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HM Treasury

Policy paper

Spring Budget 2024 (HTML)

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Contents

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1. Executive summary

The last few years have been tough for the UK economy, which has faced unprecedented shocks from the legacy of the COVID-19 pandemic, an energy price spike driven by Putin's illegal invasion of Ukraine, and globally high inflation.

At the beginning of 2023 the Prime Minister set out five priorities, three of which were economic: to halve inflation, grow the economy and get debt falling. At Spring Budget the government is delivering on these priorities: inflation has fallen, growth has been more resilient than expected, and debt is forecast to fall.

Inflation has more than halved from its recent peak and the government is continuing to support the Bank of England, with policy decisions at this event directly reducing inflation in 2024-25. The OBR forecasts inflation to fall to its 2% target in Q2 2024, a year earlier than in their November 2023 forecast.

As a result of falling inflation, real wages are rising. The OBR now expects living standards, as measured by real household disposable income (RHDI) per person, to grow by 0.8% in 2023-24 and continue to grow in each year of the forecast. In the latest data, people's real incomes were around £1,100 higher than the OBR expected in their March 2023 forecast.

In November 2022, the OBR forecast a year-long recession and for the economy to contract by 1.4% in 2023. Similarly, the Bank of England forecast a contraction of 1.5% in December 2022. The UK economy, supported by government policy, has proved much more resilient.

GDP grew by 0.1% in 2023 and the unemployment rate has remained low by historical standards at 3.8% in Q4 2023, below the OBR's November 2022 forecast of 4.6%. Growth is now forecast to pick up from the first half of 2024 and the IMF is forecasting that the UK will have the third fastest cumulative growth in the G7 over the 2024-2028 period.

The government is on track to meet both its debt and borrowing fiscal rules, with underlying debt falling as a share of GDP to 92.9% in 2028-29. The wider measure of headline debt falls in every year from 2024-25 to reach 94.3% in

2028-29. Borrowing is forecast to fall in every year, reaching £39.4 billion or 1.2% of GDP by 2028-29. This would be the lowest level of borrowing as a share of GDP since 2001-02. Total borrowing from 2023-24 to 2028-29 is forecast to be £0.3 billion lower than at Autumn Statement 2023.

The economy is now beginning to turn a corner and because the government is sticking to the plan it can now make further tax cuts for working people, boosting growth whilst keeping the public finances on a sustainable path.

The tax system should be fair, simple, and reward hard work. At the moment, if you are of working age and get your income from having a job, you pay both National Insurance contributions (NICs) and income tax. If you get your income from other sources you only pay income tax. Reducing employee and self-employed National Insurance is the best way to target working people, supporting growth and making the tax system fairer.

That is why the government cut NICs for 29 million workers at Autumn Statement 2023. The government is building on this by making a further cut worth over £10 billion a year for workers across the UK.

The government is cutting the main rate of employee National Insurance by 2p from 10% to 8% from 6 April 2024. Combined with the 2p cut announced at Autumn Statement 2023, this will save the average worker on £35,400 over £900 a year.

The government is also cutting a further 2p from the main rate of self-employed National Insurance on top of the 1p cut announced at Autumn Statement 2023. This means that from 6 April 2024 the main rate of Class 4 NICs for the self-employed will now be reduced from 9% to 6%. Combined with the abolition of the requirement to pay Class 2, this will save an average self-employed person on £28,000 around £650 a year.

The combined effects of these reductions to National Insurance also means that a person on the average wage now has the lowest effective personal tax rate since 1975.

The OBR forecast that, as a result of the reductions to NICs at Spring Budget, total hours worked will increase by the equivalent of almost 100,000 full-time workers by 2028-29. Combined with the impact of the NICs cuts announced at Autumn Statement 2023 the OBR expects that total hours worked will increase by the equivalent of around 200,000 full-time workers by 2028-29.

Accounting for policies announced at Spring Budget and the previous two fiscal events, the OBR forecasts that tax and labour market measures will increase total hours worked by the equivalent of more than 300,000 full-time workers by 2028-29.

The High Income Child Benefit Charge is another part of the tax system the government wants to make fairer. Child Benefit is crucial to help parents pay for

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the costs associated with having children, helping them to balance work with looking after their children. It is not fair that a household with two parents each earning £49,000 a year will receive Child Benefit in full, while a household earning less overall but with one parent earning over £50,000 will see some or all of the benefit withdrawn.

The government is committed to removing this unfairness and moving to a system based on household rather than individual incomes by April 2026, and will consult in due course.

In the meantime, to further support those in work, from April 2024 the government will raise the threshold for the High Income Child Benefit Charge to £60,000 taking 170,000 families out of paying this tax. The rate of the charge will also be halved so that Child Benefit is not repaid in full until you earn £80,000. The government estimates that nearly half a million families will gain an average of £1,260 in 2024-25 as a result.

To support people with the cost of living, the government is maintaining the rates of fuel duty at the current levels for a further 12 months, through extending the temporary 5p cut and cancelling the planned increase in line with inflation for 2024-25, saving the average car driver £50 in 2024-25. The government is also extending the alcohol duty freeze from 1 August 2024 until 1 February 2025, resulting in 2p less duty on an average pint of beer than if the planned increase had gone ahead. Together these measures come at a cost of over £8 billion across the forecast period.

The government is providing an additional £500 million (including Barnett impact) to enable the extension of the Household Support Fund in England from April to September 2024, to continue providing targeted support to vulnerable households with the cost of essentials such as food and utilities, as inflation continues to fall.

The government is reforming how it delivers key public services and boosting public sector productivity to ensure that every pound of taxpayers' money is well spent. Departmental spending has increased significantly over this parliament to support public services in the face of unprecedented economic and geopolitical shocks. Total departmental spending has grown by 3.2% a year in real terms with a 2.3% increase in day-to-day spending and a 7.0% increase in capital. Total departmental spending will be £86 billion higher in real terms by 2028-29 than it was at the start of this Parliament (2019-20).

Despite this increase in funding, the average productivity of public services is estimated to be 5.9% below pre-pandemic levels. Returning productivity to pre-pandemic levels would deliver up to £20 billion of benefits a year.

To address this the government is announcing the next steps in the Public Sector Productivity Programme, including a comprehensive NHS productivity plan backed by £3.4 billion of funding. This will double investment in NHS technological and digital transformation, including to upgrade vital MRI scanners, roll out universal electronic patient records and reduce the time frontline workers spend on administrative tasks. This will help unlock £35 billion in cumulative productivity savings from 2025-26 to 2029-30.

As part of the Programme, the government is also investing £800 million in wider public services which will deliver up to £1.8 billion worth of benefits over the forecast period. In the run up to the next Spending Review, relevant departments will develop detailed productivity plans, building on their work to date and the funding announced at Spring Budget.

The government is also announcing an additional £2.5 billion of day-to-day funding for the NHS in England in 2024-25, protecting funding levels in real terms and supporting the NHS to continue to improve performance and reduce waiting times.

The government is bringing forward a series of reforms to ensure the tax system remains fair, keeps pace with developments in the economy, and supports sustainable public finances.

To help reduce taxes on working people the government will ensure that those with the broadest shoulders pay a bit more, by abolishing the tax rules for non-UK domiciled individuals, or non-doms, and replacing them with a residence-based regime. This will ensure that all UK residents who stay in the UK for over four years will pay the same tax on their foreign income and gains, regardless of their domicile status, creating a modernised regime that is simpler, fairer and more competitive.

The government is making the property tax system fairer and more efficient by abolishing the Furnished Holiday Lettings tax regime to level the playing field between short-term and long-term lets and support people to live in their local area; reducing Capital Gains Tax on residential properties to raise revenue and boost the availability of housing by encouraging residential disposals; and abolishing Multiple Dwellings Relief which has seen incorrect and abusive claims. These measures raise over £600 million a year in total in 2028-29.

The government is extending the Energy Profits Levy (EPL) by an additional year until March 2029, raising £1.5 billion. To put beyond doubt that the EPL is temporary, the government will include legislation in the Spring Finance Bill to disapply the levy when prices return to normal.

The government is committed to creating a smokefree generation and tackling youth vaping. To support this the government is introducing a new duty on vaping and increasing tobacco duty from October 2026, raising revenue to support public services like the NHS.

The government is continuing to tackle tax non-compliance by making further investments, including in HMRC's capacity to collect tax debts. These measures are forecast to raise over £4.5 billion of tax revenue by 2028-29.

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Spring Budget sets out the government's progress in delivering the growth package from Autumn Statement 2023, including outlining next steps on the £4.5 billion funding package for strategic manufacturing sectors and announcing new measures including introducing a new UK ISA to channel more investment into UK equities.

The government is committed to supporting small businesses and at Autumn Statement 2023 announced an extension to the 75% business rate relief for eligible retail, hospitality and leisure properties for 2024-25, a tax cut worth £2.4 billion. Spring Budget goes further to support SMEs by increasing the VAT registration threshold from £85,000 to £90,000 to cut their taxes and help them grow.

The government is also announcing over £1 billion of new tax reliefs for the UK's world-leading creative industries. This includes introducing a 40% relief from business rates for eligible film studios in England for the next 10 years; introducing a new UK Independent Film Tax Credit; and increasing the rate of tax credit by 5% and removing the 80% cap for visual effects costs in the Audio-Visual Expenditure Credit. A permanent extension will be made to tax relief for theatres, orchestras, museums and galleries, and £26 million of funding will be provided to upgrade the National Theatre's stages and infrastructure.

The OBR expects that policies announced at Spring Budget and the previous two fiscal events will increase the size of the economy by 0.7% by 2028-29. This is through increasing total hours worked by the equivalent of over 300,000 full-time workers and boosting business investment by £14 billion. Together, this Spring Budget and Autumn Statement 2023 deliver a total tax cut of £20 billion for workers, the largest ever cut to employee and self-employed NICs, as well as making full expensing permanent – with the combined impact of government policy from Autumn Statement 2022 reducing the tax burden by 0.6 percentage points.

The economy is beginning to turn a corner and the government is sticking to its plan: inflation is down, growth is forecast to improve and debt is on track to fall. The government is taking long-term decisions to cut taxes further for working people, reform how it delivers public services, and build a stronger economy and a brighter future for the UK.

2. Economic and fiscal outlook

In the last four years, the economy has been buffeted by external shocks, including the COVID-19 pandemic and Putin's illegal invasion of Ukraine. These shocks have made life tough for people in the UK, but the economy is beginning to turn a corner.

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In January 2023 the Prime Minister set out five priorities. Three of them were economic: to halve inflation in 2023, grow the economy and reduce debt. Since then, there has been good progress:

- Inflation has more than halved, falling from its peak of 11.1% to 4.0%. The Office for Budget Responsibility (OBR) forecasts that inflation will return to the 2% target next quarter, a year earlier than forecast in November 2023. [footnote 1]
- Growth has been stronger than expected at the start of 2023. GDP is forecast to grow in every year of the OBR's forecast.
- Debt is forecast to fall as a proportion of GDP in the medium term.

Spring Budget builds on measures taken at Spring Budget 2023 and Autumn Statement 2023 to deliver long-term growth. Measures announced at Spring Budget reduce taxes for 29 million people, increasing total hours worked in the economy by the equivalent of more than 100,000 additional full-time workers by 2028-29. This means that government policy announced at the past three fiscal events is expected to increase the size of the economy by 0.7% by 2028-29, by increasing total hours worked by the equivalent of more than 300,000 full-time workers, and boosting business investment by £14 billion.

The government is taking a responsible fiscal approach, cutting taxes for hard-working people while reducing borrowing. The government is on track to meet its debt and borrowing fiscal rules. Public sector net debt excluding the Bank of England (PSND ex BoE, or 'underlying debt', the target metric of the fiscal mandate) falls as a share of GDP in 2028-29 with £8.9 billion headroom. Public sector net debt ('headline debt'), a broader measure, falls in every year from 2024-25.

2.1 Economic and fiscal context

Over recent years the economy has faced unprecedented shocks

Since 2010 the UK has had the third-fastest GDP growth and third-largest fall in the unemployment rate in the G7. Like many other advanced economies, productivity growth since the global financial crisis has been slower than in previous decades.

In the last four years, the economy has been buffeted by external shocks, including the COVID-19 pandemic. The direct effects of the virus and the measures necessary to control it led to a steep fall in output and risked reducing the economy's productive capacity over the longer term. The government responded swiftly, providing support worth £373 billion to the economy during the pandemic, including through the Coronavirus Job Retention Scheme (CJRS), which reduced economic scarring and directly

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protected around 4 million jobs.[footnote 2],[footnote 3] The increase in government spending during the pandemic, necessary to protect jobs and livelihoods, left debt levels at a historic high.

As set out in Box 1.A, the external shocks the UK has faced have led to a worsening in the country's terms of trade. This reflects the impact of rising imported goods and energy prices, with the latter reaching record levels following Putin's illegal invasion of Ukraine. The terms of trade shock led to higher inflation and lower growth, but the economy has been more resilient than expected.

The shock to energy prices has subsided, but they remain elevated: Ofgem's energy price cap will be 39% above its pre-invasion level in April 2024.[footnote 4] Firms raised prices in response to higher energy costs. Increased labour market inactivity and record levels of vacancies led to increased competition among firms for jobseekers, increasing wages. As a result, inflation became increasingly domestically generated. The independent Monetary Policy Committee (MPC) of the Bank of England responded to high inflation by tightening monetary policy: raising Bank Rate to 5.25%, from 0.1% in December 2021.[footnote 5] As a result of lower import prices, the MPC's actions and the government's fiscal policy, inflation has fallen from its peak of 11.1% in October 2022 to 4.0% in January 2024.

In autumn 2022, anticipating the effect of the terms of trade shock, many independent forecasters expected substantial falls in economic output. In November 2022, the OBR forecast a year-long recession and for the economy to contract by 1.4% in 2023. Similarly, in November 2022 the Bank of England forecast the longest recession in 100 years and for the economy to contract by 1.5% in 2023.[footnote 6]

The government cushioned the effect of the rising cost of living, introducing support worth £94 billion over two years and paying almost half of households' energy bills from October 2022 to June 2023.[footnote 7],[footnote 8] The UK economy, supported by government policy, has proved much more resilient than forecast in autumn 2022. GDP grew in 2023, albeit modestly by 0.1%, and unemployment has remained low by historic standards at 3.8% in Q4 2023. Across many advanced economies, weak growth has been a common challenge: the UK and Japan entered recession in the second half of 2023, and Germany's economy contracted last year.

Box 1.A The impact of worsening terms of trade on the UK economy

The terms of trade are measured by the ratio of an economy's export prices to its import prices. The UK is a net importer of energy and goods, so as global shocks pushed their prices up in recent years, its terms of trade weakened, which contributed to a rise in inflation and slower growth. In the medium term, high energy prices may reduce the volume of goods and services it is profitable to supply, reducing potential output. The UK's terms of trade shock over 2021 and 2022 was the largest seen since the 1970s

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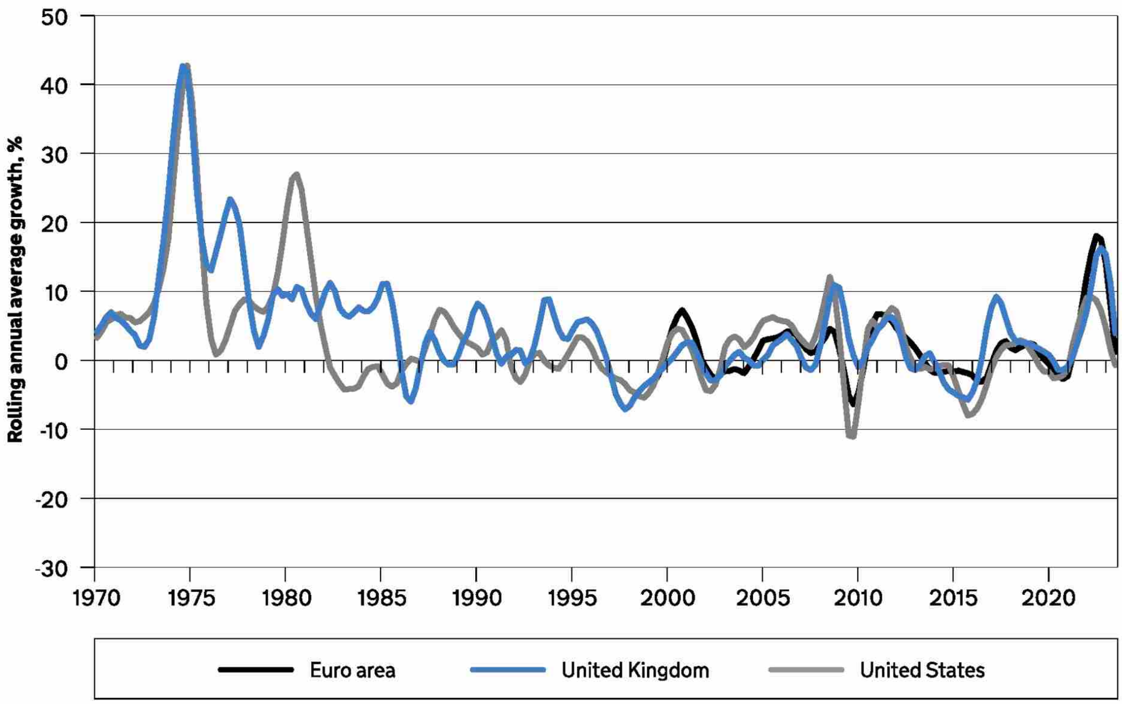
(Chart 1.1). Import price growth reached a peak of 15% in Q3 2022. Other European economies experienced a large terms of trade shock. In France and Germany import prices rose by between 15-20% in Q3 2022.

Chart 1.1: Import price growth across selected advanced economies



Source: OECD, HMT calculations and Office for National Statistics.

In November 2022, the OBR, Bank of England and most external forecasters expected the terms of trade shock to lead to a recession. Since then, the economy has performed better than expected. Households' real incomes fell by less than expected, reflecting government support, and stronger-than-expected nominal wage growth. Households and firms adjusted to higher energy prices, changing consumption patterns and inputs to production. Firms have been resilient, with the Bank of England judging there has been no significant evidence of the global energy price shock having negatively affected firms' productivity.[footnote 9]

The negative terms of trade shock has unwound more quickly and fully than expected. Wholesale energy prices have fallen quickly and global supply chain disruption has eased, helping to bring inflation down quicker than expected in the OBR's November 2023 forecast. The OBR's estimate of the drag on potential output in the medium term from higher energy prices has been cut as a result. However, second-round effects from the terms of trade shock are contributing to domestically generated inflation remaining elevated. This reinforces the importance of fiscal policy remaining responsible and supporting monetary policy to bring inflation to its 2% target sustainably.

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The economy is beginning to turn a corner

Inflation has fallen faster than expected since the OBR's November 2023 forecast, supported by the MPC's actions and the government's fiscal policy. The OBR now forecasts inflation to return to the 2% target in Q2 2024, around a year earlier than it had expected. Falling wholesale gas prices have led to the Ofgem price cap falling by over £200 in April 2024 to £1,690, helping to bring inflation down in Q2.[footnote 10] Nominal pay growth is easing but remains elevated. With inflation falling, real wages have risen for the past six months.

Real-time indicators suggest that output has started to increase since Q4 2023. Retail sales grew by 3.4% in January, fully recovering the decline in December. The S&P Global/CIPS Composite Purchasing Managers' Index (PMI), an indicator of private sector activity, showed the fourth consecutive month of growth in February, supported by an improvement in consumer demand. In the last four months the Lloyds Business Barometer has shown the three highest readings for overall business confidence since February 2022.[footnote 11] Growing optimism is present in the consumer sector, where GfK's measure of consumer confidence was 17 points higher in February than a year earlier.[footnote 12]

The OBR forecasts GDP growth to return in Q1 2024 and strengthen over the year. The Governor of the Bank of England has said that the economy is already showing "distinct signs of an upturn".[footnote 13]

Business investment has recovered strongly from the pandemic. Real business investment grew by 6.1% in 2023, faster than expected in the OBR's November 2023 forecast. Business investment has been supported by reforms to capital allowances that have made the UK's capital allowances regime one of the most generous in the world.[footnote 14] This includes the super-deduction announced in March 2021 and full expensing (announced as a temporary measure in March 2023 and then made permanent in November 2023).[footnote 15],[footnote 16]

The unemployment rate remains low by historic standards at 3.8% in Q4, and has fallen since the summer of 2023. Recruitment difficulties have eased, with the number of vacancies now 28% below the peak level reached in mid-2022. Set against this, inactivity remains elevated. Inactivity due to long-term sickness remains historically high, at 2.8 million in the final quarter of 2023 and making up 30% of the inactive population. The OBR expects rising health-related inactivity to continue weighing on the participation rate. Data on the labour market has been subject to significant revision and remains subject to a high degree of uncertainty, as discussed in more detail in Box 1.B.

Box 1.B The impact of recent changes to the Labour Force Survey

In February the Office for National Statistics (ONS) reintroduced the Labour Force Survey (LFS) after it was suspended in October 2023. The suspension followed concerns over the quality of the data, after falling

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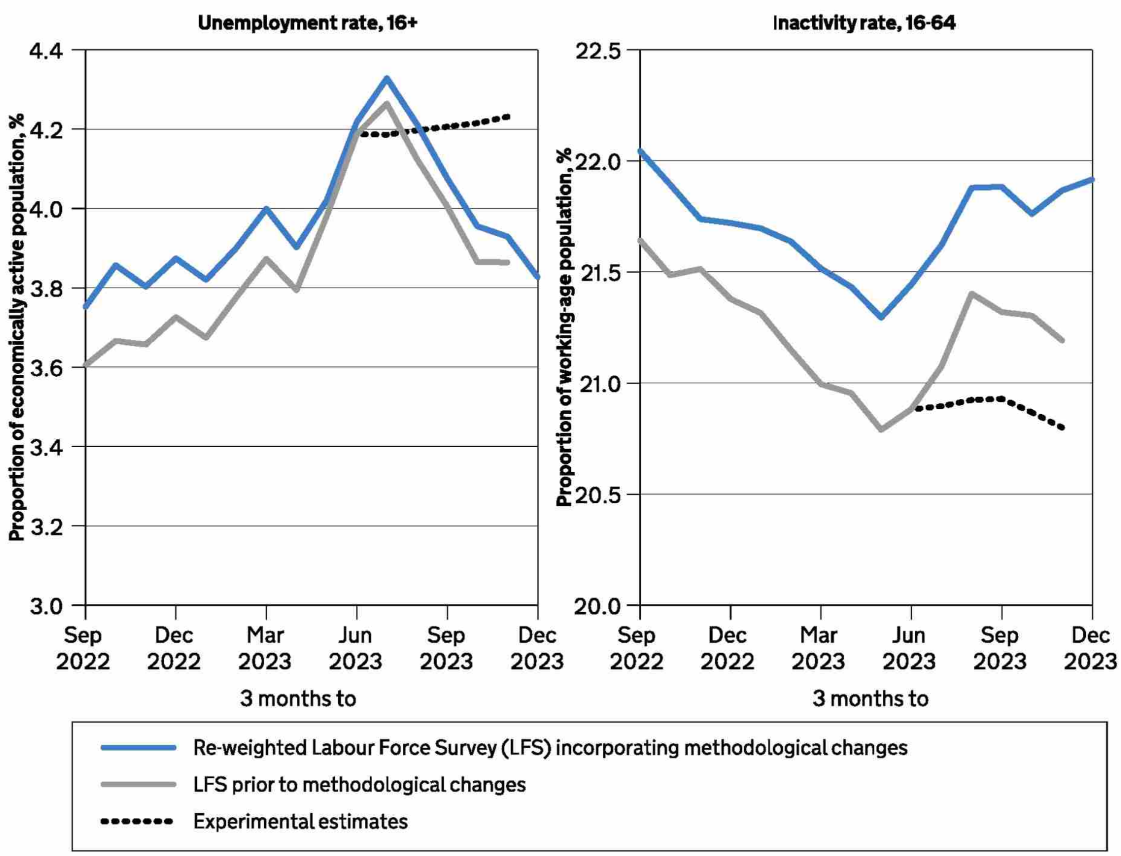
response rates to the survey. While the LFS was suspended the ONS produced experimental estimates based on administrative data sources.

To address data quality concerns the ONS implemented measures to improve data collection and survey methodology. The ONS reweighted the labour market data to the latest population estimates to better account for demographic changes since 2011, which implied an upward revision to the adult population of around 700,000 in Q3 2023. These changes led to a number of substantive revisions to recent labour market data, including an upward revision to the inactivity rate and level of employment (Chart 1.2). The higher inactivity rate reflected increases in the estimated population shares of under 25s and women, who have above-average inactivity rates. The reintroduced survey data led to revisions to unemployment. The unemployment rate is now estimated to be 3.8% in the three months to November, compared with 4.2% on the basis of the experimental data.

LFS data remains subject to a high degree of uncertainty. The ONS is developing the Transformed Labour Force Survey (TLFS) that will aim to increase the sample size and improve the overall quality of labour market statistics; it plans to adopt the TLFS estimates as the lead measure of the labour market in September 2024.

Chart 1.2: Labour market data



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Source: Office for National Statistics.

Borrowing this year is lower than expected

Since Autumn Statement 2023, borrowing has been lower than the OBR forecast. Public sector net borrowing (PSNB) is estimated to be £96.6 billion to the end of January, £9.2 billion lower than the OBR anticipated in November. Inflation has fallen faster than expected resulting in lower debt interest costs and driving the fall in borrowing. This is only partially offset by lower-than-forecast central government receipts.

2.2 Finishing the fight against inflation

Responsible decisions have supported the Bank in its fight against inflation

Inflation has fallen but – at 4.0% in January – it remains double the 2% target. The OBR forecasts inflation to fall to 2.0% in Q2 2024, around a year earlier than forecast in November 2023. Inflation is expected to fall below target and then gradually increase to settle at 2.0% in 2028. Measures at Spring Budget, including freezing alcohol and fuel duties, reduce inflation by 0.2 percentage points in 2024-25.

High inflation creates uncertainty for households and businesses, and is a barrier to stable, long-term growth. The government continues to support the MPC as it brings inflation back to 2%. The reduction in inflation has been supported by the government's responsible decisions on the public finances, shown through the fiscal stance (Box 1.C). The government has prioritised boosting non-inflationary growth by incentivising work and business investment, with measures in the last three fiscal events boosting the level of GDP by 0.7% by 2028-29.

Box 1.C Fiscal stance

Fiscal policy influences growth and inflation by adding or withdrawing demand to and from the economy. The 'fiscal stance' measures the effect of fiscal policy on the economy and can be assessed by several metrics.

Fiscal stance measures are usually based on borrowing. PSNB is forecast to fall across the forecast at a similar pace to Autumn Statement 2023 as part of the government's commitment to fiscal sustainability. It is customary to subtract net debt interest costs from borrowing when examining the fiscal stance, giving the figure for the primary deficit. The primary deficit reduces over the forecast period, withdrawing support to the economy gradually (Chart 1.3).

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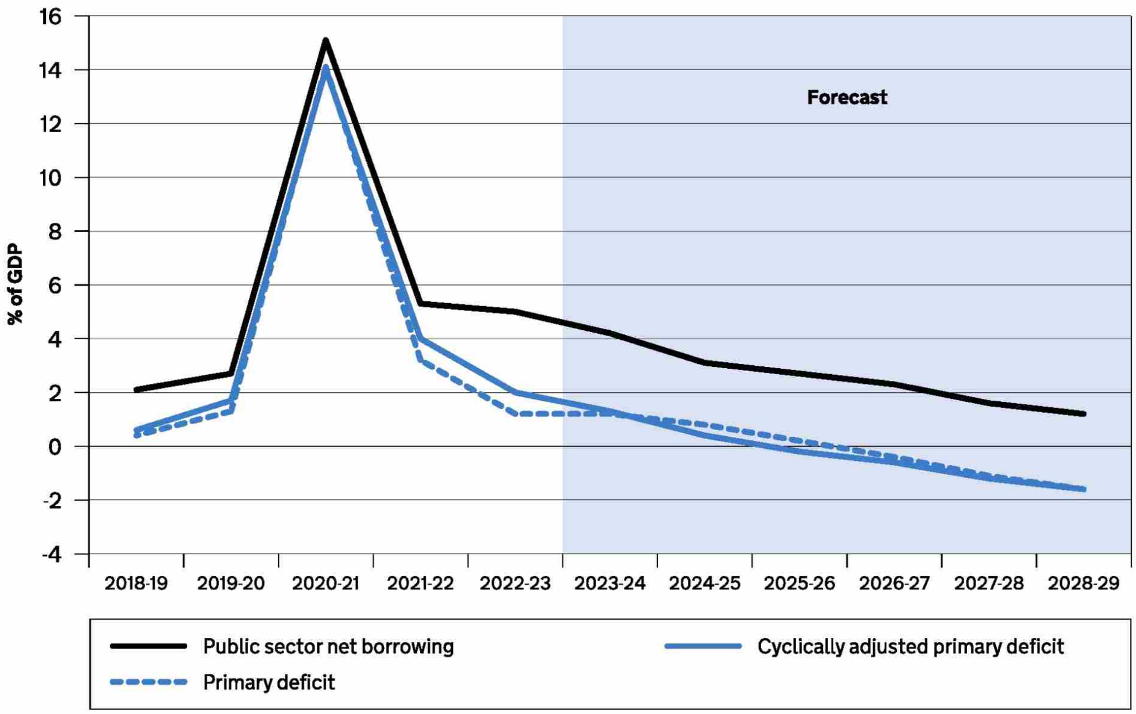
The cyclically-adjusted primary deficit (CAPD) removes the impact of the economic cycle from the primary deficit and is therefore a widely accepted measure of discretionary fiscal support for the economy. The CAPD is forecast to fall steadily in coming years – by an average of 0.6% of GDP per year – as support is withdrawn at a pace well matched to the outlook for the economy. This gradual withdrawal of fiscal support for demand is helping the MPC to bring inflation sustainably back to target.

Chart 1.3: Fiscal stance



Source: Office for National Statistics and Office for Budget Responsibility.

2.3 Prioritising long-term growth

The government is focused on delivering sustainable growth

Falling inflation is providing the foundation for the government to deliver its plan for sustainable, long-term growth. The government has already announced policies to boost the supply side of the economy by increasing business investment and encouraging people into work.[footnote 17] The government is going further at Spring Budget by introducing measures to reward work, which in turn will drive growth. This includes a further cut to NICs and reforms to the High Income Child Benefit Charge. The OBR estimates these measures will increase total hours worked in the economy by the equivalent of more than

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100,000 additional full-time workers, boosting the size of the economy by 0.2% in 2028-29.

The OBR estimates that the labour supply measures announced at the last three fiscal events will increase total hours worked by the equivalent of more than 300,000 additional full-time workers by 2028-29. Combining this with the effect of permanent full expensing, which is forecast to increase business investment by £14 billion by 2028-29, government policy announced since Spring Budget 2023 is expected to add 0.7% to the size of the economy by 2028-29.

To help address the leading driver of increased economic inactivity, the government has already taken steps at Autumn Statement 2023 to support the long-term sick and disabled into work. This includes expanding the Individual Placement and Support scheme that supports people with severe mental illness into employment, expanding and digitising mental health services including the NHS Talking Therapies programme, and doubling the yearly places on the Universal Support programme to support employment for people with a disability or health condition.

The combination of frozen income tax thresholds and wage inflation increases some individuals' taxable income – an effect known as fiscal drag – and therefore affects labour supply. Even allowing for the effect of fiscal drag still to come, the OBR forecast that the government's labour market and tax policies will raise labour supply. Summing the effect of policy across Spring Budget, Autumn Statement 2023 and Spring Budget 2023, they will boost total hours worked by the equivalent of more than 250,000 full-time workers by 2028-29.

The OBR forecasts the economy to grow by 0.8% in 2024, with growth then increasing to 1.9% and 2.0% in 2025 and 2026. Growth then returns towards the OBR's estimate of its potential rate, averaging 1.8% in 2027 and 2028. GDP per capita is forecast to grow in every year from 2025.

Households benefit from improving macroeconomic performance. The OBR has revised up the level of real household disposable income (RHDI) per capita throughout the forecast. It now expects RHDI per capita to rise in every year, and to return to pre-pandemic levels two years earlier than forecast in November. RHDI per capita is a more comprehensive measure of living standards than GDP per capita, since GDP per capita includes income that does not flow directly to households.

The unemployment rate is forecast to peak at 4.4% in 2024 and 2025, lower than the 4.6% in the OBR's November 2023 forecast. The unemployment rate is then forecast to fall gradually to 4.1% in 2028.

Global developments represent risks to the outlook for growth and inflation. Particular risks arise from any further escalation of Putin's illegal war in Ukraine or the conflict in the Middle East, including the attacks on international shipping in the Red Sea. Any consequential increased risk of disruption to energy and goods trade could have material economic impacts. Box 2.2 in the OBR's Economic and Fiscal Outlook (EFO) sets out the potential economic implications of an adverse scenario for the conflict in the Middle East.

2.4 Managing the public finances sustainably

Sustainable public finances support the stability and confidence that underpin long-term economic growth. Reducing government debt will lessen the burden on future generations, provide space for the government to support households and businesses in case of future shocks, and reduce debt interest costs. This is why it is a government priority to get debt falling as a share of GDP.

At Spring Budget, the government's decisions cut taxes, boost growth and support working people, while meeting the debt and borrowing fiscal rules. This requires a continued responsible approach to public spending, ensuring that the government will get the most out of every pound spent while delivering the outcomes the public expects. The government is reimagining how it delivers public services, by committing an additional £4.2 billion to support the next steps of the Public Sector Productivity Programme.

The International Monetary Fund (IMF) estimates that, in 2023, UK general government gross debt as a share of GDP was lower than all G7 peers other than Germany and the level of UK general government net borrowing as a share of GDP was the third-lowest in the G7.[footnote 18] The UK's focus on reducing debt is in line with other G7 countries, such as Canada and Japan, and the reintroduction of the Stability and Growth Pact in the European Union (EU).[footnote 19], [footnote 20], [footnote 21]

Getting debt and borrowing falling

PSNB is forecast to be £114.1 billion in 2023-24, down from the peak of £314.7 billion in 2020-21, during the COVID-19 pandemic (Chart 1.4). This is £9.8 billion lower than in the OBR November 2023 forecast. Borrowing is forecast to fall in every year, reaching £39.4 billion, 1.2% of GDP, by 2028-29. This would be the lowest level of borrowing as a share of GDP since 2001-02. The current budget deficit (the difference between receipts and spending, excluding capital expenditure) is forecast to be balanced by 2027-28, at which point the government will only be borrowing for investment.

Chart 1.4: Public sector net borrowing

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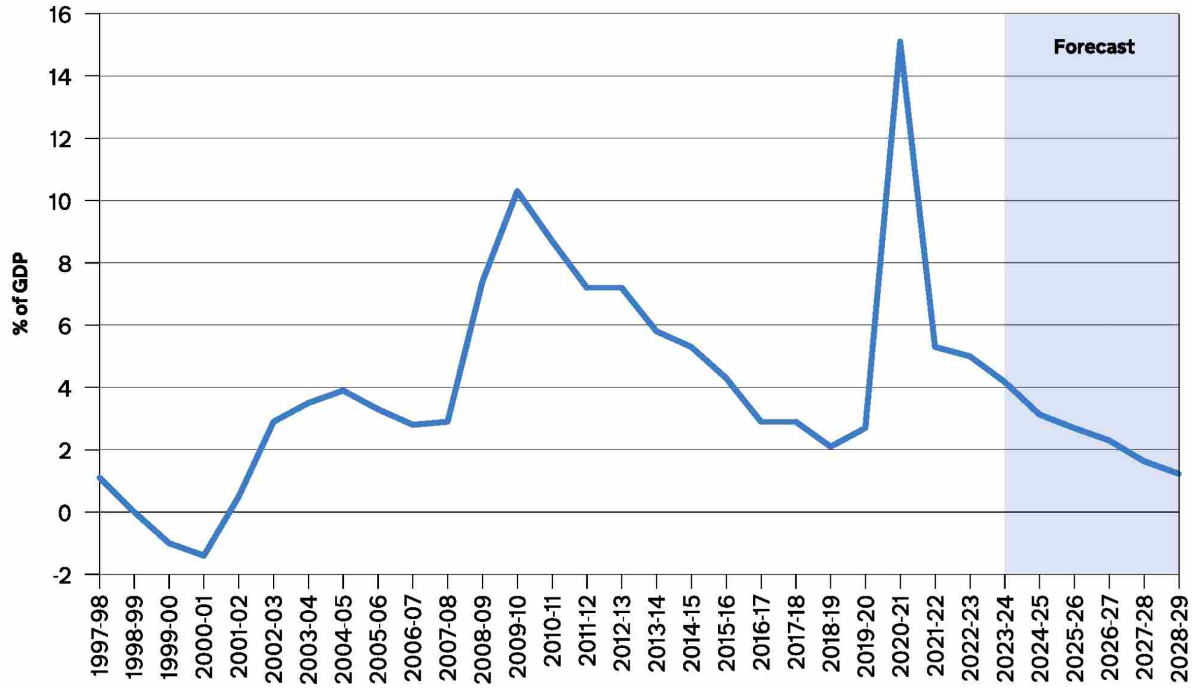

Source: Office for National Statistics and Office for Budget Responsibility.

The forecast for debt interest costs is lower than at Autumn Statement 2023. This is partly offset by a lower forecast for receipts, due to slightly weaker-than-expected outturn this year, a weaker nominal economy in the medium term, and the government's decision to cut taxes to support hard-working people.

After forecast and policy changes, borrowing is forecast to fall in every year (Table 1.1). Total borrowing from 2023-24 to 2028-29 is forecast to be £0.3 billion lower than at Autumn Statement 2023.

Table 1.1: Changes in borrowing since November 2023

	£ billion					
	Forecast					
	2023-24	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**2028-29**
November 2023 Forecast	123.9	84.6	76.8	68.4	49.1	35.0
March 2024 Forecast	114.1	87.2	77.5	68.7	50.6	39.4
Difference	**-9.8**	**2.7**	**0.6**	**0.3**	**1.5**	**4.4**
of which:						

Underlying differences	**-10.1**	**-10.0**	**-9.7**	**-6.2**	**-3.6**	**-0.8**
of which:						
Receipts	0.8	5.2	8.7	10.4	12.3	14.8
Debt interest spending	-11.5	-16.2	-14.7	-13.8	-13.3	-14.2
Welfare spending	0.5	-1.4	-4.6	-3.3	-2.6	-1.5
Other spending	0.1	2.3	0.8	0.6	0.0	0.2
Direct effect of policy package(1)	**0.1**	**13.9**	**10.1**	**7.7**	**6.3**	**5.9**
of which:						
Tax decisions	0.2	13.5	10.2	7.2	5.6	5.9
Spending decisions	-0.1	0.4	-0.1	0.5	0.8	0.0
Indirect effects of decisions	**0.3**	**-1.2**	**0.3**	**-1.3**	**-1.2**	**-0.7**

Note: This table uses the convention that a negative figure means a reduction in PSNB i.e. an increase in receipts or a reduction in spending will have a negative effect on PSNB.

Figures may not sum due to rounding.

1 Further detail on how the OBR calculate their estimation of the direct effect of the policy package is set out in Table 3.1 of the EFO.

Source: Office for Budget Responsibility.

The net financing requirement for the Debt Management Office in 2024-25 is forecast to be £265.3 billion, which will be financed through gilt sales. National Savings and Investments will have a net financing target of £9.0 billion in 2024-25, within a range of ± £4.0 billion. The government's financing plans for 2024-25 are summarised in Annex A and set out in full in the 'Debt Management Report 2024-25', published alongside the Budget.

Underlying debt, the metric used in the government's fiscal mandate and which excludes the Bank of England, is forecast to be lower in 2023-24 than the OBR

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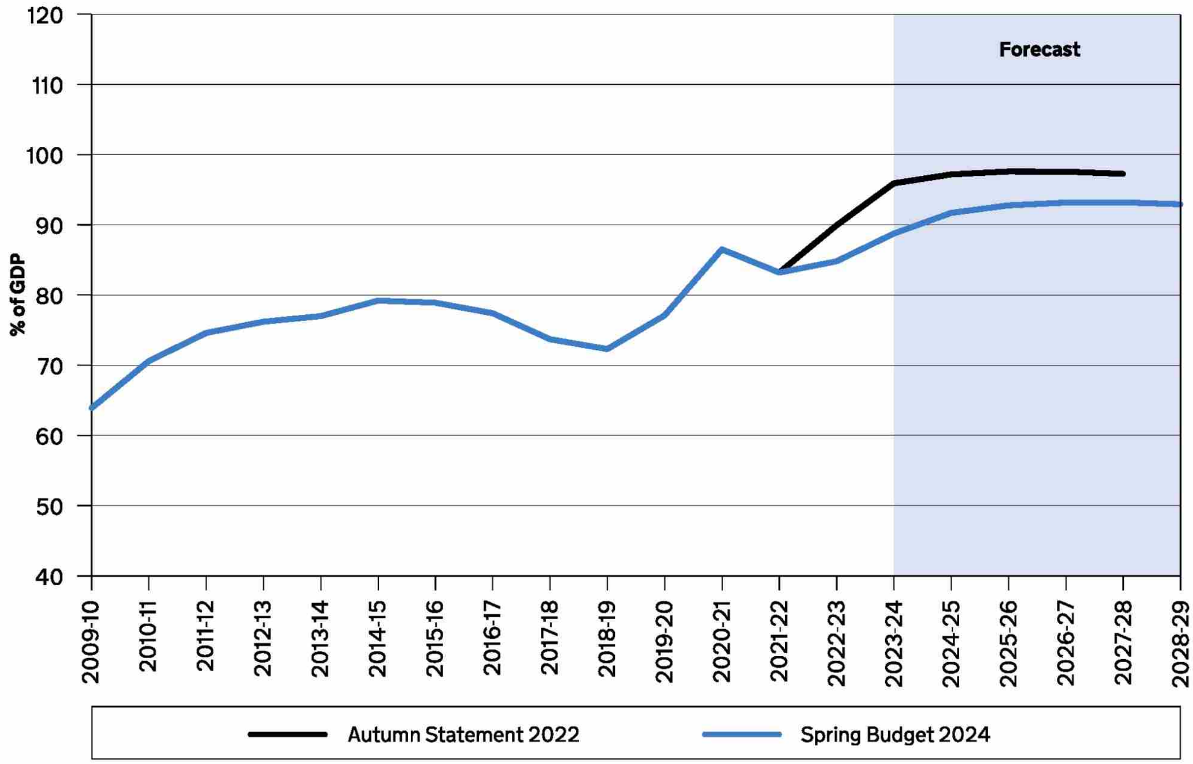
anticipated in their November 2023 forecast. It is then forecast to rise, peaking at 93.2% of GDP before it falls in the final year to 92.9%. The OBR's forecast for the UK's underlying debt as a percentage of GDP is lower in every year than at Autumn Statement 2022, supported by government policy (Chart 1.5).

Chart 1.5: Public sector net debt excluding the Bank of England



Source: Office for National Statistics and Office for Budget Responsibility.

Headline debt, a broader measure which accounts for the public sector's total stock of debt liabilities (net of liquid assets), including those of the Bank of England, is forecast to fall every year from 2024-25, reaching 95.1% in 2027-28 and 94.3% in 2028-29 (Chart 1.6). Before the Prime Minister took office, headline debt was forecast to reach almost 100% of GDP by 2027-28 (99.6%); it is now forecast to be 4.5 percentage points lower in that year.

Public sector net worth, the total value of the public sector's assets and liabilities, is expected to strengthen from –70.2% of GDP in 2024-25 to –63.9% of GDP in 2028-29. Public sector net financial liabilities, a measure of the financial balance sheet, is forecast to improve from a peak of 83.6% of GDP in 2024-25 to 78.7% in 2028-29.

Chart 1.6: Four measures of the public sector balance sheet

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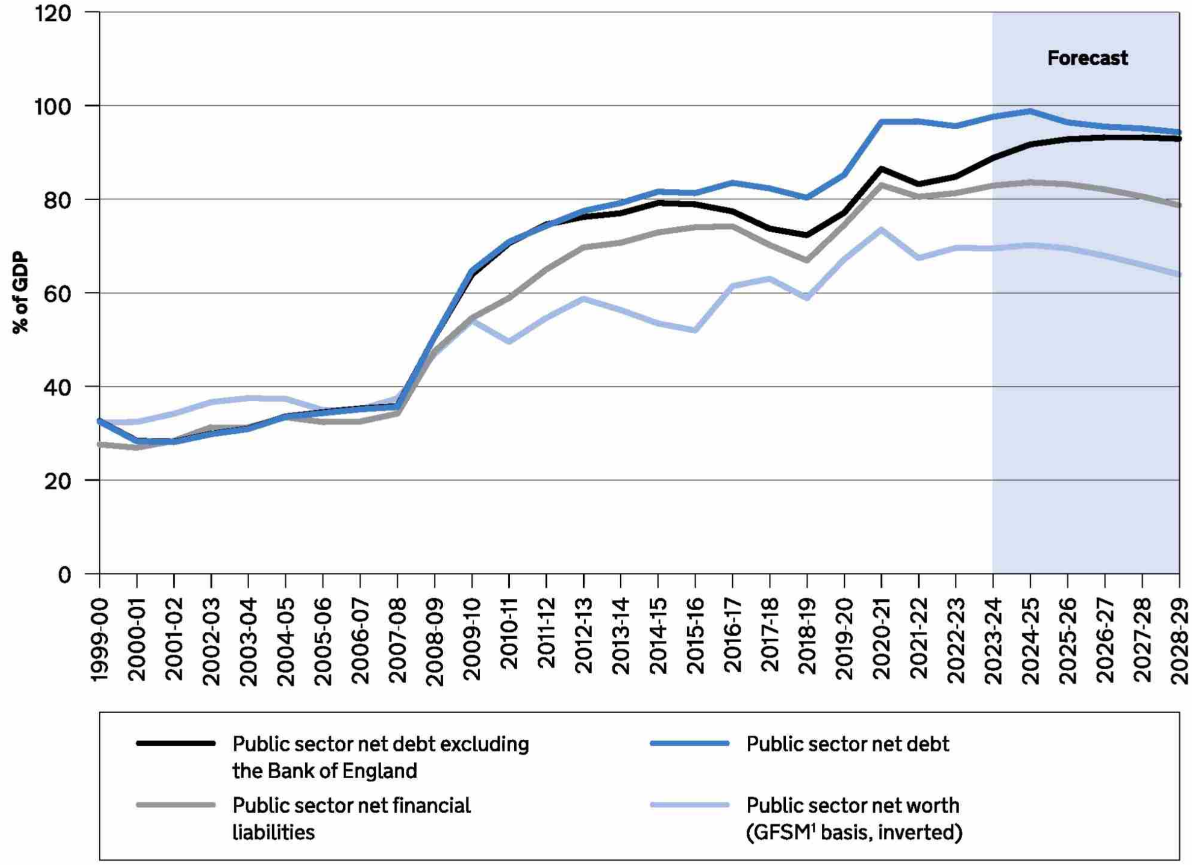

1 Government Finance Statistics Manual.

Source: Office for National Statistics and Office for Budget Responsibility.

Meeting the fiscal rules

The OBR has confirmed that the government is on track to meet both its debt and borrowing fiscal rules. The rules require underlying debt as a percentage of GDP to be falling and PSNB to not exceed 3% of GDP, both by the fifth year of the rolling forecast (2028-29 in this case).[footnote 22]

Underlying debt falls in the final year with a £8.9 billion buffer ('headroom'). This compares to headroom of £13.0 billion at Autumn Statement 2023 and £6.5 billion headroom at Spring Budget 2023. The borrowing rule is met with headroom of £56.8 billion in the final year, and the rule itself is achieved three years early, when borrowing falls to 2.7% of GDP in 2025-26.

The OBR forecasts that the welfare cap will be breached by £7.4 billion in 2024-25. This is a £1.1 billion improvement on the Autumn Statement forecast breach of £8.6 billion.

Contingent liabilities

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Best practice in fiscal transparency means reporting those obligations that taxpayers may have to meet in the future, due to policy decisions today. There has been one new significant contingent liability taken on since the last update at Autumn Statement. This is an extension to the Recovery Loan Scheme, which has been renamed the Growth Guarantee Scheme and supports UK small- and medium-sized enterprises (SMEs) to access the finance they need. The scheme has £229 million of expected loss partially offset by £76 million of expected income.

Table 1.2: Overview of the OBR's economic forecast(1)

	Outturn	Forecast					
	2022	**2023(2)**	**2024**	**2025**	**2026**	**2027**	**2028**
GDP growth	**4.3**	**0.3**	**0.8**	**1.9**	**2.0**	**1.8**	**1.7**
GDP growth per capita	**3.4**	**-0.7**	**-0.1**	**1.2**	**1.5**	**1.3**	**1.2**
Potential output growth		**1.5**	**1.6**	**1.7**	**1.6**	**1.6**	**1.6**
Main components of GDP							
Household consumption(3)	5.0	0.5	0.7	2.0	2.1	2.0	1.9
General government consumption	2.3	0.7	4.2	1.8	1.5	1.5	1.6
Total fixed investment	**8.0**	**1.8**	**-4.5**	**0.4**	**2.0**	**1.8**	**1.2**
Business investment	9.6	4.8	-5.1	1.4	2.5	2.0	1.2
General government investment	0.9	5.9	-1.5	-2.4	-2.0	-2.0	-3.0
Private dwellings investment(4)	9.5	-6.5	-5.3	0.2	3.5	3.7	3.5
Change in inventories(5)	1.0	-0.9	0.2	0.0	0.0	0.0	0.0
Exports	9.0	-0.5	-1.1	0.5	0.6	0.6	0.7

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Imports	14.6	-1.4	-0.7	-0.2	0.2	0.6	0.8
Consumer Prices Index (CPI) inflation	**9.1**	**7.3**	**2.2**	**1.5**	**1.6**	**1.9**	**2.0**
Employment (millions)	**32.9**	**33.1**	**33.2**	**33.5**	**33.8**	**34.1**	**34.3**
Unemployment (% rate)	**3.9**	**4.1**	**4.4**	**4.4**	**4.2**	**4.2**	**4.1**
Productivity – output per hour	**0.4**	**0.2**	**0.3**	**0.8**	**1.1**	**1.1**	**1.2**

1 All figures in this table are rounded to the nearest decimal place. This is not intended to convey a degree of unwarranted accuracy. Components may not sum to total due to rounding and the statistical discrepancy.

2 Forecast from Q4 2023. The OBR's economy forecast closed to new data on 5 February, before some data for Q4 2023 were released.

3 Includes households and non-profit institutions serving households.

4 Includes transfer costs of non-produced assets.

5 Contribution to GDP growth, percentage points.

Source: Office for Budget Responsibility and Office for National Statistics.

Table 1.3: Overview of the OBR's fiscal forecast (% GDP)

	Forecast					
	2023-24	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**2028-29**
Public sector net debt(1)	97.6	98.8	96.4	95.5	95.1	94.3
Public sector net debt ex Bank of England(1)	88.8	91.7	92.8	93.2	93.2	92.9
Public sector net financial liabilities(1)	82.9	83.6	83.2	82.1	80.6	78.7
Public sector net worth(1,2,3)	69.5	70.2	69.5	67.9	66.0	63.9

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Public sector net borrowing	**4.2**	**3.1**	**2.7**	**2.3**	**1.6**	**1.2**
Public sector net investment	2.5	2.4	2.1	2.0	1.8	1.7
Current budget deficit	1.7	0.7	0.6	0.3	-0.2	-0.4
Cyclically adjusted public sector net borrowing	4.3	2.7	2.3	2.1	1.6	1.2
Primary deficit	1.2	0.8	0.2	-0.4	-1.1	-1.6
Cyclically adjusted primary deficit	1.3	0.4	-0.2	-0.6	-1.2	-1.6

1 Stock values at end of March; GDP centred on end of March.

2 IMF Government Finance Statistics Manual (GFSM) basis.

3 PSNW has been inverted to facilitate comparisons with the other stock metrics.

Source: Office for Budget Responsibility.

3. Reforming public spending

The government is maintaining a disciplined approach to public spending. Spring Budget continues to deliver the spending plans agreed at Spending Review 2021, supporting key public services with targeted additional funding, whilst driving efficiencies to strengthen the public finances and get the most out of every pound spent. This approach, alongside reforms to make the tax system simpler, fairer and up to date with today's economy has enabled the government to continue to deliver tax cuts for working people.

The government is reimagining how it delivers public services through the Public Sector Productivity Programme, ensuring the public sector achieves the outcomes that matter most to the public while keeping costs under control. This programme recognises that simply providing more money is not always the answer. Instead, the focus should be on targeted investment that helps reform the government public services so that they deliver value to the taxpayer. This programme will ensure the long-term sustainability of public services.

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3.1 Public spending

Spending Review 2021 set UK government departments' resource and capital Departmental Expenditure Limit (DEL) budgets and the devolved administrations' block grants from 2022-23 to 2024-25. Since the Spending Review, the government has provided additional support to departments to ensure key public services continue to deliver in the face of inflation and other pressures.

The government has provided significant additional funding to the NHS and adult social care in England including up to £8 billion of additional funding which was made available for 2024-25 at Autumn Statement 2022.

Additional funding for schools announced since Spending Review 2021 totalled more than £2.4 billion in 2023-24 and will be more than £2.8 billion in 2024-25. This will bring per pupil funding for 5-16 year olds to its highest ever level in real terms in 2024-25 – and represents a cash increase in average funding per pupil from £5,920 in 2019-20 to £7,690 in 2024-25.[footnote 23]

The government has also provided additional funding to support other departments and key priorities, including:

- £11 billion for defence between 2023-24 and 2027-28 to improve the resilience and readiness of the UK's conventional and nuclear forces.
- £3.5 billion a year by 2024-25 to support more people into employment.

The government is committed to providing full and fair financial redress, at pace, to the victims of the Horizon IT Scandal and will introduce new primary legislation to ensure those convicted are swiftly exonerated and compensated. Around £1 billion has been committed to date to ensure postmasters are compensated fairly. This will be increased if needed.

Spring Budget builds on this by:

- Announcing an additional £2.5 billion of funding for the NHS in England in 2024-25, protecting day-to-day funding levels in real terms and supporting the NHS to continue to improve performance and reduce waiting times.
- Confirming that the hourly rate childcare providers are paid to deliver the free hours offers for children aged nine months to four years will increase in line with the metric used at Spring Budget 2023 for the next two years. This reflects that workforce costs are the most significant costs for childcare providers and represents an estimated additional £500 million of investment over two years. This will give childcare providers the confidence to expand and support delivery of the government's landmark expansion of free childcare.
- Confirming an additional £500 million of new funding for councils to support the provision of adult and children's social care, announced on 24 January.

As a result, total government spending (including welfare and debt interest) is around £340 billion higher in cash terms by 2024-25 than at the start of this Parliament (2019-20), and around £480 billion higher in cash terms than 2010-11. Total departmental spending (DEL) will grow in real terms at 3.2% a year on average over this Parliament. Day-to-day spending has increased by an average of 2.3% per year in real terms over this Parliament, and capital spending by 7%.

Beyond 2024-25 planned departmental day-to-day spending will grow at 1% a year on average in real terms and planned departmental capital spending will follow the cash profile set at Autumn Statement 2023, adjusted where new commitments on productivity are funded in addition. This means total departmental spending will be £86 billion higher in real terms by 2028-29 than at the start of this Parliament (2019-20).

The government continues to invest in infrastructure and will deliver over £600 billion of planned public sector investment over the next five years, underpinning future growth and supporting energy security, Net Zero and the UK's vital public services. This builds on the record £30 billion real terms increase in capital budgets over this Parliament – an average increase of 7% per year.

Table 2.1: Resource Departmental Expenditure Limits (DEL) excluding depreciation

£ billion (current prices)	Outturn 2022-23(1)	Plans 2023-24	Plans 2024-25
Resource DEL excluding depreciation			
Health and Social Care	171.8	178.5	179.6
of which: NHS England	155.1	163.2	164.9
Education	76.4	81.9	84.9
of which: core schools	53.8	57.8	58.8
Home Office	16.8	19.2	15.5
Justice	9.3	10.5	10.0
Law Officers' Departments	0.7	0.9	0.8
Defence	32.5	35.0	32.8
Single Intelligence Account	2.6	2.8	2.4

Foreign, Commonwealth and Development Office	7.2	7.8	7.7
DLUHC Local Government(2)	7.7	9.6	12.4
DLUHC Levelling Up, Housing and Communities	4.0	3.4	2.2
Culture, Media and Sport	1.8	1.6	1.4
Science, Innovation and Technology	0.1	0.3	0.3
Transport	8.4	8.2	5.7
Energy Security and Net Zero	1.6	1.6	1.5
Environment, Food and Rural Affairs	4.4	4.8	4.2
Business and Trade	1.3	1.9	1.5
Work and Pensions	8.1	8.6	8.1
HM Revenue and Customs	5.9	6.0	4.7
HM Treasury	0.3	0.4	0.3
Cabinet Office	0.7	0.9	0.2
Scotland(3)	35.8	37.6	37.7
Wales(3)	15.4	16.5	16.0
Northern Ireland	13.7	14.8	13.9
Small and Independent Bodies	2.3	2.5	2.4
UK Shared Prosperity Fund(4)	-	-	1.3
Reserves	-	-	9.2
Total Resource DEL excluding depreciation, Energy support and SCAPE funding	**428.9**	**455.4**	**456.8**
Energy support funding in DEL(5)	12.5	-	-
SCAPE funding(6)	-	-	5.3

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Total Resource DEL excluding depreciation	**441.4**	**455.4**	**462.2**
Allowance for Shortfall	-	-4.7	-2.9
Total Resource DEL excluding depreciation, post Allowance for Shortfall	**441.4**	**450.7**	**459.2**

1 2022-23 figures reflect outturn in PESA adjusted for estimates of energy support spending.

2 Grant funding to local authorities for business rates reliefs and tax policy changes is reclassified from DEL to AME at Spring Budget 2024 due to volatility and uncertainty in cost estimates. The amount of spending that has been reclassified is equal to £5.1 billion in 2024-25, and has been backdated to all outturn years in which applicable spending took place. Local authorities will receive the same funding, as will the devolved administrations through the Barnett formula. This change therefore has no impact on Total Managed Expenditure or public borrowing.

3 Due to the scale of tax devolution in Scotland, Scottish Government DEL funding is presented excluding tax and welfare Block Grant Adjustments. Welsh Government DEL funding is presented including tax Block Grant Adjustments.

4 Budgets for the UK Shared Prosperity Fund for 2022-23 and 2023-24 were allocated to departments at the relevant Estimates. Budgets for 2024-25 will be allocated at the relevant Estimates.

5 The Department for Energy Security and Net Zero outturn in 2022-23 excludes £11.9 billion for Energy Bills Support Scheme (EBSS) and £0.5 billion for Alternative Fuel Payments.

6 This is the forecast aggregate cost of uplifting DEL budgets for higher centrally funded employer contributions to unfunded public service pensions schemes as a result of the 2020 valuations. The DEL funding will be allocated to individual departments at Main Estimates 2024-25. The total PSNB impact of the 2020 valuations is expected to be broadly neutral as the DEL funding will be offset by the AME benefit of those higher contributions being received as income by the Exchequer.

Source: HM Treasury Public Spending Statistics, HM Treasury DEL plans, and Office for Budget Responsibility.

Table 2.2: Capital Departmental Expenditure Limits (DEL)

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£ billion (current prices)	Outturn 2022-23(1)	Plans 2023-24	Plans 2024-25
Capital DEL			
Health and Social Care	9.9	11.0	12.6
Education	5.3	6.3	6.1
Home Office	1.1	1.5	1.0
Justice	1.3	1.5	1.8
Law Officers' Departments	0.0	0.0	0.0
Defence	20.3	19.2	18.9
Single Intelligence Account	1.2	1.4	1.2
Foreign, Commonwealth and Development Office	2.1	3.6	4.1
DLUHC Levelling Up, Housing and Communities	6.9	7.1	7.1
Levelling Up Fund(2)	-	-	1.3
Culture, Media and Sport	0.5	0.6	0.7
Science, Innovation and Technology	10.5	12.6	13.9
Transport	20.5	22.1	20.5
Energy Security and Net Zero	4.3	5.9	8.2
Environment, Food and Rural Affairs	1.6	2.1	2.7
Business and Trade	0.1	1.4	1.1
Work and Pensions	0.5	0.7	0.6
HM Revenue and Customs	0.6	0.8	0.5
HM Treasury	0.0	0.0	0.0
Cabinet Office	0.4	0.6	2.5
Scotland	6.2	6.4	5.6

Wales	2.8	3.1	2.9
Northern Ireland	1.9	2.1	1.8
Small and Independent Bodies	0.3	0.4	0.7
UK Shared Prosperity Fund(3)	-	-	0.2
Reserves	-	-	1.8
Total Capital DEL excluding Energy support funding in DEL	**98.3**	**110.7**	**118.1**
Energy support funding in DEL(4)	2.0	-	-
Total Capital DEL	**100.3**	**110.7**	**118.1**
Remove Capital DEL not in PSGI(5)	-10.5	-9.2	-12.5
Allowance for Shortfall	-	-5.8	-6.4
Public Sector Gross Investment in Capital DEL	**89.8**	**95.6**	**99.2**

1 2022-23 figures reflect outturn in PESA adjusted for estimates of energy support spending.

2 Budgets for the Levelling Up Fund for 2022-23 and 2023-24 were allocated to departments at the relevant Estimate. Budgets for 2024-25 will be allocated at the relevant Estimates. The total size of the Levelling Up Fund is £4.8bn; this table refers to this spending review period only and does not reflect spending anticipated from 2025-26.

3 Budgets for the UK Shared Prosperity Fund for 2022-23 and 2023-24 were allocated to departments at the relevant Estimates. Budgets for 2024-25 will be allocated at the relevant Estimates.

4 The Department for Energy Security and Net Zero outturn in 2022-23 excludes £2.0 billion relating to the Bulb Special Administration Regime.

5 Capital DEL that does not form part of Public Sector Gross Investment in Capital DEL, including Financial Transactions in Capital DEL, intragovernmental leases, and Scottish Government capital.

Source: HM Treasury Public Spending Statistics, HM Treasury DEL plans, and Office for Budget Responsibility.

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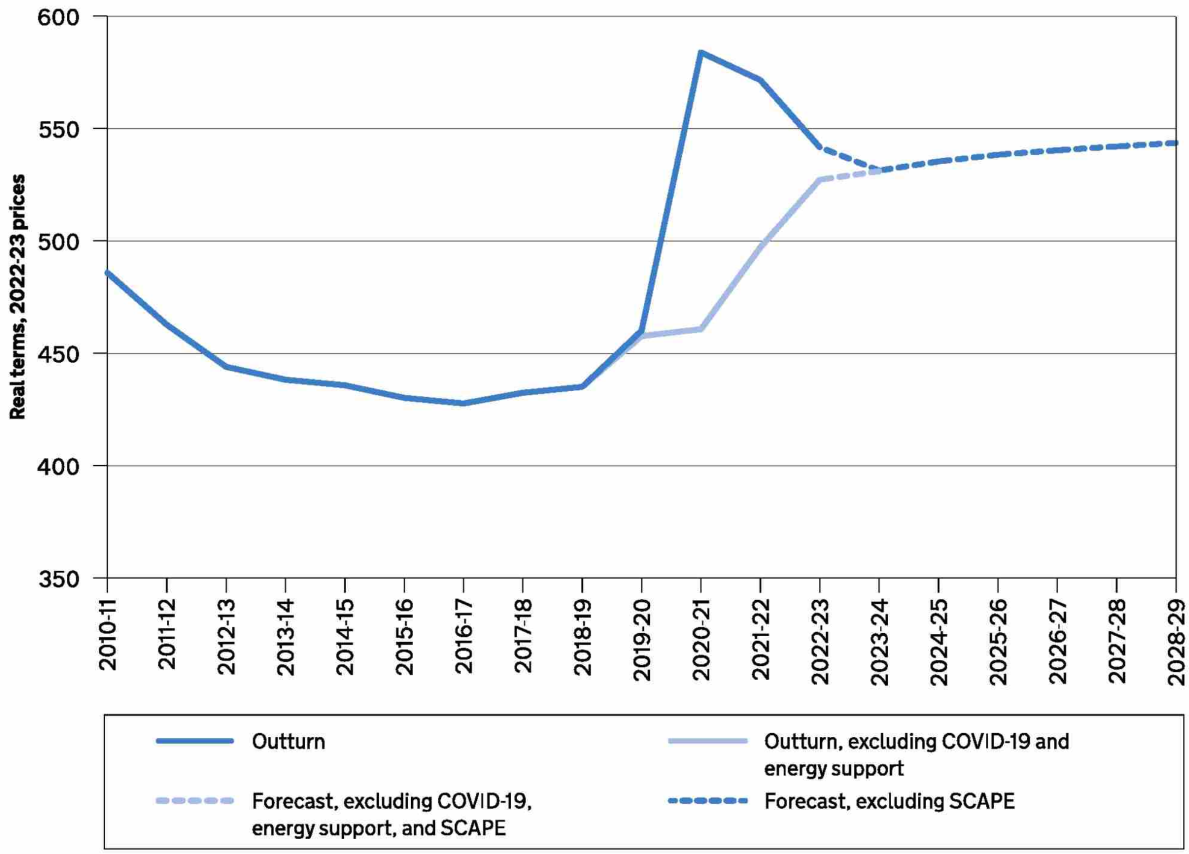
Chart 2.1: Total Departmental Spending (DEL)



Source: HMT Calculations, Office for Budget Responsibility.

As a result of decisions at Spring Budget, the devolved administrations are now receiving £560 million in additional funding in 2024-25 through the Barnett formula on top of record settlements. The Scottish Government is receiving around £295 million extra; Welsh Government around £170 million; and the Northern Ireland Executive around £100 million.

Chart 2.2: Total Managed Expenditure (TME)

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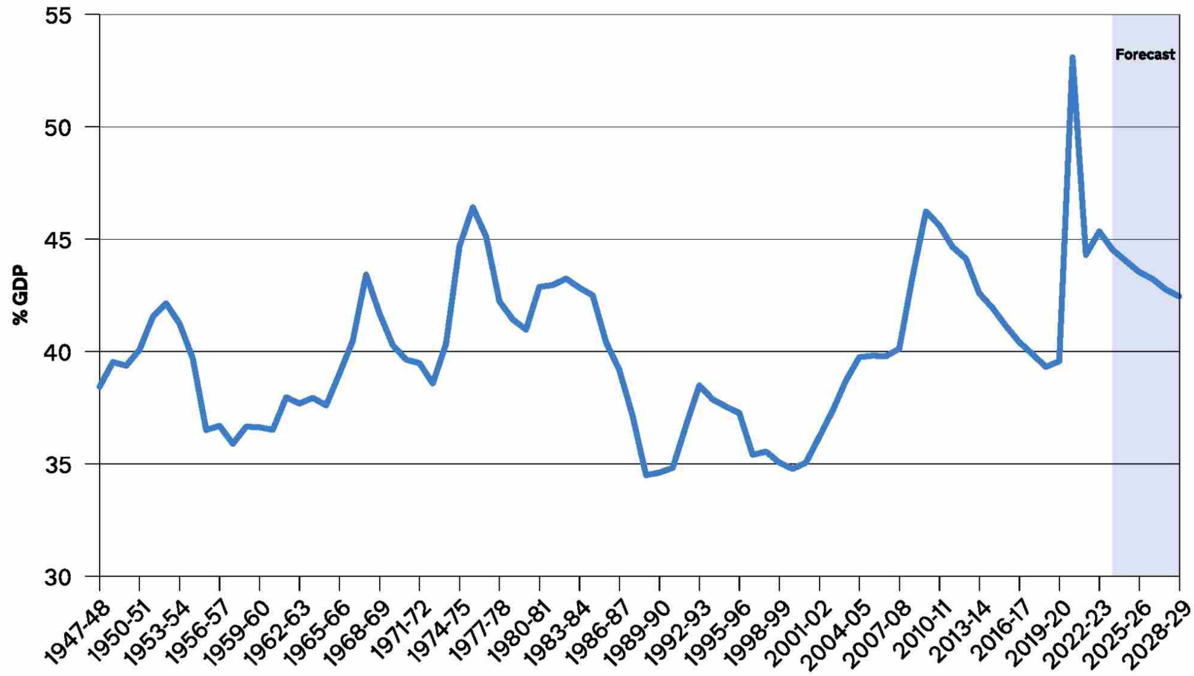

Source: Office for Budget Responsibility and Office for National Statistics.

Table 2.3: Total Managed Expenditure (TME)(1,2)

£ billion (current prices)	Outturn 2022-23	Plans 2023-24	Plans 2024-25	Plans 2025-26	Plans 2026-27	Plans 2027-28	Plans 2028-29
Current Expenditure							
Resource AME	589.2	565.5	580.9	598.1	622.5	640.5	664.2
Resource DEL excluding depreciation	441.4	455.4	462.2	473.0	485.9	499.8	514.4
Ringfenced depreciation	20.5	62.0	47.4	48.4	49.6	51.0	52.5
Total Public Sector Current Expenditure	**1,051.1**	**1,082.9**	**1,090.4**	**1,119.6**	**1,158.0**	**1,191.3**	**1,231.1**
Capital Expenditure							

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Capital AME	6.0	22.7	17.8	13.8	14.1	14.2	13.9
Capital DEL	100.3	110.7	118.1	118.3	118.2	117.6	116.7
Total Public Sector Gross Investment	**106.3**	**133.4**	**136.0**	**132.1**	**132.2**	**131.7**	**130.6**
Total Managed Expenditure	**1,157.4**	**1,216.3**	**1,226.3**	**1,251.7**	**1,290.3**	**1,323.1**	**1,361.7**
Total Managed Expenditure % of GDP	45.3%	44.5%	44.0%	43.5%	43.2%	42.8%	42.5%
o/w Total DEL	541.7	566.1	580.3	591.3	604.1	617.4	631.1

1 Resource DEL excluding ringfenced depreciation is the Treasury's primary control within resource budgets. Capital DEL is the Treasury's primary control within capital budgets. The Office for Budget Responsibility (OBR) publishes Public Sector Current Expenditure in DEL and AME, and Public Sector Gross Investment in DEL and AME. A reconciliation is published by the OBR.

2 Grant funding to local authorities for business rates reliefs and tax policy changes is reclassified from DEL to AME at Spring Budget 2024 due to volatility and uncertainty in cost estimates. The amount of spending that has been reclassified is equal to £5.1 billion in 2024-25, and has been backdated to all outturn years in which applicable spending took place. Local authorities will receive the same funding, as will the devolved administrations through the Barnett formula. This change therefore has no impact on Total Managed Expenditure or public borrowing.

Source: HM Treasury Public Spending Statistics, HM Treasury DEL plans, Office for Budget Responsibility and Office for National Statistics.

Box 2.A Support for Ukraine

Two years on from Putin's illegal invasion, the UK remains resolute in its unwavering support for Ukraine in its fight against Russia. In January 2024, the Prime Minister announced an additional £2.5 billion of military assistance for 2024-25, an increase of £200 million on the previous two years that will leverage the best of the UK's military expertise and defence production. [footnote 24] This brings the UK's total military support to £7.1 billion.

The UK's total committed support to Ukraine across military, humanitarian and economic lines now amounts to almost £12 billion since February 2022. [footnote 25] This includes £4.1 billion of fiscal support via World Bank loan guarantees, supporting the inception of Ukraine's IMF programme and bolstering Ukraine's economy.

In addition, the UK, along with our partners, has implemented one of the most severe packages of sanctions on a major economy, undermining Putin's ability to fund his illegal war.

3.2 Improving public sector productivity

The government has maintained a consistent focus on rooting out wasteful spending and ensuring the public sector is as efficient as possible. Spending Review 2021 set a commitment to make efficiency savings of 5% in departmental day-to-day budgets by 2024-25.

The government must go further to ensure every pound of taxpayers' money is well spent. Without reform, the size of the state is forecast to grow in the long-term due to demographic and wider pressures. The Office for Budget Responsibility's (OBR's) latest projections show that between 2027-28 and 2050-51 public spending – excluding debt interest – will grow at 2.2% per year if the government does not take action, which is faster than projected economic growth of 1.7% per year.[footnote 26] That points to ever higher borrowing and debt or ever higher taxes, whereas the government is committed to controlling the size of the state and sustainable public finances.

Public service productivity is currently estimated by the Office for National Statistics (ONS) to be 5.9% below pre-pandemic levels.[footnote 27] OBR analysis suggests that raising public sector productivity by 5% would be the equivalent of around £20 billion extra in funding.[footnote 28]

The government has delivered a step-change in public service productivity growth before. It stood at 0.7% per annum, on average, between 2010 and 2019, compared to -0.2% per annum, on average, between 1997 and 2009. [footnote 29] To ensure that the government can achieve this ambition, the Chancellor announced a Public Sector Productivity Programme in June 2023. This is led by the Chief Secretary to the Treasury and has the objective of accelerating productivity growth in the public sector.

In order to better measure public service productivity and identify opportunities for improvement, the Chancellor commissioned the National Statistician to

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review how relevant measures could be improved. This review is on track, with indicative sector-by-sector baselines delivered before Autumn Statement 2023. [footnote 30]

The Comptroller and Auditor General (C&AG) highlighted[footnote 31] that the National Audit Office's work shows that the government could deliver "tens of billions" of pounds worth of savings by becoming more productive, managing projects more effectively, catching fraudsters, and modernising government technology. Alongside Spring Budget, the government has published a separate document that outlines the progress made in addressing these opportunities and how future plans will deliver ongoing savings.

The government has already made significant progress in driving greater productivity and efficiency across the public sector, including:

- Implementing the NHS Long Term Workforce Plan – investing in the largest ever expansion in recruitment and training of NHS staff. The plan sets out a path to double medical school places to 15,000, create 24,000 more nursing and midwifery training places by 2031, and measures to significantly improve NHS productivity growth over the next 15 years.
- Rolling out Pharmacy First – enabling patients to get treatment for seven common conditions directly from their local pharmacy, without the need for a GP appointment or prescription, which could free up 10 million GP appointments.
- Opening new Community Diagnostic Centres – which have already delivered six million checks, scans and tests as of November 2023 to help patients to access care more quickly.[footnote 32]
- Undertaking the Policing Productivity Review – identifying reforms that could save up to 1,000,000 police officer hours in England each year through improving how police and health agencies respond to health incidents.
- Radically improving passport processing time – before the autumn of 2023 people were asked to allow ten weeks to get their passport, but service improvements mean customers are now advised to expect their passport within three weeks.
- Capping Civil Service headcount over the rest of this Spending Review period – this is the first step towards the government's target of bringing headcount back down to pre-pandemic levels over the long-term. The government is also undertaking a radical overhaul of Civil Service recruitment processes, which will be streamlined and opened up so the government can hire a broader range of talent.
- Allocating £45 million since 2022 from the Shared Outcomes Fund (SOF) – this ensures the government can continue testing and evaluating new ways of delivering public services through innovative approaches. This brings the total amount of SOF allocated funding to £525 million and includes further funding for pilots that take preventative action, such as reducing drug-related harms, improving data links to better support people with complex needs,

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addressing growing inequalities in digital and data, and increasing surveillance of foodborne disease.

Spring Budget marks the next step of the Public Sector Productivity Programme. The government will provide an additional £4.2 billion of targeted funding that will start to deliver the next phase of reform of public services, funding the strongest productivity releasing projects that departments have identified through the programme to date, including £3.4 billion for the NHS.

Box 2.B NHS productivity plan and funding

The government has provided significant additional funding to the NHS and adult social care in England. Measures introduced at Spring Budget will protect levels of funding for the NHS in England in real terms in 2024-25 by providing an extra £2.5 billion for 2024-25 meaning a total budget of £164.9 billion.

The government is building on this by taking steps to unlock greater productivity across the health system and ensure that the NHS can continue to deliver for patients.

Technological and digital transformation

While this additional spending is needed, the government recognises that more money can not always be the answer to improving outcomes for patients. Alongside this £2.5 billion of extra funding for day-to-day activities the government will invest £3.4 billion to reform the way the NHS works.

This funding will significantly reduce the 13 million hours of time[footnote 33] doctors spend on poor IT, freeing up significant capacity and revolutionising treatment for a range of illnesses such as cancer and strokes. This will double the investment in technological and digital transformation in the NHS in England and turn the NHS into one of the most digitally enabled, productive healthcare systems in the world.

This investment in NHS technology will be central to a wider NHS productivity plan including workforce productivity improvements set out in the long term workforce plan. It will mean the NHS can commit to 1.9% average productivity growth from 2025-26 to 2029-30, rising to 2% over the final two years. This delivers at the upper end of the 1.5-2% ambition over 15 years set out in the Long Term Workforce Plan last year. It will enable delivery of £35 billion of cumulative savings by 2029-30. This represents a substantial increase on historical NHS productivity growth, enabling the NHS to treat patients more quickly and effectively.

The £3.4 billion additional funding will deliver improvements for patients and staff across the following three areas.

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£430 million will be invested to transform access and services for patients, giving them more choice and the ability to manage and attend appointments virtually, and enabling £2.5 billion savings over five years. This will not only make it easier for people to access the NHS, but it will also help to tackle waiting lists, reduce waiting times and ensure patients get the care they need more quickly. These transformations include:

- **Making the NHS App the single front door through which patients can access NHS services and manage their care,** saving patient time when ordering repeat prescriptions, managing appointments, and providing more patient choice and instant access to their own health information. This will save NHS staff time by reducing up to 500,000 missed appointments.
- **Digitally-enabled prevention and early intervention services**, through the NHS App, introducing a new digital health check, which will enable individuals at high risk of early onset conditions to be identified early, as well as creating easy access to vaccination or screening appointments.
- **Delivering a radically improved online experience for patients,** giving citizens a single digital access point for information about NHS services, including which services are available, opening times, and contact details. This will make it easier for patients to navigate services, improving the patient experience and freeing up staff time.

£1 billion will be invested to transform the use of data to reduce time spent on unproductive administrative tasks by NHS staff, enabling more than £3 billion of savings over five years. This funding will help scale up and accelerate the use of technologies to automate these processes, so staff can instead use this time to deliver better care for patients. This includes:

- **Pilots to test the ability of Artificial Intelligence (AI) to automate back-office functions.** By automating the writing and clinical coding of notes, discharge summaries and GP letters, clinicians will be able to spend more time with patients at more appointments. Pilots in Chelsea and Westminster Hospital have found that this technology can reduce time spent on discharge summaries by more than 50%. If rolled out across the NHS, this could unlock an annual productivity benefit of £500-850 million.
- **Providing all NHS staff with digital passports and access to a new NHS Staff App.** This will significantly reduce the bureaucracy involved in moving between different parts of the NHS, and eliminate the need to redo training courses, meaning more time can be spent on patient treatment and care.
- **An acceleration of the Federated Data Platform (FDP)** to bring together operational and ICS data currently stored on separate systems to every trust in the country by the end of 2026-27 so staff can access the information they need in one safe and secure environment. Amongst other benefits, the NHS estimates the FDP could enable a 10%

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improvement in theatre utilisation, freeing up consultants to do an extra 200,000 operations procedures a year.

£2 billion will be invested to update fragmented and outdated IT systems across the NHS, reducing 13 million hours wasted by doctors every year and enabling up to £4 billion of savings over five years. This will also lay the groundwork for cutting-edge technologies such as AI, enabling the NHS to become a world leader in using technology. These steps include:

- **Upgrading IT systems, scaling up existing use of AI and ensuring all NHS staff are equipped with modern computing technology.** This will reduce time spent on non-clinical work and set the foundation for other technology investment to be effective. Highly digitised ICSs have 27% lower A&E wait times and 14% lower referral to treatment times, while also delivering care at lower cost.
- **Ensuring all NHS Trusts have Electronic Patient Records** by March 2026, ending reliance on outdated physical paper records across the system and ensuring patients can easily access records across all NHS systems.
- **Upgrading over one hundred MRI scanners with AI**, enabling scans to be delivered up to 35% more quickly. When combined with best practice on booking and scheduling approaches, this would mean up to 130,000 patients a year, including those waiting for cancer results, will receive their test results sooner.
- **Digitising transfers of care.** This will ensure patients can move more quickly and easily between care settings and would reduce the time primary care staff spend on each referral by up to 15 minutes.

The government and NHS England will convene an external expert advisory panel to ensure that the programme has the support and challenge to deliver its goals, including making the best use of new and emerging technologies.

A step change in the timeliness of data and reporting will also enable the NHS to identify and adapt the best policies for improving productivity more quickly. NHS England will start reporting against new productivity metrics regularly from the second half of 2024-25, at a national, Integrated Card Board (ICB) and Trust level. New incentives will be introduced to reward providers that deliver productivity improvement at a local level, including through effective investment helping to deliver better outcomes. Further detail will be set out in the summer.

Building on the progress already made, the government will work with NHS England to reduce the costs of agency staffing, including **ending the use of expensive "off-framework" agency staffing** from July 2024, while ensuring that emergency cover can continue.

Alongside this, the NHS will introduce a wider set of measures to review agency price caps, tighten controls and rules around agency staffing, and improve support and transparency. Further details will be set out in the NHS' Planning Guidance, which will be published shortly.

Maternity safety

The government and NHS England are **investing £35 million over three years to improve maternity safety across England**, with specialist training for staff, additional midwives and support to ensure maternity services act on women's experiences to improve care. This package will include:

- £9 million over three years, to **roll out the Avoiding Brain Injuries in Childbirth programme across maternity units in England** to provide maternity services with the tools and training to reduce avoidable brain injuries in childbirth.
- **Further investment in training** to ensure the NHS workforce has the skills needed to provide ever safer care. We will train an additional 6,000 midwives in neonatal resuscitation and nearly double the number of clinical staff who have received specialist training in obstetric medicine in England.
- **Increasing the number of midwives by funding 160 new posts over three years to** support the growth of the maternity and neonatal workforce.
- **Funding to support the rollout of Maternity and Neonatal Voice Partnerships,** to improve how women's experiences and views are listened to and acted on to improve care.

Transforming other public services

The NHS productivity plan, set out at Spring Budget is just the start; it is a blueprint for other parts of the public sector to adopt. Over the coming months, the Public Sector Productivity Programme will take this reforming approach to the delivery of public services and focus on improving productivity in other frontline services across the public sector.

To drive this forward, relevant departments will develop detailed productivity plans, building on their work to date and the funding announced at Spring Budget.

These plans will be developed over the coming months ahead of the next Spending Review. That Spending Review – which will come after the General Election – will put in place a robust and comprehensive strategy for improving public sector productivity, putting these improvements at the heart of departmental settlements.

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This will provide the foundation to drive significant improvements in how crucial public services operate, so that the government can deliver the outcomes the public expect while controlling levels of government spending. This continued work on the Public Sector Productivity Programme will ensure the government is more prepared than ever for the Spending Review, and the choices and opportunities it brings.

To turbocharge the development of these departmental plans ahead of the next Spending Review, the government is committing an additional £800 million of funding over the forecast period for productivity initiatives outside the NHS. These investments are part of the Public Sector Productivity Programme, as set out at Autumn Statement 2023:

1) Reducing the amount of time our key frontline workers spend on unnecessary administrative tasks. The government is:

- Committing £230 million to deliver pilot schemes of police technology like facial recognition, automating the triage of 101 calls and deploying drones as first responders to enable police officers to spend more time on the frontline tackling crime. This will be supported by establishing a Centre for Police Productivity to improve police data quality and enable forces to implement promising technologies.
- Committing £170 million to deliver a justice system fit for the modern era. This includes £55 million for the Family Courts to offer online targeted guidance and earlier legal advice, shortening wait times and supporting families through non-court dispute resolution; £100 million into prisons to support rehabilitative activities, reducing reoffending; and £15 million to introduce digital solutions, reducing administrative burdens in the courts.
- Piloting the use of AI solutions to support planning authorities to streamline their local plan development processes, producing plans in 30 months rather than the current average of seven years. This builds on work to date which has already reduced planning officer processing times by up to 30% per application.

2) Embracing the opportunities presented by making greater use of cutting-edge technology, such as AI, across the public sector. The government is:

- More than doubling the size of i.AI, the AI incubator team, ensuring that the UK government has the in-house expertise consisting of the most talented technology professionals in the UK, who can apply their skills and expertise to appropriately seize the benefits of AI across the public sector and Civil Service.
- Committing £34 million to expand the Public Sector Fraud Authority by deploying AI to help combat fraud across the public sector, making it easier to spot, stop and catch fraudsters thereby saving £100 million for the public purse.
- Committing £17 million to accelerate DWP's digital transformation, replacing paper-based processes with simplified online services, such as a new system

for the Child Maintenance Service.

- Committing £14 million for public sector research and innovation infrastructure. This includes funding to develop the next generation of health and security technologies, unlocking productivity improvements in the public and private sector alike.

3) Strengthening preventative action to reduce demand on public services. The government is:

- Committing an initial £105 million towards a wave of 15 new special free schools to create over 2,000 additional places for children with special educational needs and disabilities (SEND) across England. This will help more children receive a world-class education and builds on the significant levels of capital funding for SEND invested at the 2021 Spending Review. The locations of these special free schools will be announced by May 2024.
- Confirming the location of 20 Alternative Provision (AP) free schools, which will create over 1,600 additional AP places across England as part of the Spending Review 2021 commitment to invest £2.6 billion capital in high needs provision. This will support early intervention, helping improve outcomes for children requiring alternative provision, and helping them to fulfil their potential.
- Committing £45 million match funding to local authorities to build an additional 200 open children's home placements, and £120 million to fund the maintenance of the existing secure children's home estate and rebuild Atkinson Secure Children's Home and Swanwick Secure Children's Home. This extra capacity will reduce local government reliance on costly emergency provision and improve outcomes for children by providing them with more suitable placements. The government will also be developing proposals on what more can be done to combat profiteering, bring down costs and create a more sustainable market for residential placements which it will publish later this year. Furthermore, it will work with the Local Government Pension Scheme to consider the role they could play in unlocking investment in new children's homes.
- Committing £75 million over three years from 2025 onwards to expand the Violence Reduction Unit model across England and Wales, supporting a prevention-first approach to serious violence. Violence Reduction Units enable local public services such as health boards, schools and police leaders to coordinate their joint strategy to tackle serious violence among young people, preventing violent crime and reducing burdens on healthcare, schools and criminal justice.
- Funding the Changing Futures programme, which is using locally led pilots in fifteen areas to test a person-centred approach to improving outcomes for adults facing multiple disadvantages. Emerging findings show a range of positive impacts, such as fewer visits to A&E and improvements to mental and physical wellbeing.
- Backing Open Referral UK to streamline administrative processes for councils. This will set up an Open Referral UK cross-government advisory

group and drive further adoption of the Open Referral UK data standard[footnote 34] as part of a three-year plan. Benefits of adoption for councils could include residents receiving information more quickly and improved service connection.

This investment is expected to deliver up to £1.8 billion of productivity benefits over the forecast period and is just the first step in the government's plan to transform public service delivery and generate significant benefits in future years. Further funding will be considered at the Spending Review, subject to the development and agreement of robust and detailed productivity plans.

In developing these plans, the government will continue to focus on reducing time spent on administrative activity, use of AI and digitisation, and upstream prevention to boost public sector productivity.

These plans will provide a clear vision for how public sector productivity can and will be improved for each key public service area. They will be supported by a robust delivery plan for how benefits will be realised.

The Cabinet Office will also set out how the Civil Service and wider public sector can take advantage of the opportunities of AI through a strategic vision, building on the establishment of the Incubator for AI. The Cabinet Office is also working with departments to finalise AI adoption plans, which will be ready in time for the Spending Review, and will continue to expand the application of automation and AI across the range of priority areas.

As part of this effort the government will also continue to focus on driving productivity in the Civil Service through its ongoing programme of modernisation and reform. Improving productivity will enable the Civil Service to deliver more with less, maintain and improve public services and unlock change across the wider public sector. This work will draw on functional expertise to drive ambition in the priority areas set out by the C&AG, which the government has provided more detail on in the separate plan published alongside Spring Budget, and will focus on:

- **Simplicity –** streamlining, simplifying and rewiring the operation of government.
- **Technology –** transforming government by harnessing the potential of automation and new technologies.
- **People –** unlocking the potential of the Civil Service workforce.

The Minister for the Cabinet Office has also announced he will publish guidance on how staff networks operate across the Civil Service, building on the audit of Equality, Diversity and Inclusion spending, as well as setting out impartiality commitments under the Civil Service Code.

To continue to take a whole-of-government approach, local authorities have also been asked to produce plans by July 2024 setting out how they will improve service performance, utilise data and technology, and reduce wasteful spend. DLUHC will also set up a productivity panel to support the long-term sustainability of the sector, which will discuss the key themes emerging from the plans and offer advice to both councils and government that will be considered going forward.

3.3 A fair and sustainable tax system

The government is bringing forward a series of reforms to ensure the tax system remains fair, keeps pace with developments in the economy, and supports sustainable public finances. It is by doing this, continuing to control public spending, and boosting growth, that the government can cut taxes for working people in a sustainable and responsible way.

The government is bringing forward a series of reforms to ensure the tax system remains fair, keeps pace with developments in the economy, and supports sustainable public finances.

Therefore, after careful consideration of the best approach to make the tax system fairer while maintaining the UK's international competitiveness, the government is abolishing the current outdated tax regime for non-UK domiciled individuals and replacing it with a modernised residence-based regime that is simpler, fairer and more competitive. Under the new regime anyone who has been tax resident in the UK for more than four years will pay UK tax on their foreign income and gains, as is the case for other UK residents. This measure raises £2.7 billion in the year 2028-29.

This represents a significant change for those medium and long-term residents who will be affected. Transitional arrangements for existing non-doms claiming the remittance basis will include an option to rebase the value of capital assets to 5 April 2019 and a temporary 50% exemption for the taxation of foreign income for the first year of the new regime (2025-26). The government will also offer a two-year Temporary Repatriation Facility for individuals who have paid tax on the remittance basis prior to 6 April 2025 to bring previously accrued foreign income and gains into the UK at a 12% rate of tax. This facility is expected to bring in an additional £15 billion of foreign income and gains onshore to the UK and raise over £1 billion in additional tax receipts.

From 6 April 2025, the government will introduce a new residence-based regime specifically designed to make the UK more competitive. Individuals will not pay UK tax on any foreign income and gains arising in their first four years of tax residence, provided they have been non-tax resident for the last 10 years. Eligible employees will also be able to claim Overseas Workday Relief in their first three years of tax residence for income from employment duties carried out overseas. This represents a competitive offer for international talent to live, work and invest in the UK.

The government is also announcing the intention to move to a residence-based regime for Inheritance Tax (IHT) and will consult in due course on the best way to achieve this. No changes to IHT will take effect before 6 April 2025.

Further information on these changes can be found in a technical note published on GOV.UK.

The Tackling the Tax Gap package announced at Autumn Statement 2023 was the largest since 2016, raising £5 billion of tax revenue over the five-year Autumn Statement 2023 forecast period. The government is building on this with a new package of measures that will raise over £4.5 billion by 2028-29, including by ensuring taxpayers are supported out of tax debt faster. The government is also implementing international standards to close gaps in the tax transparency system that have emerged as a result of recent developments in financial technology and the global crypto-asset market.

The government is building on strong actions at recent fiscal events, including measures to clamp down on promoters of tax avoidance, and is now going further to strengthen taxpayer protections, making it harder for bad actors to provide tax advice that could cause harm. The government is consulting both on options to strengthen the regulatory framework in the tax advice market, and on requiring tax advisers to register with HMRC if they wish to interact with HMRC on a client's behalf. Following consultation in 2023, the government will set out next steps for tackling non-compliance in the umbrella company market shortly.

The Energy Profits Levy was introduced in 2022 to ensure that oil and gas producers in the UK pay their fair share of tax from extraordinary profits. Gas prices are forecast to remain abnormally high until at least 2028-29. The government is therefore extending the Energy Profits Levy by an additional year to 2028-29. The government is also bringing forward legislation to put beyond doubt that the Energy Profits Levy will end if oil and gas prices drop below the levels set by the Energy Security Investment Mechanism before then.

Health advice is clear that vaping is not risk free and those who do not smoke should not vape. A new duty on vaping, introduced from October 2026, will discourage non-smokers from taking up vaping and raise revenue to help fund public services like the NHS. This new duty will raise £445 million in 2028-29.

Last year, the government announced ambitious plans to protect future generations from the harms of smoking and create the first smokefree generation. To ensure vapes continue to play a role in helping smokers give up cigarettes, tobacco duty will also be increased from October 2026 to maintain the current financial incentive to choose vaping over smoking. This will raise a further £170 million in 2028-29.

The government is making a one-off adjustment to rates of Air Passenger Duty (APD) on non-economy passengers to account for high inflation in recent years and help to maintain the value of APD in real terms. For those in economy on domestic or short-haul flights, rates will remain frozen, benefitting more than 70% of passengers and keeping the cost of flying down.

In December 2023, the government confirmed that it would introduce a Carbon Border Adjustment Mechanism. This will be introduced from 1 January 2027 and will apply to relevant goods imported in the aluminium, cement, ceramics, fertiliser, glass, hydrogen and iron & steel sectors. The details will be subject to public consultation later in 2024. This will give industry the confidence to invest in the knowledge their decarbonisation efforts will not be undermined.

Box 2.C Tax simplification

The government wants the tax system to be simple, fair and support growth. To make progress on its tax simplification objectives the government is delivering changes both to how taxpayers interact with the tax system and to the underlying tax rules.

This is why the government is announcing four metrics to track progress being made in simplifying the tax system, especially for small businesses and individuals, with a view to reducing business burdens over time. From HMRC's annual customer survey, the government will track the views of small businesses and individuals on the ease of dealing with tax issues, and the ease of finding information. The government will also measure how easy taxpayers found it to deal with HMRC from a survey offered after using HMRC's telephony or digital services. Lastly, following representations from the Federation of Small Business, the government will monitor HMRC's estimate of the net change in cost to businesses of meeting tax obligations from fiscal event measures. These metrics will be kept under review and enhanced, taking into account feedback from stakeholders.

At Spring Budget, the government is delivering further administrative reforms to make it easier for individuals and sole traders to meet their tax obligations by:

- **Easing the payment of inheritance tax before probate or confirmation:** From 1 April 2024, personal representatives of estates will no longer need to have sought commercial loans to pay inheritance tax before applying to obtain a "grant on credit" from HMRC.
- **Investment in HMRC digital services:** The government is removing confusion for Income Tax Self-Assessment customers by simplifying access to digital services for customers who want to pay in instalments in advance via a Budget Payment Plan, or in arrears via a Time to Pay Arrangement from September 2025.

At Spring Budget, the government is also simplifying underlying tax rules, including:

- **Abolishing the current tax regime for non-UK domiciled individuals**, replacing the outdated concept of domicile with a simpler residence-based regime. Under the new regime, anyone who has been tax resident in the UK for more than four years will pay UK tax on foreign income and gains, as is the case for other UK tax residents. This is a much simpler and clearer test, with less scope for ambiguity than the current system. The new regime will no longer rely on the remittance basis, removing a source of complexity that incentivises individuals to keep income and gains offshore in the current system.

- **Announcing the end of the Alcohol Duty Stamps scheme** following a review by HMRC. Removing the scheme represents a simplification for the spirits industry which has faced associated cost burdens and complexity.
- **Abolishing the Furnished Holiday Lettings (FHL) tax regime** from 6 April 2025, meaning short-term and long-term lets will be treated the same for tax purposes. Individuals with FHL and non-FHL properties will no longer need to calculate and report income separately.
- At Autumn Statement 2023, the government announced the removal of the requirement to pay Class 2 NICs and **committed to abolishing Class 2 entirely.** The government will consult on the details of the reform later this year.

4. Rewarding work

At Autumn Statement 2023 the government delivered on its commitment to ensure work always pays and reformed the welfare system to help people work, where they are able to. The government is building on this commitment and announcing further tax cuts for 29 million working people. The government is taking a responsible approach by delivering tax cuts within the fiscal rules, with underlying debt falling as a share of GDP in 2028-29.

The NICs cuts announced at Spring Budget reduce taxes for 29 million workers, increasing total hours worked in the economy by the equivalent of almost 100,000 additional full-time workers by 2028-29. Together with cuts announced at Autumn Statement, this is an overall tax cut worth over £20 billion per year, the largest ever cut to employee and self-employed National Insurance – and means the combined impact of government policy from 2022 reduces the tax burden by 0.6 percentage points.[footnote 35] The OBR expects that policies announced at Spring Budget and the previous two fiscal events will increase the size of the economy by 0.7% by 2028-29, by increasing total hours worked by the equivalent of over 300,000 full-time workers, and boosting business investment by £14 billion.

To support working parents, Spring Budget 2023 announced a significant expansion of childcare support in England by providing 30 hours a week of free childcare to eligible working parents. Spring Budget 2024 announces plans to

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end the unfairness for single earner families in the Child Benefit system by administering the High Income Child Benefit Charge (HICBC) on a household rather than individual basis by April 2026, and the government will consult in due course. The government will also raise the HICBC threshold to £60,000, meaning more hard-working families across the United Kingdom will be supported to balance work with looking after their children.

The government is also building on its record of housebuilding and is on track to deliver one million homes within this Parliament, helping more people across the country to own their own home. In 2022-23, 234,400 net additional dwellings were delivered, and since 2018 there have been the four highest annual housebuilding rates in the last 30 years.[footnote 36] The government is also reforming the property tax system – making the system fairer by levelling the playing field between short and long-term lets, encouraging residential disposals to boost the availability of housing, and raising funds to support the public finances.

4.1 Rewarding working people

The tax system should be fair, simple, and reward hard work. Rewarding those in work is the best way to get the economy growing and reducing employee and self-employed NICs makes the tax system fairer by targeting working people.

At Autumn Statement 2023 the government announced NICs cuts for 29 million people. The government is now building on this, announcing further NICs cuts, with an additional 2p reduction to the main rates of employee and self-employed NICs from 6 April 2024. This is a tax cut worth over £10 billion per year, and the OBR expect that as a result total hours worked will increase by the equivalent of almost 100,000 full-time workers by 2028-29, of which the majority is a further increase in hours worked by those already in work. The average worker on £35,400 will receive a tax cut of over £450 per year from April 2024. Alongside the cuts from Autumn Statement, this is a total annual tax cut of over £900.[footnote 37]

Following the changes at Autumn Statement 2023, the combined rate of income tax and NICs for employees paying the basic rate decreased from 32% to 30% from 6 January 2024. The government is cutting the main rate of Class 1 employee NICs further from 10% to 8%, making the combined basic rate 28%. Together with cuts announced at Autumn Statement 2023 this provides an overall 4p tax cut for 27 million working people. The personal taxes paid by a median earner as a proportion of their income in 2024-25, are the lowest they have been since 1975.[footnote 38] This is also the lowest combined basic rate of income tax and NICs since the introduction of the modern structure of National Insurance in 1975.[footnote 39]

Taken together these cuts mean:

- an average full-time nurse on £38,900 will receive an annual gain of over £1,000[footnote 40]
- an average teacher on £44,300 will receive an annual gain of over £1,250[footnote 41]
- an average police officer on £44,300 will receive an annual gain of over £1,250[footnote 42]
- a typical junior doctor on £65,000 will receive over £1,500[footnote 43]
- and working families with two earners each on the average salary will receive a gain of over £1,800.

The government will also support the self-employed by cutting the main rate of Class 4 self-employed NICs to 6%. This will benefit over 2 million individuals, recognising the contribution of the self-employed and ensuring work pays for all. Taking this together with changes from Autumn Statement 2023, this will mean a 3p reduction in the main rate of Class 4 and the abolition of the requirement to pay Class 2 from April 2024. This will save an average self-employed person on £28,000 £650 a year.[footnote 44]

These further cuts will take effect from 6 April 2024, meaning workers will see a one third reduction in their main rate of National Insurance contributions compared to April 2023. This is the largest ever cut to employee and self-employed National Insurance.[footnote 45]

Finally, the government will launch a consultation later this year to deliver its commitment to fully abolish Class 2 National Insurance. This follows the announcement at Autumn Statement 2023 that from April 2024 no self-employed person will be required to pay Class 2, whilst those who pay voluntarily will continue to be able to do so to build entitlement to contributory benefits. The government remains committed to reforming this complex part of the tax system while ensuring that low-income self-employed individuals will not pay more.

Together, the government's changes to NICs across Autumn Statement 2023 and Spring Budget have reduced and simplified taxes for working people by;

- abolishing an entire class of NICs to cut taxes and free up time for the self- employed, and
- making the tax system fairer by cutting taxes for hard-working families.

The NICs cuts at Autumn Statement and Spring Budget and above inflation increases to thresholds since 2010 mean that an average worker on £35,400 will pay over £1,500 less in personal taxes in 2024-25 than they otherwise would have done.[footnote 46]

The government is committed to supporting working families. At Spring Budget 2023, the government announced a significant expansion of childcare support in England by providing 30 hours a week of free childcare for 38 weeks a year, for eligible working parents of children aged nine months to three years which will remove barriers to work for over 400,000 parents. The first stage of this offer is being rolled out in April 2024, when eligible working parents of two year olds will be entitled to 15 hours of childcare a week.

To support the sector to deliver the expansion of childcare support, the government is confirming that the hourly rate providers are paid to deliver the free hours offers will increase in line with the metric used at Spring Budget 2023 for the next two years. This reflects that workforce costs are the most significant costs for childcare providers and represents an estimated additional £500 million of investment over two years. Along with planned reforms to local funding rules, whereby Local Authorities (LAs) will have an eight week window to communicate final hourly funding rates to providers and will soon have to pass through at least 97% of funding to providers, this gives providers more certainty on future funding so they invest in expanding their business.

The government will reform Child Benefit to support working families. Child Benefit helps parents pay for the costs associated with having children, meaning they can better balance work with looking after their children. However, the administration of the HICBC is unfair towards single earner families. The government plans to end this unfairness by administering the HICBC on household basis rather than an individual basis by April 2026, and the government will consult in due course.

From April 2024, the government is also increasing the HICBC threshold from £50,000 to £60,000, taking 170,000 families out of paying this tax charge.[footnote 47] The rate at which the HICBC is charged will also be halved so that Child Benefit is not withdrawn in full until individuals earn £80,000 or more, thereby improving people's incentives to continue working or take up more hours. This will reduce the marginal tax rate resulting from HICBC – for example, from 64% to 53% for someone with two children.[footnote 48] Overall, the government estimates 485,000 families will gain an average of £1,260 in Child Benefit in 2024-25 as a result of these changes.[footnote 49]

4.2 Supporting people into work

Alongside rewarding those already in work, the government remains committed to removing the barriers that people face when entering the labour market. Inactivity remains elevated, and inactivity due to long-term sickness remains historically high.

At Autumn Statement 2023, the government announced a new Back to Work Plan to expand employment support for the long-term sick and disabled, and the long-term unemployed. Reforms to the Work Capability Assessment announced at Autumn Statement 2023 will reduce by 66% the net flow of people forecast over five years to be assessed to have no work requirements as a result of their health condition, ensuring that more individuals receive the right work and health support at the right time.[footnote 50] The Autumn Statement measures built on the comprehensive employment package from Spring Budget 2023, which focused support on groups where inactivity levels were high or where employment support is most needed, including the long-term sick and disabled, welfare recipients, and people aged over 50.

The government is extending the duration of the Additional Jobcentre Support pilot across England and Scotland for a further 12 months. This pilot will continue to test how intensive support at specific points in a Universal Credit claimant's journey can help support them into employment or higher earnings. As part of the pilot extension, claimants will also be required to accept a new claimant commitment at 6, 13 and 26 weeks, agreeing to more work requirements or have their claim closed.

The government is also providing additional funding to support the processing of disability benefit claims. The funding will increase system capacity to meet increased demand, enabling people to get the right support in a timely manner.

4.3 Housing

The government is committed to building more homes and supporting more first-time buyers onto the housing ladder. At Spring Budget the government takes action to boost housing supply now, sets out real progress on the government's Long-Term Plan for Housing, and proposes long-term changes to help the market bring forward new houses.

Following on from the £188 million allocated to housing projects in Sheffield, Blackpool and Liverpool at the Convention of the North on 1 March 2024, Spring Budget allocates over £240 million to housing projects in London, unlocking up to 7,200 homes in Barking and a new life sciences hub and up to 750 homes in Canary Wharf. Additionally, a new £20 million investment in social finance will build up to 3,000 new homes and improve capacity of local community groups to deliver housing.

The government is delivering on the Long-Term Plan for Housing announced in July 2023, which offers targeted support to Cambridge, London and Leeds. Alongside Spring Budget, the government is setting out its ambitious vision for Leeds to unlock 20,000 homes, and in London, the government is establishing the Euston Housing Delivery Group with £4 million to support plans to deliver up to 10,000 new homes.

Spring Budget confirms that the future development corporation in Cambridge will receive a long-term funding settlement at the next Spending Review, to start delivering on the government's plan to unleash the economic potential of the city, including building new homes and increasing the amount of lab space.

In addition, £10.2 million is being invested to support the development of the Cambridge Biomedical Campus, Europe's leading centre for medical research and health science. £7.2 million of this will unlock improvements to local transport connections for the Cambridge Biomedical Campus and the city, and £3 million is for Cambridge University NHS Trust to support plans for growth.

The government is launching round 2 of the Local Nutrient Mitigation Fund, which will support delivery of 30,000 homes by 2030 that would otherwise be stalled due to high levels of nutrient pollution. To boost capacity in the planning system, the government is committing £3 million to match industry-led funding for a skills and education programme to attract more people to take up roles as local planners in planning authorities.

The government will implement a change to Capital Gains Tax (CGT) to support the housing market. The higher rate of CGT for residential property disposals will be cut from 28% to 24%. The lower rate will remain at 18% for any gains that fall within an individual's basic rate band. This will encourage landlords and second home-owners to sell their properties, making more available for a variety of buyers including those looking to get on the housing ladder for the first time, while also raising revenue over the forecast period. Private Residence Relief will remain in place, meaning the vast majority of residential property disposals will pay no CGT.

The government will remove the current incentive for landlords to offer short-term holiday lets rather than longer-term homes by abolishing the Furnished Holiday Lettings (FHL) tax regime. This will level the playing field between short- term and long-term lets and support people to live in their local area. This will take effect from April 2025 and draft legislation will be published in due course.

From 1 June 2024, the government is abolishing Multiple Dwellings Relief, a bulk purchase relief in the Stamp Duty Land Tax regime. This follows an external evaluation which showed no strong evidence the relief is meeting its original objectives of supporting investment in the private rented sector. Property transactions with contracts that were exchanged on or before 6 March 2024 will continue to benefit from the relief regardless of when they complete, as will any other purchases that are completed before 1 June 2024. The government will engage with the agricultural industry to determine if there are any particular impacts for the sector that should be considered further.

4.4 Supporting households

In response to the energy crisis, the government has demonstrated its commitment to supporting the most vulnerable by providing one of the largest support packages in Europe.[footnote 51] The total support in 2022-23 and 2023-

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24 to help households with the cost of living is £94 billion – an average of £3,300 per UK household.[footnote 52]

At Autumn Statement 2023, the government announced benefits uprating and further cost of living support for 2024-25, building on the substantial package of support already provided since 2021. Working age benefits will be uprated by September 2023 CPI of 6.7% from April 2024. This is 3.6 percentage points higher than forecast earnings for 2024-25 and will help support the most vulnerable whilst inflation continues to fall. As a result, 5.5 million households on Universal Credit will gain £470 on average in 2024-25.[footnote 53]

The government is also committed to supporting pensioner incomes by maintaining the triple lock. In 2024-25, the full yearly amount of the basic State Pension will be £3,700 higher, in cash terms, than in 2010.[footnote 54] That's £990 more than if it had been uprated by prices, and £1,000 more than if it had been uprated by earnings (since 2010).[footnote 55]

To support low-income households with increasing rent costs, the government announced that Local Housing Allowance rates will rise to the 30th percentile of local market rents from April 2024. This will benefit 1.6 million low-income households, who will be around £800 a year better off on average in 2024-25. [footnote 56]

The government is continuing to provide targeted support for the most vulnerable as inflation continues to fall. To help households with the cost of essentials such as food and utilities, the government is providing an additional £500 million (including Barnett impact) to enable the extension of the Household Support Fund (HSF) in England from April to September 2024.

Beyond this, the government is continuing to support motorists and industry by maintaining rates of fuel duty at the current levels for a further 12 months, through extending the temporary 5p fuel duty cut and cancelling the planned inflation-linked increase for 2024-25. This support is being maintained at a time where many other European countries have ended their fuel duty cuts: it represents around £13 billion of support over the three years from the cut being introduced, and is worth around £50 for the average car driver in 2024-25. [footnote 57]

To further support alcohol producers, pubs, and the hospitality sector, and to help consumers with the cost of living, the government will freeze alcohol duty from 1 August 2024 until 1 February 2025. This extends the six-month freeze announced at Autumn Statement 2023. This will result in 2p less duty on an average pint of beer, 1p less duty on an average pint of cider, 10p less duty on an average bottle of wine, and 33p less duty on an average bottle of spirits, than if the planned duty increase had gone ahead.[footnote 58]

The outlook for living standards has improved since Autumn Statement 2023 due to lower-than-expected inflation and stronger labour and non-labour incomes. The OBR now expects living standards, as measured by real

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household disposable income (RHDI) per person, to grow by 0.8% in 2023-24 and continue to grow in all years of the forecast. In the latest year of data (year to Q3 2023), RHDI per person was around £1,100 higher than the OBR expected in their Spring Budget 2023 forecast.[footnote 59]

However, despite the overall improved living standards picture, certain groups will continue to experience pressure on their living standards. In this context, the government is taking further steps at the Spring Budget to support the most vulnerable whilst ensuring that decisions are fiscally sustainable.

Since July 2023, the government has removed the premium paid by over 4 million households using prepayment meters (PPMs) bringing their charges into line with comparable direct debit customers and saving them around £25, via the Energy Price Guarantee (EPG).[footnote 60] [footnote 61] The government also committed to remove the PPM premium on a permanent basis, following the end of the EPG in March 2024. As announced by Ofgem, we are delivering on this commitment – removing the PPM standing charge premium on an enduring basis and saving PPM customers £50 a year. This will end the inequity of people with prepayment meters, many of whom are vulnerable, being charged more up-front for their energy than other consumers.

To support households struggling with problem debts, the government is making it easier to access a Debt Relief Order (DRO). DROs are a personal insolvency debt solution for individuals who cannot pay their debts. At Spring Budget, the government is removing the £90 administration fee from 6 April 2024. The government is also raising the maximum debt value threshold from £30,000 to £50,000 and increasing the maximum value of motor vehicle that an individual can retain from £2,000 to £4,000, from 28 June 2024. These changes build on government's record levels of funding for debt advice in England, meaning that more people can access debt relief and get a fresh start with their finances.

Alongside this, the government is increasing the repayment period on budgeting advance loans taken out by claimants on Universal Credit from 12 months to 24 months. This will apply to new Budgeting Advances taken out from December 2024 and will reduce the monthly repayments on these loans, relieving financial pressure on low-income households on Universal Credit.

5. Delivering our plan for growth

The government is focused on taking long-term decisions to strengthen the economy, by boosting productivity and increasing the number of people in good jobs. Building on the Prime Minister's 2022 Mais lecture and the Chancellor's 2023 Bloomberg speech, the government set out its plan to drive growth at Spring Budget, the Chancellor's Mansion House speech, and Autumn

Statement in 2023. Across these events, the government has taken significant action to increase labour market participation and business investment, directly addressing key drivers of long-term economic growth.

In particular, the government's ambitious growth agenda includes:

- a £7 billion package to increase the number of people in work
- a £2.5 billion Back to Work Plan to expand employment support for the long-term sick and disabled and the long-term unemployed
- making full expensing permanent, a tax cut to companies worth over £10 billion a year
- removing barriers to investment by reforming the UK's inefficient planning system and speeding up electricity grid connection times
- backing the UK's high growth industries by making £4.5 billion available for strategic manufacturing sectors over the five years to 2030 and
- boosting local growth through the Investment Zones programme.

Spring Budget builds on measures taken in Spring Budget 2023 and Autumn Statement 2023 to deliver long-term growth. Measures announced at Spring Budget reduce taxes for 29 million people, increasing total hours worked in the economy by the equivalent of more than 100,000 additional full-time workers by 2028-29. This means that government policy announced at the past three fiscal events is expected to increase the size of the economy by 0.7% by 2028-29, by increasing total hours worked by the equivalent of more than 300,000 full-time workers, and boosting business investment by £14 billion.

At Spring Budget, the government is setting out its next steps in delivering its plan for growth.

- The government began by cutting National Insurance for 29 million workers at Autumn Statement 2023. Spring Budget goes further by cutting the main rate of employee National Insurance by 2p from 10% to 8%. The government will also make a further 2p cut to the main rate of self-employed National Insurance on top of the 1p cut announced at Autumn Statement. This means that from April 2024 the main rate of Class 4 NICs for the self-employed will now be reduced from 9% to 6%.
- In 2024, the year of the SME, the government continues to back UK SMEs as the lifeblood of the economy and the beating heart of local communities. The government will increase the VAT registration threshold to £90,000 from 1 April 2024 and is extending the Recovery Loan Scheme to support SMEs to access finance, renaming it the "Growth Guarantee Scheme".
- The government will seek to extend full expensing to assets for leasing when fiscal conditions allow and will publish draft legislation shortly.
- The government is announcing the next steps in removing barriers to investment within the infrastructure and commercial planning system and can confirm that, since Autumn Statement 2023, government reforms to the grid

system have accelerated offered connection dates for projects totalling 40GW, equivalent to £40 billion of investment.

- Following the ambitious Edinburgh and Mansion House reforms, the government will go further to improve the competitiveness of the UK's capital markets and unlock more private capital for the UK's growth industries, including through launching a UK ISA to support savers and open up new investment opportunities for individuals.
- The government is going further in backing the UK's high growth sectors, announcing significant new support for creative industries including over £1 billion in additional tax relief over the next five years.
- To deliver sustainable growth and productivity right across the country, the government is providing further detail on Investment Zones and is continuing to empower local leaders by extending and deepening devolution across England.
- To ensure that people can live where they want to and meet the needs of the UK's growing, cutting-edge industries, Spring Budget allocates over £260 million to build more homes now, and sets out the government's commitment to growth in Cambridge, which will be supported by long-term funding at the next Spending Review.

5.1 Creating the right environment to boost growth, productivity and investment

Boosting investment

At Autumn Statement 2023, the government announced that full expensing would be made permanent, along with the 50% first-year allowance for special rate assets. This represents a tax cut for companies of over £10 billion a year and is forecast to generate £3 billion of additional investment each year; and £14 billion over the course of the next five years.[footnote 62] [footnote 63] The government also announced that the extension of full expensing to assets for leasing would be kept under review. To progress this work, the government will publish draft legislation shortly, and seek to extend full expensing to assets for leasing when fiscal conditions allow.

Foreign direct investment is vital for the UK economy and a key driver of productivity growth and job creation. The Harrington Review on foreign direct investment was published at Autumn Statement 2023.[footnote 64] The government accepted its recommendations in principle and boosted the resources available for delivery, including for the Office for Investment. Since then, the government has hosted the Global Investment Summit in November 2023 which unveiled £29.5 billion of new investment for thriving UK sectors. [footnote 65]

In collaboration with HM Treasury, the Office for Investment is launching a pilot programme working with departments to explore the creation of new government asset-backed investment opportunities, where this represents good value for money for the taxpayer. This has the potential to improve the usage of underutilised government assets and inject new funding into dormant assets across the country.

Planning and grid connection reforms

At Autumn Statement 2023 the government announced a range of reforms to the planning system to support business investment and the delivery of infrastructure. The government has made progress with implementing these, including through publishing the consultation on permitted development rights. [footnote 66] At Spring Budget, the government is publishing the consultation on a new accelerated planning service for major commercial applications; a response to the consultation on operational reforms to the Nationally Significant Infrastructure Project regime; and the updated National Networks National Policy Statement.[footnote 67] [footnote 68] [footnote 69]

The government is working with industry and Ofgem to implement electricity grid reforms announced at Autumn Statement 2023. Since November, over 40GW of energy projects have been offered earlier grid connection dates, accelerating up to £40 billion of investment.[footnote 70] The Electricity System Operator is inserting delivery milestones into over 1,000 connection contracts to remove stalled projects from the queue from this autumn. In addition, network companies have announced investment programmes, framework agreements and tenders worth up to £85 billion.[footnote 71]

The government has delivered, or set a date for delivery of, actions including:

- Bringing into force in January 2024 updated Energy National Policy Statements, including designating low carbon infrastructure such as networks as a critical national priority.
- Launching at Spring Budget 2024 a taskforce, to be chaired by the Rt Hon Julian Smith CBE MP, to explore Alternative Dispute Resolution mechanisms for disputes on compensation between landowners and electricity network operators.
- The Electricity System Operator publishing later this month the transitional Centralised Strategic Network Plan which is expected to stimulate up to £60 billion additional investment in the GB network.
- The establishment of a new National Energy System Operator in 2024, critical for the delivery of grid reforms and better system coordination, including through the new Strategic Spatial Energy Plan.
- Publishing new community benefits guidance by June 2024 and developing a new public register of community benefit packages.
- The Department for Energy Security and Net Zero consulting to introduce full cost recovery for planning casework it undertakes under the Electricity Act

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1989 and Planning Act 2008, helping to boost capacity and ensure timely decisions as the volume of applications increase.

The government has tasked industry to bring forward a plan to further cut connection times which delivers for all viable projects, building on the announcements at Autumn Statement 2023. The government will:

- Implement a new stringent connections process from January 2025 so that projects are only offered a specific connection date when they are ready to progress. The System Operator will set out further details this autumn.
- Work with the Electricity System Operator to outline further reforms by summer 2024, raising barriers to entering and remaining in the queue. This will build on Ofgem's decision later this month on whether to introduce a requirement for a landowner letter of authority to join the queue.
- Ensure strong incentives for network companies. Ofgem will review the regulatory framework for connections and make recommendations by June 2024, including considering if changes are needed to make sure that connection offers reflect the reduction in transmission infrastructure delivery times from 14 years to 7 years.

Transport

The government is committed to ensuring that the UK has the right transport infrastructure to drive economic growth. In October 2023, the government announced an ambitious plan to redirect savings from the cancellation of HS2 Phase 2 into alternative transport projects through Network North.[footnote 72] Delivery is progressing, including through productive engagement with local leaders to take forward the £12 billion investment to enable Northern Powerhouse Rail, improving connections between Liverpool and Manchester.[footnote 73] To support local transport priorities, Spring Budget confirms £4.7 billion in long-term funding settlements for places outside city regions in the North and Midlands. This is in addition to the £8.3 billion the government has announced it will be investing in local roads over the next 11 years to fill millions of potholes and resurface roads, repair bridges, and deliver vital local road upgrades across England.

The government is committed to delivering a privately financed HS2 Euston station. The government is working with Lendlease, the Euston Master Development Partner, and the London Borough of Camden to identify parts of the station site for early release and development in coming months, and progressing plans to realise the vision for an internationally-leading life sciences hub at the heart of the Euston Quarter. The government is establishing a Ministerial Taskforce to oversee the next stages of delivery, set strategic direction and facilitate decision making, as well as a Euston Housing Delivery Group to explore options to deliver ambitious housing opportunities and regeneration in the Euston area.

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At Spring Budget, the government is giving the green light to the next section of East West Rail, accelerating works to allow services from Oxford to Bedford to run by the end of the decade. It is also upgrading the timetable on the East Coast mainline from December 2024, delivering the benefits from £4 billion of government investment by providing faster and more frequent services between London and Yorkshire, Newcastle, the North East, and Edinburgh.

Science and innovation

Science and innovation are powerful drivers of economic growth. That is why the government is providing record levels of investment in research and development (R&D), including a £750 million package at Autumn Statement 2023. To maximise the impact of the package, the flagship Faraday Discovery Fellowships and Green Future Fellowships will be funded through endowments. New announcements at Spring Budget will support UK strategic advantage, with £14 million to boost the UK's public sector research and innovation infrastructure, up to £100 million support for future satellite communications, and £1.6 million to progress the quantum computing mission.

As part of the Autumn Statement 2023 package, the government announced reforms worth £280 million a year to simplify and improve R&D tax reliefs, helping to drive innovation in the UK. To improve the functioning of the R&D tax reliefs system, HMRC will establish an expert advisory panel to support the administration of R&D reliefs.

At Autumn Statement 2023, the government accepted the recommendations in Professor Irene Tracey's and Doctor Andrew Williamson's independent review of university spin-outs.[footnote 74] To help boost commercialisation across the UK's university sector, the government is driving forward implementation of the review's recommendations. The government has asked universities to report on their spin-out policies by the end of May and has also begun consulting on the design of the new £20 million proof-of-concept fund to support universities and future founders to de-risk technology, and on a pilot approach to supporting the establishment by universities of shared Technology Transfer Offices.

SMEs

The government recognises that SMEs are the lifeblood of the economy and the beating heart of local communities. That is why at Autumn Statement 2023 the government announced measures to support SME leaders to acquire vital skills and seize opportunities to increase productivity and grow their businesses. This was in addition to a business rates package to support small businesses and the high street, and action to encourage prompt payments.

Spring Budget builds on this, continuing the government's momentum in making 2024 the year of the SME by extending the Recovery Loan Scheme to support SMEs to access the finance they need and renaming it as the "Growth Guarantee Scheme", and publishing updated HMRC guidance on the tax

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deductibility of training costs for sole traders and the self-employed to provide certainty to those that want to invest in boosting their productivity.

The government recognises the contribution made by the self-employed to the economy. To reward hard work and ensure that the self-employed are able to keep more of their hard-earned money, the government will cut taxes again for the self-employed. There will be a further 2p cut to the main rate of self-employed National Insurance on top of the 1p cut announced at Autumn Statement 2023. This means that from April 2024 the main rate of Class 4 NICs for the self-employed will now be reduced from 9% to 6%. Combined with the abolition of the requirement to pay Class 2 NICs announced at Autumn Statement 2023, this will save an average self-employed person on £28,000 £650 a year.[footnote 75] The government will consult later in the year on abolishing Class 2 NICs while ensuring that low-paid self-employed people do not pay more.

The government recognises that VAT can be a burden for some small businesses, and will therefore increase the VAT registration threshold to £90,000 from 1 April 2024. This will ensure that the UK continues to have one of the highest thresholds in the OECD.[footnote 76] Over 28,000 businesses will benefit in 2024-25 from no longer being VAT registered.[footnote 77]

The government will also legislate to reinstate the previous eligibility criteria to qualify as a high net worth or sophisticated investor, and will also carry out further work to review the scope of the exemptions.

The government understands the importance of businesses having access to appropriate energy advice. The government is closely examining the findings from the SME Business Energy Advice Service pilot in the West Midlands to inform future policy in this area, including the potential to expand support nationwide.

Agriculture

In 2024, the farming sector will benefit from the largest-ever round of grants on offer to support investment in agricultural productivity and innovation, with £427 million of government funding crowding in additional private sector investment.[footnote 78] The government is also providing £75 million to Internal Drainage Boards to bolster investment in water and flood management assets which are vital to protect agricultural land from the impact of floods and storms.

5.2 Unlocking investment in growth through the financial system, savings, pension funds, and our international investment offer

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The UK's capital markets play a key role in the economy, allocating capital and facilitating investment for growth and job creation. The government is already implementing reforms to boost the UK's competitiveness via the Lord Hill UK Listing Review and the Chancellor's Edinburgh and Mansion House reforms.

Spring Budget builds on those policies and the measures announced at Autumn Statement 2023, to channel more capital into equity markets in the UK and improve the competitiveness of the UK as a listing destination. The government also continues to work with regulators and industry to ensure the UK's corporate governance environment is supporting sustainable growth.

As part of these reforms, the government is consulting on the Private Intermittent Securities and Capital Exchange System (PISCES), a new innovative market that will allow private companies to scale and grow, and will boost the pipeline of future IPOs in the UK.

Across the pensions industry as a whole, the best data suggests investment into UK equities has fallen to around 6%.[footnote 79] To improve data on current holdings, the government intends to bring forward requirements for Defined Contribution pension funds to publicly disclose the breakdown of their asset allocations, including UK equities, working closely with the Financial Conduct Authority (FCA) who share responsibility for setting requirements for the market. The FCA will consult in the spring.[footnote 80] The government will introduce equivalent requirements for Local Government Pension Scheme funds in England & Wales as early as April 2024. The government will review what further action should be taken if this data does not demonstrate that UK equity allocations are increasing.

The government is working with the FCA and The Pensions Regulator (TPR) on the upcoming Value for Money (VFM) pensions framework.[footnote 81],[footnote 82] The framework will highlight where schemes are focusing on short-term cost savings at the expense of long-term investment outcomes, and where schemes' current scale may be preventing them from offering value to savers. Where schemes are persistently offering poor outcomes for savers, the FCA and TPR will have the full range of regulatory powers available, and the government expects them to use the powers; these include closing a scheme to new employer entrants and, where necessary, winding up a scheme.

The Mansion House reforms announced in 2023 also sought to support and encourage a savings culture across the UK. That is why the government is announcing the launch of a new UK ISA and British Savings Bonds, which provide opportunities to save whilst supporting investment in the UK.

The UK ISA will support savers and open up UK retail investment opportunities for individuals. The UK ISA will be a £5,000 allowance in addition to the existing ISA allowance and will be a new tax-free product for people to invest in UK-focused assets. The government will consult on the details.

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The British Savings Bonds will be delivered through National Savings and Investments and will be launched in April 2024. This product will offer a guaranteed interest rate, fixed for three years, increasing the savings opportunities available to consumers. The government welcomes recent market-led initiatives that open up new access routes to government financing for retail investors and will continue to examine ways in which it can support retail customers' investment in gilts.

The government is committed to ensuring people have the opportunity to invest in a diverse range of investment types through their ISAs. As previously announced at Autumn Statement 2023 this includes certain fractional share contracts, and the government is working as quickly as possible to bring forward legislation by the end of the summer following detailed engagement with industry and the FCA.

The government continues to make strong progress on its commitment to fully exit the NatWest shareholding subject to market conditions and sales representing value for money, and intends to do so by 2025-26 utilising a range of disposal methods. The ongoing trading plan is making good progress against this objective, having now generated over £5.2 billion of proceeds since launch and reduced the government's shareholding to below 33% on 23 February 2024. In total, the government has raised over £14.5 billion of proceeds from sales of the NatWest shareholding to date.

As part of its long-standing ambition to return NatWest to private ownership, and to support the development of a savings and investment culture as well as the UK's wider capital markets, the government intends to deliver a sale of part of its NatWest shareholding to retail investors. A sale would take place this summer at the earliest, subject to supportive market conditions and achieving value for money for the taxpayer. Further information will be made available on gov.uk.

This package also confirms the winners of the Long-Term Investment for Technology and Science (LIFTS) competition as Schroders and Intermediate Capital Group (ICG), supported by pensions capital from Phoenix Group. Together with the government's £250 million, this is intended to generate over a billion pounds of investment into UK science and technology companies.

The government will also continue to examine, and will be engaging with firms on, the possible applications and benefits of applying Distributed Ledger Technology to a sovereign debt instrument.

5.3 Catalysing the growth sectors of the future

Since 2010, the government has provided targeted support to priority growth sectors which are helping to turn the UK in to the world's next Silicon Valley:

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creative industries; advanced manufacturing; green industries; digital technology and AI; and life sciences.

Creative industries

The government is committed to the success of creative industries, a sector that contributed £125 billion in Gross Value Added (GVA) in 2022 and employs 2.4 million people across the UK.[footnote 83] [footnote 84] In June 2023, the government published the sector vision setting out ambitions to grow the sector by a further £50 billion in GVA and support an additional 1 million jobs.[footnote 85]

At Spring Budget, the government is going further still, announcing a package that will provide over £1 billion in additional tax relief over the next five years. The government is providing support across the whole UK screen industry ensuring it remains competitive internationally and realises its true potential.

British independent film has consistently produced global hits for up-and-coming talent. To further support the sector, the government is introducing a new UK Independent Film Tax Credit at a rate of 53% for films with budgets under £15 million that meet the conditions of a new British Film Institute test.

To promote investment in new studio space, and ensure that the UK continues to be a world leader in producing film and high-end TV, the government will introduce a 40% relief on gross business rates bills for eligible film studios in England, until 2034.

The government will boost the competitiveness of its offer for visual effects by providing a 5% increase in tax relief for UK visual effects costs in film and high-end TV, under the Audio-Visual Expenditure Credit (AVEC). UK visual effects costs will be exempt from the AVEC's 80% cap on qualifying expenditure.

The government is committed to developing the emerging talent of the British film industry and will fund the National Film and Television School (NFTS) proposal for an extension subject to a business case demonstrating value for money. This extension would allow the school to offer up to 200 new apprenticeship places per year; new cutting edge courses including the use of AI; and improve facilities for students with physical disabilities.

To further strengthen the UK's cultural sector, the government will set permanent higher rates of tax reliefs for theatres, orchestras, museums and galleries to continue the government's support for world-class productions. From 1 April 2025 these rates will be permanently set at 45%/40% for theatres, museums and galleries' touring/non-touring productions, and at 45% for orchestras.

The National Theatre has, for 60 years, been a centre piece for the UK's wider performing arts sector. The government is providing £26.4 million to upgrade the National Theatre's stages and infrastructure. The government will consider the wider approach for funding cultural infrastructure at the next Spending Review.

Advanced manufacturing

As set out in the Advanced Manufacturing Plan in November 2023, the government is committed to ensuring the UK is the best place in the world to start, grow and invest in a manufacturing business.[footnote 86] The government is delivering this plan, including setting out at Spring Budget next steps on the £4.5 billion funding package announced at Autumn Statement 2023 to unlock investment in strategic manufacturing sectors – auto, aero, life sciences and clean energy.

This funding includes over £2 billion for the automotive industry and £975 million for aerospace, available for five years from 2025. This builds on the strong track record of the government's established auto and aero programmes, as part of which the government recently announced over £270 million of combined government and industry investment into cutting edge R&D projects, harnessing the UK's world-class innovation capabilities and helping to anchor manufacturing in the UK.[footnote 87]

The government has confirmed that the aerospace funding announced at Autumn Statement 2023 will be allocated to the Aerospace Technology Institute (ATI) programme, which includes R&D support for small businesses through the ATI SME competition. The government will also ensure a seamless transition to the Auto2030 programme, aimed at zero emission vehicles manufacturing and their supply chains.

Spring Budget also announces further measures supporting the UK advanced manufacturing sector, building on wider Autumn Statement 2023 commitments such as expanding Made Smarter Adoption. This includes confirming plans for the £50 million Apprenticeship Growth Sector pilot, which will boost funding for eligible providers delivering 13 high-value apprenticeship standards in advanced manufacturing, green and life sciences sectors.

Green industries

The UK is the first major economy to halve its emissions – cutting them by 50% between 1990 and 2022, whilst growing the economy by 79%.[footnote 88] Building on the series of measures to super-charge the growth of the UK's green industries announced at Autumn Statement 2023, the government is announcing up to a further £120 million for the Green Industries Growth Accelerator (GIGA), to support expansion of low carbon manufacturing supply chains across the UK. Of the over £1 billion of total funding available, up to £390 million is expected to support supply chains of offshore wind & electricity networks and the same amount for supply chains of Carbon Capture Utilisation and Storage (CCUS) and hydrogen.

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In addition, at Spring Budget the government is providing clarity and certainty for investment into the UK's renewables sector, publishing the full parameters for the Contracts for Difference Allocation Round 6 (AR6), including setting the largest ever budget for a single round of over £1 billion.[footnote 89]

The UK's civil nuclear programme is a critical part of the government's plan for delivering energy security and a decarbonised power sector. In addition to Hinkley Point C and Sizewell C, the government is committed to exploring a further large- scale reactor project, and Great British Nuclear is running a competitive process for the selection of Small Modular Reactors (SMRs). The government is now moving to the next stage of the SMR process, with six companies invited to submit their initial tender responses by June this year. Given the importance of securing nuclear sites for the success of the nuclear programme, the government has reached agreement on a £160 million deal with Hitachi to purchase the Wylfa site in Ynys Môn and the Oldbury-on-Severn site in South Gloucestershire, though no decisions have been taken on projects.

Digital technology and AI

The UK has Europe's leading tech ecosystem, valued at over $1 trillion.[footnote 90] The government has consistently backed the sector's potential and has announced over £3.5 billion of public investment in the AI ecosystem since 2014, including the announcement last year of over £1.5 billion of planned investment in compute.[footnote 91]

Later this year, the government will set out how access to the UK's cutting edge public compute facilities will be managed, so that both researchers and innovative companies are able to secure the computing power they need to develop world-class AI products. In addition, the AI Safety Institute (AISI) has reached a pivotal milestone in its journey to shape the future of AI. 30 of the world's leading AI safety experts have been recruited to the Technical Research Unit and AISI has now conducted the world's first evaluations by any government of frontier AI models before and after release.

The government is also announcing a new £7.4 million upskilling fund pilot that will help SMEs develop AI skills of the future, unlocking the new opportunities that AI brings. This will complement the SME Digital Adoption Taskforce, which the government will shortly be launching. The taskforce will investigate how best to support the adoption of digital technology by SMEs to boost their productivity. The work of the taskforce will support that of the AI Opportunity Forum, which brings pioneering companies together to encourage AI adoption across the private sector to boost productivity, fuel innovation, and deliver growth in all areas of the economy.

As the UK's national institute for AI and data science, the Alan Turing Institute drives economic and scientific advancements, impacting millions through its cutting edge research. That is why the government is announcing that it will invest up to £100 million in the Institute over the next five years.

Life sciences

The Life Sciences Vision set out the government's commitment to grow the UK's life sciences sector and establish the UK as a leading global hub.[footnote 92] Through the Life Sciences Innovative Manufacturing Fund the government is supporting over £430 million of company investment in high value manufacturing and 1,100 jobs.[footnote 93]

At Autumn Statement 2023, the government announced £520 million of new funding for life sciences manufacturing to build resilience for future health emergencies and capitalise on the UK's world-class R&D. At Spring Budget, the government can confirm that competitions for large scale transformational investments will open for expressions of interest this summer with a separate competition for medium and smaller sized companies opening in the Autumn.

The UK's world-class science base underpins the success of the sector, including through the UK's skilled workforce. To support the next generation of early career medical researchers the government is also announcing £45 million of additional funding to bolster medical charities' life-saving research agendas. Plans include funding of £3 million for Cancer Research UK to support their fight against cancer.

5.4 Boosting growth and investment right across the country

Levelling up is at the core of the government's long-term vision to grow the economy: ensuring the benefits of economic development are felt everywhere.

The refocused Investment Zones programme, launched at Spring Budget 2023, gives areas a £160 million envelope to catalyse local growth and investment. The government has announced details of how the Investment Zones in Greater Manchester, Liverpool City Region, North East of England, South Yorkshire, West Midlands and West Yorkshire will use the funding envelope available. This includes offering tax reliefs to attract businesses to these areas, and initial investments in a range of interventions including on skills, research and innovation, and infrastructure.

The Investment Zones programme continues to attract investment into local areas. The Tees Valley Investment Zone will focus on the digital and creative sectors, and local partners expect it to leverage £175 million in private investment and help to support over 2,000 jobs over the next ten years. The government will announce further details about the East Midlands and Tees Valley Investment Zones shortly, and details on the shape and make up of Welsh and Scottish Investment Zones later this year. As announced, as part of the package agreed to restore the Northern Ireland Executive, the government will establish an Enhanced Investment Zone offer in Northern Ireland with

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£150 million in funding, able to be used flexibly across spending and tax levers. The government will also extend the Investment Zones programme from five to ten years in Scotland and Wales.

The government is also confirming the extension to Freeport tax reliefs to September 2031 that was announced at Autumn Statement 2023 will apply across English Freeport tax sites. The 10-year window to claim reliefs has also been agreed with the Scottish and Welsh Governments, meaning tax reliefs will be available until September 2034 in tax sites in Scottish Green Freeports and Welsh Freeports.

To catalyse further investment from the private sector in high potential clusters across the UK, the government is today publishing the prospectus for the Investment Opportunity Fund.

The government is continuing to empower local leaders by extending and deepening devolution across England. The government is announcing a new Level 4 "trailblazer" devolution deal with the North East Mayoral Combined Authority, which will provide a package of new funding potentially worth over £100 million, including a new Growth Zone to support the region's growth ambitions. The government is also extending devolution powers through new Level 2 devolution agreements with Buckinghamshire Council, Surrey County Council, and Warwickshire County Council and has recently announced Level 4 deeper devolution deals with West Yorkshire, Liverpool City Region, and South Yorkshire Combined Authorities, as well as granting additional Level 4 powers to the West Midlands Combined Authority. Taken together, these deals will increase the proportion of the population of England benefitting from devolved powers to almost two-thirds.[footnote 94]

The government has also published further details on how the single settlements in Greater Manchester and West Midlands will operate, following the publication of the 'Memorandum of Understanding' at Autumn Statement 2023.

The government is also pressing ahead with measures to spread prosperity beyond the UK's largest cities, building on the £15 billion of local growth commitments already made over this Spending Review period. Spring Budget provides £400 million in new investments to extend the 10-year Long-Term Plan for Towns to 20 more places, including Darlington, Rhyl, Carlton (in Gedling), Peterhead, Coleraine and Eastbourne, and injects over £30 million into capital and regeneration projects across the UK, including in Bradford and Ashfield. Spring Budget also confirms the allocation of £100 million of funding for culture projects (subject to business cases), recognising the important role that culture and pride in place have to play in levelling up. This will support a combination of nationally-significant cultural investments such as the British Library North in Leeds, National Railway Museum in York, and National Museums Liverpool, as well as the development of cultural projects in places previously prioritised for levelling up investment but which have not to date received levelling up funding, including in High Peak, Redditch and Erewash. The government is seeking to

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agree a methodology for the selection of Levelling Up Partnerships in Wales with the Welsh Government, and aims to work with the Welsh Government to roll this programme out to Wales.

6. Policy decisions

This chapter sets out all Spring Budget 2024 policy decisions. Unless stated otherwise, the decisions set out are ones which are announced at the Budget. Table 5.1 shows the cost or yield of all government decisions accounted for at Spring Budget 2024 which have a direct effect on Public Sector Net Borrowing (PSNB) in the years up to 2028-29. This includes tax measures, changes to aggregate Departmental Expenditure Limits (DEL) and measures affecting annually managed expenditure (AME). The government is also publishing the methodology underpinning the calculation of the fiscal impact of each policy decision. This is included in 'Spring Budget 2024: policy costings' published alongside the Spring Budget.

Where measures set out in Spring Budget do not apply UK-wide, the government will provide the devolved administrations with funding through the Barnett formula in the usual way. The Scottish and Welsh Governments' funding will also be adjusted in relation to tax and welfare devolution as set out in their respective fiscal frameworks.

Table 5.1: Spring Budget 2024 policy decisions (£)(1)

		Head(2)	2023-24	2024-25	2025-26	2026-27
Cutting taxes and supporting households						
1	National Insurance contributions (NICs): cut the main rate of Class 1 employee NICs from 10% to 8% from 6 April 2024	Tax	+0m	-9,360m	-9,295m	-9,490m
2	National Insurance contributions: cut the main rate of Class 4 self-	Tax	+0m	-710m	-850m	-735m

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	employed NICs from 8% to 6% from 6 April 2024					
3	High Income Child Benefit Charge: increase income threshold to £60,000 and taper range to £60,000 to £80,000 from 6 April 2024(3)	Tax	+0m	-540m	-635m	-640m
4	Fuel Duty: 12 month extension to the 5p cut in rates and no RPI increase in 2024-25	Tax	-45m	-3,090m	-820m	-830m
5	Alcohol duty: freeze rates until 1 February 2025	Tax	+0m	-185m	-345m	-365m
6	Debt Relief Order: removal of the administration fee from 6 April 2024	Spend	+0m	-5m	-5m	-5m
Backing business and boosting growth						
7	VAT: increase the registration threshold to £90,000 and the deregistration threshold to £88,000 from 1 April 2024	Tax	+0m	-150m	-185m	-125m
8	Visual effects tax relief: removal of 80% cap on qualifying expenditure and 5% uplift for qualifying costs from 1 April 2025	Tax	+0m	+0m	-10m	-65m

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9	Business Rates: 40% relief for eligible film studios in England for 10 years from 1 April 2024	Tax	+0m	-5m	-20m	-40m
10	Audio-visual Expenditure Credit: new 53% rate of relief for expenditure on eligible UK independent film productions from 1 April 2024	Tax	+0m	+0m	-60m	-65m
11	Orchestra, theatre and museums/galleries tax reliefs: permanent extension of 40% for non-touring productions and 45% for touring and orchestral productions	Tax	+0m	+0m	-10m	-60m
12	Reserved Investor Fund: tax rules to facilitate the introduction of a new investment fund vehicle	Tax	+0m	*	*	*
Investing in public sector effectiveness						
13	Public Sector Productivity Programme: NHS investment	Spend	+0m	+0m	-900m	-900m
14	Increased capacity for processing	Spend	+0m	-110m	-35m	+0m

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	disability benefits from 2024-25					
Supporting homeownership and long term lets						
15	Capital Gains Tax: cut higher rate for property from 28% to 24% from 6 April 2024	Tax	-70m	+310m	+350m	+45m
16	Furnished Holiday Lets: abolish preferential tax regime from 6 April 20254	Tax	+0m	*	+35m	+140m
17	Multiple Dwellings Relief: abolish from 1 June 2024	Tax	+0m	+70m	+220m	+300m
Fairer and more sustainable tax system						
18	Taxation of non-domiciled individuals: from 6 April 2025 replace existing regime with a new relief on foreign income and gains available for the first four years of UK tax residency, with transitional arrangements	Tax	+0m	+0m	+185m	+2,805m
19	Vaping products duty: introduce from 1 October 2026	Tax	+0m	-15m	-55m	+120m
20	Tobacco duty: one-off increase to maintain financial incentive to choose vaping	Tax	+0m	+0m	+0m	+110m

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	over smoking from 1 October 2026					
21	Energy Profits Levy: one year extension from 1 April 2028	Tax	+0m	+0m	+0m	+0m
22	Air Passenger Duty: adjustment to non-economy class rates from 2025-26	Tax	+0m	+0m	+110m	+120m
23	Landfill tax: RPI adjustment to 2025-26 rates	Tax	+0m	+0m	+50m	+50m
24	Economic Crime (Anti-Money Laundering) Levy: increase the charge for Very Large firms to £500,000 p.a. from 2024-25	Tax	+0m	+25m	+25m	+25m
25	Starting Rate for Savings: maintain at £5,000 for 2024-25	Tax	+0m	+10m	+25m	+20m
Simplification of tax administration and tackling the tax gap						
26	HMRC: investment in debt management capacity	Tax	+50m	+240m	+895m	+1,120m
27	HMRC: investment in digital and registration services	Tax	+0m	-5m	+25m	*
28	Crypto-Asset Reporting Framework:	Tax	+0m	*	*	+35m

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	introducing from 2026					
29	Stamp Duty Land Tax: Acquisitions by Registered Social Landlords & Public Bodies from 6 March 2024	Tax	*	-5m	-5m	-5m
30	Changes to Anti-avoidance Legislation: Transfer of Assets Abroad Provisions	Tax	+0m	+0m	+10m	+5m
31	Business Rates: extend the Empty Property Relief 'reset period' from six weeks to three months (thirteen weeks) from 1 April 2024	Tax	*	+40m	+40m	+40m
32	Inheritance Tax: changes to grants on credit from 1 April 2024	Tax	+0m	-5m	-5m	-5m
33	Inheritance Tax: extend agricultural property relief to certain environmental land management agreements from 6 April 2025	Tax	+0m	+0m	*	*
Previously announced policy						
34	Penalty reform for income tax Self Assessment: Making Tax Digital Volunteers	Tax	+0m	+0m	+0m	*

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35	Investment Zones in England: tax reliefs and business rates retention	Tax	*	*	-5m	-5m
36	Tariff changes since Autumn Statement 2023(5)	Tax	-120m	-370m	-235m	-75m
37	Freeports: tax reliefs sunset date extension from 5 to 10 years	Tax	+0m	+0m	*	-15m
38	National Insurance contributions: freeze Class 2 and 3 rates for 2024-25	Tax	+0m	-15m	-15m	-15m
39	Carbon Border Adjustment Mechanism: introduce from 1 January 2027	Tax	+0m	*	-10m	+25m
40	Student finance: impact of Ukraine Permission Extension Scheme from March 2025	Spend	+0m	+0m	*	-5m
Total policy decisions(6,7)			**-185m**	**-13,875m**	**-11,530m**	**-8,485m**
Total spending policy decisions(6,7,8)			**+0m**	**-115m**	**-940m**	**-910m**
Total tax policy decisions(6,7)			**-185m**	**-13,760m**	**-10,590m**	**-7,575m**

* Costing is negligible

1 Costings reflect the OBR’s latest economic and fiscal determinants.

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2 Many measures have both tax and spend impacts. Measures are identified as tax or spend on the basis of their largest impact.

3 Rate of charge halved from 1% of Child Benefit for every £100 earned above the threshold to 1% for every £200, meaning Child Benefit is fully withdrawn when income reaches £80,000.

4 This measure will come into effect from 6 April 2025 for Income Tax and for Capital Gains Tax, and 1 April 2025 for Corporation Tax and for Corporation Tax on chargeable gains.

5 This tariff impact links to an associated forecast adjustment which estimated the increase in revenue due should the Electric Vehicle Rule of Origin change have come into effect.

6 Totals may not sum due to rounding.

7 The totals for tax and spending reflect both the tax and spend impacts of each measure. Totals may not sum by head classification.

8 Beyond the current Spending Review period, the government's policy is that RDEL will grow in real terms by 1% per year on average; and that CDEL will follow the cash profile set at Autumn Statement 2023, with new commitments on productivity funded in addition to this. As this policy is unchanged since Autumn Statement 2023, only specific spending commitments beyond 2024-25 are shown in this table.

6.1 Reforming Public Spending

DEL Spending Assumption from 2025-26 to 2028-29 – Planned departmental resource spending for the years beyond the current Spending Review period (2025-26 to 2028-29) will continue to grow at 1% a year on average in real terms. Departmental capital spending will follow the cash profile set at Autumn Statement 2023, adjusted where new commitments on productivity are funded in addition.

Public Sector Productivity Programme – The government is committing £4.2 billion of funding at Spring Budget 2024 to improve the productivity of the public sector. This includes £3.4 billion of additional CDEL over three years from 2025-26 as part of the NHS's productivity plan in England, investing in technological and digital transformation to help unlock £35 billion cumulative savings by 2029-30, and £0.8 billion to wider public services to deliver up to £1.8 billion of benefits over the same period.

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Additional funding for the NHS – The government is allocating an additional £2.5 billion to the NHS in England for 2024-25, protecting day-to-day funding in real terms and supporting the NHS to continue to improve performance and reduce waiting times.

Police Productivity and Technology – The government is giving police forces £230 million to pilot or roll out cutting-edge technology such as live facial recognition, automation and the use of drones as first responders. The government will establish a Centre for Police Productivity to support police forces' use of data and deliver this technology, maximising productivity and the use of AI.

Expanding counter fraud capability through deploying AI – The government is announcing £34 million to expand the Public Sector Fraud Authority by deploying AI to help combat fraud across the public sector, making it easier to spot, stop and catch fraudsters thereby saving £100 million for the public purse.

Service Modernisation – The government is committing £17 million to accelerate DWP's digital transformation, replacing paper-based processes with simplified online services, such as a new system for the Child Maintenance Service.

Reforming Communications from HM Courts & Tribunal Service – The government will modernise communications from HM Courts & Tribunal Service by bringing forward digital reforms and reducing spend on first class post.

Private Law Pathfinder Pilot – The government will improve the experiences of the courts for victims and survivors of domestic abuse through the Private Law Pathfinder Pilot. This will identify needs earlier and provide specialist support to victims and survivors of domestic abuse.

Early Legal Advice Pilot – The government is investing £12 million to expand the scope of Legal Aid to encompass early legal advice in private family law proceedings for parties considering an application to the family court for child arrangements.

Bail Information Service – The government will introduce the Bail Information Service (BIS) to all courts. This will help to remove barriers to bail and reduce the remand population held in custody.

Growing Prison Productivity – The government is investing £16 million to increase prison workshop activity to boost employability and focus resources on rehabilitative activities.

AI Document Processing – The government will utilise Artificial Intelligence to reduce the need for manual scanning of paper documents through the introduction of Intelligent Document Processing technology in the administration of court cases.

Digitising Services in Prisons – The government will invest a further £6 million of additional funding to speed up digitisation of key services in prisons.

Assessing Risks, Needs and Strengths – The government will introduce a new offender risk management tool to provide more robust, data-driven decisions on whether offenders are safe to release, helping better protect the public and free-up probation staff capacity to focus on rehabilitative activities.

Digital Jury Bundles – The government will provide the Crown Prosecution Service with £10 million additional funding for digitising jury bundles in the criminal courts, reducing paper wastage and unnecessary trial delays. This will save up to 55,000 hours a year in court preparation time to enable reducing the length of trials.

One Stop Shop – The government will introduce a new online information and guidance tool to support earlier resolution of family disputes and divert cases away from the family courts, where appropriate. The tool will help families navigate the range of options available by suggesting suitable interventions based on need and provide early legal advice.

Children's Social Care reform – The government will provide £45 million match funding to local authorities to build an additional 200 open children's home placements and £120 million to fund the maintenance of the existing secure children's home estate, and rebuild Atkinson Secure Children's Home and Swanwick Secure Children's Home. The government will also develop proposals on what more can be done to combat profiteering, bring down costs and create a more sustainable market for residential placements which it will publish later this year. Furthermore, it will work with the Local Government Pension Scheme to consider the role they could play in unlocking investment in new children's homes.

New special free schools for children with special educational needs and disabilities (SEND) – The government is announcing £105 million as initial investment to fund an additional wave of 15 special free schools. This builds on the significant levels of capital invested at Spending Review 2021 to create additional places for children with special educational needs and disabilities.

Alternative Provision free school locations – The government is confirming the location of 20 alternative provision free schools in England as part of the Spending Review 2021 commitment to invest £2.6 billion capital in high needs provision.

Violence Reduction Units (VRU) – The government is spending £75 million to expand the VRU model across England and Wales, supporting a prevention-first approach to serious violence. Building on the success of VRUs, this additional investment will be used to upscale existing VRUs and expand the VRU model across the country.

Digital Planning – Building on work to digitise the planning system, a new pilot will use Artificial Intelligence to help speed up development of local plans. In addition, new software will be explored to streamline key processes for planning officers.

Maternity care – The government and NHS England will invest nearly £35 million over three years from 2024-25 to 2026-27 to improve maternity safety across England, with specialist training for staff, additional midwives and support to ensure maternity services listen to and act on women's experiences to improve care.

NHS agency staffing – The government will work with NHS England to reduce the costs of agency staffing including ending the use of expensive "off-framework" agency staffing from July 2024, while ensuring that emergency cover can continue. NHS England will also introduce measures to review agency price caps, tighten controls and rules around agency staffing, and improve support and transparency.

Injured Service Person and Veterans Support: Invictus Games 2027 bid – The government, through the Office of Veterans' Affairs, is supporting the UK's bid to host the 2027 Invictus Games in Birmingham with a £26 million underwrite to enable the bid. These Games will ensure that injured service personnel and veterans are not forgotten, and will showcase the power of sport in recovery and rehabilitation demonstrating that there is life beyond disability.

Support for D-Day 80 National Commemoration – The government is hosting a D-Day 80 National Commemoration Event and will be funding the policing and security costs to ensure the event is safe for all attendees.

War memorial to recognise Muslim soldiers who fought for the British Armed Forces – The government will be providing up to £1 million support, subject to business case, for a new war memorial to recognise the sacrifice and duty of Muslim soldiers who fought and died for this country in both world wars.

6.2 A fair and sustainable tax system

Replacing Non-UK Domicile tax rules with a residence-based regime – This measure abolishes the remittance basis of taxation for non-UK domiciled individuals and replaces it with a simpler residence-based regime. Individuals who opt into the new regime will not pay UK tax on any foreign income and gains arising in their first four years of tax residence, provided they have been non-tax resident for the last 10 years. This new regime will commence on 6

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April 2025 and applies UK-wide. The government will introduce the following transitional arrangements for existing non-doms claiming the remittance basis:

- an option to rebase the value of capital assets to 5 April 2019
- a temporary 50% exemption for the taxation of foreign income for the first year of the new regime (2025-26)
- a two-year Temporary Repatriation Facility to bring previously accrued foreign income and gains into the UK at a 12% rate of tax.

The government will also reform Overseas Workday Relief (OWR). Eligible employees will be able to claim OWR for the first three years of tax residence, benefitting from income tax relief on earnings for employment duties carried out overseas but with current restrictions on remitting these earnings removed. Further detail on eligibility criteria will be set out in due course following engagement with stakeholders.

The government is also announcing the intention to move to a residence-based regime for Inheritance Tax (IHT) and will consult in due course on the best way to achieve this, including consulting on a 10-year exemption period for new arrivals and a 10-year 'tail-provision' for those who leave the UK and become non-resident. No changes to IHT will take effect before 6 April 2025.

Energy Profits Levy extension and price floor legislation – The government is extending the Energy Profits Levy (EPL) to the end of March 2029. At the same time, to give the oil and gas sector certainty that the EPL will not apply if prices fall below the levels set by the Energy Security Investment Mechanism, the government is delivering on its commitment to provide for the mechanism in legislation through the Spring Finance Bill 2024.

Vaping Products Duty – The government will introduce a new duty on vaping products from 1 October 2026, with registrations for the duty opening from 1 April 2026. The rates will be £1.00 per 10ml for nicotine free liquids, £2.00 per 10ml on liquids that contain 0.1-10.9 mg nicotine per ml, and £3.00 per 10ml on liquids that contain 11mg or more per ml. A 12-week consultation will be published on the policy design and technical details alongside the Spring Budget. The government will also introduce a one-off tobacco duty increase of £2.00 per 100 cigarettes or 50 grams of tobacco from 1 October 2026.

Air Passenger Duty (APD) rates – The 2025-26 APD rates for economy passengers will increase in line with forecast RPI, rounded to the nearest pound. Rates for those flying premium economy, business and first class and for private jet passengers will also increase by forecast RPI and will be further adjusted for recent high inflation to help maintain their real terms value.

2025-26 Landfill tax rates – Landfill tax rates for the year 2025-26 will be adjusted to better reflect actual RPI and ensure the tax continues to incentivise investment in more sustainable waste management infrastructure. The standard rate of Landfill tax will increase to £126.15 per tonne and the lower rate will increase to £4.05 per tonne.

VAT Retail Export Scheme – The government is grateful to the OBR for their review of the original costing of the removal of tax-free shopping. The government will consider these findings alongside industry representations and broader data, and welcomes any further submissions in response to the OBR's findings.

Fuel duty on road fuel gases – Following review, the government will maintain the difference between road fuel gas and diesel duty rates until 2032.

Business Rates: Avoidance and Evasion – The Empty Property Relief "reset period" will be extended from six weeks to thirteen weeks from 1 April 2024 in England. The government will also consult on a "General Anti-Avoidance Rule" for business rates in England, and has published at Spring Budget a summary of responses to the Business Rates Avoidance and Evasion Consultation.

Starting rate for savings – The government will maintain the starting rate for savings, the 0% band for savings income, at £5,000 from 6 April 2024 to 5 April 2025.

Amending Gift Aid legislation due to implications of the Digital Markets, Competition and Consumers Bill – The Digital Markets, Competition, and Consumers Bill is introducing new protections for consumers who take out subscription contracts. The government will amend existing Gift Aid legislation by Statutory Instrument so that charities can continue to claim Gift Aid while complying with these new protections. The government's intention is that these amendments to the Gift Aid regime will be in place by the time the relevant provisions of the Bill come into force.

Investment in HMRC debt management capability – The government is investing a further £140 million to improve HMRC's ability to manage tax debts. This will expand HMRC's debt management capacity to support both individual and business taxpayers out of debt faster and collect tax that is due.

Crypto-Asset Reporting Framework – The government is launching a consultation to seek views on how best to implement the Crypto-Asset Reporting Framework and Amendments to the Common Reporting Standard. As announced on 10 November 2023, these changes will be made in time to ensure that information exchanges take place from 2027.

Transfer of Assets Abroad – The government will legislate in the Spring Finance Bill 2024 to ensure individuals cannot use a company to bypass anti-avoidance legislation, known as Transfer of Assets Abroad (ToAA) provisions, in order to avoid UK income tax. The changes will take effect for income arising to a person abroad from 6 April 2024.

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Tackling non-compliance in the Umbrella Company Market – The government is committed to protecting workers employed by umbrella companies, ensuring fair, genuine competition in the market and preventing significant Exchequer losses caused by tax non-compliance. The government will provide an update on the recent consultation on tackling non-compliance in the umbrella company market at Tax Administration and Maintenance Day. In summer 2024 the government will also publish new guidance to support workers and other businesses who use umbrella companies.

Raising standards in the tax advice market: strengthening the regulatory framework and improving registration – The government is publishing a consultation both on options to strengthen the regulatory framework in the tax advice market, and on requiring tax advisers to register with HMRC if they wish to interact with HMRC on a client's behalf. The government will also explore making it quicker and easier for tax advisers to register with HMRC.

Economic Crime Levy adjustment – From 1 April, the rate at which entities with UK annual revenue greater than £1 billion, and which are regulated for Anti-Money Laundering purposes, will pay the Economic Crime (anti-money laundering) Levy will increase from £250,000 to £500,000 per annum. This is a response to lower-than-expected receipts, and additional revenue will be used to deliver existing commitments on economic crime.

VAT Treatment of Private Hire Vehicles – The government will launch a consultation on the impacts of the July 2023 High Court ruling in Uber Britannia Ltd v Sefton MBC in April. The government is committed to exploring a range of viable options to ensure that this court ruling does not have any undue adverse effects on the private hire vehicle sector and its passengers.

6.3 Tax simplification

Administrative change to ease the payment of inheritance tax before probate or confirmation – From 1 April 2024, personal representatives of estates will no longer need to have sought commercial loans to pay inheritance tax before applying to obtain a "grant on credit" from HMRC.

Investment in HMRC Digital Services – The government will improve and simplify HMRC's digital services to support Income Tax Self Assessment taxpayers seeking to pay tax in instalments. These changes will be implemented from September 2025.

Alcohol Duty Stamps Scheme – The government will close the Alcohol Duty Stamps Scheme following a review by HMRC. The government will publish legislation later in the year for an orderly wind-down of the Scheme.

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Class 2 National Insurance Contributions (NICs) – At Autumn Statement 2023, the government announced the removal of the requirement to pay Class 2 NICs from 6 April 2024 and committed to abolishing Class 2 entirely. The government will consult later in 2024 on how it will deliver Class 2 abolition.

Suite of Simplification Metrics – The government is announcing metrics to measure progress against tax simplification. These will be drawn from HMRC's annual customer survey, a survey offered after using HMRC's telephony or digital services, and will include HMRC's estimate of the net change in cost to businesses of meeting tax obligations from tax measures.

Tax Administration and Maintenance Day – The government will bring forward a further set of tax administration and maintenance announcements on 18 April 2024 at a Tax Administration and Maintenance Day

6.4 Rewarding working people

National Insurance contributions (NICs) rates – The government will cut the main rate of Class 1 employee NICs from 10% to 8%. This will take effect from 6 April 2024. The government will also make a further 2p cut to the main rate of self-employed National Insurance on top of the 1p cut announced at Autumn Statement. This means that from 6 April 2024 the main rate of Class 4 self-employed NICs will now be reduced from 9% to 6%.

Childcare future funding – The government is confirming that the hourly rate providers are paid to deliver the free hours offers for children aged 9 months to 4 years will increase in line with the metric used at Spring Budget 2023 for the next two years. This reflects that workforce costs are the most significant costs for childcare providers and represents an estimated additional £500 million of investment over two years.

High Income Child Benefit Charge (HICBC) reform – The government will increase the HICBC threshold to £60,000 from April 2024. The rate at which HICBC is charged will also be halved so that Child Benefit is not fully withdrawn until individuals earn £80,000 or higher. The government plans to administer the HICBC on a household rather than an individual basis by April 2026, and will consult in due course.

Exploring options to better target support to households – The government will consult shortly on options to enable better targeting of economic support to households. This will improve the fairness of policies such as HICBC, by allowing it to move to a system based on household income, and the targeting of future economic support including in times of crisis.

6.5 Supporting people into work

Extending Additional Jobcentre Support (AJS) pilots and introduction of new claimant commitments – The government is extending the duration of the current AJS pilot, currently live in 90 Jobcentres in England and Scotland, for a further 12 months. As part of the pilot extension, claimants will also be required to accept a new claimant commitment at 6, 13 and 26 weeks, agreeing to more work requirements or have their claim closed.

Additional funding to support the processing of increased volumes of disability benefit claims – The government is providing additional funding that will increase system capacity to meet increased demand, and therefore enable people to get the right support in a timely manner.

6.6 Housing

Barking – The government is announcing investment of £124 million at Barking Riverside to unlock 7,200 homes.

Canary Wharf – The government is announcing investment of £118 million to accelerate delivery of the Canary Wharf scheme. This will deliver a life sciences hub, commercial and retail floor space, a healthcare diagnostic facility and up to 750 homes.

Community Housing – The government is announcing investment of £20 million in a social finance fund to support the development of community-led housing schemes over ten years, subject to a business case.

Leeds Vision Document – Alongside Spring Budget, the government is publishing its vision for transforming Leeds, to unlock 20,000 new homes.

Euston Housing Delivery Group – The government is establishing the Euston Housing Delivery Group with £4 million to support plans to deliver up to 10,000 new homes.

Cambridge – The government is setting out its ambitious plan to grow the economy of the city and deliver new homes by 2050. Alongside this, Spring Budget confirms the future development corporation in Cambridge will receive a long-term funding settlement at the next Spending Review. The government is providing an additional £7.2 million to unlock improvements to local transport connections between the Cambridge Biomedical Campus and the city, and making £3 million available for Cambridge University NHS Trust to support plans for growth. The government is also on track to deliver a set of water saving measures which if delivered as planned could unlock more than 9,000 homes in the Cambridge area, as confirmed in the Joint Statement from Defra, DLUHC and the Environment Agency that is published today.

Local Nutrient Mitigation Fund – The government is publishing an Expression of Interest for round two of DLUHC's Local Nutrient Mitigation Fund.

Planning capacity – The government will match industry-led funding of £3 million for planning capacity and resourcing in the next Spending Review period.

Capital Gains Tax: Higher rate cut for residential property – From 6 April 2024, the higher rate of Capital Gains Tax for residential property disposals will be cut from 28% to 24%. The lower rate will remain at 18% for any gains that fall within an individual's basic rate band. Private Residence Relief will continue to apply, meaning the vast majority of residential property disposals will pay no Capital Gains Tax.

Abolition of Furnished Holiday Lettings tax regime – The government will abolish the Furnished Holiday Lettings tax regime, eliminating the tax advantage for landlords who let short-term furnished holiday properties over those who let residential properties to longer-term tenants. This will take effect from 6 April 2025 and draft legislation will be published in due course.

Stamp Duty Land Tax: Abolition of Multiple Dwellings Relief – From 1 June 2024, Multiple Dwellings Relief, a bulk purchase relief in the Stamp Duty Land Tax regime in England and Northern Ireland, will be abolished. Property transactions with contracts that were exchanged on or before 6 March 2024 will continue to benefit from the relief regardless of when they complete, as will any other purchases that are completed before 1 June 2024. The government will engage with the agricultural industry to determine if there are any particular impacts for the sector that should be considered further.

Stamp Duty Land Tax: Acquisitions by Registered Social Landlords and public bodies – Legislation will be updated to ensure that from 6 March 2024, registered providers of social housing in England and Northern Ireland are not liable for Stamp Duty Land Tax (SDLT) when purchasing property with a public subsidy and public bodies will be exempted from the 15% anti-avoidance rate of SDLT.

Stamp Duty Land Tax: First Time Buyers' Relief for nominee purchasers – From 6 March 2024, the rules for claiming First-Time Buyers' Relief from Stamp Duty Land Tax in England and Northern Ireland will be amended so that individuals buying a leasehold residential property through a nominee or bare trustee will be able to claim First-Time Buyers' Relief, including victims of domestic abuse.

Allowing local authorities (LAs) additional flexibility in their use of Right to Buy receipts – The government will increase the cap from 40% to 50% on the percentage of the cost of a replacement home that can be funded from Right to Buy receipts.

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Taxation of environmental land management and ecosystem service markets – Following consultation, the government will extend the existing scope of agricultural property relief from 6 April 2025 to land managed under an environmental agreement with, or on behalf of, the UK government, Devolved Administrations, public bodies, local authorities, or approved responsible bodies. The government will also establish a joint HM Treasury and HMRC working group with industry representatives to identify solutions that provide clarity on the tax treatment of ecosystem service markets.

6.7 Supporting households

Fuel duty main rates – The government is freezing fuel duty rates for 2024-25, a tax cut worth £3.1 billion over 2024-25. The temporary 5p cut in fuel duty rates will be extended until March 2025 and the planned inflation increase for 2024-25 will not take place.

Alcohol duty uprating – The government will freeze alcohol duty from 1 August 2024 until 1 February 2025. This extends the six-month freeze announced at Autumn Statement 2023, to support the hospitality sector and help consumers with the cost of living.

Prepayment meter (PPM) levelisation – As announced by Ofgem on 23rd February, the government is delivering on its commitment to remove the prepayment meter (PPM) standing charge premium on an enduring basis, saving PPM customers an average of £50 a year.

Changes to Debt Relief Orders – The government is making changes to Debt Relief Orders (DROs) in England and Wales. In April 2024, the government will remove the £90 administration fee. In June 2024, the government will amend eligibility criteria for DRO entry, raising both the maximum debt value threshold and the maximum value of motor vehicles. Scotland and Northern Ireland will receive equivalent Barnett Consequential funding.

Universal Credit: extending Budgeting Advance repayment periods – The government will increase the maximum repayment period on new budgeting advance loans from 12 months to 24 months. This will apply to Budgeting Advances taken from December 2024 onwards.

Household Support Fund Extension – To help the most vulnerable households with the cost of essentials such as food and utilities, the government is also providing an additional £500 million (including Barnett impact) to enable the extension of the Household Support Fund in England from April to September 2024.

6.8 Creating the right environment to boost growth, productivity and investment

Boosting investment

Capital allowances: Technical consultation on extending full expensing to assets for leasing – Draft legislation on an extension of full expensing to assets for leasing will be published shortly. Full expensing will be extended to assets for leasing when fiscal conditions allow.

Utilisation of Government Assets – In collaboration with HM Treasury, the Office for Investment is launching a pilot programme to explore the creation of new government asset-backed investment opportunities, where this represents good value for money for the taxpayer. This has the potential to improve the usage of underutilised government assets and inject new funding into dormant assets across the country.

Bringing trades in Carbon Credits within the scope of the Terminal Markets Order (TMO) – The government will update the underpinning legislation for the VAT Terminal Markets Order (TMO). This will allow for further reform, including bringing trades in carbon credits within the scope of the TMO in due course.

Reserved Investor Fund – The government is publishing the summary of responses to a 2023 consultation on the scope and design of a tax regime for a new UK investment fund vehicle: the Reserved Investor Fund (Contractual Scheme) (RIF). The government will begin legislating for the RIF in the Spring Finance Bill 2024.

Planning and grid connection reforms

Accelerated Planning Service – The government is publishing the consultation on the proposed design of the new accelerated planning service as well as new measures to constrain the use of extension of time agreements and identifying local planning authorities who are using these excessively.

Reforms to speed up the consenting process for Nationally Significant Infrastructure Projects (NSIPs) – The government is publishing a response to the consultation on operational reforms to the NSIP consenting process and the updated National Networks National Policy Statement.

Electricity grid reform – The government will implement a new stringent connections process from January 2025 and work with the Electricity System Operator to outline further interim reforms to the grid queue process by summer 2024. The government will establish the National Energy System Operator in 2024, and will publish new community benefits guidance by June.

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Accelerating smart data schemes in energy and transport – Following announcement at Autumn Statement 2023 that the government would seek to maximise the benefits from incoming Data Protection and Data Information Bill Smart Data powers, the government is providing targeted funding for consultations and calls for evidence to accelerate schemes in energy and transport.

Revised Growth Duty – As announced at Autumn Statement, the government will extend the Growth Duty to Ofwat, Ofcom and Ofgem and publish refreshed guidance on the Growth Duty. The government will also publish a Regulator Performance Framework in the coming months that will encourage greater regulator agility, efficiency and responsiveness.

Transport

Delivering on Network North's vision for the Euston Quarter – The government is working to identify parts of the station site for early release and development in the coming months. The government is also establishing a Ministerial Taskforce to oversee the next stages of delivery of a privately financed HS2 Euston station.

Accelerating East-West Rail delivery – Delivery of works on the Bletchley to Bedford section of East-West Rail will be brought forward, supported by £240 million (from existing budgets), with services operating between Oxford and Bedford by the end of the decade.

Rail timetable upgrades – The government is delivering on the benefits of a £4 billion investment programme to increase capacity and improve rolling stock, by upgrading the timetable on the East Coast mainline, adding extra services with 16,000 seats and reducing journey times between London and Yorksire, Newcastle, the North East and Edinburgh. In Cambridge, timetables will be improved to reduce journey times, deliver better performance and better connect the Cambridge Biomedical Campus when the new government funded station at Cambridge South opens in 2025.

Science and innovation

Fellowships – The £250 million Faraday Discovery Fellowships and £150 million Green Future Fellowships will be funded through endowments to the Royal Society and the Royal Academy of Engineering.

Research and Innovation Organisation (RIO) fund – The government is allocating £14 million for infrastructure used by public sector research and innovation organisations. This builds on the £25 million allocated at Autumn Statement 2023.

Connectivity in Low Earth Orbit (CLEO) – The government is confirming up to £100 million to launch the national component of the full £160 million CLEO programme, which will enable UK researchers and businesses to perform the

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research and development needed for the next generation of satellite constellations.

Quantum computing – The government is allocating £1.6 million in 2024-25 to an error correction programme in quantum computing.

R&D tax reliefs: Expert advisory panel – HMRC will establish an expert advisory panel to support the administration of the R&D tax reliefs. The panel will provide insights into the cutting-edge R&D occurring across key sectors such as tech and life sciences, and work with HMRC to review relevant guidance, ensuring it remains up to date and provides clarity to claimants.

Spin-outs Review – The government has asked universities to report on their spin-out policies by the end of May 2024 and has also begun consulting on the design of the new £20 million proof-of-concept fund and the pilot approach to supporting the establishment by universities of shared Technology Transfer Offices.

Space launch support – The government will make available £10 million of funding to SaxaVord Spaceport to support orbital launch in 2024, subject to due diligence.

Agri-food Launchpad – The government is investing £5 million over the next 3 years in an agri-food Launchpad in Mid and North Wales.

SMEs

Extension of the Recovery Loan Scheme (RLS) – The Recovery Loan Scheme has been renamed as the Growth Guarantee Scheme and extended until the end of March 2026. The scheme offers a 70% government guarantee on loans to SMEs of up to £2 million in Great Britain, and £1 million in Northern Ireland.

HMRC guidance on retraining tax deductibility – HMRC has published new guidance around the tax deductibility of training costs for sole traders and the self-employed. This guidance ensures that updating existing skills, maintaining pace with technological advancements, or changes in industry practices, are allowable costs when calculating taxable profits.

VAT registration threshold: increase to £90,000 – The government will increase the VAT registration threshold from £85,000 to £90,000, and the deregistration threshold from £83,000 to £88,000, freezing them at these levels. These changes will apply from 1 April 2024.

Financial Promotion Exemptions – The government will legislate to reinstate the previous eligibility criteria to qualify as a high net worth or sophisticated investor. The government will carry out further work to review the scope of the exemptions.

6.9 Unlocking investment in growth through the financial system, savings, pension funds, and our international investment offer

PISCES – The government has published a consultation on a new Private Intermittent Securities and Capital Exchange System (PISCES). PISCES will be a new innovative market that will allow private companies to scale and grow, and will boost the pipeline of future Initial Public Offerings (IPOs) in the UK.

Local Government Pension Scheme new reporting requirements – Revised annual reporting guidance will require LGPS funds to provide a summary of asset allocation, including UK equity investment, as well as provide greater clarity on progress of pooling, through a standardised data return, taking effect from April 2024.

Financial Conduct Authority (FCA) Value for Money (VFM) proposals – The FCA's spring VFM consultation will include proposals to require the publication of contract-based Defined Contribution (DC) default funds' historic net investment returns and a breakdown of their UK investments. Proposals will require schemes to compare their performance, costs and other metrics against those of at least two schemes managing over £10 billion in assets. This is an initial level expected to increase significantly over time. In coordination with the FCA the government will legislate at the earliest opportunity to apply the VFM framework across the market and provide the Pensions Regulator with new powers, using secondary legislation if necessary to ensure key disclosures are in place by 2027.

British Savings Bonds – The government has announced that National Savings & Investments (NS&I) will launch a product which will offer consumers a guaranteed interest rate, fixed for three years. This product will increase savings opportunities available to consumers in the UK and will be brought on sale in early April 2024.

UK ISA – The government will create an additional Individual Savings Account (ISA) with a £5,000 allowance. This would be in addition to the £20,000 that can be subscribed into an ISA. The government will consult on the details.

NatWest retail offer – The government intends to deliver a sale of part of its NatWest shareholding to retail investors. A sale would take place this summer at the earliest, subject to supportive market conditions and achieving value for money for the taxpayer. Further information will be made available on gov.uk.

NatWest shareholding – The government intends to fully exit its shareholding in NatWest Group by 2025-26, subject to supportive market conditions and sales representing value for money.

Announcing the names of Long-term Investment for Science and Technology (LIFTS) winners – The government is announcing the names of the LIFTS winners as Schroders and Intermediate Capital Group (IGC) supported by pensions capital from Phoenix Group. This is subject to ongoing commercial discussions and the internal governance processes of all involved parties.

Announcing a plan to monitor Mansion House Compact – The government is working with the ABI to finalise a framework for monitoring progress on the Mansion House Compact ahead of its first anniversary.

Pensions Lifetime Provider – The government has confirmed that it remains committed to exploring a lifetime provider model for Defined Contribution (DC) pension schemes in the long-term. The government will undertake continued analysis and engagement to ensure that this would improve outcomes for pension savers, and build on the foundations of reforms already underway, including the Value for Money Framework.

6.10 Catalysing the growth sectors of the future

Creative industries

Audio-Visual Expenditure Credit: Enhanced credit for UK independent film – A UK Independent Film Tax Credit will be introduced at a rate of 53% on qualifying film production expenditure. This enhanced Audio-Visual Expenditure Credit will be available for films with budgets under £15 million that meet the requirements of a new British Film Institute test. Productions can make claims from 1 April 2025, in respect of expenditure incurred from 1 April 2024 onwards provided that films started principal photography from 1 April 2024.

Business rates: Film Studios Relief – Eligible film studios in England will receive a 40% reduction on gross business rates bills until 2034. The relief will be implemented as soon as possible, and bills will be backdated to 1 April 2024. This is a tax cut worth around £470 million over the next 10 years. Studios will remain eligible for Improvement Relief. English Local Authorities will be fully compensated for the loss of income as a result of this relief and will receive new burdens funding for administrative and IT costs.

Audio-Visual Expenditure Credit: Additional tax relief for visual effects – Following a call for evidence at Autumn Statement 2023, the credit rate for visual effects costs in film and high-end TV will be increased to 39% from April 2025, and the 80% cap will be removed for qualifying expenditure for visual effects costs. The government will consult on the types of expenditure that will be in scope of the additional tax relief and implement the measure through a future Finance Bill.

Theatre Tax Relief (TTR), Orchestra Tax Relief (OTR) and Museums and Galleries Exhibitions Tax Relief (MGETR) – From 1 April 2025, the rates of

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TTR, OTR and MGETR will be permanently set at 40% (for non-touring productions) and 45% for touring productions and all orchestra productions. The sunset clause for MGETR will be removed.

National Theatre funding – The government is providing £26.4 million to upgrade the National Theatre's stages and infrastructure.

Green industries

Increasing funding for the Green Industries Growth Accelerator (GIGA) and announcing sector funding splits – The government is increasing the GIGA budget by up to £120 million to further support expansion of low carbon manufacturing supply chains across the UK, lowering costs and accelerating the transition. Up to £390 million of the GIGA funding is expected to go to supply chains for offshore wind & electricity networks and up to £390 million is expected to go to supply chains for Carbon Capture Utilisation and Storage (CCUS) and hydrogen. This sits alongside the £300 million already allocated to nuclear fuels for the High Assay Low Enriched Uranium (HALEU) programme.

Final parameters for the next renewable energy Contracts for Difference Allocation Round – The government has published full parameters for the Contracts for Difference Allocation Round 6 (AR6), including setting the largest ever budget for a single round, of over £1 billion.

Nuclear Siting and SMR competition – The government has reached agreement on a £160 million (excluding taxes) deal with Hitachi to purchase the Wylfa site in Ynys Môn and the Oldbury-on-Severn site in South Gloucestershire. The government has also announced that we have moved to the next stage of the Small Modular Reactor competitive process, with six companies now invited to submit their initial tender responses by June.

Regulation of Environmental, Social and Governance Ratings – The government will regulate providers of Environmental, Social and Governance (ESG) ratings to users within the UK. ESG ratings providers will be brought into the regulatory perimeter of the Financial Conduct Authority.

Digital technology and AI

Compute Access – The government is confirming that it will later this year set out how access to the UK's cutting edge public compute facilities will be managed.

AI Safety Institute Update – The government is providing a progress update on recruitment and safety testing.

AI Upskilling Fund Pilot – The government is announcing a new £7.4 million AI Upskilling Fund pilot that will help SMEs develop the AI skills of the future.

SME Digital Adoption Taskforce – The government is announcing that it will shortly be launching the Taskforce, which will investigate how best to support the adoption of digital technology by SMEs in order to boost their productivity.

Data pilots to support AI and data access – The government is introducing two new data pilots to drive high quality AI in education and improve access to data in adult social care for a total of £3.5 million, and confirming the design details of the data research cloud pilots announced last year.

Turing Institute – The government is announcing that it will invest up to £100 million in the Turing Institute over the next five years.

Life sciences

Life Sciences manufacturing funding competitions – Building on the Autumn Statement 2023 announcement of £520 million new funding for Life Sciences manufacturing, the government is announcing that funding competitions for large scale investments will open for expressions of interest this summer with a separate competition for medium and smaller sized companies opening in the Autumn.

Medical research charities early career researchers – The government is providing £45 million through the Medical Research Charities Early Career Researchers Support Fund.

6.11 Boosting growth and investment right across the country

Investment Zones next steps – The government has announced further details on Investment Zones in Greater Manchester, Liverpool City Region, North East of England, South Yorkshire, West Midlands and West Yorkshire. The government has also confirmed that the Tees Valley Investment Zone will focus on the digital and creative sectors. Further details on the Tees Valley and East Midlands Investment Zones will be announced shortly.

Extension of Investment Zones programme – Investment Zones will be extended from five to ten years in Scotland and Wales, matching the extension announced for England at Autumn Statement 2023. Full details of the four Investment Zones in Scotland and Wales will be announced later this year. Details on the Northern Ireland Enhanced Investment Zone will be published soon.

Freeport tax reliefs sunset date extension – The tax reliefs available in Freeport tax sites are being extended from five to ten years, until September 2031 in England, and September 2034 in Scotland and Wales.

Investment Opportunity Fund prospectus – The government has published the prospectus for the Investment Opportunity Fund. The prospectus sets out the details on how the fund will support investment into Freeports and Investment Zones across the UK.

North East "Trailblazer" Devolution Deal – Following commitments in the previous North East Level 3 devolution deal announced in December 2022, the government has agreed a deeper "trailblazer" devolution deal with the North East Mayoral Combined Authority.

Boosting Trade and Investment in Northern Ireland – The government is committing £2 million to boost global investment and trade opportunities for Northern Ireland.

Level 2 Devolution Agreements – At Autumn Statement 2023, the government offered Level 2 devolution powers to some councils which cover a whole county or functional economic area. The government has finalised the first of these agreements with Surrey County Council, Buckinghamshire Council and Warwickshire County Council.

Support for culture and investment in the West Midlands – The government has announced £15 million of funding for the West Midlands Combined Authority to support culture, heritage and investment projects in the region, subject to a business case. This will provide £10 million of funding to support culture and heritage projects, and £5 million to drive inward investment in the region.

Theatr Clwyd funding – The government will provide £1.6 million for Theatr Clwyd in Wales, subject to business case approval. This is the largest producing theatre in Wales and the funding will help support a major refurbishment.

Annex to Memorandum of Understanding (MoU) for the "Trailblazer" Single Settlements with Greater Manchester and West Midlands Combined Authorities – At Autumn Statement 2023, the government published an MoU on the single settlements for Greater Manchester and West Midlands Combined Authorities, outlining how the settlements will operate and be implemented at the next Spending Review. The government has published an annex to this MoU setting out further detail on spending controls, the approach to formulae, and the outcomes framework.

Expanding the Long-Term Plan for Towns – The government is announcing £400 million of investment to extend the Long-Term Plan for Towns to a further twenty places across the UK. This provides places with ten years of endowment-style funding and support worth up to £20 million to invest in communities and regeneration. The full list of towns is: Royal Sutton Coldfield, Darlington, Runcorn, Canvey Island, Thetford, King's Lynn, Ramsgate, Eastbourne, Harlow, Newton-le-Willows, Rawtenstall, Wisbech, Carlton

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(Gedling), Bedworth, Arbroath, Peterhead, Kirkwall, Rhyl, Derry/Londonderry, and Coleraine.

Village halls – The government is providing an additional £5 million for the Platinum Jubilee Village Halls Fund, to support local village halls across England to remain at the heart of their communities.

Capital regeneration projects – The government is investing £23.7 million across two shovel-ready capital projects in Bradford and Ashfield, to support regeneration in places across England.

Community regeneration projects – The government is providing £6 million of funding for work with the King's Foundation to pilot how community led regeneration projects anchored around heritage assets and sustainability considerations can complement government's wider place-based initiatives for levelling up, subject to business case approval.

Levelling up culture projects – The government is confirming the allocation of £100 million of funding for culture projects (subject to business case), recognising the important role that culture and pride in place have to play in levelling up. This will support a combination of nationally-significant cultural investments such as the British Library North in Leeds, National Railway Museum in York, and National Museums Liverpool, as well as the development of cultural projects in places previously prioritised for levelling up investment but which have not to date received levelling up funding, including in High Peak, Redditch and Erewash. DLUHC will publish a full list and explanation on gov.uk.

Scottish cultural regeneration – To ensure every city in Scotland benefits from levelling up, the government will work with the cities yet to receive an allocation – Perth and Dunfermline – to invest a shared £10 million for cultural investment.

7. Financing

This annex sets out the details of the government's financing plans in 2024-25. Further details can be found in the 'Debt Management Report 2024-25', available at gov.uk.

Debt management objective

The debt management objective, as set out in the Debt Management Report 2024-25, is "to minimise, over the long term, the costs of meeting the government's financing needs, taking into account risk, while ensuring that debt management policy is consistent with the aims of the monetary policy".

Debt management policy

While decisions on debt management policy must be taken with a long-term perspective, specific decisions on funding the government's gross financing requirement are taken annually. Those decisions are announced before the start of the forthcoming financial year and are typically updated in April (a technical adjustment to reflect outturn data from the previous year) and as the Office for Budget Responsibility (OBR) publishes subsequent fiscal projections.

Financing arithmetic

The financing arithmetic for 2024-25 is set out in Table A.1.

The OBR's March 2024 forecast for the 2024-25 central government net cash requirement (excluding NRAM Ltd, Bradford & Bingley, and Network Rail), which is referred to as CGNCR (ex NRAM, B&B, and NR), is £142.8 billion. This measure is used in the financing arithmetic, as it reflects the forecast cash requirement of the Exchequer.

The net financing requirement (NFR) for the Debt Management Office (DMO) comprises: CGNCR (ex NRAM, B&B, and NR) plus any financing for gilt redemptions, and other adjustments, less the net contribution to financing from National Savings and Investments (NS&I) and any other in-year contributions to financing.

The NFR for 2024-25 is forecast to be £265.3 billion, reflecting:

- the forecast for CGNCR (ex NRAM, B&B, and NR) of £142.8 billion
- gilt redemptions of £139.9 billion
- a planned short-term financing adjustment of -£5.9 billion resulting from projected unanticipated over funding in 2023-24
- a net financing remit for NS&I of £9.0 billion, plus a forecast £0.5 billion from sales of NS&I retail Green Savings Bonds
- a net contribution to financing from other financing items of £2.0 billion

As set out in Table A.1, the NFR for 2024-25 will be met by gilt sales of £265.3 billion. It is planned that there will be no net contribution to financing from Treasury bills for debt management purposes in 2024-25.

Gilt issuance by method, type, and maturity

Decisions on the skew of gilt issuance are made annually with reference to the government's debt management objective, as set out above, and in the Debt Management Report 2024-25.

Auctions will remain the government's primary method of gilt issuance. It is anticipated that £224.3 billion (84.5%) of total gilt sales will take place by auction in 2024-25, and around £31.0 billion (11.7%) will take place by

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syndication. The government will also continue to have the option to use gilt tenders to supplement issuance by auction and syndication.

Issuance by auction and syndication is planned to be split by maturity and type as follows:

- £95.3 billion of short conventional gilts (35.9% of total issuance)
- £82.1 billion of medium conventional gilts (30.9% of total issuance) (including green gilts)
- £49.0 billion of long conventional gilts (18.5% of total issuance) (including green gilts)
- £28.9 billion of index-linked gilts (10.9% of total issuance)

The DMO's financing plans include an initially unallocated portion of issuance from which gilts of any maturity or type may be issued (excluding green gilts). This unallocated portion will initially be £10.0 billion (3.8% of total issuance) in 2024-25. The unallocated portion is used in such a way as to respond appropriately to developments in the gilt market in-year.

Table A.1: Financing arithmetic in 2023-24 and 2024-25 (£ billion)(1)

	2023-24	**2024-25**
CGNCR (ex NRAM, B&B and NR)(2)	149.0	142.8
Gilt redemptions	117.0	139.9
Financing adjustment carried forward from previous financial years(3)	-24.6	-5.9
Gross financing requirement	**241.3**	**276.8**
less:		
NS&I net financing(4)	10.9	9.0
NS&I Green Savings Bonds(4)	1.0	0.5
Other financing(5)	3.0	2.0
Net financing requirement (NFR) for the Debt Management Office (DMO)	**226.4**	**265.3**
DMO's NFR will be financed through:		

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Gilt sales, through sales of:		
Short conventional gilts	86.6	95.3
Medium conventional gilts (including green gilts)(6)	68.3	82.1
Long conventional gilts (including green gilts)(7)	53.0	49.0
Index-linked gilts	28.6	28.9
Unallocated amount of gilts	0.8	10.0
Total gilt sales for debt financing	**237.3**	**265.3**
Total net contribution of Treasury bills for debt financing	**-5.0**	**0.0**
Total financing	**232.3**	**265.3**
DMO net cash position	8.2	2.3

1 Figures may not sum due to rounding.

2 Central government net cash requirement (excluding NRAM Ltd, Bradford & Bingley, and Network Rail).

3 The -£24.6 billion financing adjustment in 2023-24 carried forward from previous years reflects the 2022-23 outturn for the CGNCR (ex NRAM, B&B, and NR), as first published on 25 April 2023. The -£5.9 billion adjustment in 2024-25 is the amount required to reduce the estimated DMO cash position at end-March 2025 to £2.3 billion.

4 2023-24 NS&I net financing and retail Green Savings Bonds are forecasts based on current performance but are subject to change throughout the remainder of the financial year. Outturn will be confirmed in NS&I's 2023-24 Annual Report and Accounts to be published in the summer. 2024-25 retail Green Savings Bonds is a forecast and is subject to change.

5 This financing item is typically comprised of estimated income from coinage and unhedged reserves.

6 Including green gilt sales of £6.6 billion in 2023-24, and planned green gilt sales in 2024-25.

7 Including green gilt sales of £3.4 billion in 2023-24, and planned green gilt sales in 2024-25.

Source: Debt Management Office, HM Treasury, National Savings and Investments, and Office for Budget Responsibility.

Index-linked gilts

The government decides index-linked gilt issuance on an annual basis, and in practice the share of total issuance will vary year-to-year depending on factors including the size of the financing requirement, demand, and market conditions. In the 2024-25 financing remit, planned index-linked gilt issuance accounts for 10.9% of total gilt issuance.

At Budget 2018 – and as part of the government's responsible approach to fiscal risk management – the government announced that it would look to reduce the proportion of index-linked gilt issuance annually in a measured fashion over the medium term, as a means of reducing its inflation exposure in the debt portfolio. It has achieved this. In the five years prior to 2018-19, index-linked gilts accounted for around 25% of the government's annual debt issuance, for which both the principal and coupon payments are indexed to RPI. Since then, the government has reduced inflation exposure in relative terms. Index-linked gilt issuance has accounted for around 14% (unweighted) of annual gilt issuance on average over the last six years (including 2023-24), such that the proportion of index-linked gilts in the debt stock was lower at the end of 2023 than at the end of 2018 (25.8% compared to 27.6%).

As is the case for conventional gilts of all maturity buckets, actual index-linked gilt issuance may differ from planned issuance due to transfers from the unallocated portion. Decisions on the precise levels of index-linked and conventional gilt issuance will continue to be taken as part of the annual financing remit and in consultation with market participants.

Green gilts and retail Green Savings Bonds

The government plans to raise £10.0 billion (cash) via issuance of green gilts in 2024-25, subject to demand and market conditions. The expectation is that the focus will be on further re-openings of the two existing green gilts, which will be kept under review taking into account market conditions. The planned green financing requirement is derived from eligible green expenditure in the coming financial year and adjusted for possible unallocated financing raised in previous years. All green gilt proceeds are allocated against eligible green spend as defined in the UK Government Green Financing Framework, available at gov.uk.

The retail Green Savings Bonds (GSB) were brought on sale via the NS&I website on 22 October 2021, and this product has allowed UK savers to support the government's green spending initiatives. NS&I forecast to have raised £1.0 billion from GSB in the 2023-24 financial year and £1.9 billion since the initial October 2021 launch. NS&I forecast that they will raise an additional £0.5bn from GSB in 2024-25, subject to market conditions.

Treasury bills

It is currently planned that there will be a zero net contribution to the DMO NFR from Treasury bills for debt management purposes in 2024-25.

NS&I

NS&I will have a net financing target of £9.0 billion in 2024-25 (within a range of ±£4.0 billion). This target reflects NS&I's requirement to balance the interests of its savers, the taxpayer, and the wider financial services sector. Finance raised from the British Savings Bonds, announced at this Budget, will contribute towards NS&I's 2024-25 net financing target.

Illustrative future gross financing requirement

Table A.2 sets out the illustrative gross financing requirement for each financial year from 2025-26 to 2028-29, using the OBR March 2024 projections for CGNCR (ex NRAM, B&B, and NR) and taking into account current planned gilt redemptions.

Table A.2: Illustrative gross financing requirement (£ billion)(1)

	2025-26	2026-27	2027-28	2028-29
CGNCR (ex NRAM, B&B, and NR)(2)	112.8	97.3	103.1	96.4
Gilt redemptions(3)	163.3	117.6	109.1	143.6
Total illustrative gross financing requirement	**276.1**	**214.9**	**212.2**	**240.0**

1 Figures may not sum due to rounding.

2 Central government net cash requirement (excluding NRAM Ltd, Bradford & Bingley, and Network Rail).

3 Projected redemptions reflect the amounts of gilts currently in issue (net of government holdings) in these financial years. To the extent that further gilt issuance takes place of gilts redeeming in these financial years, these amounts will increase. Includes gilt auction sizes announced up to end-February 2024.

Source: Debt Management Office, HM Treasury, and Office for Budget Responsibility.

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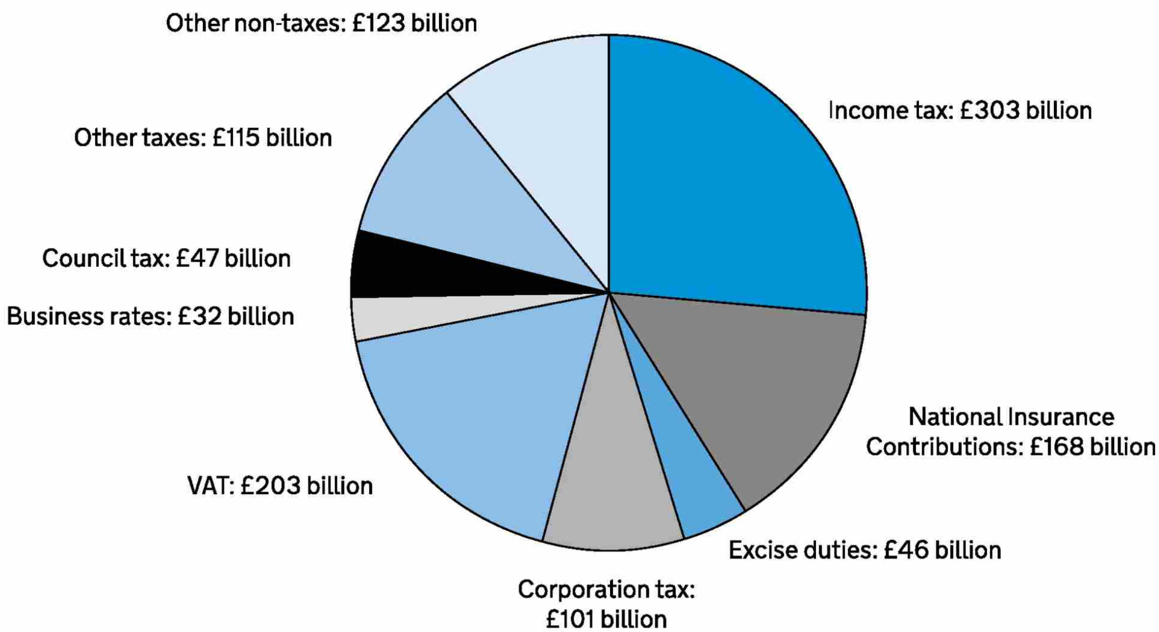
8. Public sector receipts and spending

Chart B.1 shows public sector receipts by main type. Public sector receipts are expected to be around £1,139 billion in 2024-25.

Chart B.1: Public sector current receipts 2024-25



Figures may not sum due to rounding.

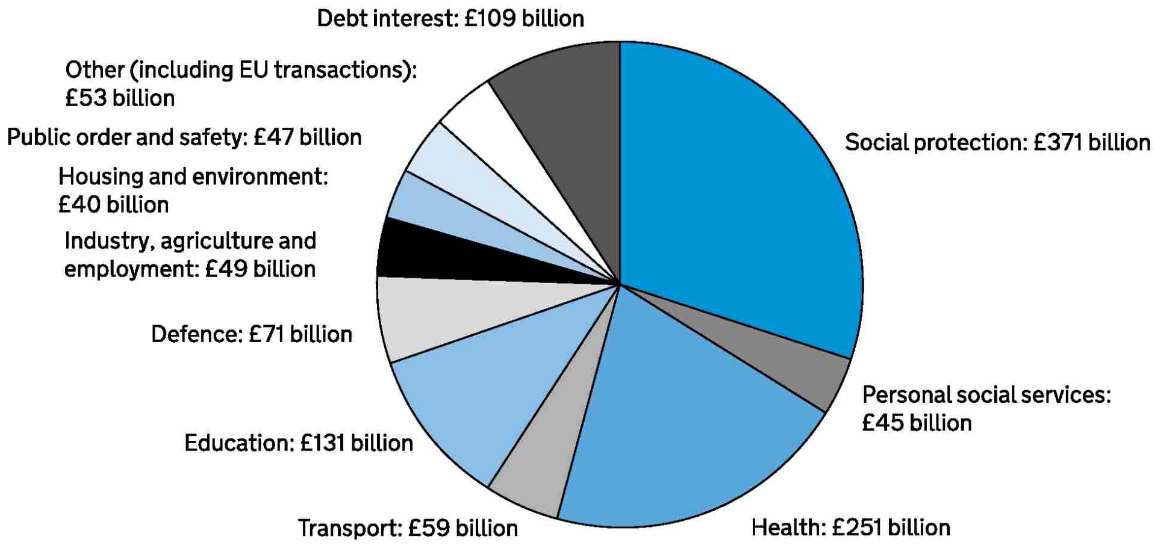
Other taxes includes capital taxes, stamp duties, vehicle excise duties, customs duties and other smaller tax receipts.

Other non-taxes includes interest and dividends, gross operating surplus and other smaller non-tax receipts.

Source: Office for Budget Responsibility.

Chart B.2 shows public spending by main function. Total Managed Expenditure (TME) is expected to be around £1,226 billion in 2024-25.

Chart B.2: Public sector spending 2024-5



Figures may not sum due to rounding.

Illustrative allocations to functions are based on HMT analysis including capital consumption figures from the Office for National Statistics.

Source: Office for Budget Responsibility and HM Treasury calculations.

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92. ‘Life Sciences Vision’ (https://www.gov.uk/government/publications/life-sciences-vision), HM Government, July 2021.

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93. For example, supported by the Life Sciences Innovative Manufacturing fund, the government recently announced almost £92 million of combined government and industry investment into two new projects expanding pharmaceutical manufacturing plants in the UK. ‘£360 million to boost British manufacturing and R&D’ (http://www.gov.uk/government/news/360-million-to-boost-british-manufacturing-and-rd), HM Treasury, March 2024.

94. Department for Levelling Up, Housing and Communities calculations based on the total population of local authorities benefiting from devolved powers, as per the 2021 Census (https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/bulletins/populationandhouseholdestimatesenglandandwales/census2021unroundeddata).

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