



## WA BRIEFING

# 2017 Spring Budget: headline summary and initial analysis

8<sup>th</sup> March 2017

## OVERVIEW

Perhaps the most surprising element of today's Budget was the Chancellor's sense of humour. Known, perhaps not kindly, as 'Spreadsheet Phil', the Chancellor demonstrated that he is more than just dry and cautious.

But beyond his witty delivery, there were few surprises in this Budget statement. Hemmed in by medium term fiscal constraints, continuing protection from cuts for major public services, and preparing for the economic ups and downs of Brexit, the Chancellor had limited room for manoeuvre.

With many of the proposals trailed in advance, the 'rabbits pulled from a hat' which were a staple of George Osborne's statements, were minimal. Many of the measures, such as on business rates and social care, were widely expected.

The Chancellor's narrative focused on providing a strong and stable platform for the UK as it begins negotiations for leaving the EU. His focus on ensuring strong public finances and investing in skills and innovation to tackle the UK's productivity challenges underlines this point.

Hammond was keen to reiterate this is a government delivering for 'ordinary working families' and committed to fairness. The Chancellor targeted his tax rises on areas he believes benefit the better off, by removing anomalies in NICs for the self-employed and reducing the tax free dividend allowance.

These measures allow for increased funding for the NHS and social care, and additional measures to mitigate the impact of business rates revaluation on small businesses. Introducing 'returnships' to support people back into employment after career breaks is also symbolic of the Prime Minister's pledge to help 'ordinary working families'.

The Chancellor had already made clear that a recent uptick in tax revenues, lower than expected public borrowing this year and higher economic growth figures would not lead to a giveaway in the Budget. With constraints over where cuts could be made, tax rises were inevitable. The prospect of rising inflation and increasing debt repayments also presented a challenge.

Little from this final Spring Budget statement looks set to stand out as truly game changing – in many ways this was more tinkering rather than wholesale change. A new Autumn Budget later this year of course offers him a second chance.

The full statement is available [here](#).

## THE ECONOMIC AND FISCAL OUTLOOK

- The Chancellor noted that the UK is the fastest growing advanced economy apart from Germany.
- The OBR has raised its economic growth forecasts for this year. It now expects the UK economy to grow 2% rather than 1.4% in 2017. In 2018 growth is forecast to slow to 1.6%, before picking up to 1.7% in 2019, then 1.9% in 2020, and back to 2% in 2021
- UK debt is expected to peak at 88.8% of economic output in 2018 – this will be 1.4 percentage points lower than the OBR had forecast in the Autumn.
- The OBR has substantially revised down its short-term forecast of Public Sector Net Borrowing. The OBR now forecasts £51.7 billion in 2016, £53.8 billion in 2017, £40.8 billion in 2018, £21.4 billion in 2019, £20.6 billion in 2020 and £16.8 billion in 2021.
- Inflation is forecast to hit 2.4% this year, according to the OBR. It will then fall to 2.3% in 2018 and 2% in 2019

## HEADLINE ANNOUNCEMENTS

### Business taxes

- From April this year, as expected corporation tax will fall to 19%, the lowest rate in the G20. In 2020, it will fall again to 17%
- The introduction of quarterly reporting for smaller businesses will be delayed.
- A formal discussion paper on maximising the exploitation of North Sea oil and gas will be published.
- The Government will set out at the Autumn Budget 2017 its preferred approach for reforming the business rates revaluation process, making it smoother and more frequent.
- To address concerns from the recent revaluation:
  - Any business coming out of small business rate relief will benefit from an extra cap - meaning their rates will not increase by more than £50 a month.
  - There will be a £1,000 discount on business rate bills for all pubs with rateable value of less than £100,000 - 90% of all pubs.
  - A £300m fund will be made available to councils to allow them to provide discretionary relief.

### Personal taxes

- From April 2018, when the Class 2 NIC is abolished, the main rate of Class 4 NICs for the self-employed will increase by 1% to 10%, with a further 1% increase in April 2019. All self-employed people earning less than £16,250 will still see a reduction in their total NICs bill.
- The personal allowance will rise for the seventh year in a row to £11,500, and the higher rate threshold to £45,000.
- The tax free dividend allowance will be reduced from £5000 to £2000 from April 2018.

### Duties and levies

- A new minimum excise duty on cigarettes will be introduced.
- There are no changes to pre-planned increases in alcohol and tobacco duty.
- Vehicle excise duty for hauliers, and HGV road user levy will both be frozen.

### Education

- A new category of technical qualifications - 'T-levels' - will be introduced in an effort to improve skills in the British workforce and boost productivity.
- The government will increase by over 50% the number of hours training for 16-19 year old technical students, including a high-quality 3 month work placement for every student.
- The government will offer maintenance loans for those undertaking higher level technical qualifications at the new Institutes of Technology and National Colleges.
- The forthcoming Schools White Paper will ask universities and private schools to sponsor new free schools. It will remove the barriers that prevent more faith-based free schools from opening and will enable the creation of new selective free schools.
- Funding has been announced for a further 110 new free schools, including specialist maths schools, on top of the current commitment to 500.
- Free school transport will be extended to all pupils on free school meals at a selective school.
- An extra £260 million will be invested in improving school buildings.
- The DfE will invest up to £40 million pounds in pilots to test effectiveness of different approaches to encouraging lifelong learning.
- Schools will get £1 billion from the revenue expected from the sugar tax, which will allow DfE to invest in sport and healthy eating programmes in schools.

### Health and social care

- An extra £2 billion has been made available for social care over next three years, with £1 billion available in 2017-18.
- Funding will enable local authorities to commission new care packages and helps form a bridge to the better care funding that becomes available at the end of this parliament.
- Government will publish a green paper on the funding of social care later this year – a “death tax” will not be an option.
- The Autumn budget will announce a multi-year capital programme to support high quality STPs. Some plans will be ready to be implemented before the autumn and so £325 million has been made available for them at this Budget.
- A £100 million fund is to be set up to fund triage projects in A&E departments, to relieve pressure on them next winter.

### Consumer protection/effective markets

- The government recognises that markets can fail consumers, and in these cases the government is prepared to intervene.
- Ahead of the upcoming Green Paper, the government will take the first steps to protect consumer from unexpected fees or unfair clauses, to simplify terms and conditions, and to give consumer bodies greater enforcement powers.

### Devolution

- The government will tomorrow publish a Midlands Engine Strategy Paper.
- The government has reached a deal with the Mayor of London on further devolution.
- Additional funding of £350 million for the Scottish Government, £200 million for the Welsh Government, and almost £120 million for an incoming Northern Ireland Executive was pledged.

### Innovation and infrastructure



- £300 million of the £23 billion of additional infrastructure and innovation investment announced at the Autumn Statement was today allocated to support the brightest and the best research talent, including support for 1,000 new PhD places and fellowships, focused on STEM subjects.
- £270 million of this fund will be used to keep the UK at the forefront of disruptive technologies like biotech, robotic systems and driverless vehicles.
- In addition, £16 million of this infrastructure and innovation fund has been pledged for a new 5G mobile technology hub with £200 million for projects to get private sector investment in full-fibre broadband networks.
- A £690 million competition has been announced for local authorities to tackle urban congestion and get local transport networks moving again. The Transport Secretary will announce further details shortly.
- £90m for the North and £23 million for the Midlands have been allocated from a £220 million fund that addresses pinch-points on the national road network.

### Other

- The government will consult in the summer on the parental benefit entitlements for the self-employed.
- £5 million pounds to promoting 'returnships' in the private and public sector to help people return to work.

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