



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

15 March 2023

To all MPs,

SPRING BUDGET 2023

I am writing to you on Spring Budget 2023, following my statement to the House of Commons this morning.

At Autumn Statement 2022 the government took the difficult decisions needed on tax and spending to restore economic stability, support public services and lay the foundations for long-term growth.

Spring Budget 2023 builds on these foundations, with a plan to deliver on three of the Prime Minister's five key priorities: halve inflation, grow the economy, and to reduce national debt.

- Halving Inflation: CPI inflation is forecast to reduce to 2.9% in Q4. The OBR expect inflation to return to the 2% target by the end of the forecast.
- Growing the economy: The OBR has revised up GDP in every year of the forecast, and is no longer forecasting a recession.
- Reducing national debt: the OBR forecast that the debt to GDP fiscal rule will be met in 2027-28, with headroom of £6.5 billion. Borrowing is also falling in every year of the forecast.

In my speech at Bloomberg on 27 January, I outlined the four pillars of my strategy to deliver long-term sustainable growth: Enterprise, Everywhere, Employment and Education. The Budget contains policies on each of these pillars:

Enterprise

- To support competitiveness and incentivise business investment, the government is reforming capital allowances, by introducing a policy of full expensing for the next three years, with an intention to make it permanent when the fiscal situation allows. This is a corporation tax cut for businesses that invest in the UK worth over £25 billion over the next three years.
- We are also providing additional tax relief for R&D intensive SMEs, and reforming tax reliefs to support our world leading creative industries.
- On digital technologies, the government is accepting all recommendations from the Sir Patrick Vallance Review on pro-innovation regulation of technologies, plus investing in the region of £900 million in UK supercomputing capabilities.

- The Budget includes new support for critical green technologies, including launching Great British Nuclear, making available up to £20 billion for Carbon Capture, Utilisation and Storage and extending the Climate Change Agreement Scheme for a further two years.

Everywhere

- We are delivering change for all parts of the UK through launching the refocused Investment Zone programme to catalyse 12 high-potential knowledge-intensive growth clusters across the UK, including 4 in Scotland, Wales and Northern Ireland.
- We are levelling up through local growth funding, which includes City Regional Sustainable Transport Settlement Round 2, Local Regeneration Projects, Levelling Up Partnerships and the Potholes Fund, and specific projects in each of the DAs.
- We are also agreeing trailblazer devolution deals with Greater Manchester and West Midlands Combined Authorities, devolving new levers across transport, skills, housing, net zero and employment support, before providing a single, multi-year, flexible funding settlement for them at the next Spending Review.
- We are seeking to negotiate a new wave of devolution deals in England over the coming year.

Employment

- Businesses can only grow if they are able to employ the staff they need. We must address post-pandemic inactivity and ensure that work is attractive and accessible to all. We want people to enjoy the social and wellbeing benefits of work, as well as support economic growth.
- The Spring Budget delivers an ambitious package of measures designed to support people to enter work, increase their working hours and extend their working lives. Our ambition is clear: to remove the barriers that prevent people who want to work from working.
- As a result of the policies announced in this Budget, the OBR has made its largest ever upward revision to its supply-side judgement within the forecast period. The OBR have said that the increase in people in the workforce resulting from the package is 110,000, of which 75,000 are due to childcare policy changes.
- To support parents who want to work, we are delivering 30 hours free childcare for eligible working parents of children from 9 months to 3 years.
- This will close the gap between parental leave finishing and the current free hours childcare offer beginning – meaning eligible parents can access free childcare support from government all the way until children start school.

- To support delivery, the government will also provide £204 million in 2023-24 from September, followed by increases each year after, to uplift the funding rate for the existing childcare offers.
- We are also improving the Universal Credit childcare offer; and rolling out a national pathfinder programme to encourage school-based wraparound provision for school-aged children between 8am-6pm.
- So that work is accessible to all, we are introducing support for long-term sick and disabled individuals by: embedding tailored employment support within mental health and musculoskeletal services; introducing the Universal Support programme in England and Wales to match disabled people with jobs and provide support and training to help them succeed; and providing additional Work Coach Time to claimants of health-related income support benefits.
- To support people to enter work and increase their working hours we are announcing new requirements for welfare recipients through: increasing the Administrative Earnings Threshold from 15 to 18 hours at the National Living Wage; increasing work coach support and work search requirements for Universal Credit claimants that are lead carers of children aged 1-12 from autumn 2023; and extending the Department for Work and Pension's Youth Offer until 2028.
- To supporting older workers back into employment and extend their working lives, we are: abolishing the Lifetime Allowance for pensions, increasing the Annual Allowance and the money purchase annual allowance for pensions to £60,000 and £10,000 respectively; and enhancing DWP's digital midlife MOT offer.

Education

- A good early years and education system is the best economic and social policy any country can have. The government has already committed to maths to 18 and is rolling out T Levels, Skills Bootcamps and the Lifelong Loan Entitlement.
- To support young people with Special Educational Needs and Disabilities to transition from education to work, we are piloting an expansion of the Supported Internships programme.
- We are boosting opportunities for older people to access new types of work by launching a new 'Returnerships' offer targeted at 50+ adults, which brings together existing programmed of apprenticeships, Skills Bootcamps and Sector-Based Work Academy Programme to increase the number of places available and make the programme more accessible.
- The government is also investing over £11 million of new funding to help Ukrainians and other forced migrant cohorts who have sought refuge in the UK to enter employment and support their integration into society.

Cost of Living and Public Services

The government is providing further cost of living support to individuals by maintaining the Energy Price Guarantee at £2,500 for a further three months from April 2023, and aligning charges for Pre-Payment Meter (PPMs) customers with typical customers on direct debit – ensuring those on Pre-Payment Meters no longer pay a premium for their energy costs.

To support motorists, we will extend the 5p cut in fuel duty for twelve months and not proceed with the planned inflation increase. This will save the average driver around £100 over the next year, at a cost to government of over £5 billion.

We will also freeze Draught Relief from 1 August to freeze the duty charged on a typical pint of beer in the pub – and ensuring duty in a pub will always be lower than in a supermarket.

This brings the total government support over 2022-23 and 2023-24 to help households and individuals with the rising cost of living to over £94 billion – an average of over £3,300 per household.

We must continue to take a responsible and disciplined approach to public spending, whilst supporting vulnerable people and protecting vital public services.

The government is providing an extra £5 billion for defence and national security priorities over the next 2 years and £2 billion each year for defence for the remainder of the forecast period. This is in recognition of the deteriorating security environment where the UK must be able to deter and defend against increasing threats to our security, as described in the Integrated Review Refresh. The government's aspiration over the longer term is to invest 2.5% of GDP in defence, as the fiscal and economic circumstances allow.

Full details of this package can be found in the Spring Budget 2023 document and other associated documents [here](#).

Best wishes,

A handwritten signature in blue ink that reads "Jeremy Hunt". The signature is written in a cursive, slightly stylized font.

RT HON JEREMY HUNT MP
Chancellor of the Exchequer