Budget Summary 2023

March 2023

The Heritage Alliance

Yesterday, 15th March, the government released its Spring 2023 budget. The Chancellor of the Exchequer, Jeremy Hunt, outlined the government's priorities for the following fiscal year "to halve inflation, reduce debt and get the economy growing", in "a budget for growth". In particular focus this year, alongside childcare, pensions and disability benefits, was economic productivity, and therefore proposed policy advancements in industrial policy in four major sectors:

- Enterprise – supporting businesses
- Employment – encouraging more people to work
- Education – providing people with skills
- Everywhere – growth across the UK

The Office for Budget Responsibility has developed several key forecasts, and now predicts the British economy will technically avoid a recession in 2023 as GDP will fall only by 0.2%, and in 2024 and 2025 growth will hit 1.8% and then 2.5%, respectively. Furthermore, the Consumer Price Index that determines inflation predicts a decrease to 2.9% by the end of 2023, after having hit a high of 11.1% in October 2022.

Of particular note for the heritage sector are several key elements:

Arts, Culture, and Heritage Funding

- **A two year extension to the temporary higher rates of theatre, orchestra and museums and galleries tax reliefs, that were pegged from 45% to 50%.**
- There will also be a reformation of both of these tax reliefs so that they focus on expenditure on goods and services used in the UK.
- The Holyhead Port in Wales will be provided with £20 million of funding for its restoration.
- Up to £8.6 million of funding for cultural festivals in Edinburgh, including the Edinburgh Fringe.
- Reforms to audio-visual tax reliefs, which will have tax credits at rates of 34% for those producing games, film, television, and 39% for those producing animation and TV for children.
- DCMS departmental funding will fall from £2.0bn in 2022-23 to £1.5bn in 2023-4 and £1.4bn in 2024-5.

Charities/Third Sector Support

- £100 million will support third sector organisations to support thousands of local charities/community organisations. This will be targeted towards those organisations most at risk, due to increased demand from vulnerable groups and higher delivery costs, as well as providing investment in energy efficiency measures to reduce future operating costs.
- An extra £10 million will be distributed to those third sector organisations that grapple with mental health.

Levelling Up

- £400 million will be directed for 'levelling up partnerships,' with the following localities being invited to offer a plan for partnership:
    - City of Kingston upon Hull, Sandwell, Mansfield, Middlesbrough, Blackburn with Darwen, Hastings, Torbay, Tendring, Stoke-on-Trent, Boston, Redcar and Cleveland, Wakefield, Oldham, Rother, Torridge, Walsall, Doncaster, South Tyneside, Rochdale, and Bassetlaw
- **£211 million for 16 regeneration projects in England.** These projects have been assessed as high quality and will commence delivery later this year. Investment has been targeted towards the ‘left-behind places’ in the Levelling Up White Paper or projects that are under £10 million to ensure quick delivery and a good spread of funding across England.
- **£58 million will be invested in three levelling up capital projects** in the North West of England. This will see a new community hub in Stockport, the transformation of Bootle town centre, and the redevelopment of markets as well as transport connectivity improvements in Rossendale.
- A further £161 million will go to high-value capital regeneration projects in city regions across England, including unlocking investment in a research campus in the Liverpool City Region.
- A further 30 projects across the UK will be funded as part of the existing £150 million Community Ownership Fund.
- Over £60 million will be available for public swimming pool providers to help with immediate cost pressures and make facilities more energy efficient.
- £200 million will go to local authorities to repair potholes and improve roads.
- Two new “trailblazer” devolution deals have been agreed with Greater Manchester and West Midlands Combined Authorities to give them more control over housing and other spending. The deals will “equip these authorities with deeper and additional policy levers to deliver on their priorities, including across local transport, employment, housing, innovation and net zero”.
- **A third levelling up round of £1 billion will occur this later this year.**

Investment zones

- **The government will launch an** Investment Zones programme to create 12 high-potential knowledge-intensive zones across the UK, including 4 across Scotland, Wales and Northern Ireland. Each zone will be targeted to drive growth of at least one key future sector - green industry, digital technology, life science, creative industry and/or advanced manufacturing.
- Each English Investment Zone will have access to interventions worth £80 million over 5 years that local government and research institutions can tailor to their local circumstances.
- Investment Zones will have access to a single 5-year tax offer consisting of enhanced rates of Capital Allowance, Structures and Buildings Allowance, and relief from Stamp Duty Land Tax, Business Rates and Employer National Insurance Contributions.
- Investment Zones will have access to flexible grant funding to support skills and incentivise apprenticeships, provide specialist business support and improve local infrastructure, dependent on local requirements. Local partners will be able to choose the number and size of tax sites, within the £80 million envelope, up to a maximum of 3 sites totalling 600 hectares.
- Any proposed plans for these investment zones must be able to indicate how their scheme is able to support the UK reaching net zero by the year 2050 as well as the government's other long-term environmental targets and goals to ensure resilience against climate change.

Energy

- The Energy Price Guarantee for domestic customers will be maintained at its current £2,500 per year level for an additional 3 months (April to June 2023). The planned increase to a level of £3,000 per year will therefore be implemented on 1 July, when energy prices are expected to decrease.
- **The government has published a call for evidence on options to reform the VAT relief for the installation of energy saving materials in the UK**. The call for evidence will consider the inclusion of additional technologies and the possible extension of the relief to include buildings used solely for a relevant charitable purpose.
- To support energy efficiency, the Climate Change Agreement scheme will be extended for a further 2 years, and participants that meet agreed energy efficiency targets will be entitled to reduced rates of Climate Change Levy in 2025-26 and 2026-27. The extension will be open to new participants, while the Department for Energy Security and Net Zero will consult on the details of the extension and proposals for any potential future Climate Change Agreement scheme. This amounts to a government contribution of £600 million
- Domestic UK Heat Network customers on non-domestic heating contracts will be provided with a new, sector specific support rate and the Department for Energy Security and Net Zero will issue a call for evidence before the summer

for domestic consumers who receive their energy via a non-domestic energy contracts.

- The government will also provide up to £20 billion funding for early deployment of Carbon Capture, Usage and Storage (CCUS), A shortlist of projects for the first phase of CCUS deployment will be announced later this month.
- Households using prepayment meters (PPM), will have their charges brought into line with comparable direct debit customers.
- Nuclear energy will be classed as "*environmentally sustainable*" in the government's green taxonomy, giving it access to the same investment incentives as renewable energy, subject to consultation.
- **Further action will be set out later this month by Government to ensure energy security in the UK and that we meet our net zero commitments.**
- In related news the Government just announced the members of a new Energy Efficiency task force.

Planning and Development

- In light of the National Planning Policy Framework consultation, the government will release further details for bolstering the growth of commercial development, especially lab space, to support Research and Development needs and boost investment into key industries across England.
- DLUHC intends to open a call for evidence from local authorities in England for **locally led nutrient neutrality credit schemes**, with strong proposals receiving funding to supporter transparent routes for developers to develop 'nutrient neutral' sites in line with environmental obligations.
- The government intends to publish an updated National Infrastructure and Construction Pipeline later in 2023.
- A consultation on an updated Energy National Policy Statement and Water National Policy statement will be published soon.

Transport

- The government is **extending the current 5p fuel duty cut** for another year and cancelling the planned increase in line with inflation for 2023-24.
- The government will confirm the route for the new Bedford-Cambridge section of East West Rail in May, and will provide capacity funding to support local authorities to develop their plans for strategic economic growth around new stations.

Research and Development

- Support for Research & Development in intensive small and medium enterprises (SMEs) will be implemented through **enhanced rate of tax relief**

those spending 40% or more of their expenditures on R&D. Those eligible will be able to claim £27 from the Government for every £100 of research and development investment. This will culminate into a £1.8 billion package of support.

Other General Areas of Interest

Workforce

- Universal Credit claimants will be required to agree to and meet intensive work-related conditions as part of their claim, by increasing the amount they need to earn before they have more "light touch" requirements. This includes increasing the Administrative Earnings Threshold, from 15 to 18 hours a week at the National Living wage; and ensuring both members of a couple earn up to the threshold before they have more "light touch" work requirements.
- Work search requirements for lead carers of children who are on Universal Credit will be expanded, expecting them to look for work or increase their working hours, with additional work coach support.
- There will be strengthened sanctions for claimants who do not meet agreed claim conditions agreed, by provision of further training for Jobcentre work coaches and automating administrative elements of the sanctions process.
- WorkWell services will be piloted in England. These will be integrated work and health hubs, linking Jobcentres, health services and other local organisations to provide support.
- **A Transforming Support: The Health and Disability White Paper** was also published alongside the Budget. This provides further details of plans for disability employment support announced in the Budget.1 It includes proposals to:
    - Reduce the number of health and disability assessments by removing the Work Capability Assessment (WCA).
    - Create a new personalised approach to deciding work-related conditionality and employment support for sick and disabled people who claim Universal Credit.
    - Separate benefit entitlement from ability to work, so disabled people who claim benefits will be able to work without losing financial support for their disability.
- A new employment programme is planned for disabled people, Universal Support, in England and Wales. This will match people who want to work with vacancies, as well as funding training and workplace support.
- Digital help funding will be available for mental health, musculoskeletal and cardiovascular conditions.
- Current skills programmes focussing on support for people aged over 50 ("returnerships") will be expanded – supported by additional Skills Bootcamps places in England and Sector-Based Work Academy Programme placements in England and Scotland.

Pensions

- The Annual Allowance (the cap for tax-free annual pension contributions) will be increased from £40,000 to £60,000 from April 2023. The Lifetime Allowance will be scrapped from April 2024 and the lifetime allowance charge removed from April 2023. Ending the Lifetime Allowance means that pension savers will no longer have to pay extra tax if their lifetime pension savings go over a certain limit.

Childcare

- Free childcare for up to 30 hours a week will be provided for working families for all children 9 months and older by 2026. This will occur in stages over the course of the next 3 years, with 15-hours a week of free childcare for children aged two from April 2024, 15-hours a week of free childcare for children aged nine months up to two years from September 2024, and 30-hours a week of free childcare for all of these children from September 2025. This extension is expected to cost £4.1 billion by 2027/28.
- Providers of free childcare will have their hourly paid amount increased from September 2023 and staff-to-child ratios will increase from 1:4 to 1:5 for two-year-olds in England.
- A ‘wraparound’ childcare scheme will be introduced for primary-school aged children, to ensure care for all children from 8am to 6pm in England.
- Funding is being provided to local authorities for a ‘pathfinder’ scheme starting in September 2024, potentially leading to a national roll out in the future.
- Universal Credit childcare support will be paid upfront when parents move into work or increase their working hours, compared to previous support having to be claimed in arrears.
- The cap on Universal Credit childcare support will be increased.

Other

- Alcohol duty rates are frozen until August 2023. On 1 August, non draught alcohol duties will be uprated by inflation. The value of Draught Relief will be increased from 5% to 9.2% on qualifying beer and cider, and 20% to 23% on qualifying wine, spirits and other fermented products.
- Business Tax - Companies will, temporarily, be able to immediately use the cost of investment in certain plan and machinery to offset corporation tax (full expensing). The temporary 100% deduction will start from April 2023 and will last for three years. The aims is to make this scheme permanent when economic conditions allow. The extension of the 50% First-Year Allowance permits the deduction of 50% of the cost of some plant and machinery, which don’t qualify for full expensing, in the year of purchase. The Budget announced an extension of three years for this allowance which had been due to end on 31 March 2023.

- The government has also **published** its response to its business rates review and intends to expand the local retention of business rates to more areas in the next Parliament and will work closely with interested councils to achieve this.

The Heritage Alliance is the membership body which represents the independent heritage movement in England.