

12 March 2020

ACE Budget 2020: Member Briefing

This afternoon, the chancellor of the exchequer, Rishi Sunak, announced his 2020 Budget. The Government will also publish a National Infrastructure Strategy later in the spring, and the comprehensive spending review will provide full departmental spending plans. The review will consider options to support and strengthen the practices and institutions that deliver the UK's fiscal framework, including the independent OBR and ONS, and advisory bodies such as the National Infrastructure Commission.



However, there were quite a few key announcements ACE members will need to be aware of; the key headlines relating to member interests are:

Infrastructure

- In total, around £640 billion of gross capital investment will be provided for roads, railways, communications, schools, hospitals and power networks across the UK by 2024-25, which works out to around 3% of GDP.
- The largest ever investment in English strategic roads, the second **Road Investment Strategy (RIS2)** will spend over £27 billion between 2020 and 2025.
- Unprecedented investment in **urban transport**, with £4.2 billion for five-year, integrated transport settlements for eight city regions on top of £1 billion allocated to “shovel-ready” transport schemes.
- The government is announcing £500 million per year from 2020-21 to 2024-25 to help tackle **potholes** and to stop them from forming. As a result, the government will spend £1.5 billion in 2020-21 on filling in potholes and resurfacing roads.
- The Budget also allocates over £1 billion from the **Transforming Cities Fund**. This will deliver a range of schemes by 2022-23.
- Building on the Transforming Cities Fund, the Government will also provide £4.2 billion from 2022-23 for five-year funding settlements for eight **Mayoral Combined Authorities** (in West Yorkshire, Greater Manchester, West Midlands, Liverpool City Region, Tyne and Wear, West of England, Sheffield City Region and Tees Valley).



- The Government is also investing £20 million to develop the **Midlands Rail Hub**, progressing plans for a major programme of improvements to rail services across these regions.
- As announced in September 2019, the Government has committed £2.7 billion to deliver six major building and redevelopment schemes in hospitals in England, and a further £100 million of seed funding for other schemes to develop their plans. In total, this programme involves at least 40 hospital building projects.

Innovation

- The Budget sets out plans to increase **public R&D investment** to £22 billion per year by 2024-25, taking public spending on R&D to 0.8% of GDP.
- The government will invest over £900 million to ensure UK businesses are leading the way in “high-potential” technology and sectors, including **nuclear fusion, space, electric vehicles, and life sciences**.
- Funding for the **Shared Rural Network** agreement to radically improve mobile coverage in rural areas, and a record £5 billion investment in **gigabit broadband** rollout in the hardest-to-reach areas of England, Scotland, Wales and Northern Ireland.

Housing

- A £10.9 billion increase in housing investment to support the commitment to build at least **1 million new homes** by the end of the Parliament, and an average of **300,000 homes a year** by the mid-2020s.
- To level up all regions of the country, the Budget launches a new £400 million **brownfield housing fund** for pro-development councils and mayoral combined authorities.
- To further enable high-quality investment by local authorities, the Government is cutting the interest rates for **investment in social housing** by 1 percentage point and making an extra £1.15 billion of discounted loans available for local infrastructure projects.
- The Government is investing a further £9.5 billion in the **Affordable Homes Programme** which in total will allocate £12.2 billion of grant funding from 2021-22 to support the creation of affordable homes across England.

Environmental

- The Budget announces a **Carbon Capture and Storage (CCS) Infrastructure Fund** to establish CCS in at least two UK sites, one by the mid-2020s, a second by 2030. This will be supported by the creation of a new CCS Infrastructure Fund of at least £800 million, with budgets to be finalised at the CSR.
- The government will also introduce a **Green Gas Levy** to help fund the use of greener fuels, increase the Climate Change Levy that businesses pay on gas, and reopen and extend the Climate Change Agreement scheme by two years.
- To support drivers to move away from polluting vehicles, the Budget announces investment in **electric vehicle charging infrastructure**, which will ensure that drivers are never more than



30 miles from a rapid charging station, provides £532 million for consumer incentives for ultra-low emission vehicles, and reduces taxes on zero emission vehicles.

- Record funding of £5.2 billion for **flood defences** between 2021 and 2027, offering better protection from flooding for 336,000 homes and non-residential properties. Additional funding of £200 million will help communities most at risk of flooding recover faster in cases where they are affected by flood damage.

Devolved nations:

- The **Scottish Government's** block grant will increase by over £640 million through to 2020-21 before adjustments for tax devolution
- The **Welsh Government's** block grant will increase by over £360 million through to 2020-21 before adjustments for tax devolution, this includes a 5% uplift in Barnett consequentials agreed as part of the Welsh Government's fiscal framework in 2016.
- The **Northern Ireland Executive's** block grant will increase by over £210 million through to 2020-21.

Support for businesses effected by COVID-19

- **Statutory Sick Pay** – The government will support small and medium-sized businesses and employers to cope with the extra costs of paying COVID-19 related SSP by refunding eligible SSP costs.
- **Coronavirus Business Interruption Loan Scheme** – The government will launch a new, temporary Coronavirus Business Interruption Loan Scheme, delivered by the British Business Bank, to support businesses to access bank lending and overdrafts.
- **Time to Pay** – The government will ensure that businesses and self-employed individuals in financial distress and with outstanding tax liabilities receive support with their tax affairs. Her Majesty's Revenue and Customs (HMRC) has set up a dedicated COVID-19 helpline to help those in need, and they may be able to agree a bespoke Time to Pay arrangement.
- More on the above can be found on ACE's website: www.acenet.co.uk