Spring Budget 2020
Debate on 18 March 2020

On 18 March 2020, the House of Lords is due to debate a motion moved by Lord Agnew of Oulton (Conservative) that "this House takes note of the economy in light of the budget statement".

The Chancellor of the Exchequer, Rishi Sunak, delivered the first budget since the 2019 election on 11 March 2020. The Office for Budget Responsibility (OBR) described it as the "largest sustained fiscal loosening" since 1992.

The budget contained a package of measures worth £12 billion to counteract threats from the coronavirus (COVID-19). These included a £5 billion fund for the NHS and specific policies to help individuals and businesses. In a coordinated move, the Bank of England also announced an emergency interest rate cut and moves to increase bank lending to businesses.

The Chancellor announced a series of changes to tax policy, which the OBR said would increase receipts by £5.5 billion per year on average. They included cancelling a planned cut in corporation tax, restricting entrepreneurs' relief, and increasing the primary threshold for paying national insurance.

The budget announced a spending review, to conclude in July 2020, to set departmental budgets for forthcoming years. It also set overall totals for the review. It said that day-to-day spending would rise by 2.8% per annum in real terms between 2020/21 and 2023/24. Capital spending would increase by £27 billion per annum between 2020/21 to 2024/25. Increased spending covered a range of areas, including the NHS, infrastructure and investment and helping to meet the Government's target of net zero greenhouse gas emissions by 2050.

Alongside the budget, the OBR published its latest forecasts for the economy and the public finances. These were finalised before the effects of the coronavirus, or the Government's response to it, were known. The OBR said that the virus would "have a significant adverse effect on the economy and public finances" and stated that the published forecasts "could no longer be regarded as central". Nevertheless, the OBR downgraded its forecasts for economic growth and increased its estimates of future public borrowing and the national debt.

Summarising, it said that the Government's fiscal strategy "looks sustainable over the medium term" on current forecasts, but that the public finances "are more vulnerable to adverse inflation and interest rate surprises than they were".

Chris Smith | 13 March 2020

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1. Overall effect of the budget

The Government said that the overall effect of the budget was a fiscal loosening of £30 billion in 2020/21, equivalent to 1.3% of gross domestic product (GDP).[1] Of this, a total of £12 billion was described as "a range of timely, targeted and temporary measures to deliver support when and where it is needed" in response to the coronavirus (COVID-19). Further details of this package are set out in section 2.1 below. The remaining £18 billion is other longer-term fiscal measures. These are described in sections 3 to 5.

The Office for Budget Responsibility (OBR) described the budget as "the largest sustained fiscal loosening since the pre-election budget of March 1992".[2] It stated that budget decisions would increase the budget deficit by 0.9% of GDP on average over the next five years and add £125 billion, or 4.6% of GDP, to public debt by 2024/25.

Summarising, the OBR said:[3]

> The Government's fiscal plans are rooted in the assumption that its borrowing costs will remain relatively low, as market expectations indeed suggest. Rather than aim for budget balance and a clear decline in the debt-to-GDP ratio […] the new administration is content to borrow significant sums on an ongoing basis and merely to stabilise the debt-to-GDP ratio. This looks sustainable over the medium term on current interest rate and growth forecasts. But […] financing conditions may not remain this favourable […] So the public finances are more vulnerable to adverse inflation and interest rate surprises than they were.

2. Coronavirus response

2.1 Budget

The budget announced a specific package of measures to support "public services, individuals and businesses whose finances are affected by COVID-19". It said that this package was worth £12 billion in total. Policies included:[4]

- A £5 billion "response fund" for the NHS.
- Extending statutory sick pay (SSP) to all those asked to self-isolate, and carers for those who self-isolate.
- Support through the welfare system for those who cannot claim SSP, to make it "quicker and easier to access benefits".
- A £500 million "hardship fund" to allow local authorities to support vulnerable people.
- The Government will refund SSP payments for businesses of less than 250 employees, for up to 14 days of absence per employee off work due to coronavirus.

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[1] HM Treasury, *Budget 2020: Delivering on Our Promises to the British People*, 11 March 2020, p 37.

[2] ibid, p 5.

[3] Office for Budget Responsibility, *Economic and Fiscal Outlook*, March 2020, CP 230, p 8.

[4] HC *Hansard*, 11 March 2020, cols 279–81.

- A business interruption loan scheme to encourage bank lending to smaller companies.
- Companies may be able to defer tax liabilities via the 'time to pay' service.
- Additional funding of £150 million for the International Monetary Fund's relief efforts.

The Chancellor of the Exchequer, Rishi Sunak, also announced a series of temporary business rates measures to help companies potentially affected by the virus.[5] These were:

- The business rates retail discount (for shops, restaurants, cafes, drinking establishments, cinemas, and live music venues) would be increased to 100% in 2020/21.[6]
- The same discount would be extended to "leisure and hospitality sectors".[7]
- An increase in the business rates discount for pubs to £5,000 for 2020/21.
- A one-off payment of £3,000 each to 700,000 businesses currently receiving small business rate relief or rural rate relief.

In his speech, the Chancellor also said that "if further action is needed as the situation evolves, I hope the whole House knows that I will not hesitate to act".[8]

2.2 Bank of England

The Chancellor said that the budget's coronavirus response had been "clearly and closely coordinated with the Bank of England".[9] On the morning of the budget, the Bank announced a stimulus package.[10] It said that the virus could cause an "economic shock that could prove sharp and large, but should be temporary". The governor of the bank, Mark Carney, described the measures, combined with the budget, as "timely and powerful" and designed to have "maximum impact".[11]

The Bank's package included:[12]

- A 0.5% cut in the Bank rate to 0.25%.
- A new "term funding scheme". This is designed to encourage banks to pass on the interest rate cut to small and medium sized enterprises by giving banks access to cheap loans.
- A reduction in one element of the reserves that banks must hold, known as "countercyclical capital buffers". Again, this is designed to help banks in lending to businesses.

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[5] HM Treasury, *Budget 2020: Delivering on Our Promises to the British People*, 11 March 2020, p 40.

[6] For more details on the relief, see: Ministry of Housing, Communities and Local Government, *Business Rates: Retail Discount 2020/21—Local Authority Guidance*, January 2020.

[7] The Chancellor mentioned: museums; art galleries; theatres; caravan parks; gyms; small hotels and B&Bs; sports clubs; night clubs; club houses; and guest houses: HC *Hansard*, 11 March 2020, col 281.

[8] ibid.

[9] ibid, col 279.

[10] Bank of England, 'Bank of England measures to respond to the economic shock from COVID-19', 11 March 2020.

[11] *Financial Times* (£), 'Bank of England makes emergency rate cut to cushion economy', 11 March 2020.

[12] Bank of England, 'Bank of England measures to respond to the economic shock from COVID-19', 11 March 2020.

The cut in interest rates was described as an emergency cut, as it happened outside the normal cycle of meetings of the Bank's monetary policy committee (MPC). It was the first such emergency reduction, and also the largest cut, since the financial crisis.[13]

3. Taxation

The OBR said that the net effect of all tax changes in the budget was to increase receipts by £5.5 billion per year on average.[14] This section provides further details on specific announcements.

3.1 Corporation tax

The budget implemented the Conservative 2019 general election manifesto pledge to cancel the planned April 2020 cut in the main rate of corporation tax from 19% to 17%.[15] This is forecast to increase corporation tax receipts by £4.6 billion in 2020/21, increasing to £7.5 billion in 2024/25.[16]

3.2 Entrepreneur's relief

Entrepreneur's relief allows a company owner to pay a reduced rate of capital gains tax (CGT) when they dispose of all or part of their business.[17] The Chancellor announced that the lifetime limit for this relief would be reduced from £10 million to £1 million. This increases projected receipts by £0.2 billion in 2020/21, rising to £1.8 billion in 2024/25.[18]

3.3 National insurance threshold

As foreshadowed in the Conservative Party manifesto, the Chancellor said that the primary threshold for paying national insurance contributions would increase in April 2020 from £8,632 to £9,500 per year. This would reduce national insurance receipts by £2.1 billion in 2020/21.[19]

3.4 Fuel, alcohol, and tobacco duties

The Chancellor extended the freeze on fuel duty, despite pre-budget speculation that it might increase.[20] It has remained unchanged since 2011/12.[21] This will cost an estimated £525 million in

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[13] Ben Chu, 'Personal Twitter account', 11 March 2020.

[14] Office for Budget Responsibility, *Economic and Fiscal Outlook*, March 2020, CP 230, p 7.

[15] ibid; and Conservative Party, *Conservative Party Manifesto 2019*, November 2019, p 35.

[16] HM Treasury, *Budget 2020: Delivering on Our Promises to the British People*, 11 March 2020, p 67.

[17] UK Government, 'Entrepreneurs' relief: eligibility', accessed 4 March 2020.

[18] HM Treasury, *Budget 2020: Delivering on Our Promises to the British People*, 11 March 2020, pp 57–8 and 67. There had been speculation that the budget might abolish the relief altogether. See, for example: Philip Aldrick, 'Good intentions do not make "Britain's worst tax break" worthwhile', *Times* (£), 3 March 2020; and James Hurley, 'Don't scrap entrepreneurs' tax relief, Chancellor told', *Times* (£), 2 March 2020.

[19] HM Treasury, *Budget 2020: Delivering on Our Promises to the British People*, 11 March 2020, p 66; and Conservative Party, *Conservative Party Manifesto 2019*, November 2019, p 15.

[20] For a further discussion of fuel duty and red diesel, see: George Parker and Sebastian Payne, 'Rishi Sunak ready to end freeze on fuel duty in budget', *Financial Times* (£), 3 March 2020.

[21] Office for Budget Responsibility, 'Fuel duties', 16 April 2019.

2020/21.[22] However, the favourable fuel duty for off-road vehicles, known as 'red diesel', would be abolished for most sectors in April 2022.[23] The agricultural sector will, however, retain the benefits.

He also announced a freeze on all alcohol duties, costing £285 million in 2020/21.[24] Tobacco duties will, however, increase.[25]

3.5 Avoidance and evasion

The budget proposed a series of measures to reduce tax avoidance, evasion, and other forms of non-compliance. These, it suggested, would generate an additional £405 million in 2020/21, £1.23 billion in 2023/24 and £745 million in 2024/25.[26] The largest part was described as investment in "additional compliance officers and new technology for HM Revenue and Customs".

3.6 Other tax measures

Other taxation announcements with an effect of at least £100 million per year included:

- A new 2% surcharge on stamp duty land tax for non-UK residents buying residential property in England and Northern Ireland, from April 2021.[27]
- Changes to the tapered annual allowance for pensions, in response to concerns that they reduced work incentives for senior NHS employees.[28]
- Removal of VAT from electronic versions of books, newspapers, magazines, and journals.[29]
- A "fundamental review" of business rates, to report in autumn 2020.[30]

One of the measures costing less than £100 million per year was the abolition of VAT on women's sanitary products (the 'tampon tax').[31]

The Government also confirmed that it was going ahead with the digital sales tax, first announced at the 2018 budget.[32] It has been reported that the US is discouraging other governments imposing such taxes on American corporations.[33]

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[22] HM Treasury, *Budget 2020: Delivering on Our Promises to the British People*, 11 March 2020, p 66.

[23] ibid, p 63.

[24] ibid.

[25] ibid, p 96.

[26] ibid, pp 96–7 and 68.

[27] ibid, pp 93 and 67. For a further discussion, see Jim Pickard and James Pickford, 'Overseas buyers of UK property face new surcharge of up to 3%' *Financial Times* (£), 4 March 2020.

[28] HM Treasury, *Budget 2020: Delivering on Our Promises to the British People*, 11 March 2020, p 89. For more information, see Department of Health and Social Care, 'NHS pension scheme: increased flexibility—consultation document', 11 September 2019.

[29] HM Treasury, *Budget 2020: Delivering on Our Promises to the British People*, 11 March 2020, pp 52 and 66.

[30] ibid, p 5.

[31] ibid, pp 52 and 66.

[32] HM Treasury, 'Budget 2020: documents', 11 March 2020, table 2.2.

[33] Simon Duke, 'All-out trade war has been averted but conflict over digital taxes looms', *Times* (£), 27 February 2020.

4. Spending

4.1 Spending review

Spending reviews set out the Government's long-term plan for some of its expenditure.[34] At the budget, the Chancellor announced a new spending review.[35] He said that it would cover resource budgets (day-to-day spending) for years 2021/22 to 2023/24 and capital (investment) spending for 2021/22 to 2024/25 and would report in July.[36]

The budget also set overall expenditure for the spending review (the "envelope"). For resource spending, expenditure was set to rise by £57 billion between 2020/21 and 2023/24—an average 2.8% per annum real terms increase.[37] For capital, expenditure would increase from £112 billion in 2020/21 to £139 billion in 2024/25.[38] The Chancellor also noted that increased spending would partly be financed by no longer paying contributions as a member of the EU.[39]

4.2 NHS

The budget announced an additional £6 billion of new funding for the NHS over the course of the parliament.[40] The Chancellor stated that this was in addition to both the funding increase previously announced (and set out in the NHS Funding Bill) and the £5 billion emergency coronavirus fund. He said that the money was intended to pay for:[41]

- 50 million more GP surgery appointments per year;
- 50,000 more nurses;
- the start of work on 40 new hospitals; and
- wider commitments on hospital car parking and support for people with learning disabilities and autism.

4.3 Infrastructure and investment

The Chancellor announced a major programme of infrastructure investment. He said that by the end of the parliament, "public sector net investment will be triple the average over the last 40 years in real terms".[42] He stated that the national infrastructure strategy, to be published in the spring, and the results of the spending review would provide further details.

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[34] For more details and background information on the spending review, see House of Lords Library, 'Budget and the spending review', 10 March 2020.

[35] HM Treasury, *Budget 2020: Delivering on Our Promises to the British People*, 11 March 2020, pp 93 and 67.

[36] ibid, p 2.

[37] ibid, p 31.

[38] ibid, p 33.

[39] HC *Hansard*, 11 March 2020, col 292.

[40] ibid.

[41] ibid; and HM Treasury, *Budget 2020: Delivering on Our Promises to the British People*, 11 March 2020, p 3.

[42] HM Treasury, *Budget 2020: Delivering on Our Promises to the British People*, 11 March 2020, p 3.

However, he outlined plans for the period 2020 to 2025 that included:[43]

- More than doubling public research and development investment expenditure to £22 billion per year, plus £800 million of funding to establish a new "blue-skies funding agency" to support high-risk, high-reward science.
- £27 billion for roads, plus a £500 million per year 'potholes fund' for maintaining local roads.
- £4.2 billion for "integrated transport settlements for eight city regions", as well as £1 billion for local transport schemes. These commitments were in addition to HS2, the Manchester to Leeds arm of Northern Powerhouse rail, and several new stations.
- £5 billion for gigabit broadband rollout.
- £510 million to improve 4G mobile phone network coverage.
- £5.2 billion for flood defences.
- £10.9 billion to build 1 million new homes.
- A 1% cut in the interest rate paid by local authorities on loans to invest in social housing, and an additional £1.15 billion of discounted loans for local infrastructure projects.
- £1.5 billion to refurbish further education colleges.
- £2.5 billion for a new national skills fund.
- £643 million for accommodation and support services to reduce rough sleeping.

The OBR warned that capital budgets are often underspent.[44] It said that its forecasts assume a 20% underspend on the extra capital spending announced in this budget.

4.4 Environmental

The Chancellor announced measures aimed at enhancing the environment and helping to meet the Government's target of net zero greenhouse gas emissions by 2050. These included:[45]

- A new plastic packaging tax from 2022.
- Increases in the climate change levy on gas from April 2022.
- A carbon capture and storage (CCS) infrastructure fund to establish at least two CCS sites by 2030.
- Support for alternative home heating systems such as biomethane, heat pumps and biomass boilers.
- £500 million over five years to support the rollout of a fast-charging network for electric vehicles, and a comprehensive review of electric vehicle charging infrastructure.
- A £640 million 'nature for climate fund' to plant trees and restore peatlands in England.

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[43] HM Treasury, *Budget 2020: Delivering on Our Promises to the British People*, 11 March 2020, pp 3–4, 44–6, 54 and 59–60; and HC *Hansard*, 11 March 2020, cols 286 and 288–9.

[44] Office for Budget Responsibility, *Economic and Fiscal Outlook*, March 2020, CP 230, pp 97–8.

[45] HM Treasury, *Budget 2020: Delivering on Our Promises to the British People*, 11 March 2020, pp 62–4; and HC *Hansard*, 11 March 2020, col 288.

5. Other measures

The budget announced further measures. These included:[46]

- Increased support for business investment, such as increases in: the structures and buildings allowance rate; the research and development expenditure credit rate; and employment allowance.
- An added £1 billion to remove unsafe cladding from residential buildings.
- An increase in the immigration health surcharge, payable by some immigrants on entering the UK, from £400 to £624.[47]
- Returning government assets, such as its shareholdings in Royal Bank of Scotland and remaining Bradford and Bingley and Northern Rock entities, to private ownership.
- An increase in the Government's export finance direct lending facility, which consists of loans to encourage overseas buyers to buy from the UK.
- A review of the *Green Book*, HM Treasury's criteria for assessing public sector investments. The review would "make sure that government investment spreads opportunity across the UK". The Government said that an updated version of the *Green Book* would be published with the results of the spending review.[48]
- Moving 22,000 civil service roles out of central London in the next decade.
- Establishing a new "economic campus" in the north of England, including staff from four government departments.
- Increasing the national living wage to two-thirds of average earnings, and extending it to all workers over 21, by 2024.
- "Comprehensive reforms" to the planning system and a planning white paper.[49]
- A devolution deal to create a new mayoral combined authority for West Yorkshire.
- A consultation on aviation tax reform, to be published in spring 2020.

6. OBR revised forecasts

This section summarises the OBR's forecasts for the economy and the public finances from 2019/20 to 2024/25.[50]

The OBR stated that its forecasts were finalised in February, and therefore did not incorporate any domestic effects from the coronavirus or the Government's response to it.[51] The OBR said that the

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[46] HM Treasury, *Budget 2020: Delivering on Our Promises to the British People*, 11 March 2020, pp 35, 47, 49, 52, 72, 80 and 91.

[47] For more details on the surcharge, see UK Government, 'Pay for UK healthcare as part of your immigration application', accessed 11 March 2020.

[48] ibid, p 32. For further information on possible changes to the *Green Book*, see House of Lords Library, *Wellbeing of Future Generations Bill [HL]: Briefing for Lords Stages*, 3 March 2020, p 7.

[49] Further details were announced by the Secretary of State for Housing, Communities and Local Government, Robert Jenrick, the day after the budget: Ministry of Housing, Communities and Local Government, 'Robert Jenrick plans for the future to get Britain building', 12 March 2020.

[50] Office for Budget Responsibility, *Economic and Fiscal Outlook*, March 2020, CP 230.

[51] ibid, p 5; and Office for Budget Responsibility, 'Largest budget giveaway since 1992', 11 March 2020. The OBR said that

virus would "have a significant adverse effect on the economy and public finances", and stated that, as a result:[52]

> The precise forecasts for the economy and public finances […] can no longer be regarded as central—particularly in the near term—but scrutinising and analysing the impact of the Government's policy decisions even against this baseline remains informative.

6.1 Economic growth

The OBR reduced its forecast for economic growth (measured by gross domestic product, GDP) for 2020 to 1.1%, from 1.4% at the time of its last forecast in March 2019.[53] It said the economy was weak because "the deterioration in the global outlook and continuing drag from uncertainty over Brexit are only partly offset by the fiscal expansion". Its medium term forecast for growth was around 1.4% per annum.

On the morning of the budget, latest figures from the Office for National Statistics suggested that GDP was flat in the three months to January 2020 (growth of 0.0%).[54] Commentators noted that this was before the coronavirus began to have a significant impact on economic activity.[55]

6.2 Unemployment and earnings

The OBR maintained its estimate for the "equilibrium rate" of unemployment at 4.0%.[56] This is the rate at which pressure on wages does not change because of labour market conditions. The current unemployment rate is 3.8%. The OBR expects this to fall slightly before rising again as the effect of the budget's fiscal stimulus wears off.[57]

The OBR forecast that average earnings growth would rise from its current rate of 2.8% to 3.6% in 2021 but would then fall back to around 3%.[58]

6.3 Public sector deficit

The public sector deficit is the difference between public sector spending and income in each year. In the budget, the OBR increased its forecast for government borrowing in 2020/21 to £54.8 billion, from £40.2 billion at the time of its earlier (March 2019, restated) forecast.[59] Predicted borrowing in

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the impact of the coronavirus on its forecasts was "largely confined to a modestly weaker outlook for growth in world trade and the UK's export markets".

[52] Office for Budget Responsibility, *Economic and Fiscal Outlook*, March 2020, CP 230, p 5.

[53] ibid, p 10; and Office for Budget Responsibility, *Economic and Fiscal Outlook*, March 2019, CP 50, p 11.

[54] Office for National Statistics, 'GDP monthly estimate, UK: January 2020', 11 March 2020.

[55] Howard Archer, 'Personal Twitter account', 11 March 2020.

[56] Office for Budget Responsibility, *Economic and Fiscal Outlook*, March 2020, CP 230, p 45; and 'The equilibrium unemployment rate', March 2018.

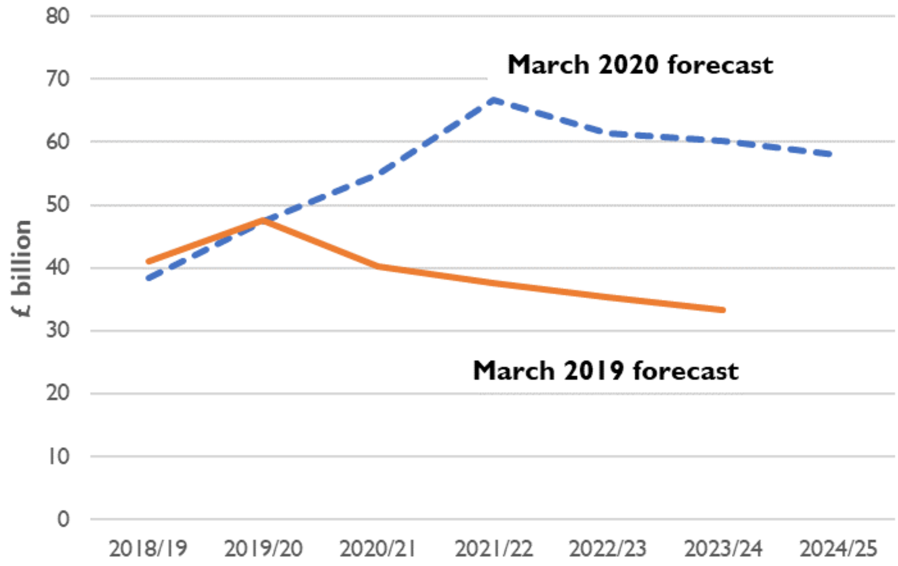
[57] Office for Budget Responsibility, *Economic and Fiscal Outlook*, March 2020, CP 230, p 45.

[58] ibid, p 46.

[59] ibid, p 130. Note that all March 2019 figures are the OBR's restated version, published in November 2019. The restatement was to account for classification and statistical changes made by the Office for National Statistics: principally, a

future years also rose. By 2023/24, the OBR forecast that public borrowing would be £60.2 billion, an increase from £33.3 billion in the March 2019 forecast.[60] It said that the increases were mainly due to the fiscal loosening contained in the budget.[61] Figure 1 illustrates the predicted path of government borrowing as set out in the March 2020 and (restated) March 2019 forecasts.

Figure 1: Public sector net borrowing[62]



6.4 Public sector debt

The public sector debt is the total stock of borrowing resulting from past deficits, to the extent that they have not yet been repaid. The OBR said that the budget leads to increasing nominal levels of debt over its forecast period.[63] Nevertheless, as nominal GDP is also forecast to increase, debt as a percentage of GDP is forecast to fall from 80.6% in 2018/19 to 75.0% in 2021/22. Thereafter, the OBR said, debt as a share of GDP is forecast to be "essentially flat".

This pattern contrasts with the March 2019 forecast, which suggested that debt as a percentage of GDP would continue to fall through the period, to 72.7% in 2023/24. Figure 2 shows the path of the Government's debt, relative to GDP, since 1999/00 and including the OBR's forecasts to 2024/25.

change to the accounting treatment of student loans and a correction to corporation tax receipts: Office for Budget Responsibility, *Restated March 2019 Forecast*, November 2019, pp 4–5.

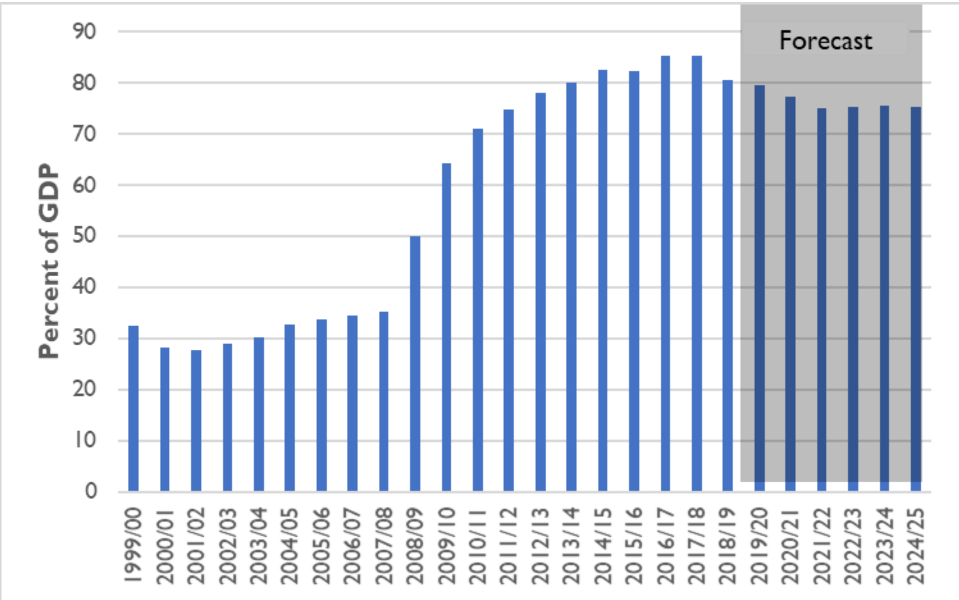
[60] Office for Budget Responsibility, *Economic and Fiscal Outlook*, March 2020, CP 230, pp 133 and 135.

[61] ibid, pp 133 and 135.

[62] ibid, p 130.

[63] ibid, pp 140–1.

Figure 2: Public sector net debt, 1999/00 to 2024/25 [64]



6.5 Fiscal rules

Fiscal rules try to restrict spending and taxation policy by setting targets for key indicators such as the budget deficit and national debt.[65] In the budget, the Chancellor announced a review of the UK's fiscal framework, reporting in the autumn.[66]

The OBR is required to report on the likelihood of the rules being met. It assessed the budget against both the existing fiscal rules, set out under legislation and not formally altered, and those set out in the Conservative Party manifesto. HM Treasury said that the budget had been prepared against the latter rules.[67]

The OBR said that on their central forecasts, two of the existing rules would be met and one missed.[68] Those met were the requirement for debt to fall in 2020/21 and the cap on welfare spending. That missed was for the structural budget deficit to be below 2% of GDP by 2020/21; the OBR forecast implied a figure of 2.4%. The OBR also observed that the 'fiscal objective' of returning to a balanced budget would not be met within its forecast horizon.[69]

The rules in the manifesto and the budget were, the OBR said, "materially looser" than the existing ones.[70] It said that on its central estimates all would be met.

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[64] Office for Budget Responsibility, *Economic and Fiscal Outlook*, March 2020, CP 230, p 141.

[65] For further information on fiscal rules, see House of Lords Library, 'Budget 2020: fiscal rules and government borrowing', 27 February 2020.

[66] HC *Hansard*, 11 March 2020, col 283.

[67] HM Treasury, *Budget 2020: Delivering on Our Promises to the British People*, 11 March 2020, p 21.

[68] Office for Budget Responsibility, *Economic and Fiscal Outlook*, March 2020, CP 230, pp 155–6.

[69] ibid, pp 157–8.

[70] ibid, p 160.

Specifically, the OBR said it expects:[71]

- A current budget surplus of £11.7 billion in 2022/23, a reduction from £20.8 billion before the budget's measures. The target requires the forecast of the current budget at this date to be at least balanced.
- Public sector net investment to average 2.9% of GDP between 2020/21 and 2024/25. The target requires it to be 3% or less on average.
- Net interest payments on the national debt to fall from 3.8% of government revenue in 2019/20 to 2.9% in 2024/25. The rule requires the Government to act if this ratio is above 6% "for a sustained period".

The OBR said that there were significant uncertainties around its forecasts. Recognising these, it estimated that there was: a 40% chance of not meeting the current budget balance rule in 2022/23; and a 50% chance of net investment being above 3% in 2024/25 (although the rule sets the limit as 3% on average over the whole forecast period).[72] The OBR stated that it was "almost certain" that the debt interest rule would be met in every year.

7. Press articles and comment

- Institute for Fiscal Studies, 'Spring budget 2020: IFS analysis event', 12 March 2020
- Resolution Foundation, *New Chancellor. Big Budget: Spring Budget 2020 Response*, 11 March 2020
- Phil Tomlinson et al, 'UK budget 2020: experts react', The Conversation, 11 March 2020
- Martin Sandbu, 'The UK's budget is a giant leap into the unknown', *Financial Times* (£), 12 March 2020
- Labour Party, 'John McDonnell responds to the budget', 11 March 2020
- Kate Bell, 'Budget announcements on coronavirus leave millions of workers behind', Trades Union Congress, 11 March 2020
- Institute of Economic Affairs, 'IEA responds to the budget', 11 March 2020
- Andrew Bailey et al, *Euston, We Have a Problem: Is Britain Ready for an Infrastructure Revolution?*, Resolution Foundation, 4 March 2020

8. Further information

- House of Commons Library, *Spring Budget 2020: A Summary*, 11 March 2020
- HM Treasury, *Impact on Households: Distributional Analysis to Accompany Budget 2020*, 11 March 2020
- House of Commons Library, *Public Spending: A Brief Introduction*, 3 September 2019
- Institute for Fiscal Studies, 'How high are our taxes, and where does the money come from?', 13 November 2019

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[71] Office for Budget Responsibility, *Economic and Fiscal Outlook*, March 2020, CP 230, pp 159–64.

[72] ibid, pp 164–70.