

# Budget 2021 Green Shoots of Recovery?

Today, Chancellor Rishi Sunak stood up to give his second Budget. Given the number of fiscal interventions he has made over the last 12 months – providing more than £280bn worth of support – one could be forgiven for assuming it was his fourth or fifth. With the good news on vaccinations – and the Government’s roadmap out of lockdown – this could be seen as the first major announcement of the post-pandemic era. Whilst the Government will be continuing to support the economy for some time to come, today’s statement from the Chancellor was intended to signal how the UK economy will move on from the current crisis and how the public finances will be stabilised. The lead up to the Budget was dominated by a debate on how soon to begin efforts to tackle the deficit and whether tax rises would choke off growth. In the end, Sunak opted for a middle path which signalled his intent and outlined future budget-balancing measures but avoided tax rises in the short term.

## Coronavirus Support

Whilst this Budget statement was clearly intended to try and begin moving the political agenda on from the pandemic, the urgency and persistence of the crisis means it remains the dominant issue. Although there is – thanks to vaccinations – now an end in sight, many sectors remain unable to operate to their full capacity with restrictions set to remain in place until June. Even after that, many businesses will take time to return to full health.

As such it was no surprise (partly due to the heavy briefing) that the furlough scheme has been extended to September at a further cost of £10bn. Furloughed workers will continue to receive 80% of their salary with employers gradually being asked to bear more of the cost – 10% in July and 20% in August and September. Whilst expensive, the Treasury’s view is that if people are kept in jobs that prove to be viable it will be more than worth the money in terms of lower welfare and higher tax receipts in future. This was part of a wider £30bn package that also included further support for self-employed workers with a fourth and fifth round of lump-sum payments available from next month at an estimated cost of £9.5bn. The support will be targeted at those who have seen profits drop the most with those whose turnout has dropped by 30% or more entitled to the full 80% and those who have seen less of a drop entitled to a 30% grant.

Support for business is also set to continue with a restart grant being made available from April to help businesses reopen. Non-essential retail will be entitled to a grant of up to £6,000 per premises whilst hospitality and leisure businesses can receive up to £18,000. Alongside this the business rates holiday has been extended fully till June and partially for another nine months. Support has also been made available to the hospitality and tourism industry through the tax system, with the 5% reduced rate of VAT being extended until 30th September and an interim rate of 12.5% in place until April 2022. Further to this, the Chancellor announced the creation of a new Community Ownership Fund worth £150m which will help communities to take ownership of pubs, theatres, shops and sports clubs otherwise at risk of closure. Groups will be able to bid for up to £250,000 matched funding to help them buy local assets. In ‘exceptional cases’ up to £1 million of matched funding will be available.

The Chancellor also announced a new Recovery Loan Scheme available to businesses of any size, with lending figures of between £25,000 and £10m. Together this puts in place a support package stretching beyond the end of formal restrictions which the Chancellor will hope will provide a strong basis for kickstarting growth.

### Overall Economic Climate

Today, it was made clear that the success of the vaccination programme brings with it, aside from the benefits to public health, a major boost to the economy. The Office for Budget Responsibility (OBR) calls this a “swifter and more systemic recovery” arriving six months earlier than previously forecast, in mid-2022, with their figures showing the economy rising by 4% this year, 7.3% in 2022, then 1.7, 1.6% and 1.7%.

There will, of course, be a degree of economic scarring, with an economy still 3% smaller in five years’ time than it otherwise would have been. And it is impossible to hide the short term hit to the economy (10% fall) or unemployment (700,000 increase). But the Government will be pleased with OBR figures suggesting that their interventions prevented scarring being “considerably greater”. In particular, job support measures have meant that unemployment is now predicted to peak almost 5% below the OBR’s previous estimates – which matters to the 1.8 million people caught up in that 5%.

Fiscally, the Chancellor announced record borrowing of £355bn this year; at 17% of national income, the highest level since WW2. Although borrowing is set to fall to 2.8% over the forecast period, with debt peaking at 97.1% of GDP in 2023/24 before stabilising and then falling, this is still high, bearing the Chancellor’s comparisons to Second World War-era borrowing levels. As he put it: it “will be the work of many governments over many decades to pay”.

And, under *Rishinomics*, it will have to be paid if the country wants to retain the “fiscal freedom” needed to act in any future crisis. In a criticism of those who claim that austerity went too far under the Coalition, the Chancellor noted that it was only due to “painstaking” work carried out by George Osborne’s Treasury that the Government had the fiscal resilience to act as they did during the pandemic.

### Taxation and the Deficit

Throughout the pandemic, the Chancellor was one of the foremost proponents of the view that – regardless of how low interest rates currently were – there was a medium-

### Key Announcements

- The **Furlough scheme** has been extended until the end of September, with a graduated tail off in payments.
- The **Self-Employment Income Support Scheme** is also extended on existing terms.
- The **Universal Credit** uplift of £20/ month will be extended from March to the end of September.
- The **National living wage** will increase to £8.91 from April.
- **Business rates** relief will be extended through to the end of June and discounted beyond.
- A £5bn “**restart grant**” scheme for High Streets has been launched.
- The **Stamp Duty holiday** is extended until 30<sup>th</sup> June.
- The “**help to buy**” scheme is being re-introduced.
- **Arts venues** will receive a further £400m of financial support, the sports sector £300m.
- **Fuel and alcohol duty** is frozen.
- **Personal tax** thresholds will be frozen and, following a 2022 increase, will be maintained until April 2026.
- **Corporation tax** will increase from 19% to 25% from April 2023.
- The basic rate of **income tax** will rise to £12,570 next year, and the higher-rate threshold to £50,270.
- **The VAT registration threshold** will remain at £85,000 until 2024.
- There will no increase on **national insurance, VAT or income tax rates**.
- A new '**Super-Deduction**' will mean investment carries a 130% rate of relief.

term imperative to get public finances back under control. As he said today, a 1% increase would cost the Exchequer over £25bn. Growth can do some of the lifting, but not all. It was therefore a question of when and how, not whether, there would be a rise in taxes.

There are some caveats to this. Although the Chancellor’s definition of “sustainable public finances” means not borrowing to pay for every day public spending in normal times, he acknowledged that in a low interest rate desirable. More immediately, he has listened to the voices

warning him against throttling business with too many tax rises – hence today’s raft of Covid-19 support measures.

### Key Announcements continued...

- £22bn for a new **infrastructure bank**, to invest in public and private green projects.
- A **sovereign green savings bond** to invest in areas such as offshore wind and green energy crops.
- A “**Help to Grow**” scheme to provide £520m of online management courses for small businesses.
- A “fast track” **visa scheme** to simplify visa processes to help start-ups and tech firms sourcing foreign talent.
- A **funding increase** of £1.2bn for Scotland, £740m for Wales and £410m for Northern Ireland.
- **Freeports** launched at East Midlands Airport, Humber, Plymouth, Solent, Thames, Teeside, Felixstowe and Harwich
- A ‘**Future Fund: Breakthrough**’ R&D fund matching.

This means that today, the Chancellor took with one hand and gave away with the other. The commitment not to raise income tax, national insurance contributions or VAT was (just about) maintained – with a freeze to personal income tax thresholds from next year to 2026. Also frozen until 2026: the inheritance tax threshold, the pensions lifetime allowance and the annual exempt amount in capital gains tax; for two years from April 2022, the VAT registration threshold; and, for this year, alcohol and fuel duty.

In terms of business tax, from 2023 the rate of corporation tax will rise to 25% - still, the Chancellor was keen to say, the lowest among the G7, and with several crucial protections. The small profits rate – 50k or less – will be maintained at 19%, meaning 70% of businesses remain unaffected, and for businesses with profits between £50k and £250k a taper will apply, so only companies with profits above 250k (roughly 10% of companies) will pay the full higher rate. Carry back losses of up to £2m for three years was introduced as an additional sweetener. There will also be a review of the surcharge for banks, to ensure banking remains internationally competitive. In line with

the increase in the main rate, the Diverted Profits Tax rate will rise to 31% from April 2023.

The rabbit pulled out of the hat today was a new concept called “super-deduction”. Noting that some companies had built up significant cash reserves during the pandemic, this will allow companies to reduce their tax bill by 130% of the cost when they spend their money on investment. The OBR believes that this will boost investment by 10%– or about £20bn extra a year. The Chancellor called it the “biggest business tax cut in modern British history” and will hope it cheers the back benches up: it was difficult to gauge expressions given the proliferation of masks, but the rise in corporation tax will not have been a crowd-pleaser in the wider Conservative Party.

### Financial Services

The UK’s exit from the EU has been particularly hard felt by the financial services sector, which was largely excluded from the trade deal signed with the bloc in December. Further UK-EU agreements on the sector are penciled in to be signed this month, but plenty of deadlines have been missed before, prompting the Government to use this Budget to signal it remains serious about maintaining the City of London’s pre-eminence as a global financial centre.

Changes to the UK’s financial services sector are best looked at through the prism of the Treasury’s Future Regulatory Framework Review, announced at the last Budget to look at developing a more coherent approach to regulation by reviewing the current split in regulatory responsibilities and approaches to policy development. The review has now closed for responses from industry and the Government is examining feedback, with changes to the UK’s financial regulation set to be implemented throughout the year.

The most prominent development for financial services announced in the Budget was, in the Chancellor’s words, the “landmark” publication today of the Government-commissioned UK Listings Review, produced by Lord Hill (a former EU financial services Commissioner). The report outlines a number of recommendations for the UK to attract firms to float on London exchanges, including allowing company founders additional control over their companies by giving them deciding votes on matters such as mergers and acquisitions, a practice known as ‘dual-class shares’ and prohibited under the current system. The report also recommended reducing the minimum

proportion of shares obliged to be publicly traded from 25% to 15%. The FCA is set to launch a consultation paper this summer with the aim of finalising any new rules by the end of this year.

Green finance is one element of financial services the government hopes will underpin the sector's post-Brexit success. In this regard the Chancellor also announced an update to the Bank of England's mandate to include a greater focus on climate change. With the COP26 climate summit in Glasgow on the horizon the Government is keen to incentivise 'greening' of the financial system as a key aspect of the transition to Net Zero. To that end several other initiatives were announced, including a new green retail National Savings & Investment product; green gilts to be launched in summer 2021; and the establishment of a carbon markets working group with the aim of positioning the UK as the leading global market for high-quality voluntary carbon offsets.

Together, the measures announced today give more shape to the Government's thinking around the future of financial services in the UK. Regardless of the outcome of UK-EU negotiations, the sector can expect significant reforms over the coming years, with firms that embrace the Government's climate agenda poised to do particularly well.

## Health

One might expect health to be at the heart of the Budget story today, with the virus and the necessary restrictions to contain Covid-19 having derailed the Government's plans to deliver sunny, election-winning budgets focused on levelling up the country in 2021.

Given this context, and the multiple challenges the NHS and health sector faces as it begins to emerge from the Covid-19 crisis, it is remarkable that the Chancellor did not commit greater sums to the healthcare sector, outside of funding for the vaccines rollout. Last year, in 2020-21, an

*“Just as it would be irresponsible to withdraw support too soon, it would be irresponsible to allow our future borrowing and debt to rise unchecked. When crises come, we need to be able to act. And we need the fiscal freedom to act. A freedom that you only have if you start with public finances in a good and strong place.”*

extra £63bn was provided to frontline healthcare services, including £22bn for the beleaguered Test and Trace programme, £15bn for personal protective equipment and £18bn to support the NHS. In 2021-22, the Chancellor announced just £22bn to support the NHS recovery, as it is was faced with tackling the massive elective backlog hospitals face and addressing waiting times for mental health services.

The Budget also contained rather conspicuous absences. In his speech, the only health related issue the Chancellor raised was funding for a lifetime commitment to continuing the little-known Thalidomide Health Grant to support those disabled by the drug. He did not uplift pay for frontline workers, and there was no mention of social care. With the NHS continuing to face enormous pressure, it is likely that the Chancellor will have to return to these issue sooner than he'd like.

## Pensions and Benefits

As expected, with the response to the Covid-19 pandemic taking centre stage, the main policy announcement concerning welfare came in the form of the extension of the £20 a week uplift in Universal Credit for a further six months. This will come on top of the planned uprating in the level of Universal Credit and will apply to new and existing Universal Credit claimants.

The measure was initially announced as a temporary response to the coronavirus pandemic, but will now run for at least 18 months. This policy had been a bone of political contention, with the Chancellor pushing for the uplift to be scrapped in light of its cost of £6 billion a year and mooted alternatives such as a one-off payment, with opposition from within the Cabinet to the Chancellor's preferred policy outcomes. In the end, the Budget saw an amalgamation of the two, with a commitment that working tax credit claimants will receive equivalent support to those on Universal Credit over the next six months, in the form of a one-off £500 payment.

In additions to this, the Government will maintain the higher surplus earnings threshold of £2,500 for Universal Credit claimants for a further year through to April 2022, when the threshold will revert to £300. The Minimum Income Floor suspension for self-employed Universal Credit claimants will continue until the end of July 2021, after which it will be gradually reintroduced.

Furthermore, the Government will continue to treat Working Tax Credit claimants who have been furloughed

or experienced a temporary reduction in working hours as a result of the pandemic, as working their normal hours ensuring that claimants remain eligible for Working Tax Credits.

With regard to pensions, there was similarly little change. The Chancellor confirmed that the pensions lifetime allowance will be maintained at its current level until 2026. There were no changes announced to the pensions triple-lock, in line with the Conservative Party's 2019 manifesto, as expected. The only further development on pensions comes in a commitment to consult within the next month on whether certain costs within the charge cap affect pension schemes' ability to invest in a broader range of assets, with a view to ensure pension schemes are not discouraged from such investments.

The focus remains on ensuring the economic damage wrought by the pandemic is minimised and securing a strong recovery. The Chancellor has already had to row back on plans to discard the £20 per week Universal Credit uplift. Its extension for another six months will likely tee up another battle over whether this should be extended once more, or made permanent, in six months' time.

### Energy and the Environment

Since the onset of the Covid-19 pandemic the Government has been urged, as part of its 'build back better' mantra, to ensure a 'green recovery' from the crisis. The Chancellor was at pains to stress the need for a "real commitment to green growth" and pledged to lay the foundations for the future of the UK economy. Despite calls for a bold green stimulus, building upon the fanfare of the Prime Minister's November "Ten Point for a Green Industrial Revolution", today's Budget set out little in the way of a broad plan, focusing instead on specific funding commitments and initiatives.

The most significant commitment was the £12bn of initial funding for the new National Infrastructure Bank, which it is hoped will stimulate up to £40bn in private sector financing for levelling-up and the green industrial revolution. Previously announced money for new port infrastructure was committed to projects in Humber and Teesside, as part of efforts to support the growing deployment of offshore wind in the North Sea. Further up the East Coast, a £27m commitment was made to an Aberdeen Energy Transition Zone, including an additional £5m for a global underwater hub as part of the Government's work with UK's offshore oil and gas sector

through the previously announced North Sea Transition Deal. On the other side of the country, a £4.8m commitment was made to develop the Holyhead hydrogen hub in Wales, which will pilot the creation of hydrogen from renewable energy and its use as a zero emission fuel in heavy goods vehicles. Further announcements included £20m to support the development of new floating offshore wind technology, £68m for energy storage prototypes and a £4m biomass feedstocks programme.

The Chancellor also sought to build on the UK's efforts to green the financial system, with the issuing of the first sovereign green bond and the publication of its green gilt framework later this year. Beyond this, a new green retail savers product will be established through National Savings and Investments, whilst a carbon markets working group is to be established with the aim of establishing the UK and the City of London as the leading global market for high quality voluntary carbon offsets.

### Infrastructure, Levelling Up & The Union

Alongside 'Covid-19' and 'pandemic', 'Levelling Up' is yet another term that has dominated the political lexicon over the past year. Although last year's Budget centred on the Conservatives' plans to deliver for their new support in Labour's former red wall (now rebadged by Conservatives as the blue wall), the pandemic has understandably put delivery of this pledge somewhat on the back burner. This is not to say that no progress has been made, however, as the Chancellor's tweaks to the Green Book have already been enforced to take regional imbalances into account and the £4.8bn levelling up fund has been established. Nonetheless, as the country emerges from its final lockdown and we look towards recovery, infrastructure spending and levelling up remain important political priorities alongside Covid-19 and the need to balance the books.

Earlier in the day it emerged that the Treasury North campus would be launched in Darlington, with the Ministry for Housing, Communities and Local Government (MHCLG) opening a base in Wolverhampton. Whilst indicating a political will for levelling up, the substance of doing so remains vague, with the Chancellor using slightly generic language about the need for a real commitment to green growth and to change the 'economic geography' of the United Kingdom.

But there were more concerted announcements, too, such as the launch of the UK Infrastructure Bank, which will be based in Leeds. The Bank will invest in both public and

private projects to finance what the Chancellor has dubbed the 'Green Industrial Revolution.' The Bank will have an initial market capitalisation of £12bn and is expected to support £40bn of total infrastructure investment. New funding will also be allocated to port infrastructure in Teeside and Humberside to build the next generation of offshore wind capacity. At the Spending Review in November last year, the Chancellor announced the Government's Sovereign Green Bond, which will be built upon with a new Retail Savings Product – allowing savers the opportunity to invest in green projects across the UK. In addition to the tweaks the Chancellor has already made to the Green Book, he also displayed his intention to go further for England's regions, announcing over £1bn for 45 New Towns Deals. The first round of the Levelling Up Fund will now be taking applications from areas across the UK and planning rules for freeports – of which eight have today been announced in England – will be made simpler, incentivising infrastructure funding and increasing transportation links.

In keeping with his approach to show a commitment to all of the UK, the Chancellor announced further infrastructure investments in the rest of the Union. This includes accelerated Scottish City and Growth Deals in Ayrshire, Argyll and Bute and Falkirk, as well as three more projects in North Wales, Mid Wales, and Swansea Bay in addition to the new energy projects mentioned above. No doubt keen to allay concerns amongst Unionist circles in Westminster and further afield, the Chancellor stated that, through the Barnett Formula, the funding for each country of the UK will increase by £1.2bn in Scotland, £740m in Wales, and £410m in Northern Ireland.

### Housing and Home Ownership

In response to the number of house purchases underway, the Chancellor announced the extension of the £500,000 stamp duty threshold till the end of June, providing buyers with more time to complete their purchases. Following this, there will be an interim threshold of £250,000 before the stamp duty threshold returns to its previous threshold of £125,000 from October.

Alongside measures to keep the housing market moving through the crisis, there is growing anxiety that the increasing inaccessibility of home ownership will leave vast swathes of the population locked out of the housing market and – therefore – less likely to vote Conservative. Although the correlation can be overstated, there is

evidence to suggest that owning a home makes voters more likely to consider supporting the Conservative Party.

Governments over the last decade have made a number of interventions to support first time buyers yet the issue remains unresolved. Today the Chancellor announced a mortgage guarantee scheme that will allow people with smaller deposits to get on the housing ladder by opening up access to 95% mortgages. Mortgages will be offered from next month. In many ways, this scheme is similar to the first Help to Buy scheme, however it will not be restricted to first-time buyers or new build homes. There will, however, be a £600,000 limit on the value of the property. Whilst this demand-side reform brings with it the perennial risk of further inflating house prices, the Government will hope that the positive impact on first time buyers will be worth it.

### Science and Technology

That incentivising investment in science and technology was a feature of Sunak's statement was entirely true to form. Indeed, conscious that so much has already been promised of this agenda in terms of potential economic return, the Chancellor thought it necessary to pre-empt any naysayers, claiming that making the UK a 'scientific superpower' is neither unrealistic or hubristic. The ability to cite as evidence the extraordinary achievements of the team behind the Oxford/Astra Zeneca Covid-19 vaccine certainly added credibility to his words.

The Chancellor used his speech to outline details of a new £375m 'Future Fund: Breakthrough' scheme, a direct co-investment product to support the scale up of innovative, research and development-intensive businesses based in the UK. This sits alongside the new steps that will allow private pension funds to invest more easily in innovative new ventures, benefitting businesses and savers alike.

To realise his ambition of making the UK the 'best place in world for high growth innovative companies', Sunak unveiled two new consultations. The first will consider how to reform the UK's research and development tax reliefs with the objective of ensuring the UK remains a globally competitive place to invest. A second call for evidence will consider whether and how more companies should be able to access enterprise management incentives to help them recruit and retain the talent needed for scale-up. Both are now open for response.

Science and technology is also a sector that will see new post-Brexit freedoms over immigration brought to bear,

### Snap Market Reaction

Following last week's sell-off, the FTSE 100 was already up 76 points, or 1.15%, this morning as investors anticipated stimulus measures in today's budget. Markets priced in the extension of the VAT cut for hospitality and the furlough scheme. Britain's hospitality and travel companies, including IAG and Whitbread, led the charge, with British real estate companies set to benefit from the £5 billion in grants to support the high street.

By the time the Chancellor confirmed these changes the markets had slipped slightly, although the FTSE100 was up 0.38% and the FTSE250 1.07% since the markets opened. Furthermore, British government bonds with 30-year yields rose almost 10 basis points on the day to 1.33%, while 10-year yields were up 7 basis points to 0.76%.

On foreign exchange, the Sterling has held on to recent gains against the Euro and Dollar. The Pound-to-Euro exchange rate was seen up 0.40% in the wake of the budget announcement at 1.6 while the Pound-to-Dollar exchange rate was up 0.10% at 1.4.

The Chancellor delivered this year's budget following unprecedented turbulence for the financial markets, with the Covid-19 pandemic and associated restrictions reaping havoc on the fortunes of a large number of listed companies. Yet the markets have slowly recovered since November last year as vaccines approval began. The realisation of the expected stimulus has left the markets optimistic going forward.

intended to allow the 'superpower' to access the 'superstars' it needs. Visa reforms aimed at high-skilled migrants will include a new unsponsored points-based visa for individuals skilled in science, research and technology, while a 'radically simplified' bureaucracy for entrepreneurs, scale-ups and other high skilled applicants will also be introduced with the aim of incentivising applications.

### Foreign Policy, Defence and Security

With the Integrated Review (IR) of Foreign Policy, Defence, Security and International Development just a week away from launch, today's Budget served as a teaser of the detail expected to be set out.

Alongside the Budget, HM Treasury published a new policy paper entitled 'Build Back Better: our plan for growth,' a document that outlines the Government's plans to support economic growth through investment. This includes a chapter on how "Global Britain" can take advantage of the UK's status as a post-Brexit "sovereign trading nation", including the insight that the Government "...will build agile alliances and coalitions of like-minded partners to create global action that will deliver on our domestic priorities."

In a direct reference to the forthcoming IR, the Build Back Better paper sets out how the Government intends to use trade policy to support domestic goals including initiatives such as enhanced competition and procurement in the defence industry. The Global Britain chapter also includes details of the UK's broader ambitions for global trade, stating that the UK will work to strengthen the international trading system, breaking the impasse at the WTO and using preferential agreements and bilateral trade relationships to open markets and drive prosperity.

### Trade

In the UK's first budget in over forty years not confined by EU trade policy, Sunak further outlined the details of 'Global Britain'. With an EU trade deal already secured, and 65 other trade deals safely in place, policies announced today aim to strengthen the UK's position as an outward looking global economy. Saving the flagship trade policy for the final moments of his speech, the Chancellor announced the first eight locations across England that will play home to freeports, commencing activity before the end of the year.

Aiming to rejuvenate left-behind areas with new trading opportunities, the newly created economic zones will be subject to what Sunak described as a "Uniquely British Approach". The Chancellor revealed that these zones will see simpler planning processes for building, the imposition of favourable tariffs, lower duties and reduced taxes. In addition to this, the firms which choose to set up and trade from freeports will also be subject to tax breaks, aiming to promote job creation and development of the local area.

The Chancellor has long been a fan of the freeport concept, writing extensively on the issue as a backbench MP. Now free to pioneer the creation of the zones outside of the EU, the Chancellor has wasted no time. With lower tariffs in place, and fewer hurdles to production, there is hope that businesses may find themselves emboldened as the

Government's focus pivots to new emerging markets. The locations chosen are evenly spread across England including Plymouth, London, Liverpool and Teeside. With the devolved administrations yet to get their freeport programmes off the ground, the Chancellor committed to working closely with leaders across the UK to add more names to the list soon.

There was welcome news for Scotch whisky producers too, as a rise in alcohol duties was postponed for a second year running. With a UK-US free trade deal looking like a distant prospect, Government support for distilleries across the Highlands should hopefully continue to negate some of the impact US tariffs continue to have.

### Education & Training

With the core boost to education funding being announced last week, the Chancellor today focussed instead on lifetime skills development and access to work and training for young people. Praising the Kickstart scheme for its ability to already support 250,000 young people into work, Sunak announced further measures to aid those left with limited opportunity. £126 million has been made available to boost traineeship provision across the UK, aiming to create 40,000 more traineeships in a range of sectors. Like traineeships, apprenticeships also received a boost, with incentive payments to hire new apprentices to be doubled from £1,500 to £3,000, with the funding applying to all apprentice hires, regardless of age.

The promotion of education and development at all ages is a clear priority of the Johnson Government, further highlighted today by the Chancellor's praise for the incoming Lifetime Skills Guarantee. First announced in September, the programme allows those without an A-Level equivalent, again regardless of age, to access over 400 free courses from April. This offer is backed by £95 million from the £2.5 billion National Skills Fund.

The emphasis on supporting those outside of formal education but with limited opportunity is sure to be welcomed, especially following the Government's £700 million further commitment to the education system last week. That announcement saw £300 million allocated to a recovery premium building off the already existing pupil premium, £200 million set aside to fund tutoring programmes and money made available to support the provision of summer schools.

### Conclusion

At last year's spending review, the consensus was that come the Budget, we would be free of Covid-19 and the Chancellor would have free rein to set out the blueprint for the economic recovery in great detail. Events then got in the way, meaning that much of the focus today was on helping businesses through what everybody hopes will be the Covid-19 endgame. There remain plenty of unknowns ahead, both around the spread of the pandemic and the nature of the economic recovery, which means that we should not read this Budget as a definitive blueprint for economic and fiscal policy to 2024. But, even bearing this in mind, the way ahead is much clearer, and it is flanked by some green shoots of recovery.

Some of the decisions taken today will have been difficult to make. The Chancellor has tried to sweeten the pill by being honest (a word he used repeatedly) about the fiscal challenge facing the country. And, in line with the policy of over promising and under delivering, there is one potential upside. If the vaccination programme continues to go better than expected, and if there is consequently a quicker return to normality than the current projections assume, this might give the UK an economic boost over and above the OBR's projections. If that economic boost can be maintained over the course of the electoral cycle, then this, coupled with some feelgood measures to be announced over the summer, could place the Conservatives – and Sunak specifically – in an enviable electoral position in 2024. That is a lot of ifs. But it is also a considerable prize, economically and politically.

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