

Welcome to our briefing on the 2017 Spring Budget; a detailed summary of the most important announcements by chancellor Philip Hammond.

*“Speculation has finally ended about chancellor Philip Hammond’s economic philosophy. It’s an approach that says we serve the economy, rather than that the economy serves the public; that public services are an add-on rather than the wheels on the car that keep us moving forward; and that the rich are more important than the poor.”*

Dr Faiza Shaheen, Director of CLASS

### What is the Spring Budget?

Every year, the government sets out its economic plans for the year ahead in the Spring Budget. Chancellor Philip Hammond announced last year that this will be the last Spring Budget. Future budgets will be in the Autumn, but this year we’ll have both.

Depending on the state of the economy over the next few years, and the effects of Brexit, we might see several new policies not announced in the budget.

### Background to the Spring Budget

Although seen as a bit of a dull affair and a sideshow to the Autumn Statement, this budget still gives us an indication of what policy direction the Conservative government will be leading the country.

The economic context for the budget is strong GDP growth and tax revenues. For now, this better than expected situation gives the chancellor more flexibility in his decision making.

The Office for Budget Responsibility (OBR) upgraded their growth expectations for 2017 from 1.4% to 2.0%. However their longer term

expectations were downgraded, to 1.6% for 2018, then 1.7%, 1.9% in subsequent years.

#### Read more

- [OBR Report](#)
- [Spring Budget](#)

Here at CLASS, we noticed that one thing in particular was missing from the chancellor’s speech. The Autumn Statement pledged to help the ‘Just About Managing’ (JAMs), but a few short months later and JAMs have disappeared. The text of the chancellor’s speech doesn’t contain a single reference to them.

Although we welcomed the [abandoning of unrealistic and damaging surplus targets](#) last year, the government is still pursuing damaging public spending cuts and throwing inadequate one off investments at services in crisis, like social care. Listening to Philip Hammond echoing the language used by previous chancellor George Osborne when he insisted that we must live “within our means” demonstrates that austerity ideology is alive and well.

Despite the prime minister’s claims, this is not a budget for working people.

## Key announcements

- £2bn for Social Care
- £500m funding for vocational and technical education and introduction of a new technical qualification, the T-level
- £270m for an Industrial Strategy Challenge Fund
- £320m for new free schools, including grammars
- £325m investment into the NHS
- National Insurance contributions for the self-employed have increased
- £435m to support businesses affected by changing business rates
- Personal allowance will rise £500 to £11,500 for 2017-18

## Social Security Freezes

We've known for a while that most components of Universal Credit (including jobseekers allowance and housing benefit), will be frozen for 2017/18, but it's worth repeating that because of rising inflation, this is a cut in real terms. There were no measures to address this in the budget.

## Social Care

Local authorities, the providers of social care, have faced an [austerity driven £5bn funding care gap](#) over the past four years. This has created huge bottlenecks and knock-on effects for the NHS as

the elderly are more likely to end up in hospital and doctors are unable to release patients. The delays for patients waiting for care have doubled over the past year, using huge quantities of [resources in the meantime](#).

The government's pledge of £2bn falls short of the [£2.6bn suggested](#) by a cross party group of MPs, and is significantly lower than the £5bn care funding gap over the past four years.

## Skills and Training

Hammond has emphasised the need to improve technical skills, an area they acknowledge the UK performs poorly. They announced an additional £500m to fund vocational and technical education .

A new "T-level" training route will be established, providing specific routes to different industries. The government aims to more than double the number of training hours for these students, provide industry work placements and maintenance loans.

However, [there has been](#) a 24% cut to adult education for 2015/16, on top of a 35% reduction since 2009. University College Union estimated this would mean a loss of 400,000 students in 2015/16 alone.

The government has committed £300m for new academic research placements, with new fellowships and 1,000 new PhD placements. In addition, maintenance loans will be made available to part time and doctoral students.

Although extra academic funding is welcome, this may not be enough to settle the concerns universities have over Brexit.

## Productivity

Another prong of the government's industrial strategy is a £270m launch for the Industrial Strategy Challenge Fund. In addition they aim to

invest £16m in 5G projects and £200m in local projects for fibre networks. These funds are insignificant compared to the amount of funding necessary. One of the government's own commissioned predictions put the cost of 5G rollout [at £41bn](#)—£16m is a drop in the ocean. Finally the government has committed £690m for new local transport projects and £220m directly to improve local congestion points. These figures pale in comparison to [the £56bn](#) for the London - Birmingham phase of HS2, illustrating the lower priority the North has when it comes to infrastructure spending.

## Education

Another announcement has been £320m for 140 new grammar and free schools. The government is ploughing ahead despite widespread condemnation of the plan to reintroduce [grammar schools](#). They have also committed to £215m for school maintenance.

A further policy is to provide free transport to children, on free school meals or whose parents are on maximum working tax credit, to their closest selective school (limited to between two and fifteen miles).

The extra funding will also not address funding crisis in education which is forcing schools to make [savings of £3bn by 2020](#). Things have got so bad that some head teachers warning they may have to cut hours, and even the threat of a school governors strike.

Education and training expenditure [was 5.8% of GDP in 2009-10. Real terms cuts to 2015-16 took it below 4.5%](#). This has led the IFS to claim that education has seen its first [real terms cut in 20 years](#).

## Further reading

- Dr Faiza Shaheen, [4 reasons why grammar schools are a bad idea](#)
- Video: Dr Faiza Shaheen, [Why are grammar schools on the agenda?](#)
- Professor Danny Dorling, [Comprehensive Schools Are Not Enough: The Challenge of Education Policy for the Left](#)

## Tax and savings

The personal allowance will rise £500 to £11,500 for 2017-18, putting an extra £100 in taxpayers' pockets.

However the top tax band has been increased from £43k to £45k, giving an additional £400. So a higher rate tax payer is getting £500 more - five times the amount given to a full time worker on the national living wage. The government's [own analysis](#) has put the cost of these tax changes at £5,770m from 2016/17 to 2020/21.

National Insurance contributions (NIC) for the self-employed have increased ensuring people contribute to the welfare state. We welcome efforts to update NIC to reflect changes to self-employment, it is crucial that [workers' rights are also updated](#) to reflect these labour market changes. An estimated [77% of the self-employed live in poverty](#) and bold action is needed to end that. NIC changes contradict Conservative party 2015 manifesto pledges not to raise the tax. The previous Conservative administration also [attacked](#) the then Labour leader, Ed Miliband, for refusing to rule out raises to NIC.

## Pensions

The state pension triple lock will continue, giving a rise of 2.5%. This will help reduce pensioner

poverty. However it will contribute to intergenerational inequality as earnings and benefits are not given this guarantee.

## The NHS

Although we were relieved to see that the NHS got a mention this year (there was nothing in the Autumn Statement), the government has yet again ignored warnings from NHS workers, campaigners and patients about chronic underfunding. Hammond committed to a £325m investment into the NHS over the next three years through Sustainability and Transformation Plans (STPs), and £100m for A&E departments to help them manage next winter. STPs have been controversial, as they aim to save money by making reforms that include shutting down some hospitals and A&E departments.

The British Medical Association [stated before the budget](#) that NHS funding would have to be increased by more than £10bn just to match other major European Economies.

## Tax-Free Childcare

Childcare costs in the UK have become so high that it is often cheaper for a parent to stay at home than to go back to work. The government has pledged up to £2000 a year childcare support for under 12s, up to £4000 for parents of disabled children up to the age of 17, and a doubling of free childcare from 15 hours a week to 30 for three and four year olds. However, current average childcare costs are [more than £6000 a year](#), and local authorities have [expressed concerns about childcare availability](#) in their local areas. Although tax free childcare commitments are to be welcomed, this is unlikely to be enough

to ease the burden on working parents.

## Business rates

Business rate changes announced last year had caused serious concern for small businesses. With new rates connected to rental values, those in London and the South would be negatively affected, while some in the North would see their rates go down. As expected, and promised by business secretary Sajid Javid, Hammond announced that the government has promised £435m to support businesses affected by changing rates, guaranteeing that no business will pay more than £600 extra this year. This money also includes £300m for local authorities to target businesses in their area most impacted by rising rates.

It remains to be seen how effective this funding will be in securing the future of small businesses and those they employ.

## International Women's Day

The Spring Budget coincided with International Women's Day this year, so the government announced three policies directed at women:

1. £5m to celebrate the 100th anniversary of the Representation of the People Act (the Act that gave women the right to vote)
2. £5m to help people back into work after a career break
3. £20m (making a total of £100m) for organisations working to combat domestic violence and abuse

Although £5m to celebrate women winning the vote makes good headlines, it will not offset the disproportionate impact of austerity policies under this and the previous Conservative government on

women.

Helping women back to work after a career break is vitally important, but £5m equates to just £7.19 per child born.

And lastly, while [17% of safe spaces](#) have been forced to close due to funding cuts, and 46% are currently running with no funding, it remains to be seen if £100m is enough to protect the most vulnerable women in the UK.

### Further reading

- [Director's blog: Gender Equality Must Be at the Heart of the Budget](#)

## What was missing?

There were some big policy areas missing from the Spring Budget this year. Most notably:

### Brexit

The government is keen to present itself as the competent manager of Brexit. However this budget barely mentioned Brexit, and certainly gave no substantive measures to deal with this difficult economic transition. The budget should have set out how we will deal with the challenges the country faces from leaving the EU.

### Housing

There was nothing (not even a token gesture) in this budget for renters. Given that private renters account for [20% of households and spend 35%](#) of their household income on rent, and home ownership is increasingly out of reach, housing is something that no government should ignore.

## Climate change and the environment

There was more mention of the business and tax environment than the actual environment in the budget this year, with the only mention of green energy under the banner of innovation funding for university research.

## What has CLASS published?

- [Our Director's Spring Budget 2017 reaction in the Guardian](#)
- [Our Panel Reacts to the Budget](#)