

Executive Summary

The Budget takes place against the backdrop of the global outbreak of COVID-19. The fundamentals of the UK economy are strong and the government is well prepared to protect people's health and support their economic security throughout this period of temporary economic disruption. The Budget sets out a plan to support public services, individuals and businesses that may be affected by COVID-19.

While the economy continues to face challenges, the government's careful management of the public finances means that it is able to support the economy in the short term, while investing in the future. The Budget announces investments in the roads, railways and digital networks that will underpin growth over the coming decade, as well as the world-class hospitals, schools, colleges and police forces that people rely on every day.

The Budget supports the government's ambition for a fair and sustainable tax system that helps people and families with the cost of living, funds the first class public services they expect and creates an environment for business to succeed. The government will build on this across the Parliament, creating a tax system fit for the challenges and opportunities of the 21st century.

The Budget also sets out a plan to invest in research and development (R&D) and cutting-edge technologies. It provides support for people in every nation and region of the UK to gain the skills that they will need as the economy evolves, so that the nation can seize the opportunities of the next decade and fulfil its potential.

In the year that the UK hosts the COP26 UN climate summit, the Budget takes steps to decarbonise the economy and protect the UK's natural habitats, ensuring that every part of the UK economy is ready for the challenges of decarbonisation, and ready to capitalise on the opportunities to become leaders in the green markets of the future.

This is the first Budget of a new government, the first of a new decade, and the first since the UK's departure from the European Union (EU). It is a Budget that lays the foundations of the UK's future prosperity and delivers on the government's promises to the British people.

Economic context

The UK economy has many strengths. It has a globally competitive tax system, it is home to many highly innovative firms, has a world-beating science and research base, and has sound, independent macroeconomic institutions. Employment growth remains strong – the employment rate reached a record high in the three months to December 2019 – and earnings growth remains above inflation.

The recent COVID-19 outbreak is creating short-term uncertainty. The Office for Budget Responsibility's (OBR) economy and fiscal forecast does not reflect the now global spread of COVID-19 nor an outbreak in the UK. The OBR notes that the spread and impact of a COVID-19 outbreak clearly represents a downside risk to the forecast, but the scale is highly uncertain and the economic impact is likely to be temporary.

Looking further ahead, the UK also faces challenges in the medium to long term. Productivity remains low compared to other countries and unevenly distributed across the country. And, in common with other advanced economies, the transition to a net zero emissions economy by 2050 will require radical changes in every sector. The Budget lays the foundations to address these challenges.

Outlook for the public finances

Over the past decade, the government has taken action to restore the public finances to health, reducing the deficit by four fifths. This, and the historically low cost of borrowing, mean that the government can support the economy in the short term, while providing significantly more investment in public services and infrastructure to support growth in the long term.

The Budget launches the Comprehensive Spending Review 2020 (CSR), setting out the overall level of public spending within which the CSR will be delivered. The CSR will conclude in July and will set out detailed spending plans for public services and investment, covering resource budgets for three years from 2021-22 to 2023-24 and capital budgets up to 2024-25.

The CSR will prioritise improving public services, levelling up economic opportunity across all nations and regions, strengthening the UK's place in the world and supporting the government's ambitions to reach net zero carbon emissions by 2050. It will focus on linking departments' spending proposals to the real-world outcomes they seek to achieve, and delivering value for money for taxpayers.

The policy changes set out in the Budget, including the spending totals that have been set for the CSR, have been delivered while ensuring the current budget is in surplus, public sector net investment does not exceed 3% of GDP and debt is kept under control.

HM Treasury will review the fiscal framework ahead of Autumn Budget 2020 to ensure it remains appropriate for the macroeconomic context, while ensuring the sustainability of the public finances.

Budget decisions

A summary of the fiscal impact of the Budget policy decisions is set out in Table 1. Chapter 2 provides further information on the fiscal impact of the Budget.

Table 1: Budget 2020 policy decisions (£ million) (1)

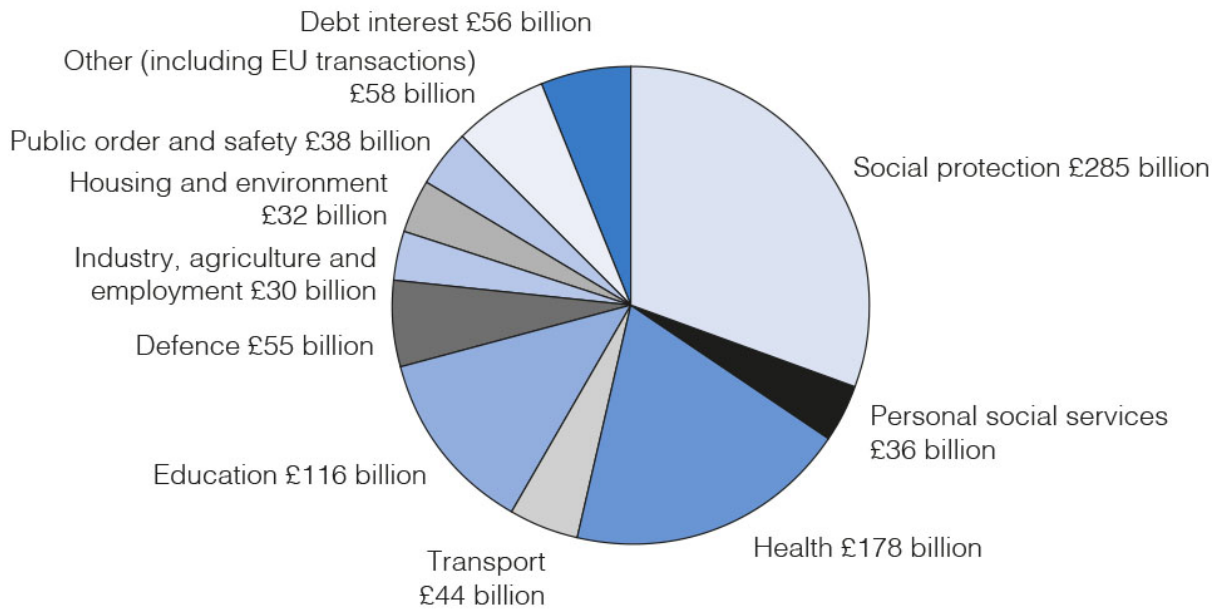
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Total spending policy decisions	-355	-19,255	-40,185	-45,640	-48,780	-49,440
Total tax policy decisions	+960	+1,355	+3,755	+7,110	+7,625	+7,520
Total policy decisions	+605	-17,900	-36,430	-38,530	-41,150	-41,920

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

Government spending and revenue

Chart 1 shows public spending by main function. Total Managed Expenditure (TME) is expected to be around £928 billion in 2020-2021.

Chart 1: Public sector spending 2020-21

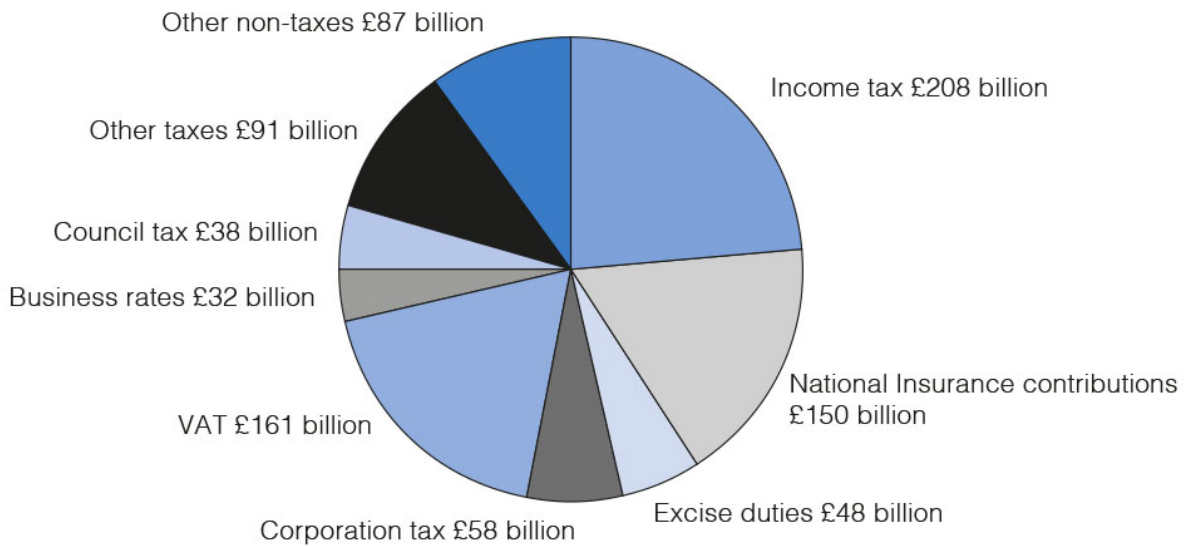


Figures may not sum due to rounding.
 Illustrative allocations to functions are based on HMT analysis including capital consumption figures from the Office for National Statistics.

Source: Office for Budget Responsibility and HM Treasury calculations.

Chart 2 shows the different sources of government revenue. Public sector current receipts are expected to be about £873 billion in 2020-2021.

Chart 2: Public sector current receipts 2020-21



Figures may not sum due to rounding.
 Other taxes includes capital taxes, stamp duties, vehicle excise 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 and HM Treasury calculations.