POSITIVE ACTION GROUP
The 2017-18 Budget Presentation
by Alf Cannan MHK, Treasury Minister

February 2017
Budget Objectives

Financially Responsible Government
An Island of Enterprise and Opportunity
An Inclusive and Caring Society

Delivering sustainable finances for Government
Developing businesses and the economy
Support working families
5
Year plan for sustainable finances

£50m
Business and Jobs
Enterprise Development Fund

£4m
Financial Assistance

£11m
Supporting our NHS
Additional funding

£388m
Government Capital Programme of

2%
Increase to child benefit

Supporting families

Supporting working people by increasing personal allowance to £12,500
Economic Update

Continuing GDP growth of 5% in real terms

Unemployment remains low (1.3% in figures published January 2017) and has fallen by one third since December 2015

Inflation CPI 1.6%, RPI: 6.9% in latest figures this month

Average earnings up 2.2 %
Maintain integrity of 0% corporate taxation supporting business and jobs

Support growth, opportunity and enterprise through the Enterprise Development Fund

£6M grants and support for the industry

£388m capital programme investment boost for construction industry
Five Year Financial Plan

SUMMARY POSITION 2016-17 TO 2021-22

Deficit Positions (£'000,000)

- Operating Deficit (Income less Expenditure)
- Structural Deficit (Operating Deficit plus NI Deficit Plus Capital Account balance)
- Overall Net (Deficit)/Surplus (after Reserve Fund Income Returns and after Estimated Returns held in the Reserves)
### Income by Type (£m)

<table>
<thead>
<tr>
<th>Type</th>
<th>Budget 16/17</th>
<th>Budget 17/18</th>
<th>Increase/ (Decrease)</th>
<th>Increase %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customs &amp; Excise</td>
<td>336.5</td>
<td>358.7</td>
<td>22.2</td>
<td>6.6</td>
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<tr>
<td>Income and Other Taxes</td>
<td>212.0</td>
<td>211.3</td>
<td>(0.7)</td>
<td>(0.4)</td>
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<tr>
<td>NI Contributions</td>
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<td>241.5</td>
<td>19.5</td>
<td>8.8</td>
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<tr>
<td>Other Treasury Income</td>
<td>11.6</td>
<td>12.0</td>
<td>0.4</td>
<td>3.8</td>
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<tr>
<td>Departmental Fees &amp; Charges</td>
<td>120.0</td>
<td>119.9</td>
<td>(0.1)</td>
<td>(0.1)</td>
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<tr>
<td>Employee pension contributions</td>
<td>17.9</td>
<td>20.7</td>
<td>2.8</td>
<td>15.4</td>
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<tr>
<td><strong>Gross Income</strong></td>
<td><strong>920.0</strong></td>
<td><strong>964.1</strong></td>
<td><strong>44.1</strong></td>
<td><strong>4.8</strong></td>
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</table>
2016-17 Revenue Forecast

£12m revenue surplus projected

£10m additional VAT income following FERSA

£7.5m excess Income Tax/NI receipts

Projected £2.6m underspend on welfare benefits

£7m reduced drawdown required from pensions reserve

£11m supplementary vote funding for DHSC
<table>
<thead>
<tr>
<th>Department</th>
<th>Budget 16/17</th>
<th>Budget 17/18</th>
<th>Increase/ (Decrease)</th>
<th>Increase %</th>
</tr>
</thead>
<tbody>
<tr>
<td>DED</td>
<td>29.8</td>
<td>29.8</td>
<td>0.0</td>
<td>0.1</td>
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<tr>
<td>DEC</td>
<td>93.2</td>
<td>93.6</td>
<td>0.4</td>
<td>0.4</td>
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<tr>
<td>DEFA</td>
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<td>18.4</td>
<td>1.1</td>
<td>6.4</td>
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<td>DHSC</td>
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<td>254.6</td>
<td>12.3</td>
<td>5.1</td>
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<tr>
<td>DHA</td>
<td>30.2</td>
<td>30.4</td>
<td>0.2</td>
<td>0.5</td>
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<tr>
<td>DOI</td>
<td>95.8</td>
<td>94.9</td>
<td>(0.9)</td>
<td>(0.9)</td>
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<tr>
<td>Treasury</td>
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<td>355.5</td>
<td>1.5</td>
<td>0.4</td>
</tr>
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<td>Cabinet Office</td>
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<td>31.5</td>
<td>(0.6)</td>
<td>(0.6)</td>
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<tr>
<td>Other misc.</td>
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<td>24.1</td>
<td>(0.7)</td>
<td>(2.9)</td>
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<td>Legislature</td>
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<td>0.0</td>
<td>0.7</td>
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<tr>
<td><strong>Gross spend (excl loan charges)</strong></td>
<td><strong>923.8</strong></td>
<td><strong>937.1</strong></td>
<td><strong>13.3</strong></td>
<td><strong>1.4</strong></td>
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</table>
Government fixed assets of £2.8bn

Needs maintenance and renewal investment

£388m five year programme

£63m of construction and engineering schemes

2017-18 includes £9m investment in Health and Social Care and £5m in Education schemes

Capital programme affordable and sustainable: £26m surplus on Capital account
Public Sector Pensions

£15m of pension costs reduced projected level

No planned increase to 15% employer contributions

Funding gap between contributions income and pension cost to be met from Pensions Reserve

Pensions reserve scheduled to be depleted by 2020-21

Revenue liability of £58m in 21-22 offset by income growth and revenue cost reductions
Five Year Financial Plan

Commit to

£25m

Unallocated savings by 2021-22

Unallocated savings of £6-7m p.a. (cumulative) from 2018-19 onwards

Cross Government Savings Team to identify transformational savings projects
Mortgage and loan interest deduction reduced from £7,500 to £5,000

Personal tax allowance increased from £10,500 to £12,500

No change to higher and lower rates of tax;

Tax cap for new elections to increase from £125k to £150k from 18-19

Max deduction for nursing expenses increased from £9,300 to £12,500

Removal of Age Allowance

New benefit in kind exemption to encourage cycling to work
National Insurance

Steady growth in National Insurance receipts

NI rates for employers, employees and self-employed frozen for 2017-18

From April 2018, need for self-employed Class 2 NI contributions to cease

To be replaced in 2018 by increase in Class 4 contributions from 8% to 11%
Indirect revenue

- FERSA: 3% growth in VAT assumed for 5 Yr Financial Plan
- Additional £19m In17/18 compared to 16/17
- Growing by £11m In 18/19

New soft drinks industry levy from 2018-19

NO CHANGE

Other duties to remain the same
Benefits

Gross Government Spend

- Welfare payments
- Everything else

Welfare payments account for about 30% of overall gross revenue expenditure

Basic state pensions to rise by 2.5% (£3 per week)

Nursing care contribution scheme to increase by £25 per week

Child benefit to be increased by 2%.

Higher Rate Mobility Allowance to be increased by 4.8%

Many other benefits to increase by 1%, reflecting lack of increase in recent years.
Other Budget Measures

£2M  DIGITAL STRATEGY FUND

£1M  NEW BREXIT FUND, LEGAL COSTS RESERVE, MEDICAL INDEMNITY, LAND & PROPERTY ACQUISITION

£1.5M  HOUSING RESERVE; NEW ACADEMIC BUSINESS PLANNING FUND ESTABLISHED

Health Inspection Fund rebranded into Healthcare Transformation Fund
Summary

**Year plan for sustainable finances**

- **£388m** capital spend over 5 years

**Supporting working people and families.**
- Increase personal allowances to £12,500 and child benefit by 2%

**Supporting business and jobs with 0% company tax**
- £388m capital spend over 5 years

**Supporting our NHS with £11m increased funding**
- Boosting enterprise with Enterprise Development Fund and grant funding
Questions