

The 2016 Autumn Statement: What to expect

The 2016 Autumn Statement is the first major set-piece event for the Government and with the UK facing great economic uncertainty, this statement is a delicate balancing act of re-shaping the UK as Brexit approaches whilst showing practical support for working people. This document sets out the Government's approach to the Autumn Statement, what is likely to be included across technology, tax and infrastructure as well as summarise what organisations have asked for.

1 Autumn Statement: the context

The challenge for the Government is to help what they describe as 'JAMS' (low-income working households who are 'Just About Managing') as well as offer greater certainty to businesses concerned about Brexit. The challenge is compounded by a Chancellor that doesn't want to fund 'giveaways' and an economic backdrop that means the Government does not have much money to spend. With Brexit approaching the Government is also keen to show the UK is thinking globally and has several policies designed to show that the UK an attractive place to invest in and do business.

1.1 The figures

The Chancellor's reticence is based on forecasts that show the public finances are weak. The various economic indices have been positive since June, (such as employment figures, growth rate etc.), however the Treasury believes this is a 'phony war' situation where the economic impact of Brexit has not been felt yet, but will do soon. The Treasury is tight-lipped on the big numbers, but Government leaks and external analysis suggests the Chancellor will announce:

- Forecasted growth down from 2.2% to 1.3%
- £63 billion borrowing, £8 billion over the target
- £100 billion reduction in tax receipts up to 2020
- £5 billion new spending funded by additional borrowing

1.2 Downing Street divisions

No. 10 and No. 11 have disagreed on the purpose of the statement, as Theresa May sees it as an opportunity to deliver her 'country that works for everyone' agenda, while Hammond, aware of the poor state of the economy, prefers a low-key statement that 'avoids gimmicks'. Despite the 'fiscal reset' which allows for more borrowing, the Chancellor does not want to unnecessarily add to the



deficit and wants to return the Autumn Statement to its original purpose of giving the latest economic forecasts (recent Chancellors have used it as a headline grabbing 'mini Budget'). After negotiations, they have apparently agreed a modest £5 billion package of measures, including using the statement for non-fiscal policies on market reforms, housing and corporate governance.

2 Policies in the Autumn Statement

The Prime Minister wants to use the Autumn statement to make the UK more outwardly looking and has already confirmed some of the contents of the statement. The eagerly awaited Industrial Strategy will also be introduced via a discussion paper. The strategy will outline how the Government will support new businesses, increase exports, develop regional economies, improve infrastructure and more and will be detailed in a White Paper early next year.

2.1 Technology and the Industrial Strategy

Technology and innovation is a major focus of the Autumn Statement as Theresa May seeks to position the UK as a "global go-to place" for innovation and technology investors post-Brexit. Most policies will be detailed in the Industrial Strategy next year, but key policies are:

- £2 billion public funding for Research & Development, including an 'Industrial Strategy Challenge' for new technologies and science. Some of this funding will take the form of a tax break for companies undertaking R&D.
- Reforming the tax system so that it is "profoundly pro-innovation" and attracting businesses to the UK with the lowest Corporation Tax in the developed world.
- A Treasury review on removing barriers to foreign investment in innovative start-ups.
- £1 billion for rolling out 'pure fibre' broadband to two million homes.
- Confirms the launch of UK Research and Innovation, as proposed in the Summer.

2.2 Infrastructure spending

Despite the challenging finances, the Chancellor believes infrastructure spending can generate growth, but the focus will be on smaller projects, with Hammond telling MPs "*more modest, rapidly deliverable investments that have the most immediate impact*" projects. Specific policies include:

- £1.3 billion for local road schemes, including new 'A'-roads and a new 'superhighway' to connect Oxford, Milton Keynes and Cambridge.
- £220 million committed to resolving 'pinch points' on major roads and ease congestion.
- A possible new 'British Infrastructure Bank' to fund upgrades of existing infrastructure and new 'Infrastructure bonds' to be sold to institutional investors.
- Scrapping the Carbon price floor, supporting energy intensive industries, but potentially jeopardising future investment in renewable energy.



2.3 'JAMS' policies

Theresa May has insisted the Autumn Statement has policies for 'JAMS', defined as working households earning £18 - 24,000, who struggle make ends meet but do not receive Government support. She sees this as a major part of the 'country that works for everyone' agenda and specific measures include:

- New powers for the Competition and Markets Authority, Ofgem and Ofcom to 'intervene more harshly' in utilities markets to prevent monopolies and ease switching.
- A commitment to increase the Personal Allowance.
- A continued freeze on Air Passenger Duty and Fuel Duty.
- Increased childcare allowances.
- A new housing White Paper with policies that could include:
 - Steps for renters in Housing Association properties to allow them to own their home after twenty-five years.
 - Abolish the 3% Stamp Duty surcharge for joint mortgages.
 - Boosting small house-builders by preventing large developers from land banking.

3 What have organisations asked for?

Several public and private sectors have made policy suggestions ahead of the Autumn Statement:

- The CBI [called for £425bn of planned infrastructure investment](#) to 'Invest for the future' as well as a long term commitment to spend 3% on R&D and double the R&D tax credit.
- The IoD [said Government needed to act to stabilise confidence](#), including a white-list for 'authentic tax planning practices' and a commitment to replace Corporation Tax.
- Small business leaders called for SME tax reform, saying "*[tax] does not sufficiently distinguish between SMEs and multinationals or recognise the impact of small businesses on job creation.*"
- The EEF [wants a moderate fiscal stimulus package](#) to support UK manufacturers including funding to support exports, new infrastructure and easing up immigration rules.
- The TUC called for a wide-ranging stimulus package, with General Secretary Frances O'Grady saying "*We need investment in rail and roads, new homes and clean energy. And we need investment in skills, education and fair pay for a world-class workforce.*"
- NHS Providers (the umbrella body for NHS trusts) [is seeking additional resources](#) in social care to mitigate the impact on hospitals plus sustainable funding to help trusts meet their deficits.