

AUTUMN STATEMENT

A briefing note on the Autumn Statement

Chancellor George Osborne delivered his Autumn Statement on Tuesday 29 November 2011. The Autumn Statement replaces what was known as the pre-Budget report during the time of the recent Labour government.

The Chancellor's statement provides an update on the government's plans taking into consideration the latest forecasts for the UK economy from the Office for Budget Responsibility (OBR). OBR publish a twice yearly report assessing the UK economy's likely performance over the next five years. The report covers the state of the public finances and assesses whether the government is likely to achieve its goal of balancing the UK's budget within five years.

Within the statement George Osborne conceded that the UK risks falling into recession in the coming months with economic growth forecasted to be 0.7% next year, down from the 2.5% previously predicted by the OBR.

In addition he stated the challenge of cutting Britain's deficit was bigger than previously thought and more savings would be made by restraint in public sector pay.

The following briefing highlights the key points from the statement:

Economy

- OBR 2011 economic forecast revised down to 0.9% from 1.7%
- 2012 forecast revised down to 0.7% from 2.5%
- Economy expected to pick up in 2013, 2014 and 2015, forecast growth at 2.1%, 2.7% and 3%

Public Sector Pay & Pensions

- 1% cap on public sector pay rises for two year after the end of the current freeze next year
- Review into regional pay adjustments
- Rise in state pension to 67 to be brought forward to 2026 from 2034

Education and Families

- £1.2bn extra spending on schools in England
- Half to go to councils for more school places and half for 100 additional free schools
- £50 cut in water bills for families in the south-west of England
- Free childcare places for most deprived two-year-olds in England doubled to 260,000

Housing

- Mortgage indemnity scheme to help up to 100,000 people buy homes with 5% deposit
- £400m Scheme to kick-start stalled construction projects in England
- 50% discount for social tenants wanting to buy their own homes in England

Transport Costs

- The average rise in regulated rail fares to be capped at 6% - 1% above inflation - in January, rather than the anticipated 8% cap
- Planned 3p fuel duty rise in January to be scrapped. But duty will go up by 3p in August

Benefits

- Working age benefits to be increased by 5.2% next year, in line with inflation
- Basic state pension to rise by £5.30 next year to £107.45 per week
- Inflation-linked rise in disability element of tax credits but below-inflation increase in other tax credits

Business & Jobs

- OBR forecast of total public sector job losses up from 400,000 to 710,000
- Credit easing programme to underwrite up to £40bn in low-interest loans to small and medium-sized firms
- £1bn business finance partnership to raise money for medium-sized firms
- Regional Growth regeneration fund to get £1bn in extra funding
- £250m support package for energy-intensive firms, £500m for science
- Business rates holiday relief for small firms extended to April 2013
- New time limits for planning applications
- £1bn 'youth contract' to subsidise six-month work placements for 410,000 young people
- Qualifying period for unfair dismissal to be increased from one year to two years from April 2012
- Bank levy to be increased in January

Government Borrowing

- Borrowing forecast increased to £100bn in borrowing over four years
- Borrowing forecast to be £127bn in 2011-12, falling to £120bn, £100bn, £79bn and £53bn in following years
- Debt to GDP ratio to peak at 78% in 2014-5, falling afterwards

Spending

- £5bn new spending over three years, including £1bn for the rail network
- Go-ahead for 35 road and rail projects across England
- Aim to unlock a further £20bn in investment from pension funds

Overseas Aid

- Funding will not exceed 0.7% of total GDP

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