

This briefing provides a summary of Chancellor George Osborne's first budget of the new government and the first budget of an all-Conservative government for 19 years. The budget outlines spending plans and cuts for the next five years and seeks to clarify where £17bn worth of savings will be made out of a total £37bn for the coming parliament.

Summary

The overriding themes of the budget were to ensure continued economic recovery by putting security of finances first, ultimately to create a higher wage, lower tax economy moving from a low wage, high tax one. While Osborne took encouragement from the health and growth of the UK economy, in comparison to other advanced economies across the world, the tone was the government must continue to get our 'house in order' to ensure the reduction of the national deficit to 1/3 of national income this year, down from 10% in 2010 and eventually into a budget surplus by 2019-2020.

In order to facilitate this reduction, large budget cuts are expected and will impact on local authority budgets, which will include impacts to be felt on sport, leisure and recreation, as well as health care broadly, and public health and primary care in particular. The following sections outline the key proposed changes outlined by the Chancellor, and the effects we feel such changes could have for the sector.

The UK's Economic Health

- Borrowing has fallen from high of £153bn in 2010 to £69.5bn for 2015 and by 2020 Britain will be raising more money than it spends
- The UK's economy grew by 3% last year
- Office of Budget Responsibility report 2.6% of growth for 2015
- 2 million more people in employment

Summary of key points

Savings

While £37bn of savings are to be made in the next five years, Osborne set out £17bn of these in today budget. These savings will come mainly from welfare changes and a crackdown on tax avoidance.

Welfare

- Freeze in working benefits
- Income threshold for receivers of tax credits to be reduced
- Rents in the social housing sector will be reduced by 1% a year
- The annual household benefit cap will be reduced to £23,000 in London and to £20,000 in the rest of Britain
- 18-21-year-olds will not be entitled to claim housing benefit automatically

Tax Avoidance

- Permanent non-dom status to be abolished - from April 2017, anyone who has lived in the UK for 15 of the past 20 years will pay same level of tax as other UK citizens
- £7.2bn to be raised from clampdown on tax avoidance and tax evasion with HMRC budget increased by £750m

Other major announcements

Tax Reforms

- Raise tax free personal allowance to £11,000
- People paying the highest rate of tax will now have to earn over £43,000 with the view to raising it to £50,000
- Inheritance tax threshold increase to £1m, phased in from 2017
- Corporation tax to be cut to 19% in 2017 and 18% in 2020

Pay

The introduction of new national living wage was announced. By 2020 it will be compulsory for those over 25 years of age to receive £9 an hour. It will be £7.20 an hour from April 2016.

Apprenticeship Levy

Osborne committed to 3 million more apprenticeships, which will largely be created by an apprenticeship levy on large firms to help fund a growth in apprenticeships across the UK.

The extent of the levy is not yet clear, Lady Alison Wolf, the government's skills adviser, suggested last week that a 0.5 per cent contribution on employer payrolls would raise more than £2bn a year. She warned that without such an apprenticeship tax, which is widely used in countries including Denmark, France and Austria, the government would never be able to meet its 3m target.

Currently the government spends £1.5bn on supporting apprenticeship, but Downing Street has been keen to find new funding models before expected spending cuts in autumn's spending review.

Health

Nothing more was said in relation to the public health budget after £200m worth of savings were announced by Osborne at the in-year spending review at the beginning of June. However Osborne set out the NHS as a priority and committed a further £8bn to the NHS this year in line with NHS Chief Executive Simon Steven's recommendations.

Higher Education

- The 2016-17 academic year we see the replacement of maintenance grants with loans for new students
- The maximum value for a maintenance loan will rise to £8,200 and will start to be paid back once a graduate is earning £21,000 or more

Devolution

The focus of Osborne's devolution in England is Manchester, with the announcement that a new directly elected mayor will be in place. The mayor will control the fire services as well as this a new land commission will be established and the city will be granted more control over planning.

Devolution was also mentioned with regard to Leeds, Liverpool and Sheffield- all of which are working towards deals with the government.

Impact on the sector

The impact on the physical activity sector is likely to be felt in numerous ways, while little was said about public health spending; education, pay and apprenticeships are all areas to monitor.

Courses designed to provide fitness professionals are likely to be disproportionately affected by the budget cuts. YMCA Awards research forecasts a shortfall in fitness instructors and coaches if current rates at which FE Colleges are cutting places and closing departments continue. Further to this the move to end maintenance grants for students is likely to see training costs pushed on to employers and employees and could see a reduction in training initiatives.

While a rise in wages will clearly affect the industry with companies needing to ensure they budget for the increase in pay they will need to pay many of their workers, the reaction has largely been seen as positive to this announcement noting the increase in money that the public will have to spending on leisure activities. Osborne hopes to offset a loss of jobs more generally through a reduction in corporation tax and for small firms a scrapping of national insurance contributions.

Responses from the Sector

Steven Ward, ukactive

“The campaign for a living wage is as much about health as wealth, giving people a quality of living that helps us address inequality in society. The government is seeking to do away with the enormous cost of working tax credits which is seen as government subsidising low wages by employers. We cannot pretend, however, that this change may hurt employers as it certainly will. With the timelines communicated, employers have time to plan their workforce and labour strategy, and make sure that they have a staffing structure that is affordable and delivers high quality services to members.”

Tara Dillon, CIMSPA

“The inactivity epidemic is costing the UK billions each year. It is imperative that funding the training of future generations of fitness professionals is maintained as a minimum, if not increased,”

Liz Terry, Leisure Media

“Increased costs for operators who rely on minimum wage staff, will have to be budgeted for, but the industry must embrace this increase with a positive attitude, to ensure we continue to build our reputation as a credible sector which creates good jobs and offers solid employment prospects.”

Leigh Thompson, Sport and Recreation Alliance

“More broadly the Budget confirms that fiscal discipline and deficit reduction continue to be the Government’s key priorities. As identified in our recent Fit for the Future report, the likely spending reductions required will have a significant impact on sport in the coming years and the forthcoming sports strategy announced by the Minister for Sport is likely to provide a clearer indication of how these reductions might play out on the ground.”

Rob May, YMCA

“Examining the impact of budget cuts, it is clear that departments related to the leisure sector and related skills such as fitness training and coaching are seen as a soft target when it comes to administrators wielding the axe.”

Next Steps

The Budget will be followed by four days of debate on the tax measures announced in the Budget. Each day of debate covers a different policy area such as health, education and defence. The shadow chancellor will give his response the day after the Budget Statement during the Budget debates.

A new Finance Bill is set to be presented to Parliament on **Wednesday 15 July**. It enacts the proposals for taxation made by the chancellor his Budget, and brings them into law. Once the House of Commons has agreed the Budget Resolutions, the Finance Bill starts its passage through Parliament .

Further Information

- For official government announcements on the Budget 2015 please visit <https://www.gov.uk/government/topical-events/budget-2015>