SPRING BUDGET 2017

MONITORING SUMMARY

Contents

The Budget at a glance

- The Chancellor announced a forecast of 2% growth for 2017, up from 1.4%
- Responding to recent criticism over business rate changes, the Government announced three measures which total a business rate reduction of £435m
- Self-employed earners will see an increase in Class 4 National Insurance Contributions in a bid to raise £145 million from the self-employed by the Treasury
- The sugar tax has been set at 18p and 24p per litre for medium and high sugar content drinks
- £320million has been pledged to take the total number of free schools to 500
- T-Levels have been introduced as a technical alternative to A Levels
- After heavy criticism for failing to mention social care in the Autumn Statement 2016, Hammond has announced £2bn for social care over the next three years and a green paper to be published this year – although there has already been criticism that these measures don't go far enough

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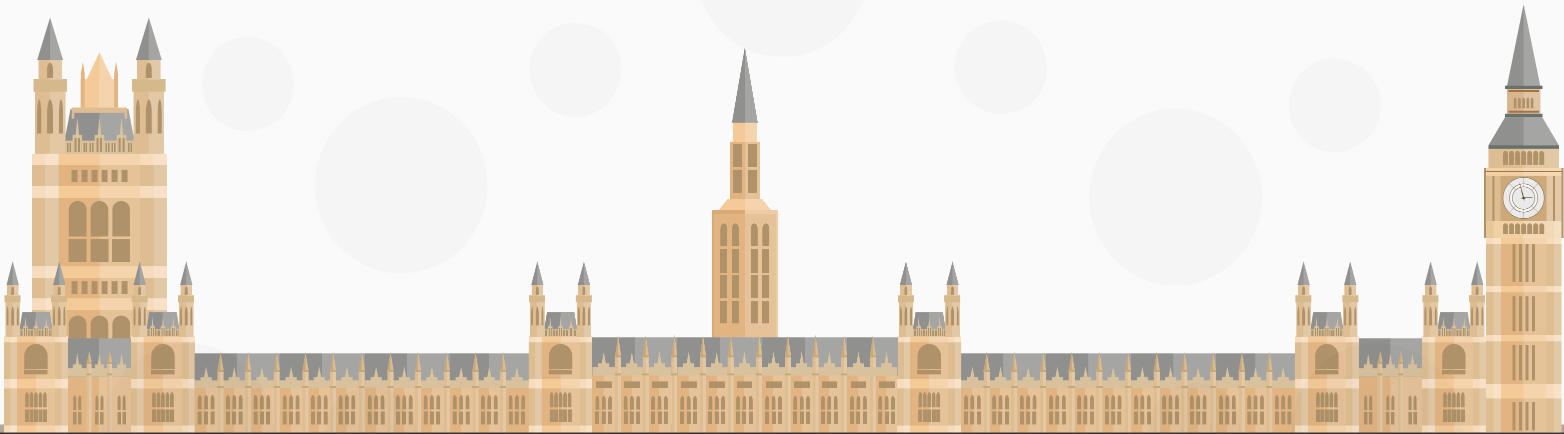
Key Players

Theresa May

Prior to securing her premiership, Theresa May was Home Secretary – and the longest serving Home Secretary since 1892. Over six years' experience in one of the great offices of state was no doubt excellent training for the challenges she now faces in untangling the UK from the European Union, placating both Leave and Remain while ensuring the outcome of negotiations protects Britain's economy.

May has faced criticism over her style of politics: as Home Secretary she would oversee the majority of decisions herself and was not a keen delegator. Gordon Brown serves as perhaps the most cautionary tale for any Prime Minister seeking to micromanage the country – and he didn't have to deal with Brexit.

Much like David Cameron, May would consider herself as Tory Party moderniser. Although she has already made a number of decisions that can be interpreted as attempts to break with the politics of her predecessor, they can nonetheless be seen within a modernising framework.



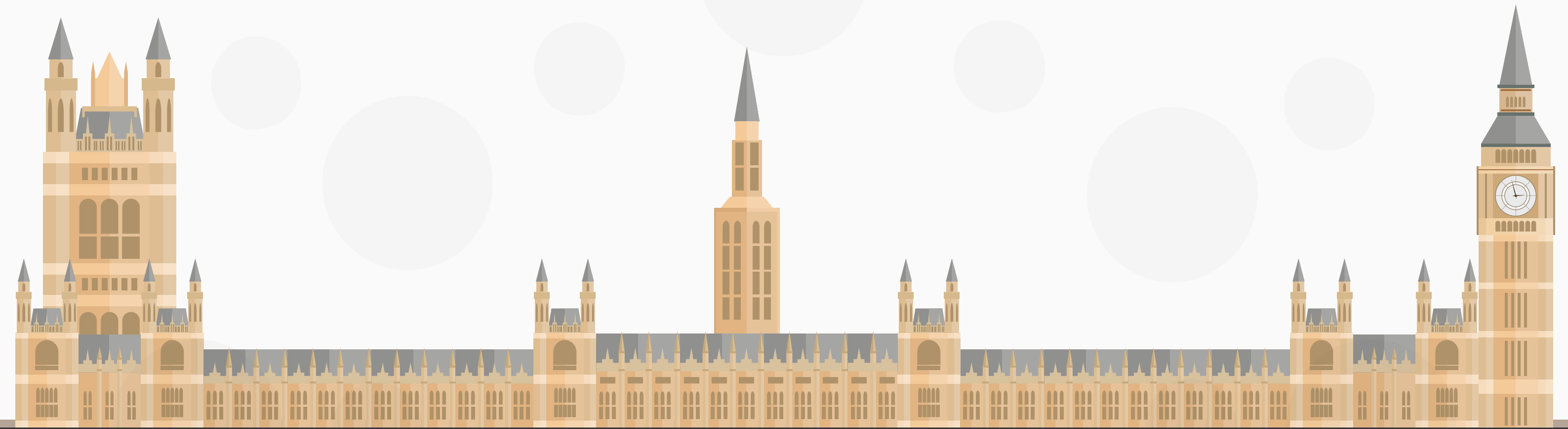
Key Players

Philip Hammond

When May appointed Hammond as her Chancellor on the 13th July 2016, she put him in the driving seat of the UK economy. While serving as Shadow Chief Secretary to the Treasury under David Cameron, he played a key role in formulating the austerity-driven approach to public spending, and political observers have speculated it has been his longstanding ambition to take the lead role in the Treasury.

Before Britain's decision to leave the European Union, the challenge the UK faced in regards to public finance was already cause for concern, especially when considering that two of the three fiscal targets the Government set itself in 2015 had already been breached. In the shadow of Brexit, the question of what to expect from the Budget has a heightened importance with regards to the health of the economy.

After Hammond's decision to abandon his predecessor's pledge to balance the books by 2020, the Government has taken a more laissez faire attitude to spending, allowing it some breathing space in areas such as small business rate relief. But with debt edging towards 90 per cent of GDP and uncertainty over the post-Brexit economy, Hammond has far from reverted from Osborne's commitment to austerity, instead using increased growth forecasts as reasoning for economic restraint.



Analysis

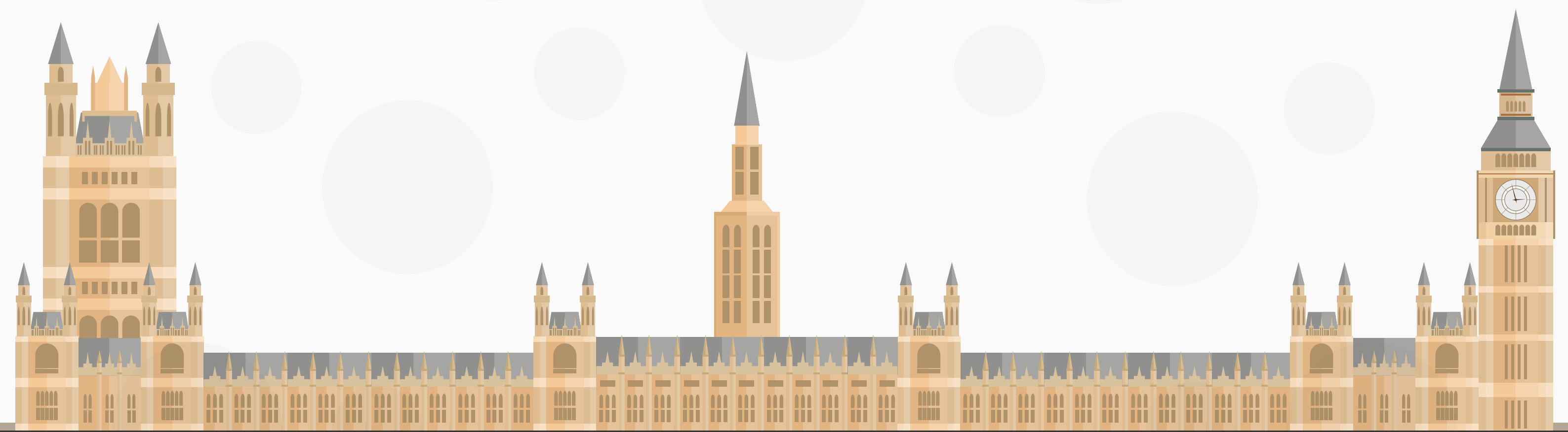
It was a relaxed, confident-looking, audience-pleasing Chancellor delivering the 2017 Budget. Fairness was the buzzword, while Spreadsheet Phil not only included jokes but got actual laughs – while his repartee with Theresa May presented the image of a duo very much in tune.

Hammond began his performance at the dispatch box by describing an economy that had “confounded commentators” with its “robust growth”. He went on to lay out a minimalist Budget, with only 28 policy decisions compared to last year’s 77, that suggested he was in no mood to rock the boat.

There was an extra £2bn for social care, but over three years with £1bn in the first year - in relative terms a recipe for sustainability rather than growth. There was £435m in business rate help – but at the same time, there was a National Insurance tax hike for the self-employed.

Education was in the spotlight, but while Hammond announced more funding for free schools, there was in general little extra money for education overall. Nonetheless, the announcement of T Levels as a means to establish parity between academic and technical education was an ambitious statement of intent.

The Chancellor spoke about placing the economy on a “strong and stable” platform. Although Brexit was scarcely mentioned, it was clear that its shadow continues to dictate that Government activity remains cautious – albeit on this occasion, it was cautiously optimistic.



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Economy

Economy and public finances

Economic context

GDP is 8.6% higher than the pre-financial crisis peak in 2008.

Employment is at a record high.

The OBR expects a slowdown in growth during 2017, due to consumer demand slowdown brought on by rising inflation from sterling's depreciation.

UK economy

Growth

According to the Office of National Statistics (ONS), the economy grew 1.8% in 2016. In the second half of the year, growth remained strong. In Q3 it was at 0.6% and at 0.7% in Q4 2016.

On a per capita basis, UK GDP increased by 1.1% in 2016.

Services output increased by 2.9%, construction by 1.5% and production by 1.2%.

All sectors have continued to expand in the early months of 2017.

In 2016, household consumption represented 65% of GDP and increased 3.0% last year.

Total household debt in Q3 2016 was 10% below the peak reached in Q1 2008. Unsecured debt as a proportion of disposable income increased throughout the year until Q3, however, it remained below the peak reached in Q1 2007.

Household saving as a proportion of disposable income decreased progressively for two years prior to Q2 2016, before dropping suddenly in Q3 2016.

Business investment fell by 1.5% in 2016 due to uncertainty post EU referendum.

The trade in goods and services deficit continued in 2016. It grew to 7.0% of GDP, largely due to a greater deficit surplus on trade in services. The number of export

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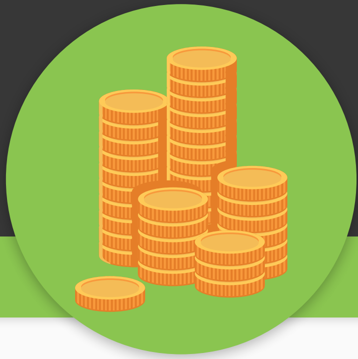

orders has increased due to rises in global demand and the drop in the value of sterling post EU-referendum.

Prices

There has been a recent rise in inflation with the 12-month increase in the Consumer Prices Index touching 1.8% in January 2017. This comes after the rise in global oil prices and the post referendum depreciation in sterling which have caused an increase in the contribution of the transport part of CPI inflation.

Labour market

The employment rate reached a record high of 74.6% in the three months prior to December 2016.

The unemployment rate was the lowest in 11 years at 4.8%.

There has been an increase in full-time employment which represents 72% of employment growth in 2016.

Labour productivity remained slow with output per hour rising by just 0.4% in Q4 2016.

Earnings growth has been stable. Total and regular pay increased by 2.6% during the three months prior to December in comparison to the same period the previous year.

Real household disposable income per head went through a strong increase from the end of 2014 and recorded its fastest annual growth in 14 years.

RHDI experienced further growth in the first half of 2016, arriving at the highest level recorded. It maintained this level in Q3.

Global economy

Global growth remained overall stable in the second half of 2016.

Euro area 2016 annual growth was 1.7%, remaining steady in the second half of the year.

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US economic growth experienced a slower start to the year 2016, with an annual growth of 1.6%.
The Chinese economy grew by 6.7%. The Indian economy grew by 6.6%.

The Russian and Brazilian economies both weakened.

The International Monetary Fund estimates that growth will increase to 3.4% in 2017.

Economic outlook

The OBR predicts a 2017 GDP growth that is stronger than previously forecast. Consumption growth has been stronger than originally expected, however, rising inflation brought on by the post referendum sterling depreciation is predicted to slow down household consumption growth. Business investment is also expected to be held back by economic uncertainty.

Growth

Growth in Q4 2016 was higher than originally predicted, leading the OBR to increase its forecast for GDP growth in 2017 by 0.6 percentage points to 2.0%. After this period, growth is expected to slow down, with predicted growth for 2018 at 1.6%, 1.7% for 2019 and 1.9% for 2020. In 2021, growth is expected to return to 2.0%.

The OBR predicts a household saving of 4.6% of disposable income in 2017, 5.2% in 2018, 5.4% in 2019, 5.8% in 2020 and 5.9% in 2021.

Household debt is expected to gradually increase, reaching 153% in 2021.

Average house prices are expected to rise at an annual rate of 4.8%.

Household net wealth is expected to reach 879% of household income by 2021.

The OBR predicts that the impact of the post referendum uncertainty on investment will be less severe but will last longer.

The OBR forecasts a 0.1% decline in business investment in 2017. It predicts that it will pick up, reaching 3.7% in 2018, 4.2% in 2019, 3.9% in 2020 and 3.6% in 2021.

It is expected that net trade will contribute 0.3 percentage points to GDP growth in 2017 and 2018.

The OBR predicts a narrowing of the account deficit, to 3.5% of GDP in 2017, 3.2% of GDP in 2018, 2,6% of GDP in 2019, 2.2% of GDP in 2020 and 2.0% of GDP in 2021.

The stagnation of business investment is expected to have an impact on productivity in the medium term.

Prices

CPI inflation is expected to rise to 2.4% in 2017 before decreasing to 2.3% in 2018 and to 2.0% between 2019 and 2020.

Labour market

The number of people in employment is expected to continue increasing, however, the unemployment rate is forecast to increase slightly when the economy slows. It is predicted to reach 4.9% in 2017, 5.1% in 2018 and 5.2% between 2019 and 2020 before falling back to 5.1% in 2021.
Productivity growth is expected to be 1.6% in 2017m 1.5% in 2018, 1.7% in 2019, 1.8% in 2020 and 1.9% in 2021.

The OBR expects an average earnings growth of 2.6% in 2017 and 2.7% in 2018, rising to 3.0% until 2021.

Higher inflation is predicted to impact on RHDI per head in 2017. The OBR expects a decrease of RHDI per head of 0.7% in 2017, followed by a return of growth in 2018. The increase is forecast to reach 0.4% in 2019, 1.0% in 2020 and 1.2% in 2021.

Monetary policy

It has been confirmed that the Asset Purchase Facility will stay in place for the financial year 2017-18.

Outlook for the public finances

One of the major long term challenges

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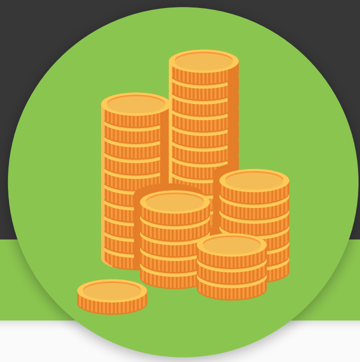

for public finances is the combination an ageing population and the need for stronger productivity.

The Government is committed to reducing the deficit below 2% of GDP and for the debt to start decreasing by 2020-21.

The fiscal outlook

Tax receipts have been considerably higher than originally expected, meaning that they are predicted to outperform the forecast set out in the Autumn Statement 2016.

The OBR forecasts total revenues in 2021-2022 to be similar to those predicted in the Autumn Statement 2016.

Public spending in 2016-17 is lower than predicted in the Autumn Statement 2016.

It is predicted that borrowing will be reduced by £1.1 billion per year on average due to accounting charges, the largest impact being a decrease of £3.0 billion in 2016-17. The biggest change is the move to an accruals-based recording of onshore corporation tax receipts.

Borrowing is expected to fall in the near term, however, it is predicted to be unchanged from 2019-2020. Public sector net borrowing (PSNB) is predicted to be £0.4 billion lower in 2021-22 than originally planned in the Autumn Statement 2016.

The deficit in 2016-17 is predicted to be £16.4 billion lower than forecast in the Autumn Statement 2016. This is a result of a change in the timing of corporation tax receipts, dividend income brought forward ahead of forthcoming tax rises, changes to the timing of EU payments and lower predicted spending by departments. It is thought to increase borrowing in 2017-18.

In relation to the Autumn Statement 2016, borrowing is lower every year of the forecast, and is predicted to drop to 0.7% or £16.8 billion of GDP by 2021-2022.

Debt is also expected to decrease each year. The OBR predicts that PSND will reach 88.8% of GDP in 2017-18 before dropping each year to 79.8% of GDP in 2021-22.

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Performance against the fiscal rules

The fiscal mandate

The OBR predicts that by 2020-21 cyclically-adjusted public sector net borrowing will be 0.9% of GDP, meaning the Government will meet its fiscal mandate with 1.1% of GDP in 2020-21. The OBR's most recent forecast suggests that the Government will meet the 3.0% deficit target set out in the EU's Stability and Growth Pact in 2016-17.

The supplementary debt target

The OBR suggests the Government will meet its supplementary debt target, with PSND falling as a share of GDP from 2018-19 onwards.

Supplementary fiscal aggregates
Two alternative views to the Government's fiscal position were developed by the ONS following the Autumn Statement 2016. These are:

Public sector net debt (PSND) excluding the Bank of England – this excludes the assets and liabilities held on the Bank of England's balance sheet from PSND.

Public Sector Net Financial Liabilities (PSNFL) – this recognises all public sector financial assets and liabilities recorded in the national accounts.

The OBR forecasts PSND will peak at 88.8% of GDP in 2017-18 and then it will fall from that point onwards. PSND (excluding the Bank of England) will continue at an estimated 81% of GDP until 2018-19.

Welfare cap

The welfare cap aims to hold Parliament accountable to welfare spending.

The OBR will assess performance against the cap in 2020-21. If spending exceeds the cap plus a 3% margin, then the cap will be breached. The OBR's monitoring of forecasts of welfare spending prior to 2020-21 will ensure progress towards the cap.

The OBR estimates welfare spending to remain within the cap and margin set at Autumn Statement 2016.

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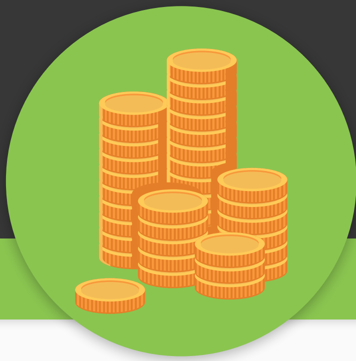

Public spending

As stated in the Autumn Statement 2016, the Government upholds its public spending commitments to priority public services, to international development and defence, and to pensioners.
The first statutory review of State Pension age will be published on 7 May 2017 and will include an independent report by John Cridland.

To reduce the deficit and get debt falling, Government spending as a share of GDP has been reduced from 44.9% in 2010-11 to 40.0% in 2015-16. Total Managed Expenditure as a share of GDP is forecast to fall from 39.3% in 2016-17 to 37.9% in 2021-22.

Efficiency Review

The Efficiency Review will support the Government in delivering £3.5 billion of resource savings in 2019-20 and £1 billion of these savings will be issued to reinvestment in priority areas.

The Chief Secretary to the Treasury, helped by the Minister for the Cabinet Office, will lead the Review, and they have commissioned relevant Whitehall departments to contemplate options for lessening departmental spend in 2019-20. The review will help the Government deliver its commitments on public sending.

Sir Michael Barber will lead a review aimed at improving the culture of efficiency in Government. This will be done by investigating how efficiency is incentivised and measured across Government.

The public will be informed on progress from the Efficiency Review in autumn 2017.

Departmental Expenditure Limits
Prior to additional investment over the forecast period, departmental resource spending will continue to grow in line with inflation in 2020-21, and departmental spending will also grow with inflation in 2021-22.

Devolved administrations

The Scottish and Welsh Governments' block grants will be adjusted as set out in their respective fiscal frameworks.

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Asset sales

The Government upholds its pledge to return the financial sector assets acquired in 2008-09 to the private sector, conditional to market conditions and attaining value for taxpayers.

Lloyds – Lloyds should be fully returned to the private sector by the end of 2017-18. The Government has thus far recovered over £19.0 billion for the taxpayer and is due to recover all £20.3 billion from the bank.

RBS – Unresolved legacy issues mean it is unclear as to when the Government will be able to seek opportunities for disposals.

UK Asset Resolution (UKAR) – UKAR's balance sheet has reduced from £115.8 billion in 2010 to £36.9 billion on 30 September 2016, and will continue to reduce with full conclusion expected before the end of 2017-18.

The sale of the student loan book is expected to raise £12 billion by 2020-21. The process of selling the Green Investment Bank is underway.

Debt and reserves management

The Government's financing plans are set out in the 'Debt management report 2017-18', published alongside the Budget.

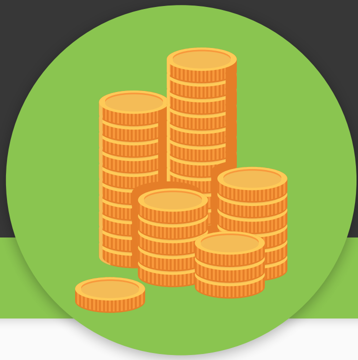
The Government will provide £6.0 billion of sterling financing for the Official Reserves in 2017-18.

Competition and consumer markets
The Government will shortly bring forward a green paper to examine markets that are not working efficiently or fairly. The following steps will be made:

The Government will legislate at the earliest opportunity to allow consumer enforcement bodies, such as the Competition and Markets Authority, to ask the courts to order civil fines against companies that break consumer law.

The Government will develop proposals to protect consumers from facing unexpected payments when a subscription is renewed or when a free trial ends.

The Government will consider how to make terms and conditions clearer,



simpler and shorter for consumers to engage with, building on the call for evidence on terms and conditions last year.

The Government will legislate to reduce the regulatory burden on small co-operatives, increasing the turnover threshold for which co-operatives are required to conduct a full audit from £5.6 million to £10.2 million, and the assets threshold from £2.8 million to £5.1 million.

Spending

The Government will consult on a detailed draft plan in the spring which will set out how the UK's air quality goals will be achieved. The Government will continue to explore the appropriate tax treatment for diesel vehicles, and will engage with stakeholders ahead of making any tax changes at Autumn Budget 2017.

The Government will create a new £5 million fund for projects to celebrate the centenary of voting rights being extended to women for the first time in 1918.

The Government will provide an additional £20 million over the Parliament to support organisations working to combat domestic violence and abuse, and to support victims. The funding for the Government's Ending Violence Against Women and Girls Strategy will increase to £100 million over the Parliament.

A range of women's charities across the UK will collectively benefit from £12 million as part of the 2016-17 round of the Tampon Tax Fund.

The Government will appoint a Government Representative for Mayflower Anniversary Celebrations to assist in co-ordinating the UK wide events.

The Government will provide exceptions to limiting support to two children for the child element in Child Tax Credits and Universal Credit. These exceptions are for third and subsequent children where parents face particular circumstances, such as multiple births.

National Productivity Investment Fund

The NPIF was established at Budget 2016 to provide over £23 billion investment between 2017-18 and 2021-22 to the

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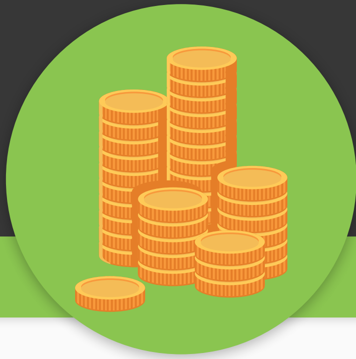

following areas: economic infrastructure, housing and R&D. Detail as to how these funds will be allocated has been given in budget 2017.

Digital infrastructure – In order to support the next generation of fast and reliable mobile and broadband communications, NPIF will invest £740 million in digital infrastructure by 2020-21.

5G – The Government's 5G Strategy will include a new National 5G Innovation Network to trial and demonstrate 5G applications. It will also publish its response to the National Infrastructure Commission's Connected Future report.
Full-fibre broadband – The Government will invest £200 million from 2017 to fund a programme of local projects designed to increase market delivery of new full-fibre broad.

The new Digital Infrastructure

Investment Fund will be launched in spring 2017, complementing the NPIF programmes. As part of this, private sector investors will at least match the Government investment of £400 million.

Productivity

Long term, improving productivity is the best way to boost pay and increase living standards. Firms that are more productive pay higher wages, are more competitive and therefore better able to succeed internationally.

The UK must overcome the persistent challenge of poor productivity. In 2015, UK output per hour stood 18 percentage points behind the average for other G7 countries, 35 percentage points behind Germany, 27 percentage points behind France, and 30 percentage points behind the USA. The Government has set out to improve the UK's productivity through committing over £23 billion of additional investment between 2017-18 and 2021-22 through the National Productivity Investment Fund (NPIF), announced at Autumn Statement 2016.

Research and Development

The new Industrial Strategy Challenge Fund (ISCF) will support collaborations between business and the UK's science base. The first wave of challenges funded from the ISCF will include:

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Investment in the production of batteries that will power the next generation of electric vehicles

Artificial intelligence and robotics system investment, capable of operating in extreme environments, including off-shore energy, nuclear energy, space and deep mining

Developing brand medicine manufacturing technologies to improve public health and patient access to drugs.

Talent funding – £250 million will be invested from the NPIF over the next four years. 1,000 additional PhD places will be funded in areas aligned with the Industrial Strategy. Around 85% will be in STEM disciplines, and 40% will be industrial partnerships. £160 million will support new fellowships for early and mid-career researchers in Industrial Strategy aligned areas.

In addition, the Government will invest over £100 million over the next 4 years to attract international research talent.

Tax

The Government has announced that the spring budget will be the first step towards the transition towards a single fiscal event each year, which will be the Autumn Budget.

From Spring 2018, a Spring statement will respond to the OBR's forecast and provide the opportunity to launch consultations on future reforms.

The Government will pursue a tax system with competitive rates and a sustainable base to ensure that the UK remains one of the best places in the world to set up and grow a business, and builds on its reputation as a competitive and open economy.

Personal Tax

The Government will continue to reduce taxes by increasing the personal allowance by more than inflation for the seventh consecutive year, raising it by £500 to £11,500. This means the amount someone can earn tax-free in 2017-18 will be over 75% higher than in 2010. This will cut income tax for 31 million taxpayers compared to the beginning of this parliament. 1.3 million people will be taken out of income tax altogether.

The main rate of Class 4 National Insurance Contributions (NICs) will increase from 9% to 10% in April 2018 and to 11% in April 2019 to reduce the differential and reflect more equal pension entitlement. In light of this and the abolition of Class 2 NICs, only self-employed individuals with profits above £16,250 will have to pay more NICs.

The tax-free dividend allowance will be reduced from £5,000 to £2,000 from April 2018 to reduce the tax differential between the both the employed and self-employed, as well as those working through a company. This will raise revenue to invest in our public services.

The Government is considering how the tax system could be made fairer and more coherent. This will be done by:

- Calling for evidence on exemptions and valuation methodology for the income tax and employers NICs treatment of benefits in kind.
- Consulting with proposals to bring the tax treatment of employer-provided accommodation and board and lodgings up to date.
- Calling for evidence to better understand the use of the income tax relief for employees' expenses.

Tax

Pensions and Savings

The Budget confirms the rate on the National Savings and Investment Bond announced in autumn. The Investment Bond will offer a market-leading rate of 2.2% over a term of 3 years and will be available for 12 months from April 2017. The Bond will be open to everyone aged 16 and over, subject to a minimum investment limit of £100 and a maximum investment limit of £3,000.

The Government will amend the tax registration process for master trust pension schemes to align with the Pensions Regulator's new authorisation and supervision regime. This will help to boost customer protection and improve compliance.

Business & Corporate Tax

As set out at Autumn Statement 2016, the Government will cut the rate of corporation tax to 19% from April this year and then again to 17% in 2020.

The Industrial Strategy green paper sets out the Government's ambition to drive up the level of private investment in science, research and innovation across the economy. To further support investment, the Government will make administrative changes to the Research and Development Expenditure Credit to increase the certainty and simplicity around claims and will take action to improve awareness of R&D tax credits among SMEs.

The Patient capital review aims to ensure that high growth businesses can access the long-term capital that they need to fund productivity enhancing investment. This will identify barriers to institutional investment in long-term finance and also consider existing tax reliefs aimed at encouraging investment and entrepreneurship to make sure that they are effective, well targeted, and provide value for money.

To ensure that it is easier for businesses to raise finance, the Government will renew and extend the administrative simplifications of the Double Taxation Treaty Passport scheme to assist foreign lenders and UK borrower. The Government will also introduce an exemption from withholding tax for interest on debt traded on a Multilateral Trading Facility, removing a barrier to the development of UK debt markets.

Tax

Property tax

In addition to the reductions in business rates announced in the 2016 budget, the Government will provide £435 million of further support for businesses facing significant increases in bills from the English business rates system. This includes supporting small businesses losing Small Businesses Rate Relief to limit increases in their bills to the greater of £600 or the real terms transitional relief cap for small businesses each year. This also includes providing English local authorities with funding to support £300 million of discretionary relief.

The Government will also introduce a £1,000 business rate discount for public houses with a rateable value of up to £100,000, subject to state aid limits for businesses with multiple properties, for one year from 1 April 2017. Local Government will be fully compensated for the loss of income as a result of these measures.

As a result of consultation on stamp duty land tax, the Government will delay the reduction in the filing and payment window until 2018-19.

The Government will amend legislation to ensure that all profits realised by offshore property developers developing land in the UK, including those on pre-existing contracts, are subject to tax, with effect from 8 March 2017.

The Government will consult on proposals to redesign rent-a-room relief, to ensure it is better targeted to support longer-term lettings. This will align the relief more closely with its intended purpose, to increase supply of affordable long-term lodgings.

Energy and transport taxes

There will be a call for evidence to update the current HGV Road User Levy, this will be launched in the spring. The Government and industry will work together to update the Levy so that it rewards hauliers that plan efficient routes, to incentivise the efficient use of roads and improve air quality.

The Government has a long commitment to carbon pricing to help with the decarbonisation of the power sector. The EU Emissions Trading System and Carbon Price Support currently set UK prices. From 2021-22, the Government will aim towards a total carbon price and set the specific tax rate later, this will give businesses greater clarity on the total price to be paid.

As the UK decarbonises its energy supplies the Government acknowledged that it will have limit the costs to both business and households. Later in the year the existing Levy Control Framework will be replaced.

The worth of the Landfill Communities Fund (LCF) for 2017-18 will stay the same at £39.3 million and the cap on contributions by landfill operators will be increased to 5.3%. This cap will remain, subject to consideration of Landfill Tax receipts, continued progress in reducing the level of unspent funds held by environmental bodies and the amount of LCF funds spent on administration. The Government will also consult on the scope of Landfill Tax to disposals of waste that are illegal due to them not having the required licence or permit.

Statutory packaging recycling targets for 2018 to 2020 will be implemented, to ensure compliance with the Packaging Directive. By 2020, the Government will raise recycling targets for paper to 75%, aluminium to 64%, steel to 85% and for wood packaging to 48%. Targets for overall packaging recycling will increase to 75.4% and for recovery to 82% by 2020.

Indirect taxes

Alcohol and tobacco

As announced in the 2014 Budget, duty rates on all tobacco products will go up by 2% above RPI inflation. This change will come into effect from 6pm on 8 March 2017.

The Government will bring in a Minimum Excise Tax for cigarettes. This will target the lowest priced tobacco and promote fiscal sustainability. The rate will be set at £268.63 per 1,000 cigarettes. It will take effect from 20 May 2017.

Other indirect taxes

Registration and deregistration thresholds – From 1 April 2017 the VAT registration threshold will increase from £83,000 to £85,000 and the deregistration threshold from £81,000 to £83,000.

Tax

The levy rate for added sugar drinks with a total sugar content of 5 grams or more per 100 millilitres will be 18 pence per litre, and those with 8 grams or more per 100 millilitres will be 24 pence per litre.

Tax administration

For landlords and business below the VAT threshold the Government has decided to give an extra year before Making Tax Digital is mandated. The intention is to allow them more time to prepare, the Government will hold a consultation on the design aspects of the tax administration system.

HMRC will work with businesses and other interested parties to consult over this summer on its process for risk profiling large businesses and encouraging stronger compliance.

Avoidance, evasion and compliance

The Government has announced it will legislate for over 35 measures to tackle avoidance, evasion and aggressive tax planning. This builds on the progress of the last Parliament, during which over 40 changes were made, closing loopholes and introducing major changes to the UK tax system. Since 2010, HMRC has secured around £140 billion in additional tax revenue through such schemes and the UK's tax gap remains one of the lowest in the world.

Avoidance

As announced in the 2016 Autumn Statement, the Government will introduce a penalty for a person who has enabled another person or business to use a tax avoidance plan that is later defeated by HMRC. The Government is going to remove the defence of having trusted non-independent advice as taking 'reasonable care' when considering penalties for a person or business that uses such arrangements.

Evasion

Fraud when providing labour in the construction sector – The Government will hold a consultation on options to tackle missing trader VAT fraud in the provision of labour in the construction sector applying the reverse charge mechanism so the recipient accounts for VAT.

Tax

Building on what was introduced in Budget 2016, the Government will shortly publish a call for evidence on the case for a new VAT collection mechanism for online sales.

Compliance

HMRC will be actively monitoring National Insurance Employment Allowance compliance after reports of some businesses using avoidance schemes to avoid paying the correct amount of NICs.

Devolution

The Government has agreed further devolution deals to London, including action to tackle congestion, locally-delivered criminal justice services, and new approaches to infrastructure funding.

There are also options for devolving greater powers over business rates, increased local influence over careers and employment support services, and ensuring London employers can take advantage of the opportunities offered by the apprenticeship levy. A second Memorandum of Understanding on Health and Social Care will be agreed by the Government and London partners.

The Government is in discussions with Greater Manchester on future transport funding.

The Government is working with partners in Scotland and Wales to reach city deals for Edinburgh and Swansea. Negotiations for a city deal for Stirling have opened, and proposals are being accepted for a Tay Cities Deal and a North Wales Growth Deal.

Infrastructure & Transport

From the National Productivity Fund (NPF), £1.1 billion was announced in Autumn Statement 2016 to support local transport. Budget 2017 announces further details of transport support.

NPF allocations for local transport have already been made for 2017-18. Local authorities will be able to compete for £690 million more in funding, with £490 million made available by early autumn 2017.

There will be regional allocations of the £220 million NPIF investment for pinch points on the strategic road network. The Department for Transport will announce details of individual schemes shortly.

Education & Skills

The Government has an ambition, for England's technical education system to match the excellence of its world-class higher education system. The academic route from GCSEs, to A-levels, to higher education is well regarded and high quality. The UK is home to 12 of the top 100 universities in the world, and there are now more young people from England entering full-time undergraduate study at university, including record numbers of 18 year olds from disadvantaged backgrounds.

The apprenticeship levy in April 2017 will help deliver 3 million apprenticeship starts by 2020.

Recommendations from Lord Sainsbury's panel will be put into action. The Government will increase the number of programme hours of training for 16-19 year olds on technical routes by more than 50%, this will include the completion of a high-quality industry work placement during the programme. To ensure the routes are well-designed and colleges properly prepared, they will be introduced from 2019-20, increasing funding in line with this roll out, with over £500 million of additional funding invested per year once routes are fully implemented.

The Government will provide maintenance loans to students on technical education courses at levels 4 to 6 in National Colleges and Institutes of Technology. This will also support adults who are retraining.

The Government is planning to spend up to £40 million by 2018-19 to test different approaches to help people to retrain and upskill throughout their working lives.

The Government will work with business groups and public sector organisations to identify how best to increase the number of returnships, this will have £5 million of new funding. Returnships offer people who have taken career breaks a clear route to employment.

Education & Skills

To bring equality with full-time undergraduate study and support lifelong learning, maintenance loans will be provided for part-time undergraduates, this was announced at Spending Review 2015. These loans will become available in 2018-19.

The Government confirms the terms of doctoral loans beginning in 2018-19. These loans will provide a maximum of £25,000 for doctoral study.

£250 million will be invested from the NPIF over the next four years. 1,000 additional PhD places will be funded in areas aligned with the Industrial Strategy. Around 85% will be in STEM disciplines, and 40% will be industrial partnerships. £160 million will support new fellowships for early and mid-career researchers in Industrial Strategy aligned areas.

While 89% of schools in England are now rated as good or outstanding, there are 1 million children in underperforming schools. After Autumn Statement 2016's announcement confirming £50 million per year of new funding to expand grammar schools, the Government has set out further steps regarding education funding.

The Government has reaffirmed its commitment to deliver the manifesto pledge to open 500 new free schools by 2020.

The Government will investment £320 million in this Parliament to extend the free schools programme to help fund up to 140 schools, including independent-led, faith, selective, university-led and specialist maths schools. Of these 140 schools, 30 will open by September 2020 and count towards the Government's existing commitment.

The Government will embark upon an assessment of local factors which will enable it to determine where the new free schools are located, based on which location is most in need.

The Government has committed a further £216 million investment in school maintenance, which increases total investment to over £10 billion over this Parliament.

Education & Skills

Children who receive free school meals or whose parents claim Maximum Working Tax Credit will be eligible for the current 'extended rights' entitlement for children aged 11 to 16. This means they will now get free transport to attend the nearest selective school in their area.

Skills

As the UK embarks on the process of exiting the EU, creating a highly-skilled workforce will ensure businesses across the country have the talent and skills needed to succeed in global markets. The demand from employers for skills is increasing; over the coming years, 42% of businesses expect to have more jobs requiring intermediate-level skills, and 74% expect to demand more higher-level skills.

There is evidence to show that skills qualifications are also clearly linked to higher wages. An individual with a level 3 apprenticeship as their highest qualification can expect to earn between £77,000 and £117,000 more on average over their lifetime, compared to individuals with a lower-level qualification.

Health

Social Care

An additional £2 billion will be provided to councils in England over the next 3 years to spend on adult social care services. £1 billion of this will be provided in 2017-18.

Alongside this funding, measures will be put in place to ensure that those areas facing the greatest challenges make improvement, particularly in reducing delayed transfers of care between the NHS and social care.

The Government will launch a green paper to establish a more sustainable basis for adult social care in the face of the future demographic challenges, set out in the OBR's Fiscal Sustainability Report.

£100 million will be provided until 2020-2021 to promote university collaboration in technology transfer and in working with business, with the devolved institutions receiving funding through the Barnett formula.

NHS

An additional £100 million will be provided to the NHS in England in 2017-18 for capital investment in A&E departments.

In order to support local Sustainability and Transformation Plans, the Government will invest £325 million over the next three years to support local proposals for capital investment.

About the Authors

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About Vuelio

Vuelio Political Services have everything you need to identify, understand and engage successfully with political stakeholders. Whether you want to educate MPs, influence a policy area, or build relationships for the future, the experienced Vuelio team - supported by our extensive data and cutting-edge technology - can help you target the right audience, track all your activity, and shape the political agenda.

Vuelio

SPRING BUDGET 2017

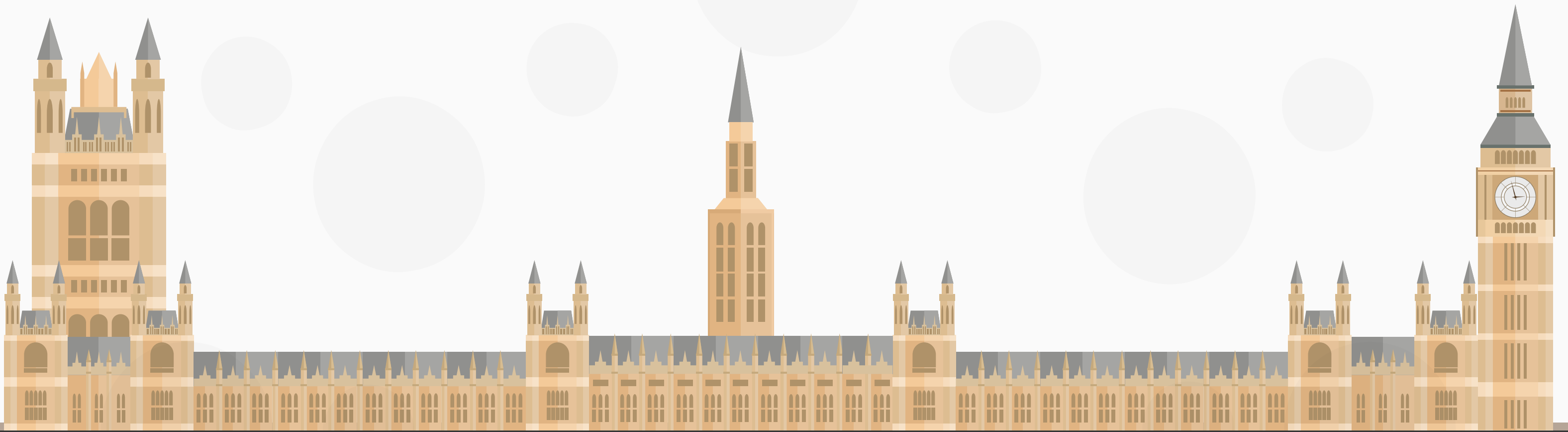
MEDIA ANALYSIS & STAKEHOLDER REACTION

Contents

The Budget at a glance

- The Chancellor announced a forecast of 2% growth for 2017, up from 1.4%
- Responding to recent criticism over business rate changes, the Government announced three measures which total a business rate reduction of £435m
- Self-employed earners will see an increase in Class 4 National Insurance Contributions in a bid to raise £145 million from the self-employed by the Treasury
- The sugar tax has been set at 18p and 24p per litre for medium and high sugar content drinks
- £320million has been pledged to take the total number of free schools to 500
- T-Levels have been introduced as a technical alternative to A Levels
- After heavy criticism for failing to mention social care in the Autumn Statement 2016, Hammond has announced £2bn for social care over the next three years and a green paper to be published this year – although there has already been criticism that these measures don't go far enough

Get our full Budget Summary here

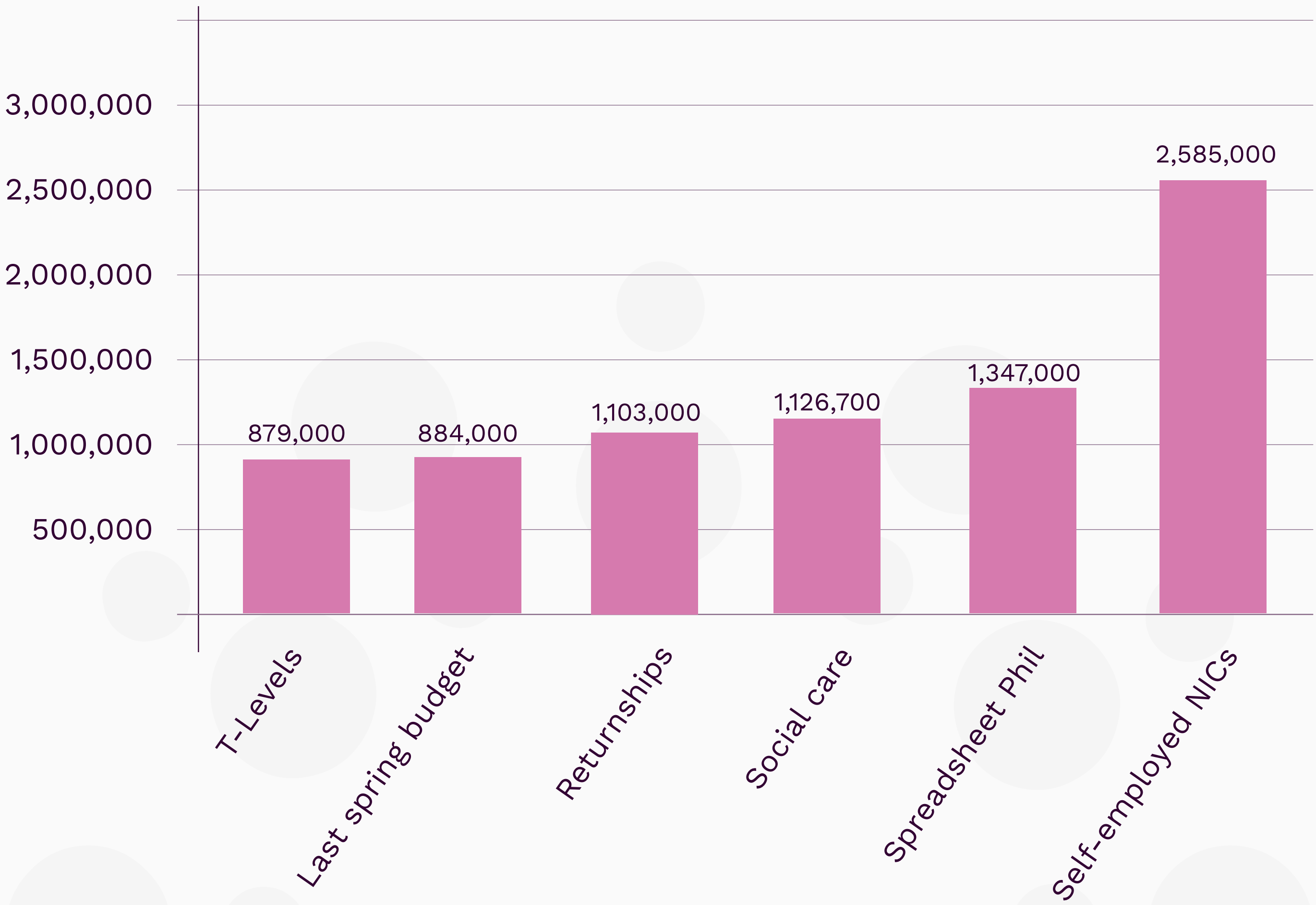


Media Analysis

While it certainly wasn't a ground-breaking Budget, Hammond's tax hike for self-employed earners overshadowed all other policy announcements online. The NIC increase came as a surprise to many given the dominance of self-employed workers in Conservative constituencies, and the more conservative press has today rounded on the Chancellor for betraying the 'typical' conservative value of entrepreneurism.

On social care, there are suggestions that funding, which Hammond was criticised for supposedly ignoring in the Autumn Statement, has now come at the expense of the NHS. While sentiment analysis of "social care" mentions suggests that the increase in funding was generally well received online, corresponding mentions of the NHS were far more negative – indicating that the public saw the social care investment as part of a zero-sum game for UK health.

Social media response to budget issues

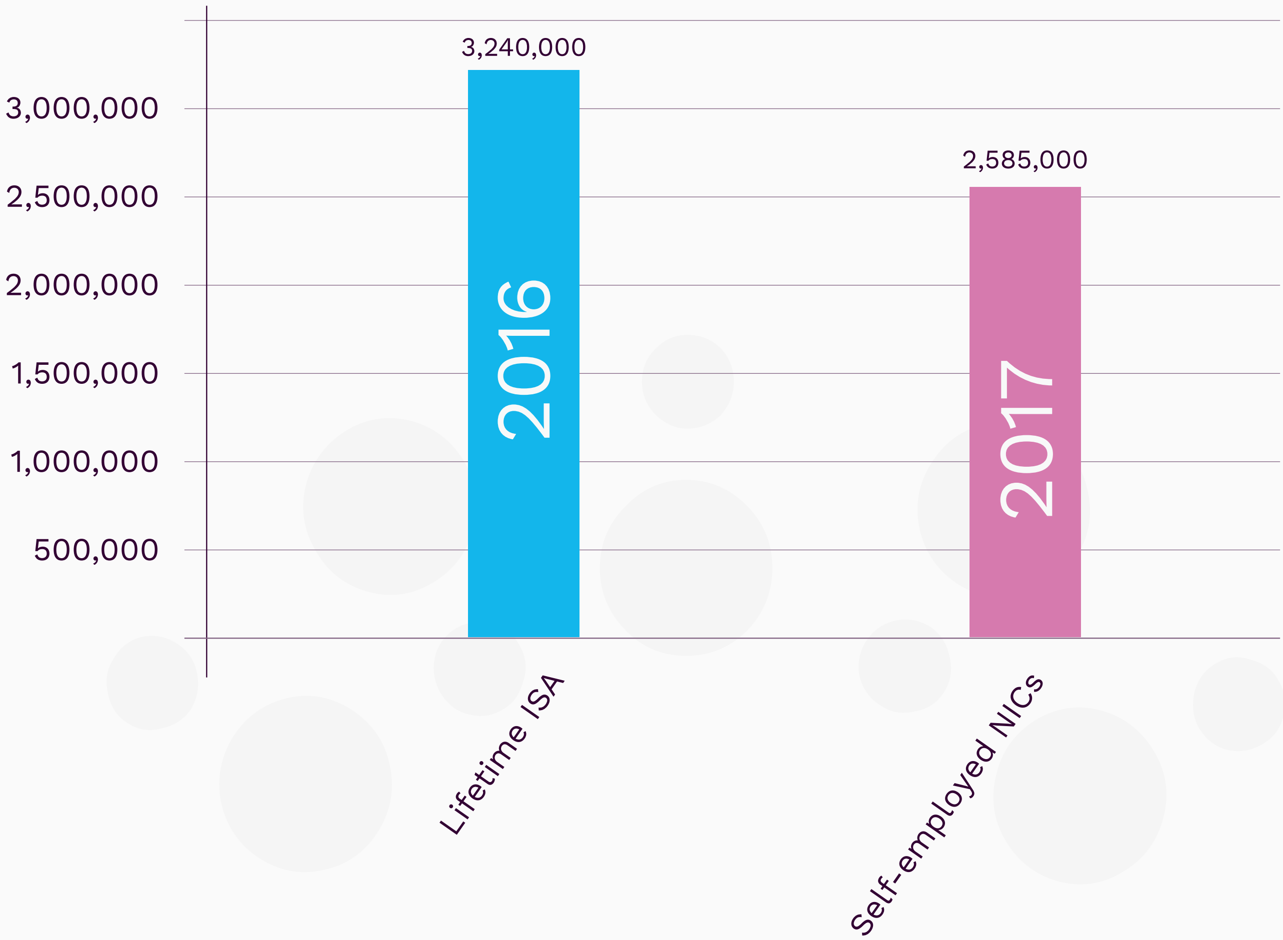


Media Analysis

Hammond vs Osborne

The contrast in numbers between Hammond and Osborne's most 'popular' (or unpopular in Hammond's case) announcements largely reflects the overall buzz around the two events. While Hammond seemed more comfortable then during the Autumn Statement, the trimmed down nature of the Budget itself means there are simply less policy changes to react to. And whereas Osborne's ISA was a crowd pleaser, Hammond's big announcement has been far from well received by either the public or press.

Budget 2016 vs Budget 2017: Most mentioned phrase

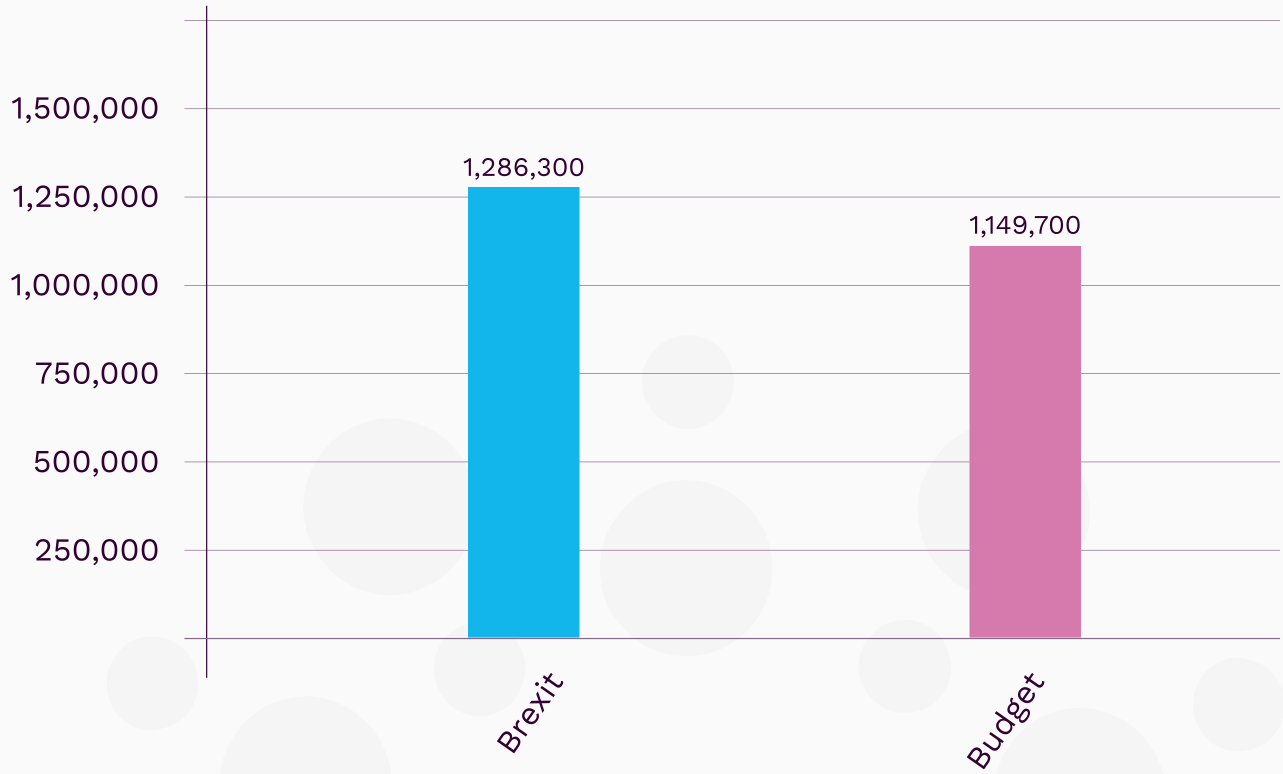


Media Analysis

Budget vs Brexit

The fact that Hammond steered clear of mentioning Brexit didn't go unnoticed, with more Brexit mentions online than for the Budget itself. While some have been quick to argue that this is an oversight on behalf of the Chancellor, others have suggested that a Budget notable primarily for the absence of major policy change is very much a Brexit Budget.

Brexit vs Budget mentions



Opposition Leaders' Tweets

Jeremy Corbyn
@jeremycorbyn

"Conservatives only listen to big business - corporation tax cut by 40%, while 4.8m self-employed hammered with 22% NIC rise. #Budget2017"

Tim Farron
@timfarron

"Targeting the self employed, hitting White Van Man with a tax hike betrays Theresa May's pledge to help the just about managing. #Budget2017"

Caroline Lucas
@CarolineLucas

"A #Budget2017 speech summary: No mention of climate change, a pittance for the #NHS, a woefully inadequate response to social care crisis."

Angus Robertson
@AngusRobertson

"Jaw dropping that given Brexit is the biggest challenge to our economy there was not a single mention of it in the budget #Budget2017"

Paul Nuttall
@paulnuttallukip

"Hammering the self-employed is a funny way of encouraging hard work Mr Hammond; not to mention breaking Tory manifesto pledge #Budget2017"

Journalist Tweets

90

Robert Peston
@Peston

“Overall this is a small-beer budget - tax rises and spending promises all pretty small”

86

Owen Jones
@OwenJones84

“A huge opportunity for Labour to stand up for self-employed people, who often value independence but are blighted by insecurity #Budget2017”

86

Fraser Nelson
@FraserNelson

“Self-employed now make up 15pc of all workers. That’s a lot of people who’ll wonder why Tories broke 2015 manifesto pledge on no tax rises.”

85

Laura Kuenssberg
@bbclaurauk

“SNP says govt is ‘living in parallel universe’ by not dealing with black holes Brexit could create in the budget”

Journalist Tweets

84

Faisal Islam
@faisalislam

"Green Paper on long term review of social care funding but not "Labour's hated death tax" - bipartisanship on this issue didn't last long"

79

Sam Coates Times
@SamCoatesTimes

"In the post budget Treasury briefing. Much discomfort over breaking manifesto promise over NICs self employment rise."

76

Adam Boulton
@adamboultonSKY

"To be clear @jeremycorbyn did not pick up on changes in NICs for the self-employed in his #Budget2017 response."

76

Evan Davies
@EvanHD

"This year's Red Book has 64 pages, as opposed to 145 last year. It's a back to basics #Budget2017"

75

Mike Smithson
@MSmithsonPB

"If the opposition leader wasn't so feeble May/Hammond would find it harder to ignore specific manifesto commitments"

Journalist Tweets

60

Guido Fawkes
@GuidoFawkes

"The hike in NICs will pay for just under 2 miles of #HS2"

72

Richard Wellings
@RichardWellings

"Tax-related red tape costs British business around £20 billion a year. Why didn't Hammond address this? #Budget2017"

71

Isabel Hardman
@IsabelHardman

"Hammond announces £2bn over next three years for social care funding. But as predicted he focuses on low performing councils."

71

Tim Montgomerie
@montie

"No tax simplification. No big infrastructure boost. No Whitehall reform. No Universal Credit relief. No imagination #budget"

73

Andrew Neil
@afneil

"Pretty low key budget from Mr Hammond. So Mr Corbyn seems to be ignoring its contents in his riposte."

Stakeholder Reaction

Tax

"We are very worried about the rising rate of inflation and how it could leave many families with shrinking household budgets. Many are already making hard choices when they are shopping for food and other everyday essentials.

We therefore welcome the rise in the living wage and personal tax free allowance, and the reduction in the Universal Credit taper rate, which will offer some help to financially vulnerable families. Nevertheless, our most vulnerable households are facing significant challenges over the next year."

Turn2us

"The Chancellor missed an opportunity to make major reforms to our outdated corporate tax system or tackle the thicket of loopholes and exemptions that plague our tax code. But, he has another budget in the Autumn, that'll be where the real action is. He should think hard about deeper reforms then."

Adam Smith Institute

"However, in these uncertain times, the Chancellor is likely to hold some ammunition back, in case the economy proves weaker in the run up to UK's departure from the EU, so more significant policy announcements are not likely before the Autumn Budget in November"

KPMG

"With millions of working people struggling to make ends meet, we welcome the Chancellor's continued commitment to making essential markets work for consumers. It's vital that the forthcoming Markets Green Paper addresses the issues that people face in financial services, energy, telecoms and transport."

Which?

"The Chartered Institute of Taxation (CIOT) welcomes today's announcement by the Chancellor of the Exchequer that, for businesses trading below the VAT registration threshold, the mandatory requirement to maintain digital records and submit quarterly updates will be deferred from April 2018 to April 2019"

Chartered Institute of Taxation

Stakeholder Reaction
Social Care

"Money is not the only issue. The majority of people continue to die in hospital, so unless the Government develops the capacity of community palliative care services, there will be more pressure on our already stretched hospitals"

Marie Curie

"The Chancellor talked about fairness, however this money doesn't create a fair social care system on its own; it just keeps our unfair social care system as it is for yet another year. "

Care and Support Alliance

"The plan to publish a Green Paper on the future of social care funding is encouraging, but we have been here before. This time, the government must break the mould and deliver the radical reforms that are so badly needed."

Kings Fund

"'The £1bn extra for social care announced in today's Budget is to be welcomed. However, the health service's own figures suggest that social care needs a minimum of £2bn next year – the National Living Wage alone adds around £900m to the cost of social care in 2017/18."

The Health Foundation

"The NHS and local government need to find new ways of working and of working together, which embrace prevention and help to keep people healthy for longer, thereby reducing pressure on overstretched services. The current system is not fit for purpose and it is time we all admitted it."

NHS Confederation

"This budget does nothing to address the gaping hole in NHS finances. There is a £30bn gap to fill and we should be increasing the UK's health spending by at least £10.3bn to match that of other leading European economies. The NHS and social care are at breaking point and have been failed by party politics for too long"

British Medical Association

Stakeholder Reaction
Employment

"The adjustment in NICs may discourage what has become one of the UK's vital competitive advantages at a time it needs it the most. Although the government is working to increase support for the self-employed, by broadening access to the state pension and looking into parental leave provisions, this policy misses one key area where the self-employed and employees are innately different – risk."

IPSE

"The changes to national insurance highlight the challenges associated with having a population that is working in increasingly diverse ways. With more people likely to become self-employed or involved in other forms of atypical employment in the future, the tax issues highlighted by the Chancellor will only become more problematic.

The Taylor Review into the gig economy provides a crucial opportunity to re-set the framework within which the labour market will operate in the future, and we look forward to working with Matthew Taylor's team to ensure that workers are given more clarity about their working rights."

CIPD

"The reforms to self-employment have attracted much of the attention. His critics on the right and left say he's breaking a manifesto pledge not to increase National Insurance, while conservatives wonder whether one of their own should really be increasing the tax rate on the self-employed. The bigger picture here is that he needed to confront the anomalies of today's labour market."

Social Market Foundation

"The National Insurance rise to 10% next year and 11% in 2019 should be seen for what it is – a £1 billion tax hike on those who set themselves up in business. This undermines the Government's own mission for the UK to be the best place to start and grow a business, and it drives up the cost of doing business. Future growth of the UK's 4.8 million-strong self-employed population is now at risk. Increasing this tax burden, effectively funded by a reduction in corporation tax over the same period, is the wrong way to go."

FSB

Stakeholder Reaction
Education

"Britain needs graduates who can combine high-level academic, technical and professional skills. If these are to be developed through two separate routes, there must be clear pathways between the two and an expectation that either can take you to doctorate level and beyond."

University Alliance

"With its focus on technical education and skills being at the heart of the government's strategy for inclusive economic growth, this Budget provides vital investment in technical education for young people."

Learning and Work Institute

"The spending priorities outlined by the Chancellor today – with the focus on research and investment in people – will lead to new discoveries, new products and services, new companies and a stronger UK economy."

The Russell Group

"For many schools, this Budget was their last chance. In our annual Breaking Point survey published in January, 72 per cent of school leaders told us that their budgets will be unsustainable by 2019. For them, this Budget was a chance to address this, and they will be bitterly disappointed by the total absence of extra money for schools."

NAHT

"This investment is a vote of confidence in colleges that are ready to work with employers to co-design the new routes, deliver the 900 hours per year and help more young people make a smooth and successful transition to work and to higher level learning."

Association of Colleges

Stakeholder Reaction
Transport & Devolution

"The Government's commitment to investing in improved road networks is indeed welcomed. As the pace of innovation continues, the Chancellor's pledges to keep the UK leading the drive for disruptive technologies is something I believe our profession can be leaders within"

Chartered Institute of Logistics and Transport

"Despite constant announcements, the government has struggled to get transport projects such as road and rail off the ground. We have a real concern regarding the quiet reduction in the transport infrastructure budget given that government has clearly outlined a major infrastructure programme to encourage companies to invest"

Construction Products Association

"Devolution and regions featured but only briefly, with commitments to funding for the devolved regions, the announcement of a Midlands Engine strategy to be published tomorrow, and moves towards further devolved powers for London. It was good to hear mayors mentioned, but overall devolution made up a much less significant part of the Budget than in 2015 or 2016"

Centre for Cities

"It is very positive to see the Chancellor holding steady on his promised investment and delivering £690M to local transport projects"

Chartered Institution of Highways & Transportation

"London urgently needs greater power over its tax base and public services, so this is welcome. But the MOU between London and Central government, included in the Budget papers, does not go far enough.

It is disappointing to see so little on fiscal devolution, especially over domestic property taxes and housing"

Centre for London

About the Authors

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About this report

The media analysis included in this document was conducted using Vuelio Political and News Monitoring software, and covers all forms of traditional and social media content from online newspapers and magazines to blogs, Twitter and Facebook, as well as comment forums, opinion sites, and the top video and image sharing networks.

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