

Welcome to our briefing on the 2017 Autumn Budget - a detailed summary of the most important announcements by Chancellor Philip Hammond.

### What is the Autumn Budget?

This first Autumn Budget contains announcements of government spending plans over the next year. Not everything in the Budget will happen as a lot is dependent on the state of the economy over the next few years, particularly while there is uncertainty around Brexit. Similarly, there will be policies and decisions made in the next few years that have not been announced in the Budget.

### Background to the Autumn Budget

**The Autumn Budget is being announced during increasingly fraught Brexit negotiations by a Conservative government weakened after the June election result.**

The Chancellor opened his Budget speech by stating that productivity and pay are the central mission of the treasury, but [pay is not predicted to rise above its 2008 peak until 2025](#).

[The OBR reduction](#) of productivity by 0.7 percentage points per year represents the largest downgrading in its history. This not only means [our economy is forecast to be £42bn smaller in 2021](#) than it was back in March, but adds further weight to what is increasingly labelled a failed era of austerity. In March 2016, we were expecting [a surplus of £10bn by 2019/2020](#). Less than two years later, the government now estimates a deficit of £35bn.

Whilst still on track to achieve his own fiscal mandate, the OBR do not foresee the Chancellor meeting [his fiscal objective](#) of balancing the budget by the middle of the next decade. The straitjacket provided to the Chancellor by his own fiscal policy and the ongoing 'productivity-puzzle' has supposedly left little room for much-needed investment.

#### Read more

- [OBR Report](#)
- [Autumn Budget 2017](#)

### Seven years of austerity have had a devastating impact on our people and our economy.

Given the uncertainty of Brexit negotiations, this could have been the perfect opportunity to cast aside an era of austerity and make some bold announcements to tackle low levels of investment and stop the demise of our public services. Unfortunately, the Chancellor has not made the bold announcements in the Budget that we need for the challenges ahead.

#### Read more

- [CLASS letter to the Guardian calling for an end to austerity, signed by 113 economists, trade unionists and campaigners.](#)
- [Prof Malcolm Sawyer: Fiscal Austerity to Economic Renewal.](#)

## Headline announcements:

- Stamp duty will be abolished for first time buyers on properties up to £300,000, and reduced on properties up to £500,000.
- Changes to implementation of Universal Credit including reduction of waiting time and enabling claimants to access a month of funding in advance.
- £3bn promised for Brexit preparations, “whatever the outcome”.
- A £500m R&D package that includes driverless cars, 5G mobile networks and artificial intelligence.
- Additional NHS funding, including £350m over this winter.

## Housing

In the Budget, the Chancellor pledged to deliver 300,000 homes a year by the mid 2020s. However, [210,000 new households are projected to form every year](#) up to 2039 while approximately [678,000 households were living in overcrowded conditions in 2015/16](#).

There was no strong intervention on affordability in the Budget; instead the Chancellor recommitted to £10bn for new Help to Buy loans, despite [evidence that this programme has further distorted the housing market](#), and scrapping stamp duty for first time buyers on properties under £300,000 despite the OBR predicting [this will also](#)

[cause house prices to rise](#).

An inquiry will also be launched into ‘land banking’ by developers, where purchased land isn’t developed for housing. Although this is a welcome initiative, Hammond stated there are 270,000 unused planning permissions in London alone - with that in mind the government could have chosen to act instead of launching an inquiry.

The government will legislate to allow councils to charge a 100% premium on empty properties. Although this is double the current maximum, and might go some way to mitigate the cuts imposed on local authorities by the government’s austerity agenda, it won’t dent the finances of multi-millionaires who leave their investments empty.

### Read more:

- [CLASS ideas: Stopping Our Homes Becoming Their Investments](#)

## Universal Credit

Despite mounting pressure from both Labour MPs and a growing number of Conservative backbenchers, and evidence from the Trussell Trust who have seen a [17% increase in food bank usage in areas where Universal Credit has been rolled out](#), the government will not pause the roll out of Universal Credit.

However, some measures were introduced to cushion the impact of its implementation: the waiting period for the new roll out will be reduced from six weeks to four, households in need will be able to apply for a month of support as an interest free advance within five days, claimants will be eligible from the day they apply rather than seven

days later and Housing Benefit will continue to be paid for two weeks after a Universal Credit claim. Additionally, low-income households in areas with fast rising private rents will receive an average of £280 in Housing Benefit or Universal Credit.

## Read more

- [Blog by Prof Ruth Lister: Six Week Wait for Universal Credit Isn't a 'Delay' - It's a Damaging Policy Decision](#)

## Young people

After the recent election result showed a [historically low percentage of young people supporting the Conservative party](#), it is no surprise the Chancellor included a few giveaways in the Autumn Budget.

The popular 16-25 railcard will be extended up to the age of 30. While this will be welcomed by those in their late twenties, a railcard is a weak gesture when millennials (those currently aged between 17 and 36) are the first generation [expected to record lower lifetime earnings than their parents](#), earning £8000 less by the age of 30.

The Chancellor has announced scrapping stamp duty for first time buyers on homes worth up to £300,000, and on the first £300,000 spent on a house worth up to £500,000, a measure purported to help first time buyers in expensive areas like London. In reality, stamp duty relief won't actually save first time buyers much - the real issue is an out of control housing market, and the OBR has forecast that scrapping stamp duty for first time buyers [will actually increase house prices](#).

## Pay

The Chancellor stated that pay is one of the central missions of the Treasury, and confirmed that the National Living Wage would rise to £7.83 next year. However, this is not a true living wage, but a raised minimum wage for over 25s - the actual living wage as calculated by the independent Living Wage Foundation [is £10.20 an hour in London and £8.75 elsewhere in the UK](#).

## Read more:

- For the real story on jobs and pay, [check out our Labour market Realities series](#) and hear from real workers about their experiences.

## Brexit

With a backdrop of rapidly approaching Brexit deadlines (there's set to be a decision on progressing negotiations in December) it was expected that the Chancellor would mention Brexit preparations. Hammond has pledged £3bn towards Brexit preparations, and stated he was ready to allocate more money if required. Aside from funding for government departments to prepare for Brexit, we should have seen significant investment in infrastructure and in education. Unfortunately, as you will see below, this did not materialise.

## Infrastructure

Re-balancing our economy has been a recurrent theme in the run up to the Budget. [The Industrial Strategy Commission](#), amongst others, has called for

universal basic infrastructure. The newly announced [Transforming Cities Fund](#) pledges an extra £1.7bn, with £250m allocated to the West Midlands. There is also an emphasis on Milton Keynes, Cambridge and Oxford in terms of housing, jobs and transport as a new 'growth corridor' or, as the National Infrastructure Commission deem it, the [UK's Silicon Valley](#).

The Chancellor was keen to laud HS2 and Crossrail as the largest infrastructure projects in Europe, yet these projects are emblematic of what is a highly [unequal spread of transport spending](#) across the UK.

## Productivity and investment

Announcements made reflect the [Conservative manifesto](#) commitment to raise R&D spending to 2.4% of GDP by 2027. We've seen a £500m package that includes driverless cars, 5G mobile networks and artificial intelligence as the government tries to mould the image of a post-Brexit Britain as a hub for technology and innovation.

Additional money for the National Productivity Investment Fund will partially offset the lost revenue from the European Investment Bank (worth as much as [£5bn in recent years](#)). This will help promote the so-called [unicorns](#) – innovative firms valued over \$1bn USD. While further investment in education (see below) is set to prepare us 'fit for the future', critics point out that our spending here is unlikely to keep pace with [our international competitors](#).

## Education

This was a very disappointing Budget for education. Additional funding for schools whose pupils take a Maths A Level and to help with the introduction of T Levels were announced, along with £42m for teacher training. However, [nine in ten schools are facing real terms per pupil cuts, and it would cost £2bn a year](#) to restore real terms per pupil funding to 2015/16 levels.

Despite the Chancellor announcing action to end accidental overpayment of student loans, there were no announcements on scrapping or reducing student fees - the average student will soon [graduate with £50k of debt](#).

### Read more

- [Statement by Kevin Courtney, joint general secretary of the National Education Union.](#)

## Tax and savings

Whilst calls for a [freeze in corporation tax](#) went unheeded, the Chancellor brought forward the planned switch from RPI to CPI which will benefit businesses to the tune of [£2.3bn over the next five years](#). He also stuck with manifesto pledges to raise income tax thresholds - the personal allowance to £11,850 and the higher rate to £46,350 from April 2018.

Elsewhere, there was the announcement of transferable tax history for the oil and gas industry which will offset the costs of decommissioning fields in the North Sea. This has been [welcomed by big corporates](#). The continued freeze on Fuel Duty and the new freeze on most alcohols will cost the Treasury in excess of £1bn annually from 2018

through to 2022/23.

While no mention was specifically made of the Paradise Papers, the Chancellor announced a package of measures to tackle avoidance and evasion that will supposedly raise £4.8bn by 2022/23. However, there has been no mention of [additional investment for HMRC](#), despite a decline in the [number of staff](#) working at the department since 2010.

## Read more

- [Blog by Matti Kohonen of Christian Aid: Trouble in Paradise: Corporates Are Still One Step Ahead of Regulators](#)
- [CLASS guest blog: No Rate Rise Without a Pay Rise](#)

## Climate change and the environment

The Chancellor announced new programmes to increase the use of electric and low emission vehicles, with a commitment to invest £200m in charging points for cars and £100m to continue grants for those purchasing battery powered electric vehicles. Although investment in new technology is welcome, trade union Unite has expressed concern that [this funding isn't enough to enable UK industry to compete](#) on this new technology with countries like Germany, Norway and China.

The government has also suggested [there will be no new subsidies for low-carbon electricity and renewables until 2025](#).

## The NHS

The Chancellor announced much needed extra funding for the NHS, but the £1.6bn expected next year is well short of the [£4bn NHS chief](#)

[executive Simon Stevens has called for to keep the service running](#).

There was also nothing in the Budget for hardworking NHS staff. In 2016/17, [20% more nurses and midwives left the profession than joined](#) - with working conditions and low pay a key factor for those leaving under retirement age - and the [average nurse is already £3000 worse off in real terms than in 2010](#). At the very least, the public sector pay cap needs to be scrapped to see off a looming crisis in NHS staffing.

The Chancellor also announced £350m extra funding for the NHS over the winter, to cope with increased demand. However, during the EU referendum it was [suggested the NHS could receive £30m a week post-Brexit](#).

## Pensions

With the debate on intergenerational fairness focusing on what the Conservative government can offer the young, there was no mention of pensions in the Chancellors' Budget speech. The triple lock will therefore continue and [no limit will be placed on the lifetime allowance](#).

## What was missing?

There were some big topics missing from the Autumn Budget this year. Most notably:

### Lifting the public sector pay cap

The public sector pay cap was not addressed in the Autumn Budget, despite continued campaigning by public sector workers and trade unions. The 1% pay cap is effectively a pay cut, as wages will rise below the rate of inflation.

The government has already announced scrapping the cap for some groups of public sector workers, but did not take the opportunity to extend this to others.

#### Read more

- [Statement from Mark Serwotka, general secretary of PCS Union.](#)

## Social Care

The phrase 'social care' was not mentioned in Philip Hammond's budget speech or in the full text of the Autumn Budget.

Considering [four in five councils are struggling to provide care for elderly people](#), and councils have been actively campaigning for additional funding in the Autumn Budget, this is a noticeably absent policy area.

## Mental Health

There is an ongoing crisis in mental health services in England, with [80% of providers claiming they do not have the funding](#) to provide

timely support to those who need it. Although the government have stated an aim to prioritise mental health, the Budget offered nothing for struggling services.

## What has CLASS published?

- [Our Director reacts to the Autumn Budget 2017 in the Guardian.](#)
- [Our panel reacts to the Autumn Budget.](#)