



# SPRING BUDGET 2023

*"In the face of enormous challenges... we are proving the doubters wrong" is how Chancellor of the Exchequer Jeremy Hunt began his detailed spring budget update.*

The Chancellor outlined that since mid-October 2022, 10-year gilt rates have fallen, debt servicing costs are done, mortgage rates are lower, and inflation has peaked.

In addition, the Government have protected struggling families with £2,500 energy price guarantee and upgraded benefits in line with inflation.

This is one of the largest support packages in Europe and equates to around £3,300 per household.

Noting how they are remaining "vigilant" however, Mr Hunt said the Government "will not hesitate to take whatever steps are necessary for economic stability".

Mr Hunt delivered "the next heart of our plan" which is a budget for long term, sustainable and healthy growth, which pays for our NHS and schools, finds jobs for young people, and provides a safety net for older people.

Mr Hunt said he will deliver this today by "removing obstacles that stopped businesses investing, by tackling labour shortages that stop them recruiting, by breaking down barriers that stop people working and by harnessing British

*ingenuity to make us a science and technology superpower."*

## **Reducing Inflation**

Commending the diligent work of Richard Hughes and his team at the Independent Office for Budget Responsibility, Mr Hunt explained that despite the continuing global instability, the OBR reported that inflation will fall from 10.7% in the final quarter of 2022 to 2.9% by the end of 2023, more than halving inflation.

It was also confirmed the Government will continue to work hard to settle the pay disputes but only in a way that doesn't fuel inflation.

## Energy Prices

Although wholesale energy prices are falling, Mr Hunt acknowledged that there is still tremendous pressure on family financing and after taking on board the views of experts like Martin Lewis, Mr Hunt confirmed today that the energy price guarantee will remain at £2,500 for the next three months. This measure will save the average household a further £160.

A second measure impacting over 4 million households on pre-payment meters was announced, given that some of poorest households using meters, currently pay more than comparable customers on direct debits.

OFGEM have already agreed with suppliers a temporary suspension to forced instillation of pre-payment meters but Mr Hunt confirmed, he is going further by bringing their charges in line with comparable direct debit charges.

## Local Organisations & Facilities

A £63m fund to keep public leisure centres and pools afloat was announced. Additionally, commending the work of third-party sector organisations helping people struggling in tough times.



The relevant department will receive £100m which will support thousands of local charities and community organisations.

On perhaps one of the most treasured community institutions, the British pub, Mr Hunt reflected on his measure to extend the alcohol duty freeze back in December 2022 until the 1st August 2023.

It was also confirmed that he is now in a position to announce that from 1st August 2023, the duty on draft products in pubs will be up to 11p lower than supermarkets, as part of a new Brexit pubs guarantee.

Giving thanks to the Windsor framework negotiated by the Prime Minister, this change will also apply to every pub in Northern Ireland too.

## Mental Health Support

Highlighting the personal courage of the right honourable former MP of Bromsgrove talking about the tragedy of suicide and the importance of preventing it, Mr Hunt assigned a further £10m over the next 2 years,

to help the voluntary sector play an even bigger role in the prevention of suicide.

## Fuel Costs

Having listened to MPs from varying areas discuss the impact of the planned 11p rise in fuel duty on motorists, Mr Hunt confirmed for a further 12 months he will be maintaining the 5p cut and will be freezing all fuel duty which will save the average driver £100 next year and around £200 since the 5p cut was first introduced.

## Debt reduction

Underlying debt is forecast to be 92.4% of GDP next year, then 97.3%, 94.6% then 94.8% before falling to 94.6% in 2027/28.

Mr Hunt explained this means they are meeting their fiscal rule to have debt falling as a percentage of GDP, by the 5th year of the forecast as a proportion of GDP with a buffer of £6.5bn.

The United Kingdom's debt remains lower than that of the USA, Canada, France, Italy, and Japan.

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*British ale is warm,  
but the duty on a pint  
is frozen.*

”

### **Jeremy Hunt**

Chancellor of the Exchequer  
March 15<sup>th</sup> 2023

Because of the improved outlook for public finances, underlying debt in 5 years' time is now forecasted to be nearly 3 percentage points of GDP lower than it was last autumn. This results in money for public services and a lower burden for future generations.

Mr Hunt summarised the reducing debt actions, by adding that The Government will uprate tobacco duty, freeze the gross gaming duty yield bands while also maintaining the starting rate for savings and ISAs.

Subscription limits as well as bringing forward a range of measures to tackle promoters of tax avoidance schemes.

Taken together today's measures, this results in a slightly lower overall tax burden for the rest of the parliament compared to the OBR autumn forecast.

### **Economic Growth**

As an introduction to the largest section of his budget update, Mr Hunt reflected on the 13 years of the current Conservative leadership and explained the position the economy is now in.

The Chancellor discussed how during this period unemployment has been halved, inequality has been cut and any worker can earn £1000 per month before paying a penny of tax or national insurance.

In doing so, 2 million people have been lifted out of absolute poverty, including 400,000 pensioners and 500,000 children.

Mr Hunt said the World Bank have said that of all big European countries, the United Kingdom is the best place to do business and apart from America and China, that the UK is the best country to invest in.

We became the second country in the world to have a stock of foreign direct investment worth \$2 trillion and London has just pipped New York and 53 other global cities to be the best place in the world for female entrepreneurs.

### **No Recession In 2023**

In November 2022, the OBR predicted we would enter a recession, which left many families falling worried about their future.

The OBR now predicts that we will not enter a recession this year, with a contraction of just 0.2% and after this year, the UK economy will grow in every single year of the forecast period by 1.8% in 2024, 2.5%, 2.1% and 1.9% in 2027.

### **Unemployment Rates**

The OBR also expect the unemployment rates to rise by less than 1 percentage point to 4.4% with 170,000 fewer people out of work compared to their autumn forecast.

### **Defence Budget**

Mr Hunt said he was proud to be giving the brave people of Ukraine more military support than anyone else in Europe. On Monday 14th March, Mr Hunt said they were able to go even further by announcing a £5bn package of funding for the Ministry of Defence, an additional £2bn next year and £3bn the year after.

Mr Hunt additionally confirmed they will add a total of £11bn to our defence budget over the next 5 years and that it will be nearly 2.25% of GDP by 2025, which will rise to 2.5% as soon as our fiscal and economic circumstances allow for it.

### **Veteran Support**

Increased support for our ex-servicemen and women was highlighted in the form of a package worth over £30m.

The aim is to increase the capacity of The Office for Veterans Affairs, who support veterans with injuries returning from their service and increase the availability of veteran houses.

## **The 4 pillars of industrial strategy:**

### **1. Everywhere**

### **2. Enterprise**

### **3. Employment**

### **4. Education**

## **1. Everywhere**

Introducing the first of the 4 E's, Mr Hunt described how already there has been nearly £4bn spent on over 200 projects across the country, funded through the first two rounds of the Levelling Up fund,

Since the start of the Levelling Up programme, 70% of the growth in salaried jobs, has come from outside London and the Southeast.

### **Regeneration Projects**

Canary Wharf and the Liverpool docks were two outstanding regeneration projects that have transformed the lives of thousands of people.

Mr Hunt announced that they will deliver 12 new investment zones, meaning 12 potential Canary Wharf's in England with several areas in England, identified as being possible suitors.

Additionally, there will be at least 1 zone in each of Scotland, Wales, and Northern Ireland.

To be chosen, each area must identify a location where they can offer a bold and imaginative partnership between local Governments and the University or research institutes, in a way that catalyses new innovation clusters.

If the application is successful, they'll have access to £80m of support for a range of interventions including skills, infrastructure, tax reliefs, and business rates retention.

Mr Hunt additionally announced a £200m investment in high quality local regeneration projects across England, including the regeneration of Tipton Town Centre.

A further £161m was announced for regeneration projects in Merrill combined authorities and the Greater London Authority and over £400m is being made available for new levelling up partnerships in areas that include Redcar and Cleveland, Blackburn, and Oldham.

### **Transport infrastructure**

Mr Hunt announced a second round of the city region, sustainable transport settlements, allocating £8.8 billion pounds over the next 5-year funding period.

With "the curse of potholes," the allocated £500m per year potholes fund is being increased by a further £200m to help local communities tackle this problem.

### **Scotland**

£8.6m of targeted funding for the Edinburgh festivals, as well as £1.5m in funding to repair the Cloddach bridge was announced.



## Transferring Of Responsibility

Mr Hunt announced the Government will consult on transferring responsibilities for local economic development, from local enterprise partnerships to local authorities.

From April 2024, Mr Hunt will also boost Mayors' financial autonomy by agreeing multiyear single settlements for the West Midlands and Greater Manchester authorities, in the next Spending Review.

Mr Hunt has also agreed a new long-term commitment so that they can retain 100% of their business rates. Something he expects to expand to other areas over time.

The aim is to give *"more control for local communities over their economic destiny."*

## 2. Enterprise

Mr Hunt aims to push forward enterprise measures, in these three areas:

1. Lower business taxes
2. Reduce energy costs
3. Support growth industries

### Business Taxes

Even after the corporation tax rise this April, the United Kingdom will have the lowest headline rate in the G7. 10% of companies will pay the full 25% rate but even at 19%, our corporation tax did not incentivise investment as effectively as countries with higher headline rates.

For larger businesses, the super-deduction introduced by the Prime Minister ends this month.

For smaller businesses, the annual investment allowance was increased to £1m, meaning 99% of all businesses can deduct the full value of their investment, from that year's taxable profits.

If the super-deduction was to end without a replacement, we would have fallen down the international league tables on tax competitiveness and potentially damaged growth.

Therefore, Mr Hunt announced they will introduce a new policy of full capital expenditure for the next 3 years, with the intention to make it permanent as soon as it is responsible to do so.

This means every single pound a company invests in IT equipment, plant or machinery, can be deducted in full and immediately from taxable profits.

The OBR says this will increase business investment by 3% every year, that it is in place.

In the autumn, Mr Hunt said he would return with a more robust R&D tax credit scheme for smaller, research-intensive companies.

He therefore introduced an 'enhanced credit', meaning that if a qualifying small or medium sized business, spends 40% or more of their total expenditure on R&D, they'll be able to claim a credit worth £27 for every £100 they spend.

This is a £1.8bn package of support, aiming to benefit the 20,000 cutting edge companies, who day by day are turning the UK into a science superpower.

It was also highlighted that audio-visual tax reliefs, have helped make our film and TV industry the biggest in Europe.

Only recently, Pinewood announced an expansion, which will bring another 8000 jobs to the UK, to give even more momentum to this critical sector.

Leading on from this, Mr Hunt introduced an expenditure credit, with a rate of 34% for film, high end television and video games and 39% for the animation and children's TV sectors.

The qualifying threshold for high end television, was confirmed to be maintained at £1m, while theatres and museums, will have their current 45% and 50% tax reliefs extended for another 2 years.

Mr Hunt confirmed the extension of the climate change agreement scheme for a further 2 years, to allow eligible businesses, £600m of tax relief on energy efficient measures.

**“**  
*More control for local communities over their economic destiny.*  
**”**

**Jeremy Hunt**

Chancellor of the Exchequer  
March 15<sup>th</sup> 2023

Allocating up to £20bn of support for the early development of CCUS, starting with projects from our east coast to Merseyside to North Wales, Mr Hunt explained how they are paving the way for CCUS everywhere across the UK, as we approach 2050.

This will support up to 50,000 jobs, attract private sector investment and help capture 20 to 30 million tonnes of Co2 per year by 2030.

### **Nuclear Energy**

To encourage private sector investment into our nuclear programme, Mr Hunt confirmed that (subject to consultation,) nuclear power will be classed as environmentally sustainable.

Two further commitments to deliver on nuclear ambitions were discussed. Firstly, the launch of Great British Nuclear, which will bring down costs and provide opportunities across the nuclear supply chain to help provide one quarter of our electricity by 2050.

Secondly, the first competition for small modular reactors was launched. It will be completed by the end of this year and if demonstrated as viable, will be co-funded to explore this exciting new technology.

The UK arm of Silicon Valley Bank has been successfully sold to HSBC, so the future of those potentially vulnerable companies, is now safe in the hands of one of Europe's biggest and most creditworthy banks.

### **Medicine**

We are lucky with the MHRA to have one of the most respected drugs regulators in the world and the very first globally to licence a COVID vaccine. From 2024 they will move to a different model, which will allow rapid, often near automatic sign off for medicines and technologies already approved by trusted regulators.

In other parts of the world such as the United States, Europe, and Japan, they will simultaneously set up a swift new approval process for the most cutting-edge medicines and devices to ensure the UK becomes a global centre for their development.

With an extra £10m of funding over the next 2 years, they will put in place the quickest, simplest regulatory approval process in the world for companies seeking rapid market access.

### **Science and Technology**

All nine of the digital technology recommendations, made by Sir Patrick Vallance in the review he was asked to do in the autumn statement, have been approved.

This means an AI sandbox will be launched to try out new faster approaches to help innovators get cutting edge products to market.

The government will work with the Intellectual Property Office to provide clarity on IP rules so that generative AI companies can access the material they need.

£900m of funding will be allocated to implement recommendations in independent review, for an exascale supercomputer.

The Government are publishing a quantum strategy which will set out their vision to be a world leading, quantum enabled economy by 2033, with a research and innovation programme totalling £2.5bn.

Named the 'Manchester Prize', a £1m prize per year for 10 years, will be awarded to the person or team who conduct ground-breaking AI research.

## **3. Employment**

There are 7 million adults of working age who are not in work for one reason or another.

Therefore, a white paper is to be published on reforming the disability benefits scheme.

The plans will abolish the Work Capability Assessment in Great Britain and separate benefit entitlement from an individual's ability to work. As a result, disabled benefit claimants will always be able to seek work without fear of losing financial support.

Universal Support was announced for England and Wales. A voluntary employment scheme for disabled people, which will invest up to £4,000 per person to help them find appropriate jobs and put in place the support they need.

## Children In Care

Children in care should also be given all possible help to make a normal working life possible, when they reach adults. Many children depend on foster families; therefore, it was announced that the qualifying current thresholds will increase to £18,140. This will give a tax cut to a qualifying carer worth an average of £450 a year.

Mr Hunt also increased the funding provided to the Staying Close programme, by 50% to help more care leavers into employment.

## Special Educational Needs

Young people with special educational needs and disabilities, will be supported with a £3m pilot expansion of the Department for Education Supported Internship programme. The goal being to further help those people transitioning from education into the workplace.

## Universal Credit Claimants

*"Independence is always better than dependence" with some exceptions...*

The Government believe that those who can work should do so. With this in mind, sanctions will be applied more rigorously to those who fail to meet strict work search requirements, choose not to take reasonable job offers and those working low hours.

There will be an increase in the administrative earnings threshold, from the equivalent of 15 hours to 18 hours.

Anyone working below this level will receive more employment coaching support, alongside a more intensive conditionality regime.

## Over 50s

The UK now has the 23rd highest inactivity rate for over 50s in the OECD.

Firstly, Mr Hunt announced his goal to drive people to get the best possible financial health and career guidance ahead of retirement. The route to which will be steered by enhancing the DWP'S excellent midlife MOT strategy.

Secondly, the Education Secretary will introduce a new kind of apprenticeship, targeted at the over 50s who want to return to work. They will be called 'returnerships' and operate alongside skills boot camps and sector-based work academies.

## Pensions Annual Allowance

It was also announced that the pensions annual allowance will be upped by 50% from £40,000 to £60,000.

## Lifetime Allowance (LTA)

Following discussions with senior NHS doctors and other experienced professionals, from April 2023, there will no longer be a limit on the LTA, which is the maximum amount of tax-efficient pension savings you can accrue in your lifetime without incurring tax penalties.

As of April 2024, the LTA legislation will be scrapped entirely, which is to be confirmed via a future Finance Bill.

## Money Purchase Annual Allowance (MPAA)

Mr Hunt also announced plans, to increase the money purchase annual allowance from £4,000 to £10,000. MPAA is the limit of money you can save tax-efficiently into your pension, after you have started drawing flexibly from your personal pensions .

## Tapered annual Allowance (TPA)

Similarly, the tapered annual allowance will also increase from £4,000 to £10,000 from 6th April 2023. With this announcement, also comes an increase in the income threshold which will increase to £260,000 from £240,000, from 6th April 2023.

These announcements in relation to pensions have increased the overall amount that people can put aside for their pension. By scrapping the LTA and increasing TPA, MPAA and the annual allowance, Mr Hunt hopes this will encourage workers to remain in employment, rather than retiring early.

## 4. Education

### Childcare

Mr Hunt explained how we have seen a significant decline in child minders over recent years, down 9% in England in just one year.

But child minders are a vital way to deliver affordable and flexible care and we need more of them.

Therefore, Mr Hunt announced a pilot of incentive payments of £600 for childminders who sign up to the profession, rising to £1,200 for those who join through an agency.

A funding boost of £204m to nurseries providing free childcare under the hours offer, from this September rising to £288m next year.

Alongside that additional funding, Mr Hunt announced he will change the minimum staff to child ratios from 1 to 4, to 1 to 5 for 2-year-olds in England, as happens in Scotland, although these new ratios will remain optional, with no obligation on either childminder or parents to be adopted.

Childcare costs will also be paid upfront for parents, who are moving into work or want to increase their hours, with the maximum they can claim increased to £951 for one child and £1,630 for two children.

A third of primary schools do not currently offer childcare at both ends at the school day. To address this, Mr Hunt announced they will fund schools and local authorities to increase the supply of wraparound care.

So, all school aged parents can drop their children off between 8am and 6pm.

Mr Hunt's ambition is that all schools will start to offer a full wraparound offer, either on their own or in partnership with other schools, by September 2026.

In one of the biggest childcare reforms in the last decade, Mr Hunt announced that in eligible households where all adults are working at least 16 hours, they will introduce 30 hours of free childcare, for every single child over the age of 9 months.

This reform will be introduced in stages:

- Working parents of 2-year-olds will be able to access 15 hours of free care from April 2024
- From September 2024 That 15 hours will be extended to all children from nine months up
- From September 2025 every single working parent of under 5, will have access to 30 hours free childcare per week.

Today, we build for the future with inflation down, debt falling and growth up the declinists are wrong and the optimist are right to the stick to the plan, because the plan is working, and I commend this statement to the house."

## The Chancellor's conclusion

"In November, we delivered stability, today its growth, we tackle the two biggest barriers that stop businesses growing, investment incentives and labour surveys.

The best investment incentives in Europe, the biggest ever employment package for disabled people, more help for older people.

Barriers have been removed for families feeling the pinch, fuel duty frozen, energy bills cut and for parents, 30 hours of free childcare for all under-fives.



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### **IMPORTANT INFORMATION**

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