

March 2020 Budget

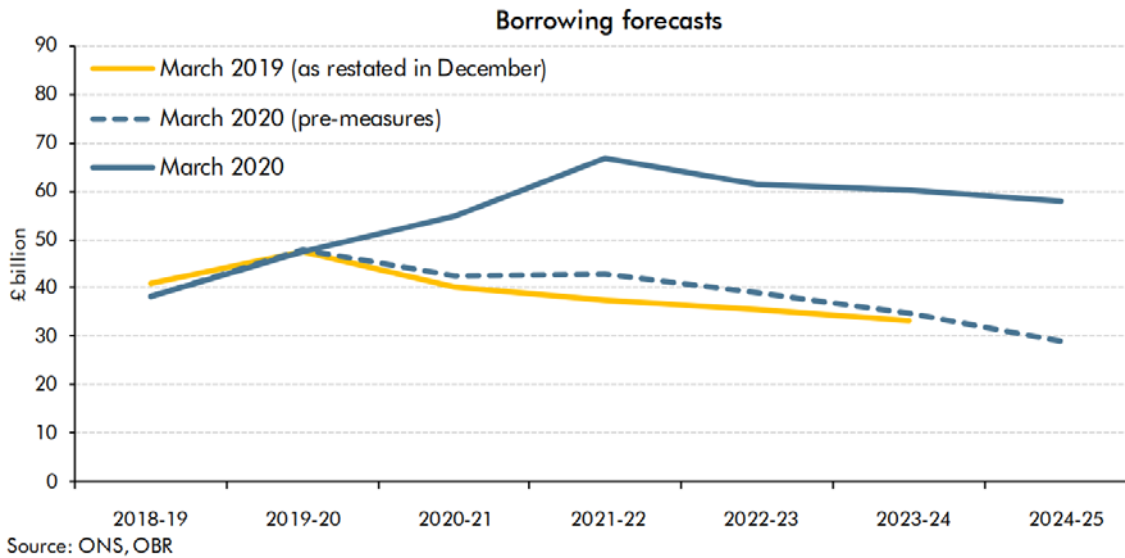
Overview

The Chancellor, Rishi Sunak, delivered his first Budget today. This Budget saw a change in approach from the government on public finances, with an increase in both short and longer term spending on public services and a large programme of investment. The Office for Budget Responsibility (OBR) has said this is the 'largest giveaway' since Norman Lamont's pre-election Budget in 1992, taking real day-to-day spending per person back to pre-austerity levels. However, as we set out below the Government's response to COVID-19 came too late to include in the OBR projections.

The Budget included a significant package of measures designed to support those affected by COVID-10. The Chancellor also outlined a number of announcements which make good on commitments in the Conservative Party manifesto. The most significant announcement for the NHS is the Chancellor's announcement of a rise to the annual allowance taper thresholds within the NHS pension. Although there is a restatement of the government's commitment to abolish car parking charges, there is no mention of how the associated costs will be met. There was also an extra £1bn of capital funding announced for the NHS for this year, with further details to come in the comprehensive spending review later in the year.

Economic Overview

- The OBR forecasts were undertaken when it was assumed the COVID-19 outbreak would be "relatively limited". Annual GDP growth of 1.1% had been forecast in 2020, down from the 1.4% forecast in the 2019 Spring Statement. However the OBR advises that the precise forecasts, at least in the short term, "can no longer be regarded as central". The impact on the public finances over the medium and longer term is likely to be less significant. The Organisation for Economic Co-operation and Development (OECD) has suggested global growth could fall by 1.5% in 2020 because of sluggish production output and a decline in business and consumer confidence.
- As confirmed in the Queen's speech, the government has loosened its fiscal rules. Public sector borrowing is expected to increase the budget deficit by 0.9% of GDP on average over the next five years and add £125bn, or 4.6% of GDP, to public sector net debt by 2024/25. This is largely being driven by increases in departmental spending plans. By the end of 2024/25, public sector spending will be around a third higher than in 2010/11. Public sector spending will contribute over half of GDP growth this year and next year, despite accounting for only around a fifth of GDP.
- There is a net tax rise that will reduce borrowing by an average of £5.5bn a year. This is largely driven by the decision to cancel the planned cut in the main rate of corporation tax from 19 to 17% this April.



Department of Health spending profile

Department of Health and Social Care budget: revenue and capital (£bn)		
Year	2019/20	2020/21
DHSC revenue budget	133.3	138.9
NHS England revenue budget	123.7	129.9
DHSC capital budget	7.1	8.2
Total	140.4	147.1

- The NHS England revenue budget remains as forecast in the September 2019 spending round, and will rise by £6.2bn to £129.9bn in 2020/21.
- The Department of Health and Social Care’s (DHSC’s) revenue budget for 2019/20 is £133.3bn. This is £1bn higher than had been anticipated in the September 2019 Spending Round – but as the core NHS England allocation has not risen, the increase will be in other parts of the budget – for example training budgets or public health grants. Exactly where the increase will be spent is not yet clear.
- The DHSC’s revenue budget for 2020/21 will also be £900m more than forecast in the 2019 spending round.
- The DHSC’S capital departmental expenditure limit (CDEL) for 2020/21 will be £8.2bn. This is £1.1bn higher than forecast 2020/21 in the spending round, and £1.1bn higher than the allocation for 2019/20.
- Part of the increase in CDEL for 2020/21 is accounted for by an additional £683m, to allow trusts to invest in “important capital projects such as estate refurbishments and building maintenance.”

- The government has also reaffirmed its commitment to funding the hospital rebuilds set out in last autumn's health infrastructure plan.
- Some of the increase in the DHSC's CDEL covers a technical accounting adjustment, which requires leased assets to score against capital budgets. How much this change will affect CDEL is not detailed.

Supporting those affected by COVID-19

- The Chancellor announced a significant package of measures, totalling around £30bn, to support the economy through the coronavirus epidemic.

Support for public services

- COVID-19 response fund – a new emergency response fund, initially set at £5bn, to fund pressures in the NHS, support local authorities to manage pressures on social care and support vulnerable people, and help deal with pressures on other public services. The size of the fund will be reviewed as the situation develops, to ensure all necessary resources are made available.
- Funding for research and development – the government is providing the National Institute for Health Research with £30m of new funding to enable further rapid research into the disease. The funding could also allow rapid screening of potential therapeutics and support clinical trials to inform treatment and improve patient outcomes.
- Funding for diagnostic testing – The government will increase the capacity and capability of diagnostic testing and surveillance facilitated by Public Health England to support the NHS, by providing an additional £10m of new funding to DHSC.

Support for individuals

- Statutory Sick Pay (SSP) will be paid from the first day of sickness absence, rather than the fourth day, for people who have COVID-19 or have to self-isolate, in accordance with government guidelines. The government will temporarily extend SSP to cover:
 - individuals who are unable to work because they have been advised to self-isolate
 - people caring for those within the same household who display COVID-19 symptoms and have been told to self-isolate
- People who are advised to self-isolate to obtain a notification via NHS111 which they can use as evidence for absence from work, where necessary. This notification would meet employers' need for evidence, whilst taking pressure away from General Practices.
- 'New style' Employment and Support Allowance will be payable for people directly affected by COVID-19 or self-isolating according to government advice for from the first day of sickness, rather than the eighth day
- People will be able to claim Universal Credit and access advance payments where they are directly affected by COVID-19 (or self-isolating), without the current requirement to attend a jobcentre
- For the duration of the outbreak, the requirements of the minimum income floor in Universal Credit will be temporarily relaxed for those directly affected by COVID-19 or self-isolating according to

government advice for duration of the outbreak, ensuring self-employed claimants will be compensated for losses in income

- The government will provide Local Authorities in England with £500m of new grant funding to support economically vulnerable people and households in their local area. The government expects most of this funding to be used to provide more council tax relief, either through existing Local Council Tax Support schemes, or through complementary reliefs.

Support for businesses

- The Budget announces a set of measures to provide support to businesses during this temporary period by either reducing their costs or bridging cash flow problems arising from the outbreak, and to protect people's jobs:
 - Statutory Sick Pay – The government will refund the costs to employers of SSP for up to two weeks per employee. Employers with fewer than 250 employees will be eligible.
 - Business Rates Reliefs – The government has already announced the Business Rates retail discount will be increased to 50% in 2020-21. To support small businesses affected by COVID-19 the government is increasing it further to 100% for 2020-21. The relief will also be expanded to the leisure and hospitality sectors. These temporary measures, taken together with existing Small Business Rates Relief, mean that around 900,000 properties, or 45% of all properties in England, will receive 100% business rates relief in 2020-21. The government has also already announced the introduction of a £1,000 Business Rates discount for pubs with a rateable value below £100,000 in England for one year from 1 April 2020. To support pubs in response to COVID-19 the discount will be increased to £5,000. Local authorities will be fully compensated for these Business Rates measures.
 - 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. The government will provide lenders with a guarantee of 80% on each loan (subject to a per lender cap on claims) to give lenders further confidence in continuing to provide finance to SMEs. The government will not charge businesses or banks for this guarantee, and the Scheme will support loans of up to £1.2m in value. This new guarantee will initially support up to £1bn of lending on top of current support offered through the British Business Bank.

Health specific announcements

- The Budget provides over £6bn of revenue funding in this parliament to support NHS and deliver on the manifesto commitments of 50,000 new nurses, 50 million new GP appointments and 40 new hospitals.

Mental health

- The government will provide £10m uplift in 2020-21 to the Armed Forces Covenant Fund Trust, to deliver charitable projects and initiatives that support veterans with mental health needs.

- The government will provide funding over the next three years to speed up the discharge of individuals with learning disabilities or autism into the community from mental health inpatient care in England.

Car parking

- The red book restates the **government's commitment** to abolish hospital car parking charges in England for those "in greatest need", including patients with a disability, patients with regular appointments, parents of sick children staying overnight and NHS staff working night shifts. During the election campaign the Conservative Party **estimated** this would cost £93m in 2020/21. However the budget includes no mention of how this cost will be met. There is also no further detail available on how the broad exemption categories will be defined.

Social care

- The government's commitment to building a cross-party consensus on social care reform will be supported by £1bn of additional funding for social care next year, as announced in the Spending Round 2019.

Overview of other key / relevant announcements in the budget

Pensions and savings

- The two annual allowance thresholds related to pension tax will each be raised by £90,000 meaning that from 2020-21 the 'threshold income' will be £200,000, and the 'adjusted income threshold will be £250,000. Staff earning below £200,000 will no longer be affected by the tapering of annual allowance.
- For those on the very highest incomes, the minimum level to which the annual allowance can taper down will reduce from £10,000 to £4,000 from April 2020. This reduction will only affect individuals with an adjusted income (including pension accrual) over £300,000.
- The lifetime allowance will increase in line with CPI for 2020-21, rising to £1,073,100.

Reviewing PFI contracts

- The government has allocated £2m for "targeted" reviews of PFI contracts. The PFI model was formally abandoned in 2018, although nearly 600 contracts still exist, of which over 100 are for the NHS. The 2018 budget proposed a "new centre of best practice" in the DHSC to improve the management of existing PFI contracts. An "infrastructure finance review", looking at the future role of private finance in funding public infrastructure, was launched in March 2019, and has yet to report.

Apprenticeships

- The government will look at how to improve the working of the Apprenticeship Levy, to support large and small employers in meeting the long-term skills needs of the economy. In the meantime, the government will ensure that sufficient funding is made available in 2020-21 to support an increase in the number of new high-quality apprenticeships in small- and medium-sized businesses.

Brexit

- The government will increase the Immigration Health Surcharge from £400 to £624. There will be a new discounted rate for children under the age of 18 of £470. For students and those entering on the youth mobility scheme, the surcharge will rise from £300 to £470.

Welfare

- The OBR has formally assessed spending against the welfare cap. Total relevant spending is forecast to be within the welfare cap and margin, and so the fiscal rule is judged to have been met with £3.4bn of headroom.
- The government is now required to reset the welfare cap for the new Parliament. The cap will be based on the OBR's Budget forecast of the benefits and tax credits in scope.
- The government is ending the benefit freeze and increasing working age benefits by 1.7% from April 2020.
- The maximum rate at which deductions can be made from a Universal Credit award will be reduced from 30% to 25% of the standard allowance and claimants will be given up to 24 months to repay advances.
- Personal Independence Payment claimants will not have an award period of less than 18 months.
- The government will create an entitlement to Neonatal Leave and Pay for employees whose babies spend an extended period of time in neonatal care, providing up to 12 weeks paid leave so that parents do not have to choose between returning to work and taking care of their vulnerable newborn.
- The government will consult on the design of a Carer's Leave, a new in-work entitlement for employees with unpaid caring responsibilities, such as for a family member of dependents.

Taxation

- The government will increase the thresholds at which employees and the self-employed start paying National Insurance contributions (NICs) to £9,500 from April 2020.
- The government will legislate in Finance Bill 2020 to introduce an income tax exemption for the bursary paid by the Education and Skills Funding Agency to care leavers aged 16 to 24 who start an apprenticeship.
- The government will increase the maximum flat rate income tax deduction available to employees to cover additional household expenses from £4 per week to £6 per week where they work at home under homeworking arrangements. This will take effect from April 2020.

National Living Wage (NLW) and National Minimum Wage (NMW)

- The government aims for the National Living Wage (NLW) to reach two-thirds of median earnings and be extended to workers aged 21 and over by 2024. This means the NLW is expected to be over £10.50 by 2024.

- National Minimum Wage will increase by 6.2% to £8.72 an hour from April 2020.

Fuel duty

- The government is freezing fuel duty for the tenth consecutive year.

Business rates

- The government has announced a fundamental review of business rates, due to report in the autumn.

Environmental taxes

- To encourage businesses to operate in a more environmentally friendly way, the government is raising the Climate Change Levy on gas in 2022-23 and 2023-24 (whilst freezing the rate on electricity) and reopening and extending the Climate Change Agreement scheme by two years.
- The government announced the Nature for Climate Fund which will invest £640m in tree planting and peatland restoration in England, increasing the rate of tree planting by over 600%.
- The government announced the Nature Recovery Network Fund, which will partner with businesses and local communities to protect, restore and support existing habitats and wildlife.

NHS Providers response

The Budget

Today's Budget will be welcomed by trust chief executives as a sign that the government is willing to listen to their concerns and invest in the service.

We are continuing to campaign for more investment in NHS infrastructure, across all sectors, and aligning the NHS' capital budget with comparable economies. Today's announcement is an important step towards ensuring that trusts can repair and replace outdated facilities and begin to put in place the infrastructure needed to support the delivery of the long term plan. Although the government is moving in the right direction, we will still need more funding, a multi-year capital settlement and an effective mechanism for prioritising, accessing and spending NHS capital based on need.

Raising the pensions taper threshold also shows that the government has listened to concerns, but it will be important to listen to feedback from trust leaders on the likely impact of this policy.

It is also welcome that the government has announced new funding to tackle a range of issues including workforce. But the health service has 100,000 vacancies and we need to see the detail of how this will be addressed in the upcoming People Plan.

The government is right to take the threat posed by coronavirus extremely seriously. The package of measures announced today and the commitment to give the NHS what it needs financially is important

recognition of the scale of the challenge. However, there will still be concerns around ensuring that this funding translates into supplies that can make a difference quickly.

Additionally, the lack of focus on social care is disappointing. The health and care systems work closely together, and now more than ever, it is vital that the challenges faced by the social care sector are addressed to reduce pressure on the NHS.

Change to pension tax rules

We welcome the Chancellor's announcement of a rise to the annual allowance taper thresholds today. We are pleased the government has listened to the NHS' serious concerns around pension tax and taken action. It is particularly good to see that the change benefits senior leaders and non-clinicians.

We also recognise that this is a significant investment – £2.1bn over 5 years. We understand this comes at a time when there are a number of other urgent priorities for investment.

In the coming days, we need to listen carefully to feedback from trust leaders on the likely impact of this policy. It will be important to understand whether this change will enable the most experienced clinicians to predict whether they will receive an annual pension tax bill, and how large that will be.

We will also want to check that senior staff will not be prevented from taking on promotions and extra responsibility, and that local trusts can address these issues through local flexibilities.

The NHS workforce is under significant strain and it is essential staff feel supported by the government at this time. In the coming months, we look forward to seeing the NHS People Plan and helping trusts to ensure the NHS is a great place to work.

Useful links

[The full Budget document](#)

[The full text of the Chancellor's speech](#)

[OBR figures](#)

[Full details of the package of support for those affected by COVID-19](#)