



## Autumn Statement 2014

### Pre-Briefing



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The Chancellor of the Exchequer George Osborne will announce the Autumn Statement tomorrow immediately after Prime Minister's Questions. You can follow announcements live via the Treasury's [Twitter feed](#) and join the debate using the Twitter hashtag [#AS2014](#). This briefing provides some background on what the Autumn Statement entails, a reminder of what happened this time last year and outlines what to expect from Wednesday's Autumn Statement.

### 1 What is the Autumn Statement?

The Autumn Statement provides an update on the Government's plans for the economy based on the latest economic projections provided by the Office for Budget Responsibility (OBR) – the body set up in 2010 to provide independent and authoritative analysis of the UK's public finances. In reality, however, the Autumn Statement is an opportunity to show that the Government is taking tangible action and investing for economic growth (despite some 'announcements' merely being re-announcements with greater detail or emphasis) and in doing so dominate the headlines for the next couple of days.

### 2 Autumn Statement 2013: What happened last time?

The 2013 Autumn Statement is best remembered for Ed Balls' poorly received response. A red-faced Balls was barracked by rowdy Conservative MPs buoyed by the news of economic recovery. The Government's narrative focused on helping 'hard-working people' and maintaining sound public finances. Notable announcements were as follows:

- The growth forecast for the year increased from 0.6% to 1.4% and for 2014 it increased from 1.8% to 2.4%.
- An increase in the state pension age to 68 in the mid-2030s and to 69 in the late 2040s.
- A cap on overall welfare spending.
- Scrapping the planned fuel duty rise of 2p per litre.
- A new £1,000 transferable tax allowance for married couples from April 2015
- Scrapping of employer national insurance for under 21s

### 3 Autumn Statement 2014: What to expect this time round

With just 155 days before the election, this Autumn Statement, like many before it, will be highly political – an opportunity for the Chancellor to further strengthen the Conservative party's economic credentials in voters' minds and in so doing take back headlines from UKIP in particular. The Lib Dems will want to ensure that they get their fair share of headlines too – to that end Nick



Clegg and the Chief Secretary to the Treasury Danny Alexander have been the face of some infrastructure announcements.

The Office for Budget Responsibility (OBR) is expected to say that Britons will benefit next year from the first significant rise in earnings since 2008, allowing Osborne to claim that the recovery is delivering prosperity for all. However, the OBR will also say that Government borrowing will be higher this year than predicted in March. Despite a rise in tax receipts failing to materialise and the need for further cuts to be announced, the Chancellor will seek to demonstrate that the Government and the Conservative Party is delivering demonstrable benefits.

### **Analysis**

The Shadow Chancellor will attack Osborne for failing to lower borrowing and failing to deliver on his pledge to tackle the deficit. He is likely to say that this is because the Coalition Government has failed to address the "cost of living crisis" – a key plank upon which the Labour Party will fight the next election.

## **So what will the Chancellor announce in this Autumn Statement?**

### **3.1 Health**

The NHS will receive a £2 billion cash injection (£1.3 billion of 'new' money and £700m of reallocated money) to strengthen frontline services. Osborne will announce the Government's support for the recently announced Stevens proposals to modernise the NHS and will say that the money has been made available due to a strong economy and the Government's long-term economic plan. An extra £150 million of funding to help children with eating disorders has already been announced by the Deputy Prime Minister.

### **Analysis**

The NHS cash injection is a clear attempt to fight Labour on its own turf. Ed Miliband's party conference speech announced that a £2.5 billion funding pledge to "save and transform" the NHS by 2020 would be the centrepiece of his plan for Government. The latter announcement is a big win for the Liberal Democrats whose party conference spoke passionately about the need to bring mental health services on par with physical care.

### **3.2 Energy and Environment**

The Chancellor may use the Autumn Statement to sign off a Treasury guarantee to ensure the financing of Hinkley Point C – the first in a new generation of UK nuclear power stations. Osborne will also mention tidal power after the Energy Secretary Ed Davey said he expected to begin discussions with the company behind the proposed Swansea Bay tidal lagoon. The Chancellor may also announce the creation of a sovereign wealth fund for shale gas. The Autumn Statement will also highlight details of 1,400 flood defence projects, announced today, to provide better protection towards 300,000 homes after funding was announced last year.



### 3.3 Housing, Planning and Infrastructure

A £15 billion programme of improvements to major roads (the 'Roads Investment Strategy'), already announced, will form a central plank of the Autumn Statement as part of a new [National Infrastructure Plan](#) that includes investment in rail and other transport schemes.

Plans to build new homes and sell off more than £1 billion of Government-owned land for development will be announced. Plans for a new garden city have already been announced in Bicester, close to David Cameron's Witney constituency and containing up to 13,000 new homes. The Autumn Statement may well announce further details on proposals to extend capital gains tax to non-UK residents who dispose of residential property in this country.

#### Analysis

Ministers will use the Roads Investment Strategy as an excuse to be photographed in high-vis jackets to demonstrate that the Coalition Government is delivering tangible economic benefits to the entire country. Additionally, the Conservatives will want to prove that they are helping hard-working people onto the housing ladder and seeking out viable solutions to the housing bubble - which in London has largely been attributed to purchases of overseas.

### 3.4 Devolution

A £200 million Science Institute in Manchester will be announced as part of Osborne's efforts to create a 'Northern Powerhouse' to rival London. The centre will focus on materials research and will have satellite hubs in Sheffield, Leeds and Liverpool. The Chancellor might also signal new powers for the West Midlands. Osborne will also back devolution of Corporation Tax to Northern Ireland to compete with Ireland's low tax rates, amid rumours that Tory officials are sounding out the eight Democratic Unionist MPs about a possible electoral pact in 2015. A new 'Transport for the North' authority, to oversee buses, rail and metros is expected to be announced.

#### Analysis

You can expect to see the Deputy Prime Minister and Chancellor (who both hold 'northern' seats) in particular, to be pictured in the 'North' as part of concerted efforts to show that economic growth is being delivered to all four corners of the United Kingdom.

### 3.5 Government Expenditure

A law promising to eliminate the budget deficit by 2017-18 will be announced as part of a new Charter for Budget Responsibility. The Chancellor will signal plans to cut Whitehall spending by £10 billion in the next parliament alongside efforts to change the way the Civil Service works.

### 3.6 Technology

The Government is expected to address tax avoidance with headlines focusing on the 'crackdown' on tech companies (as announced in the Chancellor's party conference speech). He is under pressure to tackle technology companies perceived to be avoiding tax and plans to block



companies from exploiting differences in the tax rules of different countries by tackling “hybrid mismatches”. The Government will provide up to £40 million to extend the SME broadband connection voucher scheme to March 2016 to more cities. More funding for the Catapult network of centres designed to fund UK tech innovation could also be announced.

### **3.7 Taxes and Duties**

You can expect to see the following ‘give-aways’ – smaller scale tax changes, costing the Government relatively less, but likely to deliver favourable headlines: a freeze in petrol duty; an exemption for members of the emergency services from paying inheritance tax if they die in the line of duty – a measure already applicable to the armed forces; confirmation that the income tax personal allowance will rise to £10,500 and the widely-supported abolition of the Air Passenger Duty for children under 12.

### **3.8 Tax avoidance and evasion**

The Autumn Statement is expected to make offshore tax evasion a criminal offence and target wealthy foreigners who purchase expensive properties to prove they spend at least 90 days in their UK homes if they want to avoid capital gains tax when the property is sold. The Treasury is also likely to announce a first consultation on how the UK should implement the initial proposals from the Organisation for Economic Co-operation and Development (OECD) on international corporate tax – the Base Erosion and Profit Shifting (BEPS) project.

## **4 Conclusion**

This Autumn Statement will seek to neutralise the other parties’ strong points and refocus voters’ attention on the Conservatives’ strength – the economy. He will, however, caution that the UK economy is subject to stormy global economic conditions and the recovery is not yet complete – and in doing so, seek to squeeze Labour and UKIP. The Conservative message for the next election is very clear – stay with us and we will deliver you prosperity. This will be the last time that the coalition partners agree on economic plans. Whilst the Coalition Government won’t break up before the election, you can expect to see Nick Clegg distancing his party from their coalition partners between now and then but also highlighting areas where the Lib Dems have ‘moderated’ their coalition colleagues.

## **5 Political Intelligence**

For further information on the Autumn Statement 2014, or if you’d like to discuss your plans ahead of the 2015 General Election, then please contact our Group Managing Director [Nicholas Lansman](#).

In the run-up to the General Election, we are running an A to Z blog that provides regular updates and insights. Every Thursday until polling day, we will publish a new letter, covering something that we think will play a role in the election. Topics will range from the issues and personalities that will define the campaign, to the gaffes, posters and the bizarre things that will make this very close election so compelling. Click follow on our [LinkedIn page](#) to get the regular updates.