

OVERVIEW

The Government's economic objective is to build a strong economy and fair society, where there is opportunity and security for all. Budget 2010, *Securing the recovery*, presents updated assessments and forecasts of the economy and public finances. It reports on how the Government will be delivering support to business and households to build strong, sustainable, growth whilst protecting the frontline services that people rely on. The Government is acting to ensure sound public finances to provide a stable platform for growth and maintain macroeconomic stability.

Budget 2010 is fiscally neutral and confirms the Government's plans to more than halve the deficit over four years, maintaining a credible path of fiscal consolidation. On public spending, **Budget 2010 identifies the £11 billion of cross-cutting savings announced under Smarter Government department-by-department and provides further details on how the Government will deliver £5 billion of savings from targeting and prioritising spending.** On tax, the Government intends to make further progress in Finance Bill 2010 passing into legislation its tax consolidation plans, and Budget 2010 announces the **continuation of above inflation increases in fuel, alcohol and tobacco duties to 2014-15.**

Budget 2010 also confirms that overall spending will continue to rise in 2010-11 to help support the economy through the recovery. But, as announced at the 2009 Pre-Budget Report, public sector current expenditure will grow at the slower rate of 0.8 per cent a year on average from 2011-12 to 2014-15, and public sector net investment will fall to 1¼ per cent of GDP by 2013-14 and remain at that level in 2014-15.

Budget 2010 announces measures to promote sustainable growth including:

- **support for small and growing businesses, through new lending commitments with RBS and Lloyds Banking Group, continuing Time to Pay arrangements, a temporary increase in the level of small business rate relief for half a million businesses, a doubling the Annual Investment Allowance and Entrepreneurs' Relief, the launch of UK Finance for Growth, and the creation of a small business credit adjudicator.**
- **investment in skills and innovation, including to fund the teaching costs of 20,000 extra undergraduate Higher Education places in September 2010;**
- **investment in infrastructure, including additional funding for transport and local roads and creating a Green Investment Bank; and**
- **support for employment through extending Young Person's Guarantee after to March 2012.**

Budget 2010 also provides targeted support for households and individuals, including: increased support through **tax credits for families with children aged one and two**, continuing to provide an **additional payment** for pensioner households **alongside the Winter Fuel Payment**, and a **two-year stamp duty relief for first time buyers for property purchases up to £250,000** from alongside an additional **5 per cent rate of stamp duty for residential property purchase over £1 million from 2011-12.** Budget 2010 also announces the **Inheritance Tax threshold will be frozen to 2014-15.**

1.1 The Government's objective is to build a strong economy and a fair society, where there is opportunity and security for all.

World recovery and global prospects

1.2 The global economy is in the early stages of recovery after the most severe and synchronised contraction in 60 years. Under the leadership of the United Kingdom, the G20 has taken unprecedented action to boost global prospects in the short-term. However, the recovery remains modest, with differences of pace between emerging and advanced economies

I.3 The Budget forecast for growth in the world economy remain unchanged from the 2009 Pre-Budget Report. The world economy is estimated to have contracted by 1 percent in 2009, the largest calendar year decline since the Great Depression and is set to grow by 3 ¼ per cent in 2010 before rising to growth of 4 ¼ percent in 2011 and 2012. Much of this growth will be generated by emerging markets with the G7 economies set to experience a more modest rebound, growing by 1 ¾ per cent in 2010, 3 per cent in 2011 and 3 ¼ per cent in 2012.

Prospects for the UK economy

The UK economy stabilised in the second half of 2009, following a substantial fall in output in the wake of the global financial crisis. In line with the Budget 2009 and the 2009 Pre-Budget Report forecasts, the UK economy returned to growth at the end of 2009. GDP is currently estimated to have risen by 0.3 per cent in the final quarter of the year. Reflecting this, and recent developments, the GDP forecast for 2010 is 1 to 1½ per cent. GDP is then forecast to grow by between 3 and 3½ per cent in 2011, before rising to 3¼ to 3¾ per cent in 2012.

Budget 2010

I.4 This Budget sets out the action the Government is taking to promote long-term sustainable growth. The Budget describes the next steps that the Government is taking to make further progress in:

- **Maintaining macroeconomic stability**, through securing the economic recovery and building a strong economy for the future, while ensuring sound public finances;
- **Reforming financial services**, through ensuring a strong and thriving financial sector that is sustainable with market participants and regulators supporting long-term economic growth;
- **Supporting business and growth**, by measures to support start-ups and small and medium sized enterprises (SMEs), to position the UK as a leading centre for research and innovation, and to ensure that the UK is equipped with the infrastructure it needs to be successful in a low-carbon economy;
- **Achieving fairness and providing opportunity**, through additional measures to help households through the early stages of the economic recovery and setting policy to create the right economic environment for households to promote stability and growth in the medium-term;
- **Protecting public services**, through setting out further details on the Government's plans to protect its public service priorities whilst meeting the commitment to halve public sector net borrowing over the next four years; and
- **Securing low-carbon growth**, enabling the investment needed for the transition to a low-carbon and resource efficient economy and driving the transition to a low-carbon and resource- efficient economy.

MAINTAINING MACROECONOMIC STABILITY

I.5 Chapter 2 sets out prospects for the UK economy and public finances, further details of which are set out in Chapters B and C of the *Financial Statement and Budget Report (FSBR)*

Securing the recovery **I.6** In response to the global economic downturn, the Government took comprehensive action to support the economy, and this has been successful in mitigating the impact of the downturn on businesses and individuals. However, significant uncertainty remains. Macroeconomic policy will continue to support the economy throughout this year; monetary policy is expected to continue to provide an ongoing and powerful stimulus.

I.7 Setting a credible fiscal consolidation plan to ensure sustainable public finances is a key part of the Government's macroeconomic strategy and is essential for economic stability and the long-term health of the economy. Sound public finances provide the conditions for growth, helping to maintain low long-term interest rates and giving businesses the confidence to plan and invest for the future. The Government's consolidation path has been embedded in legislation through the Fiscal Responsibility Act.

The Government's fiscal strategy **I.8** The Government's fiscal policy objectives are:

- over the medium-term, to ensure sound public finances and that spending and taxation impact fairly within and between generations; and
- over the short-term, to support monetary policy and, in particular, to allow the automatic stabilisers to help smooth the path of the economy.

I.9 The financial crisis and global downturn have had a profound and persistent impact on the public finances, resulting in a significant increase in Government borrowing and debt. Responding to these developments, in line with its fiscal objectives, the Government's fiscal strategy has been to:

- base policy decisions on a realistic fiscal forecast, based on a range of assumptions, some of which are designed to provide caution to allow for uncertainty;
- set out a credible plan for delivering a sustained consolidation over the medium term to ensure sound public finances and create space in the short term for continued fiscal support;
- ensure that the fiscal policy framework is set to deliver the Government's fiscal policy objectives given the outlook for the public finances and the economy; and
- minimise the long-term cost of debt issuance subject to risk and reduce refinancing risk, all else equal, by issuing a larger proportion of long-maturity and index-linked gilts.

Budget developments **I.10** In recent months tax receipts have been higher than expected. As a result, public sector net borrowing in 2009-10 is now projected to be £11 billion lower than forecast in the 2009 Pre-Budget Report.

I.11 Budget 2010 provides further temporary and targeted support for growth in 2010-11, balanced by measures that raise revenue in later years. As a result, Budget 2010 sets out a lower path for borrowing and debt in each year of the forecast period relative to Budget 2009.

The public finances **I.12** Budget 2010 provides updated projections for the public finances, consistent with the Code for fiscal stability. The Budget 2010 projections show that:

- Public sector net borrowing (PSNB) is forecast to peak at 11.8 per cent of GDP in 2009-10. PSNB is then projected to fall in every year of the forecast period to reach 5.2 per cent of GDP in 2013-14 and 4.0 per cent in 2014-15; and

- Public sector net debt (PSND) is projected to peak at 74.9 per cent of GDP in 2014-15.

Table I.1: Summary of fiscal projections

	Per cent of GDP						
	Outturn	Estimate	Projections				
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Public sector net borrowing (PSNB)	6.7	11.8	11.1	8.5	6.8	5.2	4.0
Total change since the 2009 Pre-Budget Report	0.0	-0.8	-0.8	-0.5	-0.3	-0.4	-0.4
Impact of discretionary measures on PSNB	0.0	0.0	0.1	0.0	0.0	-0.1	-0.1
Cyclically-adjusted PSNB	5.8	8.4	7.3	5.3	4.1	3.1	2.5
Surplus on current budget	-3.4	-8.3	-8.4	-6.6	-5.2	-3.9	-2.8
Public sector net investment	3.3	3.6	2.7	1.9	1.6	1.3	1.3
Public sector net debt ¹	43.8	54.1	63.6	69.5	73.0	74.5	74.9
Memo: Impact of discretionary measures on PSNB (£ billion)	0	0	1 ½	0	- ½	-1	-1 ½

Note: All measures are presented on the basis which excludes the temporary effect of financial interventions.

¹ Debt at end March; GDP centred on end March.

REFORMING FINANCIAL SERVICES

I.13 A strong and sustainable financial services sector supports strong, sustainable economic growth. Delivering this positive contribution, and ensuring that the benefits of efficient financial services accrue to businesses and consumers, requires effective framework of regulation and competition (both domestically and internationally), and good governance and accountability among financial institutions themselves.

I.14 The Government is taking a leading role in the international reform agenda, working with its G20 and European partners. Budget 2010 announces:

- principles to guide international work on a systemic risk tax which will ensure that the activities of financial institutions reflect the costs associated with systemic risk as well as helping to meet the wider costs of crises; and
- the Government will formally consult on draft regulations to require enhanced disclosure of remuneration in the financial services sector, and will consider whether the tools available to shareholders to effectively control executive remuneration need to be strengthened, including greater upfront approval of the terms under which employees are remunerated.

I.15 The Government is committed to ensuring that the supply of lending to the economy supports the recovery. Budget 2010 announces:

- the agreement of Lloyds Banking Group and The Royal Bank of Scotland to lend £105 billion to homebuyers and businesses over the next 12 months. £41 billion of this will be lent to small businesses;
- the creation of a Small Business Credit Adjudicator with statutory powers to enforce its judgements. The Adjudicator will work closely with an expanded Financial Intermediary Service to ensure that small businesses are treated fairly when applying for loans; and
- steps to help companies diversify sources of finance to non bank lending channels.

I.16 The Government is committed to promoting competition in the financial services sector in order to drive efficiency and choice for consumers. Through the divestments from Lloyds Banking Group and The Royal Bank of Scotland, and the return of the Northern Rock bank business to the private sector, competition in the marketplace will increase substantially.

I.17 Effective competition is also promoted by informed consumers, and the Government is committed to ensuring that consumers have access to appropriate financial services and are properly equipped to exercise a choice. Budget 2010 announces that the Government will:

- introduce a new right to open a basic bank account;
- increase the contribution made by the banks to the community lending sector; and
- ask the Retail Financial Services Forum to consider to what extent financial services firms' staff targets and incentives lead to poor outcomes for consumers and employees and how they can be reformed.

SUPPORTING BUSINESS AND GROWTH

I.18 The Government took decisive action to support the economy during the financial crisis and its aftermath. As the UK emerges from recession, it remains vital to maintain some targeted assistance to support the recovery through 2010. This Budget announces action to promote sustainable economic growth over the decade ahead, by providing a stable platform for growth and through targeted government action to unlock private sector investment. These measures will support start-ups and small and medium-sized enterprises (SMEs), position the UK as a leading centre for research and innovation, and ensure that the UK is equipped with skills for growth and the infrastructure it needs to be successful in a low-carbon economy. The Government is:

- continuing to offer Time to Pay arrangements, which will help viable businesses spread their tax payments as part of a package of measures that continue to support business through recovery;
- support start-ups, SMEs and growing businesses by providing a temporary increase in the level of small business rate relief; launching UK Finance and Growth to oversee more than £4 billion of the Government's SME finance products including the Growth Capital Fund; doubling the Annual Investment Allowance to £100,000 and the Entrepreneurs' Relief lifetime limit to £2 million;
- launching a University Enterprise Capital Fund to exploit the commercial potential of the UK's world-class research base; and, subject to state aid clearance, introducing a tax relief for the UK's video games industry;
- providing a £270 million Modernisation Fund to drive efficiencies in Higher Education and fund the teaching costs of 20,000 extra undergraduate places in key courses in September 2010; and
- meeting the UK's infrastructure and energy challenges by: publishing a Strategy for national infrastructure, including an intention to create a Green Investment Bank; acting on the findings of the Energy Market Assessment; creating a £120 million grant for Accelerated Development Zones; providing

a £100 million fund to repair local roads following recent cold weather; and investing £250 million in the road network to improve capacity.

ACHIEVING FAIRNESS AND PROVIDING OPPORTUNITY

I.19 The Government has taken swift and wide-ranging steps to support the UK economy in response to the global downturn, which helped to ensure that growth returned at the end of 2009. Unemployment has risen far less than many external forecasters expected at the beginning of the downturn, and 47,000 fewer people are claiming Jobseeker's Allowance now than in October 2009. As the UK emerges from the downturn, the Government will continue to work to foster recovery by providing targeted support to those who need it most. In particular, the Government announces the following measures to help households through the recovery:

- extending the Young Person's Guarantee after March 2011 to ensure that young people adversely affected by the recession continue to be guaranteed a Future Jobs Fund job, training or work experience if they cannot find work within six months;
- increased support through tax credits for families with children aged one and two;
- continuing to provide an additional payment alongside the Winter Fuel Payment in 2010-11, worth £100 to households with someone aged over 80, or £50 if someone is over the female State Pension Age;
- extending the temporary freeze in the Standard Interest Rate applied to the Support for Mortgage Interest scheme until December 2010; and
- a two-year stamp duty land tax relief for first-time buyers, for residential property purchasers up to £250,000.

I.20 Alongside the substantial support provided, the Government is setting policy to create the right economic environment to promote stability and growth in the medium term. Key actions include:

- a comprehensive strategy to promote savings, including the launch of the Saving Gateway in July 2010 and the indexation of ISA limits over the next Parliament; and
- publishing *Ending Child Poverty; Mapping the Route to 2020* alongside Budget 2010, setting out ways that child poverty could be reduced in line with the 2020 target.

I.21 The Government is also ensuring that it lives within its means in a way that is fair and responsible. On the back of previously announced fiscal consolidation measures, Budget 2010 announces:

- the introduction of an additional 5 per cent of stamp duty land tax for residential property over £1 million from 2011-12;
- an extension of the freeze in the inheritance tax allowance of £325,000 until 2014-15; and
- details of the operation of the restriction of pensions tax relief for those on high incomes.

I.22 Tobacco duty rates will increase by 1 per cent above inflation from today and by 2 per cent above inflation for the next four years. Cider duty rates will increase by 10 per cent above inflation. Other alcohol duty rates will increase by 2 per cent above inflation as announced at Budget 2008. In addition, all alcohol duty rates will increase by 2 per cent above inflation for two further years, until 2014-15.

PROTECTING PUBLIC SERVICES

I.23 The Government's short-term priority, as Britain emerges from recession, is to foster economic recovery whilst continuing to provide targeted support to those families and businesses that need it most. **Budget 2010 announces new measures to stimulate economic growth, including a £270 million university Modernisation Fund to finance 20,000 additional student places and £450 million to extend to March 2012 the guarantee of a job, training or work placement for every 18 to 24 year old who has been claiming Job Seeker's Allowance for six months. Budget 2010 also announces that pensioner households will receive an extra payment alongside the Winter Fuel Payment later this year.**

I.24 For the medium term, Budget 2010 sets out further details on the Government's plans to protect key public service priorities whilst meeting its commitment to halve public sector net borrowing over the next four years. Planned levels of overall spending in 2010-11 will continue to rise, supporting the economy through recovery, but from 2011-12 spending growth will be slower. **Public sector current expenditure will grow at an average of 0.8 per cent a year from 2011-12 to 2014-15 and public sector net investment will fall to 1¼ per cent of GDP by 2013-14.**

I.25 Budget 2010 confirms that spending on frontline schools and NHS, 16 to 19 education and Sure Start will be protected in the years to 2012-13, with sufficient funding provided to maintain police officer numbers. At the same time, Budget 2010 announces further details of the tough choices the Government is making elsewhere, including:

- action to control public sector pay, including confirming a one per cent cap on basic pay uplifts for 2011-12 and 2012-13, saving £3.4 billion a year, and a new Code of Practice on senior pay-setting, with greater use of independent Remuneration Committees and escalation of decisions to ministers, or audit and regulatory bodies, where there is a proposal to pay above agreed norms;
- £11 billion of operational efficiencies and other cross-cutting savings, to streamline the centre of government;
- further detail on £5 billion of savings from targeting and prioritising spending, as announced at the 2009 Pre-Budget Report;
- reforms to the welfare system to increase fairness and improve work incentives, further reducing social security spending over the next five years on top of the existing forecast saving of £1.2 billion;
- rationalising regional structures and removing burdens on local government, including giving local authorities new discretion over £1.3 billion of funding that is currently ring-fenced; and
- plans to manage assets and property more effectively by creating new strategic property vehicles by April 2011, to help realise savings of £5 billion a year in property running costs and £20 billion savings in assets disposal by 2020. The Government will also relocate 15,000 civil service jobs out of central London within five years.

SECURING LOW CARBON GROWTH

I.26 The Government is building a platform for strong, long-term, sustainable growth. Support for the low-carbon economy is central to this as it will provide new opportunities in key growth industries of the future. In the past year, the Government has announced £1.8 billion of extra support for low-carbon sectors. This will enable £15 billion of additional low-carbon investment, providing new opportunities for business growth, boosting innovation and creating new high skilled jobs.

I.27 The Government has an important role to play in enabling the investment needed for the transition to a low-carbon economy – particularly in the energy sector, where the scale of investment challenge is unprecedented. To support the financing of low-carbon investment and new low-carbon jobs, Budget 2010 announces:

- a commitment to reform the energy market to provide clean, secure and affordable energy in the long term. The Government will bring forward proposals this autumn, with a White Paper by spring 2011; and in the shorter term, a summer consultation on mechanisms to provide greater certainty for low-carbon investment;
- to address emerging equity finance gaps, the Government intends to create a Green Investment Bank, with a mandate to invest low-carbon infrastructure. The Government will start by investing up to £1 billion from the sale of infrastructure-related assets and will seek to match this with at least £1 billion of private sector investment;
- the launch of UK Finance and Growth to streamline the Government's SME finance support – including to help businesses seeking to commercialise low-carbon technologies;
- up to £60 million for the development of port sites to support offshore wind turbine manufacturers looking to locate new facilities in the UK and secure low-carbon manufacturing jobs;
- a commitment to reduce government departments' carbon emissions by at least 30 per cent by 2020, and enabling energy efficiency finance to help millions of homes save money energy by developing Pay As You Save arrangements; and
- a halving in company car tax for ultra-low carbon cars for five years from April 2010, to contribute to making the UK one of the best places in the world to design and build low-carbon vehicles.

I.28 To drive transition to a low-carbon and resource-efficient economy, while also contributing to the Government's plans for fiscal consolidation, Budget 2010 announces:

- that, to ease pressure on business and household incomes at a time when other prices are rising, the main fuel duty increase for 2010 will be staged, with an increase of one penny per litre on 1 April and one penny per litre on 1 October 2010, then 0.76 pence per litre on 1 January 2011. Fuel duty will also rise by one penny per litre in real terms on 1 April each year from 2011 to 2014; and
- an £8 per tonne increase in the standard rate of landfill tax on 1 April 2014, to encourage alternatives to landfill.

BUDGET MEASURES AND THE IMPACT ON HOUSEHOLDS

I.29 The Government remains committed to supporting households who need it most whilst consolidating the public finances.

I.30 In 2010-11, above indexation increases in tax credits, Child Benefit and disability benefits will provide additional support to low earners, families with children and disabled families, and pensioners will benefit by a 2.5 per cent increase in the basic state pension.

I.31 Above indexation increases in tax credits and child benefit will mean that in 2010-11

- A single earner family on half-median earnings (£13,000) with no children will be better off by £70 a year¹;
- A single earner family on median earnings (£26,000) with 2 children will be better off by £230 a year;
- A lone parent on half-median earnings with 2 children will be better off by £230 a year.

I.32 Since 1997, on average households net income has increased by an estimated £1,450 in 2010-11, compared with the 1997-98 tax and benefit system indexed to 2010-11 prices.

I.33 Consistent with the requirements of the *Code for fiscal stability*, the updated public finance projections in Budget 2010 take into account the fiscal effects of all firm decisions announced in the Budget. The fiscal impact of Budget policy decisions is set out in Table 1.2.

¹ HM Treasury assumptions.

Table 1.2: Budget 2010 policy decisions¹

		(+ve is an Exchequer yield)			£ million	
	Head	2010-11 indexed	2011-12 indexed	2012-13 indexed	2010-11 non-indexed	
Supporting Business						
1	Capital gains tax: increase in Entrepreneurs' relief to £2m from 2010-11	Tax	-5	-75	-90	-5
2	Annual investment allowance: increase to £100,000 from 2010-11	Tax	-30	-120	-110	-30
3	Business rates: temporary increase in relief for small businesses	Tax	-210	-205	+5	-210
4	Tax relief for video games industry	Tax	0	-40	-50	0
5	HMRC: enhanced online services for SMEs	Spend	-20	-	-	-20
6	Small business credit adjudicator	Spend	-5	-	-	-10
7	Support for university places and innovation	Spend	-385	-	-	-385
8	Investment in transport	Spend	-385	-	-	-385
9	Reprioritised spending from BIS and DfT	Spend	+230	-	-	+230
10	Reprioritised spending from DWP: extend Young Person's Guarantee ²	Spend	+475	-	-	0
Helping People Fairly						
11	Fuel duty: phase increase	Tax	-550	0	0	+850
12	Individual savings account: indexation from 2011-12	Tax	0	*	-5	0
13	SDLT: temporary relief for first time buyers	Tax	-230	-290	-30	-230
14	SDLT: properties over £1m from 2011-12	Tax	+90	+70	+230	+90
15	Support for Mortgage Interest	Spend	-165	-	-	-165
16	Housing benefit reform ³	Spend	0	-	-	0
17	Reduction in social security fraud and error	Spend	+115	-	-	+115
18	Child tax credit: £4 supplement for children aged 1 and 2 from 2012-13 ⁴	Spend	0	-	-	0
19	Working tax credit: extend eligibility for over 60s from 2010-11	Spend	-10	-	-	-10
20	Additional age related payment to pensioner households	Spend	-600	-	-	-600
21	Saving Gateway: funding	Spend	-10	-	-	-10
Delivering on Environmental Goals						
22	EU Emissions Trading Scheme auctions: amendments	Tax	0	-10	0	0
23	VED: HGVs	Tax	-10	-10	-15	0
24	Company car tax: ultra-low carbon cars	Tax	0	0	-5	0
25	Aggregates levy rate	Tax	0	+5	+5	0
26	Landfill tax: increase in 2014-15 ⁵	Tax	0	0	0	0
27	Enhanced capital allowances: amendments	Tax	+5	+5	+5	+5
Ensuring Sustainability of the Public Finances						
28	Alcohol duty: increase in rates in 2013-14 and 2014-15 ⁶	Tax	0	0	0	0
29	Cider duty: increase in rates in 2010-11	Tax	+15	+15	+15	+30
30	Tobacco duty: increase in rates from 2010-11 to 2014-15	Tax	+35	+95	+155	+140
31	Fuel duty: increase in rates in 2014-15 ⁷	Tax	0	0	0	0
32	Inheritance tax: freeze threshold from 2011-12 to 2014-15 ⁸	Tax	0	+35	+110	0
Protecting Revenue and Administrative Changes						
33	Gifts of qualifying investments to charities	Tax	+15	+15	+15	+15
34	Liechtenstein Disclosure Facility ⁹	Tax	+40	+320	+140	+40
35	Remittance basis: avoidance	Tax	+5	+5	+5	+5
36	Loans to participators	Tax	+15	+15	+15	+15
37	Double Tax Relief: avoidance	Tax	0	+75	+80	0
38	Share Incentive Plans: avoidance	Tax	+20	+20	+20	+20
39	Transactions in securities	Tax	+170	+65	+65	+170
40	Enhanced disclosure regime	Tax	+25	+50	+50	+25
41	Partnerships: avoidance of SDLT	Tax	+70	+80	+90	+70
42	Mixed use assets: VAT treatment	Tax	+15	+65	+60	+15
43	Extend financial securities	Tax	0	*	+5	0
44	Charity and trust tax reliefs: amendments	Tax	-15	-35	-60	-15
45	VAT: Place of supply of energy products	Tax	-125	0	0	-125
TOTAL POLICY DECISIONS:			-1,415	+150	+705	-365

– Included within the existing spending growth assumptions for 2011-12 onwards.

* Negligible

¹ Costings reflect Budget 2010 economic forecast and assumptions.

² The extension of the Young Persons's Guarantee in 2011-12 costs £450m.

³ The estimated yield of this measure rises to £50m in steady state.

⁴ The estimated cost of this measure is £180m from 2012-13.

⁵ The estimated yield of this measure is £70m in 2014-15.

⁶ The estimated yield of this measure is £105m in 2013-14, and £190m in 2014-15.

⁷ The estimated yield of this measure is £425m in 2014-15.

⁸ This is in addition to the inheritance tax measure announcement at 2009 Pre-Budget Report set out in Table A2.

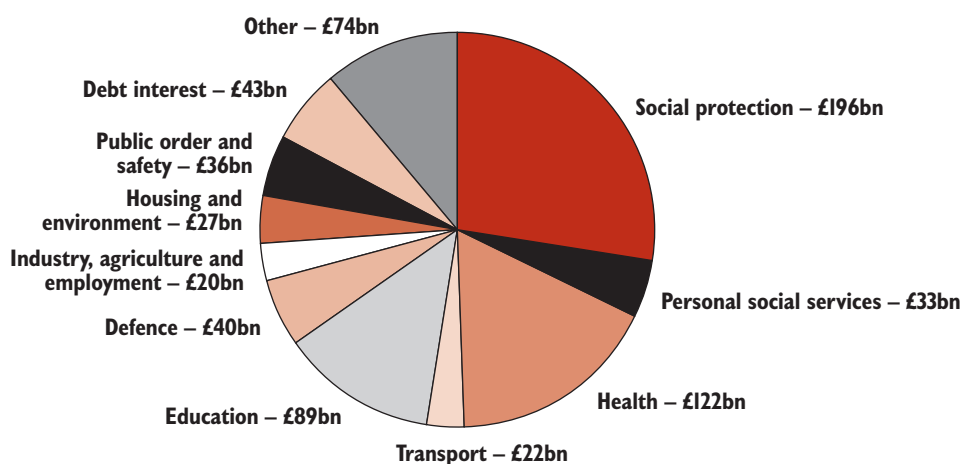
⁹ The estimated yield for this measure is partly based on operational data since December 2009.

GOVERNMENT SPENDING AND REVENUE

I.34 Chart 1.1 presents public spending by main function. Total Managed Expenditure (TME) in 2010-11 is expected to be around £704 billion. TME is divided into Departmental Expenditure Limits (DEL), shown in table C11 of the FSBR, and Annually Managed Expenditure (AME), shown in table C9 of the FSBR.

Chart 1.1: Government spending by function

Total managed expenditure: £704 billion

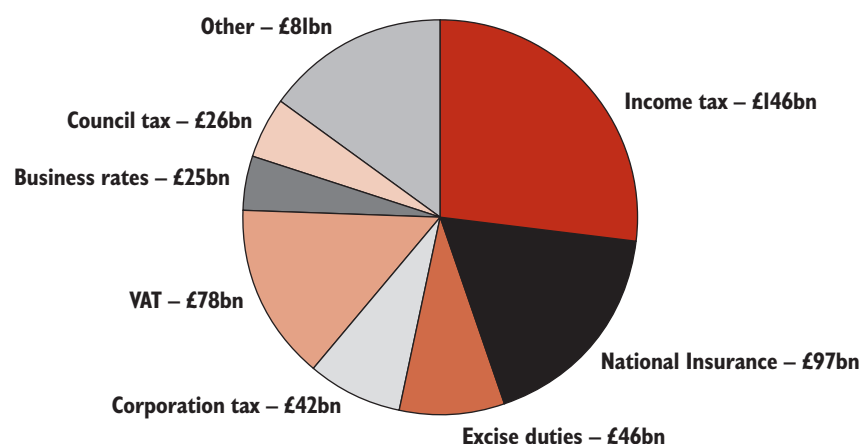


Source: HM Treasury 2010-11 near-cash projections. The allocation of spending to functions is largely based on the United Nations' Classifications of the Functions of Government (COFOG). Other expenditure includes general public services (including international services); recreation, culture, and religion; public service pensions; plus spending yet to be allocated and some accounting adjustments. Social protection includes tax credit payments in excess of an individual's tax liability, which are now counted in AME, in line with OECD guidelines. Figures may not sum due to rounding.

I.35 Chart 1.2 shows the different sources of government revenue. Public sector current receipts are expected to be around £541 billion in 2010-11. Table C6 of the FSBR provides a more detailed breakdown of receipts consistent with this chart.

Chart 1.2: Government receipts

Total receipts: £541 billion



Source: HM Treasury, 2010-11 estimates. Other receipts include capital taxes, stamp duties, vehicle excise duties and some other tax and non-tax receipts – for example, interest and dividends. Figures may not sum to total due to rounding.

