

BUDGET RESPONSE

by the All-Party Parliamentary Group on Limits to Growth

13th March 2017

Budgets are routinely analysed by people who believe there is nothing problematic about economic growth. Forecast rates of GDP growth play a key role in the Budget calculations, and Budgets are praised or criticised based on the effect they are deemed to have on future growth. In our view, such analysis misses a critical aspect of the contemporary debate: namely the prospect that there may be environmental, social and secular limits to economic growth.

The principal aim of the *All Party Parliamentary Group (APPG) on the Limits to Growth* is to provide a platform for cross-party dialogue on economic growth in a time of environmental and social transition. In this capacity, the APPG has decided to submit short, formal responses to periodic Budget statements with the aim of highlighting where the Government is or is not responding effectively and appropriately to the challenges of long-term environmental, social and economic sustainability. Thus, our responses are likely to cover issues related to climate change, biodiversity, resource bottlenecks and scarcities, resource efficiency, social well-being and secular stagnation.

In relation to the **Budget Statement released by the Chancellor on 8th March 2017**, we would make the following remarks:

1 | Climate Change

The APPG is concerned that the March 2017 Budget failed to support measures to address climate change. Specifically, it proposed more favourable tax treatment for North Sea oil production. It did nothing to promote renewable energy, e.g. by reversing the current planned move to make a great deal of rooftop solar energy more expensive from April. Fuel duty was frozen again but public transport continues to be more expensive. The selling off of the Green Investment Bank was reaffirmed. Climate received no mention in the Chancellor's speech, although the Budget Report says that the issue of carbon pricing and costs is to be addressed in the Autumn Budget. We look forward to this development. We recommend that the Autumn Budget takes a more proactive approach to low-carbon investment.¹

2 | Environmental Protection

The APPG is concerned to see that Defra spending continues to be cut, at a time when its urgent workload has increased because of the multiple implications of Brexit for agriculture, land use, and environmental regulations. The Expenditure Limit for Defra will have fallen from £2.9 billion in 2010-11 to £1.4 billion by 2019-20. We recommend the Government gives serious consideration to the resources required to ensure adequate environmental protection for the UK, particularly in the wake of Brexit.²

3 | Resource Efficiency

The APPG is concerned that neither energy efficiency nor resource efficiency were mentioned in the Budget, despite the fact that Brexit puts a question mark over the UK's full participation in the EU "Circular Economy" initiative. All ten mentions of "productivity" in the Chancellor's speech referred to labour productivity, none to resource productivity. We recommend that the Autumn Budget outlines measures to ensure that the resource productivity of the UK meets international targets and remains responsive to the long-term need to conserve vital resources.³

4 | Secular Stagnation

The APPG is concerned that changes to the fiscal treatment of self-employment will have a detrimental effect on the resilience of local economies. Where major employers move out or aren't interested in an area, local economies come to depend enormously on small businesses and self-employment. These were hit by the Budget's proposed increases in self-employed National Insurance contributions and change in treatment of self-employed company dividends. Reductions in money for local government continue. We recommend that planned future negotiations around NIC pay particular attention to the impact on local economic resilience.⁴

5 | Social Justice

The APPG welcomes the additional support for social care and recognises its role in helping to reduce the pressure on local authorities and hospitals in caring for the most vulnerable in society. The Chancellor's intention of finding a long-term solution on this issue is also welcome. However, the continued squeeze on local authority funding from central government remains worrying. Planned spending falls from £8.2 billion in 2016-17 to £5.4 billion in 2019-20. We recommend that Treasury establishes a long-term contingency for social wellbeing in the event of continuing fragilities and 'headwinds' in global markets.⁵

6 | Long-Term

The APPG welcomes the attention given in the Spring Budget to the long-term fiscal outlook, but is concerned that it pays insufficient attention to other aspect of long-term sustainability. The Chancellor's mention of bringing Britain "back to living within its means" refers entirely to the government budget deficit, not to household and private sector debt, and not at all to the burden UK consumption places on the resources and capacities of the planet.⁶

SUMMARY

In summary, the APPG is concerned that questions over the potential and actual limits to economic growth are paid insufficient attention in the Spring Budget and in Treasury thinking, more generally. We note, in particular, the findings of the recent Environmental Audit Committee on Sustainability and HM Treasury⁷ and echo the EAC Chair's comments that Treasury's response to its inquiry was 'deeply disappointing'.⁸ We recommend that a core component in future Budget Statements clearly addresses questions related to the long-term environmental, social and economic sustainability of the UK economy.

Notes

- 1 Spring Budget 2017. Her Majesty's Treasury. Online at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/597467/spring_budget_2017_web.pdf. Oil Page 35 para 3.29; GIB Page 24 para 1.64; Carbon Page 34 paras 3.27 & 3.28.
- 2 Spring Budget 2017, page 21. See also: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/203826/Spending_review_2010.pdf Page 64.
- 3 <https://www.gov.uk/government/speeches/spring-budget-2017-philip-hammonds-speech>
- 4 Spring Budget 2017, p26.
- 5 Spring Budget 2017, p21.
- 6 Spring Budget 2017, Box1.A.
- 7 EAC 2017. Sustainability and HM Treasury. Environmental Audit Committee. Online at: <https://www.publications.parliament.uk/pa/cm201617/cmselect/cmenvaud/181/181.pdf>
- 8 <https://www.publications.parliament.uk/pa/cm201617/cmselect/cmenvaud/1049/1049.pdf>