

Speech: Spring Statement 2018: Philip Hammond's speech

Mr Speaker.

I am pleased to introduce to the House the first Spring Statement.

The UK was the only major economy to make hundreds of tax and spending changes twice a year.

And major international organisations and UK professional bodies alike have been pressing for change.

In 2016 I took the decision to move to a single fiscal event in the Autumn.

Giving greater certainty to families and businesses ahead of the new financial year.

And allowing more time for stakeholder and parliamentary engagement on potential fiscal changes.

Today's statement will update the House on the economic and fiscal position.

Report progress on announcements made at the two budgets last year.

And launch further consultations ahead of Budget 2018, as set out today in my Written Ministerial Statement.

I won't be producing a Red Book today Mr Speaker.

[political content removed]

Mr Speaker.

I am pleased today to report to the House on a UK economy that has grown in every year since 2010.

And under Conservative Leadership now has a manufacturing sector enjoying its longest unbroken run of growth for fifty years.

An economy which has added 3 million jobs.

And seen:

- every single region of the UK with higher employment and lower unemployment than in 2010
- seen the wages of the lowest paid up by almost 7% above inflation since April 2015
- [political content removed]

Solid progress towards building an economy that works for everyone.

[political content removed]

I, meanwhile, am at my most positively Tigger-like.

As I contemplate a country which faces the future with unique strengths.

Our language is the global language of business.

Our legal system is the jurisdiction of choice for commerce.

We host the world's most global city, and its international finance and professional services capital.

Our companies are in the vanguard of the technological revolution.

While our world-class universities are delivering the breakthrough discoveries and inventions that are powering it.

British culture and talent reaches huge audiences across the globe.

And our tech sector is attracting skills and capital from the four corners of the earth.

With a new tech business being founded somewhere in the UK every hour.

Producing world-class products including apps like TransferWise, CityMapper,
And Matt Hancock.

Mr Speaker.

Today the OBR delivers its second report for the fiscal year 2017-18.

And I thank Robert Chote and his team for their work.

It forecasts more jobs.

Rising real wages.

Declining inflation.

A falling deficit.

And a shrinking debt.

The economy grew by 1.7% in 2017, compared to 1.5% forecast at the Budget.

And the OBR have revised up their forecast for 2018 from 1.4% to 1.5%.

Forecast growth is then unchanged at 1.3% in 2019 and 20, before picking up to 1.4% in 21 and 1.5% in 22.

That's the OBR's forecast Mr Speaker.

But forecasts are there to be beaten.

As a nation, we did it in 2017.

And we should make it our business to do so again!

Our remarkable jobs story is set to continue.

With the OBR forecasting more jobs in every year of this parliament.

And over 500,000 more people enjoying the security of a regular pay-packet by 2022.

I am pleased to report that the OBR expect inflation, which is currently above target at 3%.

To fall back to target over the next 12 months.

Meaning that real wage growth is expected to be positive from the first quarter of 18-19, and to increase steadily thereafter.

Mr Speaker.

I reported in the Autumn that borrowing was due to fall in every year of the forecast.

And debt to fall as a share of GDP from 2018-19.

The OBR confirms this today.

And further revises down debt and borrowing in every year.

Borrowing is now forecast to be £45.2 billion this year.

£4.7bn lower than forecast in November.

And £108bn lower than in 2010.

[political content removed]

As a percentage of GDP, borrowing is forecast to be 2.2% in 17-18.

Falling to 1.8% in 18-19, 1.6% in 19-20, then 1.3%, 1.1% and finally 0.9% in '22-'23.

Meaning that in 18-19 we will run a small current surplus, borrowing only for capital investment.

And we are forecast to meet our cyclically adjusted borrowing target in '20-21 with £15.4bn headroom to spare.

Broadly as forecast at the Budget.

Mr Speaker,

The more favourable outlook for borrowing means the debt forecast is nearly 1% lower than in November.

Peaking at 85.6% of GDP in 17-18.

And then falling to 85.5% in 18-19, then 85.1%, 82.1%, 78.3%, and finally 77.9% in 2022-23.

The first sustained fall in debt in 17 years.

A turning point in the nation's recovery from the financial crisis of a decade ago.

Light at the end of the tunnel.

Another step on the road to rebuilding the public finances [political content removed]

[political content removed]

Mr Speaker.

In Autumn 2016, I changed the fiscal rules to give us more flexibility to adopt a balanced approach to repairing the public finances.

Reducing debt.

Not for some ideological reason.

But to secure our economy against future shocks.

Because we [political content removed] are not so naïve as to think we have abolished the economic cycle.

Because we want to see taxpayers' money funding our schools and hospitals, not wasted on debt interest.

And because we want to give the next generation a fair chance.

But I do not agree with those who argue that every available penny must be used to reduce the deficit.

And nor do I agree with the fiscal fantasists [political content removed] who argue that every available penny should be spent immediately.

We will continue to deliver a balanced approach.

Balancing debt reduction against the need for investment in Britain's future.

Support to hard-working families through lower taxes.

And our commitment to our public services.

Judge me by my record, Mr Speaker [political content removed].

Since Autumn Statement 2016, I have committed to £60 billion of new spending.

Shared between long-term investment in Britain's future.

And support for our public services.

With almost £9 billion extra for our NHS and our social care system.

£4bn going into the NHS in 18/19 alone.

And as I promised at the Autumn Budget.

More to come if, as I hope, management and Unions reach an agreement on a pay modernisation deal for our nation's Nurses and Agenda for Change staff.

Who have worked tirelessly since the Autumn in very challenging circumstances to provide the NHS care that we all value so highly.

£2.2 billion more on education and skills.

And £31 billion going to fund infrastructure, R&D and housing through the National Productivity Investment Fund.

Taking public investment in our schools, hospitals, and infrastructure in this parliament to its highest sustained level in 40 years.

And at the same time we have cut taxes for 31 million working people by raising the personal allowance again in line with our manifesto commitment.

Taking more than 4 million people out of tax altogether since 2010.

Freezing fuel duty for an eighth successive year, taking the saving for a typical car driver to £850 [political content removed].

And raising the National Living Wage to £7.83 from next month, giving the lowest paid in our society a well-deserved pay rise of over £2,000 for a full-time worker since 2016.

Mr Speaker.

Since becoming Chancellor, I have provided an extra £11 billion of funding for 2018/19.

To help with short-term public spending pressures.

And to invest in Britain's future.

In the longer term, I can confirm that, at this year's Budget I will set an overall path for public spending for 2020 and beyond.

With a detailed Spending Review to take place in 2019.

To allocate funding between Departments.

That is how responsible people Budget.

First you work out what you can afford.

Then you decide what your priorities are.

And then you allocate between them.

And if, in the Autumn, the public finances continue to reflect the improvements that today's report hints at.

Then, in accordance with our balanced approach, and using the flexibility provided by the fiscal rules.

I would have capacity to enable further increases in public spending and investment in the years ahead.

While continuing to drive value for money to ensure that not a single penny of precious taxpayers' money is wasted.

A balanced approach.

Getting our debt down.

Supporting our public services.

Investing in our nation's future.

Keeping taxes low.

Building a Britain fit for the future.

And an economy that works for everyone.

Updates since the Budget.

Mr Speaker.

There is much still to do.

Since Autumn 2016 we have set out our plan to back the enterprise and ambition of British business and the hard work of the British people.

A plan to unleash our creators and our innovators.

Our inventors and our discoverers.

To embrace the new technologies of the future.

And to deliver the skills we will need to benefit from them.

To tackle our long-standing productivity challenges.

And to say more loudly than ever that our economy will remain open and outward-looking.

Confident to compete with the best in the world.

We choose to champion those who create the jobs and the wealth on which our

prosperity and our public services both depend.

Not to demonise them.

Mr Speaker,

[political content removed]

The market economy embraces talent and creates opportunity.

Provides jobs for millions and the tax revenues that underpin our public services.

So we will go on supporting British businesses.

We are reducing business rates by over £10 billion.

And we committed at Autumn Budget 2017 to move to triennial revaluations from 2022.

Today I am pleased to announce that we will bring forward the next business rates revaluation to 2021 and make the triennial reviews from that date.

We will launch a Call for Evidence to understand how best we can help the UK's least productive businesses to learn from, and catch-up with, the most productive.

And another on how we can eliminate the continuing scourge of late payments – a key ask from small business.

Because Mr Speaker, we are the champions of small businesses and the entrepreneur.

Since the Budget, we have made substantial progress in our negotiations with the European Union.

To deliver a Brexit that supports British jobs, businesses and prosperity.

And I look forward to another important step forward at the European Council next week.

But we will continue to prepare for all eventualities.

And today my RHF the Chief Secretary is publishing the Departmental allocations of over £1.5 billion of Brexit preparation funding for 2018-19 which I announced at the Autumn Budget.

Our Modern Industrial Strategy sets out our plan to keep Britain at the forefront of new technologies.

With the biggest increase in public R&D spending for four decades.

Much of this new technology depends on high-speed broadband.

And today I can make the first allocations of the £190 million local full fibre challenge fund announced at Autumn Budget and confirm £25 million for the first 5G testbeds.

As our economy changes, we must ensure people have the skills they need to seize the opportunities ahead.

So we've committed over £500 million a year to T-Levels, the most ambitious post-16 reforms in 70 years.

And from next month £50 million will be available to help employers prepare for the rollout of T-Level work placements.

Last week, the Education Secretary and I chaired the first meeting of the National Retraining Partnership between Government, the TUC and the CBI.

And I can re-assure the House, Mr Speaker.

[political content removed]

But there was a clear and shared commitment to training, to prepare the British people for a better future ahead.

And next month our £29 million construction skills fund will open for bids to fund up to 20 construction skills villages around the country.

We're committed as a government to delivering 3 million apprenticeship starts by 2020 with the support of business through the apprenticeship levy.

But we recognise the challenges the new system presents to some small businesses looking to employ an apprentice.

So I can announce today that my Right Honourable Friend the Education Secretary will release up to £80 million of funding to support those small businesses in engaging an apprentice.

We publish a consultation on improving the way the tax system supports self-funded training by employees and the self-employed.

And because we currently understand more about the economic pay-back from investing in our infrastructure than we do about investment in our people.

I have asked the ONS to work with us on developing a more sophisticated measure of human capital.

So that future investment can be better targeted.

Mr Speaker, we're undertaking the largest road building programme since the '70s.

As Transport Secretary, I gave the green light to fund the new bridge across the River Mersey in 2011.

And I was delighted to see it open late last year.

The largest infrastructure project in Europe, Crossrail, is due to open in just 9 months' time.

We're making progress on our plans to deliver the Cambridge-Milton Keynes-Oxford Corridor.

We're devolving powers and budgets to elected mayors across the Northern Powerhouse and Midlands Engine.

We're in negotiations for city deals with Stirling and Clackmannanshire, Tay Cities, Borderlands, North Wales, Mid Wales, and Belfast.

And today we invite proposals from cities across England for the £840 million fund I announced at the Budget to deliver on their local transport priorities.

As part of our plans to spread growth and opportunity to all parts of this United Kingdom.

And at the heart of our plan for building an economy that works for everyone is our commitment to tackle the challenges in our housing market.

With an investment programme of £44 billion to raise housing supply to 300,000 a year by the mid-2020s.

And today I can update the House.

We are working currently, with my Right Honourable Friend the Housing Minister, with 44 authorities who have bid into the £4.1 billion Housing Infrastructure Fund, to unlock homes in areas of high demand.

We are concluding housing deals with ambitious authorities who have agreed to deliver above their Local Housing Need.

And I can announce today that we have just agreed a deal with the West Midlands to have committed to deliver 215,000 homes by 2030-31, facilitated by a £100 million grant from the Land Remediation Fund.

And my Right Honourable Friend the Housing Minister will make further announcements on the over the next few days on the Housing Infrastructure Fund.

We will more than double the size of the Housing Growth Partnership with Lloyds Banking Group to £220 million, to help providing additional finance for small builders.

And London will receive an additional £1.7 billion to deliver a further 26,000 affordable homes, including homes for social rent, taking total affordable housing delivery in London to over 116,000 by the end of 2021-22.

Mr Speaker, my Right Honourable Friend for West Dorset has outlined his initial findings on the gap between planning permissions granted and housing completions.

In a letter which I have placed in the Library of the House.

And I look forward to his full report at the Budget.

And I am delighted to inform the House that an estimated 60,000 First Time Buyers have already benefited from the Stamp Duty relief I announced at the Autumn Budget.

[political content removed]

In the Autumn, we published a paper on taxing large digital businesses in the global economy.

And today we follow up with a publication that explores potential solutions.

And I look forward to discussing this issue with G20 Finance Ministers in Buenos Aires at the weekend.

We also publish a call for evidence on how online platforms can help their users to pay the right amount of tax.

We will consult on a new VAT collection mechanism for online sales.

To ensure that the VAT consumers pay actually reaches the Treasury.

And we will call for evidence, too, on how to encourage cashless and digital payments, while ensuring cash remains available to those who need it.

Mr Speaker.

This government is determined that our generation should leave the natural environment in a better state than we found it.

And improve the quality of the air we breathe.

So we will publish a call for evidence on whether the use of non-agricultural red diesel tax relief contributes to poor air quality in urban areas.

And following our successful intervention to incentivise green taxis, we'll help the Great British White Van driver go green with a consultation on reduced VED rates for the cleanest vans.

And follow up on the vital issue of plastic littering and the threat to our oceans.

With a call for evidence to support us in delivering on our vow to tackle this complex issue.

It will look at the whole supply chain for single use plastics.

At alternative materials.

Reusable options.

And recycling opportunities.

And it will look at how the tax system can help drive the technological progress and behavioural change we need.

Not as a way of raising revenue.

But as a way of changing behaviour.

And encouraging innovation.

We'll commit to investing to develop new, greener, products and processes.

Funded from the revenues that are raised.

And as a downpayment Mr Speaker, we'll award £20m now from existing departmental budgets to businesses and universities, to stimulate new thinking and rapid solutions in this area during the call for evidence.

Mr Speaker,

We are delivering on our plan.

With a balanced approach.

Restoring the public finances.

Investing in our economy and our public services.

Raising productivity through our modern industrial strategy.

Building the homes our people need.

Tackling the environmental challenges that threaten our future.

Embracing technological change, seizing the opportunities ahead.

As we build our vision of a country that works for everyone.

An economy where prosperity and opportunity are in reach of all.

Wherever they live.

Whatever their gender, colour, creed or background.

Where talent and hard work alone determine success.

A beacon of enterprise and innovation.

An outward looking, free-trading nation.

One that is confident that our best days lie ahead of us.

A force for good in the world.

A country we can all be proud to pass on to our children.

And, I commend this statement to the House.