Tories slammed for having no plan for Brexit as Chancellor announces more pain for struggling families

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Torcuil Crichton 24/11/2016

STRUGGLING working families and those on benefits will bear the brunt as the country borrows an extra £59billion to insulate against the shock of Brexit.

Five months to the day after Britain voted to leave EU, Tory chancellor Philip Hammond used his first Autumn Statement in the Commons to confirm the UK's debts will rise to 90 per cent of the national income before the end of the parliament.

In a staggering assessment, independent financial watchdog the Office for Budget Responsibility estimated the direct effect of Brexit on borrowing will be £58.7billion.

That translates into an eye-watering £226million a week to pay for the referendum result.

The OBR figures included an estimated £16billion to make up for the loss of taxes that would be paid by migrants to the UK and £18.1billion because of lower productivity growth.

Philip Hammond (Photo: Reuters)

GDP will fall 2.4 per cent over the next five years due to the Brexit fall out.

In the uncertain post-Brexit climate, Hammond jettisoned his predecessor George Osborne's schedule to balance the books by 2020. The people who can least afford it will suffer the financial impact.

Hammond confirmed there will be no further welfare savings in this Parliament but stuck to plans to deliver more than £4billion of welfare cuts already. People with disabilities put through the ordeal of the discredited Work Capability Assessment still remain in the Chancellor's firing line – he is still cutting £30 a week from their support.

The new Tory chancellor tempered the dire economic outlook with adjustments to universal credit and a rise in the minimum wage by 30p to £7.50 an hour next April.

That is below the £7.60 figure the OBR estimate would be necessary to match the pledge of £9 an hour by 2020.

But these were crumbs for the working poor as promises to cut corporation tax to 17 per cent, turning Brexit Britain into an offshore tax haven for big businesses.

Britain's former Chancellor of the Exchequer George Osborne reacts (Photo: Reuters)

Labour said the statement stood as a betrayal of the “just about managing” class Theresa May pledged to stand for.

The overall increase in borrowing is now calculated at £122billion compared to pre-referendum forecasts.

He said: “Our task is to prepare our economy to be resilient as we exit the EU, and match-fit for the transition that will follow.”

He also set out new rules as part of his fiscal framework to balance the books “as early as possible” in the next Parliament – that net debt as a share of GDP should be falling by 2020 and that welfare spending must be within a “realistic” cap.

He also hinted that after 2020 the state pension will not have the “triple lock” that guarantees pensions always rise by whatever is the highest of the rate of inflation, average earnings or a minimum of 2.5 per cent.

There was the expected freeze in fuel duty but an increase in insurance premium tax from 10 per cent to 12 per cent next June will hit home and motor insurance.

John McDonnell, the shadow chancellor, said the statement showed “the abject failure of the last six wasted years”.

He added that, with Brexit, we face the greatest economic challenge of a generation, unprepared.

McDonnell said: “This is a new Conservative leadership with no answers to the challenges facing our country following Brexit and no vision to secure our future prosperity.”

He added said: “We expected a change of direction after those six wasted years.

“Instead, we’ve seen further cuts to earnings for those in work through cuts to universal credit and a living wage increase that is lower than expected.

“We don’t want the blow softened, we want it lifted altogether. The changes will leave a single parent on the average wage £2300 worse off. These are people working hard to deliver for their families and the Government is betraying them.”

The SNP’s Stewart Hosie accused Hammond of failing to address the Brexit “elephant in the room”.

He criticised the Chancellor for a “glib reference” to the UK’s decision to leave the EU.

Hosie said: “Their assessment tells us that tax yield could be down £66billion a year after 15 years, GDP down perhaps 9.5 per cent, a figure confirmed by the LSE as a result of reduced trade, reducing productivity, that amounts to some £6500 per year per household.

“So where was the plan to ensure there was no hard Brexit? Where was the plan to mitigate the loss in tax yield and GDP?”

Hosie welcomed benefit changes but said: “The screw of the welfare cap has not been turned off. This has simply made a brutal regime slightly less brutal.”

Hammond joked as he responded to Hosie: “I’m not sure if that was a thank you or not. I think it might have been. No? No, it wasn’t.”

Hammond also suggested the SNP could take a simple step to boost the economy of Scotland.

He said: “The biggest drag on growth in Scotland is the continuing threat of a second referendum.”

Leading supporter of the Open Britain campaign Commenting, Pat McFadden MP said: “The real picture of Britain’s post-Brexit economy emerged – borrowing up, growth down, investment lower, prices higher.

“The eye-watering £58.7billion Brexit borrowing bill means less money for public services, not more as we were promised.”

TUC General Secretary Frances O’Grady said: “The Chancellor has chosen tax cuts for corporations and the better-off, rather than putting money in the pockets of ordinary working people.”

Torsten Bell of the Resolution Foundation, a former Labour adviser and former Treasury civil servant, said lower wages were the end result of the Autumn statement for ordinary voters.

He said: “The figure is £830 in lower earnings in 2021, that’s what all big numbers mean for working people. It is £370 from higher inflation and £460 via lower nominal earnings.”