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Spring Budget 2017

ukactive Strategic Partner Briefing

Summary

Today the Chancellor for the Exchequer, Philip Hammond MP, delivered his first Spring Budget and announced a range of measures to maintain the public finances and ensure the UK remains competitive following the country's exit from the European Union. Key for the physical activity sector are significant reforms to technical education, and protection for small businesses from rising business rates.

General Economic Outlook

The Office for Budget Responsibility (OBR) judges that, in large part, the outlook for the UK economy has not changed since Autumn Statement 2016.

- The OBR now forecasts **Gross Domestic Product (GDP)** growth of:
 - 2.0% in 2017
 - 1.6% in 2018
 - 1.7% in 2019
 - 1.9% in 2020
 - 2.0% in 2021

- The fall in sterling over the course of 2016 is expected to **push inflation** to:
 - 2.4% in 2017
 - 2.3% in 2018
 - 2.0% in 2019

- Real **GDP is now 8.6% larger than its pre-financial crisis peak** in early 2008, and employment is at a record high.

- **Business investment is also expected to remain subdued** due to economic uncertainty as the UK negotiates its departure from the EU.

- The **deficit is forecast to fall this year** due to a number of one-off factors, and will stand at £58.3bn in 2017/18.

- Debt will also fall to 88.8% of GDP.

Skills and Technical Education

The Chancellor stated that tackling the UK's longstanding productivity challenge will be central to his work throughout the remainder of this Parliament, and will be addressed primarily through investment in infrastructure and comprehensive reform of the technical education landscape.



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Today's Budget announced:

- **Introduction of T-levels: 16-19 technical education** – September 2018 will see new 'T-level' qualifications across fifteen subjects for 16-19 year olds, to replace the 13,000 existing vocational qualifications and provide an equally rigorous pathway for technical education.
 - **Fifteen distinct streams of education will replace existing qualifications**, each with a two-year programme which includes a core curriculum for all pupils followed by specialisation for their preferred occupation.
 - **Increasing the number of programme hours** by over 50%, to over 900 hours a year on average, and including a quality work placement.
 - **£500 million of additional funding** will be invested once the routes are fully implemented.

- **Further education maintenance loans** – to support the parity with academic education, from 2019-20 government will provide loans to students on education courses at levels 4 to 6.

Business rates

The government's Business Rates Revaluation takes effect in England from April 2017, and today's announcement outlined a number of steps to provide additional relief for small businesses which face significant increases as a result of the change:

- The Businesses Rates valuation process will be reformed, with a consultation due to be completed before the next valuation begins.
- Small businesses losing Small Business Rate Relief (SMRR) will see a **cap on their bills increase to either £600** or the real terms transitional relief cap each year – whichever is greater.
- Local authorities with funds for **discretionary relief to provide support for individual hard cases** in their local area.

National Insurance Contributions for the self-employed

Hammond also used his Budget today to address the current inequality in National Insurance Contributions between employed and self-employed workers in the UK, following the planned abolition of Class 2 NICs from April 2018.

- **Class 4 NICs will increase from 9% to 10% in April 2018**, and to 11% in April 2019. This means an effective tax-rise for all self-employed people with profits above £16,250.



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Use of the Soft Drinks Levy Revenue

The Chancellor announced a reduction in the expected yield of the soft drinks levy, as producers are already reformulating sugar out of their drinks, but committed to ensuring the Department for Education still received the full predicted amount to fund health and activity-related school programmes.

- › Despite the levy's revenue being lower than anticipated, Philip Hammond confirmed that the **Treasury will fund the Department for Education with the full £1 billion originally expected** from the levy this Parliament.
- › The revenue from the sugar levy will be used to fund school sports and programmes aiming to tackle childhood obesity and promote childhood activity within the school gates.

Consumers and Markets

The government will be taking steps to intervene in markets that are not working efficiently, and empowering consumer enforcement bodies to ensure individuals are treated fairly.

- › Consumer enforcement bodies – including the Competition and Markets Authority – will be given the **power to issue civil fines against companies that break consumer law**.
- › Proposals will be put forward to **protect consumers from facing unexpected payments when subscriptions are renewed** or when a free trial ends.
- › Exploring how **terms and conditions can be simplified** to be clearer, simpler and shorter.

What this means for the physical activity sector

Chancellor of the Exchequer Philip Hammond's first Spring Budget passed by with few major new announcements, reinforcing the unlikelihood of a snap election and instead making progress on the groundwork to improve the public's finances - safeguarding any political and financial capital for a later date.

The key theme running throughout this Budget is exploring how the government can support the UK economy as it makes its transition away from the European Single Market. As such the Chancellor made a number of announcements outlining how the UK can remain competitive and productive, specifically through reforming the technical education landscape, with the aim to ensure all people who pass attain new 'T-level' qualifications are work-ready.



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The government reiterated its commitment to implementing its Post-16 Skills Plan, which replaces the current system of technical education with fifteen specific routes into employment, but, crucially, did not name Sport and Physical Activity as one of the strands.

Since this plan was published in Summer 2016, ukactive has been working alongside the Chartered Institute for the Management of Sport and Physical Activity (CIMSPA) – the technical experts in this area – to develop a full engagement strategy for Westminster and Whitehall to highlight the significant impact this omission will have on the physical activity sector. ukactive has since briefed multiple Ministers across government departments on the importance of this issue and will continue to do so until sport and physical activity is established as a permanent and distinct sixteenth strand.

Please see below ukactive's official response to today's Budget.

Spring 2017 Budget: A missed opportunity for the next generation

In response to the announcement, Steven Ward, ukactive Executive Director, said: "Today's Budget represents a missed opportunity for the government to deliver clear action on its commitment to tackle Britain's physical inactivity crisis and demonstrates that when it comes to employment issues, our sector is not getting its voice heard nor its interests served. This has to change.

"The glaring omission of sport and physical activity from the 15 career pathways under the new Post-16 Skills Plan drastically underestimates the importance of our sector to the future of UK PLC.

"With the government eager to alleviate the strain on the NHS and boost the economy through increased productivity, the physical activity sector has a major role to play in driving a healthy, happy and productive population.

"Sporting Future, the Government's strategy for sport and physical activity, outlined the need for a highly-skilled physical activity workforce to deliver its vision of a more active nation. But by failing to provide a clear career pathway into the physical activity sector for young people, the government risks weakening the workforce at a time when it has never been needed more.

"Tackling inactivity has been put firmly on the health and sporting policy agenda; but this progress could be fatally undermined unless we see equal levels of support and conviction across education and skills.

"The growing physical activity and sport sector employs over 500,000 and holds the key to some of the biggest societal challenges that we face today. If the government is serious about a brighter future fuelled by a healthier, happier population, then it must urgently reconsider the importance of the workforce that will underpin it."