



22 November 2017

Autumn Budget 2017 – at a glance

Headlines

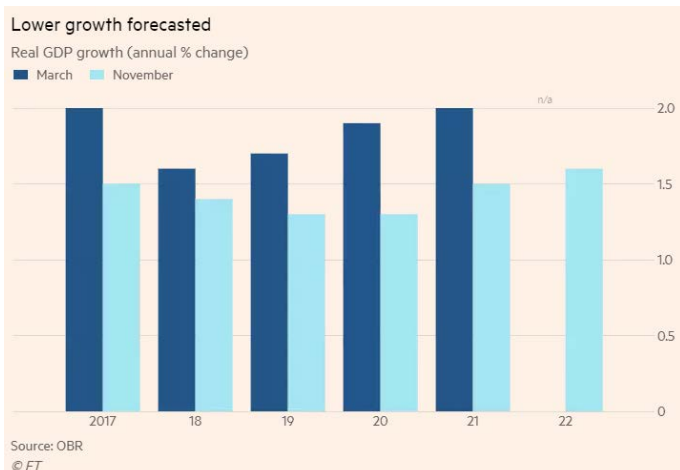
Chancellor of the Exchequer Philip Hammond laid out his fiscal plans to MPs as the state of the public finances were revealed:

- A further £3bn (in addition to £700m already allocated) from the public purse is set aside to prepare for Brexit.
- Stamp duty is abolished for first-time buyers on property worth up to £300,000.
- Emergency bail out for the NHS is promised - but considered insufficient by hospital leaders.
- The Budget was as notable for what it left out as Insurance Premium Tax (IPT) was kept at 12% in encouraging news for the insurance sector.

Background

Considered one of the most difficult Budgets in recent times, the Chancellor's statement promised small incentives rather than big giveaways and was overshadowed by the biggest downgrade in the UK's economic prospects since the financial crisis among other constraints:

Downgraded forecasts for annual GDP growth The Office for Budget Responsibility had revised down the outlook for productivity growth, business investment and GDP growth over the next five years, with its projections for future years significantly more pessimistic than were forecast at the time of the March Budget, leaving the Chancellor with less fiscal 'headroom.'



The price of Brexit Despite the Chancellor claiming that the Budget was about more 'than just Brexit', the backdrop of the

UK's negotiations to leave the EU haunted his statement. £700m has already reserved for preparations for the UK's withdrawal from the EU and he announced another whopping £3bn set aside for further contingency planning if required.

Conservative Minority Government More radical moves - such as increased borrowing to fund significant investment for housing development - could have risked a rebellion within the Conservative Party, jeopardising the Government's fragile majority in the Commons with the possibility of bringing down the Budget.

Statement from the Chartered Insurance Institute

"We welcome the emphasis on maths education and retraining in the Budget - in the long run relevant skills are more important for prosperity than eye-catching tax breaks.

Building strong professional and ethical skills alongside basic numeracy will be crucial. The digital economy provides new challenges to corporate governance - in terms of maintaining privacy and security and processing information in a fair and responsible way.

We are committed to building these skills throughout the insurance profession, and look forward to working with the Government to achieve these aims."

The Budget - highlights

Housing - the rabbit out of the hat The Budget's flagship announcement was the **cut to stamp duty for first time buyers** for properties valued up to £300,000 outside of London, and for the first £300,000 for properties valued up to £500,000 inside of London. This accompanied a £44bn package of investment, loans and guarantees to increase the **annual amount of new homes to 300,000** by the middle of the next decade, from 217,000 last year, aided by **planning reforms** designed to encourage homebuilders not to sit on permissions already granted. The Chancellor added that local authorities will be able to double council taxes on empty properties to hit owners with second homes.

Education - "more maths for everyone" The Government will provide £600 for every additional pupil taking A-level maths, further maths or core maths a recent review of post-16 maths by Sir Adrian Smith. Alongside this "maths premium", funding will be provided to expand so-called maths mastery into another 3,000 primary schools at a cost of £27m. On wider skills, a further £20m was committed to support further education colleges to prepare to deliver **T-levels**, while the Chancellor announced that the Government, the CBI and the TUC would work together to set a strategic direction for a national retraining scheme to help support the nation's rapidly changing workforce.

Autonomous cars Hammond said the Government was committed to seeing self-driving cars on the roads by 2021 and would make “world-leading changes to the regulatory framework” and provide financial support to achieve this. The measures will include setting out how driverless cars can be tested without a human safety operator, as well as a £200m investment in electric vehicles to prepare the way for autonomous cars.

Personal finance The national ‘living wage’ (a higher minimum wage for those aged over 25) will increase from £7.50 to £7.83 next April. The **tax free personal allowance** for income tax will rise to £11,850, and the higher rate threshold for **income tax** to £46,350. Both increases are in line with inflation at 3%. The budget confirmed the lifetime allowance for **pensions** is to increase to £1.03m from next April.

Making the UK’s economy more technologically advanced and the productivity puzzle ‘We are on the verge of a technological revolution’ said Hammond, announcing £2.3bn of investment into **research and development**, including £500m for artificial intelligence and 5G initiatives. A **national productivity investment fund** will last a year longer than previously suggested and would increase in size to £31bn from £23bn.

Flood defence The chancellor allocated an additional £76m to be spent on flood and coastal defence schemes over the next three years, but disappointingly this was not accompanied by investment in flood resilience measures.

Business rates The decision was made to base the annual increases to business rates on the consumer price index, rather than the higher retail price index, following a fierce lobbying campaign. The change was planned for 2020 but will be brought forward to 2018.

Addressing geographic inequality Under the banner of the ‘Northern Powerhouse’ and ‘Midlands Engine’ initiatives, the emphasis on ensuring better distribution of growth and investment throughout the UK was notable, as the Chancellor committed more than £2bn to transport schemes promising to “get all parts of the UK firing on all cylinders”, as well as more money for **elected mayors** in the Midlands and Teesside and a **new devolution deal** for North Tyneside. In addition Hammond said the Budget would also result in increased spending power for devolved governments, equal to £2bn in Scotland, £1.2bn in Wales, and £660m in Northern Ireland.

Social security The Government will introduce a £1.5bn package to smooth the implementation of **universal credit** and plan, in addition to bringing forward the day claimants could first claim for an advance on the benefit to five days from the first claim. The move will reduce the current six-week wait for most claimants to five weeks. Claimants will in future have 12 months to repay advances, instead of the six months at present.

Tech tax avoidance clampdown The Government has launched a new attack on technology companies by introducing a tax on sales generated in the UK that legal experts have described as a game changer for how large digital businesses such as Apple and Google are structured.

Health spending The Government promised an additional £2.8bn in funding for the NHS over the next three years, including a tranche of £350m that would be given immediately to allow trusts to plan for winter. A further £1.6bn will be allocated in 2018-19, with the balance in 2019-20. The Chancellor presented this as an exceptional move to help the service cope with an ageing population and technological

advances. The extra cash for 2018-19 is less than half the sum Simon Stevens, head of NHS England, asked for in a high-profile appeal earlier this month. Hospital leaders have said it would be insufficient to tackle lengthening queues for treatment.

Statement from Treasury Select Committee Chair Nicky Morgan

“With significant downgrades to the economic and fiscal outlook, the Chancellor has had to balance fiscal credibility with demands for spending on multiple fronts.

He has taken a common-sense approach, with a welcome emphasis on issues beyond Brexit”

What we didn’t get

The Budget was notable for what didn’t feature as it was for what it did:

The insurance and wider financial services sector breathed a collective sigh of relief at the absence of an increase to **Insurance Premium Tax**. Tax receipt forecasts for IPT have been published, detailing the current out-turn at £4.9 billion and is predicted to rise to £6 billion in 2022-2023.

Disappointingly the flexibility that **apprenticeships levy** payers have to spend this money was said only to be ‘under review’.

A raid on **pensions tax relief** was resisted and remains unchanged despite a building perception of intergenerational inequality.

There was no specific commitment to increase the **pay of public sector workers**, who have been subject to a freeze - and then a 1% cap - since 2010.

Hammond said he was ‘not minded’ to reduce the **VAT registration threshold** from £85,000 (it will remain at the current level for at least the next 2 years), although unveiled plans to consult on whether its design “could better incentivise growth”.

Hammond did not mention **social care** in his speech, despite concerns that councils are overstretched.

Plans to raise the **minimum wage** for over-25s to £9 an hour by 2020 were derailed by the weaker economy.

University fees were left unchanged despite reports that Hammond was considering cutting the maximum universities could charge from £9,250 to £7,500.

Links

Autumn Budget 2017: Philip Hammond’s speech:
<https://www.gov.uk/government/speeches/autumn-budget-2017-philip-hammonds-speech>

Autumn Budget 2017 documents:
<https://www.gov.uk/government/publications/autumn-budget-2017-documents>

Office for Budget Responsibility, Economic and Fiscal Outlook November 2017:
<http://cdn.budgetresponsibility.org.uk/Nov2017EFOwebversion-2.pdf>