

CHANCELLOR'S SPRING BUDGET BRIEFING

03 MARCH 2021



Introduction

The planned autumn Budget was cancelled in September 2020. The Spring 2021 Budget is the first since the UK entered a series of lockdowns and left the EU's Single Market and Customs Union. For the duration of the pandemic, the government has said it will continue to do whatever it takes to protect jobs and livelihoods across the UK. Government argues that the main themes for the budget are to: Continue doing whatever it takes to support the British people and businesses through this moment of crisis; Fix the public finances once on the road to recovery and to begin the work of building the future economy.

The Chancellor announced a 3-part plan to protect jobs and livelihoods.

1. Support people and businesses through crisis
2. Begin fixing public finances
3. Begin building future economy.

I. PEOPLE AND BUSINESSES

Job retention scheme

- The Coronavirus Job Retention Scheme will be extended until the end of September. Businesses will be expected to contribute to 10% employees' furlough pay from July onwards and 20% in August and September.
 - Employees will continue to receive 80% of their current salary for hours not worked.
 - There will be no employer contributions beyond National Insurance contributions and pensions required in April, May and June.
 - From July, the government will introduce an employer contribution towards the cost of unworked hours of 10% in July, 20% in August and 20% in September, as the economy reopens.

Support for the self employed

- Extension of the UK-wide Self Employment Income Support scheme to September 2021.
 - New self-employed persons who opened a business in 2019/20 and produced accounts, if these were filed by 02 March 2021 will now be eligible to claim.
 - The 4th grant will cover February to April, worth 80% of average trading profits up to £7,500.
 - A 5th grant will be extended until September.

Support for businesses

- £5 billion for new Restart Grants has been announced.
 - One off cash grant of £6,000 per premises for non-essential retail businesses and up to £18,000 per premises for hospitality, accommodation, leisure, personal care and gym businesses.
- The government is providing all local authorities in England with an additional £425 million of discretionary business grant funding, on top of the £1.6 billion already allocated.

- Extension to the VAT cut to 5% for hospitality, accommodation and attractions across the UK until the end of September, this will be followed by a 12.5% rate for a further six months until 31 March 2022.
- Business rates relief will be extended:
 - Eligible retail, hospitality and leisure businesses will pay no business rates for three months, with up to 66% relief for the rest of the year.
- A new UK-wide Recovery Loan Scheme to make available loans between £25,001 and £10 million, and asset and invoice finance between £1,000 and £10 million, to help businesses of all sizes through the next stage of recovery. Government to provide guarantee to lenders of 80%.
- Extension of the Film and TV Production Restart scheme in the UK, with an additional £300 million to support theatres, museums and other cultural organisations in England through the Culture Recovery Fund.
- £90 million funding to support our government-sponsored national museums in England due to the financial impact of Covid-19.
- £300 million for major spectator sports, supporting clubs and governing bodies in England as fans begin to return to stadia.

Apprenticeships

- Increase in support for traineeships and apprenticeships to help people looking for work.
 - Incentive payments for all new apprentice hires to be doubled to £3,000, alongside investing £126m of new money to triple the number of new traineeships.
 - £7 million for a new “flexi-job” apprenticeship programme in England that will enable apprentices to work with several employers in one sector.

Welfare

- Six-month extension of the £20 per week Universal Credit uplift and a one-off payment of £500 to eligible Working Tax Credit claimants across the UK.
 - Universal Credit surplus earnings threshold – the higher surplus earnings threshold of £2,500 for Universal Credit claimants will be maintained for a further year until April 2022, when the threshold will revert to £300.
 - The Minimum Income Floor (MIF) for self-employed Universal Credit claimants will continue until the end of July 2021. The MIF will be gradually reintroduced from August, but DWP work coaches will be given discretion on its application.
 - From April 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. These measures were previously due to be implemented from October 2021.
 - From June 2021, care leavers up to the age of 25 and those under the age of 25 who have spent at least three months in a homeless hostel will be exempt from the SAR in Universal Credit and Housing Benefit. These measures were previously due to be implemented from October 2023.
- The National Living Wage will be increased from April to £8.91.

Housing

- A tapered extension of the stamp duty holiday on properties up to £500,000 continues until the end of June. It will be kept at double its standard level until the end of September, and then return to usual levels from 01 October. The mortgage guarantee scheme will also continue to encourage lenders to offer 95% mortgages.

- The nil rate band will be £250k until the end of September, returning to the usual rate of £125k on 01 October.
- Those with a 5% deposit will benefit from government backed 95% mortgages on properties costing up to £600,000.

Local Authorities

- To help local authorities in England respond to the impacts of COVID-19 the government has provided £6.5 billion in 2020-21, on top of £1.6 billion awarded in 2019-20, bringing the total to date to over £8 billion.
- Local authorities are also expected to receive over £3 billion of further support for their COVID-19 pressures in 2021- 22, taking the total support provided to over £11 billion since March 2020.
- On Monday 22 February, the government announced a further £400 million funding in England for the Contain Outbreak Management Fund (COMF) from 01 April, taking total COMF support across 2020-21 and 2021-22 to £2 billion. This is to cover further public health activities in 2021- 22, and further details will be announced in due course.
- An additional £19 million to tackle domestic abuse in England and Wales, with funding for a network of 'Respite Rooms' to support homeless women and a programme to prevent reoffending.
- £10m to support veterans with mental health needs.
- The government will provide up to £475,000 to Armed Forces charities in 2021-22 to support the development of a digital and data strategy for the sector.
- Business Rates - the Chancellor is delaying a final report on a review of business rates to the autumn. One objective of the review is to address the imbalance between high street and online retailers.
- New £700 million plan laid out to help young people in England catch up on lost learning due to the pandemic. Focusing on an expansion of one-to-one and small group tutoring programmes, as well as supporting the development of disadvantaged children in early year's settings, and summer provision for those pupils who need it the most.

COVID -19

- An extra £1.65 billion for the Covid-19 vaccination roll-out in England.
 - £28 million to increase the UK's capacity for vaccine testing, support for clinical trials and improve the UK's ability to rapidly acquire samples of new variants of COVID-19.
 - £22 million for a world-leading study to test the effectiveness of combinations of different Covid-19 vaccines. This will also fund the world's first study assessing the effectiveness of a third dose of vaccine to improve the response against current and future variants of COVID-19.
 - A further £5 million on top of a previous £9 million investment in clinical-scale mRNA manufacturing, to create a 'library' of vaccines that will work against Covid-19 variants for possible rapid response deployment.
- Extending £500 Test and Trace support payments in England until the summer.

2. BEGIN FIXING PUBLIC FINANCES

- Increase the rate of Corporation Tax to 25%, which will remain the lowest rate in the G7. In order to support the recovery, the increase will not take effect until 2023. Businesses with profits of £50,000 or less, around 70% of actively trading companies, will continue to be taxed at 19% and a taper above £50,000 will be introduced so that only businesses with profits greater than £250,000 will be taxed at the full 25% rate.

- Capping the amount of SME payable R&D tax credit that a business can receive in any one year at £20,000 (plus three times the company's total PAYE and NICs liability).

3. BEGIN BUILDING FUTURE ECONOMY

Growth and Investments

- Eight new English Freeports will be based in East Midlands Airport, Felixstowe & Harwich, Humber, Liverpool City Region, **Plymouth**, Solent, Thames and Teesside.
 - This will create more than 1,000 new jobs in the first two years and up to 9,000 over the next 10 years with 50 new apprenticeships and 10 internships every year by 2027.
 - More than 70 local businesses will benefit from the scheme, which we forecast will bring in over £100m investment in the next six years.
 - Measurable outcomes include increase in export trade and foreign direct investment, increase in employment and average F/T earnings and increase in GVA through increasing high value economic activity and contribution to net zero research and innovation.
- Reforms to the immigration system will help ambitious UK businesses attract the brightest and best international talent.
- A new Help to Grow scheme to offer up to 130,000 companies across the UK a digital and management boost.
 - Help to Grow: Digital – the government will launch a new UK-wide scheme in the autumn to help 100,000 SMEs save time and money by adopting productivity-enhancing software, transforming the way they do business. This will combine a voucher covering up to half of the costs of approved software up to a maximum of £5,000, and free impartial advice, delivered through an online platform.
 - Small businesses will be offered free MBA-style management training to help them boost productivity growth, Under the "Help to Grow" scheme, the government will provide £520m into free online courses from top business schools. It will also fund 50% discounts on new productivity-enhancing software.
- The new UK Infrastructure Bank to be established, headquartered in Leeds. The bank will have £12bn of funding available in its first year of operation. Green projects will be supported through a green recovery bond.
- The £375 million UK-wide 'Future Fund: Breakthrough' will invest in highly innovative companies such as those working in life sciences, quantum computing, or clean tech, that are aiming to raise at least £20 million of funding.
- Over £1 billion funding for a further 45 towns in England through the Towns Fund, supporting their long-term economic and social regeneration as well as their immediate recovery from the impacts of COVID-19.
- £2.8 million to support a UK and Ireland bid to host the 2030 World Cup and £25 million investment in UK grassroots sports, enough for around 700 new pitches.
- Launching a review of Research & Development tax reliefs to make sure the UK remains a competitive location for cutting-edge research.
- £28 million to fund the Queen's Platinum Jubilee celebrations in 2022, delivering a major celebration for the UK.

Climate change

- £20 million to fund a UK-wide competition to develop floating offshore wind demonstrators and help support the government's aim to generate enough electricity from offshore wind to power every home by 2030.

- £68 million to fund a UK-wide competition to deliver first-of-a-kind long-duration energy storage prototypes that will reduce the cost of net zero by storing excess low carbon energy over longer periods.
- £4 million for a biomass feedstocks programme in the UK to identify ways to increase the production of green energy crops and forest products that can be used for energy.
- A green retail National Savings and Investment product will be offered in the summer of 2021 to allow UK savers to take part in tackling climate change.
- Plans for at least £15 billion of green gilt (green bond) issuance in the coming financial year, to help finance critical projects to tackle climate change and other environmental challenges, fund important infrastructure investment, and create green jobs across the UK.
- A new £10 million [Natural Environment Investment Readiness Fund](#) will provide grants of up to £100,000 to help charities, local authorities and businesses develop nature projects in England to attract private investment.

Brexit

- A new £20 million Brexit Support Fund will help small businesses understand changes to rules governing trade with the EU. Grants of up to £2,000 will be available to pay for practical support.
- Ability to claim 130% of business investment tax relief will incentivise to invest funds they had delayed due to uncertainty about the likely outcome of trade negotiations.
- UK infrastructure bank will help offset the loss of access to the European Investment Bank
- Visa reform - high skilled visa applications.

Policy Announcements

- Publication of the government's '[Build Back Better: our plan for growth](#)'. A publication setting out the government's plans to support economic growth through significant investment in infrastructure, skills and innovation. Build Back Better is the Government plan to promote economic growth post COVID-19. It focuses on three pillars of investment to build the economy: economic growth, boosting productivity and competitiveness. The plan aims to unite and 'level up' the country and ensure that every region and nation of the UK has at least one globally competitive city while seeking to strengthen the Union. The plan covers the following themes:

Infrastructure:

- Stimulate economic activity and deliver long term productivity improvements via investment in broadband, roads, rail and cities worth £100 billion next year.
- Connect people to opportunity via the UK-wide Levelling Up Fund and UK Shared Prosperity Fund, Towns Fund and High Street Fund.
- Help achieve net zero via £12 billion of funding for projects through the Ten Point Plan for a Green Industrial Revolution.
- Support investment through the new UK Infrastructure Bank. This will invest in local authority and private sector infrastructure projects, as well as providing an advisory function to help with the development and delivery of projects.

Skills:

- Support productivity growth through high-quality skills and training: transforming Further Education through additional investment and reforming technical education to align the post-16 technical education system with employer demand.
- Introduce the Lifetime Skills Guarantee through free fully funded Level 3 courses, rolling out skills bootcamps and introducing the Lifelong Loan Entitlement.

- The Government aims that the UK's research base will be boosted by the uplift in R&D investment and the creation of the Advanced Research & Innovation Agency to fund high risk high reward research.
- Continue to focus on the quality of apprenticeships and continue to improve the apprenticeship system for employers through enabling the transfer of unspent levy funds.

Innovation:

- Support and incentivise the development of the creative ideas and technologies that will shape the UK's future high-growth, sustainable and secure economy.
- Support access to finance to help unleash innovation.
- Develop the regulatory system in a way that supports innovation.
- Attract the brightest and best people, boosting growth and driving the international competitiveness of the UK's high-growth, innovative businesses.
- Support our small and medium-sized enterprises (SMEs) to grow through two new schemes to boost productivity: Help to Grow: Management, a new management training offer, and Help to Grow: Digital, a new scheme to help 100,000 SMEs save time and money by adopting productivity-enhancing software.

Level up the whole of the UK:

- Regenerate struggling towns in all parts of the UK via the UK Shared Prosperity Fund and the UK-wide Levelling Up Fund.
- Realise the long-term vision for every region and nation to have at least one globally competitive city at its heart to help drive prosperity.
- Catalyse centres of excellence, supporting individuals across the country to access jobs and opportunities by ensuring digital and transport connectivity, by establishing a new UK Infrastructure Bank in the North of England and by relocating 22,000 Civil Service roles out of London.
- Strengthen the Union, creating Freeports across the country – including in Scotland, Wales and Northern Ireland – and delivering the Union Connectivity Review, reviewing options to improve our sea, air and land-links across the four nations.

Support the transition to Net Zero:

- Invest in net zero to create new opportunities for economic growth and jobs across the country.
- Grow current net zero industries and encourage new ones to emerge.

Support the Global Britain vision:

- Cooperate with partners to inspire and shape international action.
- Role-model openness to free and fair trade.
- Develop a new export strategy to align our support for exporters with our plan for growth and sectoral priorities, opening UK Government trade hubs.

- Publication of the prospectus for the £4.8 billion UK-wide [Levelling Up Fund](#), providing guidance for local areas on how to submit bids for the first round of funding starting in 21-22. The Levelling Up Fund (£4.8bn up to 2024/25) will invest in local infrastructure that has a visible impact on people and their communities. Key Themes include:
 - Transport investments including (but not limited to) public transport, active travel, bridge repairs, bus priority lanes, local road improvements and major structural maintenance, and accessibility improvements.

- Regeneration and town centre investment, building on the Towns Fund framework to upgrade eyesore buildings and dated infrastructure, acquire and regenerate brownfield sites, invest in secure community infrastructure and crime reduction, and bring public services and safe community spaces into town and city centres.
 - Cultural investment maintaining, regenerating, or creatively repurposing museums, galleries, visitor attractions (and associated green spaces) and heritage assets as well as creating new community-owned spaces to support the arts and serve as cultural spaces.
 - The government is taking a targeted approach through a predetermined index of places, prioritised by government (1-3, 1 being most in need). **Plymouth** is category 2, deadline for bids is 18 June 2021.
- [Establishing a Community Ownership Fund](#) £150m ‘to help communities buy community assets.’ The UK government has launched a new £150 million Community Ownership Fund to help ensure that communities can support and continue benefiting from the local facilities, community assets and amenities most important to them:
 - This fund aims to empower communities to protect vital community assets in their area by providing funding to take ownership over them, in support of the social wellbeing of local communities.
 - Community groups will be able to bid for up to £250,000 matched-funding to help them buy or take over local community assets at risk of being lost, to run as community-owned businesses.
 - The first bidding round for the Community Ownership Fund will open by June 2021. A full bidding prospectus will be published alongside this.
 - The UK government is providing an additional £220 million funding through [The UK Community Renewal Fund](#) to help local areas prepare for the launch of the UK Shared Prosperity Fund in 2022:
 - Aims to support people and communities most in need across the UK to pilot programmes and new approaches and will invest in skills, community and place, local business, and supporting people into employment.
 - Offers an opportunity to establish a new way of working between UK government and places. The Government have stated that they want to work directly with local partners in each nation across the UK.
 - To ensure that funding reaches the places most in need, the government has identified 100 priority places based on an index of economic resilience to receive capacity funding to help them co-ordinate their applications. Plymouth has not been identified.
 - The UK Community Renewal Fund will be a competitive process with no pre-set eligibility.