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Spring Statement 2022 – background briefing

March 2022



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Background

On Wednesday 23 March, the Chancellor will deliver his Spring Statement to the House of Commons. In it, he will present the government's response to new economic forecasts published on the same day by the independent Office for Budget Responsibility. The Spring Statement is [not usually a major fiscal event](#); it is instead an opportunity to consult on future changes to the fiscal system, with major tax and spend announcements generally reserved for the annual autumn Budget.

The economic outlook since the Budget in October has changed significantly. Growth forecasts have been revised down, inflation is set to [reach 8% by the second quarter of the year](#), and the impact of the war in Ukraine on energy and food supplies is likely to push prices higher still. Tax rises are also set to hit personal finances, with National Insurance contributions due to rise by 1.25% and income tax thresholds frozen, meaning more people will pay more tax. Rising inflation will also hit the budgets of government departments, wiping out some of the [real-terms spending increases](#) announced in October's Spending Review.

The Chancellor retains some flexibility to make fiscal changes in the Spring Statement should economic circumstances require it, and better-than-expected tax revenues may give him the headroom to do so. The Treasury has already set out plans to [support households through its Energy Bills Rebate](#), which provides a £200 up-front reduction in energy bills (repayable in annual £40 instalments from 2023) and a non-repayable council tax rebate for households in bands A to D. It is also extending eligibility for the Warm Home Discount to further low-income households.

But the Chancellor is under pressure to do more. Some Conservative MPs are pushing for a [cut to fuel duty](#) and there have been calls from the backbenches to [scrap the rise in NICs](#). There have also been calls to [uprate benefit payments](#) by more than the current 3.1% rise in April to cushion claimants from the impact of much higher levels of inflation. On energy, there have been various calls to support energy-intensive industry, cut environmental levies, remove VAT on energy bills and for a windfall tax on profits in the oil and gas sector.

In an [interview with the Mail on Sunday](#), Rishi Sunak sought to reassure voters that he will "stand with them the same way I stood with them through this crisis in the last two years". But what form will that take? At the [Conservatives' spring conference](#) this weekend, he said that his "priority going forward is to cut taxes". Cuts to fuel duty [look likely](#), and plans to raise the threshold at which earners begin making National Insurance contributions are reportedly being considered, alongside VAT discounts for the hospitality sector. There may also be news on incentives to encourage investment by businesses, given Sunak's focus on creating a "new culture of enterprise" in the [annual Mais lecture](#) in February. The Chancellor has also announced a new [Cabinet committee on efficiency and waste in government](#), through which he hopes £5.5bn in savings can be made.

Decisions made at the Spring Statement will impact on households' and businesses' finances. But with local elections looming and the next general election getting closer, it will also have a significant impact on the Conservatives' electoral fortunes and on the leadership aspirations of the current Chancellor.

What to expect from us on Wednesday

The Chancellor will make his statement around 12.30 pm. As soon as he has finished, documents will be published by the Treasury. Throughout the afternoon we receive a large amount of stakeholder reaction. We deliver this as follows:

- Copy of the **Chancellor's speech** and a full list of the related government documents as soon after the speech as possible;
- and a summary of **stakeholder reactions** sent in a single document at the end of the day, and a second roundup of reaction around lunchtime on Thursday

Stakeholder comment and submissions

Political parties

Green Party: Greens say fuel duty cut would not fix the cost of living crisis

"Faced with a climate emergency and the need for a rapid transition away from fossil fuels, we also need to acknowledge that now is not the time to cut fuel duty. It is really disappointing to see Labour has jumped on this particular bandwagon. Our focus should be on an uplift to the incomes of the poorest while ensuring everyone can keep warm in their homes. That's why Greens want to see a dirty profits tax – a windfall tax – on fossil fuel companies who are raking in billions on the back of rising energy prices. This could restore the £20 uplift to Universal Credit and double it to £40 per week, and extend emergency fuel payments, providing each household with an additional £320 to help them pay for spiralling domestic energy costs."

Labour: Working pensioners to be £1,400 worse off over the next two years as a result of rising bills, real-terms cuts to pensions and NICs levy

"Pensioner poverty is increasing with older people facing impossible choices between eating and heating. The upcoming NICs rise should be halted this week and action should be taken to reduce energy bills by hundreds of pounds for those who need help as Labour has proposed."

Lib Dems: Research reveals 125,000 more workers to pay National Insurance in Sunak "stealth tax"

"Families are facing the worst squeeze in living standards in 50 years, but the Conservatives are clobbering people with yet more stealth taxes. This unfair move will drag thousands more people into paying tax, while millions more will see their tax bills rise yet again next year. Meanwhile small businesses struggling to stay afloat face a hidden tax on their employees' salaries. It is rubbing salt in the wound of the government's broken promise not to raise National Insurance. Rishi Sunak must spike the hike, and offer families and businesses a lifeline by slashing VAT instead."

SNP: SNP call for UK government to match 6% rise in benefits

"The SNP has challenged Rishi Sunak to match the Scottish Government's 6% benefits uprating at next week's spring statement to tackle the growing Tory cost of living crisis."

Scottish Labour: Sarwar demands action from Scottish and UK governments to tackle cost of living crisis

"This is why I am calling on you to use the Spring Statement next week to halt the rise to National Insurance, reverse the cut to Universal Credit, cut VAT on energy bills, and adopt Labour's proposals for a one-off windfall tax on oil and gas producers with the money going directly to cut up to £600 off people's home energy bills. It is time for both the UK and Scottish Governments to stop tinkering around the edges. By taking these measures we can protect millions from the hardship and burden of fuel poverty and hunger. Anything less will be a dereliction of your duty to provide households across Scotland and the United Kingdom the with security and support they deserve."

Business and economy

BBPA: BBPA calls for support for pubs and brewers ahead of Spring Statement

"Our sector can deliver jobs and additional economic value in every part of the UK. We are at the heart of communities fostering social cohesion as we reconnect and recover. This is why we are calling on the Government to heed the calls of our Long Live the Local campaign and support the sector during this energy crisis."

BCC: Spring Statement: Chancellor must act now to ease 'cost of doing business crisis'

"We urge the Chancellor use this month's Spring Statement, to tackle the cost-of-doing-business crisis by implementing our five-point plan. This includes delaying the National Insurance rise, introducing a temporary energy price cap for smaller firms to protect them from energy price rises, and committing to no further policy measures that will increase costs for business for the remainder of this Parliament. We also need a cast-iron commitment from the government's Supply Chain Advisory Group and Industry Taskforce to continue to work with firms to urgently deliver practical solutions to ease the supply and labour shortages that continue to drive the upward pressure on prices."

CAMRA: Chancellor must take three key steps with Spring statement, say campaigners

“While pubs, clubs, brewers and cider makers have worked incredibly hard to begin recovery from the disruption of the pandemic, the aftershocks of this upheaval are still being felt. The current cost of living crisis, and looming increases in fixed costs such as Business Rates and VAT, will only compound these issues so it is vital that Government takes the opportunity of the Spring fiscal statement to support the sector.”

CBI: Act now to stabilise business confidence and growth; there is no basis for delay – CBI chief

“Ahead of the Spring Statement and new energy supply strategy, the CBI has also called for a series of urgent measures to help businesses and consumers in the face of short-term uncertainty and rising inflation, including:

- Maintaining and expanding the Recovery Loan Scheme until the end of 2022.
- Reducing network costs for Energy Intensive Industries (EIIs) and increase their level of renewable levy exemptions in line with international competitors.
- Setting out support for low-income households to address cost of living pressures.”

FSB: Deliver on low tax pledge at Spring Statement, new FSB Chair urges Chancellor, as 280,000 firms stand on the brink

“As things stand, firms have no choice but to raise prices to cover overheads – by tackling the cost-of-doing-business crisis, the Chancellor can help end the cost-of-living crisis. He can't control the wholesale cost of gas and oil, but he can control tax policy. Cutting fuel duty, assisting micro-businesses with energy bills, increasing the Employment Allowance to £5,000 and reforming business rates to take more small firms out of the system in levelling up target areas – all are measures that would help small businesses to keep their heads above water, and support the millions they employ.”

FSB: Rate rise piles pressure on small businesses ahead of Spring Statement

“A lot of small firms have had no choice but to increase prices in response, but this isn't always an option, especially in sectors still trying to entice customers back, such as hospitality and tourism, and their suppliers. At the same time, consumer confidence has plunged and the cost-of-living squeeze has intensified, with record fuel prices and sky-high utility bills meaning loss of disposable income.”

NTIA: NTIA says hundreds of thousands of businesses at the mercy of the Chancellor's Budget

“We must now rely on the Chancellor once again, in his mini budget, to sure up the financial support and relief to allow headroom for businesses to survive, in light of the current debt levels and cost inflation, specifically around VAT, energy and fuel. Billions of pounds in public funding will be wasted, if the Chancellor lifts taxes within the budget, crippling an industry that has worked hard to survive, only to be let down at the last hurdle. The rhetoric from Government of “Leave no one behind” is becoming a distant memory for businesses that committed to supporting the Government's public health strategy, but have been left once again awaiting their fate.”

Devolved and local government

Scottish Government: Urgent action needed to tackle cost of living

“In a letter to the Chancellor of the Exchequer Rishi Sunak ahead of the Spring Statement, Ms Forbes called on UK Ministers to match the 6% uprate on social security benefits which the Scottish Government is delivering on eight of the benefits it delivers, and for further payments to be made to low income households through the Cold Weather Payment.”

Energy and environment

Greenpeace: Coalition of civil society groups call for greater action on fuel poverty and to cut fossil fuels in upcoming Energy Independence Plan

“Measures called for include targeted support that covers the expected rise in energy bills for households on low incomes, long term funding and support for insulation and heat pumps, an expansion of wind and solar energy, and a commitment to rule out new North Sea oil and gas and keep the fracking ban in place.”

[Greenpeace: Chancellor's Spring Statement : Greenpeace briefing on energy and cost of living](#)

"Even in the middle of a climate crisis and geopolitical upheaval, there is no need for the richest countries in the world to fail their citizens when it comes to basics like heating and eating. The switch to efficient, sustainable, resilient systems that are not dependent on price-volatile imports from unstable regimes is long overdue, and our slow progress so far will cost us. But we do know how to get off gas - efficiency in the short term, and electrification with renewable energy as soon as possible after that. Plans have been researched, trialled, and in many cases, promised by the government. All we need is to recognise those plans as the national priorities they always should have been, and get on with it."

[Christian Aid: Former Archbishop of Canterbury and more than 200 church leaders write to PM calling for renewables push](#)

"We call on you to use the Spring Statement to provide financial and fiscal support for renewable energy and energy efficiency, especially solar and wind energy and the retrofitting of homes and other buildings across the UK. These measures would reduce heating bills, decrease carbon emissions and increase our energy security."

Health and social care

[BMA: BMA says spending review must resource workforce and wellbeing, in letter to Chancellor in advance of the Spring Statement](#)

"The BMA has [written to the Government](#) setting out its demands on what must be key health spending priorities in next week's Spring Statement."

[NHS Confed: Always room for efficiency savings, but NHS still facing uncertain period](#)

"NHS leaders understand the need to have stretching savings targets given the extra investment going into the NHS and strain on public finances. They were delivering them before the pandemic and will do so again. But this is a very ambitious target and a number of factors will need to fall into place for it to be achieved."

[NHS Providers: NHS working hard to find efficiencies](#)

"Even before this announcement, many were concerned about the scale of savings they would be expected to make in the coming financial year, especially given the need to tackle care backlogs, meet rising demand for services and deal with the ongoing impact of COVID-19 at a time of widespread workforce shortages."

[RCN: Nursing staff must be compensated in Spring Statement for soaring petrol prices or patient care will suffer](#)

"Nursing staff risk being forced off the road by soaring fuel prices unless the Chancellor takes urgent action in his Spring Statement, says the Royal College of Nursing (RCN). It is calling for an urgent review of the NHS mileage rates in the wake of the fuel crisis and for NHS employers across the UK to provide an immediate additional payment."

[RCN: Royal College of Nursing responds to the Chancellor's NHS efficiency announcement](#)

"Leaving jobs unfilled and cutting staffing costs is never efficient, it is a false economy that hits patient care. Rebuilding from the pandemic, the government must make health and care the priority for investment not the target for cuts."

Housing

[CIH: CIH's submission to the Chancellor's March 2022 Budget](#)

"We need urgent action to decarbonise the residential sector, invest in support for those who need it and finance new social and affordable housing. Without this, the ambition to 'level up' risks being undermined."

[UKGBC: Industry back UKGBC's call for energy efficiency and home retrofit in Spring Statement](#)

"Energy bills are shooting up, leaving millions of households facing fuel poverty, and energy prices are likely to remain elevated for years. Making domestic energy efficiency a priority is not only the responsible thing to do for public finances, but it will help towards the Government's energy independence and levelling up agendas, not to mention accelerating our journey towards a net zero carbon economy. The government must invest now in long term solutions to stop vast amounts of energy being wasted by heat leaking from the UK's homes."

Think tanks

[Centre for Policy Studies: Raise tax threshold to protect poorest households from National Insurance hike](#)

“As families face rising energy bills and soaring inflation, the Government must ensure it is not actively making life harder for those on low and average incomes. By increasing the National Insurance threshold for workers, the Government can alleviate some of the cost of living pressures and allow households a small degree of respite.”

[IEA: Chancellor should "rethink his strategy" ahead of Spring statement, says IEA Director General](#)

“An increase in National Insurance Contributions is effectively a tax on jobs, and with the economy facing the headwinds of increased energy prices and higher inflation, we should avoid inflicting additional costs on businesses and individuals. The significant reduction in borrowing last year compared with expectations leaves the fiscal headroom to reverse the NICs increase. The government should scrap it, or at the very least soften the blow this year by raising the thresholds at which people start to pay income tax and NI.”

[IFS: Tax rise due to be £12.5 billion bigger than expected thanks to higher inflation](#)

“Usually tax thresholds go up in line with inflation. Last March, when the Chancellor announced a four-year freeze in income tax thresholds, inflation was fairly low and so he expected it to raise about £8bn per year. Since then inflation has risen rapidly and is expected to rise even further, peaking at more than 8%. That means that the tax threshold freeze is now on track to be a £20.5bn tax hike – two and a half times what was originally expected. And this comes on top of the £13bn increase in National Insurance contributions slated for next month. This episode highlights the danger with setting tax thresholds in nominal terms for long periods of time – unexpected changes in inflation can make the size of a planned tax rise much bigger or smaller than expected.”

[Institute for Government: The government should react with care to 'cost of living crisis' tax pressures](#)

“Whatever the government decides in the short term, it should not abandon the longer-term case for tax rises needed to meet demands on public spending – or reduce its room for manoeuvre on tax. Those demands will not go away, whatever the government decides in the coming weeks.”

[Resolution Foundation: Softening the blow: Looking ahead to Spring Statement 2022](#)

“Uprating benefits by a further five percentage points so that they keep pace with inflation over the coming year would be the most effective way to support families hardest hit by Britain’s cost of living crisis, delivering four times more support to the bottom half of the income distribution per pound spent than scrapping the rise in National Insurance contributions.”

Transport

[Railway Industry Association: Rail industry sets out top priorities for upcoming Spring Statement](#)

“This means supporting the sector in a number of ways. First, the Rail Network Enhancements Pipeline needs to be published now, to provide the sector with the visibility of upcoming work it needs to plan and invest. Secondly, there should be no hiatus in infrastructure and rolling stock work over the coming years, as the industry restructures to Great British Railways.”

Welfare and pensions

[Citizens Advice: More than 14 million unable to afford October’s energy hikes](#)

“The Chancellor has a crucial opportunity to bring forward more support for those most in need in his Spring Statement next week. Increasing benefits in line with inflation, expanding the Warm Home Discount and announcing a more generous energy rebate should be top of his list.”

[CPAG: Second benefit cut in April ‘unthinkable’ – more than 50 charities join forces to press MPs for minimum 7% benefits rise in Spring Statement](#)

“A second cut to benefits in six months is unthinkable. The government should increase benefits by at least 7% in April to match inflation, and ensure support for housing costs increases in line with rents. All those struggling, including families affected by the benefit cap, must feel the impact.”

[JRF: New analysis shows Chancellor must act to avoid devastating damage to living standards of poorest families](#)

“At a minimum the Government should increase benefits by as close to inflation as possible in April, to protect people on the lowest incomes from a real-terms income cut. But the Government must also look at the adequacy of social security payments, to strengthen the support available and prevent the poorest households being exposed to every economic shock in future.”

[Stepchange: One in five people expects to be driven into problem debt this year](#)

“Government must pull every lever at its disposal in order to protect those on the lowest incomes from the scars of debt and destitution. While the initial raft of support announced in February was welcome, the war in Ukraine has exacerbated an already difficult situation and more action is clearly needed. The expansion of the warm home discount scheme to provide targeted help with energy bills, greater forbearance and support for people struggling with energy debt and arrears and the uprating of benefit levels to keep pace with inflation are the key ways to alleviate the crippling financial burden many people are now facing.”

[Z2K: Another hidden cu](#)

“With inflation well above the 3 per cent UC, JSA and ESA are being increased by next month and energy costs rocketing, Z2K is totally behind the coalition of charities demanding the Chancellor increase those benefits further. But we also think he needs to urgently think again about these freezes on LHA and especially the catastrophic cut to DHPs.”

Further reading

[Background to Spring Statement 2022](#) – Commons Library, 17 March 2022

[Catch 2022: Spring Statement 2022 preview](#), Resolution Foundation, 14 March 2022

[Heightened uncertainty and the spectre of inflation hang over the Spring Statement](#) – Institute for Fiscal Studies, 10 March 2022

[Six things to look for in the 2022 spring statement](#), Institute for Government, 18 March 2022

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