



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

1<sup>st</sup> November 2018

Dear Colleague,

On Monday the Chancellor set out a Budget that showed the hard work of the British people is paying off with record levels of employment, strengthening public finances and real wages rising. That hard work has enabled us to invest in supporting our public services- providing the £20.5bn real terms increase to the NHS budget by 23/24, and to cut income tax for 32 million people whilst freezing fuel, beer and spirits duties so people can keep more of what they earn.

But we know that the only sustainable way to deliver increases in household incomes and living standards is by boosting growth and productivity. I wanted to set out some of the action we took to do that in this Budget, which your constituents can benefit from.

### *Upgrading our transport network*

- Budget announced the **largest ever strategic roads investment** package, including £28.8bn for the **National Roads Fund** between 2020 and 2025.
- We set out the draft **Roads Investment Strategy 2**, which includes projects such as the **A1(M) link to Newcastle**, the **A66 Trans- Pennine**, the **Oxford- Cambridge Expressway** and the **Lower Thames Crossing**.
- We allocated **£420m** to support the maintenance and **improvement of local roads**, including **potholes and bridge repair in 18/19**. And made **£150 million** available to local authorities for **small improvement projects**, such as **roundabouts**, to ease **congestion** in our communities and boost productivity.

- We extended the **Transforming Cities Fund (TCF)** for a further year providing an **additional £770m** to benefit passengers, commuters and motorists across England. £220m will be allocated to Mayoral areas and **£440m will help support a further two city regions** in addition to the ten previously short listed for funding.
- And we committed up to an **additional £37m** to support the development of **Northern Powerhouse Rail** to improve connections and enhance productivity across the region.

### *Investing in our infrastructure*

- We are **increasing the National Productivity Investment Fund (NPIF)** from **£31bn to £37bn**, and extending it for an extra year to invest in projects most crucial for productivity and growth across the UK.
- We'll use **£200m** to ensure **every primary school** that would otherwise never have had access to high-quality broadband can leapfrog to **full fibre** and act as a hub for their community to do so as well. It will include areas like the **Borderlands, Welsh Valleys and Cornwall** within the first phase and supports our objective of a **nationwide full fibre network by 2033**.
- And we're extending and **increasing the Housing Infrastructure Fund to £5.5bn** to unlock homes in high demand areas, including a £291m of investment to unlock 18,000 homes in East London.

### *Backing innovation and new technology*

- We're allocating **£1.6bn** to support ground breaking research and development, including in revolutionary new technologies like **quantum and nuclear fusion** and our **Digital Catapult Centres**.
- We'll use some of that funding to invest **£120m** in supporting manufacturers to **adopt digital technology**, such as robotics through the **Made Smarter initiative** which we have already started piloting in the North West of England.

- And we'll use more to back innovation across the country by providing an **extra £120m for the Strength in Places Fund** which will support science and technology clusters throughout the UK.
- We're establishing a **£315m Industrial Energy Transformation Fund** to support businesses with high energy use to transform to a low carbon future and increase their competitiveness.
- And we're seeking to achieve greater innovation in regulated utilities by launching a **consultation on how our regulatory system can be improved**.

### *Backing Business to invest and grow*

- We're increasing the **Annual Investment Allowance from £200k to £1m** for two years to support firms invest and grow.
- We're introducing a **new structures and buildings allowance of 2%** to support our businesses build new and renovate existing commercial buildings.
- We will **support investment in intangible assets by UK companies** through introducing a targeted relief for the goodwill in the acquisition of businesses with intellectual property.
- We committed to maintaining the **highest VAT threshold in the EU and OECD** for another two years.
- We've already delivered the government's ambition to have the **lowest Corporation Tax rate in the G20 at 19%**, and we've legislated for it to **fall to 17% in 2020**.
- We're building on our action plan to **unlock £20bn of finance** for innovative high-growth firms at Autumn Budget 2017 with a package of measures to enable **Defined Contribution pension schemes to invest in growing UK business**. Leading pension providers including Aviva, L&G, HSBC, NEST, The People's Pension and Tesco Pension Fund have also committed to work with the British Business Bank to explore options for **pooled investment in patient capital**.

- We're enabling **up to 10,000 entrepreneurs to secure start-up finance** by extending the **Start-Up Loans Company Programme to 2021** to ensure the UK remains one of the best places in the world to start a business.
- We're working with industry and business schools to create a **Small Business Leadership Programme** to provide 2,000 management training places next year and investing **£25m in the Knowledge Transfer Partnership** scheme to place 200 graduates and academics in businesses to translate their research into business growth.

### *Our Plan for the High Street*

- We're supporting our high streets and town centres to evolve as consumer behaviour changes. Through **Our Plan for the High Street** we are:
  - Cutting business rates by a **third for up to 90%** of retail properties.
  - Creating a **£675m Future High Streets Fund** to help local areas make their high streets and town centres fit for the future.
  - Consulting on **planning reforms** to make it simpler to create more homes, jobs and choice in town centres.
  - Establishing a **High Street Task Force** to provide expert advice to local leadership on helping the high street adapt and thrive.
  - Strengthening the **community assets on our high streets** including **restoring historic buildings**, helping community groups use empty properties, providing **100% business rates relief for public toilets** and **continuing the business rates discount for local newspaper offices**.
  - **Piloting registers of empty shops** with local authorities to help businesses take up empty properties.

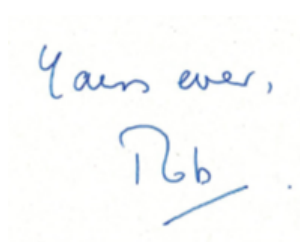
## *Supporting regional growth*

Budget delivered for every part of the country and I'll be writing to colleagues separately to set out what Budget announced for your individual region, but I wanted to set out some of the measures to support the regional economy here:

- We provided **£5m to support 10 local areas** develop proposals for new **University Enterprise Zones** to support collaboration between universities and businesses, support scale ups and start ups and disseminate management skills.
- We will consult on the legal framework and launch a **£10m fund** to enable local areas to generate locally led proposals for new business backed **Development Corporations**.
- We announced that we will refresh both the **Northern Powerhouse and Midlands Engine** strategies next year, to ensure they continue to deliver for their regions.

Together these policies help to bring public investment to the highest sustained levels in 40 years.

As ever, if I can provide further information or you would like to contribute to our economic growth and productivity agenda, please don't hesitate to contact me.



**Robert Jenrick**  
Exchequer Secretary to the Treasury