WA BRIEFING

2018 Autumn Budget: headline summary and initial analysis

29th October 2018

OVERVIEW

Chancellor of the Exchequer Philip Hammond today announced a giveaway Budget that was designed to double down on the Prime Minister's assertion that *'austerity is over*', and seek to show that this was more than just warm words. He was, however, perhaps more careful with his choice of words, noting that it was merely, *'coming to an end*'.

Ahead of this Budget the Chancellor faced a major dilemma: how to show that the Conservative Party cares about the electorate, without undermining the reputation they have built for economic discipline and effectively managing the public finances. The Conservative narrative since before 2010 has been that austerity is both necessary and essential, and that the Labour Party cannot be trusted with the economy. The Chancellor has been keen to protect this hard-won reputation and to avoid the Conservative Party being drawn into a spending battle with Labour which they have no chance of winning, while at the same time spending in some key areas.

This explains the carefully balanced approach that the Chancellor sought to adopt. Clearly indicating that further public spending will soon be forthcoming, but seeking to do so in a responsible way. Hammond positioned austerity as pragmatic, rather than ideologically driven. His repeated references to the hard work and perseverance of the British people was an attempt to show that this was not in vain, and to portray this as the hardworking public versus an 'irresponsible' Labour Party.

In the context of a party deeply divided over Brexit, Hammond's promise of a potential 'Deal Dividend' was a calculated attempt to win over rebels within the Conservative Party, as well as possible supporters within Labour. This was a clear message: if you want higher public spending and an end to austerity, do not risk a no deal situation.

This was a Budget that was always going to be largely focused on the short term. Firstly, the Spending Review next year will set out parameters for long term departmental spending and will be expected to deal with more significant and structural economic and social challenges. Secondly, the current Brexit uncertainty and question marks over the government's long term future mean the Chancellor had little space to set out long term solutions to major domestic challenges – such as social care funding, local government finances and the future of business rates – which would require difficult and politically uncomfortable decisions.

However, in some of these areas the Chancellor did announce measures which are attempts to alleviate the impact in the short term, such as some additional funding for local authorities, and new business rate reliefs. The Chancellor also went further, hinting at more significant solutions such as the introduction of a new Digital Services Tax, unless an international agreement can be reached.

Chancellors always fear their Budgets unravelling in the days following their statement, as George Osborne can attest to. With the tension and pressure within the Conservative Party at a high, this is an even more significant risk than usual. The Chancellor will be hoping that the Budget buys him – and the government – time, and that the public recognises his promise of brighter times on the horizon.

THE ECONOMIC AND FISCAL OUTLOOK

- The Chancellor led with the announcement that 2018's growth forecast has been upgraded from 1.3 per cent at the Spring Statement to 1.6 per cent this year and growth is forecast to be 1.4 per cent, 1.4 per cent, 1.5 per cent and 1.6 per cent in the subsequent four years.
- The government claims 3.3 million more people are in work since 2010 and that wage growth is at its highest in nearly a decade.
- The Office for Budget Responsibility (OBR) is revising up participation in the labour market, revising down the country's unemployment rate. In total, the government claims over 4.1 million net new jobs have been created since 2010.
- Inflation is set to average 2 per cent in the next year.
- The OBR confirmed that the UK's national debt peaked in 2016/17 at 85.2 per cent of GDP but will fall in every year of the forecast from 83.7 per cent this year to 74.1 per cent in 2023-2024.
- Public borrowing in 2018 is to be £11.6bn lower than forecast in March, representing 1.2% of GDP the total value of goods produced and services provided.
- The UK's borrowing forecast is to fall in subsequent years to £31.8 billion, £26.7 billion. £23.8 billion, £20.8 billion and £19.8 billion.
- Debt as share of GDP is set to fall from 85.2% in 2016-17 to 83.7% this year and to 74.1% by 2023-24.

HEADLINE ANNOUNCEMENTS

Business taxes

- The government will increase the Annual Investment Allowance to £1 million for all qualifying investment in plant and machinery made on or after 1 January 2019 until 31 December 2020, to help stimulate business investment.
- New non-residential structures and buildings will be eligible for a two per cent capital allowance where all the contracts for the physical construction works are entered into on or after 29 October 2018.
- To support longer-term business investments, from 6 April 2019 the minimum period throughout which the qualifying conditions for relief must be met will be extended from 12 months to 24 months.
- From April 2020, the government will introduce a new two per cent tax on the revenues of certain digital businesses to ensure that the amount of tax paid in the UK is reflective of the value they derive from their UK users.
- From 1 April 2020, the government will restrict the proportion of annual capital gains that can be relieved by brought-forward capital losses to 50 per cent.
- The government is cutting business rates by one-third for retail properties with a rateable value below £51,000, for 2 years from April 2019, subject to state aid limits.
- The government announced 'Our Plan for the High Street', which will include a £675 million Future High Streets Fund, planning reform, a High Streets Task Force to support local leadership, and funding to strengthen community assets, including the restoration of historic buildings on high streets.
- The government will continue the £1,500 business rates discount for office space occupied by local newspapers in 2019-20.
- The government will introduce a tax on the production and import of plastic packaging from April 2022. Subject to consultation, this tax will apply to plastic packaging which does not contain at least 30 per cent recycled plastic, to transform financial incentives for manufacturers to produce more sustainable packaging.

- The VAT threshold will be maintained at the current level of £85,000 for a further two years until April 2022.
- In addition to the current requirements on share capital and voting rights, from 29 October 2018 shareholders must also be entitled to at least 5 per cent of the distributable profits and net assets of a company to claim the relief.
- The government will consult on aligning the consideration rules of Stamp Duty and Stamp Duty Reserve Tax and introducing a general market value rule for transfers between connected persons.
- To help prevent abuse of the payable credit, from 1 April 2020, the amount of payable R&D tax credit that a qualifying loss-making company can receive in any tax year will be restricted to three times the company's total PAYE and NICs liability for that year.
- The government is enacting new legislation to allow the introduction of international disclosure rules about offshore structures that could avoid tax, or could be misused to evade tax.
- The government will publish an updated offshore tax compliance strategy.

Personal taxes

- Government will meet its commitment to raise the Personal Allowance to £12,500 and the Higher Rate Threshold to £50,000 from April 2019, one year earlier than planned.
- The government will reform the off-payroll working rules (known as IR35) in the private sector. This follows consultation and the roll-out of reform in the public sector. Responsibility for operating the off-payroll working rules will move from individuals to the organisation, agency or other third party engaging the worker. To give people and businesses time to prepare, this change will not be introduced until April 2020.
- The government is maintaining the scope of tax relief currently available to employees and the self-employed for work-related training costs. Instead, the government is launching the National Retraining Scheme and skills pilots to help those in work, including the self-employed.
- From April 2020 the government will restrict access to employers with an employer National Insurance contributions (NICs) bill below £100,000 in their previous tax year.
- The lifetime allowance for pension savings will increase in line with CPI for 2019-20, rising to £1,055,000.
- Duty rates on beer, most cider and spirits will be frozen. Duty on most wine and higher strength sparkling cider will rise by RPI inflation from 1 February 2019. As announced at Autumn Budget 2017, the government will introduce a new duty band for still cider and perry from 6.9 per cent to 7.5 per cent alcohol by volume (abv), to target white ciders.
- Duty rates on all tobacco products will increase by two percentage points above RPI inflation until the end of this Parliament. Hand rolling tobacco will increase by an additional one percentage point. As announced at Spring Statement 2018, the government will legislate in Finance Bill 2018-19 for a new duty rate for tobacco for heating. This will be set at the same level as hand rolling tobacco and take effect on 1 July 2019.
- As announced in May 2018, in order to ensure funding for public services is maintained following the implementation of a £2 maximum stake on B2 machine games, the rate of Remote Gaming Duty will increase to 21 per cent. Both the reduction in maximum stake and increased duty rate will come into effect in October 2019.

Housing

- The Chancellor reiterated the government's plans the remove the cap on Housing Revenue Accounts to allow local authorities to borrow to build more council housing.
- There will be an extension to the National Productivity Investment Fund (NPIF) to provide further investment in housing, transport, digital infrastructure and research and development. NPIF will

be in place for an extra year to 2023-24 and expanding it to £37 billion. This will help fund projects including 18,000 new homes in East London through improvements to the Docklands Light Railway. This will also be used to invest an additional £500 million in the Housing Infrastructure Fund to £5.5 billion, predicted to unlock up to 650,000 new homes.

- Alongside the Budget, Sir Oliver Letwin's independent Build Out Review was published which found "no evidence" that speculative land banking is part of the business model for major house builders, nor that this is a driver of slow build out rates. It concluded that greater differentiation in the type and tenures of housing delivered would increase market absorption rates.
- The British Business Bank will deliver a new scheme providing guarantees to support up to £1 billion of lending to SME housebuilders.
- The government will build on its revisions to the National Planning Policy Framework by launching a consultation on amendments to permitted development rights and changes to uses of classes. This will be focuses on supporting the regeneration of high streets and the disposal of surplus local authority land.
- Reforms will be introduced to simplify the process for setting a higher zonal Community Infrastructure Levy in areas of high land value uplift and removing all restrictions on Section 106 pooling towards a single piece of infrastructure.
- A further £10 million will be made available to support "ambitious housing deals" from local authorities in areas of high housing demand to deliver above their Local Housing Need.
- The government has launched a consultation on proposals to make it a requirement for developers and operators to provide gigabit-capable connections to new homes. The consultation period will end on 21 December 2018. A second consultation, also ending on 21 December 2018 will examine proposals to make it easier for commercial and residential tenants to access high quality and reliable broadband connections.
- From April 2021, a new Help to Buy Equity Loan scheme will run for two years before closing in March 2023. The new scheme will be available for first-time buyers only, and for houses with a market value up to new regional property price caps. These caps are set at 1.5 times the current forecast regional average first-time buyer price, up to a maximum of £600,000 in London. The government does not intend to introduce a further Help to Buy Equity Loan scheme after March 2023.
- The government will extend first-time buyers relief in England and Northern Ireland so that all qualifying shared ownership property purchasers can benefit from the relief. This change will apply to relevant transactions from 29 October 2018 and will be backdated to 22 November 2017.
- The government will publish a consultation in January 2019 on a Stamp Duty surcharge of one per cent for non-residents buying residential property in England and Northern Ireland.
- From April 2020 the government will reform lettings relief so that it only applies in circumstances where the owner of the property is in shared occupancy with the tenant. The government will consult on the impact of this change and plans to reduce the final period exemption from 18 months to 9 months.
- The government has announced a call for evidence seeking proposals from investors willing to collaborate with government to deliver a new wave of shared ownership homes.

Energy and infrastructure

- The Budget announced a series of changes to energy taxation. The government will freeze the Carbon Price Support (CPA) rate for 2020-21, and seek to reduce the rate if the Total Carbon Price remains high post-2021. In a no-deal scenario, the government would introduce a Carbon Emissions Tax to help meet the UK's legally binding carbon reduction commitments under the Climate Change Act.

- The government will end Enhanced Capital Allowances (ECAs) and First Year Tax Credits for certain businesses. These help businesses invest in energy-saving plant or machinery by allowing businesses to set 100 per cent of the cost against taxable profits in the first year. Savings from the scheme will be reinvested in an Industrial Energy Transformation Fund, to support significant energy users to cut their energy bills and transition UK industry to a low carbon future.
- ECAs will, however, be extended for companies investing in electric vehicle charge points to 31 March 2023.
- As part of the Industrial Strategy, the government will establish an Industrial Energy Transformation Fund, backed by £315 million of investment, to support businesses with high energy use to transition to a low carbon future and to cut their bills through increased energy efficiency.
- Also on energy efficiency, the government will issue a call for evidence on introducing a new Business Energy Efficiency Scheme, focused on smaller businesses. Over time, this scheme will reduce business energy bills and carbon emissions. The call for evidence will seek views on a range of possible delivery options.

Transport

- Fuel duty will be frozen for a ninth successive year saving the average driver a cumulative £1,000 by April 2020, compared with what they would have paid under the pre-2010 fuel duty escalator.
- Following review, the government will maintain the difference between alternative and main road fuel duty rates until 2032 to support the de-carbonisation of the UK transport sector, subject to review in 2024.
- The government will review the impact of WLTP on Vehicle Excise Duty (VED) and company car tax (CCT) to report in the spring. WLTP aims to provide a closer representation of 'real-world' fuel consumption and CO_2 emissions.
- From 1 April 2019 VED rates for cars, vans and motorcycles will increase in line with RPI. To support the haulage sector, the government will freeze the Heavy Goods Vehicle (HGV) VED for 2019-20.
- To align the tax treatment of the transportation of blood and medical supplies by the national charity Blood Bikes with other emergency vehicles, the government will introduce an exemption for the purpose-built vehicles operated by Blood Bikes from April 2020.
- From 6 April 2019 fuel benefit charges will increase in line with RPI and the van benefit charge will increase in line with CPI.
- Short-haul APD rates for 2020-21 will not rise, remaining at the same level they have been since 2012, benefitting 80 per cent of passengers. Long-haul rates will increase in line with RPI. The rates for long-haul economy will increase by £2, and the rates for those travelling in premium economy, business and first class will increase by £4. Those travelling long-haul by private jets will see the rate increase by £13.
- The National Roads Fund will be £28.8 billion between 2020-25. The Fund will provide long-term certainty for roads investment, including the new major roads network and large local major roads schemes, such as the North Devon Link Road.
- The government has announced they will no longer use PF2, the successor of the Private Finance Initiative (PFI), for new projects. A new centre of best practice in the Department of Health and Social Care (DHSC) will improve the management of existing PFI contracts.
- The Roads Investment Strategy 2 is the largest ever investment in England's strategic roads and will enable the government to build on the successes of Roads Investment Strategy 1, such as the A1(M) link to Newcastle, and progress transformative projects like the A66 Trans-Pennine, the Oxford-Cambridge Expressway, and the Lower Thames Crossing. The government expects to spend £25.3 billion on this strategy, funded by the National Roads Fund, between 2020-25.

- The government will allocate £420 million to local authorities in 2018-19 to tackle potholes, repair damaged roads, and invest in keeping bridges open and safe.
- As part of the NPIF, the government is extending the Transforming Cities Fund by a year to 2022-23. This will provide an extra £240 million to the six metro mayors for significant transport investment in their areas: £21 million for Cambridgeshire and Peterborough, £69.5 million for Greater Manchester, £38.5 million for Liverpool City Region, £23 million for West of England, £71.5 million for the West Midlands, and £16.5 million for Tees Valley. In addition, a further £440 million will be made available to the city regions shortlisted for competitive funding.
- £90 million from the NPIF will be allocated to the Transforming Cities Fund to create Future Mobility Zones. This will trial new transport modes, services, and digital payments and ticketing. £20 million of this will be allocated to the West Midlands.
- The government will respond in full to the National Infrastructure Commission's (NIC) 'National Infrastructure Assessment' through a National Infrastructure Strategy that will be published in 2019. Alongside the Budget, the government has published an interim response setting out its investment record and progress in the priority areas identified in the NIC's report.
- The government has commissioned a new NIC study, to be published in Spring 2020, on how to improve the resilience of the UK's infrastructure in light of technological advances and future challenges such as climate change.
- The government will review its existing support for infrastructure finance, to ensure that it continues to meet market needs as the UK leaves the EU.
- Up to £37m additional development funding to support Northern Powerhouse Rail.
- A further £20m has been provided to develop an outline business case for the central section of East West Rail between Cambridge and Bedford.
- The government is considering the recommendations of the Independent Affordability Review of Crossrail 2, and will consider the case for the project at the Spending Review."
- Funding from the Housing Infrastructure Fund will be used to unlock over 18,000 new homes in East London through investment in the Docklands Light Railway.
- The government will publish plans for major improvements for the seawall at Dawlish next summer.
- The government will publish a refreshed Northern Powerhouse strategy next year.
- The government will extend Enhanced Capital Allowances (ECAs) for companies investing in electric vehicle charge points to 31 March 2023.

Welfare

- The Chancellor remained assured on the switch to Universal Credit (UC), which he defended as a "major structural reform" that will help to drive economic growth into the future, stating that it is "here to stay". However, acknowledging concerns around the implementation of UC, he announced additional protections for claimants moving to UC:
  - Households with children and people with disabilities will, from April 2019, be entitled to earn a further £1,000 as part of the Work Allowance before UC support begins to be withdrawn. This will enable 2.4 million households to keep an extra £630 of income annually.
  - From 2020 claimants moving to UC from legacy systems will also be given extended support, amounting to an additional 2 weeks' worth of payments for the income-related elements of Jobseeker's Allowance, Employment and Support Allowance, and Income Support.
  - The 12-month grace period before which the Minimum Income Floor applies will be extended to all gainfully self-employed people from July 2019 (implemented fully from September 2020).
  - In order to support more sustainable debt repayment, the maximum rate for deductions from a Universal Credit award will drop from 40 per cent to 30 per cent of the standard allowance

from October 2019, and, from October 2021, the recovery period for advances will be increased from 12 to 16 months.
  - There will be a temporary reduction in the scope of the surplus earnings policy, which will affect earning spikes above £2,500 until April 2020, after which it will revert to affecting earnings spikes of £300.
- Pledging to take a slow and careful approach to delivering UC, the budget announces that the implementation schedule will lengthen, beginning as planned in July 2019 but completing in December 2023 – nine months later than the completion date of March 2023 announced earlier this year.
- Government is delaying the transfer of rent support from Housing Benefit to Pension Credit by three years, in order to align with the implementation of UC. The budget also reiterates previously announced policies for housing support, with the retention of funding for supported housing within the welfare system (as opposed to a local funding model) and reinstating the automatic entitlement to housing support for 18 to 21 year olds.
- Following the introduction of the Parental Bereavement Leave and Pay Act 2018 in September this year, there will be statutory entitlement to two weeks' of leave for employees who suffer the death of a child under 18, or a stillbirth after 24 weeks of pregnancy, coming into effect from April 2020.
- Industrial Injuries Disablement Benefit will now be payable to individuals with Dupuytren's contracture, which joins the existing list of over 70 prescribed diseases for which it is payable. Claimants with this disease are expected to gain over £1,200 per year on average.

Financial services

- The government has published the Cryptoassets Taskforce final report alongside the Budget, setting out the future approach to cryptoassets in financial services to ensure continued regulatory standards.
- The Affordable Credit Challenge Fund will provide £2 million to promote technological solutions to supporting social and community lenders for fintech.
- The government has announced a new independent body will be established to promote financial inclusion. It will be responsible for deploying an initial £55 million of funding from dormant bank accounts, primarily to address the problem of access to affordable credit.
- The Budget announces a consultation on a breathing space scheme for people in problem debt. The scheme will introduce a 60-day period of protection from creditor action to recover debts to help people make plans to pay back their debts in a sustainable way.
- The government, working with leading debt charities and the banking industry, will launch a feasibility study to help to design a pilot for a no-interest loans scheme early next year.
- The government will temporarily increase the Annual Investment Allowance to £1 million and introduce a new allowance for investments in non-residential structures and buildings.
- UK Export Finance (UKEF) will make a one-off increase to their Direct Lending Facility of up to £2 billion over 2020-21 and 2021-22.
- The government reaffirmed its commitment to supporting the UK's fast-growing and innovative firms to secure the external finance they need to invest and grow. As the UK leaves the EU, it will continue to explore options for a future relationship with the European Investment Bank Group (EIBG). However, if no future relationship with the EIBG is in place before the UK leaves the EU on 29 March 2019, the government will provide the British Business Bank with the resources to enable it to make up to £200 million of additional investment in UK venture capital and growth finance in 2019-20.
- The government will extend the funding of the British Business Bank's Start-Up Loans Programme to 2021.

- The government welcomes the FCA's plans to expand access to the Financial Ombudsman Service (FOS) to SMEs with a turnover of up to £6.5 million, along with its consultation on increasing the FOS award limit to £350,000.
- The Intellectual Property Office will support more companies to use their intellectual property to access finance, piloting a new offer to help businesses secure high-quality valuations, and will work with banks to improve their awareness of the opportunities and true credit risk associated with such lending.

Education and skills

- The Budget sets out the government's "vision for developing the new skills needed for the UK's long-term prosperity, in order to build an economy fit for the future", continuing their ongoing rhetoric on providing opportunities for all, while enabling businesses to access the skilled workforce that will help tackle the UK's productivity gap.
- On school funding, the Budget states the core schools budget is at a "record high" this year, at more than £42 billion, noting the government has allocated £5.8 billion between 2015 and 2020 to deliver new school places. In addition, for state schools, the Department for Education is proposing to provide more funding to cover pension costs for the rest of this Spending Review period.
- The Chancellor has provided £400m to schools to cover the "little extras" they need. This is positioned as a school equipment and maintenance uplift. The government will also make available an additional £1 million for First World War battlefield visits for pupils and £1.7 million for educational projects in schools to mark the 75th anniversary of the liberation of the Bergen-Belsen concentration camps.
- There will also be funding for a £10 million regional trial to test how to improve retention of early career maths and physics teachers.
- The government will provide £38 million of capital funding to support implementation of the first three T levels in 2020 across 52 providers.
- The government has announced a number of reforms to apprenticeships, aimed at strengthening the role of employers in the apprenticeship programme so they can develop the skills they need to succeed. This includes provision of up to £240m to halve the co-investment rate paid by small businesses for apprenticeships from ten per cent to five per cent.
- The government has built on the Chancellor's announcement at Party Conference to provide up to £450m to enable levy paying employers to transfer up to twenty five per cent of their levy funds to employers in their supply chains. The government will also provide up to £5 million in 2019-20 to the Institute for Apprenticeships and National Apprenticeship Service, to identify gaps in the training provider market and increase the number of apprenticeship standards available.
- Further to the Chancellor's announcement at Party Conference of a review into the operation of the apprenticeship levy post-2020, the Exchequer Secretary to the Treasury and the Apprenticeships Minister will work with a range of employers and providers to consider how they are "responding to the apprenticeship levy across different sectors and regions in England", as well as the "future strengthened role of apprenticeships in the post-2020 skills landscape".
- The Budget also confirms £100m for the first phase of the National Retraining Programme. This will focus on a new careers guidance service and courses combining online learning with traditional classroom teaching to develop key transferable skills. The second phase, being developed in conjunction with the CBI and TUC will focus on job-specific retraining.
- £20m of skills pilots in Greater Manchester will be taken forwards, focused on digital skills, increasing training levels for the self-employed, and providing on-the-job training for young people not currently in employment, education or training.

- The government will amend VAT law to ensure continuity of VAT treatment for English higher education providers under the Higher Education and Research Act by enabling bodies registered with the Office for Students in the Approved (fee cap) category to exempt suppliers of education.
- The government's review, led by Philip Augar, into the post-18 education and funding system will ensure that all students are given a "genuine choice between high-quality technical, vocational and academic routes in a system accessible to all", as well as assuring value for money for students and taxpayers, and access to the skilled workforce employers need. The Budget document reiterates the plan for there to be an interim report to ministers before the final review concludes.
- £5 million will be provided to support up to ten local areas to develop proposals for new University Enterprise Zones. They will "promote collaboration between universities and businesses, support start-ups and scale-ups, and disseminate management skills".

Health and social care

- The Chancellor reiterated that NHS spending will increase by 3.4 per cent over the next five years, equating to a £20 billion funding boost by 2023-24 announced by Theresa May earlier this year to coincide with the NHS's 70th birthday.
- The Chancellor stressed that the Treasury does not simply 'hand over money,' and the additional funding would be directed towards reform and cutting waste within the NHS.
- The NHS 10 year plan will include a commitment to provide mental health services with £2 billion per year of additional funding. This funding will be spent on: mental health support in every major A&E department; children and young people's crisis teams available in every part of the country; more mental health ambulances and community services; and a 24 hour mental health crisis hotline.
- The government will also commit £10 million to support veterans with mental health needs.
- An additional £650 million funding will be provided to local authorities in England to deliver adult social care in 2019/2020.
- Further detail on the government's plans for adult social care will be outlined in the upcoming Green Paper.
- There will be an additional £55 million funding for the disabled facilities grant in 2018/19.
- An additional £84 million will be made available over five years to expand children's social care programmes to 20 further councils.
- The government is making available £10 million of capital funding to support air ambulance trusts.
- The government intends to scrap the PFI initiative. In order to manage existing contracts, a new centre of best practice in the Department of Health and Social Care (DHSC) will improve contract management.

Devolution and regional growth

- There will be a £770 million extension to the Transforming Cities Fund, which will see an extra £240 million go to the six metro mayors for significant transport investment. A further £440 million will be made available to the city regions shortlisted for competitive funding.
- The Scottish government will see an increase to their budget of over £950 million through to 2020-21; the Welsh government's budget will increase by over £550 million; and the Northern Ireland Executive's budget will increase by over £320 million.
- £120 million will be made available for the Strength in Places Fund, which will continue to support areas of science and innovation R&D excellence across the UK until 2021-22.
- New University Enterprise Zones will receive £5 million to support up to ten local areas, promoting collaboration between universities and businesses, support start-ups and scale-ups, and disseminate management skills.

- Five local authorities will be able to borrow a total of £275 million at a discounted rate, to support local infrastructure projects that are high value for money, after proving successful in the first round of applications.
- As part of the Midlands Engine, the government will support the construction of a Defence and National Rehabilitation Centre, to provide care for civilians and aid their recovery from debilitating injury and return to the world of work.
- Coventry, the UK City of Culture, will receive £8.5 million funding to showcase the city to the public in 2020-21. This will include refurbishment of historic venues, the creation of additional exhibition space and a centre for music education and concerts.
- £165 million will be invested to support the Commonwealth Games Athlete's Village, providing 5,000 new homes in the area and sustaining the legacy of the Games for Birmingham.
- A refreshed Northern Powerhouse Strategy will be published next year.
- As part of the Northern Powerhouse, Tees Valley will be supported with plans for a Special Economic Area covering the South Tees Development Corporation site, and up to £14 million.
- £100,000 will be provided to support the development of an 'Eden Project North' in Morecambe.

Technology, innovation, digital & media

- From April 2020, the government will introduce a new 2% tax on the revenues of certain digital businesses to ensure that the amount of tax paid in the UK is reflective of the value they derive from their UK users. The tax will:
  - apply to revenues generated from the provision of the following business activities: search engines, social media platforms and online marketplaces.
  - apply to revenues from those activities that are linked to the participation of UK users, subject to a £25 million per annum allowance.
  - only apply to groups that generate global revenues from in-scope business activities in excess of £500 million per annum.
  - include a safe harbour provision that exempts loss-makers and reduces the effective rate of tax on businesses with very low profit margins.
- The government will increase the Industrial Strategy Challenge Fund by £1.1 billion, supporting technologies of the future. This includes:
  - Up to £121 million for Made Smarter to support the transformation of manufacturing through digitally-enabled technologies, such as the Internet of Things and virtual reality.
  - Up to £78 million for the Stephenson Challenge, supporting innovation in electric motor technology, making vehicles lighter and more efficient than ever before.
- The government will invest a further £235 million to support the development and commercialisation of quantum technologies, including up to £70 million from the Industrial Strategy Challenge Fund, and £35 million to support a new national quantum computing centre.
- To maintain UK leadership in nuclear fusion and support the government's Clean Growth Grand Challenge, the Budget announces an additional £20 million in 2019-20 for the UK Atomic Energy Agency to accelerate its ground-breaking work on the development and commercialisation of fusion technologies.
- The Office for Artificial Intelligence (AI) and Government Digital Service (GDS) will review how government can use AI, automation and data in new ways to drive public sector productivity and wider economic benefits. This will feed into the innovation strategy being led by the Cabinet Office
- The Data Science Campus at the ONS and the GDS will conduct an audit of data science capability across the public sector, to make sure the UK public sector can realise the maximum benefits from data
- The Centre for Data Ethics and Innovation has been commissioned to study the use of data in shaping people's online experiences, and the potential for bias in decisions made using algorithms

- The government will invest up to £50 million in new Turing AI Fellowships, intended to bring the best global researchers in AI to the UK, and £100 million in an international fellowship scheme.
- The government is confirming £115 million to extend funding for the Digital Catapult, which has centres in the North East, South East and Northern Ireland, and the Medicines Discovery Catapult in Cheshire.
- The Digital Catapult will run a series of Distributed Ledger Technology Field Labs, working with businesses, investors, and regulators in a range of areas, including in construction and the management of goods in ports.
- The Budget announces a new £50 million per year fund designed to address the most pressing challenges in areas such as public health and cyber security. The fund will focus on joint programmes between government and industry, and will begin in 2021-22.
- The government will invest an additional £120 million through the Strength in Places Fund. This will support clusters of science and innovation excellence across the UK. This funding extends the existing programme until 2021-22.

Brexit

- In addition to the £2.2 billion allocated to departments for Brexit preparations this year, the Chancellor today announced an increase from £1.5bn to £2bn for departmental Brexit planning in 2019/20.
- The Chief Secretary to the Treasury will in the coming weeks outline additional departmental allocations.

HEADLINE REACTION

POLITICAL

Labour Party Leader, Jeremy Corbyn: "Unnecessary austerity has held down living standards and failed on its own times". This budget includes "half measures and quick fixes while austerity grinds on", presiding over "a weak economy" and "uncertainty caused by this government's shambolic handling of Brexit".

SNP Westminster Leader, Ian Blackford: "The Budget exposes to the people of Scotland that there is a better choice, to turn away from the isolated UK and be an independent Scotland in the EU."

Lib Dem Leader, Vince Cable: "The Chancellor is spending billions on preparing for no deal, that is just money down the drain that should be spent on public services."

BUSINESS

Carolyn Fairbairn, CBI Director-General: "This was a rock-solid budget, bringing more treats than tricks for business."

Mike Cherry, Federation of Small Businesses National Chairman: "This is the most small-business-friendly budget that this Chancellor has delivered. […] This is long due recognition that small firms are the UK's job creators and community leaders."

Stephen Martin, Director General of the Institute of Directors: "For all of the individual positive measures, including money for infrastructure upgrades, this was a Budget that pulled its punches. […] It is not enough simply to announce a potential 'no-deal Brexit budget', businesses need to get ready now."

TechUK CEO, Julian David: "The Chancellor said that the UK was open for business and prepared to embrace the future. In reality, he has sent mixed signals. […] his proposals for a Digital Services Tax cut across the grain of that positive narrative."

MEDIA AND COMMENTATORS

Stephen Bush, New Statesman: "Austerity continues as Philip Hammond gives a tax cut to high earners. […] The Chancellor sprayed around spending commitments that sounded impressive – £200m there, £400m there – until you remember that, as far as government spending goes, these are tiny amounts."

Tim Montgomery, founder of ConservativeHome: "Hammond's best budget - especially on Universal Credit, defence and the NHS pledge. A shame we are still waiting for more than penny-sized solutions to the nation's pound-sized housing crisis."

Rupert Harrison, former Special Adviser to George Osborne: "Must be the biggest giveaway Budget for a long time. Amazing."

Resolution Foundation Deputy Director Matt Whittaker: "Overall, real-terms [departmental budgets] per capita set to rise over the coming years. But stripping NHS spending out, […] defence and aid protections, that probably means more cuts for other departments."

Office for Budget Responsibility on a hard Brexit: "A disorderly one could have severe short-term implications for the economy, the exchange rate, asset prices and the public finances. The scale would be very hard to predict, given the lack of precedent."

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