

Member briefing: Spring Statement 13 March 2018

Introduction

On 13 March 2018 Chancellor Philip Hammond presented his first Spring Statement. This follows his decision to focus major financial announcements in one annual Budget in the Autumn, allowing more time to prepare for changes before the financial year end. The Spring Statement therefore did not include major financial policy announcements on tax or spending.

The Statement included an update on economic forecasts from the Office of Budget Responsibility (OBR) and briefly set out a number of spending allocations made from previously-announced funding pots. There were also several calls for evidence on topics the Government is considering addressing in the Autumn Budget. Key issues of interest to South East authorities include:

- An update on unimplemented planning permissions from Sir Oliver Letwin, who has set out initial thoughts on the causes of slow delivery of homes.
- The next detailed Government spending review will take place in 2019 to determine spending for 2020 onwards.
- Business rates revaluation will be brought forward a year to 2021, with subsequent revaluations taking place every three years.
- Allocations by Government department of £1.5bn to help them prepare for Brexit in 2018-19.

Economic forecasts

Office of Budget Responsibility (OBR) figures update forecasts for key economic factors. Based on the OBR data, the Chancellor reported that the UK economy has grown every year since 2010:

- **UK GDP** is forecast to grow by 1.5% in 2018, then by 1.3% in each of 2019 and 2020, rising to 1.4% in 2021 and 1.5% in 2022. The economy grew by 1.7% in 2017, up from November's forecast of 1.5%.
- **Debt as a share of GDP** is forecast at 85.6% in 2017-18, a reduction of 1.1% since the Budget forecast in November. Debt is expected to fall to 77.9% by 2022-23.
- **Borrowing** has fallen by 75% since 2010. This year the OBR expects the UK will borrow £1 in every £18 spent. This compares to £1 in every £4 spent in 2009-10. Borrowing as a percentage of GDP is due to fall from 1.8% in 2018-19 to 0.9% in 2022-23.
- **Employment** has increased by 3 million since 2010. OBR predicts there will be a further half a million people in work by 2022.

Housing

- Sir Oliver Letwin has [written](#) to Ministers outlining progress so far on his **review of slow housing delivery**. He is due to report in detail by Autumn Budget 2018. The review follows [SEEC calls](#) for Government to tackle the growing number of unimplemented planning permissions (60k+ in the South East), which hold back local growth plans. Sir Oliver plans to focus on the range of reasons why major housebuilders are slow to deliver once they have planning permission and he has highlighted market absorption rates as a key factor ie. the rate at which new homes can be sold without disturbing the market price. He will be undertaking further analysis to inform recommendations to address this and related problems, and will report again in June.
- The Chancellor reiterated Budget 2017's commitment to a **£44bn national investment programme** to help increase supply of homes to 300,000 pa by the mid-2020s.
- The Government has agreed a West Midlands housing deal, to build 215,000 homes by 2030-31 assisted by a £100m grant.
- The Government is working with 44 areas on bids for the £4.1bn **Housing Infrastructure Fund (HIF)**. Further funding allocation announcements are expected imminently. To date £244m in HIF funding has been allocated to projects in the South East.
- The Housing Growth Partnership, providing financial support for small housebuilders, will be more than doubled to £220m.
- London will receive £1.67bn to build a further 27,000 affordable homes by the end of 2021-22.

Infrastructure

- The Government reiterated Budget 2017's announcement of £1.7bn for **transport in English cities** - half for Combined Authorities with mayors. Bids are now invited from cities for the remaining £840m. It is not clear whether non-city areas – for example the South East – will be able to access this funding.
- The Chancellor highlighted Government's continuing support to progress the **Oxford-Cambridge corridor**.
- The first allocations have been made from a £190m Challenge Fund to help roll out **full-fibre broadband** to local areas, providing over £95m for 13 areas across the UK. In the South East, Mid Sussex and Portsmouth will receive funding.

Businesses, the economy, wages & taxes

- In Autumn Budget 2017, it was announced that business rates revaluations will take place **every 3 years**, rather than every 5 years, following the next revaluation. This will help ensure bills will more accurately reflect the rental value of properties. The Chancellor has announced that the next revaluation, due in 2022, will be **brought forward to 2021**. This will mean that businesses will benefit from the change to 3-year revaluations earlier, the first being in 2024.
- **Making sure multinational digital businesses pay a fair share of tax.** Value generated by multinational digital businesses is not always reflected in where the businesses pay tax on their profits. The Government has [set out its thoughts](#) on how to change the tax system to give a fair result for digital businesses and is asking for views on possible solutions. There will also be consultation on VAT collection mechanisms for online sales.
- **Digital technology** has changed the way people shop, sell and save, but cash will continue to be an important method of payment. The Government is [seeking views](#) on what more it can do to: support the use of digital payments; ensure that people can still pay with cash; and prevent the use of cash to evade tax and launder money.
- From next month, the **National Living Wage** will rise to £7.83 an hour, worth £600 per year for a full-time employee. The **National Minimum Wage** rates for under-25s and apprentices will also rise. These increases are expected to benefit over 2 million people.
- As announced in the Autumn Budget, tax-free personal allowances will rise to £11,850 from April.

Skills

The Government set out forthcoming opportunities to boost training and skills provision, including:

- To support retraining, the Government [seeks views](#) on **extending tax relief** to support self-employed people and employees who fund their own training.
- The Government will make £50m available for employers from April for the roll out of **T-level work placements** and is releasing up to £80m to support **small businesses in employing apprentices**.
- The £29m **Construction Skills** Fund is opening for bids in April to fund up to 20 'construction skills villages'.

Consultations & calls for views

The Chancellor has launched **a number of consultations**, giving opportunities to influence policy areas being considered for the Autumn Budget 2018. In addition to those identified above, topics for consultation include:

- **Reducing single-use plastic waste** through the tax system. Disposable plastics damage the environment. The Government is determined to take action and is [seeking views](#) on how best to use the tax system to encourage the responsible use of plastic. Some of the money raised will be used to encourage the creation of greener products and services. £20m from existing budgets will be given to businesses and universities to research ways to reduce the impact of plastics on the environment.
- **The Government is also seeking views on topics including:**
 - Allowing Entrepreneurs' Relief on gains made before dilution;
 - Financing growth in innovative firms;
 - How to reduce the problem of late payments, which affect small business cashflows;
 - VAT, Air Passenger Duty and Tourism in Northern Ireland;
 - VAT registration threshold;
 - Extension of security deposit legislation;
 - Alternative methods of VAT collection – split payment; and
 - Options for offering reduced vehicle excise duty for the least polluting vans.