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Spring Budget 2023: BSA Summary

Key Points

As part of today's Spring Budget, the Chancellor has made the following announcements, built on the four pillars of "employment, education, enterprise and everywhere".

- The full documents can be found [here](#).
- The press release can be read [here](#).
- The OBR's forecast can be read [here](#).
- The House of Commons Library background research can be read [here](#).
- The BSA's Submission ahead of the Budget can be read [here](#).

If you have any questions regarding the Spring Budget, or the BSA's engagement, then please contact piers.neill@bsa-org.com

If members have initial reactions to the Spring Budget, particularly over whether it would affect investment decisions, that you would like to be shared with government then please contact bsa@bsa-org.com

Economy

OBR Forecasts

- The Office for Budget Responsibility (OBR) now forecasts that the UK will not enter a technical recession this year, with a contraction of just 0.2%.
- After this year, the UK economy will grow in every single year in the forecast period by 1.8% in 24, 2.5%, 2.1% and 1.9% in 27. The OBR also expects the unemployment rate to rise by less than one percentage point, to 4.4% with 170,000 fewer people out of work, compared to its autumn forecast.
- The OBR expects inflation to fall from 10.7% to 2.9% by the end of 2023.
- Underlying debt is forecast to be 92.4% of GDP next year, then 97.3%, 94.6%, 94.8%, before falling to 94.6% in 2027-28.
- The OBR's central estimate of the increase in labour supply (resulting from the policies announced in the Budget) is uncertain. The range is between 240,000 and 55,000 'based on alternative plausible assumptions'.
- Living standards are expected to fall by 6% over this fiscal year and next (as a result of inflation outstripping growth).



Taxation and Pensions

Corporation Tax

- Corporation tax for businesses will increase from 19% to 25%, as planned.

Personal Taxation

- Personal allowance and higher-rate thresholds of income tax will remain frozen at 2021-22 levels.
- The OBR estimates that these measures are expected to contribute to the generation of 3.2 million (9 per cent more) new taxpayers, 2.1 million (47 per cent more) new higher-rate taxpayers, and 0.35 million (47 per cent more) additional-rate taxpayers by the end of the forecast than would have been had the thresholds continued to be uprated with inflation or, in the case of the ART, remained flat at a higher level.

Full Expensing, R&D and Capital Allowances

- ‘Full expensing’ on R&D will come in from 1 April, reducing companies’ tax by up to 25p for every £1 they spend on IT, plant and machinery. An overview of full expensing and the UK’s capital allowances regime can be read [here](#).
- The Annual Investment Allowance will be increased to £1m and small or medium-sized businesses will be able to claim a credit worth £27 for every £100 they spend if they spend 40% or more of their total expenditure on Research and Development. A factsheet on measures on Capital Allowances, R&D and simplification can be read [here](#).
- The Chancellor will return in the Autumn Statement with plans to increase investment in high-growth firms.

Pensions

- The Government will increase the pensions annual tax-free allowance from £40,000 to £60,000 and will abolish the Lifetime Allowance - previously set at £1.07m.
- The Government will also increase the Money Purchase Annual Allowance to £10,000 from April 2023.
- Open and closed public service pension schemes for a given workforce will be considered linked for the purposes of calculating Annual Allowance charges, allowing members to offset any negative real growth for Annual Allowance purposes in legacy public service pension schemes against the Annual Allowance.
- The Government will shortly come forward with a consultation on pursuing the accelerated transfer of the £364 billion Local Government Pension Scheme assets into pools to support increased investment in innovative companies and other productive assets.



Business, Employment and Skills

The Government has introduced a package of measures designed to support people to enter work, increase their working hours and extend their working lives. You can read a summary [here](#). Further details on Welfare announcements are included below.

Flexible Working

- Government is reforming the statutory framework for flexible working to provide employees with a day one right to request their job be done flexibly.
- It will also launch a call for evidence on informal flexible working arrangements in summer 2023.

Shortage Occupancy List and Migration

- The Government has accepted the MAC's interim recommendations, to initially add five construction occupations to the SOL, which will take effect before summer recess.
- The Government will also review the SOL more regularly, based on recommendations from the MAC, "so that the legal migration system is quicker and more responsive to the needs of businesses and the economy".
- The Government will simplify business visitor rules. This includes expanding the range of short-term business activities that can be carried out for periods of up to 6 months and reviewing permitted paid engagements. These changes will be implemented from autumn 2023.

Labour Market Outcomes and Supported Internships

- £37.5 million additional funding for pilots and evaluations over 2023-24 and 2024-25 to build the evidence base on what works to improve labour market outcomes.
- Additional £3 million over the next two years to pilot an extension of the Supported Internships programme.

Returnerships

- New 'Returnerships' targeted at over-50s focusing on flexibility and previous experience, and bringing together existing skills programmes.
- These will promote accelerated apprenticeships, Sector-Based Work Academy Programme placements and Skills Bootcamps to the over 50s. This will support better access to re-training and allow workers of all ages to engage with the opportunities of a second career.
- To be supported by £63 million for an additional 8,000 Skills Bootcamps places in 2024-25 in England, and 40,000 new Sector-Based Work Academy Programme placements across 2023-24 and 2024-25 in England and Scotland.

Support for Ukrainians in the UK

- The Government will introduce an £11.5m employment support programme to help up to 10,000 Ukrainians in the UK.



Energy and Environment

Energy Price Guarantee and Fuel Duty

- The Energy Price Guarantee is being extended to the end of June. It will be adjusted so that those on prepayment meters do pay more for their energy than comparable customers who pay by direct debit. You can read the press release [here](#).
- The planned increase of 11p in fuel duty this year will be cancelled & rates will be kept the same for the next 12 months.

Heat Networks and Carbon Capture

- Domestic UK Heat Network customers on non-domestic heating contracts will be provided with a new, sector specific support rate.
- Up to £20bn will be allocated for the early development of carbon, capture, usage and storage, starting with projects from our East Coast to Merseyside to North Wales.

Nuclear and CCA

- The Government will launch Great British Nuclear, aimed at bringing down costs. The initial focus of GBN will be on Small Modular Reactors but further large Gigawatt-scale projects will also be considered subject to value for money, relevant approvals and technology readiness and maturity, to help deliver Net Zero.
- Nuclear power will be classed as “environmentally sustainable” which will give it access to the same investment incentives as renewable energy.
- Climate Change Agreement scheme extended for two years to allow eligible businesses £60 million of tax relief on energy efficiency measures.

Plastic Packaging

- The Government will uprate the Plastic Packaging Tax rate in line with CPI, from 1 April 2023.

Welfare

Health and Disability White Paper

The Health and Disability White Paper has been [published](#) today. This includes plans to abolish the work capability assessment and to separate benefits entitlement from an individual’s ability to work, highlights of which are outlined below.

A factsheet can be found [here](#) and a separate summary of the White Paper is being circulated to relevant BSA Committees. Please contact martha.reid@bsa-org.com for further details.

Employability

- A new Universal Support programme will help disabled people & those with long-term help conditions to find jobs & stay in work. The programme will match participants with existing job vacancies and support them into work. The Government will spend up to £4,000 per person to help them find appropriate jobs and put in place the support they need. It will fund 50,000 places every single year.
- Sanctions will be applied more rigorously to those who fail to meet strict work requirements or choose not to take up reasonable job offers. The Administrative Earnings Threshold will rise from the equivalent of 15 hours to 18 hours at National Living Wage.



- Qualifying foster and shared lives care givers will see their tax free allowance rise from £10,000 to £18,000.
- Embedding tailored employment support within mental health and musculoskeletal (MSK) services in England, including expanding the Individual Placement and Support scheme.
- Piloting WorkWell to better integrate employment and health support for those with health conditions.
- The forthcoming occupational health plot subsidy scheme for SMEs will be expanded, and the Government will launch a separate consultation on occupational health provision incentives through the tax system.

Childcare

- £4.1 billion by 2027-28 to fund an expansion of free childcare provision. From April 2024, working parents of 2 year-olds will be able to access 15 hours of free childcare per week, extended to 9 month to 2 year-olds from September 2024. From September 2025, all eligible working parents of children aged 9 months up to 3 years will be able to access 30 free hours per week.
- £204 million in 2023-24 paid from September 2023, and £288 million in 2024-25 for providers “to develop capacity, raise the quality of provision and manage cost pressures”.
- £289 million in start-up funding to enable schools and local authorities to test options to increase the availability of wraparound childcare with national rollout over academic years 2024-25 and 2025-26.
- Universal Credit childcare costs support will be made available upfront. The childcare cost maximum will be increased to £951 for one child and £1,630 for two children.

Employability

- The Midlife MOT digital strand will be enhanced, access to its in-person offer will be expanded, and the number of Universal Credit claimants over the age of 50 who receive the support will be increased from 8,000 a year to 40,000 a year.
- The Youth Offer will be extended so young people have continued access to partner-led Youth Hubs and Youth Employability Coaches. Eligibility will be extended to include young people on Universal Credit who are not currently searching for work.
- The Staying Close programme will receive an additional £8.1 million in each of the next two years and expanded to around half of local authorities by March 2025.
- The Additional Jobcentre Support Pilot in England and Scotland will be expanded. A scheme rewarding Jobcentre teams for meeting targets for helping claimants into work will be trialled.

Infrastructure, Innovation, and Technology

Innovation and Technology

- The Government will accept all 9 of the recommendations in Sir Patrick Vallance’s report on regulating emerging technologies, such as AI. You can read the report in full [here](#).
- Government will invest, subject to the usual business case processes, in the region of £900 million to build an exascale supercomputer and to establish a new AI Research Resource, with initial investments starting this year.
- £1 million prize every year for the next 10 years for critical AI research.
- AI Foundation Models Taskforce to advance UK capability in foundation models.
- £2.5 billion over ten years based on the Quantum Strategy’s goals including supporting businesses through innovation funding opportunities and R&D facilities, and creating a national and international regulatory framework.



- £100 million funding for the Innovation Accelerators programme to 26 R&D projects.
- Long-term Investment for Technology and Science scheme to support Defined Contribution scheme investment into innovative UK companies.

Infrastructure and Transport

- Over £600 billion public sector gross investment for infrastructure over five years, split across economic and social infrastructure.
- Updated National Infrastructure and Construction Pipeline to be published later in 2023.
- Second round of City Region Sustainable Transport Settlements, allocating £8.8 billion over next five-year funding period.
- Since its launch in June 2021 the UK Infrastructure Bank has completed 10 deals worth over £1 billion.
- Potholes Fund increased by £200 million from next year.
- East West Rail: up to £15 million local capacity funding to support local authorities along the route to maximise economic opportunities. Will be a route update announcement in May.

Devolved and Local Government

- Trailblazer devolution deals for the West Midlands and Greater Manchester Combined Authorities including: single multi-year settlements for the next Spending Review; long-term certainty over their ability to retain 100 per cent business rates; transfer of more control and influence over levers of economic growth and levelling up, and over local transport, skills, employment, housing, innovation and net zero priorities; significantly clarification and enhancement of accountability.
- Both deals include: devolution of non-apprenticeship adult skills functions and grant funding in next Spending Review; local flexibilities over Free Courses for Jobs and Skills Bootcamps during this Spending Review; strong joint governance board to provide oversight of post-16 technical education; co-design of all future contracted employment support programmes; piloting the devolution of net zero funding, including for buildings' retrofit, through allocation rather than competition in the period from 2025 onwards.
- Further detail: [Greater Manchester Combined Authority: "Trailblazer" deeper devolution deal - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/greater-manchester-combined-authority-trailblazer-deeper-devolution-deal) and [West Midlands Combined Authority: "Trailblazer" deeper devolution deal - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/west-midlands-combined-authority-trailblazer-deeper-devolution-deal)
- Government will negotiate a new wave of devolution deals with areas across England, which will include local investment funding for areas that are committed to electing a mayor or leader.

Defence

- The Government will add a total of £11bn to the defence budget over the next five years and it will be nearly 2.25% of GDP by 2025.
- An additional £33 million is being provided to help veterans over the next 3 years.

Levelling Up and Investment Zones

Investment Zones

- 12 new Investment Zones.
- There will also be at least one in each of Scotland, Wales and Northern Ireland.
- Each English Investment Zone will have access to interventions worth £80 million over five years, including tax reliefs and grant funding. You can read more [here](#).



Levelling Up

- Third round of the Levelling Up Fund will proceed as planned later in 2023 with a further £1 billion to level up places across the UK.
- £400 million to roll out Levelling Up Partnerships, helping regenerate 20 places across England.
- Over £200 million for 16 local regeneration projects around England.
- £58 million for 3 levelling up capital projects in the North West of England.
- £161 million for Mayoral Combined Authorities and Greater London Authority for high-value capital regeneration projects, including Tees Valley and Liverpool City Region.
- Business rates retention expanded to more areas in the next Parliament. Business rates review consultation outcome: [Business Rates Review: technical consultation - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/business-rates-review-technical-consultation)
- Over £100 million of support for local charities and community organisations, and over £60 million for public swimming pool providers to help with immediate cost pressures and make facilities more energy efficient.

LEPs

- Government intends for the functions of Local Enterprise Partnerships (LEPs) to be delivered by local government in the future.
- Therefore, is minded to withdraw central government support for LEPs from April 2024.
- Government will now consult on these proposals and publish an updated policy position to confirm next steps by the summer.