

Budget Briefing 2018

Public finances

Buoyant tax receipts and an improved outlook for employment have delivered the Government a significant fiscal windfall since March, sufficient to deliver its objective of a balanced budget by 2025. Much of this has already been allocated by the Prime Minister's promise of more money for the NHS in June, to which the Chancellor has added a further near-term expenditure. This leaves the medium-term outlook for government borrowing little changed since March.

The ONS has revised last year's budget deficit lower, relative both to its initial estimate in April and to its forecast from March. Borrowing has also fallen more sharply in the first half of 2018-19 than anticipated, relative to the same period last year. As a result – and before the impact of any policy decisions – the ONS has revised borrowing £11.9 billion lower for the full year.

Real GDP growth in 2018 is revised down from 1.5 to 1.3 per cent.

Departmental capital spending is to be cut from 2019-20.

Since 2009-2010 the deficit has fallen by four-fifths, from 9.9% to 1.9%. Public debt peaked in 2016-17 and is now falling. On average, spending on public services will grow 1.2% above inflation a year from next year until 2023-24.

Employment

The economy has grown every year since 2010, and is projected to continue growing in each year of the forecast. The unemployment rate is at its lowest for over 40 years, there are over 3.3 million more people in work since 2010 and the OBR forecasts 800,000 more jobs by 2022.

Income and tax thresholds

From April 2019 the National Living Wage will increase from £7.83 an hour to £8.21, comprising a £690 annual pay rise for a full-time worker and benefitting around 2.4 million workers.

The Personal Allowance will increase by a further £650 in April 2019 to £12,500.

This rise comes a year earlier than planned, and will be maintained in 2020. This means a basic rate taxpayer will pay £1,205 less tax in 2019-20 than in 2010-11.

The Higher Rate Threshold of 40% will increase from £46,350 to £50,000 in April 2019

Universal Credit - £1.7 billion in increase existing work allowances

Increases to work allowances will mean working parents and people with disabilities claiming Universal Credit will be £630 better off each year.

Extra help is to be provided as people move from their existing benefits to Universal Credit with targeted support for people repaying debts.

Duties

In 2019, fuel duty will remain frozen for the ninth year in a row, saving the average driver £1,000 since 2010.

Duty on beer, cider and spirits remains frozen

Short-haul rates of Air Passenger Duty will not rise for the eighth year in a row. Long-haul rates will rise in line with inflation.

NHS and social care

The NHS budget is to increase by £20.5 billion after inflation by 2023-24. Within this, the NHS will increase mental health spending by more than £2 billion a year by 2023-24.

Local authorities in England will receive a further £650 million in social care funding next year.

Housing

The Government will immediately lift the cap on the amount of money local authorities in England are able to borrow to build housing. The cap will also be lifted in Wales.

Education

£400 million will be made available to for schools this year, £10,000 for the average primary school and £50,000 for the average secondary school.

Transport

A £28.8 billion National Roads Fund, paid for by road tax, including £25.3 billion for the Strategic Road Network (motorways, trunk and "A" roads, will be set up. It is designed to help fund the new network of local roads (known as the Major Road Network), and larger local road projects.

Local authorities will receive £420 million to fix potholes on roads and renew bridges and tunnels, with an additional £150 million to improve local traffic hotspots such as roundabouts.

A new railcard for all young people aged 26 to 30 will be available nationally by the end of the year. The first digital only railcard will offer up to a 1/3 off most rail travel.

Devolved administrations

Scotland, Wales and Northern Ireland will all get more money to spend in devolved areas, including education, health and housing, including:

- over £950 million more for the Scottish Government through to 2020-21
- over £550 million more for the Welsh Government through to 2020-21
- over £320 million more for a Northern Ireland Executive through to 2020-21

There will also be £150 million for a Tay Cities Deal, £120 million for a North Wales Growth Deal, £350 million for a Belfast City Region Deal and negotiations on a Derry/Londonderry and Strabane City Region Deal.

The High Street

There will be over £1.5 billion allocated to support the high street, with small retail businesses rates bills cut by a third for two years from April 2019, with an overall saving of £900 million.

£675 million is to be spent to improve transport links, to re-develop empty shops as homes and offices, and to restore and re-use old and historic properties.

Public lavatories will receive 100% business rates relief.

Defence

The Ministry of Defence will receive an extra £1 billion to help protect the UK against threats such as the rise in cyber-attacks and the resurgence of state-based threats.

There is to be £1 million spent for First World War Battlefield visits for school students.

Up to £19 million is to be allocated to commemoration of the Centenary of the WWI Armistice, comprising £8 million to help with the cost of repairs and alternations to village halls, Miners' welfare facilities and Armed Forces organisations' facilities, and £10 million to support veterans with mental health needs through the Armed Forces Covenant Fund Trust.

Brexit

There is to be £500 million of additional funding for departments to prepare for Brexit for 2019-20, on top of the £1.5 billion already announced for that year.

There is to be a commemorative 50p Brexit coin to buy from spring 2019

Annual Investment Allowance

The Annual Investment Allowance is to be increased from £200,000 to £1 million to help businesses to invest and grow from 1st January 2019 to 31st December 2020.

From October 2018, businesses will be able to deduct 2% of the cost of any new non-residential structures and buildings off their profits before they pay tax.

Digital services tax on large digital firms

From April 2020, large social media platforms, search engines and online marketplaces will pay a 2% tax on the revenues they earn which are linked to UK users.

Apprenticeship levy to support employers

From April, large businesses will be able to invest up to 25% of their apprenticeship levy to support apprentices in their supply chain.

Some employers will pay half of what they currently pay for apprenticeship training - from 10% to 5%. The government will pay the remaining 95%.