

The 2020 Budget



Overview

Just a month into his new role, and in the face of a growing health crisis, Rishi Sunak gave a confident performance in his first Budget, dispelling fears around his inexperience.

With much of the country focused on the COVID-19 outbreak, the Chancellor began by setting out his three-point economic response, including emergency NHS funding, a hardship fund for those impacted and support for small businesses, particularly in the hospitality and retail sectors. He stressed that whilst the economic impact would be “significant” it would also be temporary.

In this context, Sunak then turned on the spending taps, outlining a comprehensive spending plan across the economy in line with the fiscal rules set out in the 2019 manifesto. Funded by a large increase in borrowing, these spending commitments seek to further the Government’s “levelling up” agenda, looking to repay their new voters across the North of England. The Treasury itself will open a new “economic campus” in the north, and the large increase in R&D spending will be targeted on areas outside London.

Infrastructure was another big winner with broadband, road, rail and housing infrastructure all set to benefit from a £600bn boost. The Chancellor stated that “if we need it, we will build it”. Indeed the Office for Budget Responsibility (OBR) labelled the Budget, the “largest planned sustained giveaway at any fiscal event since...1992”.



Headline announcements

- £30bn COVID-19 support package, including £5bn emergency response fund to support the NHS, and the abolition of business rates this year for firms in the retail, leisure and hospitality sectors with a rateable value below £51,000.
- The OBR forecast that the economy will grow by 1.1% this year – this does not take into account the effect of the COVID-19 outbreak.
- The economy is subsequently expected to grow by 1.8% in 2021-22, 1.5% in 2022-23 and 1.3% in 2023-24.
- A commitment of £5bn to support the rollout of gigabit-capable broadband in the most difficult to reach 20% of the country.
- £600bn+ will be spend on roads, rail, broadband and housing by the middle of 2025 – this includes £27bn of investment on English strategic roads between 2020 and 2025.
- Confirmation that the National Insurance contribution threshold will be increased from £8,632 to £9,500 from April 2020
- A £6bn package of NHS spending over the parliament.
- Entrepreneurs' Relief to be retained, but the lifetime limit will be lowered from £10m to £1m.
- £2.5bn of funding has been allocated to fix potholes and resurface roads over the next five years.



Tech

- £5bn towards the rollout of gigabit-capable broadband in the hardest to reach 20% of the country.
- £510m of funding for the Shared Rural Network agreement improving 4G mobile coverage to 95% of the UK's landmass by 2025.
- £800m in a new 'blue-skies funding' agency supporting high-risk, high reward science. as well as up to £400m in 2020-21 for research, infrastructure and equipment across the UK.
- Increased public R&D investment to £22bn a year by 2024-25.
- £900m to support high-potential technologies, including commercialising nuclear fusion technology.
- A major review into the fintech sector to support competition and growth.
- Review of existing domestic or EU derived regulations that might “hinder digital competition and entrench monopoly behaviours” ensuring reforms in the digital and tech sectors are forward-looking, including a cross-regulator taskforce looking at digital platform markets.
- £2.5bn National Skills Fund (£3bn inclusive of indicative Barnett consequentials) to improve the technical skills of adults.
- The Spending Review will set out how to improve the use of data, science and technology across the public sector.

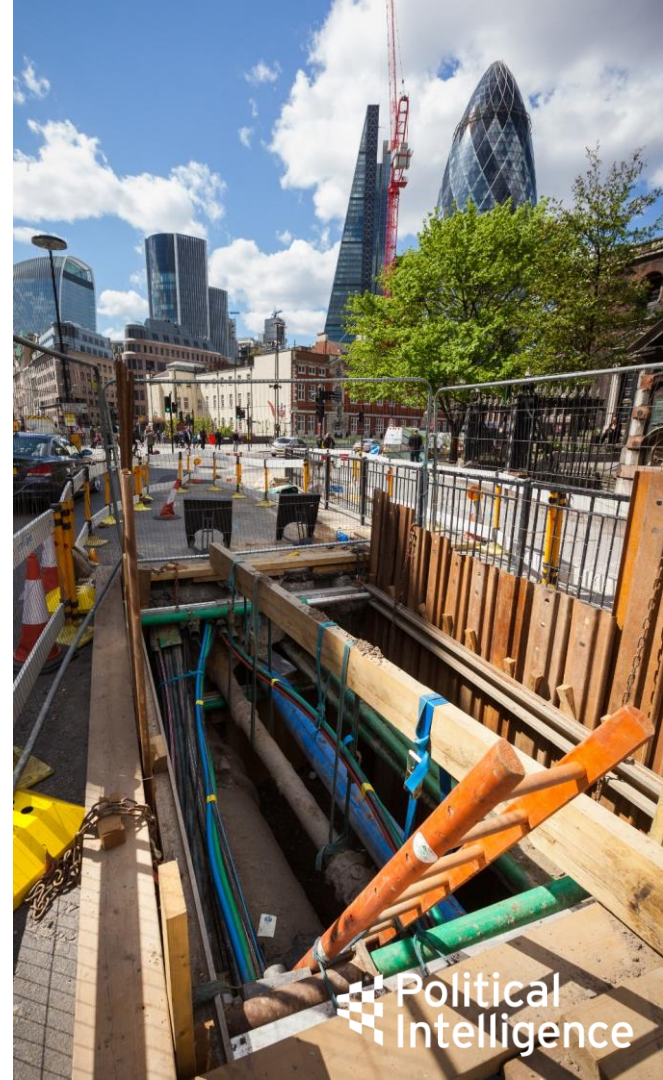
Health

- £5bn 'COVID-19 response fund' to ensure the NHS and other public services can effectively respond to the outbreak. The size of the fund will be reviewed as the situation develops, with the Chancellor stating, "whatever the NHS needs, it gets".
- £30m to support National Institute of Health Research (NIHR) in conducting rapid research into COVID-19.
- £6bn new funding for NHS England over this Parliament, on top of the £34bn cash increase announced last year.
- The Immigration Health Surcharge will be increased to £624, from £400. A new discounted rate of £470 for children will also be introduced.
- The British Business Bank will receive resources to launch a dedicated £200 million equity investment programme for the life sciences innovation.
- £1bn of additional funding for social care next year, as announced at the 2019 Spending Round. The Health Secretary has already written to Parliamentarians to begin building cross-party consensus on reform.
- £10m in 2020-21 to the Armed Forces Covenant Fund Trust, to deliver initiatives that support veterans with mental health needs.



Energy & Transport

- Second Road Investment Strategy (RIS2) will spend over £27bn between 2020 and 2025 investing in England's motorways and major A roads as part of the Government's project for regional connectivity.
- A new Potholes Fund to provide £500m and the development of 15 local road upgrades across the country.
- £1bn from the Transforming Cities Fund to deliver alternative transport routes.
- £403m for the Plug-In Car Grant, extending it to 2022-23, along with £129.5m to extend the Plug-in Grants for vans, taxis and motorcycles to 2022-23 to promote low emission vehicles.
- £500m to support the rollout of new rapid charging hubs for electric vehicles to allow users to be able to charge cars at various locations.
- Exemption of zero emission cars from the Vehicle Exercise Duty (VED) 'expensive car supplement'.
- A Plastic Packaging Tax will be introduced from April 2022 to incentivise the use of recycled plastic in packaging.
- A Nature for Climate Fund will invest £640m in tree planting and peatland restoration in England.



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