

Political Intelligence's top takeaways

Spring Statement 2019



Photo: UK Parliament

Overview

Amid continued Brexit uncertainty, the Chancellor, Philip Hammond MP, delivered a Spring Statement today that was light on announcements. The Chancellor did however use his statement to push MPs from across the political spectrum to vote against a no-deal Brexit saying that it would lead to “higher unemployment, lower wages, [and] higher prices.” The Chancellor’s key message was that further spending would be unlocked if MPs backed the Brexit deal.

Growth for this year is forecast to be lower than expected – 1.2% compared to October’s forecast of 1.6%. Next year’s growth forecast remains the same (1.4%) and growth for the three subsequent years is expected to be 1.6% each year.

It was not all doom and gloom as the Chancellor did highlight improved borrowing figures, set at 1.1% of GDP this year allowing him some wiggle room. Assuming that a Brexit deal is agreed, the Chancellor will launch a full three-year spending review before the summer break.

The Office for Budget Responsibility (OBR) overall assessment was that whilst growth had slowed since October’s Budget, better than expected tax receipts have meant that the public finances look marginally healthier. Higher tax receipts and lower debt interest have given the Chancellor £26 billion of extra spending power – a ‘war chest’ which he could unleash if MPs agree to the Brexit deal.



Headline Announcements

The economy:

- The Chancellor announced that projected growth for 2019 has been cut from 1.6% to 1.2% by the Office for Budget Responsibility (OBR).
- The economy is forecast to grow by 1.4% in 2020, and 1.6% in 2021, 2022 and 2023.

Public finances

- Government borrowing has been revised down: £22.8bn for 2018/19, £29.3bn for 2019/20, £21.2bn for 2020/21, £17.6bn for 2021/22 and £14.4bn for 2022/23.
- The Chancellor announced that the OBR had also revised down the level of public debt over every year of the forecast period, and was set to fall to 82.2% of GDP for 2019/20 and then 79% for 2020/21.

The Chancellor also announced:

- That he would spend a £26.6bn Brexit war chest on boosting the economy if MPs voted to leave the EU with a deal. He stated that this would be used to cut taxes and spend on public services.
- An additional £100m of funding over the next year to help deal with the surge in knife crime.



Tech

The Chancellor stated his commitment to ensuring the UK remains a world leader in technology through boosts to R&D funding, and a clear focus on competition issues in the digital economy.

The Furman Review into competition today published its findings that tech giants do not face adequate competition, and recommended that existing rules and regulatory procedures must be updated to address the changing digital market to allow the CMA to better stop digital mergers likely to damage innovation and consumer choice.

The Chancellor has subsequently instructed the Competition and Markets Authority (CMA) to undertake a formal market study into the digital advertising industry. The Chancellor committed to respond to the Review in full over the Summer.

His funding announcements largely revolved around research, with £200 allocated to projects including a new supercomputer in Edinburgh, and further boosts for skills with PhD-level occupations removed from the Tier 2 visa cap.

Finally, the Chancellor outlined the nine winning local areas allocated funding through the Local Full Fibre Networks challenge fund third wave, these included £15m for Northern Ireland and £8m for North Wales and Norfolk.

Health

There were a limited number of new announcements related to the health sector, although the Chancellor made a point of highlighting that the Government had put the NHS 'first in line for public spending as the public would expect', citing last year's funding announcement of a £20.5 billion real-terms increase by 2023. He did however make the following points:

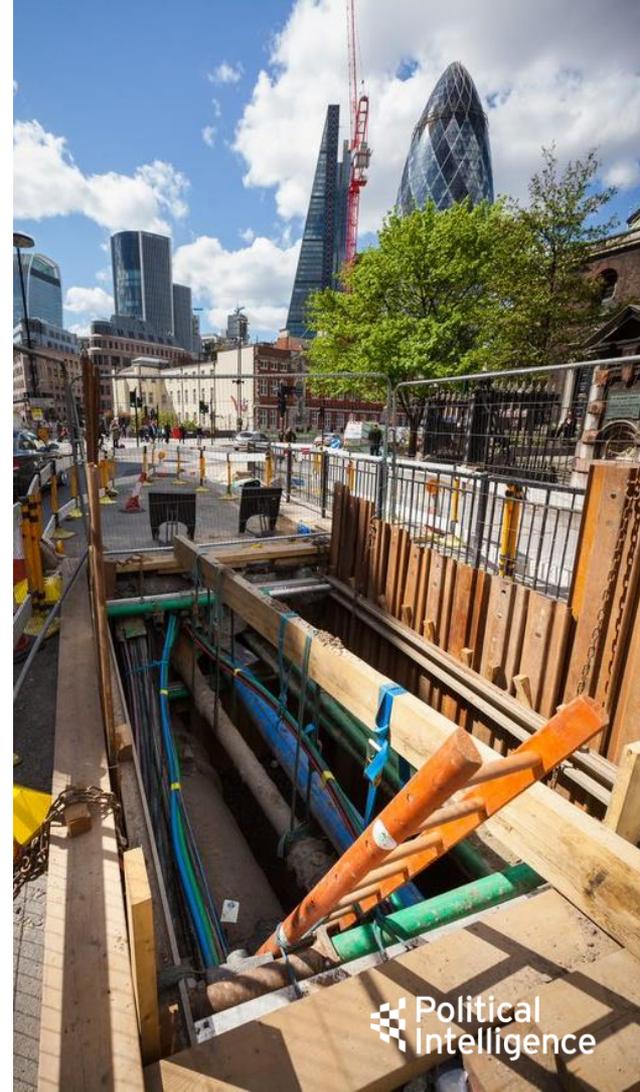
- Assuming a Brexit deal is agreed, and uncertainty lifted, there will be a "full three-year spending review" launched before the summer recess.
- The spending review will set departmental budgets beyond the NHS and will include areas of concern such as social care.
- £200 million will go towards cutting-edge infrastructure to support innovators and sciences to drive progress against the Government's 'Grand Challenges', including healthy ageing. This will include £45 million to support researchers using big data to drive genetic research.
- The Government will fund the provision of free sanitary products in secondary schools and colleges in England from the new school year.



Energy

The Chancellor stated that the carbon neutral economy of the future must be delivered through the 'creativity of the marketplace' and announced several measures designed to 'build sustainability into the heart of the economic model'. The key announcements were:

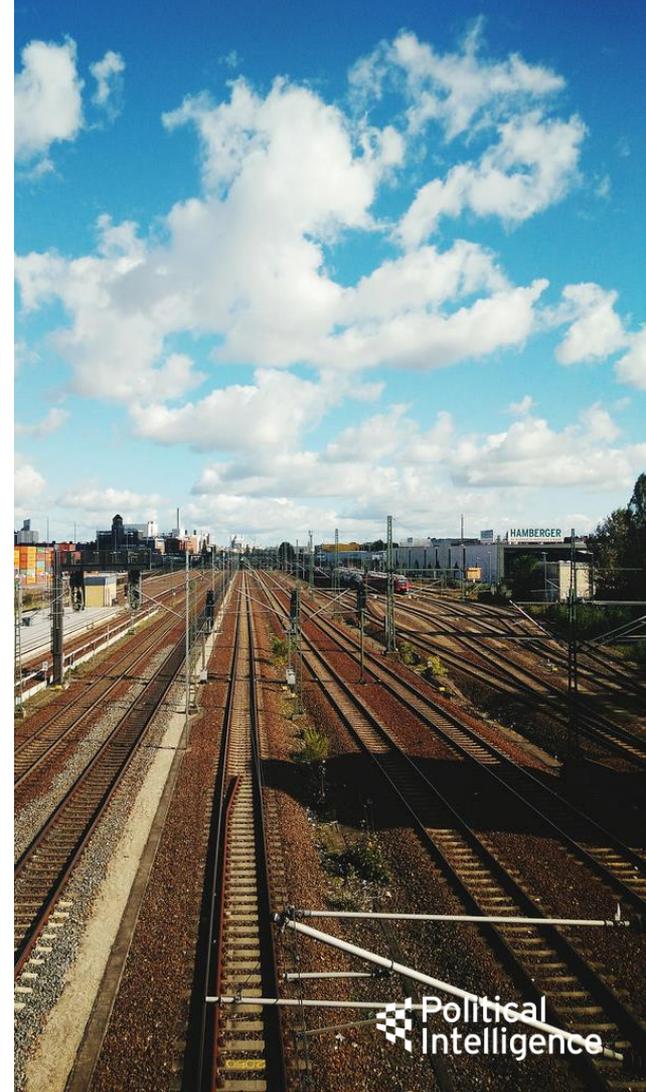
- A consultation will be launched on whether all passenger carriers should be required to offer 'genuinely additional' carbon offsets, to give customers the option of zero carbon travel.
- A consultation will be launched on an energy efficiency scheme for small and medium sized businesses.
- The Government will consult later this year on proposals to require an increased proportion of green gas in the grid, advancing the decarbonisation of the mains gas supply.
- A Future Homes Standard will be introduced by 2025 which will mandate the end of fossil fuel heating systems in all new houses and will provide for improved energy efficiency.



Transport

Transport was not a particular area of focus in the Chancellor's Spring Statement, but there were a series of announcements which are of relevance to the sector:

- A call for evidence will be launched on Offsetting Transport Emissions. This will explore whether passenger carriers should be required to offer genuinely additional carbon offsets so that customers who want zero carbon travel have that option.
- The publication 'Future of Mobility: Urban Strategy' sets out the Government's approach to putting the UK at the forefront of mobility, and responds to the significant changes taking place in transport technology – such as the growth in electric vehicles, the development of self-driving vehicles and advances in data and internet connectivity.
- Following on from the announcement of the Transforming Cities Fund at the Autumn Budget 2017, £60m of investment will be made available in 10 cities across England. This will fund 30 new schemes such as bus station upgrades, new cycle lanes and road improvements, supporting the wider programmes being delivered by city regions as part of the Industrial Strategy.
- From June 2019, the Government will begin to abolish the need for UK paper landing cards at points of entry.



About us

Political Intelligence

For further information on the Spring Statement, or if you would like to discuss your current plans for this Parliament and the ways in which Political Intelligence could support your organisation's public affairs activity, please get in touch:

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