

# Government Budget 2016

ukactive Strategic Partner Group Briefing



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## Summary

Despite a downgrading of the Government's five-year Growth Forecasts, the headline today was in fact the announcement of the much-anticipated 'sugar tax' on soft drinks and the doubling of the Government's investment in school sport.

'Improving the lives of the next generation' was the theme running throughout the Government's Budget today, joined alongside reforms to simplify the business tax landscape and some extra funding for the Government's plan for apprentices.

ukactive's Executive Director, Steven Ward, has responded to the Budget [here](#), welcoming the opportunity to make real progress on children's health and promising ukactive's help to work with Government and ensure the tax has the greatest impact possible.

## Key Points

- **Sugar Tax introduced on soft drinks predicted to raise £520m from 2018**
- **Revenue from the tax used to double the funding available to primary schools for school sport from September 2017**
- **National Minimum Wage set to increase from October 2016**
- **Cuts in Corporation Tax and Business Tax**
- **Government confirms future of Cycle to Work Scheme**
- **Extra funds earmarked for Devolution Deals**
- **UK Economy Growth forecasts downgraded from 2.4% to 2%**

## **A sugar tax introduced to double the funding for school sport to build a "Britain Fit for the Future."**

The headline of today's Budget was the introduction of a levy on sugary drinks companies - with the resulting revenue funnelled towards school sport in an effort to make headway against childhood obesity.

Osborne used his speech to outline the danger childhood obesity poses to the NHS and the health of the next generation, before surprising political commenters and journalists alike by announcing a 'Sugar Tax' would be levied on the producers and importers of sugary drinks. The Tax is due to be first implemented in two years' time, and expected to **raise £520m in its first year**.

The Revenue from the Sugar Tax will be used to **double the funding of the Primary School PE and Sport Premium** from £160m to £320m, from the school year beginning in September 2017. State-funded primary schools with an average number of pupils currently receive £9,000 per year to improve the quality and breadth of their PE and Sport provision. This new announcement suggests it may increase up to £18,000 per school per year.

The revenue will also be used to:

- Give a quarter of secondary schools the opportunity to **extend the school day and offer a wider range of activities for pupils** – including activity and sport.
- Expand **breakfast clubs** for more nutritious starts for children.

ukactive's policy team keeps in regular contact with the Government Departments responsible for pulling this together and delivering it on the ground. They all maintain that the sugar tax is the first in a series of measures designed to make real headway in improving the health of the next generation, and to demonstrate that although the **Childhood Obesity Strategy has been delayed until summer, when it does emerge it will have teeth.**

## **National Minimum Wage set at £6.95 for 21 – 24 year olds**

Despite not featuring in the Chancellor's Speech, the Budget document released today confirms that the National Minimum Wage, **applying to employees aged between 21 and 24, will increase in October 2016 by 25p to £6.95.**

Starting next month, the National Living Wage will come into full force and increase the minimum amount those over 25 can earn to £7.20 an hour.

## **Further reforms to the Business Landscape with cuts to Corporation Tax and Business Rates**

In what will be welcome news to much of the physical activity sector, today's Budget signalled cuts in both Corporation Tax and Business Rates, with **Corporation Tax falling from 20% to 17% in 2020** – the lowest of all the countries in the G20 – and simplifying the method used to uprate business rates; moving to a different method of recording inflation (to the lower Consumer Price Index and away from the currently used - and higher - Retail Price Index), **resulting in a real-terms cut in business rates from 2020.**

These measures have been put in place as part of the Government's broader 'devolution revolution,' when they signalled that beginning in 2016 **local authorities will keep 100% of the revenue from business rates.**

These headlines cuts have been joined by a number of other behind-the-scenes changes in the tax landscape, specifically around **corporation tax loss relief – easing restrictions and allowing losses to be carried forward** against profits from other streams of income, and cracking down on situations



when large companies pay low levels of tax through imposing a restriction on the amount of profit that can be offset through losses carried forward.

## Government confirms Cycle to Work Scheme is here to stay

*ukactive's Blueprint for an Active Britain* called to open up the success of the Cycle to Work Scheme to all physical activity – allowing all corporate gym memberships, all activity accessories and all children's activity opportunities to be available to purchase tax-free via a salary sacrifice scheme.

Today's Budget confirmed that the **Cycle to Work scheme will be maintained** in the foreseeable future, demonstrating Government's willingness to use the tax system to incentivise healthy behaviours and signalling that salary sacrifice schemes are here to stay. ukactive has welcomed this commitment, and in the coming months will be working with the Treasury with the aim of ensuring the schemes are used to their full potential to get more people active.

## Employers to Receive a Top-Up from their Apprenticeship Levy Contributions

While reaffirming the Government's commitment to 'increase the quality and quantity of apprenticeships,' and their pledge to deliver 3 million apprenticeship starts by 2020, today Osborne also confirmed **the Government will provide a top-up to all contributors of the Apprenticeship Levy** resulting in extra funds to spend on employee training.

Currently employers are expecting to receive a £15,000 lump sum to offset against their contributions to the Apprenticeship levy – set at 0.5% of their paybill. Today's announcement means Government will apply a **10% top-up as well as the £15,000 already confirmed** to offset their payments.

More details will be published on the model in April, and draft funding rates will be published in June.

## Carrying Forward the Devolution Revolution

Extra funding has been allocated for areas with existing devolution deals, including Greater Manchester, Sheffield City Region, the North East, Tees Valley, Liverpool City Region and the West Midlands. **£2.86bn has been earmarked for these local authorities to spend on 'local priorities,'** – the definition of 'local priorities' is yet to emerge, but given the well-known pressures currently facing the NHS, many local areas will likely have Health high on the agenda, whom will have health high on the agenda.

## What Does the Government Budget 2016 mean for the sector?

Before today, many predicted a Government's 'Sugar Tax' would never see the light of day. However its emergence signals a new approach from Government towards public health, physical activity its forthcoming Childhood Obesity Strategy.

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Most importantly, today's announcement demonstrates that Government now truly recognises the importance of tackling childhood obesity and childhood inactivity concurrently – albeit, for now still through the promotion of school sport.

ukactive has [made clear](#) that the new extra funding emerging from the tax be used to tackle childhood inactivity more broadly. While details remain light at the moment, ukactive will be maintaining its contact with the Departments for Education and Health, alongside the Youth Sports Trust and Sport England, to fully understand how the new funding will be utilised and ensuring it can have the greatest possible impact.

Importantly, this briefing also flags an upcoming increase of the National Minimum Wage, likely to have a substantial impact on the workforce of the sector – alongside the fast-approaching Apprenticeship Levy. To offset the risk, Government has confirmed it will top-up by 10% all contributions to the levy, but for now we await further documentation to be released in April and June 2016.