ICAEW

CORONAVIRUS AND THE PUBLIC FINANCES
A FISCAL INSIGHT

28 May 2020

A GLOBAL AND UK FISCAL CRISIS

HUGE ECONOMIC SHOCK COMBINED WITH UNPRECEDENTED FISCAL INTERVENTIONS

The global economy is experiencing a major recession with severe consequences for public finances around the world.

Whole sectors of the economy have been closed down, while governments have borrowed heavily to finance large-scale fiscal interventions in order to mitigate the damage.

A global recession, damaging public finances around the world

- Severe impact on trade, prosperity and tax receipts across the entire planet
- Large-scale fiscal interventions by governments seeking to preserve businesses and jobs
- A massive expansion in public debt to burden future generations

A dramatic transformation in the UK's fiscal position

- Public spending expected to exceed £1tn for the first time
- Fiscal deficit approaching £300bn, with net debt rising from £1.8tn to in excess of £2.2tn

Rebuilding the public finances will be challenging

- Sustainable public investment will be key to driving the economic recovery
- A long-term fiscal strategy is essential to repairing public finances

"In only a couple of months our lives have been turned upside down by the coronavirus pandemic, both from the risks to health and from the impact on the economy. Whole industries have been closed down by government order, while restrictions on individual movements have adversely affected many other aspects of economic activity. A severe recession is underway.

The consequences for public finances around the world and in the UK are extraordinary.

Interventions to support individuals and businesses financially through this difficult time are extremely welcome, but they are increasing public spending substantially just as tax revenues collapse. In many countries – including the UK – public finances are already burdened by high levels of debt, rising costs for health, social care and pensions, while public services are under pressure following a decade of austerity since the financial crisis.

As the insurer of last resort, governments have a major part to play both in minimising the economic damage during this emergency, as well as in rebuilding the economy after the lockdown ends. It will be more important than ever for governments to develop long-term fiscal strategies to put their public finances onto a sustainable path."

Alison Ring
Director, Public Sector, ICAEW

SUMMARY

A global recession, damaging public finances around the world

Oxford Economics in partnership with ICAEW reports severe consequences for public finances around the world from a major global recession affecting trade, prosperity and tax receipts.

Many countries are making large-scale fiscal and monetary interventions to support national economies, with the International Monetary Fund (IMF) predicting public debt across the world could increase by a quarter.

A dramatic transformation in the UK's fiscal position

The Office for Budget Responsibility (OBR) issued an updated coronavirus reference scenario on 14 May 2020 suggesting that the deficit could reach £298bn or 15% of GDP in 2020-21. This is more than five times the forecast of £55bn presented in the Spring Budget 2020 by the Chancellor of the Exchequer a couple of months earlier on 11 March 2020. As a consequence, public spending is expected to exceed £1tn for the first time.

Public sector net debt is likely to exceed £2.2tn by 31 March 2021, although this is cushioned by ultra-low interest rates on new borrowing. Balance sheet risks have increased with a £330bn loans and guarantee package, an expansion by the Bank of England of quantitative easing, and potential impairments of existing assets.

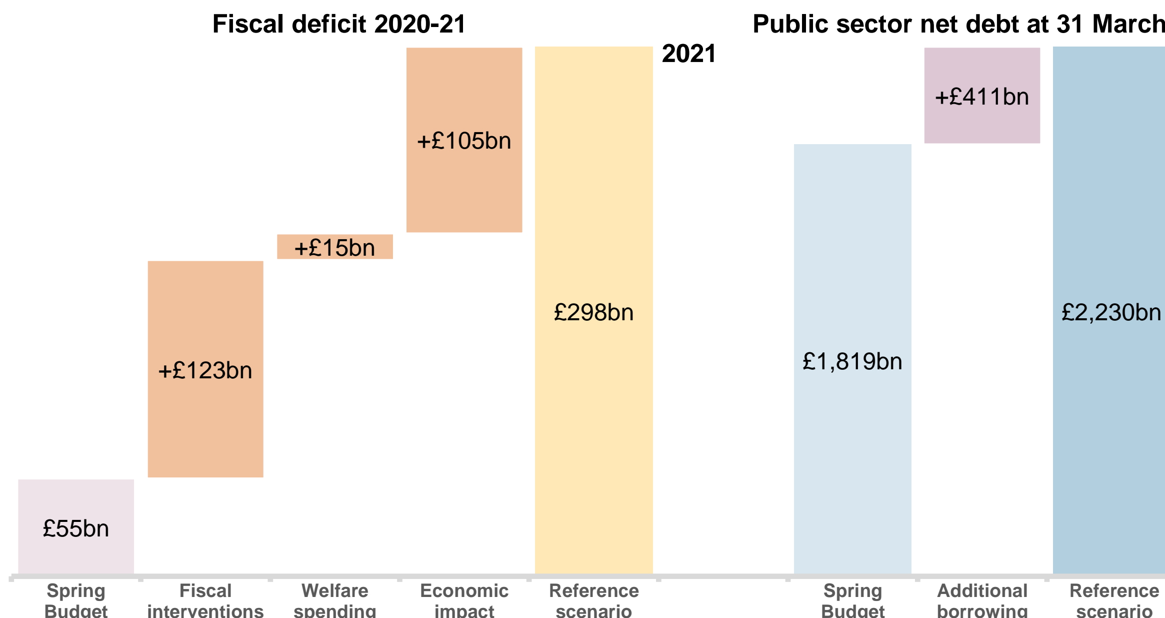
The crisis has also highlighted weaknesses in public sector financial reporting systems that hamper decision making, while a massive short-term effort has been required to build or adapt systems to disburse money. Fraud risks have increased as authorities' focus is elsewhere.

Repairing the public finances will be challenging

Unfortunately, the UK public finances were already on an unsustainable path according to the OBR. While taxes are likely to be higher in the medium to long term, there is a once in a generation opportunity for radical reform of tax and welfare systems.

Sustainable public investment will be key to driving the economic recovery, while a long-term fiscal strategy is needed to put the public finances onto a sustainable footing.

Figure 1 – OBR coronavirus reference scenario II: fiscal implications



Source: OBR, *Coronavirus reference scenario II, 14 May 2020*. Fiscal deficit and public sector net debt exclude Royal Bank of Scotland.

A GLOBAL RECESSION, DAMAGING PUBLIC FINANCES AROUND THE WORLD

A SEVERE ECONOMIC SHOCK

The IMF reports that the COVID-19 pandemic is inflicting high and rising human costs worldwide, with the necessary protection measures severely impacting economic activity. It suggests that the global economy could contract by 3.0% in 2020, a sharp decline much worse than during the 2008–09 financial crisis and an adverse swing of 6.3% from the IMF's last formal projection in October 2019. Oxford Economics reports that it now expects a contraction of 4.7% in 2020.

Table 1 sets out the IMF's scenario, with negative economic growth in the majority of countries across the globe. A projected contraction of 6.1% in advanced economies is partially offset by a small amount of positive growth in some emerging and developing economies: principally China and India. In the IMF's baseline scenario, which assumes that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound, the global economy is projected to grow by 5.8% in 2021 as economic activity normalises, helped by policy support.

Table 1 – IMF World Economic Outlook: projected economic growth

	2019	2020	2021	2019 GDP £tn
USA	2.3%	-5.9%	4.7%	17.1
EU (27 countries)	1.7%	-7.1%	4.8%	12.4
China	6.1%	1.2%	9.2%	11.3
Japan	0.7%	-5.2%	3.0%	4.1
India	4.2%	1.9%	7.4%	2.3
United Kingdom	1.4%	-6.5%	4.0%	2.2
Indonesia, Thailand, Malaysia, Philippines, Vietnam	4.8%	-0.6%	7.8%	2.1
Brazil	1.1%	-5.3%	2.9%	1.5
Canada	1.6%	-6.2%	4.0%	1.4
Russia	1.3%	-5.5%	2.9%	1.3
South Korea	2.0%	-1.2%	3.4%	1.3
Australia	1.8%	-6.7%	6.1%	1.1
Mexico	-0.1%	-6.6%	3.0%	1.0
Rest of the world	n/a	n/a	n/a	9.9
Advanced economies	**1.7%**	**-6.1%**	**4.5%**	**41.2**
Emerging market and developing economies	**3.7%**	**-1.0%**	**6.6%**	**27.8**
World output (purchasing power parity)	**2.9%**	**-3.0%**	**5.8%**	
World output (market exchange rates)	2.4%	-4.2%	5.4%	**69.0**

Source: IMF, *World Economic Outlook, April 2020* (growth rates), *World Economic Outlook Database, October 2019* (2019 GDP).

Other economic forecasters are also predicting significant contractions in global economic activity, with the OECD suggesting that for each month of containment there will be an estimated loss of 2 percentage points in annual GDP growth. The OECD also reports that remittances from migrant workers back to families in low- and middle-income nations could fall by as much as 20%, causing significant damage to household incomes and public finances in the developing world.

On 19 May 2020, the US Congressional Budget Office (CBO) predicted a 5.6% contraction in the US economy in 2020 and growth of 4.2% in 2021, similar to the IMF's prediction of a 5.9% contraction followed by 4.7% growth.

The European Commission is similarly close to the IMF in its projection for an economic contraction in the EU of 7.5% in 2020, but its growth expectation for 2021 is higher at around 6%. Oxford Economics predicts growth in China of 0.8% in 2020, lower than the IMF's projection.

The potential for second or third waves of the pandemic in late 2020 and early 2021 could cause the global economy to contract even more or to recover more slowly in 2021, further damaging public finances around the world.

GOVERNMENTAL RESPONSES ON A GRAND SCALE

Governments around the world have intervened to support businesses and individuals financially, ranging from tax cuts, grants and support payments through to expanding welfare provision, together with extra money for public services. They have extended credit to businesses through tax deferrals, loans and guarantees, as well as working with financial institutions to defer loan and mortgage repayments and to suspend normal bankruptcy rules.

Many developed countries have introduced furlough arrangements for private sector employees, providing government funding for those not able to work during the pandemic, a costly approach that is hoped will preserve jobs and enable a much more rapid economic recovery. The IMF has stated that it is responding to calls for emergency funding from 102 countries.

When combined with the effect of the pandemic on tax receipts, the consequence on fiscal deficits is substantial, as shown in Table 2.

Table 2 – IMF World Economic Outlook: selected country fiscal deficits for 2020

Fiscal deficit / GDP in 2020	**October forecast**	**April forecast**	***Change***
US	-5.5%	-15.4%	*-9.9%*
EU – Germany	1.0%	-5.5%	*-4.5%*
EU – France	-2.4%	-9.2%	*-6.8%*
EU – Italy	-2.5%	-8.3%	*-5.8%*
EU – Spain	-1.9%	-9.5%	*-7.6%*
China	-6.3%	-11.2%	*-4.9%*
Japan	-2.2%	-7.1%	*-4.9%*
UK	-1.5%	-8.3%	*-6.8%*

Source: IMF, *World Economic Outlook, April 2020* and *October 2019*.

Oxford Economics believes fiscal deficits could increase to as much as 20% of GDP in some advanced economies, with deficits of just under 18% in the US, over 8% on average across the Eurozone, 9.5% in Japan and 12.5% in the UK.

The CBO reported in April that it expects the US fiscal deficit to reach $3.7tn (17.9% of GDP) in 2020, higher than the IMF estimate and a significant jump from the CBO's January 2020 baseline forecast of $1.1tn (4.6% of GDP).

The European Union (EU) has agreed to lift its limits on the level of borrowing permitted by countries in the Eurozone above 3% of GDP, with many member states likely to exceed that by several multiples as they launch large-scale fiscal interventions, as well as supporting member states such as Italy by expanding access to its solidarity fund to cover spending on healthcare. Germany has moved from generating a fiscal surplus of €13bn in 2019 to an amended budget with a deficit of €169bn. This reflects a range of measures including €50bn of direct grants to smaller businesses, €100bn in equity investments in larger corporates, tax deferrals worth up to €500bn and €86bn in other measures. France, Italy and Spain and most other EU member states are borrowing significant sums to fund fiscal interventions and plug shortfalls in tax receipts.

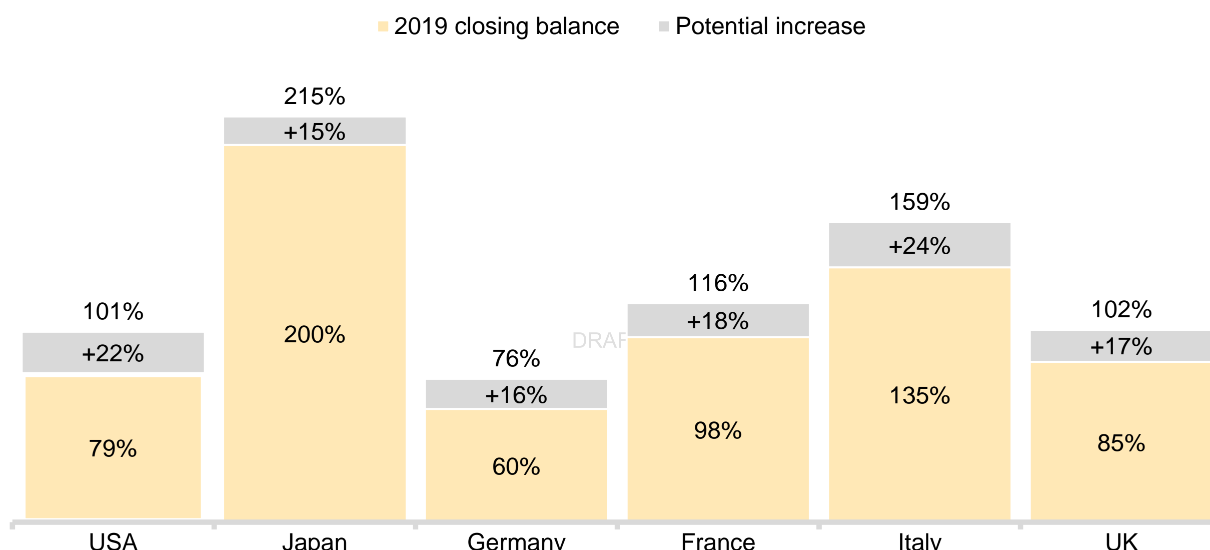
China's fiscal deficit is expected to almost double, reflecting significant fiscal interventions to support its domestic industries and to supplement a comparatively less-developed welfare state.

PUBLIC DEBT TO SOAR

The IMF suggest that global general government net debt could increase from 69.4% of GDP in 2019 to 85.3% in 2020, a 23% increase in the global debt/GDP ratio. Oxford Economics suggest that public debt could increase by 10% to 20% of GDP by 2021 in most advanced economies.

In the US, the CBO expects public debt to reach $20.6tn or 101% of GDP by the end of 2020 compared with its January baseline forecast of $17.9tn or 78% of GDP. Similarly, the European Commission expects public debt to GDP in the EU to increase from 79% to around 95% in 2020, not including the €500bn borrowing proposed by the EU itself. One of the big concerns is Italy, where debt could increase to 159% of GDP this year, increasing the risks to the already weakened public finances of a key economy in the Eurozone and the European Union.

Figure 1 – Debt / GDP at the end of 2020



Sources: US Congressional Budget Office, Preliminary look at federal deficits in 2020 and 2021 (federal debt held by the public); Japan Ministry of Finance (long-term debt incl. local governments); European Commission, Spring 2020 Economic Forecast (general government gross debt).

However, extremely low interest rates for advanced economies mean the incremental cost will be relatively small, or even negative. At 27 May 2020 ten-year government bond yields were US 0.70%, Japan 0.00%, Germany -0.43%, France -0.01%, Italy 1.50% and UK 0.20%.

CENTRAL BANK INTERVENTIONS

Central banks have been active in supporting national economies with monetary policy interventions. These include cutting interest rates and injecting liquidity into the financial system through quantitative easing purchases of government and corporate bonds. They have also adjusted reserve requirements for commercial banks to permit increased lending.

Some central banks are lending directly to commercial banks and others to provide finance to struggling businesses, subject to government guarantees in the event of default.

In the US, the Federal Reserve initially announced that it planned to purchase $700bn in US government debt and mortgaged-back securities but has since extended this to an unlimited amount. It is also expanding its direct lending activities to large corporates. Similarly, the European Central Bank (ECB) announced plans to purchase €750bn in public and private sector securities as part of a pandemic emergency purchase programme, while the Bank of Japan has said it will quadruple its purchases of corporate debt and buy an unlimited amount of government bonds if necessary. The Bank of England has announced an increase in its quantitative easing programme from £435bn to £635bn, an additional £100bn in low-cost lending to commercial banks under its Term Funding Scheme, and unlimited purchases of corporate commercial paper.

The expansion of quantitative easing and lending activities will increase the size of central bank balance sheets, increasing exposures to bad debts and to movements in short-term interest rates until quantitative easing programmes are unwound, which may take many years to achieve.

A DRAMATIC TRANSFORMATION IN THE UK'S FISCAL POSITION

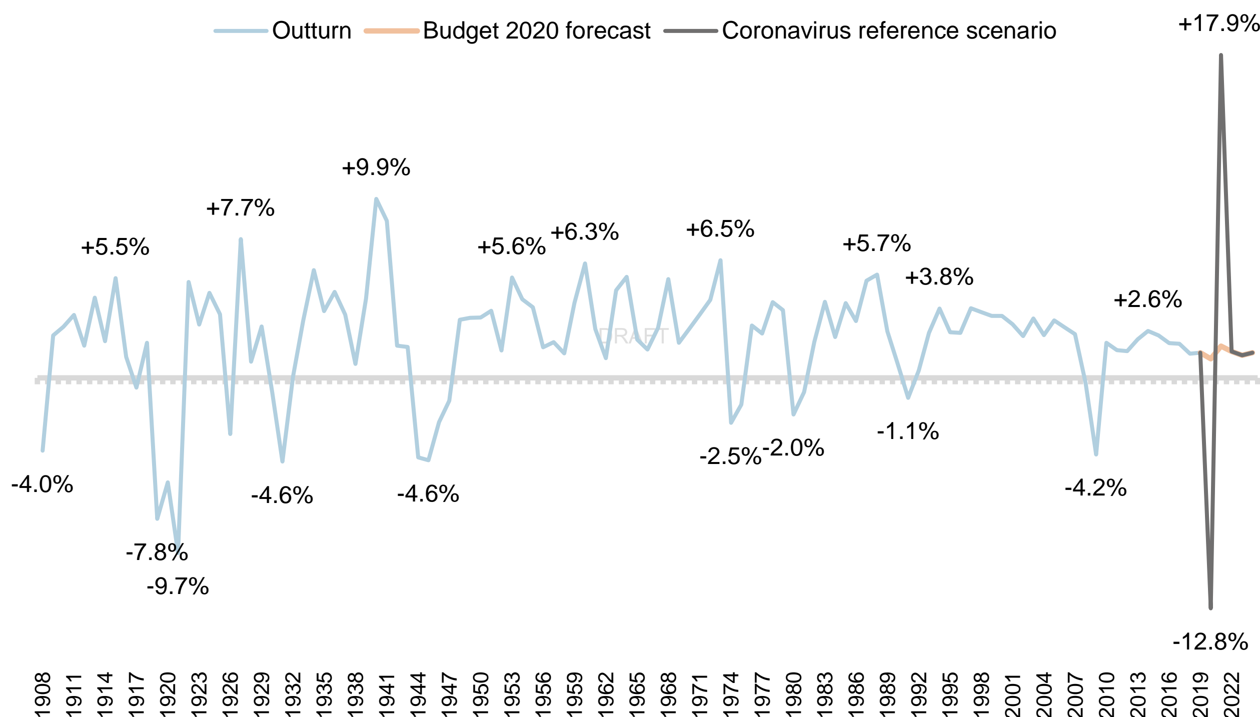
A SEVERE SHOCK TO THE UK ECONOMY

The coronavirus pandemic is not only a human tragedy for those directly affected, but it is the most severe peacetime shock ever seen for the UK economy and public finances.

The public health measures announced by the UK Government have included temporarily closing whole sectors of the economy and a lockdown of the majority of the population to their homes.

The change in outlook over the course of a few weeks could not be starker, from the Spring Budget 2020 forecast in March of economic growth of 1.4% in 2020-21 to a coronavirus reference scenario in April that assumes an economic contraction of 12.8%. This is summarised in Figure 2.

Figure 2 – OBR coronavirus reference scenario: GDP growth



Source: OBR, *Coronavirus reference scenario, 14 April 2020*. Percentage change on a year earlier, adjusted for inflation.

The economic contraction in the second calendar quarter of 2020 of 35% used by the OBR is based on a full three-month lockdown and the severe effect that this will have on economic activity. Other forecasters have assumed shorter periods for the lockdown and hence shallower recessions, although the Bank of England forecasts a 14% contraction in 2020, worse than the OBR scenario.

Where the OBR scenario appears unrealistic is in assuming that the economy will rebound quickly over the course of 2020-21 such that GDP in 2021-22 and subsequent years will return to the path set out in the Spring Budget 2020 forecast, as illustrated by Table 3.

Table 3 – OBR coronavirus reference scenario: UK GDP

	2019-20 £bn	2020-21 £bn	2021-22 £bn	2022-23 £bn	2023-24 £bn	2024-25 £bn
Spring Budget 2020 forecast	2,229	2,304	2,394	2,478	2,562	2,654
OBR coronavirus reference scenario	2,223	1,966	2,394	2,478	2,562	2,654

Source: OBR, *Economic and fiscal outlook, 11 March 2020*; OBR, *Coronavirus reference scenario, 14 April 2020*.

Although the OBR revised its coronavirus reference scenario in May to update its projections for the public finances, it did not update its economic analysis, even though it has acknowledged the likelihood of 'economic scarring' leading to a slower economic recovery.

A more recent analysis by Oxford Economics suggests a shallower contraction of 8.3% over 2020, but a slower recovery with output not expected to regain its end-2019 level until Q4 2021.

SUBSTANTIAL FINANCIAL INTERVENTIONS – BUT THERE IS A COST

The UK Government has intervened to support businesses and individuals in the hope of preventing more severe economic damage. Its intention is to help as many businesses as possible to survive so that they can resume trading after the lockdown ends, in the hope that this will prevent an economic depression similar to that experienced in the 1930s.

Table 4 summarises the fiscal interventions to date, including announcements made since the OBR published their analysis. The total is likely to continue increasing as further fiscal interventions are made, driving the cost even higher.

Table 4 – UK Government coronavirus response: fiscal interventions

Intervention	Description	£bn
11 March 2020	£7bn relief from business rates	7
	£5bn NHS and public services and £0.5bn for local hardship funds	5
17 March 2020	Further cuts in business rates and grant funding for smaller businesses	21
18 March 2020	Delay in implementing IR35 rule changes	1
20 March 2020	80% of salary for furloughed workers for March, April and May	35
	Universal Credit and housing benefit changes	8
26 March 2020	Self-employed income replacement programme	11
8 April 2020	£750m for charities	1
13 April 2020	NHS and public services: increase from £5bn to £14.5bn	10
17 April 2020	Furlough scheme extended to June	14
18 April 2020	Additional funding for local government £1.6bn and devolved administrations £0.3bn	2
	Other interventions and potential loan write-offs	8
	Fiscal interventions included in OBR coronavirus reference scenario II	**123**
12 May 2020	Extension of furlough to October 2020	27
	Fiscal interventions announced to 15 May 2020	**150**

DRAFT

Source: HM Government, *announcements on dates shown*; OBR, *Coronavirus reference scenario II, 14 May 2020*; ICAEW calculations.

Some elements of the cost are uncertain, in particular the Coronavirus Job Retention Scheme (CJRS) that pays 80% of furloughed workers' salaries. The OBR assumes that 30 per cent of private sector employees will be covered at a cost of £50bn for the first three and half months of the scheme, in contrast with a £20bn estimate by the National Institute of Economic and Social Research (NIESR) and an estimate of £32bn for the same period by the Resolution Foundation.

Oxford Economics estimate that the policy measures announced could increase borrowing by £173bn in 2020-21, albeit they expect a smaller decline in tax revenues than the OBR analysis.

Further inventions are likely, particularly to support businesses and jobs that may not be able to re-start even after the lockdown is lifted in the rest of the economy, such as in the leisure and entertainment sectors. Additional support for local government, universities and charities is also possible, all sectors experiencing significant drops in income and with some close to bankruptcy.

There is uncertainty about the extent to which fiscal interventions will be sufficient to protect the economy through the lockdown and support a stronger economic recovery afterwards.
The Chancellor of the Exchequer has stated that not all businesses will be saved, while more than a million people have already applied for Universal Credit. The number of bankruptcies and administrations is increasing and there are concerns that businesses are starting to embark on significant cost-cutting exercises that will reduce demand when the economy most needs it.

Reductions in private sector capital investment, a key driver of economic growth, is a particular worry for policy makers.

To supplement tax cuts and public spending, the UK Government has instituted a programme of loans and guarantees to support businesses in order to help them survive, as set out in Table 5.

This will result in a significant increase in balance sheet risk for the government, with the potential for bad debts on lending to businesses that do not survive, or for claims by the banks under the guarantees.

Table 5 – UK Government coronavirus response: loans and guarantees

Intervention	Description	£bn
11 March 2020	Lending to banks through the Bank of England Term Funding Schemes	100
	Coronavirus Business Interruption Loan Scheme (CBILS) for small businesses	10
17 March 2020	Covid-19 Corporate Financing Facility (CCFF) for corporate commercial paper issuers	unlimited
19 March 2020	Bank of England corporate bond purchases	10
20 March 2020	Defer VAT payments for one quarter and self-assessment payments for six months	30
16 April 2020	Coronavirus Large Business Interruption Loan Scheme (CLBILS)	10
19 April 2020	Support scheme for high tech firms	1
27 April 2020	'Bounce back' loans up to £50,000 for small businesses, with 100% loan guarantees	30
	Loans and guarantees	**330**

Sources: HM Government, *announcements on dates shown*; OBR, *Coronavirus reference scenario II, 14 May 2020*; ICAEW estimates.

DRAFT

The Bank of England has provided additional liquidity to the financial system by reducing bank reserve requirements to enable commercial banks to increase lending as well as by lending directly through the Term Funding Schemes and the CCFF. It is expanding its quantitative easing programme from £435bn to £635bn, including a £10bn increase in corporate bond purchases to £20bn and an additional £190bn in government bond purchases.

These monetary interventions, combined with reductions in the bank base rate from 0.5% to 0.1%, have the effect of reducing the cost of debt both to the government and to the wider economy.

UK FISCAL DEFICIT TO SOAR TO UNPRECENDENTED LEVELS

As illustrated by Figure 1 on page 2 and summarised in Table 6, the OBR's updated coronavirus reference scenario suggests that the fiscal deficit in 2020-21 could reach £298bn, more than five times as much as the baseline forecast of £55bn set out in the Spring Budget 2020. This reflects £123bn from fiscal interventions, £15bn from higher welfare spending and a net £105bn from lower receipts, partially offset by debt interest and other savings.

One consequence will be that public spending in the UK will exceed £1tn for the first time.

The OBR is keen to stress that their coronavirus reference scenario is not a forecast, but just one of many possible outcomes. Either way, the scenario it presents is pretty startling; making clear that whatever actually happens, the damage to public finances from the coronavirus pandemic will be extremely severe.

Table 6 – OBR coronavirus reference scenario II: fiscal deficit 2020-21

	Receipts £bn	Spending £bn	Deficit £bn	% of GDP
Spring Budget 2020 forecast (11 March 2020)	**873**	**(928)**	**(55)**	**(2.4%)**
Fiscal interventions	(5)	(118)	(123)	
Higher welfare spending	-	(15)	(15)	
Reduction in receipts, offset by debt interest and other savings	(128)	23	(105)	
OBR coronavirus reference scenario II (14 May 2020)	**740**	**(1,038)**	**(298)**	**(15.2%)**

Source: OBR, *Coronavirus reference scenario II, 14 May 2020*.

Although there is a great deal of uncertainty around the potential size of the deficit in 2020-21, the initially reported deficit of £62bn for the month of April 2020 alone suggests that it is almost certain to exceed £250bn in 2020-21 and is unlikely to come in much below £300bn, with Oxford Economics suggesting £290bn. Given the potential for a further lockdown or an even slower recovery, the possibility the deficit could exceed £350bn or 18% of GDP should not be ruled out.

BORROWING LIKE NEVER BEFORE

The fiscal deficit is often described as 'borrowing', but it is important to understand that the actual amount of money raised each year by the UK Government is much higher.

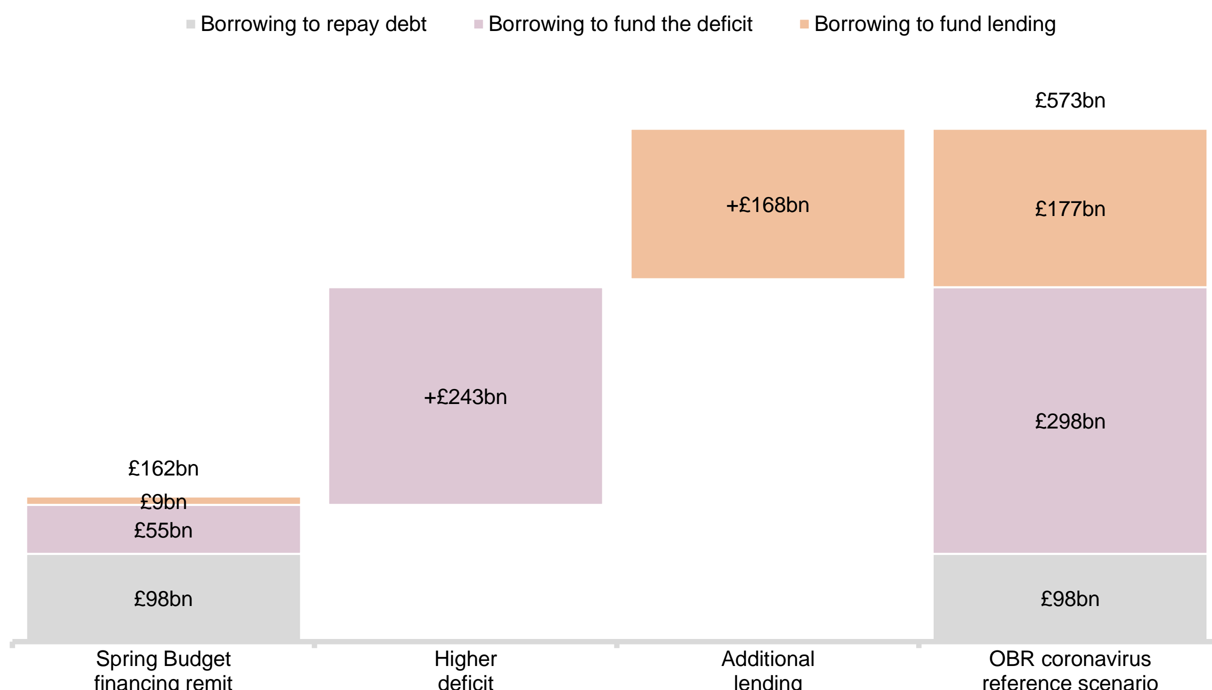
For example, HM Treasury issued financing remits in March 2020 to the UK Debt Management Office (DMO) and National Savings & Investments (NS&I) totalling £162bn, substantially in excess of the £55bn then forecast for the deficit. This reflected a need to raise £98bn to cover the repayment of debts as they fall due, as well as £9bn to finance lending and working capital requirements in addition to the deficit.

Figure 3 summarises how external borrowing in the OBR's coronavirus reference scenario could more than triple to £573bn in order to fund a much larger deficit and an extensive programme of lending to banks and businesses. This will primarily be financed through the issue of fixed or index-linked gilts, government securities with maturities typically ranging between two and 30 years.

On 23 April 2020, the DMO announced that it was increasing its planned debt issuance for the three months to July to £180bn, much greater than the approximately £40bn it would have expected to raise over the period under the financial remit it was set in March. The DMO successfully raised £58bn in April 2020, compared with an average of £11bn a month in 2019-20.

Fortunately, interest rates are currently extremely low, with a yield of 0.28% on a 10-year fixed-interest gilt at 29 April 2020 for example. As a consequence, the incremental annual interest cost of borrowing £411bn more than planned should be less than £2bn a year.

Figure 3 – OBR coronavirus reference scenario: external borrowing 2020-21



Source: *Debt Management Office, Financing Remit 2020-21*; OBR, *Coronavirus reference scenario II, 14 May 2020*; ICAEW calculations.

In addition to borrowing directly from debt investors, the UK Government is also able to go overdrawn, using its 'Ways and Means' facility with the Bank of England to fund expenditures where needed. This overdraft facility has been extended to enable the UK Government to borrow on a short-term basis during the financial year, in particular to smooth cash-flows. The previous high for use of the facility was £19.9bn during the financial crisis in 2008.

This is in addition to the bank facilities available to the DMO, which were overdrawn by £18.5bn at the end of March as it provided funds to central government in advance of auctions of government securities.

Borrowing includes the creation of central bank deposits either to finance quantitative easing bond purchases or lending to commercial banks under the Bank of England's Term Funding Scheme. Although sometimes described as monetary financing or 'printing money', this is still debt, albeit paying a variable rate of interest rather than the fixed-interest or index-linked rates payable on government securities.

A LONG-TERM LEGACY OF DEBT (AND OTHER LIABILITIES)

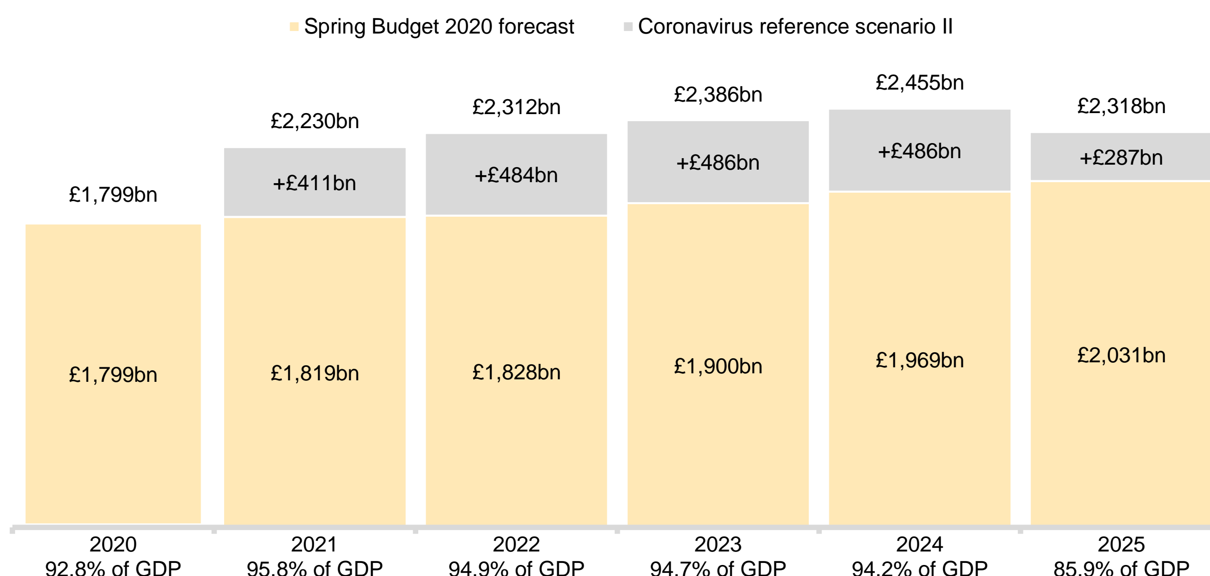
Figure 4 illustrates the potential increase in public sector net debt as a consequence of the pandemic, with the OBR suggesting debt could rise to over £2.4tn by 31 March 2024, before starting to fall as repayments of loans to banks and businesses are received.

The updated coronavirus reference scenario estimates that public sector net debt will reach £2,230bn by 31 March 2021, equivalent to around £81,000 per household. This has been calculated by the OBR to be 95.8% of GDP based on 'mid-year' GDP that includes the first two quarters of 2021-22 when the OBR assumes the economy will rebound to the Spring Budget baseline economic forecast. If, as seems likely, the recovery is slower than this, then debt to GDP will exceed 100% of GDP, even without any further fiscal interventions.

Similarly, debt as a share of GDP is likely to be higher than that calculated by the OBR in subsequent years if the economy takes longer to recover than it has assumed.

DRAFT

Figure 4 – OBR coronavirus reference scenario II: public sector net debt at 31 March



Source: OBR, *Coronavirus reference scenario II, 14 May 2020*; ICAEW calculations.

The UK Government's balance sheet contains many other liabilities in addition to debt, with the Whole of Government Accounts for 2017-18 reporting total liabilities of £4.6bn or 215% of GDP. In addition to £2.1tn in gross financial liabilities, these comprised £1.9tn of employee pension obligations, £0.4bn in provisions for long-term liabilities and £0.2bn of working capital liabilities.

LOCAL AUTHORITIES

Local authorities are reporting significant cash flow difficulties as a consequence of the coronavirus pandemic, despite funding to cover waiving business rates and the payment of grants to small businesses across the country and £3.2bn in emergency grants as of 18 April 2020.

Council finances are being affected by lower council tax receipts as householders cancel their direct debits, by significant falls in ancillary income from car parking, planning fees, leisure facilities, local markets and other activities, and by additional costs in most areas of service provision.

Councils are not eligible for the Government's furlough scheme and so continue to bear the full cost of staff that can't be redeployed to other activities, while a substantial number of staff are self-isolating, putting further pressure on those that are working. The Local Government Association has claimed that without a guarantee of adequate funding some councils may be subject to section 114 'bankruptcy' notices freezing all non-statutory expenditures.

UNIVERSITIES AND CHARITIES

There is also a concern about the viability of many institutions in the higher education sector, even though many have been able to move to teaching online. Refunding students for unused residential accommodation for the current term is costly, while summer schools, conferences and other income-generating activities are likely to lose money this year. More significantly, many universities rely on overseas students for a substantial proportion of their income; numbers are likely to fall significantly in the next academic year and perhaps for several years to come.

Many charities are also experiencing a large decrease in income, despite an increase in online donations. Retail shops and cultural facilities have closed, while most street collections and fundraising events have ceased.

The UK Government has yet to announce significant amounts of additional funding for universities or for affected charities, but this may change, especially for charities that provide services and support to the most vulnerable in society.

RISKS FROM AN EXPANDING BALANCE SHEET

DRAFT

Lending to banks and businesses is not risk-free even in the best economic conditions, and so there is a significant risk that not all of the loans being advanced during the coronavirus pandemic will be repaid. For example, if 15% of the £330bn loans and guarantee package were not to be repaid, the cost to the exchequer would be in the order of £50bn.

Fortunately, banks and other financial institutions are much better capitalised than they were at the time of the financial crisis, and so the likelihood of rescue packages being required is much lower than it was a decade ago.

There are also increased risks to existing assets and liabilities on the public balance sheet. The Pension Protection Fund's £40bn investment portfolio is likely to have declined in value over the last few months, as will have many local authority pension fund investment portfolios. Similarly, the Government's investment in the Royal Bank of Scotland could be adversely affected.

The expansion of the Bank of England's balance sheet with a £200bn increase in quantitative easing purchases of government and corporate bond also increases risk by swapping fixed-rate coupon payments scheduled for between 2 and 30 years for deposits that pay interest at the Bank of England base rate, which could change at any time. Fortunately, recent changes in the base rate have been downwards, reducing the cost of borrowing for the government. However, this could go into reverse if interest rates start to rise, an exposure likely to exist for many years to come given that quantitative easing will not be easy to unwind.

THE ROLE OF THE GOVERNMENT AS THE INSURER OF LAST RESORT

As in the financial crisis a decade ago, the pandemic has confirmed the role of the government as the insurer of last resort. Despite theories about the moral hazard of interfering with the workings of the market economy, it is clear that there is an implicit guarantee provided by governments that they will step in to prevent a systemic failure. Rather than allow businesses to go bankrupt, grants and loans have been used to keep them afloat. To prevent employees losing their jobs, governments are temporarily paying their wages.

It is arguable that governments do not price this implicit guarantee appropriately or take actions to mitigate the financial risks to which they are exposed. A question to address is whether they should act more like an insurer in the future, charging premiums in advance in order to build up contingency funds for such eventualities. Alternatively, can businesses and individuals be encouraged or required to better prepare by building up 'rainy day' funds in better times, reducing the risk that the government will need to step in?

WEAKNESSES IN FINANCIAL REPORTING AND SYSTEMS, AND EXPOSURE TO FRAUD

UNTIMELY FINANCIAL REPORTS HAMPER DECISION MAKING

Fiscal resilience is not the only issue. The coronavirus pandemic has highlighted existing problems in the timeliness and quality of financial information available to the UK Government, handicapping policy makers as they seek to make decisions.

An example is the monthly public sector finances for March 2020 published on 23 April 2020. This was caveated as being incorrect by the ONS because of significant gaps in the collection of financial information, including the absence of data for the local government sector and an estimate of the cost of the furlough scheme. It was subsequently revised by £14bn a month later, with the ONS indicating it would still need to wait several months for further cash flow data to determine estimates for significant tax revenues. Cash and debt balances at 31 March 2020 were also subject to material revision, balances that should be knowable within a few days at most.

This contrasts unfavourably with multi-national organisations in the private sector, which would typically expect to have a very clear view of their consolidated financial position within a few days of the end of a financial year and final audited results within a couple of months. The UK Government is unlikely to know the definitive financial position at 31 March 2020 for six months or more, with the Whole of Government Accounts currently taking over a year to prepare.

The complexity of the three different financial reporting frameworks used by the UK Government, also hampers decision making by making it difficult to understand the full financial picture.

ADAPTING SYSTEMS

DRAFT

The pandemic has put severe pressure on many systems and processes in the public sector, such as the need to process around a million new claims for Universal Credit, a key UK welfare benefit that has experienced difficulty in its roll-out over the last few years.

In many cases, government departments and other public bodies have been able to adapt systems very quickly to deal with the effects of the pandemic. For example, HMRC developed and implemented a system to process hundreds of thousands of claims under the job retention scheme covering millions of workers within only a few weeks, a significant achievement.

However, the events of recent weeks have highlighted the inflexibility of many systems and processes, both financial and non-financial. For example, the Government has been forced to rely on banks to get financial support to struggling businesses, rather than having the option of lending directly. The lack of integration between central and local government means it is difficult to co-ordinate activities, such as in the interactions between the NHS and social care provision.

One lesson of the pandemic will be the need to improve the flexibility and integration of government systems. For example, an integrated portal for businesses that brought together tax records, company filings and business bank account details could have allowed the Government to provide direct financial support to businesses much more quickly than it has been able to.

FRAUD RISKS ON THE RISE: “KEEP THE RECEIPTS”

There is an increased risk of fraud in the more than £120bn in fiscal interventions and £330bn in loans and guarantees being provided by the UK Government, with the need to disburse money as quickly as possible reducing the opportunity to prevent fraud. This is exacerbated by the lack of integration between the different routes in which financial support is being provided and hence the visibility of financial support being obtained by each individual business or individual.

The UK Government Counter Fraud Function has published guidance highlighting the increased risk of fraud and recommending actions public bodies can take to minimise the risks. However, it accepts that the need to ensure financial support gets to those who need it will limit the ability to prevent fraud from occurring.

The IMF has encouraged governments around the world to move quickly to provide financial support to businesses and individuals, but to “keep the receipts” as they do so. Although there will be some losses to fraud, effective tracking of disbursements will both minimise the risks of fraud in the first place but also support recovery efforts afterwards.

REBUILDING THE PUBLIC FINANCES WILL BE CHALLENGING

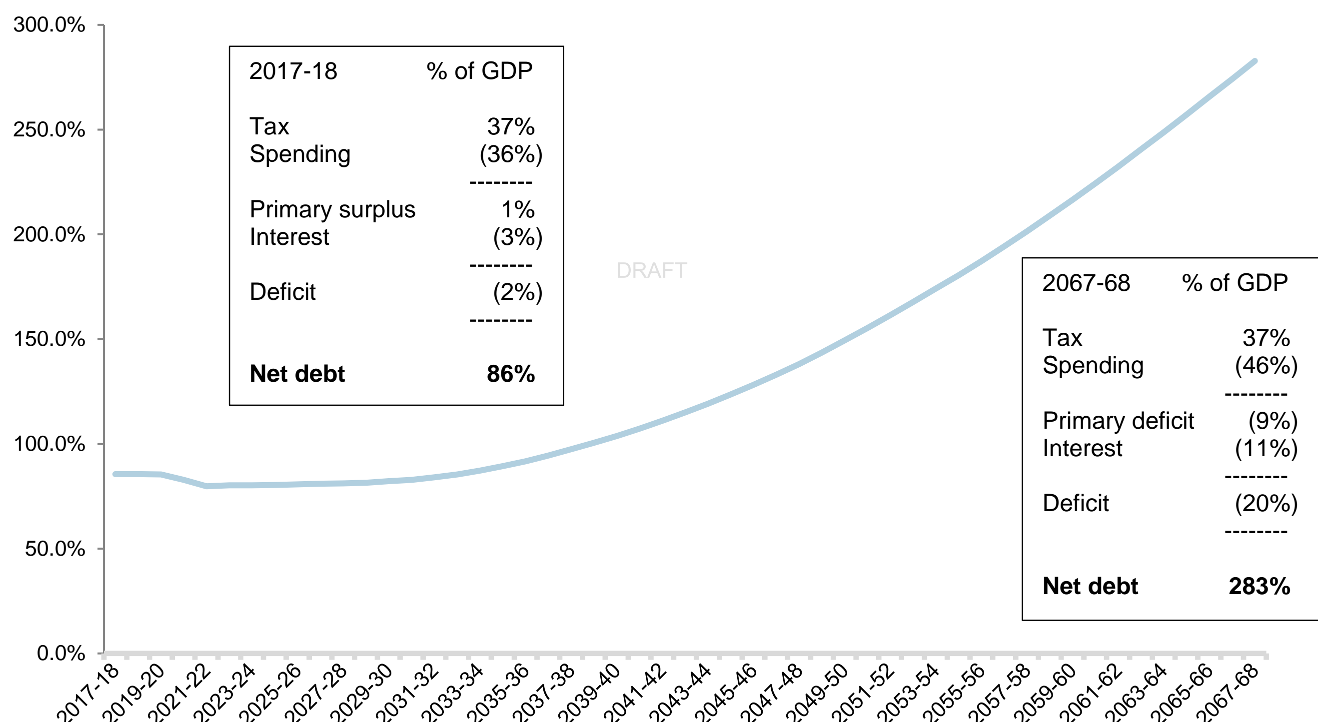
DON'T START FROM HERE

Unfortunately, the UK Government is not starting with a clean slate. Although the deficit reduced from a peak of £154bn (10% of GDP) in 2009-10 following the financial crisis to £38bn in 2017-18, it had started to increase again even before the pandemic started. Funding these deficits has seen public debt increase from £545bn in 2008 (34% of GDP) to a provisional estimate of £1,806bn (93% of GDP) at 31 March 2020.

In 2018, the OBR reported on the fiscal sustainability of the UK public finances, commenting that they were not sustainable without substantially higher rates of economic growth, a greater share of the economy taken in taxation and/or radical changes in the provision of public services.

The findings of their report are illustrated in Figure 5.

Figure 5 – OBR fiscal sustainability report: fiscal deficit and public sector net debt as a share of GDP



Source: OBR, *Fiscal Sustainability Report, July 2018*. Public sector net debt excludes publicly owned banks. Amounts shown have not been adjusted for October 2019 changes in treatment of student loans and other items.

Although this projection is unrealistic in that it is based on no action being taken by future governments to either raise taxes or reduce spending, it is a sobering reminder of how the public finances were already on an unsustainable path before the coronavirus pandemic.

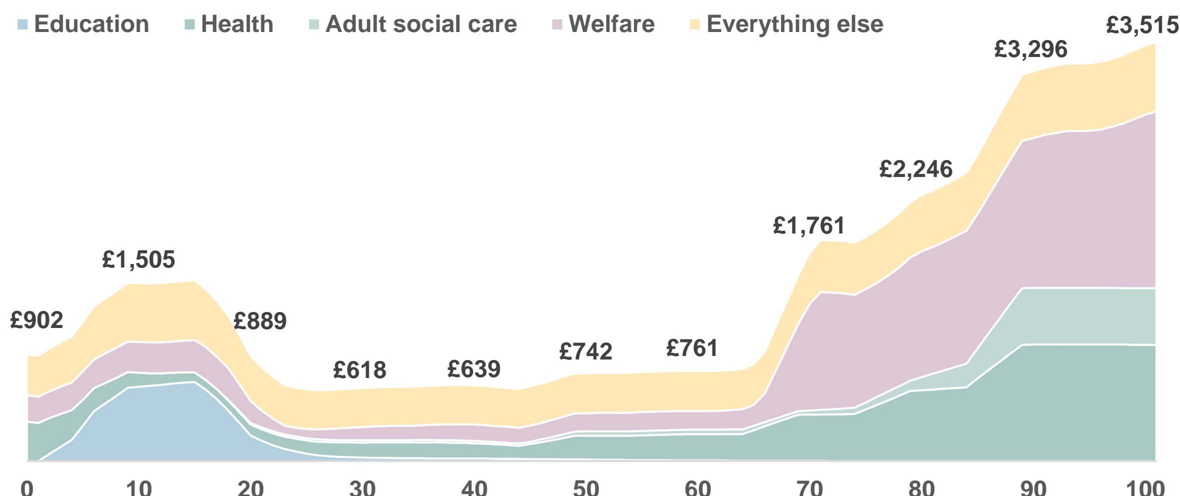
Successive governments have avoided difficult decisions, for example as in how to fund adult social care or how to pay for growing balance sheet liabilities.

Spending on pensions, health and social care are all projected to increase significantly as more people live longer, with the number of people aged 70 or more projected to increase by 52% over the next 25 years, compared with a 2% increase in those under 70.

Figure 6 highlights how public spending is weighted significantly to those over the age of 70, one of the principal drivers for the OBR's projection for non-interest public spending to increase from 36% of GDP to around 46% over the next 50 years.

This is on top of the £4.6tn of liabilities reported in the latest public sector balance sheet, comprising £2.1tn in debt and other financial liabilities, £1.9tn owed in public sector pension entitlements and £0.6bn in other liabilities.

Figure 6 – Age profile of public spending (£ per person per month)



Source: OBR, *Fiscal Sustainability Report, July 2018*.

Growth in spending on pensions, health and social care costs over the last 50 years or so has been accomplished by relatively modest levels of tax increases, thanks to a combination of revenues from North Sea oil and gas and savings in other areas, such as a substantial reduction in the share spent on defence and security from over 10% of GDP to just 2%.

DRAFT

These sources of funding are not expected to continue. Tax deductions for decommissioning North Sea infrastructure are expected to offset a significant proportion of the remaining oil and gas revenues, while further significant cost reductions in public services appear unlikely to be practical or politically acceptable. Indeed, spending increases in many areas are now more likely.

At the same time, the need for greater investment in economic and social infrastructure is becoming more apparent, especially in regions outside London and the South East.

The question for policy makers will be how to meet public expectations for pensions, health and social care and on the level of public services people receive, at the same time as investing for future economic growth. This is even before considering how to deal with the significant amounts of public debt built up since the financial crisis in addition to the debt arising from the coronavirus pandemic.

TACKLING A LEGACY OF DEBT

The first stage in rebuilding the public finances will be to restart the economy. This should restore at least part of the tax generating capacity of the country, while also alleviating the need for job and income support programmes. It is to be hoped that by 2022-23, tax receipts and spending will be closer to pre-coronavirus levels – even if debt levels are much higher.

Fortunately, with interest rates at historically unprecedented lows, the additional cost of servicing that debt will be relatively small – at least in the short- to medium- term.

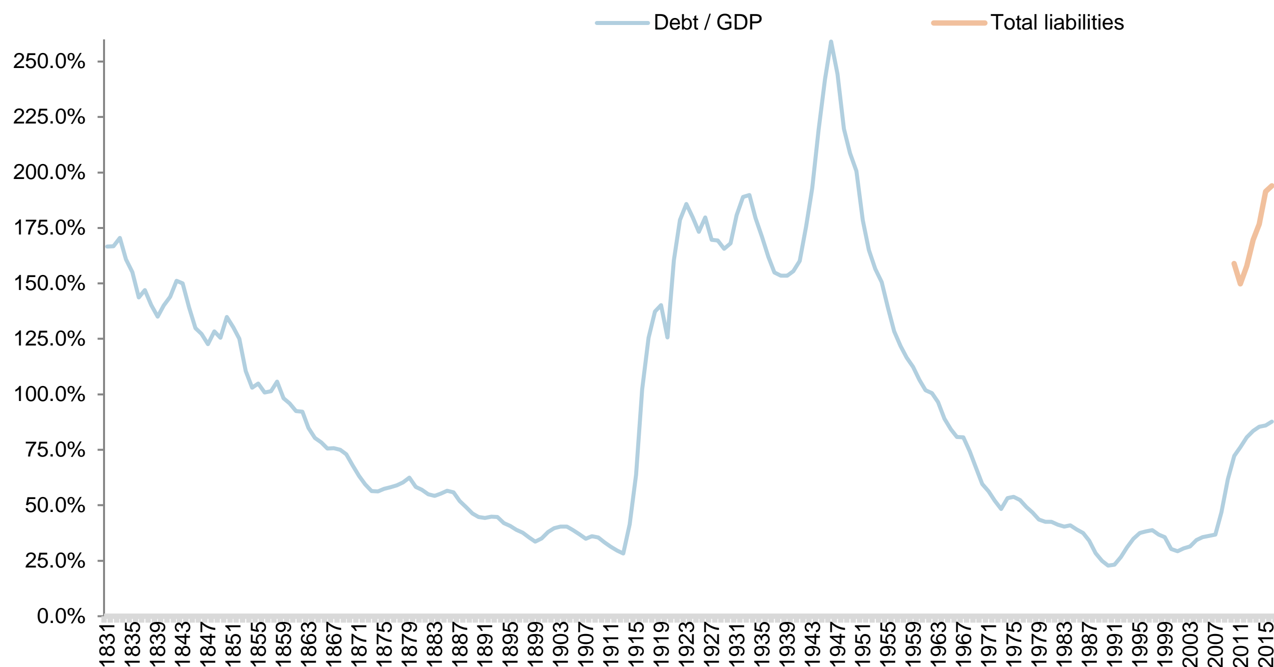
Despite that, the high level of debt will overhang the public finances for a generation or more, restricting the flexibility of future governments in the policy choices they can make.

There are five main approaches to dealing with a high level of public debt:

- Inflation – reducing the value of the debt in real-terms
- Economic growth – shrinking the size of the debt in proportion to the size of the economy
- Population growth – spreading the debt burden across more people
- Raising taxes – using the proceeds of taxation to reduce future borrowing or repay debt
- Cutting public spending – reducing the size and cost of the state

In practice, 'inflating away' debts through a combination of inflation, economic growth and migration-driven population growth has been the main route that has been used in the past to reduce UK public debt as a share of GDP, as illustrated by Figure 7.

Figure 7 – UK consolidated debt / public sector net debt from 1831 to 2016



Sources: Bank of England, *A Millennium of Macroeconomic Data*; HM Treasury, *Whole of Government Accounts*. UK consolidated debt to 1974 (including all Ireland prior to 1920). Public sector net debt from 1975 (excluding banks from 2008).

The debt to GDP ratio peaked at 259% in 1946 but declined subsequently to 23% in 1990. This reflected a six-fold increase in net debt from £25bn to £151bn at the same time as inflation and growth in the economy and population combined to increase nominal GDP by much more.

However, this reduction in debt in relation to the size of the economy was flattered by the exclusion from the headline debt of a number of other liabilities that did not exist to the same extent back in 1946, with total liabilities of £4.6tn or 215% of GDP reported in the 2017-18 Whole of Government Accounts.

INFLATING DEBTS AWAY

Encouraging inflation is disliked by policy makers as there is a risk that it can get out of control (as occurred in the 1970s in the UK), substantially eroding the value of personal savings for example. Despite that, policy makers in the UK might be thinking about how adjusting the long-term inflation target from its current level of 2.0% to 2.5% could potentially reduce the debt to GDP ratio by around 10 percentage points over a period of 25 years, especially if that adjustment was phased in over several years to minimise the risk of losing control.

Some economists are concerned that the ‘Great Lockdown’ could be followed by a period of deflation, with unsold inventories driving down prices to create a deflationary spiral. Not only would this increase the debt to GDP ratio by reducing GDP, but it might also damage any economic recovery, reducing tax receipts and so leading to a higher level of public debt.

GROWING THE ECONOMY

The preferred option for most policy makers is to generate higher levels of economic growth, increasing tax revenues and reducing the ratio of debt to GDP at the same time. Unfortunately, governments have discovered that boosting economic growth is easier said than done, as a decade of low economic growth since the financial crisis has demonstrated.

Improving productivity will be key to growing the economy, especially in a context where inward migration is likely to be more restricted than in the past and an increasing proportion of the population will be over retirement age (even with increases in that age).

New ways of working are likely to be required to improve economic output per person, with investment in skills, technology and infrastructure all important enablers.

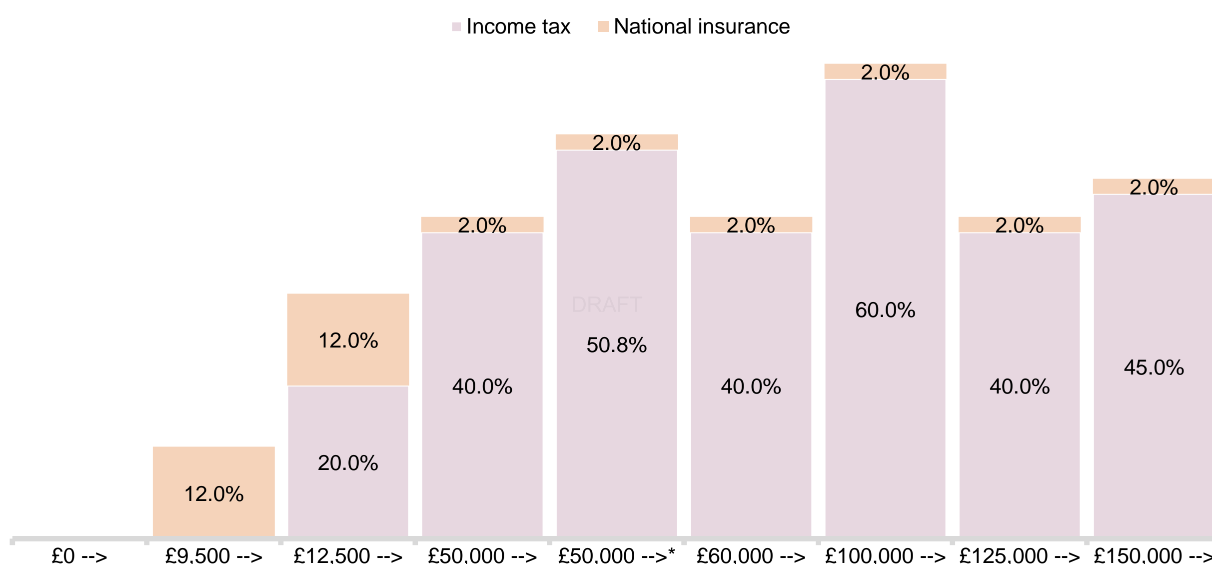
AN OPPORTUNITY FOR RADICAL REFORM OF TAX AND WELFARE SYSTEMS

Pressures on the public finances mean that taxes are likely to increase in the medium-term even if the economy recovers. The main existing taxes to look to for additional revenue are income tax, national insurance or VAT, which together supply two thirds of tax revenues, and corporation tax, business rates and council tax, which provide a further sixth.

There is a once-in-a-generation opportunity to reform the tax and welfare systems, making changes that in normal times would not gain sufficient political support.

One example is the taxation of work, where potential reforms include reducing the differential between the tax paid by employees and the self-employed, reducing the number of tax bands (Figure 8) or merging income tax and national insurance, a long-standing proposal from the Institute for Fiscal Studies (IFS).

Figure 8 – UK employee tax bands 2020-21



Source: HMRC, rates and allowances. * A higher-earning parent pays a marginal income tax rate of 50.8%, 57.9% or 65% for 1, 2 or 3 children respectively. Scottish income tax rates: 19% from £12,500, 20% from £14,585, 21% from £25,158, 41% from £43,340 and 46% from £150,000.

Those calling for at least some reform appear to include the Chancellor of the Exchequer, who when he announced the self-employed income replacement scheme indicated that taxation of the self-employed could be increased to levels closer to those of salaried employees. The Government is also rumoured to be re-evaluating some of its manifesto commitments such as the 'triple-lock' guaranteeing annual increases in the state pension and the 'triple tax lock' not to increase the headline rates of income tax, national insurance or VAT before 2025.

Other taxes that might be considered for reform include VAT, where the IFS has suggested that widening its scope could raise significant sums without increasing the main rate above 20%. Other ideas being floated include proposals for a one-off wealth tax.

Ideas for welfare reform are also increasingly on the agenda. There have been some calls for a universal basic income to replace the current very complex system of means-tested benefits for those on low incomes with a single regular cash payment. Proponents believe this would reduce disparities in welfare provision, eliminate distortions in economic incentives, and be much easier to administer.

Just as important as the nature of any reforms will be in how they are designed and implemented.

A strategic approach is needed that establishes a long-term vision for the tax and welfare systems and sets out a path for reforms to be implemented.

Individual tax and welfare benefits should be designed in consultation with the public and the business community, ideally with a phased approach that minimises disruption and allows businesses, individuals and the Government time to plan ahead.

SUSTAINABLE PUBLIC INVESTMENT WILL BE KEY TO ECONOMIC GROWTH

A silver lining to entering into a major recession following a financial crisis and a decade of low growth is in the ultra-low cost of borrowing currently available to governments. For example, the UK can currently borrow for periods up to 30 years at an effective interest rate of less than 0.6%.

With a weighted average maturity of government debt of almost 16 years, the UK Government is able to invest significant sums while locking-in low interest rates for a generation, requiring relatively small levels of incremental economic growth to provide a positive return to the taxpayer. This will be particularly helpful to the Government's 'levelling up' agenda of investing in regional economies outside London and the South East where economic returns have been less attractive.

The signs are that the Government intends to keep to the plans it announced in the Spring Budget 2020 to significantly increase infrastructure investment over the next five years. This is in contrast with cuts in infrastructure investment following the financial crisis, which many economists believe hampered the economic recovery over the last decade.

Public investment is often the key to encouraging greater private investment, especially if there is a robust system of infrastructure finance available.

A LONG-TERM FISCAL STRATEGY IS ESSENTIAL TO REPAIRING THE PUBLIC FINANCES

A long-standing concern around financial governance in the UK is that there is no long-term fiscal strategy setting out objectives for the public finances over the next 25 to 50 years. Instead governments have tended to focus their financial plans on much shorter time horizons, typically the next four or five years of a parliamentary session but sometimes much less.

That is not to say that there have not been significant improvements in public sector financial management in recent years. Short-term fiscal targets may not have been met but they have assisted governments by providing a framework within which financial decisions are made. The introduction of Whole of Government Accounts has provided the basis for a better understanding of the public balance sheet and how assets and liabilities can be managed more effectively. Governance and financial management capabilities have been strengthened.

However, the absence of a long-term fiscal strategy means many questions have not been properly debated. For example, what level of public debt is appropriate to pass on to future generations? Should funds be established to cover liabilities such as public sector pension obligations or nuclear decommissioning, or should they continue to be paid for out of future tax revenues? How should the tax and welfare systems evolve? What is the right balance between central and local government and what is the role for devolved taxation? How should adult social care be funded? How should risks be allocated between government, businesses and individuals? How can the public finances be better prepared for an economic crisis such as the pandemic?

Developing a strategy and debating its contents would assist in gaining public acceptance of (for example) necessary tax increases over the medium- to long-term, reducing the temptation for 'stealth' tax rises that overcomplicate the tax system and distort economic incentives.

A fiscal strategy should address whether and the extent to which it makes sense to build up 'rainy-day' funds or sovereign wealth funds to strengthen the public balance sheet. Setting aside relatively small amounts each year over a 25-year period could make a significant contribution to the funding of obligations for public sector pensions for example. For example, Australia's Future Fund grew from an initial investment of A$60bn in 2006 to A$168bn in 2019.

Governments have historically dealt with many of these issues on a piecemeal basis in the absence of a more comprehensive vision for the public finances. In some cases, decisions have been continuingly deferred, such as in how to fund adult social care, with the scale of the problem becoming larger the longer it is left unaddressed. Similarly, aspirations to simplify the tax and welfare systems have not been achieved, with many taxes becoming increasingly complex, and attempts at welfare reform, most notably Universal Credit, running into significant difficulties.

Failing to address the challenges to make the public finances more sustainable will not only entrench intergenerational unfairness but will increasingly constrain policy makers in the choices they are able to make. A comprehensive long-term fiscal strategy is essential to putting the public finances onto a sustainable path.

APPENDIX: SPRING BUDGET 2020 BASELINE FORECAST

A WEAK ECONOMY, EVEN BEFORE THE CORONAVIRUS PANDEMIC

The principal feature of the Spring Budget 2020 was the lack of any significant tax rises, a traditional approach for governments in the first Budget following a general election. This was despite increases in public spending and investment, and a manifesto commitment to run a current budget surplus. Instead the new Chancellor of the Exchequer, Rishi Sunak, decided to increase borrowing to fund the Government's spending plans, leaving relatively limited headroom under his fiscal rules.

Higher spending and investment, financed by borrowing

- A weak economy, with economic growth of just 1.4% in 2020-21
- Public spending and investment budgeted to increase faster than receipts
- £55bn fiscal deficit, up £8bn from 2019-20
- Projected public sector net debt at 31 March 2021 of £1.8tn
- No social care policy, no tax strategy, no infrastructure strategy, no long-term fiscal strategy

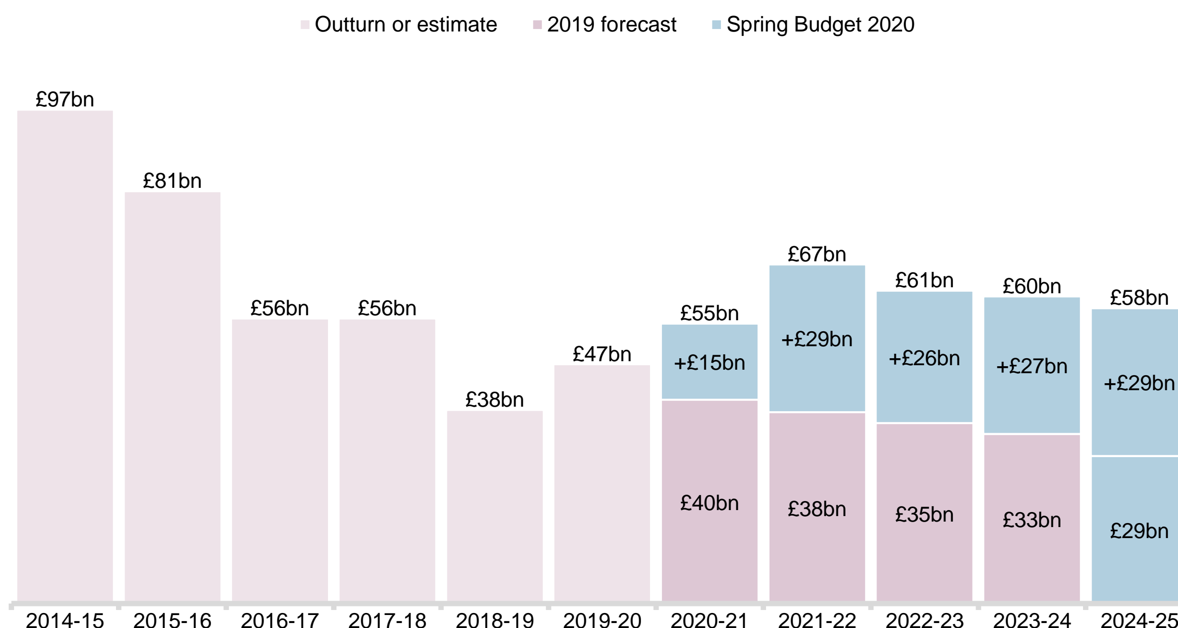
Table A summarises Office for Budget Responsibility's Economic and Fiscal Outlook forecasts published with the Spring Budget 2020 on 11 March 2020, while Figure A illustrates the changes in the fiscal forecast.

Table A – Spring Budget 2020 summary fiscal forecast

	2019-20 Estimate £bn	2020-21 Budget £bn	2021-22 Forecast £bn	2022-23 Forecast £bn	2023-24 Forecast £bn	2024-25 Forecast £bn
Taxes and other income	839	873	911	949	985	1,022
Total managed expenditure	(886)	(928)	(978)	(1,010)	(1,045)	(1,080)
Fiscal deficit	**(47)**	**(55)**	**(67)**	**(61)**	**(60)**	**(58)**
Public sector net debt	1,799	1,819	1,827	1,900	1,969	2,031
GDP	*2,229*	*2,304*	*2,394*	*2,478*	*2,562*	*2,654*
Fiscal deficit % of GDP	*2.1%*	*2.4%*	*2.8%*	*2.5%*	*2.4%*	*2.2%*

Sources: OBR, *Economic and Fiscal Outlook, March 2020*; HM Treasury, *Spring Budget 2020*. Before coronavirus and economic downturn.

Figure A – Spring Budget 2020 fiscal forecast changes



Sources: OBR, *Economic and Fiscal Outlook, March 2020*; HM Treasury, *Spring Budget 2020*. Before coronavirus and economic downturn.

Table B summarises the effect of Government decisions in the Spring Budget and how the forecast changed from the previous one.

Table B – Spring Budget 2020: Government decisions

	2019-20 Estimate £bn	2020-21 Budget £bn	2021-22 Forecast £bn	2022-23 Forecast £bn	2023-24 Forecast £bn	2024-25 Forecast £bn
Higher tax receipts	1	2	5	7	11	15
Increases in current spending	(1)	(12)	(23)	(24)	(28)	(34)
Increases in capital investment	1	(6)	(13)	(15)	(16)	(17)
Indirect effect	-	3	7	10	8	7
Government decisions	**1**	**(13)**	**(24)**	**(22)**	**(25)**	**(29)**
OBR forecast changes	-	(2)	(5)	(4)	(2)	-
Spring Budget 2020 changes	**1**	**(15)**	**(29)**	**(26)**	**(27)**	**(29)**
March 2019 forecast deficit	*(48)*	*(40)*	*(38)*	*(35)*	*(33)*	*(29)*
March 2020 forecast deficit	**(47)**	**(55)**	**(67)**	**(61)**	**(60)**	**(58)**

Source: OBR, *Economic and Fiscal Outlook, March 2020*. Excludes reclassifications. March 2019 forecast adjusted for changes in treatment of student loans and other items. Before coronavirus and economic downturn.

DRAFT

Expected receipts were higher than previously forecast principally because of a decision to cancel the planned reduction in the corporation tax rate from 19% to 17% (£4.6bn in 2020-21 and £7.5bn in 2024-25). Other tax increases include reducing the limit for entrepreneurs' relief from £10m to £1m (£0.2bn in 2020-21 and £1.8bn in 2024-25) and the removal of red diesel for sectors other than rail, home heating and agriculture (£1.6bn in 2024-25). The main tax cut was an increase in the national insurance threshold to £9,500 in April 2020 at a cost of £2.1bn in 2020-21 and £2.4bn in 2024-25.

FISCAL RULES WERE LIKELY TO BE BREACHED, EVEN BEFORE COVID-19

The Government's fiscal rules are set out in the Charter for Budget Responsibility. These comprise a target for the deficit in 2020-21 to be less than 2% of GDP, for public sector net debt to be falling as a share of GDP, and a welfare cap for specified welfare spending to be below a certain level in 2022-23.

The OBR reported that the first of these rules was breached by the Spring Budget, with the deficit in 2020-21 expected to reach 2.4% of GDP.

The Government announced proposed new fiscal rules in its Queen's Speech following the 2019 General Election but has not yet put these to Parliament in a revised Charter for Budget Responsibility. These are for a target of current budget balance by 2022-23, for public sector investment not to exceed 3.0% of GDP, and for debt interest not to exceed 6% of non-interest receipts.

The OBR reported that there was less than £12bn of headroom against the first of these targets and expressed concern that downside risks could make this difficult to achieve.

The transformation of the public finances as a consequence of the coronavirus pandemic is likely to require the Government to revise its first two proposed fiscal rules, with current spending likely to exceed receipts for several years to come, and enable it to continue with its public sector investment plans despite GDP being lower – as well as potentially boosting investment further to support the economic recovery.

ICAEW supports greater transparency and accountability in the public sector and provides policy recommendations to ensure taxpayers' money is managed wisely. Our Better Government Series is a series of thought leadership, policy insights, toolkits and best practice special reports on topical public sector financial management issues.

The ICAEW's Public Sector Community comprises members working in and with government at all levels to deliver public priorities and strong public finances.

icaew.com/publicsector

This Fiscal Insight was written by Martin Wheatcroft FCA on behalf of ICAEW.

For further information please contact Alison Ring, Director, Public Sector, ICAEW.

icaew.com/coronavirus

icaew.com/covid-19-globalrecovery

© ICAEW 2020

All rights reserved.
If you want to reproduce or redistribute any of the material in this publication, you should first get ICAEW's permission in writing.
ICAEW will not be liable for any reliance you place on the information in this material.
You should seek independent advice.

Chartered accountants are talented, ethical and committed professionals. There are more than 1.8m chartered accountants and students around the world, and more than 184,500 of them are members and students of ICAEW.

We believe that chartered accountancy can be a force for positive change. So we attract the brightest and best people and give them the skills and values they need to ensure businesses are successful, societies prosper and our planet's resources are managed sustainably.

Founded in 1880, we have a long history of contribution to the public interest and we continue to nurture collaborative global connections with governments, regulators and business leaders. By sharing our insight, expertise and understanding we can create a world of strong economies and a sustainable future.

ICAEW is a founder member of Chartered Accountants Worldwide and the Global Accounting Alliance.
www.charteredaccountantsworldwide.com
www.globalaccountingalliance.com.

Chartered Accountants' Hall
Moorgate Place, London
icaew.com

T +44 (0)20 7920 8100
E generalenquiries@icaew.com