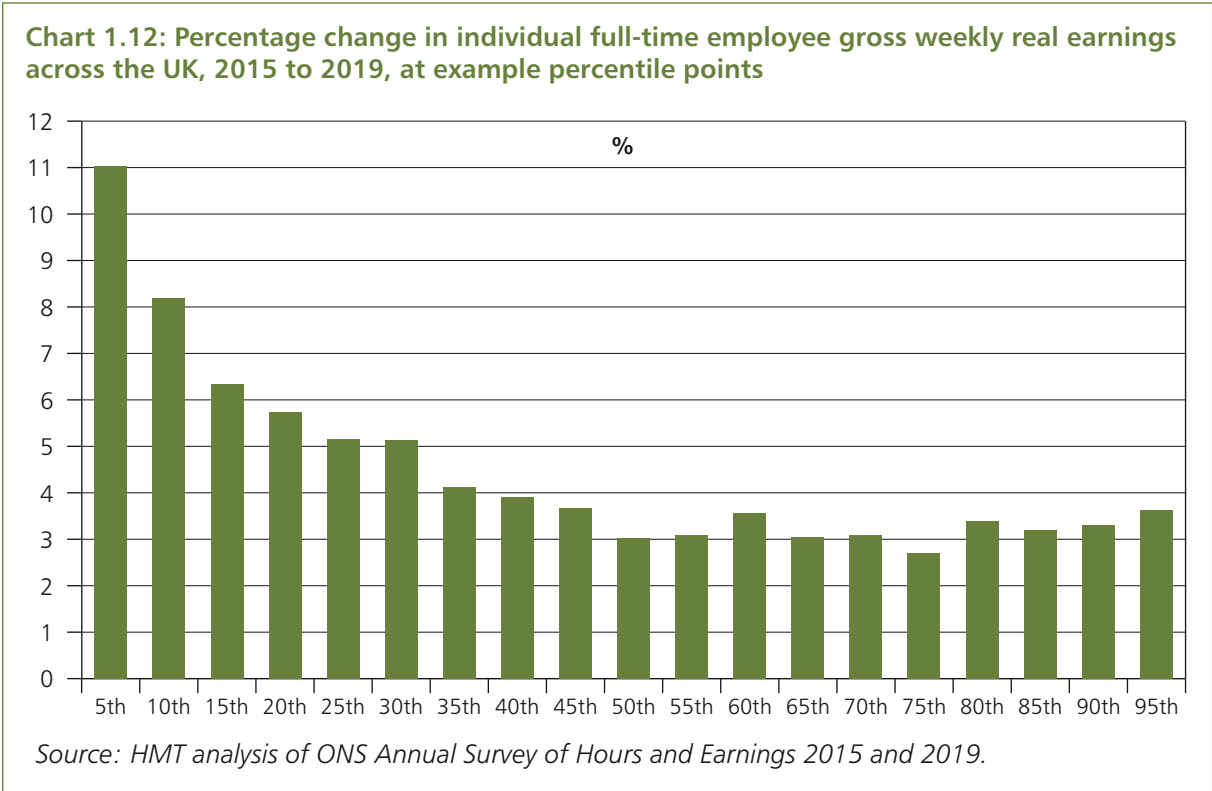
⁴⁶ HMRC analysis based on [Survey of Personal Incomes \(SPI\) 2017-18 data](#), and Budget 2020 OBR forecast.

⁴⁷ HM Treasury analysis, see 'Budget 2020 data sources'.

⁴⁸ HM Treasury analysis, see 'Budget 2020 data sources'.

⁴⁹ HM Treasury analysis of ONS Annual Survey of Hours and Earnings, 2015 results and 2019 results. 'Lowest-paid full-time workers' defined as those at the fifth percentile of the earnings distribution.

2019 that it will **increase the NLW by 6.2% from £8.21 to £8.72 from April 2020**, which is projected to meet its current target of 60% of median earnings by 2020.⁵⁰ In total, the annual gross earnings of a full-time worker on the NLW will have increased by over £3,680 since the introduction of the NLW in April 2016.



1.173 The Budget commits to **a new, ambitious target for the NLW to reach two-thirds of median earnings and extending this to workers aged 21 and over by 2024**, provided economic conditions allow. This emergency brake will ensure that the lowest-paid workers across the UK continue to see pay rises without significant risks to their employment prospects.

Cutting the cost of living

1.174 The government will introduce legislation to **apply a zero rate of VAT to e-publications** from 1 December 2020, which will make it clear that e-books, e-newspapers, e-magazines and academic e-journals are entitled to the same VAT treatment as their physical counterparts. The government expects the publishing industry, including e-booksellers, to pass on the benefit of this relief to consumers. It should benefit all who read digitally, including children from poorer backgrounds: nearly 1 in 4 pupils on free school meals read fiction digitally, compared to 1 in 6 of their peers who are not eligible for free school meals.⁵¹

1.175 In recognition of the rising cost of living, the government will **freeze fuel duty for a record tenth year in a row, saving the average car driver a cumulative £1,200 compared to what they would have paid under the pre-2010 fuel duty escalator**.⁵² (13)

1.176 Now that the UK has left the EU, it can reduce the cost of essential sanitary products for women in the UK. From 1 January 2021, **the tampon tax will be abolished through the application of a zero rate of VAT on women’s sanitary products**. (17)

⁵⁰ www.gov.uk/national-minimum-wage-rates.
⁵¹ ‘Children, young people and digital reading’, National Literacy Trust, April 2019.
⁵² HM Treasury calculations.

1.177 The Budget also announces that the government will **freeze duty rates on beer, spirits, wine and cider**, meaning that a pint of beer is 1p cheaper than it would have been if it had risen with inflation.

1.178 The government is announcing a **service improvement that will make Tax-Free Childcare (TFC) compatible with school payment agents**. This will allow parents of up to 500,000 school-aged children across the UK to access TFC and use it towards the cost of their wraparound childcare. (14)

1.179 Recognising housing costs are the biggest pressure on household finances for low income households, these measures go alongside other substantial new packages of support to **increase housebuilding and improve the affordability of housing**, as detailed in Levelling Up and getting Britain building.⁵³

Supporting the most vulnerable

1.180 The government is delivering on its commitments to provide a clear route to work and support the most vulnerable through the welfare system. This government is ending the benefit freeze and **increasing working age benefits by 1.7% from April 2020**. Providing further support for Universal Credit (UC), the government will help ensure claimants can repay debts in a more sustainable and manageable way by **reducing the maximum rate at which deductions can be made from a UC award from 30% to 25% of the standard allowance and giving claimants up to 24 months to repay advances**.

1.181 The government will give people with disabilities greater certainty over their award levels for longer, by guaranteeing that **Personal Independence Payment claimants will not have an award period of less than 18 months**. (19)

1.182 The government will create an **entitlement to Neonatal Leave and Pay** for employees whose babies spend an extended period of time in neonatal care, providing up to 12 weeks paid leave so that parents do not have to choose between returning to work and taking care of their vulnerable newborn. In addition, the government will **consult on the design of a new in-work entitlement for employees with unpaid caring responsibilities**, such as for a family member of dependents. (20)

1.183 The government is committed to helping people in problem debt and, from early 2021, will introduce breathing space. This will provide a period of up to 60 days, where people in problem debt will be protected from enforcement action by their creditors and the charging of further interest and fees on their debts. This includes debts owed to central and local government. To support that, the government will invest an **additional £12.5 million in HMRC in 2020-21 to begin work immediately on the implementation of breathing space**.

1.184 The government will commit **£46 million from the Shared Outcomes Fund to provide improved support to individuals overcoming multiple complex needs**, such as homelessness, reoffending and substance misuse.

1.185 Following the Grenfell tragedy, one of the government's most important objectives is to ensure residents feel safe and secure in their home. Having taken expert advice, the Budget confirms an **additional £1 billion to remove unsafe cladding from residential buildings above 18 metres to ensure people feel safe in their homes**.

⁵³ HM Treasury analysis, see 'Budget 2020 data sources'.

1.186 The government wants to support alternatives to high-cost credit such as payday loans, particularly for the most financially vulnerable consumers, by improving access to social and community lenders. The Budget announces the **three winners of the £2 million Affordable Credit Challenge Fund**, which is designed to harness the UK's world-leading fintech expertise to develop tech solutions to the challenges faced by the affordable lending sector, making it easier and quicker to access their products.

1.187 The Budget also announces that the government will **provide protection against misleading sales tactics for consumers who are planning for their funeral**, ensuring that all pre-paid funeral plan providers are subject to robust regulation by bringing the market within the remit of the FCA.

1.188 The Budget announces that the government will bring forward **legislation to protect access to cash** and ensure that the UK's cash infrastructure is sustainable in the long-term.

Rough Sleeping

1.189 The government is committed to ending rough sleeping in this Parliament. Government action is already having an impact, with the latest annual count for England published in February showing a 9% fall on the previous year.⁵⁴ The Budget seeks to build on this progress with £643 million for accommodation and support services to help people off the streets and to start rebuilding their lives. Money raised from a 2% non-UK resident Stamp Duty Land Tax surcharge will be used to help fund policies to reduce rough sleeping in England. (22, 47)

1.190 The government is introducing **additional exemptions from the Shared Accommodation Rate (SAR) for Universal Credit and Housing Benefit claimants** to protect those at risk of homelessness. This will enable rough sleepers aged 16-24, care leavers up to the age of 25, and victims of domestic abuse and human trafficking to live on their own, supporting their recovery from homelessness. (21)

1.191 Further details and additional announcements targeted at supporting people and families can be found in Chapter 2.

⁵⁴ [Rough sleeping snapshot in England: autumn 2019](#), Ministry of Housing, Communities & Local Government, February 2020.

Backing business

1.192 Businesses provide the jobs that hard-working families depend on today, and through investment and innovation they will create the jobs of tomorrow. Backing business is vital to levelling up the economy across the regions and nations of the UK and boosting productivity growth.

1.193 The government is committed to making the UK the best place to start and grow a business, supporting enterprising businesses to succeed while attracting established businesses to locate and invest in the UK. In order to do so, the government is investing in the priorities of the business community by improving transport networks and digital connectivity and by investing in people's skills and health. The government will ensure that the UK's tax system remains competitive and that the regulatory regime supports competition and innovation, along with improving business support and ensuring the UK becomes a 21st century exporting superpower.

Business and enterprise support

1.194 Supporting enterprise is an important part of the government's ambition to level up opportunity across the UK. The government will do this directly by **extending the funding of the British Business Bank's Start-Up Loans programme to the end of 2021-22**, supporting up to 10,000 further entrepreneurs across the UK to access finance to start a business.

1.195 To ensure that all businesses have access to high quality support and advice in their region, the government will **invest £10 million to increase Growth Hub capacity** and provide high-quality, core business advice and guidance across all 38 Growth Hubs.

1.196 In addition, the government will **invest £13 million to expand the British Library's network of Business and Intellectual Property Centres** to 21 cities and 18 surrounding local library networks across England, providing entrepreneurs with business support, free access to market intelligence, IP workshops and one-to-one coaching. (29)

1.197 The government will use the forthcoming CSR to make it easier for businesses to access the information and support that is relevant for them. As a first step, BEIS will **lead the development of a digital service to provide businesses with tailored information about appropriate sources of support**.

1.198 The UK is a global financial centre, with world-leading finance hubs in London, Edinburgh, Birmingham and Leeds that support jobs across the country. To maintain the competitiveness of the UK financial services sector, the government will be taking a number of steps to ensure that the UK's regulatory regime remains proportionate and effective. These will enhance coordination between regulators and ensure the UK continues to lead the way on financial services innovation and the use of technology, including on the regulation of payments and cryptocurrencies. The government will also introduce a Financial Services Bill later in the session which will ensure that the UK maintains its world-leading regulatory standards and remains open to international markets.

Support for the self-employed

1.199 The government has reviewed how support for the self-employed can be strengthened. It will improve access to finance and credit for self-employed people, by extending funding for the Start-Up Loans programme as above and by **exploring how to improve the guidance available for self-employed people applying for a mortgage**. Self-employed people

will also benefit from the government's continued efforts to tackle late payments. BEIS will shortly **publish a consultation on the merits of strengthening the powers of the Small Business Commissioner**.

1.200 The government will make it easier for self-employed people to find the information and guidance that is relevant to them and their business. The Budget announces that HMRC will **launch new interactive guidance in summer 2020 which will make it easier for self-employed taxpayers to navigate the tax system**. They will also benefit from the new digital support service described above. Self-employed people working in rural and hard to reach areas will benefit from the £5 billion for gigabit-capable broadband rollout and funding to improve mobile coverage that the Budget announces.

1.201 Additionally, the government will **consider how to provide appropriate support to self-employed parents** so that they can continue to run their businesses, as part of its wider review of Parental Pay and Leave.

Competition and regulation

1.202 Competition is essential to drive innovation, produce better outcomes for consumers and allow new entrants to the market to grow. The UK is at the forefront of designing smarter and more flexible regulation that allows competition to flourish and minimises unnecessary burdens for business.

1.203 To empower consumers and boost competition, the government will **accept all six of the Furman Review's⁵⁵ strategic recommendations** for unlocking competition in digital markets.

1.204 To reduce regulatory barriers for businesses and ensure that regulation is sensible and proportionate now that the UK has left the EU, the Budget launches the **Reforming Regulation Initiative** to invite ideas from business and the public for regulatory reform. Boosting regulators' capacity is also essential to unlock the potential of emerging technologies and help businesses to develop innovative products and services, and the Budget announces that the government will invest **£10 million in a second round of the Regulators' Pioneer Fund**.

1.205 The government intends to **introduce a levy to be paid by firms subject to the Money Laundering Regulations to help fund new government action to tackle money laundering** and ensure delivery of the reforms committed to in the Economic Crime Plan. These reforms will help safeguard the UK's global reputation as a safe and transparent place to conduct business. The levy will be additional to ongoing public sector funding. The government will publish a consultation on the levy later this spring.

Global Britain

1.206 The UK is an outward-looking and open economy. The government is implementing an independent trade policy for the first time in over 40 years, continuing to support businesses seeking to export and encouraging investors to choose the UK. The Budget takes further steps to enhance this support for trade and investment.

1.207 To strengthen the global ties of our digital technology sector, DIT and the Department for Digital, Culture, Media and Sport (DCMS) will **pilot a Digital Trade Network in the Asia Pacific region**, helping innovative UK companies to access opportunities in major new markets.

⁵⁵ 'Unlocking digital competition, Report of the Digital Competition Expert panel', HM Treasury, March 2019.

DIT will establish **local champions based at 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**.

1.208 The Budget also announces further support for exporters by **extending and increasing the lending capacity of UK Export Finance (UKEF)**. This will make permanent the additional £2 billion provided to UKEF at Budget 2018 as well as provide a new £2 billion lending facility for projects supporting clean growth and a new £1 billion to support overseas buyers of UK defence and security goods and services. UKEF will also expand its face-to-face support for exporters focused on clean growth in the North of England and Scotland where energy supply chains are economically important.

1.209 The government will support the UK's world-leading fintech sector, along with the wider digital economy. The Budget announces a **review of the UK fintech sector led by Ron Kalifa OBE to support growth and competitiveness in the sector**. In addition, the government will **convene a summit looking at what further data needs to be made accessible to make it faster and easier for SMEs to shop around for credit**.

A competitive tax environment

1.210 The government will maintain a sustainable and efficient business-friendly tax environment in which innovative and enterprising businesses can grow and thrive.

1.211 By confirming that the headline **corporation tax rate will remain at 19% in 2020**, the lowest in the G20,⁵⁶ the Budget ensures that the UK will continue to be an attractive place to do business while allowing the government to take action to address the most important challenges businesses face and increase funding for infrastructure and vital public services. An **increase in the annual rate of the structures and buildings allowance to 3%** will provide over £1 billion in additional relief for businesses by the end of 2024-25. Together with measures to incentivise spending on R&D, this will unlock new investment and further enhance the international competitiveness of the UK tax system. The Budget also announces **reforms to the intangible fixed assets regime** to reinforce the attractiveness of the UK as a place for businesses to own and manage intellectual property, **a review of the UK funds regime**, as well as **an industry working group on the future of VAT and financial services**. (45, 23, 28)

1.212 Small businesses play a crucial role in driving the economy and creating jobs. The government will help small businesses take on extra staff to fulfil their potential and boost employment by delivering on its commitment to **increase the Employment Allowance to £4,000**. As a result, businesses will be able to employ four full-time employees on the National Living Wage without paying any employer National Insurance contributions (NICs). This measure will benefit around 510,000 businesses, including around 65,000 businesses which will be taken out of paying NICs entirely.⁵⁷ From April, over 650,000 businesses will have been taken out of paying NICs since the introduction of the Employment Allowance in 2014.⁵⁸ The government will also meet its commitment to **introduce a National Insurance holiday for employers of veterans** in their first year of civilian employment. (25,16)

1.213 The government will continue to use the tax system to support genuine risk-taking and creativity where it is proven to be effective. In response to evidence that Entrepreneurs' Relief has primarily benefited a small number of very affluent taxpayers and done little to generate additional entrepreneurial activity,⁵⁹ the government will **reduce the lifetime limit on gains**

⁵⁶ 'Corporate tax rate table', KPMG, 2019.

⁵⁷ HMRC analysis based on Pay As You Earn Real Time Information, the ONS Inter-Departmental Business Register.

⁵⁸ *ibid*.

⁵⁹ 'Capital Gains Tax Entrepreneur's Relief: Behaviours and Motivations' IFF Research, May 2017.

eligible for relief to £1 million. This will ensure that enterprising small business owners will continue to benefit, leaving over 80% of those using the relief unaffected,⁶⁰ while making the tax system fairer and more sustainable. (46)

1.214 The government is committed to supporting businesses which form an important part of our communities and high streets. The Budget confirms that the government will support shops, pubs, cinemas, and music venues in England by **increasing and expanding the business rates discount for retail properties, introducing a new pubs discount, and extending the local newspaper discount.** To support businesses affected by COVID-19, the government has gone further than previously announced, as detailed earlier in the chapter. A **fundamental review of business rates** will consider further reforms to the business rates system and will report in the autumn. (26, 27)

1.215 The government wants to make the most of the opportunity of leaving the EU to make our VAT and excise system more business-friendly, while continuing to recognise the significant contribution of VAT and excise towards the public finances. The Budget meets the government's commitment to **review the alcohol duty regime** to ensure it works for UK producers and consumers. **Postponed VAT accounting** will also change the time when import VAT is due to HMRC, providing an important cash flow advantage to businesses across the country that are integrated in international supply chains as they adapt to the UK's position as an independent trading nation.

1.216 The Budget announces a set of targeted measures to ensure that businesses pay the tax they owe, ensuring fairness for everyone. This includes **measures to crack down on tax abuse in the construction industry, illicit tobacco, and among big business,** as well as **measures to tackle the promoters of tax avoidance schemes.** (57)

1.217 Further details on how the government is backing business can be found in Chapter 2.

⁶⁰ Internal HMRC analysis of Entrepreneur's Relief data.

Investing in innovation

1.218 The UK has a long and rich history as a hub for scientific discovery and transformative technological progress. From the foundations of scientific investigation and the development of the laws of motion, through the industrial revolution and into the modern digital age – for centuries the UK has led the world. With less than 1% of the world’s population, the UK hosts 4 of the world’s 20 best universities,⁶¹ has produced up to 14% of the world’s most impactful research⁶² and has the second highest number of Nobel Laureates of any nation.⁶³ Today, UK researchers and businesses are cutting carbon emissions, curing genetic diseases and pushing the frontier of artificial intelligence. The UK is also home to some of the world’s foremost technology-pioneering businesses, and UK research attracts significant foreign direct investment.

1.219 Research and innovation lead to better products, services and processes. These drive growth and prosperity across the country, and generate ideas and tools to tackle global challenges such as climate change and an ageing population. That is why the government set the objective of increasing economy-wide investment in R&D to 2.4% of GDP by 2027, and why the Budget puts science, innovation and technology at the heart of the UK’s investment strategy.

1.220 The Budget sets out ambitious plans to **increase public R&D investment to £22 billion per year by 2024-25**. This landmark investment is the largest and fastest ever expansion of support for basic research and innovation, taking direct support for R&D to 0.8% of GDP and placing the UK among the top quarter of OECD nations – ahead of the USA, Japan, France and China.⁶⁴ This unprecedented increase in investment will support a range of objectives, including:

- supporting world-leading research in all regions and nations of the UK, including by **cutting bureaucracy, experimenting with new funding models, and establishing a new funding agency to focus on high-risk, high-reward research**
- meeting the great challenges facing society, including climate change and an ageing population, and **providing funding to pursue ‘moonshot’ scientific missions**
- **investing in the government’s own strategic science capability and improving public services**
- **backing businesses to invest and innovate** so that they can compete in the global technology-driven economy

1.221 Details of how this funding will support these and other objectives will be set out at the forthcoming CSR, but the Budget announces a set of measures that will have an immediate impact.

Supporting world-leading research in all regions and nations

1.222 The UK has excellent universities in every region and nation that attract business investment, deepen the skills and knowledge of the population, and drive economic growth. The government is **providing an immediate funding boost of up to £400 million in 2020-21 for world-leading research, infrastructure and equipment**. This will help build excellence in research institutes and universities right across the UK, particularly in basic research and physical sciences. The government will also provide **£300 million for experimental**

⁶¹ Times Higher Education [World University Rankings 2020](#).

⁶² ‘[International Comparison of the UK research base, 2019](#)’, Department of Business, Energy and Industrial Strategy, July 2019.

⁶³ USA is 1st with 368, followed by the UK with 132. Source: [Nobelprize.org](#)

⁶⁴ Based on most recent available OECD Data: [Main Science and Technology Indicators](#).

mathematical research to attract the very best global talent over the next five years. This will double funding for new PhDs and boost the number of maths fellowships and research projects.

1.223 In addition, the government will **invest at least £800 million in a new blue-skies funding agency here in the UK**, modelled on the extraordinary 'ARPA' in the US.⁶⁵ This agency will fund high-risk, high-reward science.

1.224 In recognition of their excellence and global reach, the government will **increase funding for the UK's foremost specialist institutions by £80 million over the next five years**. This will support world-leading organisations such as the London School of Hygiene and Tropical Medicine, the Royal College of Art and the Institute of Cancer Research among others. At the CSR, the government will **examine how R&D funding as a whole can best be distributed** across the country to help level up every region and nation of the country.

Overcoming societal challenges

1.225 The UK is a world leader in many of the scientific fields that are essential for responding to society's greatest challenges. For example, 25 of the world's top 100 medicines were discovered in the UK,⁶⁶ and the UK is the second largest expert contributor to the Intergovernmental Panel on Climate Change (IPCC).⁶⁷ The Budget is backing UK scientists and businesses to maintain and build on this international leadership.

1.226 As part of this, to help meet the challenge of net zero and ensure that the UK is at the forefront of new decarbonisation technologies, the Budget commits to **at least double the size of the Energy Innovation Programme**.

1.227 The government is also committed to deepening understanding of how to reduce the burden of illness in the future. To this end, the government is **committing an extra £12 million for the National Institute for Health Research in 2020-21**. This increased investment will target research into preventable diseases to work towards solving a range of major health challenges.

Invest in government science capabilities and public science estate

1.228 Cutting-edge science and innovation can also help the government to ensure that it is sufficiently equipped to foresee challenges and opportunities and improve public services. The government will therefore **invest £2 million in 2020-21 to expand the cross-cutting strategic science and resilience capabilities provided by the Government Chief Scientific Adviser and the Government Office for Science**. Furthermore, by **investing £1.4 billion over 10 years in the animal health science facility at Weybridge**, the government will enhance this world-class capability, underpinning agricultural trade and protecting the UK from the increasing threats of current and emerging animal diseases.

1.229 In recognition of its global scientific significance, the Budget **provides £180 million over 6 years for a new state-of-the-art storage and research facility for the Natural History Museum** at Harwell Science and Innovation Campus. This upgrade will put the facility at the forefront of natural sciences research and international collaboration, housing and increasing access to around 40% of this world-leading biological collection.

⁶⁵ Advanced Research Projects Agency.

⁶⁶ BMI Research (2016) United Kingdom Pharmaceuticals & Healthcare Report Q1 2016, p61.

⁶⁷ Royal Society, "[Investing in UK R&D](#)", pg.2. Calculated from the annex of author and expert reviewers in the IPCC's Fifth Assessment Report.

Backing businesses to innovate and grow

1.230 Private investment will be crucial to meeting the government's objective of increasing economy-wide investment in R&D to 2.4% of GDP by 2027, and to creating an innovation-intensive and technology-driven economy. The Budget will support and encourage this by **increasing the rate of Research & Development Expenditure Credit from 12% to 13%**. The government will also **consult on whether qualifying R&D tax credit costs should include investments in data and cloud computing**. (24)

1.231 The government is committed to ensuring that the UK's fast-growing and innovative businesses continue to have access to the finance they need to invest and grow. **The Life Sciences Investment Programme will provide the British Business Bank with additional resources to make up to £200 million in equity commitments** to support the UK's most innovative health and life sciences firms over the next five years. Invested alongside private sector capital, this is expected to enable £600 million of finance to create high-quality jobs and help UK patients benefit from more ground-breaking treatments and care. This funding will build on the £350 million of finance to life sciences firms currently supported by the British Business Bank by supporting large-scale venture growth funds. The programme will launch within a year. The government will **also provide the British Business Bank with the resources to make up to £200 million of additional investment in UK venture capital and growth finance in 2020-21**.

1.232 The Budget will also **invest over £900 million to ensure UK businesses are leading the way in high-potential technologies**. This will involve commercialising nuclear fusion technology, offering potentially limitless clean energy, and supporting the government's ambitious National Space Strategy and space innovation fund. A portion of this funding contributes to a wider investment of up to £1 billion to develop UK supply chains for the large-scale production of electric vehicles, as announced in September.

1.233 Further details on the support offered in the Budget for innovation can be found in Chapter 2.

Growing a greener economy

1.234 Reducing carbon emissions and enhancing the environment are major government priorities. The UK is already a leader in climate change and clean growth, having reduced emissions faster than any other G7 nation since 1990,⁶⁸ and being the first major economy to legislate for net zero greenhouse gas emissions.

1.235 This year, as the UK prepares to host the COP26 Climate Summit,⁶⁹ the government is raising its ambition to decarbonise the economy. This will level up green economic opportunities in every nation and region and boost innovation, whilst also improving the natural environment.

1.236 The Budget sets out ambitious action on tree planting, ultra-low emission vehicles, heat decarbonisation and carbon capture and storage. Further climate policy measures will follow in the coming months.

1.237 HM Treasury will also publish two reviews this year – one into the economic costs and opportunities of reaching net zero, the other led by Professor Sir Partha Dasgupta into the economics of biodiversity.

Decarbonising power, industry and heat

1.238 Research and innovation will reduce the costs of meeting net zero and put the UK at the forefront of the new technologies needed to decarbonise the world economy. The Budget therefore commits to at least **doubling the size of the Energy Innovation Programme**. But innovation alone is not enough. Whilst new technologies are being developed, the government will continue to take action to reduce emissions now.

1.239 The government has already made significant progress in reducing carbon emissions from electricity generation, driven by the switch from coal to gas and the growth in renewable energy. Costs have fallen so quickly that offshore wind, onshore wind and solar are likely to be the UK's primary source of electricity in the future. However, the power generated by these renewable sources is dependent on the weather, so the UK also needs reliable low carbon power from technologies such as nuclear, gas with carbon capture and storage (CCS), and hydrogen.

1.240 To meet the net zero target, the UK must also decarbonise industry. There are a number of possible routes – from using low carbon energy sources like hydrogen or electricity, to capturing industrial emissions and storing them safely under the ground. This challenge provides opportunities not only to reduce emissions, but also to enable our manufacturing heartlands to become leaders in the green markets of the future.

1.241 Carbon capture and storage will be important to decarbonising both power and industry. It can provide flexible low carbon power and decarbonise many industrial processes, whilst also offering the option for negative emissions at scale. The Budget announces a **CCS Infrastructure Fund to establish CCS in at least two UK sites**, one by the mid-2020s, a second by 2030. Using consumer subsidies, the government will also support the construction of the **UK's first CCS power plant**.

1.242 The heating of our homes will need to be virtually zero carbon by 2050, replacing natural gas and other fossil fuels with low carbon alternatives – likely to be primarily a mix of green gas, heat pumps and heat networks. To meet this challenge, the Budget accelerates the greening of the gas grid by announcing a **new support scheme for biomethane**, funded by a **Green Gas Levy**. The government will also support the installation of heat pumps and biomass boilers by introducing a **Low Carbon Heat Support Scheme**. Recognising the energy

⁶⁸ 'Reducing UK emissions: 2018 Progress Report to Parliament', Committee on Climate Change, June 2018.

⁶⁹ 26th Conference of the Parties to the United Nations Framework Convention on Climate Change.

efficiency benefits of heat networks, the Budget **confirms funding for the Heat Networks Investment Project** for a further year to 2022 and provides **£270 million of new funding** to enable new and existing heat networks to adopt low carbon heat sources.

1.243 To encourage businesses to operate in a more environmentally friendly way, the government is **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. (40, 41)

Reducing vehicle pollution

1.244 Meeting the UK's net zero commitment will require emissions reductions across all modes of transport. However, road transport is responsible for 91% of domestic transport greenhouse gas emissions⁷⁰ and is one of the biggest contributors to poor air quality in the UK's towns and cities. The government has set ambitious targets to increase the number of zero emission vehicles on the road and is currently consulting on bringing forward the phaseout date for the sale of new petrol and diesel cars and vans from 2040. Meeting these targets will require a combination of spending, regulation and taxes.

1.245 Consumer incentives support the development of markets for new transport technology. The government is considering the long-term future of incentives for zero emission vehicles alongside the 2040 phase-out date consultation. Until then, the government will provide **£403 million for the Plug-in Car Grant**, extending it to 2022-23. Recognising that the market for other ultra-low emission vehicles is still very small, the government will also **provide £129.5 million to extend the Plug-in Grants for vans, taxis and motorcycles to 2022-23**. In addition, the Budget announces the **exemption of zero emission cars from the Vehicle Excise Duty (VED) 'expensive car supplement'** and the publication of a call for evidence on VED, which will include how it can be further used to reduce vehicle emissions. (35, 44)

1.246 Access to high quality, convenient charging infrastructure is critical for drivers to make the switch to electric vehicles confidently. The government is therefore **providing £500 million over the next five years to support the rollout of a fast-charging network for electric vehicles**, ensuring that drivers will never be further than 30 miles from a rapid charging station. This will include a **Rapid Charging Fund** to help businesses with the cost of connecting fast charge points to the electricity grid. To target spending from this fund effectively, the Office for Low Emission Vehicles will complete a **comprehensive electric vehicle charging infrastructure review**.

1.247 The government will also **remove the entitlement to use red diesel from April 2022**, except in agriculture, fish farming, rail and for non-commercial heating (including domestic heating). By removing this tax relief on pollution, the government will encourage businesses and industry to improve the energy efficiency of their vehicles and machinery or look for greener alternatives. The development of these alternatives will be supported by the government more than doubling its investment in the Energy Innovation Programme. (39)

1.248 Cleaner vehicles will improve air quality. The government is committed to bringing roadside concentrations of polluting nitrogen dioxide gas within legal limits in the shortest possible time. The Budget therefore allocates an additional **£304 million to enable local authorities to take immediate steps to reduce nitrogen dioxide emissions**. This brings the total amount that government has provided to affected local authorities to £880 million, meeting the government's obligations to all affected local authorities. (36)

⁷⁰ 'Transport Statistics Great Britain 2019', Department for Transport, December 2019.

Natural environment

1.249 This government aims to be the first to leave the natural environment in a better condition than we inherited it. The '25 Year Environment Plan' sets out the government's ambitions for clean air and water, thriving plants and wildlife, and mitigating and adapting to climate change.⁷¹

1.250 The Budget announces the **Nature for Climate Fund** which will **invest £640 million in tree planting and peatland restoration** in England, increasing the rate of tree planting by over 600%⁷² and covering an area greater than Birmingham over the next five years. In addition, the Budget announces the **Nature Recovery Network Fund**, which will partner with businesses and local communities to protect, restore and support existing habitats and wildlife. The government will also introduce the **Natural Environment Impact Fund** to help prepare green projects that could be suitable for commercial investment in order to encourage **private sector support for environmental restoration**.

1.251 The UK's commitment to protecting the natural environment extends beyond Great Britain and Northern Ireland and into the UK Overseas Territories. The government is **tripling funding for the Darwin Plus programme to help protect and conserve the globally significant biodiversity found in UK Overseas Territories**.⁷³ This builds on the £220 million for biodiversity conservation in developing nations, and the doubling of UK international climate finance, announced by the Prime Minister at the UN General Assembly last year.

Waste and recycling

1.252 The government is committed to improving waste management, boosting recycling and reducing plastic pollution. Following consultation in spring 2019, **the government will introduce a new Plastic Packaging Tax from April 2022** to incentivise the use of recycled plastic in packaging and help tackle the scourge of plastic in the natural environment. An additional **£700,000 will establish the Extended Producer Responsibility scheme**, designed to encourage producers to make their packaging more recyclable and reduce the amount of unnecessary packaging in their products. (38)

1.253 The government will also take action to fight waste crime. The Budget will provide funding for a **digital waste tracking system to provide better data on waste transport**, as well as £2 million to improve evidence on where **fly-tipping** happens and the best ways to deter it.

1.254 Further details on carbon reduction measures in the Budget can be found in Chapter 2.

⁷¹ '25 Year Environment Plan', Department for Environment, Food & Rural Affairs, January 2018.

⁷² 'Provisional Woodland Statistics', Forestry Research, June 2019.

⁷³ 'Darwin Plus Projects Register', Darwin Initiative, March 2020.

2

Budget policy decisions

2.1 Chapter 1 explains how the measures announced in the Budget support the Government's long-term strategy. This chapter sets out all Budget 2020 policy decisions. Unless stated otherwise, the decisions set out are ones which are announced at the Budget.

2.2 Table 2.1 shows the cost or yield of all Budget 2020 decisions with a direct effect on PSNB in the years up to 2025-26. This includes tax measures, changes to Departmental Expenditure Limits (DEL) and measures affecting annually managed expenditure (AME).

2.3 The government is also publishing the methodology underpinning the calculation of the fiscal impact of each policy decision. This is included in the supplementary document 'Budget 2020: policy costings' published alongside the Budget.

2.4 The supplementary document 'Overview of Tax Legislation and Rates', published alongside the Budget, provides a more detailed explanation of tax measures.

Table 2.1: Budget 2020 policy decisions (£ million)¹

		Head ²	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Investing in excellent public services								
<i>Spending review</i>								
1	Spending Round 2019 and set resource envelope for the Comprehensive Spending Review 2020	Spend	-2,530	-12,600	-27,225	-32,095	-36,085	-42,320
2	Delivering public service commitments including on health, schools, criminal justice system (resource spending) ³	Spend	0	-1,430	-2,685	-2,795	-2,825	-
3	EU contributions: benefit from contributions no longer paid and customs duties retained	Spend	0	+4,340	+4,990	+7,130	+11,250	+14,605
4	Farm Support: domestic direct payments ⁴	Spend	0	-2,710	-	-	-	-
<i>Delivering excellent services</i>								
5	National Health Service: 40 hospitals, diagnostics, operational capital ⁵	Spend	0	-1,065	-	-	-	-
6	Immigration Health Surcharge: increase to £624 with £470 rate for children and extend to EEA nationals	Tax	0	+150	+355	+355	+360	+355
7	Pensions: increase annual allowance taper threshold and adjusted income limit, reduce minimum annual allowance	Tax	0	-180	-315	-450	-560	-670
8	Prisons: maintenance ^{4,5}	Spend	0	-175	-	-	-	-
9	Policing: counter terrorism ⁴	Spend	0	-80	-	-	-	-
10	Safer Streets Fund: CCTV and street lighting ^{4,6}	Spend	0	-15	-	-	-	-

		Head ²	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
11	Public Works Loan Board: increase main rate, with reduced rates for social housing and infrastructure	Spend	+105	+60	+175	+205	+270	+325
Supporting people and families								
Tax								
12	National Insurance: increase Primary Threshold and Lower Profit Limit to £9,500 in April 2020	Tax	*	-2,110	-2,185	-2,360	-2,370	-2,370
13	Fuel duty: freeze for 2020-21	Tax	0	-525	-530	-540	-555	-560
14	Alcohol Duty: freeze all rates for 2020-21 ¹⁰	Tax	-40	-285	-295	-305	-310	-320
15	VAT: zero rate e-publications	Tax	0	-60	-175	-185	-190	-200
16	National Insurance: NICs holiday for employers of veterans in first year of civilian employment	Tax	0	0	-15	-20	-25	-25
17	VAT: abolish VAT for female sanitary products from January 2021	Tax	0	-5	-15	-15	-15	-15
18	Vehicle Excise Duty: change classification of new motorhomes from 12 March 2020	Tax	*	-15	-20	-25	-30	-35
Spending								
19	Personal Independence Payments: reduce frequency of assessments	Spend	0	0	0	-55	-75	-90
20	Neonatal Leave: new entitlement to up to 12 weeks paid leave	Spend	0	0	0	0	-15	-15
21	Housing Benefit: further shared accommodation rate exemptions	Spend	0	0	0	0	-10	-15
22	Rough sleeping ^{4,5}	Spend	0	-60	-	-	-	-
Backing business								
23	Capital Allowances: increase structures and buildings allowance rate to 3%	Tax	-15	-90	-165	-210	-260	-295
24	Research and Development Expenditure Credit: increase rate to 13%	Spend	0	*	-170	-275	-300	-310
25	Employment Allowance: increase from £3,000 to £4,000	Tax	0	-445	-455	-465	-470	-475
26	Business Rates: increase retail discount to 50%, and extend to cinemas and music venues for 2020-21	Tax	+10	-270	-15	0	0	0
27	Business Rates: £1,000 discount for pubs with rateable value of less than £100,000 for 2020-21	Tax	*	-20	*	0	0	0
28	Corporation Tax: relief for pre-2002 intangible fixed assets	Tax	-5	-25	-60	-95	-140	-185
29	Enterprise: business productivity and locally delivered business support	Spend	0	-20	-	-	-	-
Levelling up and getting Britain building								
30	Spending Round 2019 and set capital envelope for the Comprehensive Spending Review 2020	Spend	0	-2,450	-13,690	-14,465	-13,610	-22,500

	Head ²	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
31 Delivering investment commitments including on transport, health, justice, education, R&D (capital spending) ⁷	Spend	0	-3,290	-4,315	-6,160	-8,150	-
32 Housing: building safety fund ^{4,5}	Spend	0	-1,215	-	-	-	-
33 Housing: brownfield housing fund ⁵	Spend	0	-95	-	-	-	-
34 Culture: cultural investment fund, parklife, national museums maintenance ^{4,5}	Spend	0	-95	-	-	-	-
Growing a greener economy							
35 Ultra low emission vehicle grants ^{4,5}	Spend	0	-140	-	-	-	-
36 Air Quality ⁵	Spend	0	-175	-	-	-	-
37 Renewable Heat Incentive: extend	Spend	0	0	-10	-30	-35	-35
38 Plastic Packaging Tax: 30% recycled content threshold and £200 per tonne	Tax	0	0	0	+240	+235	+220
39 Red Diesel: remove relief for sectors other than rail, home heating and agriculture	Tax	0	0	+15	+1,575	+1,640	+1,645
40 Climate Change Levy: two year extension to climate change agreement scheme and open to new entrants	Tax	0	*	-5	-5	-190	-190
41 Climate Change Levy: increase gas rate in 2022-23 and 2023-24, freeze liquid petroleum gas and other commodities	Tax	0	0	0	+130	+260	+270
42 Capital Allowances for Business Cars: extend first year allowance on zero emission cars and raise eligibility criteria	Tax	0	*	-5	+10	+70	+110
43 Carbon Price Support: freeze for 2021-22	Tax	0	0	-20	-15	-15	-15
44 Vehicle Excise Duty: exempt zero emission vehicles from the expensive car supplement	Tax	0	-10	-15	-20	-30	-45
A fair and sustainable tax system							
45 Corporation Tax: maintain at 19%	Tax	+930	+4,635	+6,120	+6,680	+7,075	+7,500
46 Capital Gains Tax: reduce the lifetime limit in entrepreneurs' relief to £1,000,000	Tax	+5	+215	+1,120	+1,470	+1,670	+1,820
47 Stamp Duty Land Tax: 2% non-UK resident surcharge	Tax	0	+250	-355	+35	+105	+105
48 Tobacco Duty: extend RPI plus 2ppt escalator and additional 4ppt for hand rolling tobacco in 2020-21	Tax	+5	+30	+35	+30	+15	+5
49 Income Tax: top slicing relief amendments	Tax	0	*	-15	-15	-15	-20
50 Digital Services Tax: technical changes	Tax	+65	-5	*	*	*	+70
51 Corporate Capital Loss Restriction: companies in liquidation	Tax	*	*	-5	-5	-5	-5
52 Aggregates Levy: freeze for 2020-21	Tax	0	-10	-10	-10	-10	-10
53 Heavy Goods Vehicle VED and Levy: freeze in 2020-21	Tax	0	-10	-10	-10	-10	-10

	Head ²	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
54 Car Fuel Benefit: increase by CPI in 2020-21	Tax	0	+5	+5	+5	+5	+5
55 Savings: maintain £20,000 limit for adult ISA in 2020-21	Tax	0	*	*	*	*	+5
Avoidance, evasion, and unfair outcomes							
56 Notification of uncertain tax treatment	Tax	*	+10	+20	+40	+45	+45
57 Tackling abuse in the construction industry scheme	Tax	0	0	0	+20	+20	+15
58 Conditionality: hidden economy	Tax	0	0	+5	+35	+50	+65
59 Investment in HMRC to improve tax compliance	Tax	+55	+280	+855	+1,065	+1,075	+595
60 Research and Development PAYE Cap: delay by one year and updated design	Spend	0	0	-60	-130	-65	-35
61 Housing Benefit: investment in fraud detection by Local Authorities	Spend	0	+115	+140	+125	+105	+60
Financial transactions							
62 Public sector net borrowing impact of financial transaction changes ⁸	Spend	+2,160	+2,530	+2,900	+3,155	+990	+985
Previously announced policy decisions							
63 Independent Loan Charge Review: implementation of the recommendations	Tax	-30	-305	-245	-70	-70	-25
64 Windrush: tax exemption for compensation payments	Tax	*	-5	-5	*	*	*
65 Protecting Your Taxes in Insolvency: delay start date to December and extend to Northern Ireland	Tax	-5	-30	-85	-35	+5	+5
66 Company Car Tax: temporary reduction for new cars registered from 6 April 2020	Tax	0	-50	-50	*	0	0
67 Stamp Tax on Shares: connected company transfers	Tax	0	+5	+5	+5	+5	+5
68 VAT: change start date for reverse charge for building and constructions services	Tax	-85	-60	+20	+15	0	0
69 Business Rates Retention Pilots: 2020-21 pilots in Devolution Deal areas and the Greater London Authority	Spend	0	-150	+45	0	0	0
70 Negative Revenue Support Grant: eliminate in 2020-21	Spend	0	-65	0	0	0	0
71 Communities: youth investment fund ^{4,5}	Spend	0	-80	-	-	-	-
72 Welfare: restrict EEA migrants' access to non-contributory benefits for first five years in UK from January 2021	Spend	0	*	+5	+25	+50	+80
73 Child Benefit and Child Tax Credits: end exporting for children outside the UK from January 2021	Spend	0	*	*	*	+5	+5
74 Universal Credit: delay surplus earnings threshold reduction by one year	Spend	0	-75	0	0	0	0

	Head ²	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
75 Universal Credit: additional support for claimants transferring to pension credit	Spend	0	-5	-10	-10	-15	-25
76 Universal Credit: changes to severe disability premium regulations	Spend	-10	-5	-5	*	*	0
Total policy decisions⁹		+605	-17,900	-36,430	-38,530	-41,150	-41,920
Total spending policy decisions⁹		-355	-19,255	-40,185	-45,640	-48,780	-49,440
<i>Of which current</i>		<i>-2,545</i>	<i>-13,765</i>	<i>-24,910</i>	<i>-27,860</i>	<i>-27,680</i>	<i>-27,660</i>
<i>Of which capital</i>		<i>+2,190</i>	<i>-5,490</i>	<i>-15,275</i>	<i>-17,775</i>	<i>-21,100</i>	<i>-21,780</i>
Total tax policy decisions⁹		+960	+1,355	+3,755	+7,110	+7,625	+7,520

* Negligible.

¹ Costings reflect the OBR's latest economic and fiscal determinants.

² Many measures have both tax and spend impacts. Measures are identified as tax or spend on the basis of their largest impact.

³ The overall spending level in 2024-25 has been adjusted for the costs of these measures. Settlements for 2024-25 will be set out at the Spending Review after the Comprehensive Spending Review 2020.

⁴ The overall resource spending envelope has been adjusted to include funding for this measure in future years. Settlements over the period 2020-21 to 2023-24 will be set out in full at the Comprehensive Spending Review 2020.

⁵ These costs are additional capital spending in 2020-21. Future profiles and total programme costs for some specific programmes are detailed elsewhere in the document. Settlements beyond 2020-21 will be set out in full at the Comprehensive Spending Review 2020.

⁶ Safer Streets Fund: There is a total of £25m in this Fund, of which £10m is funded from the Home Office settlement.

⁷ Departments have existing 2020-21 capital budgets. Some additions were made to 2020-21 capital budgets at the Spending Review 2019 and further additions are made at this Budget. Years beyond 2021-22 represent the overall capital envelope, which will be allocated to departments at the Comprehensive Spending Review 2020. Some specific capital allocations are set out throughout this document.

⁸ Further details on financial transactions is set out in the financial transaction table.

⁹ Totals may not sum due to rounding.

¹⁰ The modelling for this measure was corrected after this table was finalised. The accompanying published costing note contains the updated impacts on the public finances.

National Living Wage and welfare

2.5 Publishing the Low Pay Commission's 2020 Remit – Alongside the Budget, the government has published its remit to the Low Pay Commission (LPC) for 2020. Confirming the government's ambitious target, the remit asks the LPC to make recommendations with the view of reaching a National Living Wage (NLW) of two-thirds of median earnings by 2024, provided economic conditions allow. Following recommendations made by the LPC, the NLW will apply to workers aged 23 and over in April 2021, with a target for it to apply to workers aged 21 and over by 2024.

2.6 Carers' leave – The government will shortly consult on the design of Carers' Leave: a new in-work entitlement for employees with unpaid caring responsibilities, such as for a family member or dependents. This will support hardworking people to balance their caring responsibilities with work, particularly women who disproportionately undertake unpaid caring activities.

2.7 Neonatal leave and pay – The Budget announces a new entitlement to neonatal leave and pay for employees whose babies spend an extended period of time in neonatal care. (20)

2.8 Personal Independence Payment reassessments – The government will reduce the frequency of health assessments required for people receiving Personal Independence Payment (PIP). For those whose condition is unlikely to change, the Budget sets a minimum award review length of 18 months. (19)

2.9 Increase in the repayment period for Universal Credit advances and reduction in the maximum debt deduction cap on the Universal Credit standard allowance – From October 2021, the period over which Universal Credit advances will be recovered will increase to 24 months, while the maximum rate at which deductions can be made from a Universal Credit award will reduce from 30% to 25% of the standard allowance.

2.10 Enhancing Housing Benefit compliance – The Budget provides further investment of up to £12 million per year in local authority resource to maximise their capacity to tackle Housing Benefit fraud and error. (61)

2.11 Universal Credit to Pension Credit transition – The Budget confirms funding for an operational change to ensure claimants do not experience a gap in their benefit entitlement when moving from Universal Credit to Pension Credit. (75)

2.12 Universal Credit: transitional protection for former Severe Disability Premium (SDP) claimants – The government is confirming funding for increasing the rate of transitional payments for claimants in receipt of Severe Disability Premium when they move to Universal Credit. (76)

2.13 Universal Credit rollout – The implementation schedule of Universal Credit has been updated to ensure its safe delivery. The government expects rollout to complete by September 2024.

2.14 Universal Credit: surplus earnings – The Budget confirms funding for a delay to the reduction of the Universal Credit surplus earnings threshold, so that only large income spikes above £2,500 will be taken into account. The threshold will be reduced to £300 in April 2021. (74)

2.15 Changes to the duration of high level sanctions – The government is removing the three-year sanction from Universal Credit and Jobseeker’s Allowance. This will bring high-level sanctions to 13 weeks for the first failure to comply with conditionality or work search requirements and 26 weeks for each subsequent failure, making 26 weeks the duration of the longest single sanction in Universal Credit and Job Seekers Allowance.

2.16 Supporting families with school-aged children through Tax-Free Childcare (TFC) – The government is announcing a service improvement that will make TFC compatible with school payment agents. This will allow parents of up to 500,000 school-aged children across the UK to access TFC and use it towards the cost of their wraparound childcare.

2.17 Migrants’ access to benefits – The government is aligning EEA migrants’ access to non-contributory benefits with non-EEA nationals. This will apply to EEA migrants arriving in the UK under the new immigration system, from January 2021. (72)

2.18 Stop export of Child Benefit – The government is stopping the export of Child Benefit payments made in respect of children living overseas. This will apply to EEA migrants arriving in the UK under the new immigration system, from January 2021. (73)

2.19 Porting of Support for Mortgage Interest (SMI) loans – As announced in June 2019, the government will amend the SMI loan regulations to allow recipients moving home to transfer their existing loan to their new property.

2.20 Extending Shared Accommodation Rate (SAR) exemptions – The government is introducing exemptions from the SAR for claimants of Universal Credit and Housing Benefit covering rough sleepers aged 16-24, care leavers up to the age of 25, and victims of domestic abuse and human trafficking. (21)

2.21 Extension to Civil Partnerships: State Pension – The Civil Partnerships (Opposite-sex Couples) Regulations 2019 give opposite-sex couples the choice of entering into marriage or civil partnership. The Budget provides funding which ensures individuals can derive or inherit a State Pension from an opposite-sex civil partner.

2.22 Devolution of welfare benefits to the Scottish Government – As set out in the Scotland Act 2016, the government is devolving a number of disability benefits to the Scottish government, including Personal Independence Payment, Disability Living Allowance, Attendance Allowance, Industrial Injuries Disablement Allowance and Severe Disablement Allowance.

Public spending decisions

Health

2.23 Nurses – From September 2020, all new and existing students on nursing, midwifery and allied health courses in England will benefit from additional non-repayable maintenance grants to help with living costs. Students will receive at least £5,000 a year, with up to £3,000 further financial support available for eligible students with childcare responsibilities, as well as those studying in regions and specialisms where Trusts find it difficult to recruit nurses.

2.24 50 million GP surgery appointments – The government is committed to creating 50 million more GP surgery appointments a year in England. The government will achieve this by funding the Department for Health and Social Care and the NHS to train, recruit and retain up to 6,000 more doctors in general practice and 6,000 more primary care professionals, such as physiotherapists and pharmacists.

2.25 Health Infrastructure Plan (HIP) – As announced in September 2019, the government has committed £2.7 billion to deliver 6 major building and redevelopment schemes in hospitals in England, and a further £100 million of seed funding for other schemes to develop their plans. In total, this programme involves at least 40 hospital building projects. (5)

2.26 Learning Disability and Autism Fund – The government will provide funding over the next three years to speed up the discharge of individuals with learning disabilities or autism into the community from mental health inpatient care in England.

2.27 NHS operational capital – The government will protect the level of NHS operational capital investment in England by increasing the DHSC’s capital budget by £683 million in the new financial year 2020-21. This will allow Trusts to continue to invest in important capital projects such as estate refurbishments and building maintenance. (5)

2.28 National Institute for Health Research (NIHR) – In order to improve our understanding of how to reduce the burden of illness in the future, the government is committing £12 million of new funding for the National Institute for Health Research to invest in prevention research, supporting local authorities to grow their research capabilities for the longer term.

2.29 Diagnostic equipment replacement – As announced in September 2019, the government is providing £200 million for the NHS in England to replace its oldest diagnostic equipment, including MRI machines, CT scanners, and breast screening equipment. The new equipment will improve the quality of screening and speed of diagnosis for illnesses such as cancer. (5)

2.30 Hospital car parking – The government will scrap hospital car parking fees in England for those in greatest need, including patients with a disability and/or terminal illness and their families, patients with regular appointments, parents of sick children staying overnight and NHS staff working night shifts.

2.31 Immigration Health Surcharge (IHS) – The government will increase the IHS from £400 to £624. There will be a new discounted rate for children under the age of 18 of £470. For students and those entering on the youth mobility scheme, the surcharge will rise from £300 to £470. (6)

Safety and security

2.32 Counter terrorism – Overall counter-terrorism spending will increase by £114 million in 2020-21 to maintain capability and officer numbers in the face of a changing terrorist threat, and to help keep the UK safe. This includes an additional £31 million for the UK Intelligence Community and £83 million for counter-terrorism policing. As a result, funding for counter-terrorism policing will increase by £103 million in 2020-21. (9)

2.33 UK Intelligence Community infrastructure – The government has provided the UK Intelligence Community with £67 million additional funding to build on their world-leading technological capabilities so that they can continue to help keep the country safe from harm.

2.34 Capital for Companies House – The government will allocate £14 million to Companies House to enable it to continue with vital capital projects to help its work tackling economic crime and anti-money laundering.

2.35 Fire Safety – The government is providing £20 million for Fire and Rescue Services to increase inspection and enforcement capability and build a strategic response to the Grenfell Public Inquiry’s findings.

2.36 Domestic violence prevention – The government is providing £10 million in 2020-21 for innovative new approaches to preventing domestic abuse, working with Police and Crime Commissioners to expand projects like the “Drive” prevention programme.

2.37 Domestic abuse courts – The government will provide an additional £5 million to begin a trial of integrated domestic abuse courts in England and Wales. This funding will allow progress to be made on establishing these courts over the next year.

2.38 Royal Commission on the Criminal Justice process – The government will provide an additional £3 million to launch a Royal Commission on the Criminal Justice process in England and Wales. This funding will allow work on the Commission to begin at pace over the next year.

2.39 Community sentences – The government will provide an additional £68.5 million to strengthen community sentences in England and Wales, including by increasing the number of offenders who are required to wear an electronic tag.

2.40 Victim support – The government will provide an additional £15 million to improve the justice system’s offer to victims. This will boost the support available to victims of rape, and create a new digital hub to make the criminal justice process in England and Wales easier to understand.

2.41 Prison maintenance – The government will provide an additional £156 million in 2020-21 to tackle prison maintenance issues, helping to maintain prison operating capacity and improve conditions for those living and working in prisons in England and Wales. (8)

2.42 Youth Violence – The government is providing £5 million in 2020-21 to support the creation of a Centre of Excellence for Tackling Youth Violence.

2.43 Economic crime levy – The government intends to introduce a levy to be paid by firms subject to the Money Laundering Regulations to help fund new government action to tackle money laundering and ensure delivery of the reforms committed to in the Economic Crime Plan.¹ These reforms will help safeguard the UK’s global reputation as a safe and transparent place to conduct business. The levy will be additional to ongoing public sector funding. The government will publish a consultation on the levy later this spring.

Armed forces

2.44 Additional funding for veterans mental health – The government will provide a £10 million uplift in 2020-21 to the Armed Forces Covenant Fund Trust, to deliver charitable projects and initiatives that support veterans with mental health needs. This funding demonstrates this government’s ongoing commitment to ensuring that our veterans can access the services and support that they deserve.

2.45 Southampton Spitfire Memorial – The government will provide up to £3 million match-funding to support the construction of a memorial to the Spitfire on the Southampton waterfront, in recognition of the individuals who built and flew the aircraft in the Second World War.

Education and skills

2.46 Further education capital funding – The government will provide £1.5 billion over five years (£1.8 billion inclusive of indicative Barnett consequentials), supported by funding from further education colleges themselves, to bring the facilities of colleges everywhere in England up to a good level, and to support improvements to colleges to raise the quality and efficiency of vocational education provision.

¹ [‘Economic crime plan 2019 to 2022’, HM Treasury and Home Office, July 2019.](#)

2.47 Institutes of Technology – The government will provide £120 million to bring further education and higher education providers in England together with employers to open up to eight new Institutes of Technology. These institutions will be used to deliver high-quality higher level technical education and to help close skills gaps in their local areas.

2.48 Facilities and equipment to support T levels – The government will provide £95 million for providers in England to invest in high quality facilities and industry-standard equipment to support the rollout of T levels. Funding will support T level routes being delivered from autumn 2021, including construction, digital, and health and science.

2.49 National Skills Fund – The government will consult widely in the spring on how to use the new National Skills Fund.

2.50 Apprenticeship Levy – The government will look at how to improve the working of the Apprenticeship Levy, to support large and small employers in meeting the long-term skills needs of the economy.

2.51 Apprenticeships – The government will ensure that sufficient funding is made available in 2020-21 to support an increase in the number of new high-quality apprenticeships in small- and medium-sized businesses.

2.52 Maths schools – The government will provide an additional £7 million to support a total of 11 maths schools in England, covering every region.

2.53 PE and sports – The Budget provides £29 million a year by 2023-24 in England to support primary school PE teaching and help schools make the best use of their sports facilities.

2.54 Arts Premium – The Budget provides £90 million a year to introduce an Arts Premium from September 2021, to help schools in England to provide high-quality arts programmes and extracurricular activities for pupils.

2.55 Freezing the maximum fee cap – As announced in July 2019, the government has frozen the maximum fee cap in England for the 2020-21 academic year at £9,250 for regular full-time undergraduate courses and at £11,100 for accelerated degree courses.

2.56 Removing the student finance three-year residence requirement for victims of domestic abuse – From academic year 2020-21, the government is removing the three-year ordinary residence requirement for student finance for those granted Indefinite Leave to Remain as victims of domestic abuse.

2.57 Entitlement to part-time Maintenance Loans – The Budget takes into account the fiscal impacts of part-time Maintenance Loans not being extended to sub-degree (level 4/5 courses) and distance learners, as announced in June 2019 and March 2019 respectively.

Local government and communities

2.58 Local Infrastructure Rate lending – The government will provide an additional £1.15 billion discounted lending at 60 basis points above gilts via the Public Works Loan Board (PWLB) to support specific local authority infrastructure projects for England, Scotland and Wales. (11)

2.59 Housing Revenue Account lending rate – The rate for discounted PWLB lending to support social housing will be reduced to 80 basis points above gilts for local authorities in England, Scotland and Wales. (11)

2.60 Future of Public Works Loan Board lending terms – The government will consult on revising the terms of PWLB lending to ensure that local authorities can continue to invest in housing, infrastructure and frontline services.

2.61 Public Works Loan Board powers – The government will reset its power to increase the PWLB lending limit.

2.62 Adults with multiple complex needs – The government will commit £46 million from the Shared Outcomes Fund to provide improved support to individuals experiencing multiple complex needs, such as homelessness, reoffending and substance misuse.

2.63 Rough sleeping – The Budget confirms the £237 million announced by the Prime Minister for accommodation for up to 6,000 rough sleepers and provides a further £144 million for associated support services and £262 million for substance misuse treatment services which, when fully deployed, is expected to help more than 11,000 people a year. This will enable people to move off the streets and support them to maintain a tenancy for the long term. (22)

2.64 Research to support vulnerable children – This Budget will go further on supporting families by providing £2.5 million for research and developing best practice around the integration of services for families, including family hubs, and how best to support vulnerable children.

2.65 Increased Business Rates Retention in Devolution Deal areas and the Greater London Authority – In 2017-18, the government set-up 100% Business Rates Retention pilots in devolution deal areas: Cornwall, Greater Manchester, Liverpool City Region, West of England and West Midlands. London has also benefitted from increased retention arrangements from 2017-18. These areas will continue to benefit from increased retention, and London will receive 67% retention in 2020-21, in line with the Greater London Authority funding agreement made in 2017-18. (69)

2.66 Eliminating negative Revenue Support Grant (RSG) in 2020-21 – The government confirmed at the 2020-21 Local Government Finance Settlement that it will eliminate negative RSG through the use of foregone business rates, at a cost of £153 million. This is to maintain the commitment not to adjust business rates tariffs and top-ups until the business rates retention system is reset. (70)

Public sector capability

2.67 Data sharing – The government has already improved its use of data through the Artificial Intelligence and Data Grand Challenge and the ONS Data Science Campus. The Budget goes further by investing £16.4 million over the next three years, including £6.8 million for the ONS to make it easier to share more, higher-quality data across government. This will improve policy making and evaluation, and combine datasets in new ways to detect fraud. This investment is a first step in the government's National Data Strategy to unlock the power of data across government and the wider economy, while building trust in its use.

2.68 General grants transformation program – General grants are awarded to an organisation for an agreed purpose and are considered the category of grants with the highest risk of being spent ineffectively. The government is launching a new £5 million programme to create digital tools to increase efficiencies and improve administration of general grants.

2.69 Public Sector Value Framework – The government is developing the medium- to long-term priority outcomes that it is seeking to deliver for priorities such as levelling up, as well as the metrics that will be used to inform and improve performance against these outcomes. These will be published as part of the CSR and will include cross-cutting outcomes in areas where closer working between departments could help achieve better results.

2.70 Building commercial capability – Central government spends £50 billion per year on third-party goods and services. The contracts governing these arrangements are often complex and require considerable expertise to manage effectively. The government will therefore provide £3 million of funding for face-to-face training and assessment of staff across government who manage the most important contracts. By further upskilling key staff, government can improve the efficiency and performance of its largest contracts.

Culture

2.71 Cultural Investment Fund – The government confirms a £250 million Cultural Investment Fund for culture, heritage, local museums, and neighbourhood libraries. Of this, £90 million will be made available from April for a Cultural Development Fund that will support cultural regeneration proposals outside of London. (34)

2.72 Youth Investment Fund – The Budget confirms £500 million for a Youth Investment Fund to build new youth centres, refurbish existing youth facilities and provide high-quality services for young people across the country. The government expects that at least 800,000 young people will benefit from new or upgraded youth facilities.

2.73 National Museums maintenance – The government is providing £27 million for critical maintenance work on the National Museums' estates. The government understands the maintenance challenges faced by the National Museums and will take further action to address these at the CSR.

2.74 Football Foundation scheme – The Budget commits £8 million investment in local football facilities alongside matched funding from the Premier League and Football Association, providing quality football facilities in areas with the greatest need. (34)

Infrastructure

2.75 The government will publish a landmark National Infrastructure Strategy later in the spring which will set out plans for a once in a generation transformation of the UK's economic infrastructure. This will respond to the recommendations of the National Infrastructure Commission's (NIC) National Infrastructure Assessment.²

2.76 Economic regulation – The government is committed to maintaining the UK's system of strong, independent regulation. The government therefore welcomes the NIC's report 'Strategic investment and public confidence' and agrees with its primary finding that the UK's system of economic regulation is working well, but may need updating in some areas to address 21st century challenges.³ The government will respond in full to the study later this year.

2.77 Reviewing PFI contracts – The government has retired the PFI and PF2 models, but there are nearly 600 existing PFI contracts in England.⁴ The government will now focus on making sure they are well managed and represent value for money and will allocate £2 million in 2020-21 to carry out targeted contract reviews.

Digital connectivity

2.78 Gigabit broadband – The Budget commits £5 billion to support the rollout of gigabit-capable broadband in the most difficult to reach 20% of the country.

² 'National Infrastructure Assessment', National Infrastructure Commission, July 2018.

³ 'Strategic investment and public confidence', National Infrastructure Commission, October 2019.

⁴ 'Private Finance Initiative and Private Finance 2 projects: 2018 summary data', HM Treasury and Infrastructure and Projects Authority, May 2019.

2.79 New build homes' connectivity – The Budget announces that DCMS will shortly publish a consultation response which will confirm the government's intention to legislate to ensure that new build homes are built with gigabit-capable broadband.

2.80 Existing broadband programmes – As part of over £1 billion that the government has already committed to next-generation digital infrastructure, the Budget announces:

- the next seven areas that have successfully bid for funding from the third wave of the Local Full Fibre Networks Challenge Fund: North of Tyne (£12 million), South Wales (£12 million), Tay Cities (£6.7 million), Pembrokeshire (£4 million), Plymouth (£3 million), Essex and Hertfordshire (£2.1 million) and East Riding of Yorkshire (£1 million)
- that the government's existing superfast broadband programme has shifted its focus to delivering gigabit-capable broadband and has already delivered full fibre to over 370,000 premises
- that more than 100 schools in rural areas are due to receive full fibre broadband in the next twelve months under the Rural Gigabit Connectivity programme

2.81 Shared Rural Network to improve 4G coverage – The Budget announces that the Shared Rural Network agreement has been finalised between the government and industry. The government will commit up to £510 million of funding, which will be more than matched by industry to support this scheme to improve mobile coverage. This means 95% of the UK's landmass will have high quality mobile coverage by 2025.

Transport

2.82 Second Road Investment Strategy (RIS2) – The government is boosting regional connectivity and transforming connections through the largest ever investment in England's strategic roads.⁵ Through RIS2 the government will spend over £27 billion between 2020 and 2025. It will take forward schemes such as:

- dualling the A66 Trans-Pennine and upgrading the A46 Newark bypass, addressing congestion on these key routes in the North East and the Midlands
- improving the M60 Simister Island in Manchester to tackle delays
- building the Lower Thames Crossing, which will increase road capacity across the Thames east of London by 90%⁶
- building a new, high-quality dual carriageway and a two-mile tunnel in the South West to speed up journeys on the A303, and to remove traffic from the iconic setting of Stonehenge
- considering how the A1/A19 north of Newcastle and the A1 Doncaster to Darrington in Yorkshire can be improved to speed up journeys and boost economic growth
- exploring how to connect communities in East Lancashire and West Yorkshire better, and exploring the case for improvements to links between the M4 and the Dorset Coast

2.83 Midlands Rail Hub – The government is investing £20 million to develop the Midlands Rail Hub, progressing plans for a major programme of improvements to rail services between the regions' cities.

2.84 Transforming Cities Fund – The Budget allocates over £1 billion from the Transforming Cities Fund. This will deliver a range of schemes by 2022-23, including:

⁵ 'Departmental update', Department for Transport, October 2019.

⁶ 'Lower Thames Crossing', Highways England.

- £79 million for Bournemouth, Christchurch & Poole, including four new cycle freeways and new bus priority infrastructure
- £161 million for Derby & Nottingham, including over £25 million for bus rapid transit in Derby and over £10 million for a new cycle route between Nottingham, Derby and East Midlands Airport
- £33 million for Leicester, including £8 million for the development of a sustainable transport corridor from St Margaret's to Birstall
- £198 million for the North East, including £95 million for frequency and reliability improvements across the Tyne and Wear Metro system and to complement the government's recent £337 million investment in new rolling stock
- £51 million for Plymouth, including £36 million for an iconic new Central Park cycling and walking bridge
- £40 million for Preston City Region, including £25 million for a new station at Cottam Parkway on the Preston-Blackpool line
- £166 million for Sheffield City Region, including a new Bus Rapid Transit link in Barnsley and a new tram stop on the Tram-Train line to Rotherham at Magna
- £57 million for Southampton, including new Rapid Bus links
- £317 million for West Yorkshire, including £39.9 million for Halifax delivering a new bus station, improved rail station and other improvements to complement the revitalisation of the town centre and £30 million for active and sustainable travel across Bradford
- a further £117 million for Portsmouth City Region, Norwich and Stoke-on-Trent subject to further business case approval, which could fund a range of projects, including a multi-modal transport hub at Stoke-on-Trent station

2.85 Intra-city transport settlements – The government is investing £4.2 billion in the transport networks of eight city regions across England from 2022-23. Funding will be delivered through five-year, consolidated transport settlements agreed with central government and based on plans put forward by Mayors. Following the approach that has worked for London, these settlements will be published once they have been agreed, providing transparency and accountability while giving Mayors the flexibility and certainty to deliver their plans. As a first step, the government will open discussions with Greater Manchester, Liverpool City Region and West Midlands in the coming months. The new West Yorkshire Combined Authority, Sheffield City Region, Tyne and Wear, West of England and Tees Valley will also receive settlements, subject to putting in place appropriate governance to agree and deliver funding, including an elected Mayor for their city regions and transport networks. Resource funding to support the city regions with planning and delivery of these settlements will be set out at the CSR.

2.86 Local road upgrades – The Budget announces the second round of successful Major Road Network and Large Local Major schemes proceeding to the next stage of development. This includes the:

- junction improvements to the A12 East of Ipswich
- improving the A350 at Junction 17 of the M4
- a single carriageway bypass on the A39 Atlantic Highway
- junction improvements to the A426/A4071 Avon Mill/Hunters Lane, and a short dual carriageway

- a link road from Chesterfield town centre to the A6192 and A619 at Staveley
- carriageway dualling and roundabout improvements on the A12 in Woodbridge
- junction improvements on the A127 growth corridor
- capacity enhancement on the A326
- alleviating congestion pinch points through the villages of Walton and Ashcott on the A39
- junction improvements at the Army and Navy roundabout near the centre of Chelmsford
- refurbishment of the flyover structure carrying the A232 in Croydon
- improving the Ely to Cambridge A10 Junction
- refurbishment to the Hope and Anchor flyover which carries the A316 Twickenham Road
- refurbishment of Kew Bridge
- upgrades to M5 Junction 9 and a bypass on the A46 Ashchurch

2.87 Potholes fund – The government is announcing £500 million per year from 2020-21 to 2024-25 to help tackle potholes and to stop them from forming. As a result, the government will spend £1.5 billion in 2020-21 on filling in potholes and resurfacing roads.

2.88 Station accessibility funding – The government will invest £50 million to improve accessibility at 12 stations, including Newtown in Powys, Beeston in Nottinghamshire, Eaglescliffe in County Durham, and Walkden in Greater Manchester. This will expand the programme of station upgrades being undertaken through the Department for Transport's Access for All initiative.

2.89 Changing Places Fund – The government is determined to see greater provision of Changing Places toilet facilities in new and existing buildings. These facilities are designed to provide sufficient space and equipment for people who are not able to use the toilet independently. Following on from a consultation in 2019, the government will change building regulations guidance by the end of this year to mandate the provision of Changing Places toilets in new public buildings. The Budget also confirms that the government will launch a £30 million Changing Places Fund, working with the Changing Places Consortium and others to identify those sectors where we most need to accelerate the provision of such facilities in existing buildings.

2.90 Local transport supply chain study – The CSR will set out further plans for investment in local transport spending. To inform these plans, the Infrastructure and Projects Authority will, working with departments, lead a study into supply chain capacity in order to assess how industry can best deliver the government's ambitious plans.

Housing investment

2.91 Affordable Homes Programme – The Budget announces an additional £9.5 billion for the Affordable Homes Programme. In total, the programme will allocate £12.2 billion of grant funding from 2021-22 to build affordable homes across England. This should bring in a further £38 billion in public and private investment. This new five-year programme will help more people into homeownership and help those most at risk of homelessness.

2.92 Housing infrastructure allocations – The Budget confirms allocations from the Housing Infrastructure Fund totalling £1.1 billion for nine different areas, including Manchester, South Sunderland and South Lancaster. These successful bids will unlock up to 69,620 homes

and will help to stimulate housing and infrastructure growth across the country. The Budget also announces additional housing investments in York Central, Harlow and North Warwickshire totalling £328 million.

2.93 Single Housing Infrastructure Fund – At the CSR, the government will launch a new long-term Single Housing Infrastructure Fund to unlock new homes in areas of high demand across the country by funding the provision of strategic infrastructure and assembling land for development.

2.94 Brownfield Housing Fund – To level up all regions of the country, the Budget launches a new £400 million brownfield fund for pro-development councils and ambitious Mayoral Combined Authorities with the aim of creating more homes by bringing more brownfield land into development. The government will shortly invite bids that are ambitious and represent a significant increase in housing supply on brownfield land. The government will consider proposals from areas such as the West Midlands Combined Authority to expand their existing brownfield land fund. (33)

2.95 Future Homes Standard – The government is committed to reducing emissions from homes and to helping keep household energy costs low now and in the future. In due course, the government will announce plans to improve the standards of new built homes.

2.96 Building Safety Fund – Following the Grenfell tragedy, one of the government's most important objectives is to ensure residents feel safe and secure in their home. Having taken expert advice, the Budget confirms an additional £1 billion to remove unsafe cladding from residential buildings above 18 meters to ensure people feel safe in their homes. (32)

2.97 HM Land Registry (HMLR) – HMLR will be provided with £392 million to transition from a Trading Fund into part of central government. This funding includes £350 million that will be offset by HMLR returning its income to the Exchequer, and £42 million of funding to allow HMLR to continue with its ongoing project to digitise land registration in England and Wales, and enable further innovation in the property market and the wider UK economy.

Floods and water

2.98 Flood defences – Starting in 2021, the government will invest £5.2 billion in a six-year capital investment programme for flood defences. This investment will better protect 336,000 properties from flooding.

2.99 Place-based resilience schemes – The government is confirming a new £200 million package of place-based resilience schemes to ensure faster recovery for rural, urban and coastal communities most at risk of flooding.

2.100 Winter flood defence fund – The government will provide £120 million to repair flood defences which were damaged in the floods in winter 2019-20.

2.101 Water management assets – The government will invest £39 million in the Environment Agency's network of water supply and water navigation assets. This investment will help provide upfront funding for asset repairs, which will ensure that waterways remain open and navigable, while contributing to flood and drought mitigation.

Decarbonising power, industry and heat

2.102 Energy Innovation Programme – The government will at least double the size of the Energy Innovation Programme, with exact budgets to be decided at the CSR.

2.103 Carbon Capture and Storage (CCS) – The government will establish CCS in at least two UK sites, one by the mid-2020s, a second by 2030. This will be supported by the creation of a new CCS Infrastructure Fund of at least £800 million, with budgets to be finalised at the CSR.

2.104 Support for at least one CCS power station by 2030 – Using consumer subsidies, the government will support the construction of the UK's first privately financed gas CCS power station.

2.105 Green Gas Levy – The government will consult on introducing levy-funded support for biomethane production to increase the proportion of green gas in the grid.

2.106 Low carbon heat support – The government will consult on introducing a new grant scheme from April 2022 to help households and small businesses invest in heat pumps and biomass boilers, backed by £100 million of new Exchequer funding.

2.107 The Renewable Heat Incentive (RHI) – The government will extend the Domestic RHI in Great Britain until 31 March 2022. It will also introduce a new allocation of flexible tariff guarantees to the Non-Domestic RHI in Great Britain in March 2021, helping to provide investment certainty for the larger and more cost-effective renewable heat projects. (37)

2.108 Heat Networks – The Budget confirms £96 million for the final year of the Heat Networks Investment Project, which ends in March 2022. After this, the government will invest a further £270 million in a new Green Heat Networks Scheme, enabling new and existing heat networks to be low carbon and connect to waste heat that would otherwise be released into the atmosphere.

2.109 Net zero policy development – The government is allocating an additional £10 million in 2020-21 to support the design and delivery of net zero policies and programmes.

Reducing vehicle pollution

2.110 Electric vehicle charging infrastructure investment and review – The government will provide £500 million over the next five years for electric vehicle charging infrastructure. This will include a Rapid Charging Fund to help businesses with the costs of connecting high-powered charge points to the electricity grid, where those costs would prevent private sector investment. To target spending from this fund effectively, the Office for Low Emission Vehicles will complete a comprehensive review of electric vehicle charging infrastructure. This will build on the previous review announced in July 2019, extending its scope to cover the full Strategic Road Network and other strategic locations in cities and rural areas.

2.111 Consumer incentives for the purchase of ultra-low emission vehicles – The government is considering the long-term future of consumer incentives to support the transition to zero emission vehicles alongside the consultation on bringing forward the phase-out date for the sale of new petrol and diesel cars and vans from 2040. In the meantime, the government will provide £403 million for the Plug-in Car Grant, extending it to 2022-23. The government will also provide £129.5 million to extend the Plug-in Van Grant, Plug-in Taxi Grant, and Plug-in Motorcycle Grant to 2022-3. (35)

2.112 Air quality – The government will provide an additional £304 million to reduce nitrogen dioxide emissions. This brings the total funding provided for local authorities to deliver their air quality plans to £880 million. (36)

Natural environment

2.113 Nature for Climate Fund – The government will invest £640 million in afforestation and peatland restoration in England, delivering more than a 600% increase in current tree planting rates.⁷

2.114 Nature Recovery Network Fund – The government will invest up to £25 million in England to partner with landowners, businesses, and local communities in the creation of Nature Recovery Areas. These will deliver habitat and species restoration and recovery, alongside wider natural capital benefits.

2.115 Natural Environment Impact Fund – The government will commit up to £10 million to stimulate private investment and market-based mechanisms to improve and safeguard our environment.

2.116 Darwin Plus expansion – The government will triple the Darwin Plus programme to £10 million per year to support the conservation of the UK Overseas Territories' unique and globally significant biodiversity and help protect and enhance their natural environments.⁸

Waste and recycling

2.117 Extended Producer Responsibility – The government will commit £700,000 to develop IT capability to administer the future Extended Producer Responsibility scheme for packaging.

2.118 Digital waste tracking – The government will invest £7.2 million in a national system to enable the smart tracking of waste movements across the economy.

2.119 Tackling fly-tipping – The government will launch a £2 million fund to support innovative approaches to tackling fly-tipping.

Growth across the country

2.120 English Devolution White Paper – The government will publish an English Devolution White Paper in the summer, setting out how it intends to meet its ambitions for full devolution across England.

2.121 Local Growth Fund – Decisions on the future of the Local Growth Fund will be made at the CSR. In advance of this, the Budget confirms up to £387 million in 2021-22 to provide certainty for local areas that they will be able to continue with existing priority Local Growth Fund projects that require funding beyond this year.

2.122 West Midlands local growth funding – The government is devolving over £160 million from the Local Growth Fund to West Midlands Combined Authority to accelerate progress on the Eastside Metro extension and phase one of the Sprint bus rapid transit network.

2.123 West Yorkshire devolution deal – The government has agreed a devolution deal with West Yorkshire to establish a Mayoral Combined Authority with a directly-elected Mayor from May 2021. This deal will provide £1.1 billion of investment for the area over 30 years, as well as devolving significant new powers to the area on transport, planning and skills. The deal also underpins the agreement of a long-term intra-city transport settlement for the region starting in 2022-23. Alongside this the government is providing up to £500,000 to support Bradford to develop plans that would maximise the benefits of potential Northern Powerhouse Rail connections.

⁷ 'Provisional Woodland Statistics', Forestry Research, June 2019.

⁸ 'Darwin Plus Projects Register', Darwin Initiative, March 2020.

2.124 British Library at Leeds and Boston Spa – The Budget makes available up to £95 million for the British Library site at Boston Spa. This investment will underpin the Library’s plans to open a major new site in the centre of Leeds, creating a new British Library of the North. The government will provide a £25 million Heritage Fund to the West Yorkshire Combined Authority to support the Library in establishing this new site.

2.125 UK Shared Prosperity Fund (UKSPF) – The UKSPF will replace the overly-bureaucratic EU structural funds, levelling up opportunity in each of the four nations of the country. Funding will be realigned to match domestic priorities, with a focus on investing in people. It will, at a minimum, match current levels of funding to each nation from EU structural funds. The government will set out further plans for the Fund including at the CSR.

2.126 Commonwealth Games trade and investment programme – The Budget allocates £21.3 million for the Birmingham 2022 Commonwealth Games Trade, Tourism, and Investment Programme to take full advantage of the economic legacy for the West Midlands and the country as a whole from this exciting sporting event.

2.127 Changing where the government makes decisions – The government will relocate a minimum of 22,000 civil service roles out of central London, the vast majority to the other regions and nations of the UK. This will take place over the next decade via the Cabinet Office and its Places for Growth programme. HM Treasury, alongside DIT, BEIS and MHCLG, will establish a new economic decision-making policy campus of over 750 roles in the north of England. HM Treasury will also establish representation in Northern Ireland and Wales, adding to its existing presence in Scotland.

The OxCam Arc

2.128 The government has designated the corridor of land connecting Oxford, Milton Keynes, Bedford and Cambridge (the OxCam Arc) as a key economic priority. Earlier this year, the government announced the East West Rail Company’s preferred route for the new line between Bedford and Cambridge. The government will also, subject to planning consents, build a new rail station at Cambridge South, improving connectivity to the world-leading research facilities of the Cambridge Biomedical Campus – the largest cluster of medical and life sciences research in Europe.

2.129 The Budget announces 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. The government is also going to examine and develop the case for up to four new Development Corporations in the OxCam Arc at Bedford, St Neots/Sandy, Cambourne and Cambridge, which includes plans to explore the case for a New Town at Cambridge, to accelerate new housing and infrastructure development.

Scotland, Wales, and Northern Ireland

2.130 Scotland, Wales and Northern Ireland will receive significant funding through Barnett consequentials for the devolved administrations to deliver public services, infrastructure and other priorities:

- the Scottish Government’s block grant will increase by over £640 million through to 2020-21 before adjustments for tax devolution
- the Welsh Government’s block grant will increase by over £360 million through to 2020-21 before adjustments for tax devolution – this includes a 5% uplift in Barnett consequentials agreed as part of the Welsh Government’s fiscal framework in 2016

- the Northern Ireland Executive’s budget will increase by over £210 million through to 2020-21

2.131 Ofgem’s estates programme – The government will provide up to £2 million for Ofgem to secure new premises in Glasgow, increasing the number of staff operating outside of London.

2.132 Funding allocations for remaining City and Growth Deals – The government will provide funding for four City and Growth Deals in Scotland, Wales and Northern Ireland:

- £25 million for Argyll and Bute
- £55 million for Mid Wales
- £126 million for Mid, South and West of Northern Ireland, and £36 million for Causeway Coast and Glens

2.133 Support for the whisky industry – The government is expanding its support for the whisky industry by:

- freezing spirits duty for this year
- allocating £10 million for R&D spending to help decarbonise UK distilleries, including the whisky sector

2.134 In addition, the GREAT Britain and Northern Ireland campaign will fund a £1 million campaign to promote the Scottish food and drink sector. This will include additional trade promotion to increase awareness and change perceptions of Scottish food and drink exports, including Scotch whisky. It will also expand tourism promotion campaigns to reach new markets.

2.135 Western Gateway Independent Economic Review – The government will support the Western Gateway, a strategic economic partnership across south Wales and the west of England, to oversee an independent economic review to identify long-term economic opportunities and challenges for the region.

2.136 Support for Welsh language and broadcasting – To support TV station S4C, which provides viewers with content in the Welsh language, the government will legislate to enable S4C to recover any VAT it pays in full.

New technologies and support for innovation

2.137 Step change in R&D investment – The government will increase investment in science, innovation and technology to £22 billion by 2024-25.

2.138 Leadership in key technologies – The government will invest over £900 million to ensure UK businesses are leading the way in high-potential technology and sectors, including nuclear fusion, space, electric vehicles, and life sciences.

2.139 High-risk research agency – The UK will invest at least £800 million in a new blue skies research agency.

2.140 Funding for world-leading research – The government will invest up to £400 million extra in 2020-21 to support world-leading research, infrastructure and equipment across the UK.

2.141 Mathematics research – The government will invest £300 million between 2020-21 and 2024-25. This will increase funding available for new PhDs, fellowships and research projects.

2.142 Specialist institutions – The government will invest £80 million to support the UK's foremost specialist institutions. This includes organisations such as the London School of Hygiene and Tropical Medicine, the Royal College of Art and the Institute of Cancer Research, among others.

2.143 Defence R&D – The government will invest an additional £100 million in Defence R&D. This will develop capabilities in response to threats facing the UK, including funding for cutting-edge technology in aviation and space propulsion.

2.144 National Security Strategic Investment Fund (NSSIF) – The government will provide an additional £50 million to the NSSIF. As well as investing in leading UK-based venture capital funds, the government will expand the NSSIF programme to make direct investments, alongside private sector co-investors, into companies with advanced technologies that can contribute to the UK's longer term national and economic security. The British Business Bank will operate NSSIF direct investments through a new government company called British Technology Investments Ltd.

2.145 Animal health science estate – The government will invest £1.4 billion over 10 years in the animal health science infrastructure at Weybridge, enhancing the UK's science capability whilst protecting the nation from the increasing threats of current and emerging animal diseases.

2.146 Government science capability – To support cross-cutting strategic science capabilities, the government will provide an additional £2 million in 2020-21 to the Government Chief Scientific Adviser and the Government Office for Science.

2.147 Natural History Museum research facility – The Budget allocates £180 million capital funding for a new, state-of-the-art Collections, Research and Digitisation Centre for the Natural History Museum at Harwell Science, Technology and Innovation Campus in Oxfordshire. This new facility will be a world-leading centre for natural sciences research and international collaboration and will preserve this unique research collection for future generations.

2.148 Materials Processing Institute – The government will provide up to £22 million, subject to business case, to support research and innovation in the steel and metals sector through the Materials Processing Institute.

2.149 Life Sciences Investment Programme – The Budget provides the British Business Bank with £200 million for a new dedicated equity investment programme that, invested alongside private sector capital, is expected to enable £600 million of investment to support the UK's best health and life science innovations. The programme will support large-scale venture growth funds investing in life sciences companies and it will launch within a year.

2.150 Making the most of knowledge assets – The public sector holds around £150 billion of knowledge assets (intellectual property, tech, data and other intangibles).⁹ The government wants to unlock more value from these assets and support innovation and productivity. The government will establish a fund to invest in innovative public sector ideas and a new unit to scout for and develop these opportunities. Public bodies are spread across the country and this support will help level-up regional innovation capability and networks outside of the South East. Further detail will be provided in a forthcoming report.

2.151 Better use of economic data – Improving methods for monitoring the economy has never been more important. The Budget announces a new fund of up to £5 million per year, to support the development of new economic data and its more innovative use.

⁹ 'Measuring Intangible Capital in the Public Sector' SPINTAN, December 2016 www.spintan.net/spintan-data

Enterprise and business support

2.152 Enhanced local business support – Supporting enterprise is an important part of the government’s ambition to level up regions across the UK. To ensure that all businesses have access to high quality support and advice in their region, the government will: (29)

- invest £10 million to increase **Growth Hub**¹⁰ capacity and provide a high-quality, core business advice and guidance offer across all 38 Growth Hubs
- invest £13 million to expand the British Library’s network of Business and Intellectual Property Centres to 21 cities and 18 surrounding local library networks, providing entrepreneurs with business support, free access to market intelligence, IP workshops and one-to-one coaching

2.153 SME productivity – Industry-led initiatives have a valuable role in supporting small businesses to improve their productivity. The government will invest up to an additional £5 million in Be the Business to expand its national productivity campaign and further develop its digital tools and resources.

2.154 Business support reform – The government will use the CSR to make it easier for businesses to access the information and support that is relevant for them. As a first step, BEIS will lead the development of a digital service to provide businesses with tailored information about appropriate sources of support.

2.155 Start-Up Loans – The government will extend the funding of the British Business Bank’s Start-Up Loans programme to the end of 2021-22, supporting up to 10,000 further entrepreneurs across the UK to access finance to start a business. The government will set out plans to expand the programme at the CSR.

2.156 Access to growth capital for innovative businesses – Since the 2017 Patient Capital Review, the government has announced substantial support for innovative businesses seeking access to long-term growth capital. To build on this, the Budget will provide the British Business Bank with the resources to make up to £200 million of additional investment in UK venture capital and growth finance in 2020-21.

2.157 Prompt payment – The government is continuing its efforts to ensure that small businesses are paid promptly. BEIS will shortly be publishing a consultation on the merits of strengthening the powers of the Small Business Commissioner (SBC), building on the success the SBC has had in resolving payment disputes.

2.158 Tax guidance for self-employed people – To make it easier for self-employed people to navigate the tax system, the government will launch new interactive online guidance for taxpayers with non-Pay As You Earn income this summer.

2.159 Mortgage guidance for self-employed people – The government will explore how to improve the guidance available for self-employed people applying for a mortgage.

2.160 Support for self-employed parents – The government will consider how to provide appropriate support to self-employed parents so that they can continue to run their businesses, as part of its wider review of Parental Pay and Leave.

2.161 Direct Payments to farmers – Last year the government announced £2.8 billion of funding for Direct Payments to farmers for 2020. This funding is spread over two financial years to provide flexibility for Defra and the devolved administrations, of which £2.7 billion falls in financial year 2020-21. (4)

¹⁰ <https://www.lepnetwork.net/growth-hubs/>

Trade and investment

2.162 Digital Trade Network – The Budget announces £8 million for DIT and DCMS to pilot a Digital Trade Network in the Asia Pacific region, helping innovative UK companies to access opportunities in key markets.

2.163 UK Export Finance (UKEF) Direct Lending Facility – UKEF offer loans to buyers of UK goods and services, particularly in emerging markets, to encourage them to buy from the UK. This lending has been capped at £3 billion with an additional £2 billion provided at Budget 2018 for use in 2020-21 and 2021-22 only. The Budget announces that UKEF will permanently retain this additional capacity as well as have a new £2 billion lending facility for projects supporting clean growth and a new £1 billion facility to support overseas buyers of UK defence and security goods and services.

2.164 UKEF support for exporters – To provide improved support for exporters in energy transition and clean growth sectors, UKEF will enhance its face-to-face support in the North of England and Scotland where energy supply chains are economically important.

2.165 UKEF support for fixed rate finance – UKEF will update its terms to allow it to better support export finance on a fixed-rate basis across its full product range, allowing customers to benefit from certainty of financing costs.

2.166 Regional exports and investment – DIT will drive investment into and end-to-end support for exporters from the Northern Powerhouse, the Midlands Engine and the Western Gateway through dedicated local champions based at key overseas posts.

2.167 Advice for exporters – DIT will increase its capacity to support exporters focused on the Northern Powerhouse, the Midlands Engine and the South West by increasing the number of international trade advisers available to provide personalised support to exporters.

2.168 Enhanced market access support – DIT will increase its resource and capability to identify and address market access barriers preventing UK exporters from accessing particular markets.

2.169 British Film Commission – The Budget allocates £4.8 million to expand the work of the British Film Commission to promote the UK as a destination of choice for studio space investment. The British Film Commission will act as a single source of expert advice for investors and developers and provide targeted support at the early stages of viable projects to facilitate increased provision of studio facilities across the UK.

2.170 Start-up and Innovator visas – DIT will become an endorsing body to allow it to directly support visa applications for eligible foreign investors seeking to start a business in the UK.

2.171 Technical amendment to the process of import duty variation – The government will legislate to amend section 15 of the Taxation (Cross-border Trade) Act 2018 by refining the criteria used to determine when the government may vary the amount of import duty in the context of an international trade dispute. This will allow the government to vary import duty where it considers this appropriate, having regard to relevant international agreements and obligations. The amendment will enable the UK to respond adequately to developments in the international trading system.

Tax decisions

Personal tax

2.172 Increasing National Insurance thresholds – The Budget confirms the government’s commitment to increase the thresholds at which employees and the self-employed start paying National Insurance contributions (NICs) to £9,500 from April 2020.¹¹ Around 1.1 million people will be taken out of paying Class 1 and Class 4 NICs entirely.¹² This is the first step in meeting the government’s ambition to increase these thresholds to £12,500, which would save a typical employee over £450 per year.¹³ (12)

2.173 Income tax and National Insurance exemptions for bursary payments to care leavers – The government will legislate in Finance Bill 2020 to introduce an income tax exemption for the bursary paid by the Education and Skills Funding Agency to care leavers aged 16 to 24 who start an apprenticeship. Corresponding legislation will be introduced to mirror the income tax exemption for NICs. This legislation will confirm HMRC’s current position that care leavers’ bursaries are tax exempt, including those paid prior to the 2020-21 tax year.

2.174 Increasing the flat rate deduction for homeworking – The government will increase the maximum flat rate income tax deduction available to employees to cover additional household expenses from £4 per week to £6 per week where they work at home under homeworking arrangements. This will take effect from April 2020.

2.175 Tax treatment of the Troubles Permanent Disablement Payment Scheme – The government will legislate in Finance Bill 2020 to introduce income tax, inheritance tax and capital gains tax exemptions for payments made on or after May 2020 under the Troubles Permanent Disablement Payment Scheme.

2.176 Tax treatment of social security benefits in Scotland – The government will legislate in Finance Bill 2020 to clarify the income tax treatment of three new social security payments. The legislation will confirm that the following three benefits introduced by the Scottish government are exempt from income tax: Job Start; Disability Assistance for Children and Young People; and, the Scottish Child Payment. The legislation also includes a new power which permits the government to confirm by secondary legislation when new social security benefits introduced by the UK government or any of the devolved administrations will be tax exempt. The changes will take effect from April 2020.

2.177 Tax treatment of the Windrush Compensation Scheme – As announced in April 2019, the government will legislate in Finance Bill 2020 to introduce exemptions from income tax, inheritance tax and capital gains tax for payments made on or after 3 April 2019 under the Windrush Compensation Scheme. The legislation also includes a new power to exempt any necessary future compensation payments by statutory instrument from income tax, inheritance tax and capital gains tax, where appropriate. (64)

2.178 Review of changes to the off-payroll working rules (commonly known as IR35) – At Budget 2018 the government announced that it would reform the off-payroll working rules in the private and third sectors from April 2020. The government has recently concluded a review of the reform, and is making a number of changes to support its smooth and successful implementation. The government believes it is right to address the fundamental unfairness of the non-compliance with the existing rules, and the reform will therefore be legislated in Finance Bill 2020 and implemented on 6 April 2020, as previously announced.

¹¹ ‘31 million taxpayers to get April tax cut’, HM Treasury, 30 January 2020.

¹² HMRC analysis based on [Survey of Personal Incomes \(SPI\) 2017-18 data](#), and Budget 2020 OBR forecast.

¹³ HM Treasury analysis, see ‘Budget 2020 data sources’.

2.179 National Insurance holiday for employers of veterans in first year of civilian employment

– To support the employment of veterans, the government is meeting the commitment to introduce a National Insurance holiday for employers of veterans in their first year of civilian employment. A full digital service will be available to employers from April 2022; however, transitional arrangements will be in place in the 2021-22 tax year which will effectively enable employers of veterans to claim this holiday from April 2021. The holiday will exempt employers from any NICs liability on the veteran's salary up to the Upper Earnings Limit. The government will consult on the design of this relief. (16)

2.180 Tax treatment of welfare counselling provided by employers – The government will extend the scope of non-taxable counselling services to include related medical treatment, such as cognitive behavioural therapy, when provided to an employee as part of an employer's welfare counselling services. The changes will take effect from April 2020.

2.181 Top Slicing Relief (TSR) on life insurance policy gains – Following a recent First-Tier Tribunal case, the government will legislate in Finance Bill 2020 to put beyond doubt the calculation of TSR by specifying how allowances and reliefs can be set against life insurance policy gains. This measure will apply to all relevant gains occurring on or after 11 March 2020. (49)

Pensions and savings tax

Pensions tax

2.182 Call for evidence on pension tax administration – Those earning around or below the level of the personal allowance and saving into a pension may benefit from a top-up on their pension savings equivalent to the basic rate of tax, even if they pay no tax. Whether they receive this top-up depends on how their pension scheme administers tax relief. The government has committed to reviewing options for addressing these differences and will shortly publish a call for evidence on pensions tax relief administration.

2.183 Tapered annual allowance for pensions – The pensions annual allowance is the maximum amount of tax-relieved pension savings that can be accrued in a year. For those on the highest incomes, the annual allowance tapers down from £40,000. HM Treasury has reviewed the tapered annual allowance and its impact on the NHS, as well as on public service delivery more widely.

2.184 To support the delivery of public services, particularly in the NHS, the two tapered annual allowance thresholds will each be raised by £90,000. This means that from 2020-21 the "threshold income" will be £200,000, so individuals with income below this level will not be affected by the tapered annual allowance, and the annual allowance will only begin to taper down for individuals who also have an "adjusted income" above £240,000. (7)

2.185 For those on the very highest incomes, the minimum level to which the annual allowance can taper down will reduce from £10,000 to £4,000 from April 2020. This reduction will only affect individuals with total income (including pension accrual) over £300,000. Proposals to offer greater pay in lieu of pensions for senior clinicians in the NHS pension scheme will not be taken forward. (7)

2.186 Lifetime allowance for pensions – The lifetime allowance, the maximum amount someone can accrue in a registered pension scheme in a tax-efficient manner over their lifetime, will increase in line with CPI for 2020-21, rising to £1,073,100.

Savings tax

2.187 Starting rate for savings tax band – The band of savings income that is subject to the 0% starting tax rate will remain at its current level of £5,000 for 2020-21.

2.188 Individual Savings Account (ISA) annual subscription limit – The adult ISA annual subscription limit for 2020-21 will remain unchanged at £20,000. (55)

2.189 Junior ISA and Child Trust Fund annual subscription limit – The annual subscription limit for Junior ISAs and Child Trust Funds will be increased from £4,368 to £9,000.

Business tax

Employer NICs

2.190 Increasing the Employment Allowance – The government will increase the Employment Allowance from £3,000 to £4,000 from April 2020. This will benefit around 510,000 businesses by reducing their costs of employment, with an average gain of £850 per year.¹⁴ The increase will take around 65,000 businesses out of paying NICs entirely and means the government will have doubled the value of the Employment Allowance in four years.¹⁵ (25)

Business rates

2.191 Business rates retail discount – The government has already announced that, for one year from 1 April 2020, the business rates retail discount for properties with a rateable value below £51,000 in England will increase from one third to 50% and will be expanded to include cinemas and music venues. To support small businesses in response to COVID-19 the retail discount will be increased to 100% and expanded to include hospitality and leisure businesses for 2021. (26)

2.192 Business rates pubs discount – The government previously committed to introducing a £1,000 business rates discount for pubs with a rateable value below £100,000 in England for one year from 1 April 2020. To further support pubs, in response to COVID-19 the discount for pubs will be increased to £5,000. (27)

2.193 Business rates local newspaper office space discount – The £1,500 business rates discount for office space used by local newspapers in England will be extended for an additional five years until 31 March 2025.

2.194 Business rates public lavatories relief – The government will bring forward legislation as soon as possible in this session to provide mandatory 100% business rates relief for standalone public lavatories in England from April 2020.

2.195 Local authorities will be fully compensated for the loss of income as a result of these business rates measures.

2.196 Business rates review – The government is launching a fundamental review of business rates to report in the autumn. The Terms of Reference for this review are published alongside this Budget and a call for evidence will be published in the spring.

¹⁴ HMRC analysis based on Pay As You Earn Real Time Information, the ONS Inter-Departmental Business Register and Open Geography Portal.

¹⁵ HMRC analysis based on Pay As You Earn Real Time Information, the ONS Inter-Departmental Business Register and Open Geography Portal.

2.197 Valuation Office Agency (VOA) business systems transformation programme –

The government will invest an additional £11.5 million in the VOA in 2020-21 to support the modernisation of VOA systems and processes, to increase efficiency and improve customer service in the future.

Enterprise tax

2.198 Capital Allowances: Structures and buildings allowance (SBA) rate – The annual rate of capital allowances available for qualifying investments to construct new, or renovate old, non-residential structures and buildings will increase from 2% to 3%. The change will take effect from 1 April 2020 for corporation tax and 6 April 2020 for income tax. The introduction of SBA at Budget 2018 greatly enhanced the international competitiveness of the UK's tax system and this increased rate of relief goes even further, providing businesses who invest with over £1 billion in additional relief by the end of 2024-25. (23)

2.199 Capital Gains Tax: Reduction in the Entrepreneurs' Relief lifetime limit – From 11 March 2020, the lifetime limit on gains eligible for Entrepreneurs' Relief (which offers a reduced 10% rate of Capital Gains Tax on qualifying disposals) will be reduced from £10 million to £1 million, in response to evidence that it has done little to incentivise entrepreneurial activity and that most of the benefit accrues to a small number of very affluent taxpayers.¹⁶ This will help ensure that the tax system is fair and sustainable while leaving over 80% of those using the relief unaffected.¹⁷ (46)

2.200 Review of Enterprise Management Incentives (EMI) scheme – The government will review the EMI scheme to ensure it provides support for high-growth companies to recruit and retain the best talent so they can scale up effectively, and examine whether more companies should be able to access the scheme.

2.201 Research & Development Expenditure Credit (RDEC) rate – The rate of RDEC will increase from 12% to 13% from 1 April 2020, supporting businesses investing in R&D and helping to drive innovation in the economy. (24)

2.202 Consultation on R&D tax credit qualifying costs – The government will consult on whether expenditure on data and cloud computing should qualify for R&D tax credits.

2.203 Preventing abuse of the R&D relief for small and medium-sized enterprises: Summary of responses and consultation – Following consultation last year, the introduction of the PAYE cap on the payable tax credit in the SME R&D schemes will be delayed until 1 April 2021. The government has listened to industry and will also consult on changes to the cap's design, to ensure it targets abusive behaviour as intended while ensuring that eligible businesses are able to access the relief. (60)

Corporate tax

2.204 Corporation tax (CT) rate – Since 2010 the government has cut the headline rate of CT from 28% to 19%, giving the UK the lowest headline rate in the G20.¹⁸ To provide support for vital public services while maintaining the UK's competitive rate of CT, the government will legislate to retain the current 19% rate in April 2020. (45)

2.205 Digital services tax (DST) – As announced at Budget 2018, the government will introduce a new 2% tax on the revenues certain digital businesses earn from 1 April 2020. This will ensure the amount of tax paid in the UK reflects the value these businesses derive from their interactions with, and the contributions of, an active user base. Legislation will require

¹⁶ Internal HMRC analysis of Entrepreneurs' Relief data.

¹⁷ 'Capital Gains Tax Entrepreneurs' Relief: Behaviours and Motivations', IFF Research, May 2017

¹⁸ 'Corporate tax rates table', KPMG, 2019

businesses to pay the DST on an annual basis, consistent with the draft legislation published in July 2019. The government will continue to give consideration to how the legislation applies to marketplace delivery fees and whether that application is consistent with the policy rationale of the DST. The government remains committed to developing a multilateral solution to the challenges digitalisation has created for the corporate tax system and will repeal the DST once an appropriate global solution is in place. (50)

2.206 Intangibles reform – The government will legislate in Finance Bill 2020 to remove the pre-2002 exclusion from the Intangible Fixed Assets (IFA) regime to support UK investment in intellectual property and other intangible assets. This means tax relief for the cost of acquiring corporate intangible assets on or after 1 July 2020 will be provided under a single regime, subject to restrictions to prevent tax avoidance. (28)

2.207 Corporate capital loss restriction – As announced at Budget 2018, from 1 April 2020, the government will restrict the proportion of annual capital gains that can be relieved by brought-forward capital losses to 50%. This measure includes an allowance that gives companies unrestricted use of up to £5 million capital or income losses each year, meaning that 99% of companies will be unaffected.¹⁹ Following consultation on the detailed design of the rules,²⁰ the government will also exclude certain companies in liquidation from the scope of the restriction. (51)

2.208 Review of the UK funds regime – The government will undertake a review of the UK's funds regime during 2020. This will cover direct and indirect tax, as well as relevant areas of regulation, with a view to considering the case for policy changes. The review will begin with a consultation, to be published at the Budget, on whether there are targeted and merited tax changes that could help to make the UK a more attractive location for companies used by funds to hold assets. The review will also consider the VAT treatment of fund management fees and other aspects of the UK's funds regime.

2.209 Transfer of unlisted securities to connected companies for Stamp Duty and Stamp Duty Reserve Tax – In Finance Act 2018-19, the government introduced a targeted market value rule to prevent artificial reduction of the tax due on share acquisitions when listed shares are transferred to a connected company. This rule is being extended to unlisted shares in Finance Bill 2020 to prevent further tax avoidance. As part of this change, the government will amend legislation to prevent a double tax charge arising on certain company reorganisations. (67)

2.210 Consultation on the tax impact of the withdrawal of the London Inter-Bank Offered Rate (LIBOR) – The government will consult to ensure that where tax legislation makes reference to LIBOR it continues to operate effectively. The consultation will also enable the government to ensure it is aware of all the significant tax issues that arise from the reform of LIBOR and other benchmarks.

2.211 Consultation on aspects of the hybrid mismatch rules – The government will publish a consultation on the corporation tax rules that apply to hybrid mismatch arrangements that seek to exploit the differences in tax treatment between two jurisdictions. The consultation seeks to ensure that the hybrid mismatch rules work proportionately and as intended.

¹⁹ Internal HMRC analysis

²⁰ 'Corporate Capital Loss Restriction: consultation on delivery', HM Treasury and HM Revenue & Customs, July 2019.

Property tax

2.212 Non-UK resident Stamp Duty Land Tax (SDLT) surcharge – The government will introduce a 2% SDLT surcharge on non-UK residents purchasing residential property in England and Northern Ireland from 1 April 2021. This will help to control house price inflation and to support UK residents to get onto and move up the housing ladder. The money raised from the surcharge will be used to help address rough sleeping. (47)

2.213 Housing co-operatives: Annual Tax on Enveloped Dwellings (ATED) and Stamp Duty Land Tax (SDLT) – To make the taxation of housing co-operatives fairer, the government will introduce a relief for qualifying housing co-operatives from the ATED and the 15% flat rates of SDLT on purchases of dwellings over £500,000. The SDLT relief in England and Northern Ireland will take effect from Autumn Budget 2020 and the UK-wide ATED relief from 1 April 2021 with a refund available for 2020-21.

Energy and environmental tax

2.214 Plastic Packaging Tax – As announced at Budget 2018 and following consultation in spring 2019,²¹ the government will introduce a new Plastic Packaging Tax from April 2022 to incentivise the use of recycled plastic in packaging. The Budget sets the rate at £200 per tonne of plastic packaging that contains less than 30% recycled plastic. This will apply to the production and importation of plastic packaging. The government will keep the level of the rate and threshold under review to ensure that the tax remains effective in increasing the use of recycled plastic. The government will also extend the scope of the tax to the importation of filled plastic packaging and apply a minimum threshold of 10 tonnes of plastic packaging to ensure the smallest businesses are not disproportionately impacted. The Budget also announces the launch of a further consultation on the detailed design and implementation of the tax, which includes consideration of an exemption for certain types of medical packaging. (38)

2.215 Aggregates Levy – The government will freeze the Aggregates Levy rate in 2020-21 and will be publishing a summary of responses and government next steps to last year's comprehensive review of the levy. (52)

2.216 Increasing the gas rates under the Climate Change Levy (CCL) for years 2022-23 and 2023-24 – To meet the UK's net zero commitment, the UK must continue to remove incentives to choose gas over electricity, which is a cleaner energy source. Building on the Budget 2016 announcement to make gas and electricity rates equal by 2025, the government is raising the rate on gas to £0.00568/kWh in 2022-23 and to £0.00672/kWh in 2023-24 whilst freezing the rates on electricity. To ensure the tax system treats fuels that are used off the gas grid more equitably, the government will freeze LPG at 2019-20 levels until April 2024. (41)

2.217 Extending the Climate Change Agreement (CCA) scheme – To support energy-intensive businesses to operate in a more environmentally sustainable way, the government will reopen and extend the CCA scheme by two years. The CCA scheme allows businesses to reduce their CCL bill in exchange for meeting targets to improve their energy efficiency. The terms of the extended scheme will be set out in a consultation to be launched shortly after Budget. As part of this, the government will simultaneously consult on long-term options for the CCA scheme.

2.218 Carbon price support (CPS) rate – The government will freeze the rate of the CPS at £18t/CO₂e in 2021-22. Alongside wider carbon pricing policies, this will continue to encourage decarbonisation of the power sector. (43)

²¹ 'Plastic packaging text', HM Treasury, July 2019.

2.219 Carbon pricing after the transition period – The UK will continue to apply an ambitious carbon price from 1 January 2021 to support progress towards reaching net zero. The government will legislate at Finance Bill 2020 to prepare for a UK Emissions Trading System (ETS), which could be linked to the EU ETS. The government will also legislate for a carbon emissions tax as an alternative carbon pricing policy and consult on the design of a tax in spring 2020.

Transport taxes

2.220 Fuel duty – The government will freeze fuel duty for a tenth year in a row, cumulatively saving the average car driver £1,200 compared to the pre-2010 escalator.²² Future fuel duty rates will be considered alongside measures that are needed to help meet the UK's net zero commitment. (13)

2.221 Air Passenger Duty (APD) rates – APD rates will increase in line with RPI for 2021-22, meaning that short haul rates remain frozen at £13, benefitting 80% of passengers.²³ The rate for long haul economy will increase by £2, and the rates for those travelling in premium economy, business and first class will increase by £4. Those travelling long-haul by private jets will see the rate increase by £13.

2.222 Aviation tax reform – In January 2020 the government announced that it would undertake a review of APD ahead of the Budget to ensure that regional connectivity is supported while meeting the UK's commitment to net zero emissions by 2050. As a result, the government will consult on aviation tax reform in spring 2020. The government will consider the case for changing the APD treatment for domestic flights, such as reintroducing a return leg exemption, and for increasing the number of international distance bands.

2.223 Vehicle Excise Duty (VED): Rates – The government will uprate VED rates for cars, vans and motorcycles in line with RPI from 1 April 2020. To support the haulage sector, the government will freeze HGV VED and the HGV Road User Levy for 2020-21. (53)

2.224 VED: Zero emission vehicles (ZEVs) – From 1 April 2020, the government will exempt all ZEVs registered until 31 March 2025 from the VED 'expensive car' supplement. The measure will incentivise the uptake of ZEVs to support the phasing out of petrol and diesel vehicles. (44)

2.225 VED: Motorhomes – From 12 March 2020, the government will reduce annual VED liabilities for most new motorhomes to a flat rate of £265, which will rise to £270 for 2020-21, as motorhome manufacturers and dealers will not be required to provide a CO₂ emissions figure when registering new motorhomes with the Driver and Vehicle Licensing Agency. From 1 April 2021, the government will align the VED treatment of new motorhomes and vans. (18)

2.226 Call for evidence on VED – The government is publishing a call for evidence which will include how VED can be used to support the take-up of zero and ultra-low emission vehicles and reduce overall emissions from road vehicles.

2.227 Company car tax (CCT): Rates – As set out in July 2019,²⁴ the government will reduce most CCT rates by 2% in 2020-21 for cars first registered from 6 April 2020. Rates will return to planned levels over the following two years, increasing by 1% in 2021-22 and 1% in 2022-23. Rates will then be frozen until 2024-25. (66)

²² HM Treasury calculations.

²³ HM Treasury calculations based on 'Air Passenger Duty Bulletin', HMRC, September 2019.

²⁴ 'Review of WLTP and vehicle taxes: summary of responses', HM Treasury, July 2019.

2.228 Van benefit charge nil-rating for zero emission vans – From April 2021, the government will apply a nil rate of tax to zero-emission vans within van benefit charge. This measure will save businesses an estimated £433 per van in tax in 2021-22.²⁵

2.229 Company vehicles – From 6 April 2020, fuel benefit charges and the van benefit charge will increase in line with CPI. (54)

2.230 First year allowances for business cars from April 2021 – To support the uptake of zero emission vehicles (ZEVs) and ultra-low emission vehicles (ULEVs), from April 2021, the government will extend first year allowances to ZEVs only and apply the main rate writing down allowance (WDA) of 18% to cars with emissions up to 50g/km. The special rate WDA of 6% will apply to higher polluting cars with emissions above 50g/km. First year allowances for zero emission goods vehicles and natural gas and hydrogen refuelling equipment will also be extended. (42)

2.231 Red diesel: Removing entitlement – The government will remove entitlement to the use of red diesel and rebated biofuels from April 2022, except for agriculture (including horticulture, pisciculture and forestry), rail and for non-commercial heating (including domestic heating). The government will consult on whether the entitlement to use red diesel and rebated biofuels is justified for any other users, for example there is a strong case for continued use by ferries carrying paid passengers on the UK's rivers and inland waterways, or public entertainment. Commercial boats on open waters, including ferries and fishing boats, will remain entitled to the Marine Voyages Relief so will not have to pay more for their fuel. This measure will incentivise businesses to improve the energy efficiency of their vehicles and machinery or look for greener alternatives. To support the development of alternatives that these businesses can switch to, the Budget has also committed to at least doubling the size of the energy innovation programme, accelerating the design and production of innovative clean energy technologies. (39)

2.232 Red diesel: Prohibition of use for propelling private pleasure craft – Private pleasure craft already pay the standard white diesel rate for propulsion. They will still be entitled to use red diesel for their heating use. Where they have one tank for propulsion and heating, the government will explore options that prevent them from having to pay a higher rate of duty on their heating use than they would otherwise have to pay. Details on the implementation of this power will be set out in due course.

VAT

2.233 VAT on e-publications – The Government will introduce legislation to apply a zero rate of VAT to e-publications from 1 December 2020, to make it clear that e-books, e-newspapers, e-magazines and academic e-journals there are entitled to the same VAT treatment as their physical counterparts. (15)

2.234 VAT Postponed Accounting – From 1 January 2021 postponed accounting for VAT will apply to all imports of goods, including from the EU. This will provide an important boost to those VAT registered UK businesses which are integrated in international supply chains as they adapt to the UK's position as an independent trading nation.

2.235 Abolition of tampon tax – From 1 January 2021 the government will use freedom from EU law to enable a zero rate of VAT to be charged on women's sanitary products. (17)

2.236 Long-term passengers' policy consultation – The government is publishing a consultation alongside Budget to gather views on the potential approach to duty- and tax-free goods policy after the transition period following the UK's departure from the EU.

²⁵ HM Treasury analysis, see 'Budget 2020 data sources'.

2.237 Long-term cross-border goods policy – The government will launch an informal consultation over spring 2020 on the VAT and excise treatment of goods crossing UK borders after the EU exit transition period.

2.238 VAT on fund management – As announced on 4 March 2020²⁶ the government is legislating to clarify when fund management services are exempt from VAT.

2.239 VAT on financial services – The government will set up an industry working group to review how financial services are treated for VAT purposes.

2.240 VAT Quick Fixes Directive – The government will introduce legislation to introduce simplified rules for the VAT treatment of intra-EU movements of call-off stock, allowing businesses to delay accounting for VAT until the goods are called-off. The legislation will apply to goods which are removed from a Member State on or after 1 January 2020 (sic).

2.241 VAT Partial Exemption – Following the recent call for evidence on the simplification of the VAT rules on Partial Exemption and the Capital Goods Scheme,²⁷ the government will continue to engage with stakeholders in relation to their responses and will publish a response in due course.

Alcohol, tobacco and other duties

2.242 Alcohol duty rates – Duty rates on beer, spirits, wine and cider will be frozen. (14)

2.243 Post-EU exit alcohol review – The government recognises the complexity of the current duty system and will review potential reforms to be implemented after the transition period, beginning by publishing a call for evidence by the summer.

2.244 Small Brewers' Relief (SBR) – The government will publish the results of our review into Small Brewers Relief in the spring.

2.245 Tobacco duty rates – Duty rates on all tobacco products will increase by RPI + 2% until the end of this Parliament. The rate on hand-rolling tobacco will increase by RPI + 6% this year. These changes will take effect from 6pm on 11 March 2020. (48)

2.246 Gaming Duty – The government will legislate in Finance Bill 2020 to raise the Gross Gaming Yield (GGY) bandings for Gaming Duty in line with inflation. The revised bandings must be used for accounting periods starting on or after 1 April 2020.

Avoidance, evasion and non-compliance

2.247 Since 2010 the government has secured and protected over £200 billion of tax that would have otherwise gone unpaid.²⁸ The Budget builds on this work and announces further action to tackle tax avoidance, evasion and other forms of non-compliance that will raise an additional £4.7 billion between now and 2024-25.

2.248 Preventing the illicit trade of tobacco – The government is announcing increased resources for Trading Standards and HMRC to combat the illicit tobacco trade, including the creation of a UK-wide HMRC intelligence sharing hub. The government will also consult on proposals for stronger penalties for tobacco tax evasion.

²⁶ 'Value Added Tax (Finance) Order 2020', UK Statutory Instruments, March 2020.

²⁷ 'Call for evidence: simplification of partial exemption and the Capital Goods Scheme', HM Revenue & Customs, July 2019

²⁸ 'Annual Report and Accounts 2018-19', HMRC, August 2019; 'Spring Statement 2019: Written Ministerial Statement', HM Treasury, March 2019

2.249 Tackling Construction Industry Scheme (CIS) abuse – The government will legislate to prevent non-compliant businesses from using the CIS to claim tax refunds to which they are not entitled. The government is also publishing a consultation which introduces options on how to promote supply chain due diligence. (57)

2.250 Domestic reverse charge for building and construction services – As announced in September 2019,²⁹ the implementation of the VAT domestic reverse charge for building and construction services, which prevents losses through so-called ‘missing trader’ fraud, will be delayed until 1 October 2020. (68)

2.251 VAT Agricultural Flat Rate Scheme (AFRS) – Following informal consultation with stakeholders in 2019 the government will introduce new entry and exit rules for the AFRS.

2.252 Conditionality: Hidden economy – The government will legislate in Finance Bill 2020-21 to make the renewal of licenses to drive taxis and private hire vehicles (PHVs, e.g. minicabs), operate PHV firms, and deal in scrap metal conditional on applicants completing checks that confirm they are appropriately registered for tax. This measure will make it more difficult for non-compliant traders to operate in the hidden economy and help level the playing field for the compliant majority. These changes will take effect in England and Wales in April 2022. The government is considering extending this reform to Scotland and Northern Ireland in the future and will work with the devolved administrations to this effect. (58)

2.253 Conditionality: Wider application – The government will publish a discussion document seeking views on the wider application of tax conditionality in the spring. Tax conditionality refers to a principle whereby businesses are granted access to government awards and authorisations (such as approvals, licenses, grants) only if they are able to demonstrate good tax compliance.

2.254 Additional compliance resources for HMRC – The government is investing in additional compliance officers and new technology for HMRC. This investment is forecast to bring in £4.4 billion of additional tax revenue up to 2024-25 by enabling HMRC to further reduce the tax gap through additional compliance activity and expanding debt collection capabilities.³⁰ (59)

Response to the Loan Charge Review

2.255 Response to the independent Loan Charge Review – The Budget confirms the government’s response to Sir Amyas Morse’s Independent Loan Charge Review³¹ and sets out the Exchequer costs of accepting the recommendations. These will be legislated for in the forthcoming Finance Bill. To implement the changes, the government will also provide HMRC with additional operational funding. However, disguised remuneration schemes continue to be used. Therefore, the government will shortly issue a call for evidence on further action to stamp out these schemes. (63)

2.256 Tackling promoters of tax avoidance – As announced in the government’s response to the independent Loan Charge Review,³² the government will legislate in Finance Bill 2020-21 to take further action against those who promote and market tax avoidance schemes. The legislation, which will take effect following Royal Assent, will:

- allow HMRC to obtain information about the enabling of abusive schemes as soon as they are identified by strengthening information powers for HMRC’s existing regime to tackle enablers of tax avoidance schemes

²⁹ ‘Revenue and Customs Brief 10 (2019): domestic reverse charge VAT for construction services – delay in implementation’, HM Revenue & Customs, September 2019.

³⁰ HM Treasury internal estimate using HMRC data.

³¹ ‘Disguised remuneration: independent loan charge review’, HM Treasury and HM Revenue & Customs, December 2019.

³² ‘Disguised remuneration: independent loan charge review’, HM Treasury and HM Revenue & Customs, December 2019.

- ensure enabler penalties are felt without delay for multi-user schemes, meaning anyone enabling tax avoidance arrangements that are later defeated will face a penalty of 100% of the fees they earn
- enable HMRC to act promptly where promoters fail to provide information on their avoidance schemes. In particular, these changes will help HMRC obtain the information needed to bring a scheme into the Disclosure of Tax Avoidance Schemes regime and empower HMRC to act faster where avoidance schemes are being promoted
- equip HMRC to more effectively stop promoters from marketing and selling avoidance schemes as early as possible
- ensure promoters fulfil their obligations under the Promoters of Tax Avoidance Scheme (POTAS) regime, including where they have tried to abuse corporate structures to get around the rules
- make further technical amendments to the POTAS regime, including preventing spurious legal challenges from disrupting the process of scrutinising promoters, so the regime can continue to operate effectively
- make additional changes to the General Anti-Abuse Rule (GAAR) so it can be used as intended to tackle avoidance using partnership structures

2.257 HMRC’s promoter strategy – On top of the legislative changes the government will introduce in Finance Bill 2020-21, HMRC will publish a new ambitious strategy for tackling the promoters of tax avoidance schemes. This will outline the range of policy, operational and communications interventions both underway and in development to drive those who promote tax avoidance schemes out of the market, disrupt the supply chain to stop the spread of marketed tax avoidance, and deter taxpayers from taking up the schemes.

2.258 Raising standards in the market for tax advice – The government will publish a call for evidence in the spring on raising standards for tax advice. This will seek evidence about providers of tax advice, current standards upheld by tax advisers, and the effectiveness of the government’s efforts to support those standards, in order to give taxpayers more assurance that the advice they are receiving is reliable.

Tax administration

2.259 Future of Making Tax Digital – The government will publish an evaluation of the introduction of Making Tax Digital for VAT, along with related research.

2.260 Large business notification – From April 2021 large businesses will be required to notify HMRC when they take a tax position which HMRC is likely to challenge. This policy will draw on international accounting standards which many large businesses already follow. The government will consult shortly on the detail of the notification process. (56)

2.261 Protecting your taxes in insolvency – As announced at Budget 2018, the government will change the rules so that when a business enters insolvency, more of the taxes paid in good faith by its employees and customers and temporarily held in trust by the business go as intended to fund public services, rather than being distributed to other creditors. The Budget delays the commencement date of this measure from 6 April to 1 December 2020 and extends this measure to Northern Ireland. This reform will only apply to taxes collected and held by businesses on behalf of other taxpayers (VAT, PAYE income tax, employee NICs and CIS deductions). The rules will remain unchanged for taxes owed by businesses themselves, such as corporation tax and employer NICs. The legislation will be introduced in Finance Bill 2020. (65)

2.262 Clarifying the treatment of Limited Liability Partnership (LLP) returns – The government will legislate prospectively and retrospectively in Finance Bill 2020 to put beyond doubt that LLPs should be treated as general partnerships under income tax rules. This will ensure HMRC can continue to amend LLP members' tax returns where the LLP operates without a view to profit. This measure does not create any new or additional obligations or liabilities for taxpayers. It clarifies the legislation to ensure the rules work as designed and intended.

2.263 HMRC automation – As announced on 31 October 2019,³³ the government will legislate to confirm that HMRC may use automated processes to issue taxpayers with notices to file tax returns and penalty notices. This measure will apply prospectively and retrospectively to put beyond doubt that the rules work as designed and intended. This does not create any new or additional obligations or liabilities for taxpayers.

2.264 Insurance Premium Tax (IPT) call for evidence – The government will shortly publish a summary of responses to the recent call for evidence on the operation of IPT,³⁴ along with information on a forthcoming consultation setting out the next stage in reforming how IPT operates.

2.265 Funding HMRC to prepare for breathing space – The government will invest an additional £12.5 million in HMRC in 2020-21 to begin work immediately on the implementation of breathing space. From early 2021 this will mean that those in problem debt can access a 60-day breathing space, including for debts to HMRC, while they engage with debt advice and work towards a sustainable debt solution.

Competition and regulation

2.266 Boosting competition in the digital and wider economy – The government will accept all six of the *Furman Review's*³⁵ strategic recommendations for unlocking competition in digital markets. The government will consult on these in due course. A new cross-regulator taskforce, based in the Competition and Markets Authority (CMA), will report to the government within six months on a pro-competitive regime for digital platform markets. This will include advice on implementing a pro-competitive code of conduct for digital platforms with strategic market power. The government will also look at existing domestic or EU derived regulations that might hinder digital competition and entrench monopoly behaviours and will ensure that regulatory reforms applying to digital and tech businesses are pro-innovation and coherent.

2.267 Reforming Regulation Initiative – Good regulation is essential to successful businesses. The government will strive to achieve the right balance between supporting excellent business practice and providing protections for people and the environment. The Budget announces that BEIS is launching the Reforming Regulation Initiative. This will invite ideas from business and the public for regulatory reform in order to ensure that regulation is sensible and proportionate now that the UK has left the EU, and that the interests of small businesses are taken into account.

2.268 Regulators' Pioneer Fund – The government will launch a second round of the Regulators' Pioneer Fund, building on the success of the first round which was launched at Autumn Budget 2017. This £10 million of funding will enable regulators to unlock the potential of emerging technologies and help businesses to develop innovative products and services.

³³ 'HM Revenue and Customs Update: Written Statement – HCWS61', House of Commons, October 2019.

³⁴ 'Call for evidence: the operation of Insurance Premium Tax', HM Revenue & Customs, June 2019.

³⁵ 'Unlocking digital competition, Report of the Digital Competition Expert panel', HM Treasury, March 2019

2.269 Financial Services Bill – The Financial Services Bill will provide long-term market access between the UK and Gibraltar for financial services firms following EU exit, support a vibrant asset management industry by simplifying the process for overseas investment funds seeking to market into the UK and enable the implementation of the remaining Basel banking standards and a more proportionate prudential regime for investment firms. The government has published further details alongside Budget ahead of legislating later in the session. As a result of the proposed changes to the prudential regime for investment firms, the government will be taking steps to ensure that bank tax legislation continues to operate in line with current policy.

2.270 Regulatory Coordination – The Financial Services Future Regulatory Framework Review was announced at Mansion House 2019, with the first phase launching a call for evidence on regulatory coordination in July. The government is publishing a response to the call for evidence alongside Budget and setting out the next steps in the review. This response announces a new forum, bringing together government and regulators, to provide industry with a forward-look of upcoming regulatory initiatives. This forum will be made up of the Bank of England, Prudential Regulation Authority, Financial Conduct Authority (FCA), Payment Systems Regulator and Competition and Markets Authority, with HM Treasury as an observer member.

2.271 Access to cash legislation – The government will bring forward legislation to protect access to cash for those who need it. This will ensure industry continues to meet the changing needs of cash users.

2.272 Regulation of pre-paid funeral plans – The government is publishing the response to its consultation on the regulation of pre-paid funeral plans and will legislate to bring funeral plan providers within the remit of the FCA. This will protect consumers by ensuring, for the first time, that all pre-paid funeral plan providers are subject to robust regulation.

2.273 Changes to the Credit Unions Act – The government will bring forward legislation to allow credit unions to offer a wider range of products and services to their members, supporting their vital role in financial inclusion.

2.274 Fintech review and delivery panel – The government has invited Ron Kalifa OBE to lead a major review into the fintech sector. The review will identify what more industry and government can do to support growth and competitiveness, to ensure that the UK maintains its global leadership in this vital sector. The government will also extend funding for the Fintech Delivery Panel, as well as touring the regions and nations of the UK to showcase its diverse range of fintech firms.

2.275 Digital currencies discussion paper – The government looks forward to the publication of the Bank of England's discussion paper on a possible UK central bank digital currency (CBDC). The UK will continue to take a leading role in exploring digital currencies, and the wide-ranging opportunities and challenges they could bring.

2.276 Cryptoassets consultation – To protect consumers and support innovation in cryptoassets, the government intends to consult on a measure to bring certain cryptoassets into scope of financial promotions regulation. The government also intends to consult later in 2020 on the broader regulatory approach to cryptoassets, including new challenges from so-called 'stablecoins'.

2.277 Call for evidence for the Payments Landscape Review – In light of rapid technology developments, HM Treasury, working alongside the regulators and the Financial Policy Committee, is leading a Payments Landscape Review to make sure the UK's payments infrastructure and regulation are keeping pace. As part of this, HM Treasury will shortly be publishing a call for evidence to ask what more could be done by the government, industry and regulators to support a more innovative and resilient payments system and ensure the UK payments sector remains world leading.

2.278 Open finance for SMEs – In order to realise the vision for truly open finance, in which SMEs can share their data at the touch of a button, making it faster and easier to shop around for credit, HM Treasury will convene a summit with those at the cutting edge of industry innovation to establish what further data needs to be opened up.

2.279 Digital Identity Unit – The government will work to create a digital identity market that makes it possible for people to prove things about themselves without showing paper documents. This will help make opening a bank account, claiming benefits or buying a house simpler, safer and quicker. More secure and cost-effective online transactions will also boost business and the digital economy.

2.280 Affordable Credit Challenge Fund – By harnessing the UK’s world-leading fintech expertise, this £2 million challenge fund promotes the development of innovative tech solutions that improve awareness and access to affordable lenders as an alternative to high cost credit. The winners of the challenge are Fair for You with EML and Lending Metrics, Police Credit Union with Credit Kudos, and Capital Credit Union with Nivo and Soar who will each receive £200,000 to further develop and scale their solutions.

Financial transactions, asset sales and other decisions

2.281 Royal Bank of Scotland – The government intends to fully dispose of its Royal Bank of Scotland shareholding, subject to market conditions and achieving value for money for taxpayers. The government expects the programme of sales to be completed by 2024-25.

2.282 UK Asset Resolution (UKAR) – UKAR’s balance sheet has reduced from £115.8 billion in 2010 to £8 billion following the latest sale of assets.³⁶ The government expects to return UKAR’s subsidiaries Bradford & Bingley (B&B), NRAM Ltd³⁷ and their remaining assets to private ownership in 2020, subject to achieving value for money and market conditions remaining supportive.

2.283 In May 2019, the government transferred sponsorship of B&B’s and NRAM Ltd’s pension schemes to UKAR in preparation for B&B and NRAM Ltd being returned to private ownership. The government intends, subject to securing the necessary parliamentary time, to create a new central government pension scheme for the members of the B&B and NRAM schemes. Members’ pensions will not be affected by this transfer. Following the establishment of a new central government pension scheme, the government intends to sell assets held by the NRAM and B&B schemes over 2023-24 and 2024-25, subject to the necessary legislation being brought forward, supportive market conditions and achieving value for money.

2.284 Student loan sale – In December 2018, the government completed the second in its programme of sales of pre-2012 income-contingent student loans, expected to raise £15 billion by 2022-23. The sale raised £1.9 billion, reducing PSND and achieving value for money. Following an internal review, which was published at Budget, the government has decided not to pursue additional sales of pre-2012 income-contingent student loans.

2.285 The government continues to explore options for the sale of wider corporate and financial assets, where there is no longer a policy reason to retain them and when value for money can be secured for taxpayers.

2.286 Retail Prices Index consultation – Alongside the Budget, the government and UK Statistics Authority (UKSA) are launching a consultation, announced on 4 September 2019,³⁸ on UKSA’s proposal to address the shortcomings of the Retail Prices Index (RPI) measure

³⁶ <https://www.gov.uk/government/news/loans-sale-to-return-49-billion-to-uk-taxpayers>

³⁷ NRAM Ltd was formerly part of Northern Rock.

³⁸ ‘Letter from Savid Javid, former Chancellor of the Exchequer’, HM Treasury, September 2019.

of inflation. The consultation will cover, among other things, the issue of timing, including whether the UKSA's proposal might be implemented at a date other than 2030, and if so, when between 2025 and 2030, and issues on technical matters concerning the implementation of its proposal. The consultation will be open for a period of six weeks, closing on 22 April 2020. The government and UKSA will respond to the consultation before the Parliamentary summer recess.

2.287 MPC remit – The Chancellor is responsible for setting the MPC's remit. In the Budget, the Chancellor reaffirms the symmetric inflation target of 2% for the 12-month increase in the CPI measure of inflation. This target applies at all times.³⁹ The Chancellor also confirms that the Asset Purchase Facility (APF) will remain in place for the financial year 2020-21.

2.288 Balance Sheet Review – The government manages assets worth £2 trillion alongside £4.6 trillion of liabilities on behalf of citizens.⁴⁰ The Balance Sheet Review (BSR) was launched in 2017 to identify opportunities to dispose of assets that no longer serve a policy purpose, improve returns on retained assets, and reduce the risk and cost of liabilities. This work aims to put the UK at the forefront of the international drive to reduce waste and deliver improvements in the cost-effective management of public wealth, as recognised by the IMF in its October 2018 Fiscal Monitor. The BSR will conclude and report at this year's Comprehensive Spending Review.

2.289 The government is exposed to £192 billion of contingent liabilities, including guarantees and insurance provided to the private sector.⁴¹ The BSR has developed proposals to improve the management of these liabilities and address a key balance sheet risk recognised by the OBR in its July 2019 Fiscal Risk Report.⁴² The government is publishing a report alongside Budget: 'Government as insurer of last resort' providing more detail on the policy approach.

³⁹ 'Monetary policy remit: Budget 2020', HM Treasury, March 2020.

⁴⁰ 'Whole of Government Accounts 2017 to 2018'; HM Treasury; May 2018.

⁴¹ 'Whole of Government Accounts 2017 to 2018'; HM Treasury; May 2018.

⁴² 'Fiscal Risks Report 2019', OBR, July 2019

A

Financing

A.1 This annex sets out the details of the government’s financing plans in 2020-21. Further details can be found in the ‘Debt management report 2020-21’, available at www.gov.uk.

Debt management objective

A.2 The debt management objective, as set out in the ‘Debt management report 2020-21’, is

“to minimise, over the long term, the costs of meeting the government’s financing needs, taking into account risk, while ensuring that debt management policy is consistent with the aims of monetary policy.”

Debt management policy

A.3 While decisions on debt management policy must be taken with a long-term perspective, specific decisions on funding the government’s gross financing requirement are taken annually. Those decisions are announced before the start of the forthcoming financial year and can be updated during the year.

Index-linked gilts

A.4 At Budget 2018 – and as part of the government’s responsible approach to fiscal risk management – the government announced that it would look to reduce the proportion of index-linked gilt issuance in a measured fashion over the medium term. Consistent with this, the 2020-21 financing remit includes a reduction in index-linked gilt issuance compared with 2019-20.

A.5 Alongside the Budget, the government and the UK Statistics Authority (UKSA) are launching a consultation, announced on 4 September 2019, on UKSA’s proposal to address the shortcomings of the RPI measure of inflation. The consultation will be open for responses for a period of six weeks, closing on 22 April. The government and UKSA will respond to the consultation before the Parliamentary summer recess.

Financing arithmetic

A.6 The financing arithmetic is set out in Table A.1.

A.7 The OBR’s March 2020 ‘Economic and fiscal outlook’ forecast for the 2020-21 central government net cash requirement (excluding NRAM Ltd, Bradford & Bingley and Network Rail), which is referred to as CGNCR (ex NRAM, B&B and NR), is £65.3 billion. This measure is used in the financing arithmetic as it reflects the forecast cash requirement of the Exchequer. The relationship between public sector net borrowing and CGNCR (ex NRAM, B&B and NR) is set out in the OBR’s March 2020 ‘Economic and fiscal outlook’. The OBR’s forecast does not incorporate either the most recent estimate of the likely fiscal impact of COVID-19 or the government’s policy response. The government’s financing plans for 2020-21 will be updated to reflect this at a later date.

A.8 The net financing requirement (NFR) for the Debt Management Office (DMO) comprises: CGNCR (ex NRAM, B&B and NR) plus any financing for gilt redemptions and other adjustments, less the net contribution to financing from NS&I and any other in-year contributions to financing.

A.9 The NFR for 2020-21 is forecast to be £156.1 billion, reflecting:

- the forecast for CGNCR (ex NRAM, B&B and NR) of £65.3 billion
- gilt redemptions of £97.6 billion
- a planned short-term financing adjustment of -£0.8 billion resulting from unanticipated over funding in 2019-20
- a net contribution to financing from NS&I of £6 billion

A.10 As set out in Table A.1, the NFR for 2020-21 will be met by gilt sales of £156.1 billion. It is currently anticipated that there will be a zero net contribution to debt financing in 2020-21 from Treasury bills.

Gilt issuance by method, type and maturity

A.11 Decisions on the skew of gilt issuance are made annually with reference to the government's debt management objective, as set out in the 'Debt management report 2020-21'.

A.12 Auctions will remain the government's primary method of gilt issuance. It is anticipated that £124.1 billion (79.5%) of total gilt sales will be issued by auction in 2020-21, and up to around £24.0 billion (15.4%) will be issued by syndication. The government will continue to use gilt tenders to supplement issuance by auction and syndication.

A.13 Issuance by auction and syndication is planned to be split by maturity and type as follows:

- £51.0 billion of short conventional gilts (32.7% of total issuance)
- £34.2 billion of medium conventional gilts (21.9% of total issuance)
- £42.3 billion of long conventional gilts (27.1% of total issuance)
- £20.6 billion of index-linked gilts (13.2% of total issuance)

A.14 The financing plans of the DMO include an initially unallocated portion of issuance through which gilts of any maturity or type may be issued, subject to prior notification. This unallocated portion is set at £8.0 billion (5.1% of total issuance). The unallocated portion is used in such a way as to respond appropriately to evolving market conditions in-year.

Treasury bills

A.15 Treasury bills for debt management purposes are forecast to constitute £62.0 billion of the total debt stock at the end of 2019-20. It is currently anticipated that net issuance of Treasury bills for debt management purposes will be zero, which means that they will make no net contribution to debt financing in 2020-21.

NS&I

A.16 NS&I will have a net financing target of £6 billion in 2020-21, within a range of £3 billion to £9 billion. This target reflects NS&I's requirement to balance the interests of its savers, the taxpayer, and the wider financial services sector.

Illustrative future gross financing requirement

A.17 Table A.2 sets out the illustrative gross financing requirement for each financial year from 2021-22 to 2024-25, using the OBR March 2020 forecast for CGNCR (ex NRAM, B&B and NR) and taking into account current planned gilt redemptions.

Table A.1: Financing arithmetic in 2019-20 and 2020-21 (£ billion)¹

	2019-20	2020-21
CGNCR (ex NRAM, B&B and NR)²	43.1	65.3
Gilt redemptions	98.9	97.6
Redemption of the sovereign Sukuk	0.2	na
Planned financing for the Official Reserves	6.0	0.0
Financing adjustment carried forward from previous financial years	4.0	-0.8
Gross financing requirement	152.2	162.1
<i>less:</i>		
NS&I net financing	10.1	6.0
Other financing ³	0.0	0.0
Net financing requirement (NFR) for the Debt Management Office (DMO)	142.1	156.1
DMO's NFR will be financed through:		
Gilt sales, through sales of:		
Short conventional gilts	42.8	51.0
Medium conventional gilts	34.0	34.2
Long conventional gilts	36.9	42.3
Index-linked gilts	23.1	20.6
Unallocated amount of gilts	0.0	8.0
Total gilt sales for debt financing	136.9	156.1
Total net contribution of Treasury bills for debt financing	6.0	0.0
Total financing	142.9	156.1
DMO net cash position	1.3	0.5

¹ Figures may not sum due to rounding.

² Central government net cash requirement (excluding NRAM Ltd, Bradford & Bingley and Network Rail).

³ Prior to publication of the end-year outturn in April each year, this financing item will mainly comprise estimated revenue from coinage.

Source: HM Treasury, NS&I, Office for Budget Responsibility and Debt Management Office.

Table A.2: Illustrative gross financing requirement (£ billion)¹

	2021-22	2022-23	2023-24	2024-25
CGNCR (ex NRAM, B&B and NR)²	73.0	69.9	64.0	72.6
Gilt redemptions	79.3	73.3	71.8	90.6
Total illustrative gross financing requirement	152.4	143.2	135.7	163.2

¹ Figures may not sum due to rounding.

² Central government net cash requirement (excluding NRAM Ltd, Bradford & Bingley and Network Rail).

Source: HM Treasury, Office for Budget Responsibility and Debt Management Office.

B

Welfare cap

B.1 Table B.1 sets out a full list of expenditure items within the scope of the welfare cap.

Table B.1: Benefits and tax credits in scope of the welfare cap

In scope	Not in scope
Attendance Allowance ¹	Benefits paid from DEL ²
Bereavement benefits	Jobseeker's Allowance and its passported Housing Benefit
Carer's Allowance ¹	Northern Ireland social security outside welfare cap
Child Benefit (including Guardian's Allowance)	State Pension (basic and additional)
Christmas Bonus	Transfers within government (e.g. Over 75s TV licences)
Disability Living Allowance ¹	Universal Credit payments to jobseekers
Employment and Support Allowance	
Financial Assistance Scheme	
Housing Benefit (except HB passported from JSA)	
Incapacity Benefit	
Income Support	
Industrial injuries benefits ¹	
Maternity Allowance	
Northern Ireland social security in welfare cap	
Other DWP benefits below £0.1 billion pa in welfare cap	
Pension Credit	
Personal Independence Payment ¹	
Personal Tax Credits	
Severe Disablement Allowance ¹	
Social Fund – Cold Weather Payments	
Statutory Adoption Pay	
Statutory Maternity Pay	
Statutory Paternity Pay	
Tax Free Childcare	
Universal Credit (except payments to jobseekers)	
Winter Fuel Payment	

¹ Including linked Scottish Government block grant addition.

² These payments are subject to firm spending control through the usual DEL process.



OBR's economic and fiscal outlook: selected tables

C.1 The Office for Budget Responsibility (OBR) has published its March 2020 'Economic and fiscal outlook' alongside Budget 2020. This annex reproduces the OBR's key forecasts for the economy and public finances. Further detail and explanation can be found in the OBR's report.

Table C.1: Detailed summary of forecast

	Percentage change on a year earlier, unless otherwise stated						
	Outturn	Forecast					
	2018	2019	2020	2021	2022	2023	2024
UK economy							
Gross domestic product (GDP)	1.3	1.4	1.1	1.8	1.5	1.3	1.4
GDP per capita	0.7	0.8	0.5	1.3	1.1	0.9	1.1
GDP level (2018=100)	100.0	101.4	102.5	104.3	105.8	107.1	108.6
Nominal GDP	3.5	3.3	3.1	3.8	3.7	3.4	3.5
Output gap (per cent of potential output)	0.2	0.1	-0.1	0.4	0.4	0.2	0.0
Expenditure components of GDP							
Domestic demand	1.3	1.6	1.1	2.0	1.7	1.6	1.7
Household consumption ¹	1.6	1.3	1.1	1.2	1.2	1.4	1.4
General government consumption	0.4	3.6	3.7	2.8	2.1	1.9	2.2
Fixed investment	-0.2	0.4	-0.8	3.4	2.9	2.0	1.8
Business	-1.5	0.3	0.0	1.8	3.0	2.4	2.3
General government ²	1.3	2.1	1.9	10.9	4.6	1.8	1.2
Private dwellings ²	6.5	-0.3	-4.2	1.5	1.6	1.3	1.2
Change in inventories ³	0.2	0.1	-0.1	0.1	0.0	0.0	0.0
Exports of goods and services	1.2	3.7	-0.6	-0.5	-0.6	-1.1	-1.0
Imports of goods and services	2.0	3.6	-0.2	0.4	0.2	0.2	0.2
Balance of payments current account (Per cent of GDP)	-3.9	-3.9	-3.8	-3.9	-4.0	-4.0	-4.1
Inflation							
CPI	2.5	1.8	1.4	1.8	2.1	2.1	2.0
RPI	3.3	2.6	2.2	2.7	3.1	3.0	2.9
GDP deflator at market prices	2.2	1.8	2.0	2.0	2.2	2.1	2.1
Labour market							
Employment (millions)	32.4	32.8	33.0	33.1	33.2	33.3	33.4
Productivity per hour	0.5	0.0	0.9	1.2	1.2	1.1	1.2
Wages and salaries	4.8	3.5	3.6	3.8	3.6	3.3	3.2
Average earnings ⁴	3.3	2.8	3.3	3.6	3.4	3.1	3.1
LFS unemployment (% rate)	4.1	3.8	3.8	3.8	3.9	4.0	4.1
Household sector							
Real household disposable income	2.4	0.8	1.1	1.6	1.3	1.4	1.4
Saving ratio (level, per cent)	5.8	5.7	6.6	7.0	7.2	7.2	7.2
House prices	3.2	1.5	3.3	7.0	5.8	4.6	3.8
World economy							
World GDP at purchasing power parity	3.6	2.9	3.0	3.6	3.5	3.6	3.6
Euro area GDP	1.9	1.2	1.1	1.4	1.4	1.3	1.3
World trade in goods and services	3.7	1.1	1.9	3.9	3.6	3.7	3.8
UK export markets ⁵	3.0	1.5	1.6	3.4	3.3	3.4	3.5

¹ Includes households and non-profit institutions serving households.

² Includes transfer costs of non-produced assets.

³ Contribution to GDP growth, percentage points.

⁴ Wages and salaries divided by employees.

⁵ Other countries' imports of goods and services weighted according to the importance of those countries in the UK's total exports.

Table C.2: Fiscal aggregates

	Per cent of GDP, unless otherwise stated						
	Outturn	Forecast					
		2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Receipts and expenditure							
Public sector current receipts (a)	37.5	37.7	37.9	38.0	38.3	38.4	38.5
Total managed expenditure (b)	39.3	39.8	40.3	40.8	40.8	40.8	40.7
<i>of which:</i>							
Public sector current expenditure (c)	35.0	35.3	35.4	35.7	35.6	35.5	35.4
Public sector net investment (d)	2.0	2.2	2.6	2.9	3.0	3.0	3.0
Depreciation (e)	2.3	2.2	2.3	2.3	2.3	2.3	2.3
Legislated fiscal mandate and supplementary target							
Cyclically adjusted net borrowing	1.9	2.2	2.4	3.0	2.7	2.5	2.2
Public sector net debt ¹	80.6	79.5	77.4	75.0	75.4	75.6	75.2
Budget 2020 fiscal targets							
Current budget deficit (c+e-a)	-0.3	-0.1	-0.2	-0.1	-0.5	-0.7	-0.8
Debt-interest-to-revenue ratio (per cent)	4.1	3.8	3.3	3.5	3.3	3.1	2.9
Other deficit measures							
Public sector net borrowing (b-a)	1.8	2.1	2.4	2.8	2.5	2.4	2.2
Cyclically adjusted current budget deficit	-0.1	0.0	-0.2	0.1	-0.2	-0.5	-0.8
Primary deficit	0.3	0.7	1.2	1.5	1.2	1.2	1.1
Cyclically adjusted primary deficit	0.4	0.8	1.2	1.7	1.5	1.3	1.1
Financing							
Central government net cash requirement	2.4	2.0	2.8	3.1	2.8	2.5	2.7
Public sector net cash requirement	2.1	1.4	1.1	0.3	2.9	2.6	2.7
Alternative balance sheet metrics							
Public sector net debt ex. Bank of England	72.3	71.9	71.9	72.3	72.9	73.1	72.9
Public sector net financial liabilities	67.4	66.7	65.9	65.3	64.9	64.5	63.4
Stability and Growth Pact							
Treaty deficit ²	1.8	2.2	2.5	3.1	2.6	2.4	2.4
Cyclically adjusted Treaty deficit	1.9	2.3	2.5	3.3	2.8	2.5	2.4
Treaty debt ratio ³	84.1	83.2	82.9	83.2	83.3	83.3	83.0
£ billion							
Current budget deficit	-5.8	-1.7	-4.9	-2.7	-11.7	-16.7	-21.2
Public sector net investment	44.3	49.1	59.7	69.3	73.2	77.0	79.1
Public sector net borrowing	38.4	47.4	54.8	66.7	61.5	60.2	57.9
Cyclically adjusted net borrowing	41.4	48.2	55.3	71.8	68.1	63.9	58.7
Cyclically adjusted current budget deficit	-2.8	-1.0	-4.4	2.5	-5.1	-13.1	-20.4
Public sector net debt	1774	1799	1818	1827	1900	1969	2031
Net debt interest	32.5	30.9	28.1	31.2	30.6	29.3	28.5
Non-interest receipts	788.9	811.8	845.3	881.9	918.6	952.3	988.4
<i>Memo: Output gap (per cent of GDP)</i>	0.3	0.0	0.1	0.4	0.4	0.1	0.0

¹ Debt at end October; GDP centred on end October.

² General government net borrowing.

³ General government gross debt. Uses financial year GDP.

Table C.3: Change in public sector net debt since March 2019

	Per cent of GDP						
	Outturn	Forecast					
		2018-19	2019-20	2020-21	2021-22	2022-23	
Restated March 2019 forecast	82.2	81.3	78.2	74.3	73.6	72.7	
March 2020 forecast	80.6	79.5	77.4	75.0	75.4	75.6	75.2
Like-for-like change	-1.5	-1.8	-0.8	0.7	1.9	2.9	
<i>of which:</i>							
Change in nominal GDP ¹	-1.3	-1.0	-1.1	-1.2	-1.0	-0.9	
Change in cash level of net debt	-0.3	-0.8	0.4	1.9	2.9	3.8	
	£ billion						
Restated March 2019 forecast	1,779	1,817	1,810	1,781	1,827	1,870	
March 2020 forecast	1,774	1,799	1,818	1,827	1,900	1,969	2,031
Like-for-like change in cash debt	-6	-18	8	46	73	99	
<i>of which:</i>							
Underlying forecast revisions	-6	-29	-20	-7	-5	-3	
Public sector net borrowing (pre-measures)	-3	-2	0	5	9	10	
Financial transactions (pre-measures)	-4	-17	-7	0	0	1	
Valuation changes	1	-10	-13	-12	-14	-15	
Effect of Government decisions		11	28	54	78	102	125
Affecting public sector net borrowing		-1	15	46	78	112	148
Affecting financial transactions		13	11	12	16	17	12
Indirect effects		-1	3	-5	-16	-27	-36

¹ Non-seasonally adjusted GDP centred end-March.

Table C.4: Changes to public sector net borrowing

	£ billion						
	Outturn		Forecast				
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Restated March 2019 forecast	41.0	47.6	40.2	37.6	35.4	33.3	
March 2020 forecast	38.4	47.4	54.8	66.7	61.5	60.2	57.9
Change	-2.5	-0.2	14.6	29.1	26.0	26.9	
Underlying revisions	-2.5	0.4	2.3	5.1	3.6	1.5	
<i>of which:</i>							
Receipts ¹	-3.3	-4.9	1.0	3.5	4.1	3.5	
Debt interest	0.5	-2.0	-6.7	-6.6	-7.7	-8.5	
Other spending ¹	0.3	7.3	7.9	8.2	7.1	6.5	
Total effect of Government decisions²		-0.6	12.3	24.0	22.5	25.4	29.1
<i>of which:</i>							
Current departmental spending ²		2.9	15.2	27.0	31.2	34.9	38.9
Capital departmental spending ²		-0.5	5.7	13.4	15.4	16.1	16.7
Use of direct Brexit fiscal savings		0.0	-4.3	-5.0	-7.1	-11.3	-14.6
Receipts measures ³		-1.0	-2.0	-4.6	-8.0	-8.6	-8.5
Other spending measures ³		-2.1	1.1	0.3	0.7	2.6	3.9
Indirect effects of Government decisions		0.0	-3.3	-7.1	-9.7	-8.4	-7.2
<i>of which:</i>							
Due to tax and spending measures		0.0	-3.4	-7.2	-9.7	-8.3	-7.0
Raising the National Living Wage		0.0	0.0	-0.3	-0.6	-0.9	-1.2
New migration regime		0.0	0.0	0.3	0.5	0.8	1.0
<i>Memo: March 2020 pre-measures forecast</i>	38.4	48.1	42.5	42.7	39.0	34.9	28.8

¹ Excludes the impact of customs duties switch, which raises receipts and current spending by the same amount.

² The change in 2024-25 is relative to a baseline that assumes DEL would otherwise have remained constant as a share of GDP.

³ Includes both scorecard and non-scorecard measures. See Annex A for more information.

Note: This table uses the convention that a negative figure means a reduction in PSNB, i.e. an increase in receipts or a reduction in spending will have a negative effect on PSNB.

Table C.5: Current receipts

	£ billion						
	Outturn	Forecast					
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Income tax ¹	192.6	195.2	207.5	217.4	227.3	236.6	246.6
<i>of which:</i> Pay as you earn	163.5	165.3	175.5	184.3	193.3	201.0	209.7
Self assessment	31.5	32.3	34.3	35.9	37.2	38.9	40.5
Other income tax	-2.4	-2.4	-2.2	-2.8	-3.2	-3.4	-3.6
National insurance contributions	137.3	145.4	150.2	157.0	164.0	170.3	177.1
Value added tax	133.1	136.6	140.6	145.9	151.0	155.8	160.7
Corporation tax ²	56.3	55.1	58.1	60.0	62.6	64.9	67.2
<i>of which:</i> Onshore	54.4	54.0	57.2	58.9	61.4	63.6	66.0
Offshore	1.9	1.1	0.9	1.1	1.1	1.2	1.2
Petroleum revenue tax	-0.7	-0.4	-0.3	-0.3	-0.2	-0.2	-0.2
Fuel duties	28.0	27.7	27.5	28.1	30.5	31.2	31.7
Business rates	30.6	31.2	31.5	33.4	34.3	34.9	36.2
Council tax	34.8	36.2	37.9	39.1	40.3	41.6	42.9
VAT refunds	18.3	19.2	20.2	21.0	21.8	22.5	23.7
Capital gains tax	9.2	10.0	11.4	12.7	14.3	15.7	17.0
Inheritance tax	5.4	5.1	5.5	5.9	6.3	6.7	7.1
Property transaction taxes ³	12.9	12.8	13.8	14.7	16.2	17.4	18.7
Stamp taxes on shares	3.6	3.4	3.6	3.7	3.9	4.0	4.1
Tobacco duties	9.2	8.7	9.0	8.8	8.8	8.7	8.7
Alcohol duties	12.1	12.1	11.9	12.4	12.8	13.3	13.9
Air passenger duty	3.6	3.8	4.0	4.2	4.4	4.6	4.8
Insurance premium tax	6.3	6.5	6.6	6.7	6.9	7.0	7.1
Climate change levy	1.9	2.1	2.2	2.1	2.3	2.4	2.6
Bank levy	2.5	2.4	1.9	1.1	1.1	1.1	1.0
Bank surcharge	1.8	1.5	1.6	1.6	1.6	1.7	1.7
Apprenticeship levy	2.6	2.8	3.0	3.1	3.2	3.3	3.5
Soft drinks industry levy	0.3	0.3	0.3	0.3	0.3	0.3	0.4
Digital services tax	0.0	0.1	0.3	0.4	0.4	0.5	0.5
Other HMRC taxes ⁴	7.4	7.4	7.4	7.6	7.7	7.7	7.8
Vehicle excise duties	6.5	6.7	7.1	7.0	7.2	7.4	7.6
Licence fee receipts	3.2	3.3	3.6	3.8	3.8	3.9	3.9
Environmental levies	7.5	10.2	9.6	9.9	9.8	10.4	10.8
EU ETS auction receipts	0.3	1.5	1.2	1.2	1.3	1.3	1.3
Other taxes	8.8	8.8	9.0	9.3	9.7	9.8	9.9
National Accounts taxes	735.3	755.8	786.2	818.2	853.6	885.0	918.6
Less own resources contribution to EU	-3.4	-3.4	-2.4	-	-	-	-
Interest and dividends	24.0	27.6	27.6	28.9	30.6	32.4	33.9
Gross operating surplus	52.9	54.3	57.0	58.7	61.3	63.5	66.2
Other receipts	4.0	5.0	4.5	4.9	3.7	3.8	3.6
Current receipts	812.9	839.3	872.9	910.8	949.2	984.7	1,022.3
<i>Memo: UK oil and gas revenues⁵</i>	<i>1.1</i>	<i>0.7</i>	<i>0.7</i>	<i>0.9</i>	<i>0.9</i>	<i>1.0</i>	<i>1.0</i>

¹ Includes PAYE, self assessment, tax on savings income and other minor components, such as income tax repayments.

² National Accounts measure, gross of reduced liability tax credits.

³ Includes SDLT, ATED and devolved property transaction taxes.

⁴ Consists of landfill tax (excluding Scotland and Wales), aggregates levy, betting and gaming duties, customs duties and diverted profits tax.

⁵ Consists of offshore corporation tax and petroleum revenue tax.

Table C.6: Total managed expenditure

	£ billion						
	Outturn	Forecast					
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Public sector current expenditure (PSCE)							
PSCE in RDEL	295.6	316.3	339.8	361.3	375.9	391.8	408.6
PSCE in AME	462.7	471.4	476.0	492.8	505.6	518.1	532.2
<i>of which:</i>							
Welfare spending	222.8	224.6	231.2	237.8	246.8	256.9	266.8
<i>of which:</i>							
Inside welfare cap	119.5	119.0	122.6	124.3	127.0	130.2	133.5
Outside welfare cap	103.3	105.6	108.6	113.5	119.8	126.7	133.4
Locally financed current expenditure	52.7	53.9	55.0	55.1	56.9	58.6	60.1
Central government debt interest, net of APF ¹	37.5	38.2	34.5	37.8	37.9	37.3	36.8
Scottish Government's current expenditure	27.9	32.0	33.5	35.6	37.4	38.9	40.7
Expenditure transfers to EU institutions ²	12.2	11.0	9.0	11.1	8.4	4.7	2.2
Assumed spending in lieu of EU transfers ²	-	-	-	-	-	-	-
Net public service pension payments	12.9	6.9	4.2	2.9	2.0	1.2	0.3
Company and other tax credits	6.2	6.8	7.4	7.9	8.4	8.8	9.2
BBC current expenditure	3.0	3.8	4.0	4.0	4.1	4.1	4.2
National lottery current grants	1.2	1.3	1.3	1.1	1.0	1.0	0.9
General government imputed pensions	0.9	1.3	1.3	1.3	1.3	1.3	1.3
Public corporations' debt interest	0.4	0.4	0.4	0.4	0.5	0.5	0.5
Funded public sector pension schemes	18.7	19.5	20.5	21.4	22.4	23.5	24.6
General government depreciation	41.1	42.2	44.1	45.7	47.4	49.3	51.3
Current VAT refunds	16.1	16.9	17.7	18.4	19.1	19.7	20.9
Environmental levies	7.8	10.7	10.6	11.0	10.9	11.5	12.0
Other PSCE items in departmental AME ³	2.2	1.6	1.2	1.4	1.5	1.5	1.6
Other National Accounts adjustments	-1.0	0.3	0.1	-0.2	-0.5	-0.8	-1.2
Total public sector current expenditure	758.3	787.7	815.8	854.1	881.5	909.9	940.8
Public sector gross investment (PSGI)							
PSGI in CDEL	50.8	59.9	71.2	82.2	86.6	91.5	94.8
PSGI in AME	42.2	39.1	40.7	41.1	42.6	43.5	44.6
<i>of which:</i>							
Locally financed capital expenditure	13.1	13.1	10.9	10.3	10.8	10.3	10.4
Public corporations' capital expenditure	9.9	11.0	11.4	11.4	11.5	11.7	11.9
Student loans	10.1	9.8	10.6	11.2	11.9	12.4	12.8
Funded public sector pension schemes	1.6	0.8	0.9	0.9	0.9	0.9	0.9
Scottish Government's capital expenditure	3.4	4.0	4.6	5.4	5.6	5.8	6.0
Tax litigation	0.0	0.0	1.8	1.2	1.1	1.1	1.1
Other PSGI items in departmental AME ³	6.8	0.8	0.8	0.8	0.8	0.7	0.6
Other National Accounts adjustments	-2.7	-0.4	-0.3	0.0	0.0	0.6	0.7
Total public sector gross investment	93.0	99.1	111.9	123.3	129.2	135.0	139.4
Less public sector depreciation	-48.8	-49.9	-52.2	-54.0	-56.0	-58.1	-60.3
Public sector net investment	44.3	49.1	59.7	69.3	73.2	77.0	79.1
Total managed expenditure	851.3	886.8	927.7	977.4	1,010.7	1,044.9	1,080.2

¹ Includes reductions in debt interest payments due to the APF.

² From 2019-20 onwards, the expenditure transfers to EU institutions reflect the estimated cost of the financial settlement that the UK will pay the EU after Brexit.

³ Includes Network Rail current and capital expenditure in 2018-19 only.

List of abbreviations

AARG	Average annual real growth
AFRS	Agricultural Flat Rate Scheme
AME	Annual Managed Expenditure
APD	Air Passenger Duty
APF	Asset Purchase Facility
ATED	Annual Tax on Enveloped Dwellings
B&B	Bradford & Bingley
BEIS	Department for Business, Energy and Industrial Strategy
BSR	Balance Sheet Review
CBDC	Central Bank Digital Currency
CCA	Climate Change Agreement
CCL	Climate Change Levy
CCRT	Catastrophe Containment and Relief Trust
CCS	Carbon Capture and Storage
CCT	Company Car Tax
CDEL	Capital Departmental Expenditure Limits
CGNCR	Central Government Net Cash Requirement
CIS	Construction Industry Scheme
CMA	Competition and Markets Authority
CPI	Consumer Prices Index
CPIH	Consumer Prices Index including owner occupiers' housing costs
CPS	Carbon Price Support
CSR	Comprehensive Spending Review
CT	Corporation Tax
CTF	Child Trust Fund
DCMS	Department for Digital, Culture, Media and Sport
DEFRA	Department for Environment, Food and Rural Affairs
DEL	Departmental Expenditure Limits
DHSC	Department of Health and Social Care
DIT	Department for International Trade
DMO	Debt Management Office
DST	Digital Services Tax
DWP	Department for Work and Pensions
EEA	European Economic Area
EMI	Enterprise Management Incentives
ETS	Emissions Trading Scheme
EU	European Union
FCA	Financial Conduct Authority
GAAR	General Anti-Abuse Rule

GDP	Gross Domestic Product
GGY	Gross Gaming Yield
GVA	Gross Value Added
HIP	Health Infrastructure Plan
HMLR	HM Land Registry
HMRC	HM Revenue and Customs
IFA	Intangible Fixed Assets
IHS	Immigration Health Surcharge
IMF	International Monetary Fund
IP	Implementation Period
IPCC	Independent Panel on Climate Change
IPT	Insurance Premium Tax
ISA	Individual Savings Account
JISA	Junior Individual Savings Account
LIBOR	London Inter-Bank Offered Rate
LLP	Limited Liability Partnership
LPC	Low Pay Commission
MHCLG	Ministry of Housing, Communities and Local Government
MPC	Monetary Policy Committee
NFR	Net Financing Remit
NHS	National Health Service
NIC	National Infrastructure Commission
NICs	National Insurance Contributions
NIHR	National Institute for Health Research
NLW	National Living Wage
NR	Northern Rock
NRAM	Northern Rock (Asset Management)
NS&I	National Savings and Investments
NSSIF	National Security Strategic Investment Fund
NUTS	Nomenclature of Territorial Units for Statistics
OBR	Office for Budget Responsibility
OECD	Organisation for Economic Co-operation and Development
ONS	Office for National Statistics
PAYE	Pay as you earn
PFI	Public Finance Initiative
PHV	Private Hire Vehicle
PIP	Personal Independence Payments
POTAS	Promoters of Tax Avoidance Scheme
PSCE	Public Sector Current Expenditure
PSGI	Public Sector Gross Investment
PSND	Public Sector Net Debt
PSNFL	Public Sector Net Financial Liabilities
PSNI	Public Sector Net Investment

PSNW	Public Sector Net Worth
PVF	Public Value Framework
PWLB	Public Works Loan Board
R&D	Research and Development
RDEC	Research and Development Expenditure Credit
RDEL	Resource Departmental Expenditure Limits
RHDI	Real Household Disposable Income
RHI	Renewable Heat Incentive
RIS2	Second Road Investment Strategy
RPI	Retail Prices Index
RSG	Revenue Support Grant
SAR	Shared Accommodation Rate
SBA	Structures and Buildings Allowance
SBC	Small Business Commissioner
SBR	Small Brewers Relief
SBRR	Small Business Rates Relief
SDLT	Stamp Duty Land Tax
SME	Small Medium sized Enterprise
SMI	Support for Mortgage Interest
SSP	Statutory Sick Pay
TFC	Tax-Free Childcare
TME	Total Managed Expenditure
TSR	Top Slicing Relief
UC	Universal Credit
UKAR	UK Asset Resolution
UKEF	UK Export Finance
UKSA	UK Statistics Authority
UKSPF	UK Shared Prosperity Fund
ULEV	Ultra Low Emission Vehicles
VAT	Value Added Tax
VED	Vehicle Excise Duty
VOA	Vaulation Office Agency
WDA	Writing Down Allowance
WGA	Whole of Government Accounts
ZEV	Zero Emission Vehicles

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