



Budget 2018

Productivity

- **Increasing productivity is the best way to boost wages, improve living standards, and grow the UK economy.**
 - **The Office for Budget Responsibility (OBR) has forecast stronger productivity growth over the next five years. However, productivity growth slowed globally after 2008, and the slowdown was UK particularly acute.**
 - **To increase productivity and growth, the Budget sets out further infrastructure investment, support for new technologies, and help for firms to grow.**
1. This government has made increasing productivity a priority. Since 2010, it has provided over half a trillion pounds in capital investment, increased investment in skills, and reduced taxes for businesses to boost investment. At this Budget, the government takes further action to increase productivity.
 2. **To fund improvements to our roads, the Budget announces:**
 - **a £28.8 billion National Roads Fund** which will fund vital improvements to our road network over 5 years from 2020/21, including an expected record investment in the strategic road network of £25.3bn.
 - **a £420 million increase in spending on local roads maintenance in 2018/19, including potholes, and a £150 million funding pot for a new competition for small improvements** at local pinch points has been created.
 3. **The National Productivity Investment Fund is increasing to a total of £37 billion**, to further increase investment in areas that are important for economic growth. At this Budget, NPIF funds are being used to:
 - **Unlock more new homes in high demand areas by spending an extra £500 million on the Housing Infrastructure Fund and extending it to 2023/24.**
 - **Boost funding for local transport across England, announcing a further £770 million for the Transforming Cities Fund, creating a £90 million Future Mobility Zones fund so local areas can trial new ways of providing transport services, and providing £675 million for a Future High Streets Fund to support and fund local areas' plans to make their high streets and town centres fit for the future.**
 - **Ensure no area is left behind in the transition to full fibre, with £200 million committed to pilot new approaches to rollout in rural areas, starting with primary schools. This will include in the first wave the Borderlands, Cornwall, and the Welsh Valleys. We are also publishing two consultations to make it easier for network operators to install next-generation digital infrastructure to new builds and properties occupied by tenants.**

4. **To support new technologies, the Budget announces:**

- The allocation of £1.6 billion to support the development of cutting edge technologies which back our Industrial Strategy such as quantum computing, Artificial Intelligence, digital manufacturing and nuclear fusion

5. **To help firms to grow, the Budget announces:**

- an expansion of Innovate UK's Knowledge Transfer Partnerships programme, to get over 200 additional postgraduates with relevant skills placed into businesses
- the extension of the start-up loans programme by a further year

6. **To improve access to skills, the Budget announces:**

- £20 million to fund pilots in Manchester to test course subsidies for the self-employed, address local digital skills gaps, and provide on-the-job training for young unemployed people.
- £10 million to pilot methods to help schools retain maths and physics teachers.
- £60 million to reduce the apprenticeships levy co-payment rate from 10% to 5%.

Table 4.1: National Productivity Investment Fund (£ million)¹

| | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 ² | 2022-23 ² | 2023-24 ² |
|--|--------------|--------------|--------------|--------------|----------------------|----------------------|----------------------|
| Housing | | | | | | | |
| Accelerated Construction | 0 | 345 | 170 | 200 | - | - | - |
| Affordable Housing | 495 | 605 | 1,215 | 610 | - | - | - |
| Housing Infrastructure Fund | 0 | 355 | 1,165 | 1,140 | 1,070 | 1,190 | 1,590 |
| Small sites infrastructure and remediation | 0 | 275 | 355 | 120 | - | - | - |
| Land Assembly Fund | 0 | 0 | 220 | 355 | 355 | 355 | - |
| Transport | | | | | | | |
| Roads and local transport | 365 | 360 | 290 | 415 | 90 | 90 | - |
| Next generation vehicles | 75 | 145 | 155 | 115 | - | - | - |
| Digital railway enhancements | 30 | 55 | 165 | 285 | - | - | - |
| Cambridge - Milton Keynes – Oxford Arc | 5 | 135 | 0 | 0 | - | - | - |
| Transforming Cities Fund | 0 | 140 | 355 | 485 | 1,010 | 910 | - |
| Future High Streets Fund | 0 | 0 | 5 | 75 | 220 | 240 | 195 |
| Tyne & Wear Metro | 0 | 0 | 25 | 35 | 265 | - | - |
| Digital Infrastructure | | | | | | | |
| Fibre and 5G investment | 25 | 150 | 275 | 290 | - | - | - |
| Research and Development | | | | | | | |
| Research and Development funding | 425 | 820 | 1,520 | 2,000 | 2,325 | - | - |
| Total | 1,420 | 3,385 | 5,915 | 6,125 | 6,955 | 6,500 | 7,250 |

¹ Gross costs are presented on a UK basis.

² Further allocations will be made at future fiscal events.

Source: HM Treasury calculations