

Snapshot

The Chancellor hailed his Budget as beginning the work of preparing for a new economy post Covid. In fact it was his first real Budget – his previous spending and fiscal events being dominated by the impact of the pandemic. One could be forgiven for wondering what else Sunak could say, with a slew of announcements in the last few days, but there was plenty.

Headline grabbing announcements such as changes to the tapering of Universal Credit and reform of alcohol levies hide the fact that despite some departmental spending increasing to 2010 levels, that is not really where any department needs to be to deliver a high wage high skills economy. Some are still woefully under-funded to deal with the post COVID catch up. In fact, the Department of Health is the only one which fares well.

What did become very clear is that the Budget ran over many of the key attack points of the Labour Party. We know the Chancellor is a shrewd operator, and he was at his best today, attempting to mute the Opposition. Rachel Reeves did her best, but her pre-prepared speech seemed rather out of date as she attacked the Government for failing to support hard working families, when five minutes beforehand the Chancellor had announced changes to help those on the lowest wages.

Sunak's headlines belie the fact that most families will be no better off and the tax burden is at its highest level for decades. In addition, he has very little headroom if the OBR's growth predictions are incorrect. Not his problem at the moment but in the run up to a General Election, this might mean some uncomfortable policy decisions have to be made.

In the meantime, I'm off to buy my cheap(er) English sparkling wine!

Economic and Fiscal Forecast

- Inflation in September was 3.1% and is likely to rise further - to average 4% over next year
- UK economy forecast to return to pre-Covid levels by 2022
- Annual growth set to rebound by 6.5% this year, followed by 6% in 2022 and 2.1% in 2023
- Unemployment expected to peak at 5.2% next year, lower than 11.9% previously predicted
- Wages have grown in real terms by 3.4% since February 2020
- Borrowing as a percentage of GDP is forecast to fall from 7.9% this year to 3.3% next year. It will then fall in the following four years to 1.5%
- The government is scheduled to reinstate its commitment to spend 0.7% of GDP on foreign aid by 2024-25
- Departmental spending over the course of the Parliament will increase by 3.8% - a cash increase by 2024-25 of £90bn
- As already announced the public sector pay freeze will end

Policy Focus

Education and Skills

- A new package of £1.8 billion over the next 3 years to help schools to deliver evidence-based approaches to support the most disadvantaged pupils and more learning hours for 16-19 year-olds
- This brings total investment to specifically support education recovery to £4.9 billion since academic year 2020-21
- An additional £4.7 billion by 2024-25 for the core schools budget in England
- 29% real terms increase in adult skills funding from 2019-20 to 2024-25
- Increase in apprenticeships funding to £2.7 billion by 2024-25
- Launch the **Multiply** programme, which will equip people with better numeracy skills

Housing, Local Services and Infrastructure

- The first local infrastructure projects to be funded by the £4.8 billion multi-department Levelling Up Fund have been announced, ranging from cultural assets to local transport improvements
- £201 million in 2024-25 will go to to transform Start for Life and family help services by creating a network of Family Hubs, investing in infant and parent mental health, breastfeeding support, parenting programmes, and expanding the Supporting Families programme
- £11.5 billion investment through the Affordable Homes Programme
- £1.6 billion of new grant funding in each of the next three years for English Councils
- The government will fund up to 8,000 community multi-use sports and football pitches, as well as refurbish more than 4,500 tennis courts
- £5.7 billion for eight English city regions to transform local transport networks through London-style integrated settlements
- £24 billion between 2020-21 and 2024-25 for investment in strategic roads,

Health

- The new Health and Social Care Levy, along with an increase to the rates of dividend tax, will raise around £13 billion per year
- NHS resource budget will rise to over £160 billion by 2024-25, as well as £2.3 billion to transform diagnostic services
- £2.1 billion for innovative use of digital technology

R&D

- £20 billion across the UK for R&D investment
- Establish the new Advanced Research and Invention Agency (ARIA) with £800 million
- Reform to R&D tax reliefs to expand qualifying expenditure

Levies and taxation rates

- Changes to Business Rates include a new, temporary £1.7 billion of business rates relief for retail, hospitality and leisure properties next year
- The government is also freezing the business rates multiplier in 2022-23
- From 2023, a new business rates relief will support investment in property improvements so that no business will face higher business rates bills for 12 months after making qualifying improvements to a property they occupy
- Taper rate in Universal Credit reduced from 63% to 55%
- Increasing the amount that households with children or a household member with limited capability for work can earn before their Universal Credit award begins to be reduced – the Work Allowances – by £500 a year
- 6.6% increase to the National Living Wage to £9.50 an hour, starting on 1 April 2022
- Changes to alcohol duties, making the higher rates for more potent drinks and reducing different number of tax categories
- Reform of the Tonnage Tax and Air Passenger Duty
- Fuel duty freeze remains in place