



---

# Budget 2020

The Impact on  
UK Construction

March 2020



---

## About Glenigan

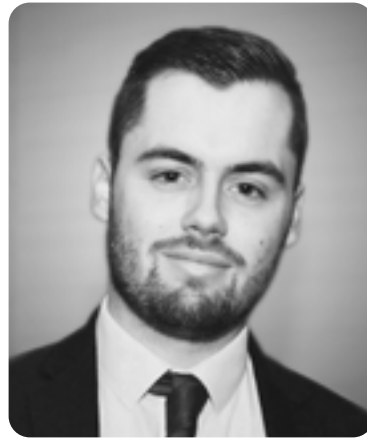
Established in 1973, Glenigan invests millions of pounds and makes over a million research telephone calls per year to provide details on every construction project in the UK. This enables us to provide the most up-to-date and comprehensive construction sales leads and analysis, to help companies win new business. We also have exclusive partnerships with key industry associations such as the Considerate Constructors Scheme, the Builders' Conference and the Building Research Establishment (BRE), enabling us to offer project data that's not available elsewhere in the market.

---

# About the authors



Allan Wilen BSc (Hons),  
Glenigan Economics Director



Rhys Gadsby BSc (Hons),  
Glenigan Economic Analyst

Allan heads up Glenigan's Economics Unit and has over 30 years' experience in providing insightful market analysis and forecasts on UK construction and the built environment. Following 20 successful years as Economics Director at the Construction Products Association, Allan joined Glenigan 12 years ago. During this time Allan and his team have helped hundreds of businesses confidently develop their market strategies.

Allan sits on the Consulting Committee on Construction Industry Statistics for the Dept for Business (BEIS), is member of a Construction Leadership Council working group and is a guest lecturer in construction at the University of Reading.

Rhys joined Glenigan in 2019 and is responsible for the research behind the Glenigan Index, sector analysis for the Glenigan Construction Review, and is a regular contributor to bespoke reporting for customers.

---

## COVID-19

The COVID-19 pandemic will have a major effect on construction activity over the coming months. What this will mean for projects and investment in the short term is unclear, however the Chancellor's 2020 Budget outlined considerable investment for the UK's long-term infrastructure needs, and this report is based on his Budget released on Thursday 12th March 2020.



---

## Introduction

This year's Budget places a welcome and long overdue emphasis upon greater investment in the nation's infrastructure and built environment. The increased investment will lift UK productivity and help reshape the economy to face a post-Brexit world. The funding increases confirm expectations in our recent construction forecasts that publicly funded areas such as roads, rail and social housing will be important growth areas for the industry over the next two years.

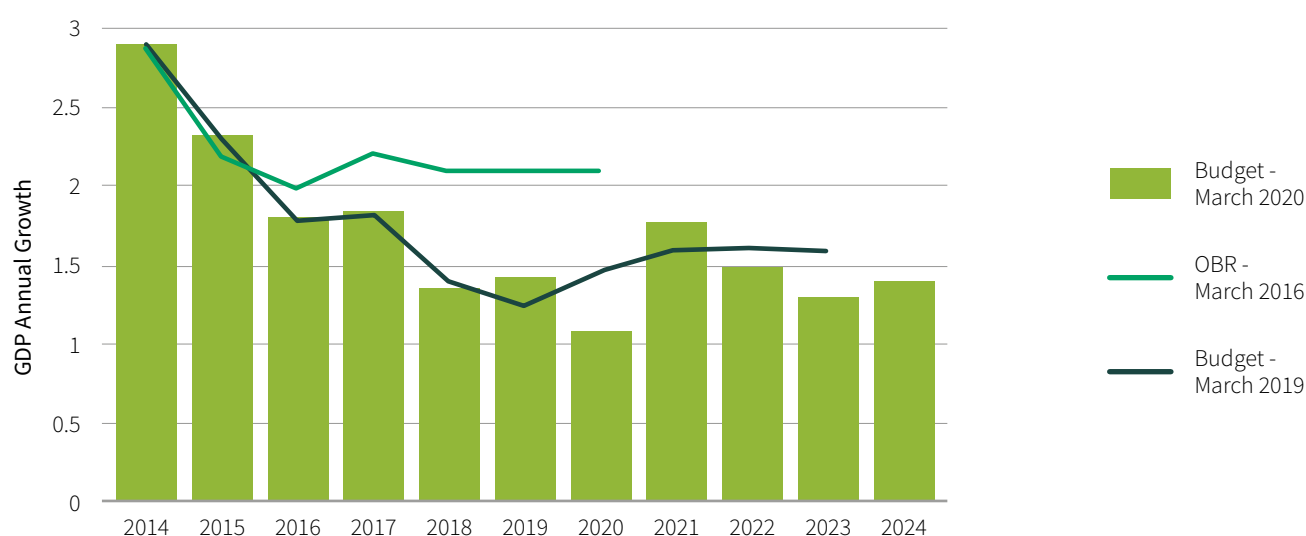


## Economy

UK economic growth will remain subdued over the next five years. Whilst the substantial increase in government spending is expected to add 0.5 percentage points to the economy during 2020 and 2021, annual growth will still be weak, averaging 1.4% a year over the next five years.

Overall the Office of Budgetary Responsibility (OBR) has downgraded its forecasts for the UK economy against its previous forecast published a year ago. The OBR has undertaken successive downgrades since 2016.

**Chart 1: UK economy forecast**



Source: Office of Budgetary Responsibility (OBR)

**Table 1: OBR forecast for the UK economy**

	2018	2019	2020f	2021f	2022f	2023f	2024f
UK economy (GDP)	1.3	1.4	1.1	1.8	1.5	1.3	1.4
Consumer spending	1.6	1.3	1.1	1.2	1.2	1.4	1.4
General government spending	0.4	3.6	3.7	2.8	2.1	1.9	2.2
Business investment	-1.5	0.3	0.0	1.8	3.0	2.4	2.3
Public sector investment	1.3	2.1	1.9	10.9	4.6	1.8	1.2

Source: Office of Budgetary Responsibility (OBR)

The OBR anticipates that the UK economy will grow by 1.1% this year. This compares with growth of 1.4% in 2019 and a trend growth rate of over 2%. The sluggish growth reflects a weak rise in household spending, flat business investment and a forecast drop in investment in private dwellings.

UK economic growth is forecast to pick up to 1.8% next year in large part due to a sharp 11% rise in public sector investment. Growth moderates during the subsequent three years.

The OBR forecasts accompanying the Budget were prepared before the Coronavirus became established in the UK. The forecasts do not reflect the impact of the now global spread of COVID-19 or an outbreak in the UK. This suggests that UK growth is highly likely to be lower than forecast this year, although the extent of the downturn is unclear.



## Investing in the Built Environment

Despite the chancellor having to address more immediate threats, the Budget also commits the Government to a substantial and sustained increase in investment in the nation’s infrastructure and built environment.

The Government will outline its plans to transform the UK’s economic infrastructure in its National Infrastructure Strategy later in the spring. Ahead of the strategy’s publication the Budget provides some insight into key infrastructure pledges.

Departmental capital budgets reveal the Government’s immediate investment priorities. Departmental budgets will total £88.5 billion in 2020/21, a 24% rise on the previous financial year. Key construction related departments are to receive a sharp rise in funding. Transport capital funding will increase by 21% in the current financial year to £17.6 billion in 2020/21. Ministry for Housing & Communities will receive the sharpest increase, jumping by 56% to £13.1 billion. Health capital funding will rise by a more modest 15% to £8.2 billion, while Education capital funding actually drops 2% to £4.5 billion.

**Chart 2: Capital funding for key construction related departments**



Source: HM Treasury

### STRATEGIC ROAD NETWORK

Alongside the Budget, the Department of Transport has published its investment plans for England’s strategic road network. The second Road Investment Strategy (RIS2) will spend over £27 billion between 2020 and 2025 on the English strategic road network. The strategy includes a £19.9 billion programme of capital renewals and enhancements. This is a 76% increase on the £11.4 billion capital programme in the previous RIS.



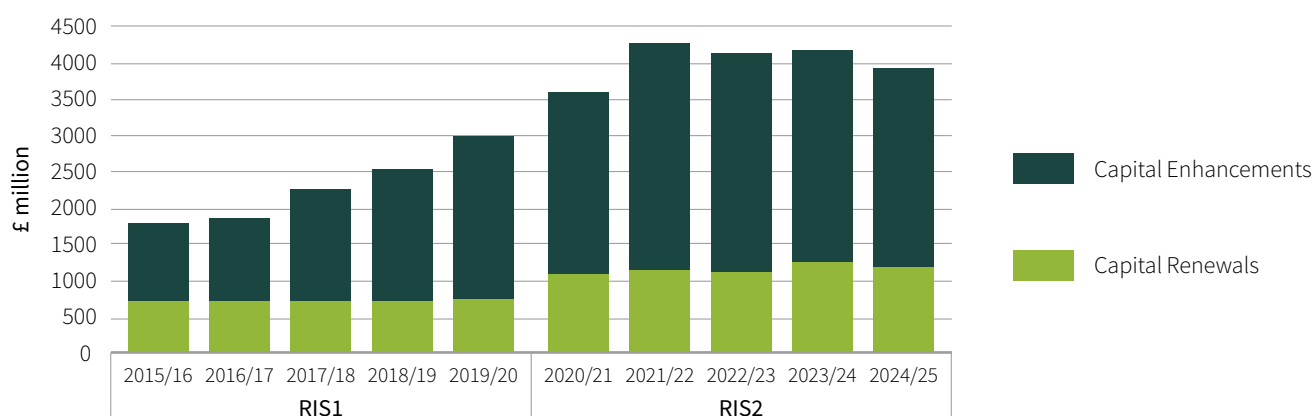
**Table 2: Road Investment Strategy 2 for the English strategic road network**

£ million		2020/21	2021/22	2022/23	2023/24	2024/25	RIS 2 Total
<i>Operations, maintenance renewals and business costs</i>	Resource	1,201	1,160	1,199	1,221	1,293	<b>6,074</b>
	Capital	1,098	1,145	1,113	1,276	1,193	<b>5,825</b>
Capital enhancements		2,475	3,076	2,980	2,885	2,702	<b>14,118</b>
Designated funds		159	169	174	184	184	<b>870</b>
Preparing for RIS3		39	59	107	142	124	<b>471</b>
<b>RIS2 Total</b>		<b>4,972</b>	<b>5,609</b>	<b>5,573</b>	<b>5,708</b>	<b>5,496</b>	<b>27,358</b>

Source: Department for Transport

In contrast to capital spending in the previous RIS period, which was back-end weighted, capital expenditure in the forthcoming programme will be more balanced. Capital expenditure is scheduled to rise sharply during 2020/21 and 2021/22 and to then remain steady over the subsequent three years.

**Chart 3: Highways England Capital Spending**



Source: RIS1 & RIS 2 - Department for Transport

Under RIS2 Highways England will start or complete 65 upgrades at combined cost of £14.1 billion. Schemes scheduled to start on site during the next five years include:

- ▶ Dualling the A66 Trans-Pennine ([Project ID: 17343745](#))
- ▶ Upgrading the A46 Newark bypass ([Project ID: 19342016](#))
- ▶ The A303 Stonehenge tunnel ([Project ID: 93148284](#))
- ▶ Lower Thames Crossing ([Project ID: 91161081](#))

In addition, planning and design work will begin on 32 more projects for implementation in future Road Investment Strategies, half of which by value are in the North and Midlands.

## LOCAL TRANSPORT PROJECTS

More locally, the Government confirmed allocations of over £1 billion from the Transforming Cities Fund. This will deliver a range of local schemes, including an iconic new Central Park Bridge in Plymouth, and an increase in the capacity of the Tyne and Wear Metro. This increase will also include around £800 million for bus and cycling infrastructure.

The government also committed £4.2 billion from 2022-23 for five-year funding settlements for eight Mayoral Combined Authorities (in West Yorkshire, Greater Manchester, West Midlands, Liverpool City Region, Tyne and Wear, West of England, Sheffield City Region and Tees Valley). This will enable the mayors to implement long-term transport investment plans for their cities.

A new Potholes Fund was also announced. This should provide a more immediate boost to construction workload. The fund will provide £500 million a year, resulting in a 50% increase to local road maintenance budgets in 2020-21.

Furthermore, the Budget confirms the development of 15 local road upgrades across the country. These include improvements to the A350 in Wiltshire and a dual carriageway in Warwickshire.

The government also announced it is investing £20 million to develop the Midlands Rail Hub.

## FLOOD DEFENCES

The Budget saw significant proposals to protect against flooding. The Government has announced it will double the amount it invests in the flood and coastal defence programme in England to £5.2 billion over six years, further protecting 336,000 homes. It was also announced that £120 million is being made available to the Environment Agency to repair assets damaged by this winter's storms. In addition the Government has promised to provide £200 million over the next six years for a place-based resilience programme, supporting over 25 local areas where flooding and coastal erosion is inevitable.



## Housing

The government declared a £10.9 billion increase in housing investment to support the commitment to build at least 1 million new homes by the end of the Parliament, an average of 300,000 homes a year by the mid-2020s.

Further to this, an ambitious £12.2 billion fund for the Affordable Homes Programme was announced; the largest investment in affordable housing for a decade.

A £400 million fund for Mayoral Combined Authorities and local areas to establish housing on brownfield land across the country was also announced. This will allow Mayors and local councils to bring forward proposals to get the most out of unused land in urban areas, potentially utilising sites identified in council's SHLAAS.



---

## Planning Reform

The Budget also announced interesting changes to the planning system. In the spring, the Secretary of State for Housing, Communities and Local Government will set out the reforms along with a Planning White Paper.

Land availability, as constrained by the planning system, is a significant barrier to building more houses. The Secretary of State for Housing, Communities and Local Government will shortly set out comprehensive reforms to bring the planning system into the 21st century, followed by a Planning White Paper in the spring.

These reforms will aim to create a simpler planning system and improve the capacity, capability and performance of Local Planning Authorities (LPAs) to accelerate the development process.

Where LPAs fail to meet their local housing need, there will be firm consequences, including a stricter approach taken to the release of land for development and greater government intervention. The government will also explore long-term reforms to the planning system, rethinking planning from first principles, to ensure the system is providing more certainty to the public, LPAs and developers.





---

## Tax Reliefs

The government had already announced that the Business Rates retail discount will be increased to 50% in 2020-21. However, to support small businesses affected by COVID-19 the government is increasing it further to 100% for 2020-21. The relief will also be expanded to the leisure and hospitality sectors. In addition the Government is undertaking a fundamental review of the business rates regime ahead of the next Budget in the autumn.

As predicted, the government has announced that to promote air quality improvement, it will remove the entitlement to use red diesel for the construction industry from April 2022, with agriculture still exempt. This will force firms to source greener alternatives, with duty on diesel rising from 11p to 58p per litre.





Glenigan work with all types of businesses involved in every stage of the building cycle, helping to shape their business strategies with our knowledge, experience and robust construction data.

We help major corporations, businesses and government agencies alike, helping them to adapt and prepare their businesses for market changes.

---

## SALES

Lead Generation  
Pipeline Management  
Relationship Building  
Industry Intelligence

---

## MARKETING

Email Lists  
Market Analysis  
Market Segmentation  
GDPR Compliant

---

## MANAGEMENT

Competitor Analysis  
Industry Forecasting  
Bespoke Reporting  
Trend Tracking

---

**Contact us today to discuss your strategic business requirements:**

Call **0800 060 8698**

Email **[info@glenigan.com](mailto:info@glenigan.com)**

Visit **[www.glenigan.com](http://www.glenigan.com)**

80 Holdenhurst Road,  
Bournemouth BH8 8AQ

**G Glenigan**