HM Treasury

AUTUMN STATEMENT 2014

Cm 8961

December 2014

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Presented to Parliament by
the Chancellor of the Exchequer
by Command of Her Majesty

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Executive Summary

This Autumn Statement sets out the next stage of the government's long-term economic plan. The government is continuing to take difficult decisions to put the public finances on a sustainable path. The Autumn Statement seeks to improve the UK's productivity with further measures to drive efficiency and reform in the public sector, to back business and enterprise, to invest in infrastructure, and to build a northern powerhouse. The Autumn Statement sets out a radical reform of stamp duty land tax (SDLT) to improve the functioning of the housing market, a further increase in the Income Tax personal allowance to support working families, and further steps to reduce tax evasion and avoidance.

The UK entered the Great Recession with the largest structural deficit of any major economy, and the government inherited the largest deficit in post-war history. Unchecked, the historically high level of borrowing could have undermined fairness, growth and economic stability in the UK. Through this period of uncertainty, the government's long-term economic plan has delivered stability and security. The result is that the UK currently has the fastest growth among G7 economies, there are more people in work than ever before, and the deficit is forecast to have fallen by a half by the end of 2014-15.

However the job is not yet done. The deficit remains high and productivity is too low. External risks have increased, and the UK is not immune from the problems being experienced in Europe and other parts of the global economy. The government will continue to take the difficult decisions needed to secure a responsible recovery and to stay on course to prosperity. The government's goal is a stronger economy in a fairer society.

This Autumn Statement sets out further details on how the government will continue to repair the public finances and improve productivity growth:

The UK economy and public finances: UK GDP exceeded its pre-crisis peak in the third quarter of 2013, and the UK economic recovery is now well established. The deficit is forecast to have fallen by a half by the end of 2014-15, and to reach a small surplus in 2018-19. The government is forecast to meet its fiscal mandate two years early in 2017-18. The Office for Budget Responsibility (OBR) has confirmed that the government is meeting the welfare cap. Autumn Statement 2014 announces further detail on the difficult decisions needed to reduce the deficit and debt beyond this Parliament.

Growth: The UK is expected to grow faster than any G7 country this year, and growth is broadly balanced across the different sectors of the economy. The Autumn Statement sets out a comprehensive package to boost productivity through investment in infrastructure, including roads, rail, flood defences and science. To make progress towards full employment and create a more highly-skilled labour market, the government is abolishing employer National Insurance contributions for young apprentices, and offering new loans for postgraduate study. The government is also taking further action to rebalance the economy by building a northern powerhouse, improving the connectivity of the south-west of England, devolving unprecedented powers to local areas through city deals and local growth deals, and supporting the North Sea oil and gas industry.

Fairness: This Autumn Statement includes a radical reform to residential SDLT that will reduce distortions to the housing market and improve the fairness of the tax system. The personal allowance will be increased by another £100 to £10,600 in 2015-16, so that it pays to work, with full gains for higher rate taxpayers. The measures taken so far this Parliament to tackle aggressive tax planning, avoidance and evasion add up to £7.6 billion in additional revenues in 2015-16. The government is also announcing further action to tackle tax avoidance, and to ensure that all businesses and individuals pay their fair share.

The UK economy and public finances

The government's long-term economic plan has restored fiscal credibility, allowing activist monetary policy to support the economy. This has been supported by far-reaching reform of the financial system and a comprehensive package of structural reforms. As the recovery has become established, growth has been broadly balanced across sectors, and early indicators suggest that it is also becoming more balanced across the UK. However, external risks facing the UK have increased since Budget 2014, and the largest external risk to the UK is the deteriorating outlook in the euro area. The OBR has revised down its forecast for world GDP growth in all years of the forecast.

Employment is at a record high of 30.8 million, up 1.7 million since the government came into office, and more than 1 million above its pre-recession peak. Since 2010, employment has increased faster in the UK than in any other G7 country, and the working-age labour market participation rate has risen to levels last seen over 20 years ago.

Latest earnings figures show the first signs that pay growth is strengthening: regular pay for the 3 months to September grew at 1.3%, with regular pay for September itself 1.8% higher than a year ago, above the rate of inflation over this period. Downward pressure on inflation in the last year has been driven by falling prices of food and fuels, with global oil prices having fallen to less than $80 a barrel. Lower food and fuel prices are good news for households, reducing the cost of living and helping to make families feel more financially secure. Real household disposable income per capita grew by 2% over the last quarter, and the OBR forecasts that it will continue to strengthen in every year of the forecast. The average rate of GDP per capita growth per quarter since the beginning of this Parliament has been higher than the period covering the previous two Parliaments. The only sustainable way to raise living standards is to continue to support employment, to increase productivity, and to keep inflation under control.

Tax receipts have not grown as strongly as the economy in recent months. This reflects a number of factors, including slower than expected growth in Income Tax receipts, and carried-forward financial sector losses and declining North Sea oil revenues lowering Corporation Tax receipts. The impact on the public finances has largely been offset by lower than expected spending, including lower debt interest payments, and as a result of lower unemployment over the period.

Economic forecast

UK GDP grew 3.0% in the third quarter of 2014 compared to a year ago. The OBR has revised up its forecast for UK growth in 2014 from 2.7% to 3.0% and in 2015 from 2.3% to 2.4%. The OBR forecasts growth of 2.2% in 2016, 2.4% in 2017, 2.3% in 2018 and 2.3% in 2019.

The OBR has revised down its forecast for unemployment in all years to 2018, and expects a rate of 6.2% in 2014, falling to 5.3% at the end of the forecast period.

The OBR expects business investment growth of 7.7% in 2014. It also expects CPI inflation to be below target in 2014 through to 2017 and then to stay at target from 2017 to 2019.

Fiscal forecast

The OBR forecasts that the government remains on course to meet the fiscal mandate 2 years early. The deficit continues to fall each year. From its post-war peak of 10.2% of GDP in 2009-10, public sector net borrowing is forecast to be halved this year to 5.0%; to fall to 4.0% of GDP in 2015-16, the final year for which the government has set departmental spending plans; and to reach a small surplus of 0.2% of GDP in 2018-19 and 1.0% of GDP in 2019-20. Government borrowing from 2016-17 onwards is lower than forecast at Budget 2014 on a like-for-like basis, and the structural deficit is broadly unchanged.

Public sector net debt is forecast to peak at 81.1% of GDP in 2015-16, lower than forecast at Budget 2014 on a like-for-like basis, before falling each year and reaching 72.8% of GDP in 2019-20.

The government's response

While the strengthening economy and the positive steps towards full employment are welcome signs of progress, the continuing structural deficit confirms the government's view that the UK is not immune from the problems being experienced in the Eurozone and other parts of the global economy. Abandoning the government's long-term economic plan and the path of fiscal credibility would represent the most significant risk to the recovery.

Reflecting this ongoing commitment to responsible fiscal policy and returning the public finances to a sustainable position, the government is delivering a small fiscal tightening at the Autumn Statement and reaffirming its commitment to its path of fiscal consolidation. The government is:

- committing to a further £10 billion of efficiency savings
- revising the Charter for Budget Responsibility, which will be laid before Parliament the week after Autumn Statement 2014 with a motion for approval
- taking further action to ensure that the full costs of providing pensions for public service workers are met by employers
- strengthening the Scottish Government's existing powers to deliver jobs, growth and fairness by devolving further powers over tax and welfare, as set out by Lord Smith
- prioritising investment in the future of the NHS through a multi-year £3.1 billion UK-wide investment, including funding for frontline patient care, advanced care in GP-led services, and mental health services

The first section of Chapter 1 sets out the government's economic and fiscal plans in more detail.

Growth

Autumn Statement 2014 sets out a comprehensive package to address historically weak UK productivity and to create the right conditions for continued, balanced growth across all sectors and regions. This is part of the government's long-term economic plan to secure a sustained recovery and a more resilient economy.

This Autumn Statement focuses on key productivity drivers including infrastructure, higher-level skills and innovation. The government is:

- setting out long-term public and private sector investment plans for infrastructure, including £15 billion investment in the road network and a programme of 1,400 flood defence schemes
- committing to the largest sustained investment in Britain's science base, including establishing a £2.9 billion Grand Challenges fund to enable the UK to invest in major research facilities
- rebalancing the economy and ensuring strong regional growth by building a northern powerhouse, with major investment in the roads of northern England, new rail franchises, and the Sir Henry Royce Institute for advanced materials research and innovation; and by taking forward city deals and local growth deals, with support from the Regional Growth Fund
- making progress towards full employment, including by abolishing employer National Insurance contributions on earnings up to the upper earnings limit for apprentices aged under 25
- creating a more highly-skilled labour market, including through a new offer of loans for those wishing to undertake postgraduate study – building on the government's lifting of the cap on undergraduate student numbers

The second section of Chapter 1 sets out further detail on these and other announcements.

Fairness

The government's long-term economic plan is underpinned by a firm commitment to support those who want to work hard and get on. The government is:

- introducing a radical reform of SDLT to reduce distortions and improve the functioning of the housing market, which increases the fairness of the tax system by ensuring SDLT will be cut for 98% of people who pay it
- boosting incomes through a further £100 increase to the Income Tax personal allowance in 2015-16, with full gains passed on to higher rate taxpayers so that the higher rate threshold for 2015-16 increases in line with inflation for the first time in 5 years; this means that the personal allowance will now rise by £600 in April 2015 to £10,600
- allowing the tax advantages of married ISA savers to be inherited by a surviving spouse or civil partner on the death of the ISA holder
- reducing travel costs for families by exempting children flying economy from Air Passenger Duty: under-12s from 1 May 2015, and under-16s from 1 March 2016
- taking further action to tackle tax avoidance, and to ensure that all businesses and individuals pay their fair share, including by restricting the amount of banks' profits that can be offset by carried-forward losses

The third section of Chapter 1 sets out further information on these and other announcements. Further information on the distributional impact of this Autumn Statement is available in 'Impact on households: distributional analysis to accompany Autumn Statement 2014'.

Chapter 2 sets out all measures announced in this Autumn Statement.

Annex A presents financing information.

Annex B presents selected tables from the OBR's December 2014 'Economic and fiscal outlook'.

Autumn Statement decisions

A summary of the fiscal impact of Autumn Statement policy decisions is set out in Table 1. Chapter 2 provides further information on the fiscal impact of the Autumn Statement.

Table 1: Summary of Autumn Statement policy decisions[1]

	£ million					
	2014-15	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
Total spending policy decisions	+130	-470	+240	+250	+260	+565
Total tax policy decisions	+735	-560	-165	+160	+190	-140
TOTAL POLICY DECISIONS	+865	-1,030	+75	+410	+450	+425

[1] *Costings reflect the OBR's latest economic and fiscal determinants*

1 Autumn Statement

The UK economy and public finances

1.1 In 2008 the UK entered the Great Recession with the largest structural deficit of any major economy. In 2010 the government inherited the largest deficit since the Second World War. Through this period of uncertainty, the government's long-term economic plan has laid the foundations for the UK's economic recovery and delivered stability and security. The UK currently has the fastest growth among the G7 economies, there are more people in work than ever before and the deficit is forecast to fall by a half in 2014-15. However, the job is not yet done. The deficit remains high and productivity too low. In addition external risks have increased and the UK is not immune to the problems being experienced in Europe and other parts of the world economy. The government will go on taking the difficult decisions needed to secure a responsible recovery and stay on course to prosperity. The government's goal is to build a stronger economy in a fairer society that provides opportunity for all. This Autumn Statement sets out further details on how the government will repair the public finances and improve productivity growth.

UK economy since 2010

1.2 The government's long-term economic plan has restored fiscal credibility, allowing activist monetary policy and the automatic fiscal stabilisers to support the economy. This has been supported by far-reaching reform of the financial system and a comprehensive package of structural reforms.

1.3 The UK economic recovery is now well established and growth is broadly based across sectors. UK GDP grew by 3.0% in the third quarter of 2014 compared to the same quarter a year earlier.[1] All 4 major sectors of the economy grew in the third quarter of 2014 and services, manufacturing and construction each grew by 3.0% or more. Historical revisions to the National Accounts show UK GDP exceeded its pre-crisis peak in the third quarter of 2013, 9 months earlier than previously estimated.[2] Box 1.A explains the impact of revisions to the National Accounts.

1.4 As a result of these revisions, UK GDP growth since the financial crisis now looks stronger compared to other advanced economies with the third fastest growth in the G7 since 2010.[3] The UK is currently the fastest growing economy in the G7 and, in the International Monetary Fund's (IMF) latest 'World Economic Outlook', the UK is forecast to have the fastest growth among advanced economies over 2014 as a whole.[4]

[1] All UK economy data from Office for National Statistics (ONS) unless otherwise stated. Further detail can be found in 'Autumn Statement 2014 Data Sources'.
[2] More detail on revisions to the National Accounts can be found in 'Quarterly National Accounts, Q2 2014', ONS, September 2014.
[3] 'Quarterly National Accounts: Quarterly Growth Rates of Real GDP, change over previous quarter', Organisation for Economic Co-operation and Development (OECD), November 2014.
[4] 'Quarterly National Accounts: Quarterly Growth Rates of Real GDP, change over previous quarter', OECD, November 2014; 'World Economic Outlook', IMF, October 2014.

Box 1.A: 2014 Blue Book changes

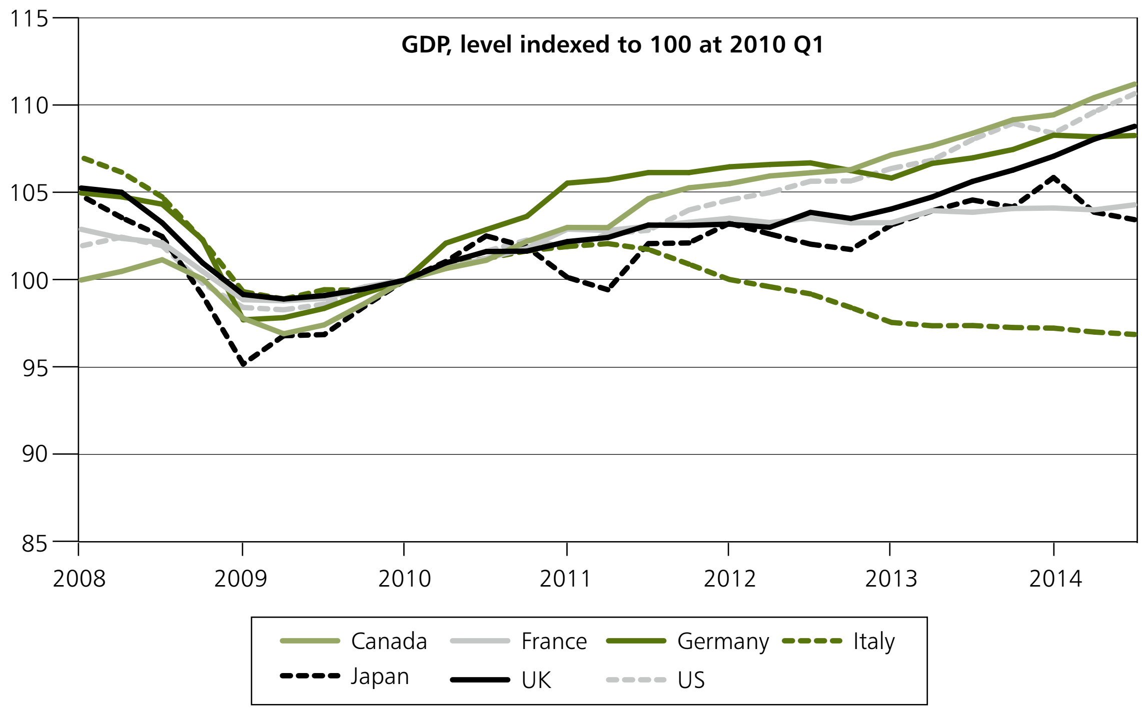
The Office for National Statistics (ONS) published revised National Accounts statistics in September in the 2014 Blue Book.[3] There have been a large number of changes to the National Accounts, including updates to align UK economic statistics with the latest international guidelines, the European System of Accounts 2010 (ESA10). There were also changes to ensure that estimates were consistent with previous international best practices (ESA95), as well as improvements to ensure the data are in line with the Balance of Payments and International Investment Positions Manual 6.

The changes introduced a measurement of illegal activities in data for GDP to ensure greater consistency across European member states, ensured research and development is now counted as investment rather than intermediate consumption, and included changes to measures of gross fixed capital formation. The changes also included improvements to the measurement of the non-profit institutions serving households sector, which incorporates charities.

The latest data show GDP growth has been more robust over this Parliament than previously thought, expanding by 8.1% between Q1 2010 and Q2 2014, compared to 7.0% over the same period under the previous approach.

The historical revisions have also had an effect on the balance of the recovery. Under previous data the level of business investment and dwellings investment in Q1 2014 remained a long way below its pre-crisis level in Q1 2008, at 15.5% and 24.6% below respectively. In the latest data business investment in 2014 Q1 was 4.5% above the pre-crisis level and dwellings investment was also revised upwards. The contribution from government was revised up slightly, but contributions from stock building and net exports were both revised down.

Chart 1.1: International comparison of GDP



Source: Organisation for Economic Co-operation and Development.

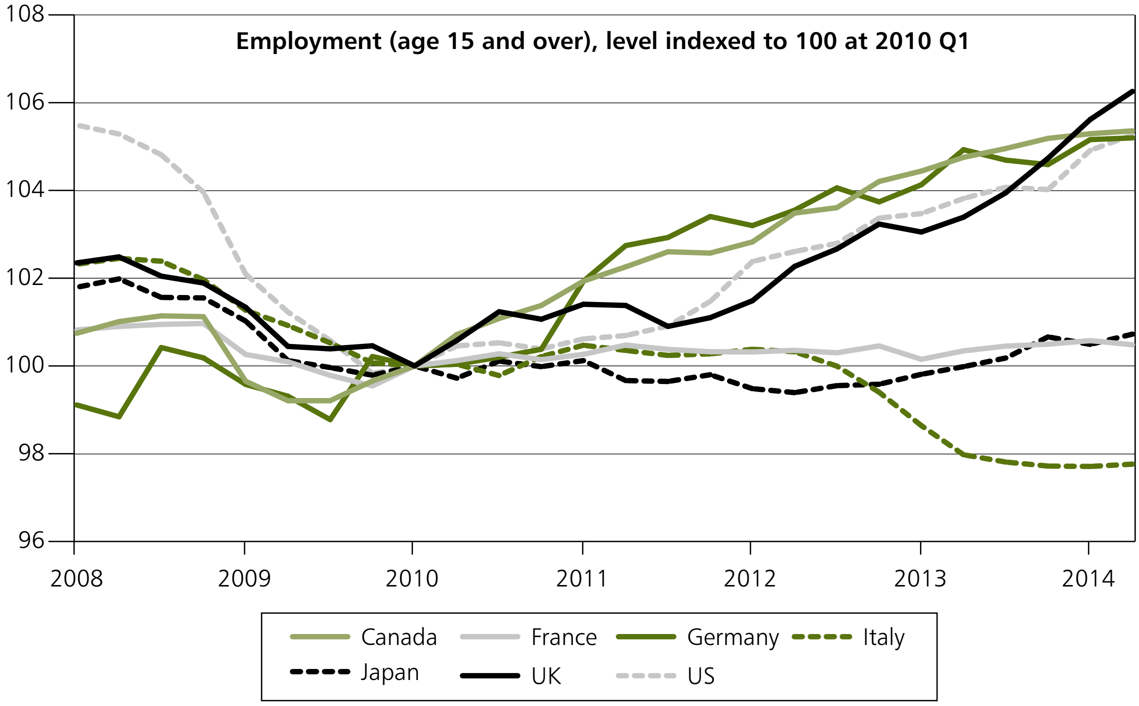
[5] 'Quarterly National Accounts, Q2 2014', ONS, September 2014.

1.5 In recent years, the effect of the financial crisis, high global commodity prices and euro area economic uncertainty were the main causes of lower than expected economic growth, especially in 2011 and 2012. The Office for Budget Responsibility (OBR) October 2013 'Forecast evaluation report' confirmed its previous conclusion that fiscal policy "does not look the most obvious explanation for the bulk of the shortfall" in growth compared to their 2010 forecast.[6]

Employment, earnings and productivity

1.6 Employment is at a record high of 30.8 million, up 1.7 million since the government came into office and more than 1 million above its pre-recession peak. The employment rate (73.0%) has returned to its pre-recession level and since Q1 2010 employment has increased faster in the UK than in any other country in the G7.[7]

Chart 1.2: International comparison of employment



Source: Organisation for Economic Co-operation and Development.

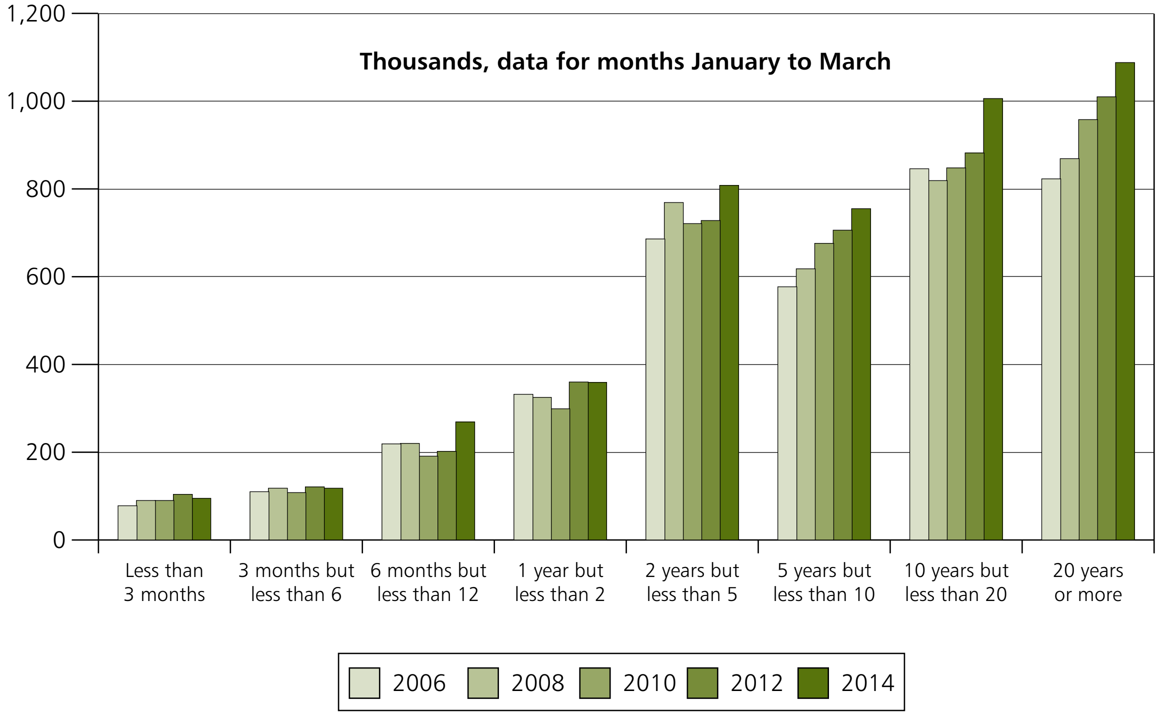
1.7 The overall growth in employment reflects increases in both self-employment and the number of employees. Self-employment has been increasing steadily as a proportion of total employment over the last 14 years, from 11.7% in the 3 months to December 2000 to 14.7% in the 3 months to September 2014. Recent ONS analysis shows the rise in self-employment since 2008 primarily reflects fewer people leaving self-employment, with an increase in those who have been self-employed for 20 years or more.[8] This suggests ongoing structural change in the labour market, rather than people becoming self-employed because they cannot find other work.

[6] 'Forecast evaluation report', OBR, October 2013.
[7] 'Short-Term Labour Market Statistics: Employed Population', OECD, November 2014.
[8] 'Time in current self-employment/with current employer', ONS, July 2014.

Chart 1.3: Self-employment as a percentage of total employment

Source: Office for National Statistics, Labour Force Survey.

Chart 1.4: Self-employed by length of time self-employed



Source: Office for National Statistics, published ad hoc data.

1.8 The composition of the workforce in the UK is changing, with more people continuing to enter the labour force over the last year and a greater proportion of older people staying in employment. 85% of the increase in employment over the last year has been in full-time work and 75% since Q1 2010.

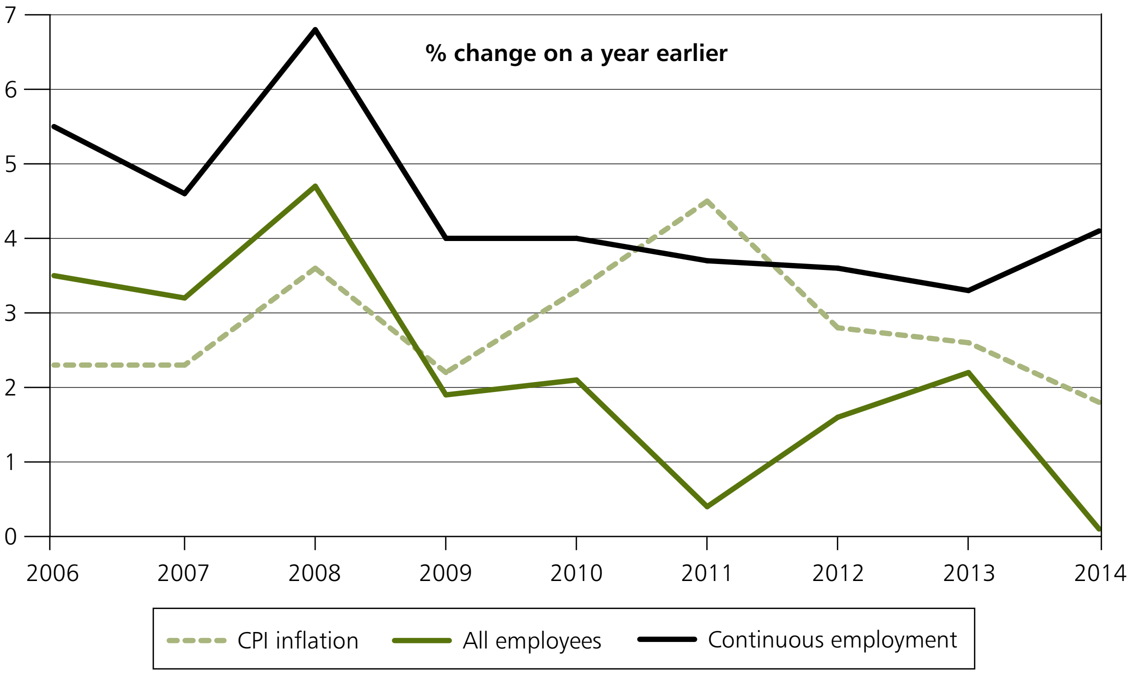
1.9 The latest data for the 3 months to September shows employment for those aged over 50 increased by 300,000 over the past year. Youth unemployment is also falling, with an annual fall of 244,000 in the 3 months to September and falls in recent months the largest on record. A reduction of long-term unemployment, which is down 206,000 over the same period, is also helping to drive recent falls in overall unemployment. As a result, the working-age labour market participation rate has risen to levels last seen in the early 1990s.

Earnings and incomes

1.10 Latest earnings figures are showing the first signs that pay growth is strengthening. Regular pay for the 3 months to September grew at 1.3%, with regular pay for September itself 1.8% higher than a year ago, above the rate of inflation over this period (1.2%). The OBR forecasts real terms growth in average earnings in 2014 and all years of the forecast.[9]

1.11 Average earnings figures can be affected by changes to the level and composition of employment. As the ONS 'Annual Survey of Hours and Earnings' (ASHE) data showed, those in continuous employment for the past year saw wage growth of 4.1%.[10] Chart 1.5 shows overall wage growth for full-time employees and that for those in continuous employment wage growth has exceeded CPI for the last 3 years.

Chart 1.5: Growth in median full-time gross weekly earnings for all employees and those in continuous employment



Source: Office for National Statistics, Annual Survey of Hours and Earnings.

1.12 As more people enter employment, the composition of the labour market can change. Many new entrants to the labour market will be young people making their first step onto the career ladder before gaining expertise and earning more as they progress in the workplace. On average weekly earnings for young people working full-time are 56% of the overall average, as

[9] All OBR forecasts refer to the OBR 'Economic and fiscal outlook', December 2014, unless otherwise stated.
[10] 'ASHE', ONS, November 2014.

more young people move into employment this will have a dampening effect on the average for overall wage growth, even though their incomes are boosted by moving into work.[11]

1.13 The National Minimum Wage provides important support to those on lower earnings. The government's decision to accept the Low Pay Commission's recommendation of an above inflation increase means that over a million people saw their pay rise from 1 October 2014.[12] This was the first real-terms rise since 2007, with the largest cash increase in the adult National Minimum Wage since 2008 to £6.50 per hour.

1.14 CPI inflation was 1.3% in October, its tenth consecutive month below the Bank of England's 2.0% target. Downward pressure on inflation over the past year has been driven by falling prices of food and fuels. Food prices have fallen by 1.6% in the last year, while motor fuel prices fell to their lowest level since December 2010. This benefits households, reducing the cost of living and helping to make families feel more financially secure.

1.15 Real household disposable income (RHDI) per capita is the most comprehensive measure of living standards, used by the ONS and others, as it takes into account employment levels, the effects of tax and benefits, as well as inflation measured by CPI. RHDI per capita is increasing, growing by 2.0% over the last quarter and by 0.4% over the past year. The OBR forecasts that RHDI per capita will grow by 1.6% in 2014 and 1.2% in 2015.

1.16 For the latest data in Q2 2014, GDP per capita is now 4.9% higher than it was in Q1 2010. The average rate of GDP per capita growth per quarter since the beginning of this Parliament has been higher than the period covering the previous two Parliaments. The OBR forecast GDP per capita to grow by 2.4% in 2014, and 1.8% in 2015, reflecting the economic recovery.

Productivity

1.17 Productivity growth is the main factor determining average living standards, as it is closely related to the reward that workers receive for the work they provide. Autumn Statement 2013 analysis made clear there has not been a break in the long-run relationship between productivity and total compensation, which takes into account both earnings and employer social contributions such as pensions. Increases in productivity should therefore feed through into higher earnings growth.

1.18 Factors related to the nature of the financial crisis are likely to be having a persistent impact on the level of productivity. Latest data are more positive and imply productivity grew by 0.6% per hour and 0.3% per worker in Q3 2014.[13] The OBR forecasts productivity per hour growth will turn positive this year, strengthening to 2.5% in 2017.

1.19 The UK had a history of poor productivity growth through most of the 20th century, largely characterised by relative decline, with the US, Germany, France and others improving their productivity faster than the UK. The major supply side reforms of the 1980s and 1990s including strengthened competition, liberalised trade, labour market flexibility, the removal of subsidies for failing companies and privatisation drove improvement in UK productivity. Since the 2008 peak, however, GDP has risen by 3.4% but employment has increased by 3.7% meaning that output per worker is still below the pre-crisis peak. The Bank of England has assessed that there "may be several factors associated with the financial crisis that may have led to the more persistent weakness in productivity, such as lower investment in both physical and intangible capital. Barriers or impediments to the efficient allocation of both capital and labour towards their more productive uses are also likely to have played a role. And it is possible that a number of factors

[11] 'ASHE', ONS, November 2014. Median gross weekly earnings for 18-21 year olds working full-time compared to the median gross weekly earnings of all full-time employees.
[12] 'National Minimum Wage: Low Pay Commission Report 2014', March 2014.
[13] HM Treasury calculations derived from ONS statistics for Q3 2014 quarterly growth in GDP (0.7%), total hours growth (0.1%) and total employment growth (0.4%).

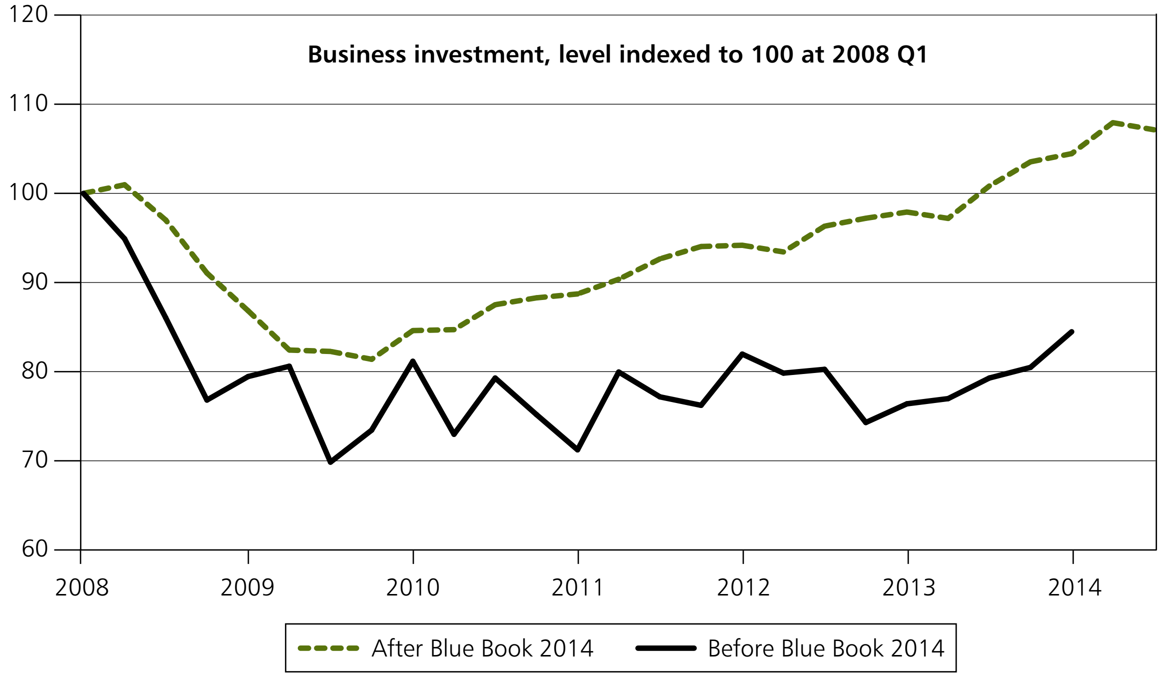
have helped less productive firms survive the recession. All of these factors are likely to have dampened aggregate productivity growth in recent years".[14]

1.20 A pre-requisite for stronger productivity growth is a comprehensive, credible and flexible economic framework. This provides the right platform for improved productivity. Autumn Statement 2014 sets out a comprehensive package to boost productivity and deliver higher real wages, better living standards and increased tax receipts in the longer term.

UK rebalancing, investment and trade

1.21 During the pre-crisis period weaknesses developed in the UK economy including low levels of investment and regional imbalances. As the recovery has become established, growth has been balanced across all main sectors. Business investment is a significant factor driving the recovery. Business investment in Q3 2014 was 6.1% above the peak in Q2 2008 and has increased by 26.6% since Q1 2010. Chart 1.6 shows business investment over the recession and recovery before and after Blue Book 2014.

Chart 1.6: Revisions to business investment over the recession and the recovery before and after Blue Book 2014



Source: Office for National Statistics.

1.22 There are indications that growth is becoming more balanced across the regions. In the 3 months to September 2014 employment in northern English regions increased 2.6% on the year, compared to a 2.3% rise in the UK as a whole. Autumn Statement 2014 sets out further actions to rebalance the economy and to build a northern powerhouse.

1.23 The UK is one of the most open economies in the world, with significant trade and financial links with other countries. UK exports performance is highly dependent on the economic performance of the euro area, the UK's largest trading partner, and weak euro area growth has meant goods exports to EU countries have been subdued. However, UK exporters have continued to expand in other markets. Since Q1 2010 the volume of goods exports to non-EU countries has increased by 18.7%.

[14] 'The UK productivity puzzle', 'Quarterly Bulletin', Bank of England, Q2 2014.

1.24 Having fallen sharply during the crisis, house prices grew at 12.1% in the year to September, but remain below their peak in real terms. House prices have been particularly driven by rises in London. However, excluding London and the South East, prices grew by 9.1% in the year to September. Despite property transactions being almost double their 2009 low, they remain below their long-run average and have slowed to some degree recently. There are further signs of normalisation in the housing market with other indicators suggesting continued increases in house building. Housing starts were up by 16% in the year to September 2014, compared with the previous year, which should support long-term sustainability in the housing market.[15] Autumn Statement 2014 announces reforms to Stamp Duty Land Tax (SDLT) which will reduce distortions in the housing market and ensure that SDLT will be cut for 98% of people who pay it.

Global developments and risks

1.25 A sustained improvement in productivity growth is critical to delivering the OBR's forecast for the economy. Abandoning the government's long-term economic plan and the path of fiscal credibility would represent the most significant risk to the recovery. Since Budget 2014 external risks facing the UK have increased and the UK is not immune to the problems being experienced in Europe and other parts of the world economy. As the IMF said in their October 'World Economic Outlook', "world growth is mediocre".[16] The OBR has revised down its forecast for world GDP growth in all years of the forecast.

1.26 The largest external risk to the UK is the deteriorating outlook in the euro area. Growth in the euro area decreased to 0.1% in Q2 2014 and was 0.2% in Q3 2014, inflation was very low at 0.3% in November 2014, and unemployment remained very high at 11.5% in October 2014. Both the IMF and the European Commission forecast weak but positive growth, but downside risks have increased.[17] The IMF has estimated that the probability of recession in the euro area is almost 40%, and the probability of outright deflation is about 30%.[18] As the UK's largest export destination, a slowdown in the euro area poses direct risks to the UK via the trade channel and also indirectly through market confidence.

1.27 The US economy has continued to recover and growth was 2.4% in the year to Q3, with unemployment rates continuing to fall and private investment beginning to pick up. Despite the Bank of Japan's quantitative easing programme beginning to pull Japan out of deflation, it has fallen back into recession. The situation in emerging markets is mixed, with lower rates of potential growth being a key risk. After weakening to 4.7% in 2013 from 5.0% a year earlier, growth in emerging and developing economies is projected, by the IMF, to continue to fall to 4.4% in 2014 before rising to 5.0% in 2015.[19] Growth in China continues to moderate but at a level above 7% on an annual basis. The situation in India is also improving, with growth beginning to pick up. Some other emerging markets with external financing concerns are potentially exposed to an increase in global interest rates.

1.28 Geopolitical risks have increased with the conflicts in the Middle East, the Ukrainian crisis, and the spread of Ebola virus disease in West Africa. The direct economic impact of each one in isolation is uncertain. However, given any significant deterioration the combination of risks has the potential to produce a larger indirect impact via negative market sentiment and confidence.

[15] 'House Building: September Quarter 2014, England', Department for Communities and Local Government, November 2014.
[16] 'World Economic Outlook', IMF, October 2014.
[17] 'World Economic Outlook', IMF, October 2014; 'Autumn 2014 European Economic Forecast', European Commission, November 2014.
[18] 'World Economic Outlook', IMF, October 2014.
[19] 'World Economic Outlook', IMF, October 2014.

Economic outlook

Table 1.1: Summary of the OBR's central economic forecast[1]

	Percentage change on a year earlier, unless otherwise stated						
		Forecast					
	2013	2014	2015	2016	2017	2018	2019
GDP growth	**1.7**	**3.0**	**2.4**	**2.2**	**2.4**	**2.3**	**2.3**
Main components of GDP							
Household consumption[2]	1.6	2.3	2.8	2.2	2.4	2.3	2.4
General government consumption	0.7	1.1	-0.4	-0.8	-0.9	-0.3	0.0
Fixed investment	3.2	8.1	8.4	5.9	5.6	5.2	4.8
Business	4.8	7.7	8.4	6.3	6.3	6.3	6.3
General government[3]	-7.3	2.1	3.3	1.6	2.2	1.6	2.3
Private dwellings[3]	6.1	13.0	11.0	7.0	5.5	4.0	2.4
Change in inventories[4]	0.3	0.3	-0.2	0.0	0.0	0.0	0.0
Net trade[4]	0.0	-0.2	-0.5	-0.1	-0.1	-0.1	-0.2
CPI inflation	**2.6**	**1.5**	**1.2**	**1.7**	**2.0**	**2.0**	**2.0**
Employment (millions)	**30.0**	**30.7**	**31.2**	**31.4**	**31.5**	**31.6**	**31.7**
ILO unemployment (% rate)[5]	**7.6**	**6.2**	**5.4**	**5.2**	**5.3**	**5.3**	**5.3**

[1] All figures in this table are rounded to the nearest decimal place. This is not intended to convey a degree of unwarranted accuracy. Components may not sum to total due to rounding and statistical discrepancy.

[2] Includes households and non-profit institutions serving households.

[3] Includes transfer costs of non-produced assets.

[4] Contributions to GDP growth, percentage points.

[5] International Labour Organization.

Source: Office for Budget Responsibility, Office for National Statistics.

1.29 The OBR has revised up its forecast for UK growth in 2014 from 2.7% to 3.0% and in 2015 from 2.3% to 2.4%. The OBR forecasts growth of 2.2% in 2016, 2.4% in 2017, 2.3% in 2018 and 2.3% in 2019. The OBR has revised down its forecast for unemployment in all years to 2018, and expects a rate of 6.2% in 2014, falling to 5.3% at the end of the forecast period.

1.30 The output gap represents the amount of spare capacity in the economy. Growth in GDP this year has been higher than expected and unemployment and slack in the economy has reduced more quickly than expected, causing the output gap to be narrower at the start of the forecast period than expected at the time of Budget 2014. The OBR expects the output gap to remain broadly stable through 2016, gradually closing from 2017 as growth picks up.

1.31 The OBR forecasts business investment growth of 7.7% in 2014 and 8.4% in 2015. The OBR also expects private dwelling investment to grow strongly at 13.0% in 2014 and 11.0% in 2015. The OBR forecasts exports growth of 2.4% in 2015, 4.7% in 2016 and 4.9% in 2017. The OBR expects export growth from 2016 to be broadly offset by imports growth, with net trade expected to make a small negative contribution to growth through the forecast period.

1.32 The OBR expects CPI inflation to be below target in 2014 through to 2017 and then stay at target from 2017 to 2019.

The government's plan

1.33 The government's long-term economic plan builds a stronger, more competitive economy, a fairer society, and secures a better future for Britain by:

- reducing the deficit to deal with the UK's debt, safeguard the UK economy for the long term and keep mortgage rates low
- cutting income taxes and freezing fuel duty to help hardworking people be more financially secure
- creating more jobs by backing small business and enterprise with better infrastructure, lower job taxes and a long-term industrial strategy
- capping welfare and controlling immigration so the economy delivers for people who want to work hard and play by the rules
- delivering the best schools, skills and apprenticeships for young people so the next generation can succeed in the global race

1.34 In order to safeguard the economy for the long term, the government is continuing to take decisive action through: monetary activism and credit easing, deficit reduction, reform of the financial sector, and a comprehensive package of structural reforms.

Monetary policy

1.35 Monetary policy has a critical role to play in supporting the economy as the government delivers on its commitment for necessary fiscal consolidation. The government has ensured that monetary policy can continue to play that role fully by updating the UK's monetary policy framework and remit for the Monetary Policy Committee (MPC) at Budget 2013. The MPC has full operational independence to set policy to meet the inflation target – 2% as measured by the 12-month increase in the CPI. CPI inflation has been at or below target since the end of 2013.

1.36 At its November meeting, the MPC voted 7 to 2 in favour of maintaining Bank Rate at 0.5%, and unanimously in favour of maintaining the stock of asset purchases financed by the issuance of central bank reserves at £375 billion.[20] The MPC has provided guidance that when Bank Rate did begin to rise, it was expected to do so only gradually and that Bank Rate was expected to remain below average historical levels for some time to come.[21]

Credit easing

1.37 The Funding for Lending Scheme (FLS) has played a crucial role in reducing bank funding costs and incentivising lending, in turn easing credit conditions for businesses. Participants in the scheme have drawn £47.6 billion of funding to support new lending.[22] During the extension to the scheme in 2014, which was focused on business lending, FLS participants have generated additional borrowing allowances of £7.5 billion, mainly through increases in net lending to small and medium-sized enterprises (SMEs).[23] Against this backdrop, credit conditions continue to improve for businesses of all sizes, including SMEs. Gross lending to businesses increased by 19% in the 12 months to October 2014 against the previous 12-month period.[24] Conditions for large businesses have particularly improved, with respondents to the Q3 Deloitte CFO survey reporting that credit is cheaper and more available than any time in the last 7 years.[25]

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[20] 'Minutes of the Monetary Policy Committee meeting 5 and 6 November 2014', Bank of England, November 2014.
[21] 'Minutes of the Monetary Policy Committee meeting 5 and 6 November 2014', Bank of England, November 2014.
[22] 'Funding for Lending Scheme usage and lending data publication – Q3 2014', Bank of England, November 2014.
[23] 'Funding for Lending Scheme usage and lending data publication – Q3 2014', Bank of England, November 2014.
[24] 'Money and Credit – October 2014', Bank of England, December 2014.
[25] 'Deloitte CFO Survey: 2014 Q3', Deloitte, September 2014.

1.38 Given uncertainties in the global economy, and the risk of shocks that might impact on credit conditions and jeopardise the recovery, **the Treasury and the Bank of England announced on 2 December that the FLS will be extended for 1 year, until 29 January 2016.** Unused borrowing allowances from the scheme as of 31 January 2015 will continue to be available for drawdown in this period.[26] The FLS will be further focused on incentivising lending where it is most required, for SMEs, and is being further tapered to remove lending to large businesses. Additional borrowing allowances in 2015 will be generated through net lending to SMEs, with participants able to draw £5 of funding for each £1 of net lending to SMEs. The FLS will complement various other initiatives in train to support credit to SMEs, including programmes by the British Business Bank to make finance markets work better for SMEs, and the government's proposals in the Small Business, Enterprise and Employment Bill to improve access to SME credit information. Autumn Statement 2014 announces an extension of the Enterprise Finance Guarantee and an expansion of Enterprise Capital Funds. Funding for these 2 major British Business Bank schemes will unlock up to £1 billion of finance for smaller businesses.

Deficit reduction

Fiscal strategy

1.39 The government inherited the largest deficit in post-war history due to the Great Recession and unsustainable pre-crisis increases in public spending.[27] The IMF estimates that the UK entered the Great Recession with the largest cyclically-adjusted deficit in the G7, at 5.3% of GDP in 2007.[28] Unchecked, the historically high level of borrowing could have undermined fairness, growth and economic stability in the UK. In 2010, the government set out medium-term fiscal consolidation plans to return the public finances to a sustainable path.

1.40 The government is making significant progress in delivering its fiscal consolidation. Public sector net borrowing as a percentage of GDP has fallen by more than a third since 2009-10 and is forecast to have fallen by half by the end of 2014-15.[29] Latest IMF outturn data show that between 2010 and 2013, the government reduced the structural deficit by more than half. The structural deficit fell by 4.6% of GDP over this period, a larger absolute reduction than any other country in the G7.[30] The government is forecast to meet its fiscal mandate 2 years early in 2017-18, having reduced the cyclically-adjusted current budget deficit from its peak of 4.7% of GDP in 2009-10 to 2.6% of GDP in 2013-14, and public sector net borrowing reaches a small surplus in 2018-19. On a comparable basis, public sector net debt is forecast to peak in 2015-16 at a lower level than at Budget 2014.

1.41 The OBR forecasts that tax receipts will continue to rise across the forecast period but this year are growing by less than the economy. As the economy has grown, more people are benefitting from the increase in the personal allowance, which is supporting people into work, taking the lowest earners out of tax altogether and reducing the tax paid by millions of taxpayers. Receipts are also growing less quickly than the economy in the near term due to further falls in revenues from North Sea oil and gas, in part reflecting recent declines in global oil and gas prices, and financial institutions carrying forward losses. To address these challenges, the government is announcing a package of further measures at Autumn Statement to maximise the benefit of North Sea oil and gas to the economy and restrict the amount of banks' annual profits that can be offset by carried-forward losses, increasing their Corporation Tax payments during the period of fiscal consolidation.

[26] Unused borrowing allowances under the FLS extension totalled £37.0 billion at the end of Q3 2014. 'Funding for Lending Usage and Lending Data - Q3 2014', Bank of England, November 2014.
[27] 'Public Sector Finances', ONS, October 2014.
[28] 'World Economic Outlook', IMF, October 2014.
[29] 'Public Sector Finances', ONS, October 2014; 'Economic and fiscal outlook', OBR, December 2014.
[30] 'World Economic Outlook', IMF, October 2014.

1.42 Despite slower growth in receipts, the overall fiscal position in 2018-19 is forecast to be broadly unchanged from that at Budget 2014 on a comparable basis. Spending this year and next is forecast to be lower than at Budget 2014, primarily due to lower spending on central government debt interest and social security payments. Inflation is also forecast to be lower than at Budget 2014 across the forecast period.

1.43 As a result of classification changes, the measured rate of real spending reductions delivered between 2010-11 and 2014-15 has increased slightly to 1.1%. The government remains committed to its fiscal consolidation plans. The government's fiscal assumption is that Total Managed Expenditure (TME) in 2016-17 and 2017-18 will fall in real terms at the same rate as between 2010-11 and 2014-15, with the government having demonstrated its ability to deliver this rate of spending reductions. The government's neutral assumption is that TME will remain flat in real terms in 2018-19 and Autumn Statement extends the same neutral assumption to 2019-20.

Spending consolidation in this Parliament

1.44 The government has to date delivered £67 billion of the £99 billion planned discretionary reductions in spending by the end of 2015-16, as set out in Table 1.2.

Table 1.2: Total consolidation plans over this Parliament

	£ billion		
	2013-14	**2014-15**	**2015-16**
Policy inherited by the government	**56**	**70**	**–**
Spending[1,2]	38	48	–
Tax[2]	18	21	–
Spending share of consolidation (%)	*67*	*69*	–
Total discretionary consolidation	**91**	**105**	**122**
Spending[1,2,3]	67	82	99
Tax[2,3]	24	23	23
Spending share of consolidation (%)	*74*	*78*	*81*

[1] Spending consolidation is attributable to 3 factors: (a) reductions in Departmental Expenditure Limits (DEL) are calculated by assessing nominal DEL totals against a counterfactual of growing DEL from 2010–11 in line with general inflation in the economy, as set out in Table 4.8 of the OBR's pre-Budget forecast (June 2010); (b) reductions in Annually Managed Expenditure (AME) due to the net effect of policy changes announced since June Budget 2010; and (c) estimated debt interest savings, updated for market interest rates consistent with the OBR's December 2014 'Economic and fiscal outlook'. This calculation excludes the one-off impact of the 4G spectrum asset sale, and financial transactions in Capital DEL.

[2] This takes account of the latest costings.

[3] Where costings do not extend to 2015-16, they have been grown in line with general inflation in the economy.

Source: Office for Budget Responsibility and HM Treasury.

1.45 TME is forecast to be around £10 billion lower this year than planned at Spending Review 2010, when measured on a comparable basis.[31] Departmental spending will continue to fall in 2014-15 and 2015-16. By the end of 2015-16, central government's Departmental Expenditure Limits (DEL) administration costs will have fallen by over 40% in real terms since 2010-11, or around £7 billion.[32]

1.46 Public spending control is central to the government's commitment to reducing the deficit. The OBR forecasts underspends of £2.5 billion in 2014-15, reflecting a continued focus on improved spending control and good financial management across departments. Over the last 4 years, departments have underspent their budgets by an average of £5 billion each year.[33]

[31] HM Treasury calculation based on 'Economic and Fiscal Outlook', OBR, December 2014; 'Spending Review 2010', HM Treasury, October 2010.
[32] Comparison between Spending Review 2010 baselines (inflated to 2015-16 prices) and administration budgets at Spending Round 2013.
[33] Public Expenditure Statistical Analyses, HM Treasury.

1.47 Building on announcements at Budget 2014, the government will take further action to ensure the full costs of providing pensions for public service workers are met by employers. New employer contribution rates arising from valuations of the pension schemes for the Armed Forces, the judiciary and public service workers in Scotland and Northern Ireland will deliver £335 million of Annually Managed Expenditure (AME) savings in 2015-16, rising to £390 million in 2019-20.

1.48 The government continues to make progress towards removing progression pay in the Civil Service by 2015-16. Proposals have been agreed with departments covering more than two-thirds of the Civil Service workforce with progression pay.

Fiscal forecast

1.49 The ONS implemented significant revisions to public sector net borrowing and public sector net debt in September 2014.[34] These revisions followed the introduction of ESA10, described in further detail in Box 1.A, and implementation of changes from the 2013 ONS 'Review of Public Sector Finance Statistics'.

1.50 The main changes to the public finances are the reclassification of Network Rail within central government, neutral offsetting movements in current and capital spending and between expenditure and receipts, and the inclusion of the Bank of England's Asset Purchase Facility in the headline fiscal measures. The OBR has presented its assessment of the public finances on an ESA10 basis.

1.51 As set out in Table 1.3, from its post-war peak of 10.2% of GDP in 2009-10, the OBR forecasts public sector net borrowing will fall to:

- 5.0% of GDP by the end of 2014-15
- 4.0% of GDP in 2015-16, the final year for which the government has set departmental spending plans
- a surplus of 0.2% of GDP in 2018-19, increasing to 1.0% of GDP in 2019-20

1.52 Public sector net debt is forecast to peak at 81.1% of GDP in 2015-16 before falling each year and reaching 72.8% of GDP in 2019-20.

[34] 'Developments to Public Sector Finance Statistics – June 2014 Update', ONS. Available at www.ons.gov.uk

Table 1.3: Overview of the OBR's central fiscal forecast

	% GDP, unless otherwise stated						
	Outturn	Forecast					
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Fiscal mandate							
Cyclically-adjusted current budget deficit	2.6	2.7	2.2	0.5	-0.7	-1.5	-2.3
Deficit							
Public sector net borrowing	5.6	5.0	4.0	2.1	0.7	-0.2	-1.0
Public sector net borrowing (£ billion)	97.5	91.3	75.9	40.9	14.5	-4.0	-23.1
Cyclically-adjusted net borrowing	4.1	4.2	3.6	1.8	0.5	-0.3	-1.1
Current budget deficit	4.2	3.5	2.6	0.8	-0.5	-1.4	-2.3
Primary balance	-3.8	-3.3	-2.2	-0.1	1.4	2.3	3.2
Cyclically-adjusted primary balance	-2.3	-2.6	-1.8	0.2	1.6	2.4	3.2
Treaty deficit[1]	5.8	5.3	4.3	2.3	0.9	0.0	-0.8
Cyclically-adjusted Treaty deficit[1]	4.2	4.5	3.9	2.0	0.8	-0.1	-0.8
Debt							
Public sector net debt[2]	78.8	80.4	81.1	80.7	78.8	76.2	72.8
Treaty debt[3]	87.8	88.0	89.9	90.0	88.4	86.1	83.0
Memo: output gap (% GDP)	*-2.0*	*-0.7*	*-0.5*	*-0.4*	*-0.2*	*-0.1*	*0.0*
Memo: total policy decisions[4]		*0.0*	*0.1*	*0.0*	*0.0*	*0.0*	*0.0*

1. General government net borrowing on a Maastricht basis.

2. Debt at end March; GDP centred on end March.

3. General government gross debt on a Maastricht basis.

4. Equivalent to the 'total policy decisions' line in Table 2.1.

Source: Office for National Statistics, Office for Budget Responsibility and HM Treasury.

1.53 The OBR's December 2014 'Economic and fiscal outlook' includes an updated March 2014 fiscal forecast on a comparable ESA10 basis. This forecast is summarised in Table 1.4 and represents the best estimate of a March 2014 forecast against which like-for-like comparisons can be made. On this like-for-like basis, the OBR forecasts that public sector net borrowing will be slightly higher this year and next, but slightly lower in the last 3 years of the forecast period. After this year, public sector net debt as a percentage of GDP is lower in every year of the forecast period and peaks at 81.1% of GDP in 2015-16, 0.5 percentage points lower than at Budget 2014.

Table 1.4: Comparison of key fiscal aggregates to Budget 2014

	% GDP, unless otherwise stated						
	Outturn	Forecast					
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Public sector net borrowing (£billion)							
Autumn Statement 2014 (ESA10)	97.5	91.3	75.9	40.9	14.5	-4.0	-23.1
Budget 2014 (ESA10 consistent)[1]	99.3	86.4	68.3	41.5	15.8	-3.7	–
Change compared to Budget	*-1.8*	*4.9*	*7.6*	*-0.6*	*-1.3*	*-0.3*	–
Public sector net debt							
Autumn Statement 2014 (ESA10)	78.8	80.4	81.1	80.7	78.8	76.2	72.8
Budget 2014 (ESA10 consistent)[1]	77.9	80.2	81.6	80.9	78.9	76.3	–
Change compared to Budget	*0.9*	*0.1*	*-0.5*	*-0.3*	*-0.2*	*-0.2*	–
Cyclically-adjusted current budget							
Autumn Statement 2014 (ESA10)	2.6	2.7	2.2	0.5	-0.7	-1.5	-2.3
Budget 2014 (ESA10 consistent)[1]	2.6	2.0	1.4	0.2	-0.7	-1.3	–
Change compared to Budget	*0.0*	*0.7*	*0.8*	*0.3*	*0.1*	*-0.2*	–

1 Consistent with the Public Sector Finances and GDP revisions due to ESA10/PSF Review as set out in the OBR's 'Economic and fiscal outlook'.

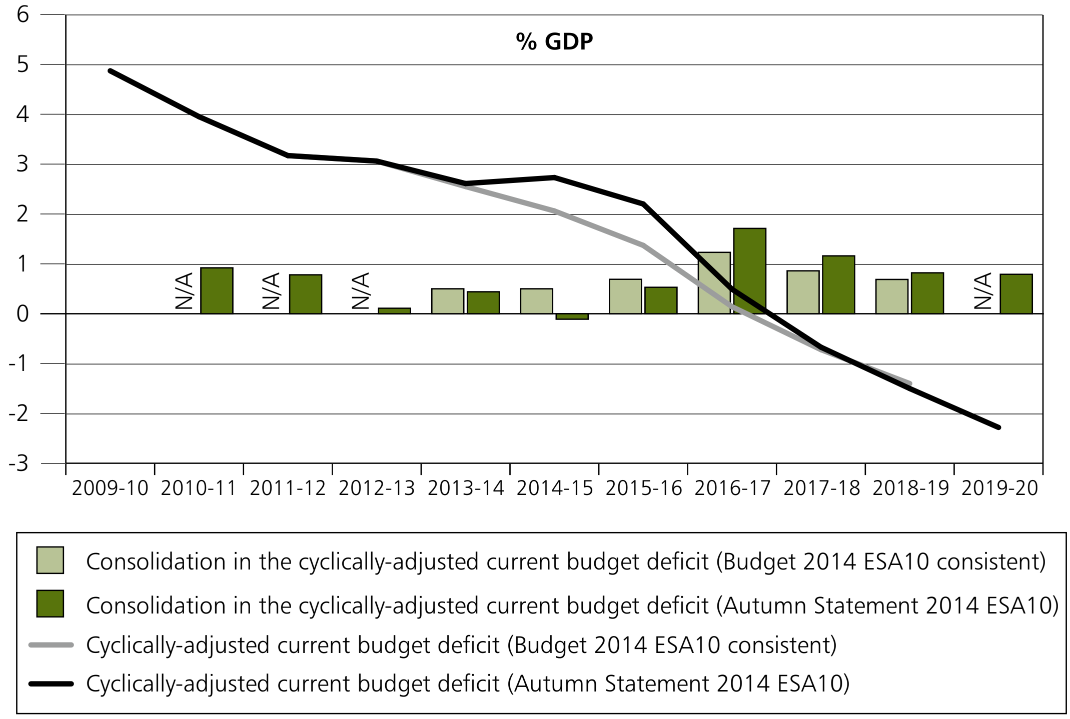
Source: Office for National Statistics, Office for Budget Responsiblity and HM Treasury calculations.

Performance against the fiscal mandate

1.54 As set out at June Budget 2010, the government's fiscal strategy is underpinned by a forward-looking mandate to achieve cyclically-adjusted current balance by the end of the rolling, 5-year forecast period.

1.55 The OBR's December 2014 'Economic and fiscal outlook' confirms the government remains on course to meet the fiscal mandate. The OBR's judgement is that the government's policies are consistent with a roughly 80% chance of achieving the fiscal mandate in 2019-20. The government has reduced the cyclically-adjusted current budget deficit from its peak of 4.7% of GDP in 2009-10 to 2.6% of GDP in 2013-14. The OBR forecasts the fiscal mandate will be achieved 2 years early, in 2017-18. Chart 1.7 shows performance against the government's fiscal mandate.

Chart 1.7: Consolidation in the cyclically-adjusted current budget deficit



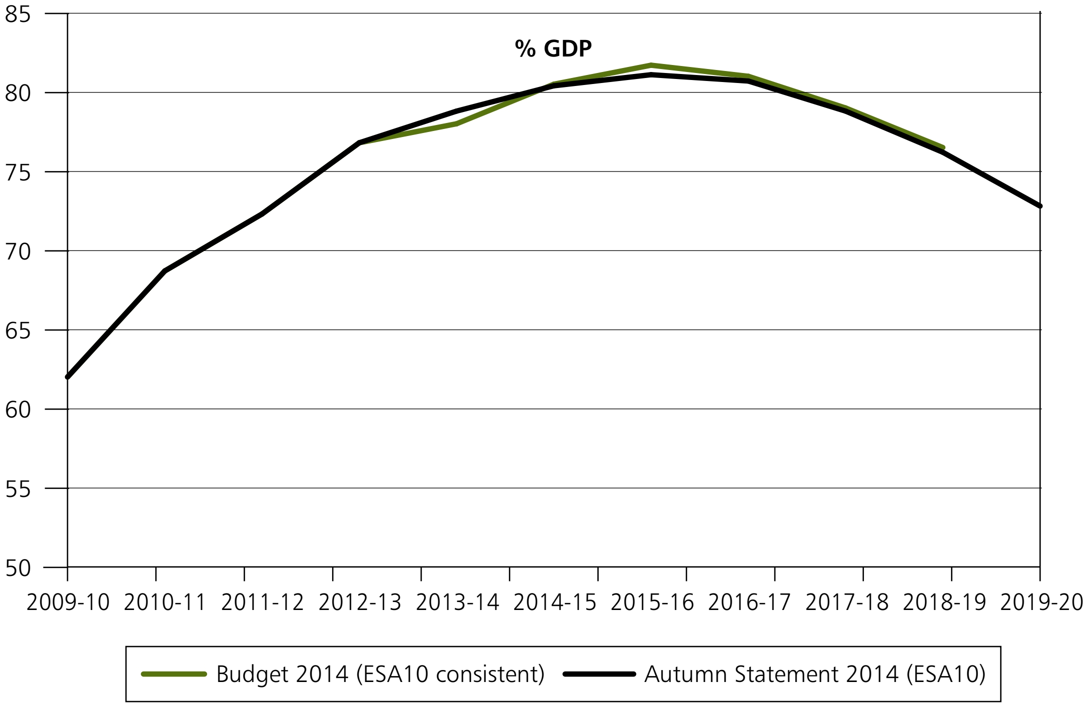
Source: Office for Budget Responsibility and HM Treasury.

1.56 The government's fiscal mandate is supplemented by a target for public sector net debt as a percentage of GDP to be falling at a fixed date of 2015-16. The OBR forecasts that public sector net debt as a percentage of GDP will be falling in 2016-17, a year later than the supplementary target. Public sector net debt peaks in the same year as forecast at Budget 2014, and peaks at a slightly lower level on a comparable basis.

Performance against EU targets

1.57 The government remains committed to bringing the UK's Treaty deficit in line with the 3% target set out in the Stability and Growth Pact (SGP). The UK is forecast to meet the EU SGP target for the Treaty deficit in 2016-17.

Chart 1.8: Public sector net debt



Source: Office for National Statistics, Office for Budget Responsibility and HM Treasury.

The long-term debt challenge

1.58 As a result of the Great Recession, public sector net debt is forecast to rise by more than 40% of GDP since the financial crisis to a peak of 81.1% of GDP in 2015-16 and will be 72.8% of GDP in 2019-20. The peak in debt will be the highest level of debt since the late 1960s.[35] Debt would be even higher if the government had not pursued its plan to reduce the deficit.

1.59 Central government (gross) spending on debt interest is forecast to be £48 billion this year. Reducing debt in future will help control these costs and reduce the burden on future generations. Debt interest would be £5 billion a year lower for every reduction in debt of 10% of GDP, based on the market interest rates used by the OBR in its December 2014 'Economic and fiscal outlook'.

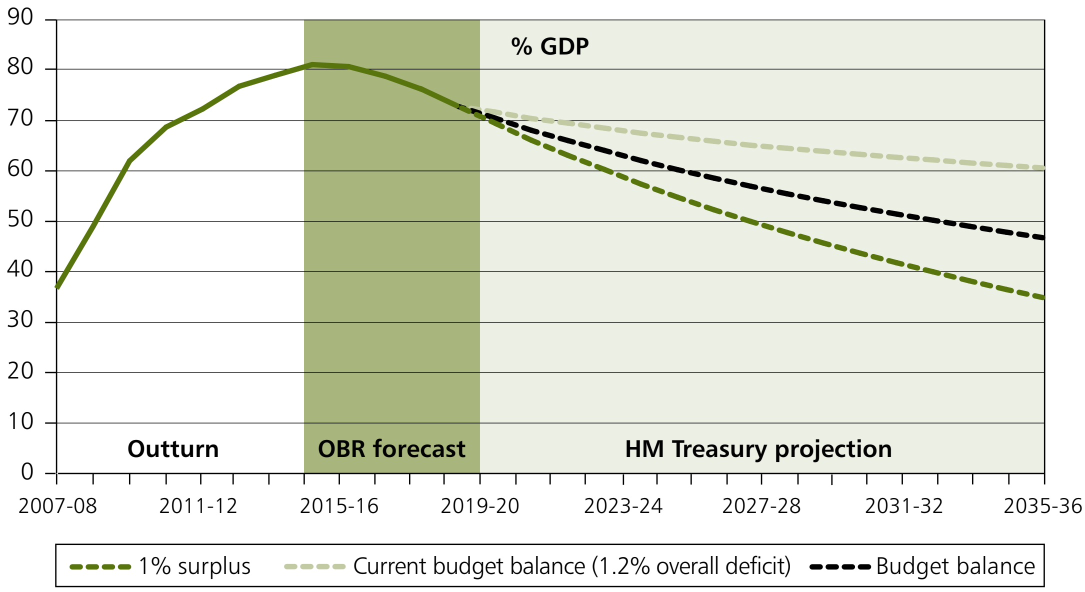
1.60 High public debt also increases the UK's vulnerability to future shocks. It is more likely a new shock would increase debt to potentially unsustainable levels if starting from a higher level of debt, increasing uncertainty, pushing up interest rates and undermining economic stability.

1.61 Chart 1.9 shows projections for the path of public sector net debt as a percentage of GDP, assuming different levels of borrowing from the end of the 5-year forecast horizon. This chart is based on a simple scenario in which there are no shocks to the economy.

1.62 As illustrated by Chart 1.9, sustained action will be needed to bring down debt even in the absence of future shocks. Prudent fiscal policy should, however, take account of future shocks to the economy, even though the scale and timing are inherently unpredictable and any analysis of potential future shocks can only be illustrative. Chart 1.10 shows how the level of public sector net debt in 2035-36 would be affected by a simple scenario in which the economy is hit once every 8 years by a shock that increases public sector net debt by 10% of GDP (less than the peak increase following the recession in the 1990s). This should not be interpreted as a prediction, though increases in debt of this magnitude are consistent with previous impacts of economic downturns on public borrowing.

[35] 'Three Centuries of Data on the UK Economy', Bank of England, 2010 Q4 bulletin; Second Estimate of GDP Data Tables, ONS, Q3 2014.

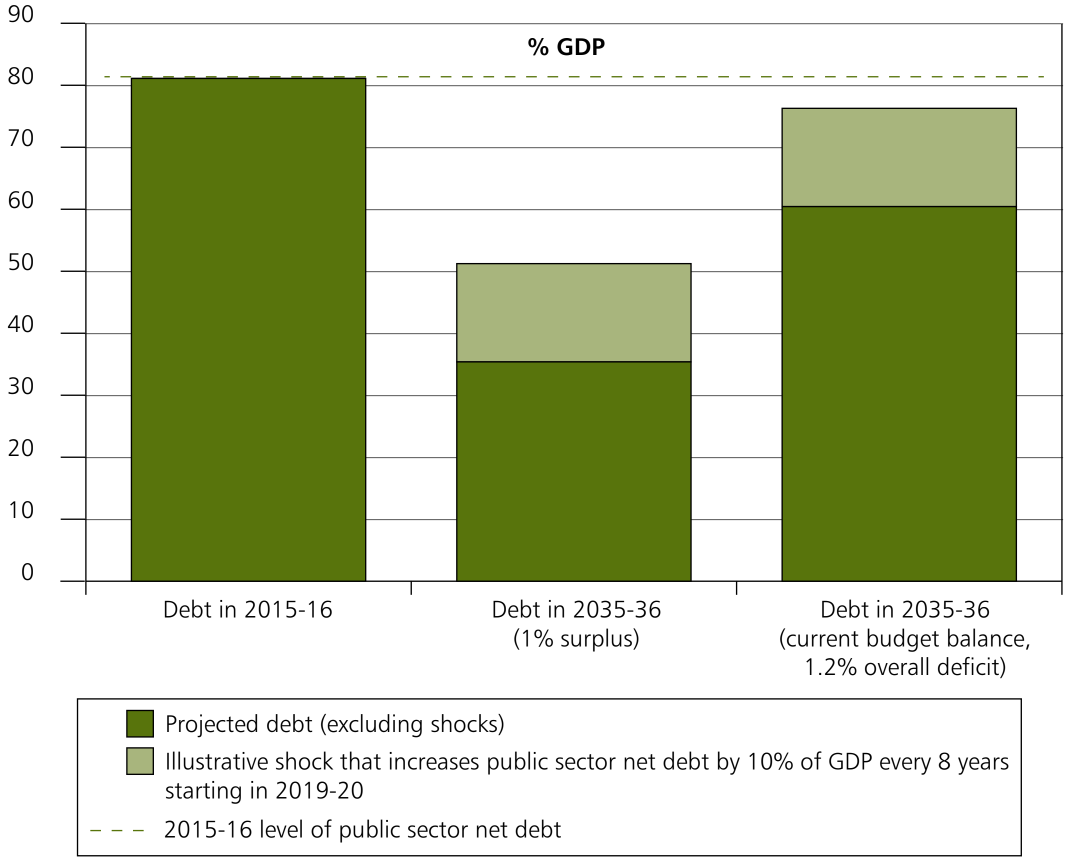
Chart 1.9: Path of public sector net debt under different policy assumptions



Source: Office for National Statistics, Office for Budget Responsibility and HM Treasury.

1.63 In this illustrative scenario, a permanent 1.2% deficit, equivalent to a balanced current budget with investment equal to its 2019-20 forecast level, results in debt falling by only around 5% of GDP by 2035-36 from its 2015-16 peak, still leaving debt at historically high levels. A 1% surplus under the same scenario results in debt falling from its peak by around 30% of GDP by 2035-36. Larger or more frequent shocks in the future would of course result in higher levels of public debt and vice versa.

Chart 1.10: Projections of public sector net debt in 2015-16 and 2035-36 under different policy assumptions with and without illustrative shocks



Source: Office for Budget Responsibility and HM Treasury.

Consolidation in the next Parliament

1.64 The existing fiscal rules, set in 2010, reflected the exceptional fiscal challenge that needed to be addressed. In June Budget 2010, the government said it would revisit the fiscal rules once the public finances were closer to balance. As announced at Autumn Statement 2013, the government has reviewed its fiscal framework and an updated Charter for Budget Responsibility and motion for approval will be laid before Parliament in the week after Autumn Statement 2014.

1.65 The government's planned consolidation in the next Parliament is reflected in the fiscal assumption that TME will fall in real terms in 2016-17 and 2017-18 at the same rate as between 2010-11 and 2014-15. The government's neutral assumption is that TME will be held flat in real terms in 2018-19. **Autumn Statement extends the neutral fiscal assumption to 2019-20, with TME held flat in real terms for a further year**.

1.66 The government will continue to prioritise capital investment so public sector gross investment will be held constant in real terms in 2016-17 and 2017-18 and increase in line with GDP from 2018-19. At Spending Round 2013, the government set out a long-term pipeline of capital investment worth more than £100 billion over the next Parliament. Autumn Statement sets out in detail how over £30 billion will be invested in Britain's infrastructure and growth-promoting sectors, including roads, flood and coastal defences and science.

Delivering on future consolidation plans

1.67 Choices will need to be made on the composition of further consolidation in the next Parliament, including funding any new commitments. Autumn Statement provides further detail on some of these choices.

1.68 To deliver the necessary reductions in spending, the government will continue to pursue an ambitious package of efficiency and reform in the next Parliament. By April 2014, departments working with HM Treasury and the Cabinet Office had delivered savings of over £14 billion compared to 2009-10.[36]

1.69 Building on these achievements, **Autumn Statement announces the government will seek a further £10 billion of efficiency savings by 2017-18.** This will be led by the Cabinet Office, working closely with HM Treasury and departments.[37]

1.70 As part of this, the government will take forward a range of digital transformation measures, including increasing the digital uptake of public services among those online by 10 percentage points in 2016 and improving IT procurement to secure savings from contracts due for renewal over the next Parliament, which are worth £4 billion per year.

1.71 At Autumn Statement 2013, the government increased the target for the sale of corporate and financial assets to £20 billion between 2014 and 2020. Since the beginning of 2014, £6.9 billion of assets have already been sold (35% of the target).[38] In October 2014, the government launched the sale of its shareholding in Eurostar. Progress continues towards the sale of the government's stake in Urenco, the pre-2012 Income Contingent Repayment student loan book and public sector spectrum. The government is also working to bring private capital into the Green Investment Bank through a new fund for private investment in operational offshore wind assets and wider options. The government will report on progress at Budget 2015.

1.72 The government recognises underused public land can play a vital role in delivering new homes. **Autumn Statement announces an increased ambition for public sector land and commits to releasing enough land for up to 150,000 homes between 2015 and 2020.**

[36] 'Government savings in 2013 to 2014', Cabinet Office, June 2014.
[37] 'Efficiency and Reform in the Next Parliament', Cabinet Office, 3 December 2014.
[38] Published sales of corporate and financial assets: Lloyds Banking Group shares, 26 March 2014, £4.2 billion; UK Asset Resolution Ltd mortgage portfolio, 14 October 2014, £2.7 billion (Source: UK Financial Investments)

1.73 To deliver reductions to departmental spending, the government has also exercised firm restraint over public sector pay. Public sector pay restraint in this Parliament is expected to save an estimated £12 billion by 2014-15.[39] The government will need to continue to reform, and take tough decisions on, public sector pay while it continues to reduce the current budget deficit until 2017-18, and would expect to deliver commensurate savings.

1.74 Budget 2014 announced the government would pilot pay bill control in 2 departments. This is a new method of pay restraint with control of the overall pay budget rather than limiting headline pay awards. The effectiveness of these pilots will be assessed at the next spending review.

1.75 The government will also continue to implement reforms across the wider public sector, improving public services while reducing costs. The government is exploring a range of further reforms for the next Parliament to drive out waste and inefficiency and improve outcomes.

1.76 The government has encouraged greater integration of public services. In 2011, the government launched 4 Whole Place Community Budget pilots. These pilots have demonstrated the possible savings from more effective delivery, with Tri-borough in London saving £2 million by halving the length of care proceedings in the court system for children at risk, and West Cheshire's Integrated Early Support contributing to a 13% reduction in the number of children in need locally.[40]

1.77 The government expanded this kind of approach through the Better Care Fund to integrate health and social care, into which local areas are planning to pool £5.3 billion in 2015-16, and the Troubled Families programme, which has already met the payment-by-results criteria for turning around 70,000 families.[41] The government welcomes the contribution of the Service Transformation Challenge Panel about how to roll out these approaches at pace and scale.[42] Further integration of services will be delivered by developing and extending the principles underpinning the Troubled Families programme approach to other groups of people with multiple needs.

1.78 The government will also look to better integrate benefits and services. Over 40% of unemployed people who claim Employment and Support Allowance report a mental health condition as their primary health condition.[43] In response to this, the government is piloting new ways to help people return to work. The Department for Work and Pensions and the Department of Health have invested £3 million and, through Growth Deals, the Department for Communities and Local Government is funding a further £12 million of pilots to test the provision of joined-up services that better reflect the needs of claimants. **Autumn Statement announces a further £3 million of funding to expand these pilots.** The government will build on the findings from these pilots in the next spending review and explore how integrated budgets across health and employment could deliver improved and more efficient support to help this group return to work.

1.79 The government has demonstrated the potential efficiencies from properly benchmarking costs and performance. The programme to benchmark public sector prisons and drive down unit costs will deliver annual savings of £300 million by 2015-16. The government will continue

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[39] HM Treasury calculation. Savings compared to a counterfactual of 2% average pay awards over the Spending Review 2010 period, including savings recycled in ring-fenced budgets.

[40] 'Improving lives, saving money: Practical examples from the first two years since we decided to share major services', London Borough of Hammersmith and Fulham, Royal Borough of Kensington and Chelsea and London Borough of Westminster, March 2013; Internal performance data from Cheshire West and Chester Integrated Early Support Programme Board.

[41] 'Troubled Families programme: progress information and families turned around', Department for Communities and Local Government, October 2014. Available at www.gov.uk

[42] An independent panel launched by the Chief Secretary to the Treasury and the Secretary of State for Communities and Local Government in April 2014 to advise on what needs to happen nationally and locally to increase the pace and scale of service transformation.

[43] 'Work and Pensions Longitudinal Study', February 2013. This figure includes mental and behavioural disorders.

to drive greater efficiency in the wider public sector by ensuring this approach is extended. For example, evidence shows the best performing schools focus their spend on teachers rather than back-office. Many schools have driven down costs but there is significant scope for other schools to make back-office savings. Secondary school spending on back-office costs ranges from £202 to £1,432 per pupil, and between 2003 and 2013, back-office spending per pupil in maintained schools increased by around 60% in real terms.[44]

1.80 To reduce cost and delay, the government will move towards a digital end-to-end criminal justice system, where information is captured once by a police officer responding to a crime and then flows through the system without duplication or reworking. Harnessing technology more effectively will provide for new ways of working. For example, police should be able to capture evidence digitally at the scene of a crime, uploading case information using mobile devices without needing to return to the police station. Video technology should be the default unless victims and witnesses, suspects, lawyers or police officers are required in the courtroom.

Health

1.81 People are living longer with complex health issues and the NHS needs to evolve to meet new challenges. The NHS 'Five Year Forward View' outlines a vision for a more sustainable, more integrated health service that cares for people closer to home. **Autumn Statement sets out the government's support for that vision, providing £2 billion of additional funding for the frontline NHS in England in 2015-16.** This is part of a multi-year £3.1 billion UK-wide investment in the future of the NHS.

1.82 In 2015-16, **the government will spend an additional £1.5 billion on frontline patient care delivered by the NHS in England**. The money will go to improving local NHS services so that every patient will benefit.

1.83 Alongside this, **the government is creating a £200 million transformation fund in 2015-16** to deliver the first year of the 'Five Year Forward View'. The fund will kick-start the work needed to develop new ways of caring for patients to improve the integration of GPs, community services and hospitals.

1.84 Building on this investment, **Autumn Statement announces that the fines collected from the banks that broke the foreign exchange market rules will be used to create a £1 billion fund for advanced care in GP practices in England.** Bringing together GPs, nurses and specialists, the fund will pay for the modern premises and technology that will give patients access to advanced care, such as chemotherapy and dialysis, in their local communities. These new primary care facilities will also be encouraged to join up closely with local job centres, social services and other community services, in order to ensure that the NHS is also supporting people back into the labour market.

1.85 The additional funding for the NHS in 2015-16 generates £123 million in additional funding for the Scottish Government, £71 million for Wales, and £41 million for Northern Ireland. This will make an additional £237 million available for the devolved administrations in 2015-16, which they can spend next year in line with their own priorities.

1.86 The government is also continuing to invest in mental health services, and the new NHS mandate will commit to parity of esteem between physical and mental health. Eating disorders most commonly begin in adolescence and the government recognises the need to act quickly and early to ensure that young people receive the right treatment. **Autumn Statement announces an additional £30 million per year, £150 million over 5 years, for NHS England to develop the best approaches to caring for young people with eating disorders in both inpatient and community settings, which will help develop a treatment standard for these conditions.**

[44] 'Review of efficiency in the schools system', Department for Education, June 2013; 'Consistent Financial Reporting data', Department for Education, 2002-03 and 2012-13.

1.87 An estimated 44 million people currently live with dementia around the world and this figure is set to more than triple by 2030.[45] There has been little success to date in finding a cure or a disease-modifying treatment for dementia: only 3 new drugs have entered the market in the past 15 years. **Autumn Statement announces that the government is investing at least £15 million into new and pioneering areas of research into dementia**. Harnessing innovation may help to find a treatment for the disease.

Welfare cap

1.88 The welfare cap was set at Budget 2014 for 2015-16 to 2018-19. The cap is a firm limit on total welfare spending, applying to all welfare spending in AME with the exception of the state pension and automatic stabilisers. The OBR has assessed performance against the welfare cap for the first time at Autumn Statement.

Table 1.5: OBR assessment of the welfare cap

	£ billion				
	2015-16	**2016-17**	**2017-18**	**2018-19**	**2019-20**
Welfare cap[1]	119.7	122.3	124.8	127.0	129.8
Forecast margin (2%)	2.4	2.4	2.5	2.5	2.6
Total spending: change versus welfare cap	+0.9	+0.1	-0.8	-0.1	–
of which:					
Policy decisions[2]	-0.2	-0.6	-1.0	+0.2	–
Forecasting changes	+1.1	+0.6	+0.1	-0.3	–
Total spending within scope of the welfare cap	120.7	122.4	124.0	126.8	129.8

[1] *The welfare cap has been adjusted since Budget 2014 to reflect a neutral classification change as certified by the OBR, as set out below.*

[2] *Consistent with total policy decisions as set out in Table 2.2.*

Source: Office for Budget Responsibility and HM Treasury.

1.89 The OBR's assessment, which is set out in Table 1.5, is that the government is meeting the welfare cap in every year. In 2015-16 and 2016-17, spending will be within the margin set at Budget 2014 for forecasting changes. As set out in the OBR's December 2014 'Economic and fiscal outlook', this reflects "modelling changes associated with ongoing reforms to incapacity and disability benefits." In 2017-18 and 2018-19, the forecast margin is not used. In the medium term, welfare spending within the cap is in line with the forecast at Budget 2014.

1.90 The forecast period is extended to 2019-20 at Autumn Statement. The welfare cap for 2019-20 is set at £129.8 billion, in line with the OBR's forecast for spending within scope of the cap in that year.

1.91 The OBR has identified a classification change relating to benefit overpayments. The OBR has certified this is a neutral classification change so, consistent with the Charter for Budget Responsibility, the Autumn Statement adjusts the level of the welfare cap from 2015-16 to 2018-19 to reflect this change.

1.92 A full list of benefits and tax credits within scope of the welfare cap was published at Budget 2014.

Debt and reserves management

1.93 The government's revised financing plans for 2014-15 are set out in Annex A. These plans include provision for additional financing to repay borrowing (4% Consolidated Loan and 3½% War Loan) from the First World War.

1.94 Financing plans also provide for an additional £6 billion of sterling financing for the Official Reserves in 2014-15. This builds on the £6 billion financing confirmed at Budget 2014,

[45] 'Global Impact of Dementia 2013–2050', Alzheimer's Disease International, 2013.

which has been adjusted down to £5.7 billion to factor in the government's foreign currency bond issuance in China's currency, the renminbi (RMB), of RMB 3 billion in October 2014.

1.95 Autumn Statement announces that the government will provide £6 billion financing for the Official Reserves in 2015-16, which will be incorporated into next year's financing plans at Budget 2015. The government is planning on the basis of sterling financing for the Official Reserves at a similar level on average over the 4 years from 2016-17 up to, and including, 2019-20. The government retains the option to issue foreign currency denominated securities and sterling financing for the reserves would be adjusted accordingly.

1.96 Following the government's decision to increase the Official Reserves over the last 5 years by £30 billion, future increases will build on a position of growing strength. But the reasons for the government increasing the reserves in 2010 continue to apply: the global economy is still uncertain, the UK's reserves are relatively small compared to many other advanced economies, and the UK still needs to remain resilient to possible future shocks.

Devolution

1.97 The Smith Commission was established on 19 September 2014, as a cross-party process to decide what new powers should be transferred to the Scottish Parliament. The Smith Commission reported on 27 November 2014 and the government has announced it will now prepare draft legislative clauses to implement the Heads of Agreement.

1.98 As a result of the tax and welfare powers in the Heads of Agreement, the Scottish Parliament will be responsible for more than 50% of its funding. The Smith Commission report included the announcements that the Scottish Parliament will be given the power to set the rates of Income Tax and the thresholds at which these are paid for the non-savings and non-dividend income of Scottish taxpayers. The personal allowance will remain reserved. The first 10 percentage points of the standard rate of VAT will be assigned to the Scottish Government. Aggregates Levy and Air Passenger Duty will be fully devolved.

1.99 The Smith Commission agreement builds on the Scottish Parliament's existing powers so that welfare provision can be better tailored to local needs. The Scottish Government will be responsible for a number of benefits including the majority of those for disabled people and carers. Universal Credit will remain reserved but the Scottish Government will have certain flexibilities including the power to vary the housing cost element. The whole of the UK will continue to share the same system for pensions, labour market benefits and Jobcentre Plus. The agreement therefore ensures that the UK's unified labour market is maintained and the biggest risks are pooled at the UK level, while the Scottish Government becomes responsible for Scotland-specific risks in devolved areas.

1.100 The Smith Commission has confirmed the Barnett formula will continue to be used to determine changes in the Scottish Government's block grant in relation to public services. A deduction will be applied to the block grant to reflect the Scottish Government's tax powers. As a result, the importance of the Barnett formula will effectively be reduced by around two-thirds, with changes in the Scottish Government's budget increasingly determined by changes in Scottish tax receipts.

1.101 The principles agreed by the 5 parties in the Smith Commission ensure that any further devolution of powers delivers a fair settlement for Scotland, for the rest of the UK and for the UK as a whole. Neither Scotland nor the rest of the UK should systematically gain or lose as a consequence of devolution.

1.102 The government will also ensure the people of England, Wales and Northern Ireland have a bigger say over their affairs. The Secretary of State for Wales has announced a process to reach cross-party agreement on the Welsh devolution settlement by 1 March 2015, building on the Wales Bill currently progressing through Parliament. The Devolution Cabinet Committee is considering proposals relating to decentralisation within England and English voting arrangements and the government will report progress in due course.

1.103 The government recognises the strongly held arguments for devolving Corporation Tax rate-setting powers to Northern Ireland, including its land border with the very low corporation tax environment in the Republic of Ireland, and the shared goal of the UK government and the Northern Ireland Executive of rebalancing the Northern Ireland economy and securing the peaceful economic progress made in Northern Ireland since the Good Friday Agreement. In practical terms, further work by HMRC and HM Treasury has concluded that this proposal could be implemented provided that the Northern Ireland Executive is able to manage the financial implications.

1.104 The Prime Minister has made clear that the government is well-disposed to this change, if the right conditions are met, in view of the cross-party support in Northern Ireland.

1.105 The parties in the Northern Ireland Executive are currently taking part in talks aimed at resolving a number of issues. These include agreeing budgets for 2015-16 and putting the Northern Ireland Executive's finances on a sustainable footing for the future. As any future decision to reduce the Corporation Tax rate in Northern Ireland will mean a reduction in the Northern Ireland Executive's budget, the government will introduce legislation in this Parliament subject to satisfactory progress on these issues in the cross-party talks.

Reform of the financial system

1.106 The government continues to take steps to ensure banks and other financial institutions are no longer seen as 'too big to fail'. The European Bank Recovery and Resolution Directive, which establishes a common approach within the EU to the resolution of banks and investment firms, will be transposed into UK law by January 2015. In August 2014, the government extended the Special Resolution Regime to banking group companies, investment firms and central counterparties. The government welcomes the agreement of the Financial Stability Board's Total Loss Absorbing Capital proposal at the November G20 summit, which requires Global Systemically Important Banks to maintain sufficient loss absorbing capacity to help ensure an orderly resolution, which maintains continuity of critical functions and does not put government funds at risk.

1.107 The government announced new powers for the Financial Policy Committee (FPC) of the Bank of England in June 2014 to help ensure the resilience and stability of the financial system. These powers include the ability to limit the size of mortgage loans as a share of income or the value of the property. The government completed a consultation on granting the FPC powers over the owner-occupied market and will consult on the FPC's recent buy-to-let recommendations next year. The government has also completed its consultation on the FPC's leverage ratio framework proposal, and aims to legislate the recommended powers before the end of this Parliament. The FPC's leverage ratio framework will complement the existing risk-weighted capital ratio requirements and ensure firms are resilient to threats stemming from the underestimation of risk.

1.108 The government is also continuing with its programme of reforms to strengthen regulation of the financial sector, to restore trust in financial markets and tackle unacceptable behaviour by market participants. In June 2014, the government launched the Fair and Effective Markets Review, which will conduct a comprehensive and forward-looking assessment of wholesale financial markets. The review will make its recommendations in June 2015.

1.109 Autumn Statement notes the proceeds received so far by HM Treasury from financial sector interventions, based on the OBR's December 2014 'Economic and fiscal outlook'.[46] The

[46] HM Treasury management information. Further detail can be found in 'Autumn Statement 2014 Data Sources'.

government has successfully reduced taxpayers' exposure to the financial sector by reducing contingent liabilities through the closure of guarantee schemes and successfully disposing of government-owned financial assets. Having de-risked the financial sector and introduced a more robust regulatory regime, the government is seeing an uplift in value for the government-owned banks and financial assets aligned with the uplift in the economy. Since 2010, the government has:

- sold shares in Lloyds Banking Group to institutional investors raising £7.5 billion, with the government's stake now below 25%, down from 43% in 2008
- received in excess of £9.5 billion from Lloyds Banking Group and Royal Bank of Scotland relating to government support and participation in government intervention schemes
- received more than £19 billion in repayments from NRAM plc and Bradford & Bingley, with UK Asset Resolution Ltd completing the sale of a further £2.7 billion of performing residential mortgages in October 2014
- received over £900 million in principal repayments from the administration of the Dunfermline Building Society estate
- received additional payments of £11 billion from amounts recovered by the Financial Services Compensation Scheme from the estates of failed banks, and fees from the Credit Guarantee Scheme and Special Liquidity Scheme

Growth

1.110 The UK is expected to grow faster than any G7 country this year. GDP has surpassed its pre-recession peak, and there are more people in work than ever before. However, the deficit remains high and productivity is too low, while external risks to the UK posed by Europe and other parts of the global economy have increased. The Autumn Statement sets out a comprehensive package which builds on existing reforms to boost UK productivity and create the right conditions for continued, balanced growth across all sectors and regions, including:

- setting out long-term public and private sector investment plans for infrastructure and capital, including £15 billion investment in the road network and a programme of 1,400 flood defence schemes
- committing to the largest sustained investment in Britain's science base, including establishing a £2.9 billion Grand Challenges fund to enable the UK to invest in major research facilities
- rebalancing the economy and ensuring strong regional growth by building a northern powerhouse with major investment in the roads of northern England, new rail franchises, and the Sir Henry Royce Institute for advanced materials research and innovation; and by taking forward city deals and local growth deals, with support from the Regional Growth Fund
- making progress towards full employment, including by abolishing employer National Insurance contributions(NICs) on earnings up to the upper earnings limit for apprentices aged under 25
- creating a more highly-skilled labour market, including through a new offer of income contingent loans for those wishing to undertake postgraduate study – building on the government's lifting of the cap on undergraduate student numbers

1.111 The government will continue taking the difficult decisions needed to deliver the long-term economic plan to secure a responsible recovery for all and support productivity. Table 1.6 sets out key supply side reforms implemented by the government and the impact they have had to date.

Enabling long-term investment

Infrastructure

1.112 Infrastructure provides an essential foundation for economic activity and acts as a catalyst for improved productivity and continued growth. To provide certainty for investors and the supply chain, the government has published the National Infrastructure Plan 2014, setting out progress on delivery and a clear plan to the end of the decade for each of the economic infrastructure sectors.[47] This is underpinned by a refreshed infrastructure pipeline, which includes details of over £460 billion of planned public and private investment to 2020 and beyond.

1.113 The government has consistently prioritised capital investment over day-to-day spending. At Autumn Statement 2011 and Autumn Statement 2012, the government increased its capital spending plans by £10 billion, funded by permanent reductions in day-to-day expenditure. At Budget 2013, the government committed to maintaining this higher level of investment. Overall this means that as a share of GDP, public investment will be higher on average over this decade than under the whole period of the last government. In June 2013, recognising the need for continued investment in Britain's infrastructure, the government set out a pipeline of public funding worth over £100 billion over the next Parliament. This unprecedented long-term approach is key to the government's drive to tackle the historic problems of short-term decision making, uncertainty in funding and financing, and failures in delivery.

[47] 'National Infrastructure Plan 2014', HM Treasury, December 2014

Table 1.6: Implementation of the government's growth commitments

Tax and reliefs	Infrastructure, housing and regional growth
• The main rate of **corporation tax** has been cut from 28% to 21%, and to 20% by 2015-16, the joint lowest in the G20 • Over 850,000 employers have benefited from the **NICs Employment Allowance** and 500,000 will not pay NICs in 2014-15 • **Business rates** support of £2.7 billion for 5 years from April 2014 will benefit 1.8 million properties in England • Action on **fuel duty** since 2011 will save a typical motorist £675 by the end of 2015-16 • The **Annual Investment Allowance** has been doubled to £500,000 until 31 December 2015 • The government has increased the **personal allowance** to £10,000 in 2014-15, this is worth £705 to the typical taxpayer and has taken over 3 million individuals out of Income Tax	• From 2010-11 to 2013-14, average annual **public and private infrastructure investment** was around £47 billion. Over 2,500 **infrastructure projects** have been completed since 2010 • Over 1.5 million more premises have access to **superfast broadband** thanks to government investment • More than 66,000 households have bought a home through the **Help to Buy scheme** • Levels of **planning approvals** and **housing starts** are at 6-year highs • More than 506,000 **new homes** have been built over this parliament • £2.9 billion invested in more than 400 Regional Growth Fund projects
Access to finance and regulation	**Exports and inward investment**
• By July 2014, over 2,000 companies had raised over £175 million of **SEIS** investment since the scheme launched in 2012 • **British Business Bank** programmes facilitated £1.45 billion of new lending and investment in the year to September 2014 and now support over 38,000 businesses, including over 20,000 entrepreneurs benefitting from **Start Up Loans** • The annual net burden of **regulation on business** has fallen by £1.5 billion since January 2011 • The **Red Tape Challenge** has identified over 3,000 regulations to be either scrapped or improved	• **UKTI** has almost doubled the number of businesses it helps since 2010: from 24,500 in 2010-11 to nearly 48,000 in 2013-14, and is on track to support over 50,000 this year • UKTI has helped secure 5,100 **inward investment projects**, creating or safeguarding 333,000 jobs since 2010 • **UK Export Finance** is delivering its services to record numbers of British businesses and has provided £15.4 billion of support for exports since 2009-10 • **Enterprise Zones** have created over 12,500 jobs and attracted £2 billion in private investment
Education and skills	**Science and innovation**
• Government has established over 4,000 **academies**, 252 **free schools**, 37 **studio schools** and 30 **UTCs** • Eligibility criteria for an **early learning place** has been extended to a further 130,000 two-year-olds across England, bringing the total to around 260,000 • Nearly 2 million people starting **apprenticeships** this Parliament, with a six-fold increase in **higher apprenticeship** starts since 2009-10 • The government will remove the arbitrary **cap on student numbers** for 2015-16. The controls were lifted by 30,000 in 2014-15	• Government has provided £4.6 billion of **research funding** per year since 2010 • At SR13 the government provided a long term commitment to **science capital infrastructure** – £1.1 billion a year rising with inflation from 2016 to 2021 • Over £1 billion of public and private investment in 27 research infrastructure projects through the **Research Partnership Investment Fund** • 7 **Innovation Catapults** launched to support sectors such as High Value Manufacturing

Source: HMT, KPMG, HMRC, DCMS, DCLG, BIS, Start Up loans, UKTI, UKEF, British Business Bank, DfE

1.114 The government is now setting out its long-term capital commitments in key growth-promoting areas, underpinned by the long-term settlements set out in Spending Round 2013.

Table 1.7: Long-term capital commitments[1]

		£ million						
		2015-16	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**TOTAL**
i	Roads Investment Strategy	*1,495*	1,905	2,315	2,615	3,045	3,765	15,145
ii	Local authority road maintenance allocations	*975*	975	975	975	975	975	5,855
iii	Other transport capital commitments at Autumn Statement	*80*	60	60	25	15	–	245
iv	Flood and coastal defences[2]	*370*	375	385	390	395	405	2,315
	adjustment – exceptional flexibility to move funds between years for effective delivery	–	*20*	*20*	*20*	*-30*	*-30*	0
v	Science infrastructure	*1,110*	1,130	1,150	1,170	1,190	1,210	6,955
	of which: Grand Challenges (2016-17 to 2020-21)							*2,900*
	of which: World Class Labs (2016-17 to 2020-21)							*3,000*
vi	Affordable housing	*955*	955	955	955	955	–	4,785
vii	Queen Elizabeth Olympic Park redevelopment	*0*	15	25	0	55	45	140
viii	Further Growth Deals	*0*	165	150	150	270	270	1,000
TOTAL SPENDING COMMITMENTS		*4,990*	5,600	6,040	6,300	6,875	6,635	36,445

[1] Commitments are funded within departmental budgets in 2015-16 and within the TME assumption from 2016-17. Allocations for the devolved administrations will be calculated for years from 2016-17 alongside their wider settlements at future Spending Reviews in the usual way. Numbers may not sum due to rounding.

[2] Budget 2014 made available an exceptional £25m further capital investment for flood response in 2015-16.

1.115 The government has committed £15 billion to improve the national road network. High quality roads are vital for productivity growth, transporting people and products between cities, towns and villages. This is why the government will deliver the largest programme of road improvements since the 1970s.[48] This investment will include around £6 billion to resurface 80% of the national network, and over £9 billion to add 1,300 extra lane miles and over 60 junction improvements to the national road network. The government has also committed to invest almost £6 billion to improve the condition of local roads.

1.116 The government is committed to maintaining and strengthening flood defences across the country, to minimise the damage and disruption caused by flooding. **The government is investing £2.3 billion in over 1,400 flood defence schemes over the next 6 years.** These will ensure that at least 300,000 homes are better protected by 2021. To further encourage private sector investment in this programme, **the government will legislate to ensure that business contributions to flood defence schemes are tax deductible**.

1.117 Ofcom has estimated the benefits to the UK economy of re-designating the 700MHz spectrum band for mobile broadband use at £900 million-£1.3 billion. **Subject to the development of delivery options by DCMS and Ofcom, further details of the clearance process for high-value spectrum will be set out in 2015.** This will enable a further auction of mobile broadband spectrum to support the growth in demand for next generation mobile services, through the rollout of 4G and preparation for 5G services.

[48] 'Investing in Britain's future'. HM Treasury, June 2013

1.118 Over 5,000 SMEs across 22 cities have benefitted from the government's connection voucher scheme, with new broadband connections on average 6 times faster than before.[49] In order for more businesses to benefit, **the government is allocating up to £40 million to extend the scheme to March 2016 and to more cities**. Vouchers will be available in the new cities by April 2015, and will be available on a first come, first served basis.

1.119 The government believes the Compulsory Purchase Regime would benefit from streamlining and updating. **Proposals will be published for consultation at Budget to make processes clearer, faster and fairer**, with the aim of bringing forward more brownfield land for development.

Energy

1.120 Clean, safe and secure energy supplies are a key component of the UK's economic infrastructure. The Autumn Statement sets out a range of measures to develop supplies of oil, gas and electricity for the short and longer term.

1.121 The government is taking steps to ensure that the UK leads the way with shale gas regulation. Shale gas could increase the UK's energy security, support thousands of jobs, reduce carbon emissions, and generate substantial tax revenue. **The government will therefore provide a new £5 million fund to provide independent evidence directly to the public about the robustness of the existing regulatory regime.** This will also ensure the public is better engaged in the regulatory process.

1.122 Alongside this, **the government will allocate £31 million of funding to create world class sub-surface research test centres through the Natural Environment Research Council**. This will establish world leading knowledge which will be applicable to a wide range of energy technologies including shale gas and carbon capture and storage.

1.123 The government intends to set up a long-term investment fund from tax revenues from shale for the North and other areas hosting shale gas developments, to capture the economic benefits of shale gas for future generations.

1.124 As well as encouraging the development of the shale gas industry in the UK, the government is committed to maximising the economic benefits of the oil and gas resources in the UK Continental Shelf (UKCS). With the equivalent of between 11 and 21 billion barrels of oil still to be exploited, the UKCS can continue to provide considerable economic benefits to the UK through increased energy security, a stronger balance of payments position, high-value jobs and further development of the UK's strong, export-focussed supply chain.

1.125 To ensure the UKCS continues to attract investment and remove barriers at all stages of the production life cycle, the government will shortly set out major reforms to the oil and gas fiscal regime. As part of these reforms the government will:

- **implement an immediate 2% reduction in the rate of the Supplementary Charge, from 32% to 30%, taking effect on 1 January 2015**, and will aim to reduce the rate further in an affordable way, to encourage additional investment and drive higher production, sending a strong signal that the UKCS is 'open for business'
- **extend the ring fence expenditure supplement to 10 years for offshore oil and gas activities** to support investment by companies whose expenditure exceeds their production income, aligning the treatment of offshore and onshore projects

1.126 Together these measures are expected to incentivise extra investment and lead to additional production on top of the approximately 9 billion barrels of oil equivalent the UK currently expects to produce, as well as sustaining oil and gas tax receipts for the longer term.

[49] DCMS management information, November 2014

Chart 1.11: Investment across the United Kingdom

NORTHERN IRELAND

- Devolved responsibilities include rail, roads, local transport, water, flood and waste
- Broadband Connection voucher scheme extended: Belfast and Derry/Londonderry[1]

NORTH EAST

- Dualling of A1 as far as Ellingham
- Widening large sections of the A1 around Newcastle and Gateshead to 3 lanes
- A19: widened and enhanced to help trade and growth
- National Formulation Centre: £28m
- £620m to improve the condition of roads
- Over £40m to support over 110 flood defence projects
- Innovation centre on ageing in Newcastle
- Broadband Connection voucher scheme extended: Newcastle

NORTH WEST

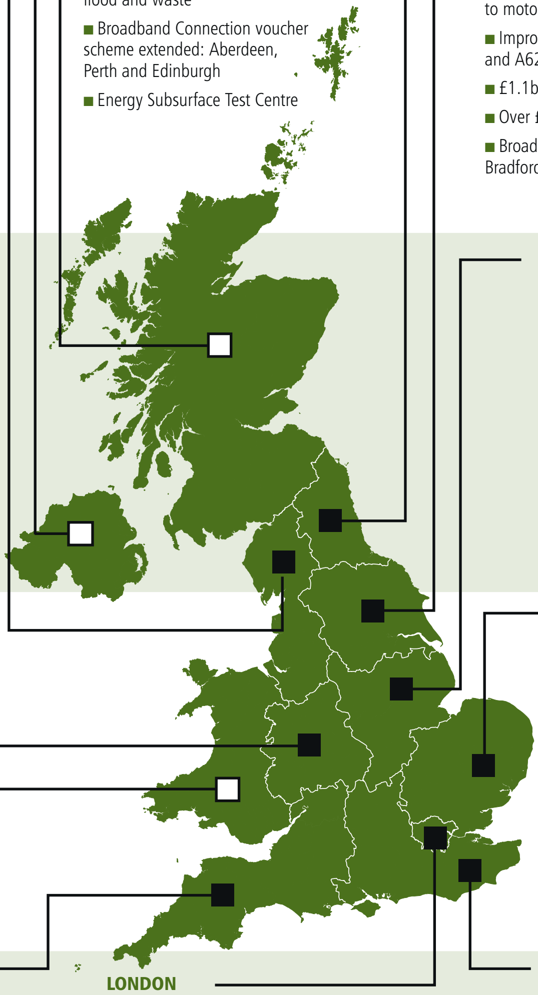
- Upgrading the A5036 linking Liverpool's ports to the motorway network
- Study on improvements to A69 and A66
- £1.4bn to improve the condition of roads
- Sir Henry Royce Institute
- Big data facility at the Hartree Centre
- Over £150m for 160 flood defence projects
- Energy Subsurface Test Centre
- The Factory Manchester: new theatre
- Broadband Connection voucher scheme extended: Manchester and Salford

SCOTLAND

- Devolved responsibilities include rail specification, roads, local transport, water, flood and waste
- Broadband Connection voucher scheme extended: Aberdeen, Perth and Edinburgh
- Energy Subsurface Test Centre

YORKSHIRE AND THE HUMBER

- Smart motorway on M62 across the Pennines: first new trans-Pennine capacity since 1971
- Planning starting to upgrade all remaining A1 in Yorkshire to motorway
- Improvements to trans-Pennine connectivity: A57, A61 and A628
- £1.1bn to improve the condition of roads
- Over £260m to support over 190 flood defence projects
- Broadband Connection voucher scheme extended: Leeds, Bradford and York



WEST MIDLANDS

- Major improvement at M42 J6 for Birmingham Airport, NEC and HS2
- Improvements to M6 in Black Country and A500 at Stoke to complete Growth Deal pledges
- 145 miles of Smart Motorway radiating north and south of Birmingham
- £1.3bn to improve the condition of roads
- At least 65 flood defence projects
- Broadband Connection voucher scheme extended: Birmingham and Coventry
- Driverless cars test bed: Coventry

EAST MIDLANDS

- M1 to be raised to smart motorway throughout region. Major junction upgrades for Leicester and Nottingham
- Upgrades in Derby and Newark to raise the A38 and A46 to 'expressway' standard
- Widening and junction improvements to help growth in Northamptonshire
- £1.2bn to improve the condition of roads
- Boston Barrage/Barrier Works: tidal barrier
- At least 215 flood defence projects
- Broadband Connection voucher scheme extended: Derby

WALES

- Devolved responsibilities include roads, local transport, water, floods, waste and – from 2018 – full responsibility for the Wales and Borders rail franchise
- Broadband Connection voucher scheme extended: Cardiff and Newport
- Closer discussions with Swansea Bay Tidal Lagoon project

EAST OF ENGLAND

- A47: £300m improvements including dualling to create a 30 mile 'expressway' around Norwich
- Expressway link from Cambridge to Milton Keynes. Study to extend on to Oxford
- A12: widen from Chelmsford to Colchester
- Rail: support the Norwich in Ninety recommendations
- £1.5bn to improve the condition of roads
- At least 120 flood defence projects
- Northstowe: up to 10,000 homes
- Broadband Connection voucher scheme extended: Cambridge

SOUTH WEST

- Dualling the A303 and A358 to Taunton, with a new tunnel at Stonehenge
- A30: continuous dual carriageway extended 40 miles further into Cornwall
- M49: new junction at Avonmouth for enterprise zone
- £1.8bn to improve the condition of roads
- Over £130m to support at least 240 flood defence projects
- Somerset flood defences: protect 7,000 properties
- Driverless cars test bed: Bristol

LONDON

- Improvements to 10 of 31 junctions on M25
- Better transport links to London Gateway port, Heathrow Airport and Gatwick Airport
- Strategic study on M25 south-west quadrant
- Flood defences: increase capacity of the Thames between Datchet and Teddington locks
- Olympic Park redevelopment: £141m
- Crossrail 2 business case: £2m
- Turing Institute on big data
- Estates Regeneration: 4 estates approved[2]
- Driverless cars test bed: Greenwich

SOUTH EAST

- A27: £350m improvements including dual carriageway bypass for Arundel and improvements at Worthing and Lancing
- A34: better junctions including rebuilt link to M3
- M3 and M27 junctions enhanced
- £1.9bn to improve the condition of roads
- Oxford Western conveyance: reduce flooding
- Over £680m to support over 300 flood defence projects
- Ebbsfleet Garden City: £100m investment
- Driverless cars test bed: Milton Keynes

[1] Broadband Connection voucher scheme extended in all existing cities. Additional cities will be added by April 2015.

[2] Subject to due diligence and contract negotiations.

1.127 The price based trigger point for changes to both the supplementary charge and fuel duty, set by the Fair Fuel Stabiliser in 2011, will be abolished.

1.128 In addition, building on the success of field allowances, **the government is introducing with immediate effect a new cluster area allowance to support investment in the development of technically challenging high pressure, high temperature projects and encourage exploration and appraisal within 'cluster' areas**. This is expected to lead to the development of new fields, which will result in billions of pounds of additional investment, thousands of new jobs being created and substantial benefits to the UK supply chain.

1.129 The government is committed to achieving its low carbon energy goals through a range of technologies. Electricity generation from renewable sources has doubled since 2010. 5 offshore wind projects have recently been awarded early Contracts for Difference, which received State Aid approval in July 2014. The government also believes that there may be significant tidal lagoon potential in the UK which is why the Department for Energy and Climate Change has started to explore the potential for a future lagoon programme. **The government will start closer discussions with Tidal Lagoon Power Ltd to establish whether a potential tidal lagoon project at Swansea Bay is affordable and value for money for consumers** (without prejudice to the planning decision on the project). If the project progresses, it could become the first tidal lagoon project in the world.

Housing and planning

1.130 The government's action to boost housing supply and reform the planning system is working, with both housing starts and planning approvals at 6-year highs.[50] This Autumn Statement package includes measures which will: take forward existing commitments for up to 42,000 homes, release land with capacity for up to 150,000 homes and commit to new measures to support up to 133,000 homes.

1.131 The government has made significant progress on its commitments to specific housing and regeneration projects. **Principal heads of terms have been agreed between Barking Riverside Limited, the Mayor of London and government for a loan of £55 million to support the extension of the London Overground to Barking Riverside** to unlock the delivery of 11,000 homes. **The government is supporting the London Borough of Barnet and GLA plans for the regeneration of Brent Cross** which could deliver 7,500 homes, subject to a full business case.

1.132 The government is taking forward the commitment to build the first new garden city for almost 100 years at Ebbsfleet, which will deliver up to 15,000 new homes. The A2 Bean and Ebbsfleet Junction improvements will be delivered as part of the Highways Agency programme. The Chairman Delegate of the Urban Development Corporation is now in place and the government has reached agreement with the key landowners on the site on a collaborative approach to the delivery of development. **The government will make the first £100 million available to fund infrastructure and land remediation to kick start development**, subject to due diligence.

1.133 The government is investing £141 million in order to support the London Legacy Development Corporation and Mayor of London's Olympicopolis project to redevelop the Queen Elizabeth Olympic Park. This will support the construction of a new higher education and cultural quarter carried out in partnership with University College London, the Victoria and Albert museum, University of the Arts London and Sadler's Wells.

[50] 'Table 222: permanent dwellings started and completed, by tenure, England (quarterly seasonally adjusted)', DCLG live tables on house building, November 2014; and 'New Housing Pipeline Q2 2014 report', Home Builders Federation, September 2014

1.134 The Autumn Statement confirms that Grahame Park, Blackwall Reach, Aylesbury Estate and New Union Wharf regeneration projects have all now been approved for funding under the £150 million estates regeneration fund announced at Budget 2014, subject to due diligence and contract negotiations.

1.135 The government recognises the role that underused public land can play in delivering new homes. **The government has increased its ambition for public sector land and will release land with capacity for up to 150,000 homes between 2015 and 2020. The government will also support Bicester to provide up to 13,000 new homes subject to value for money.**

1.136 The government will take forward the development of Northstowe. The government will trial a new delivery model on the site, with the Homes and Communities Agency (HCA) taking the lead on delivery, including through master-planning and commissioning. This will support the construction of up to 10,000 new homes, up to twice as fast as conventional development routes. The government will undertake an evaluation of the Northstowe development, and of the feasibility and economic impacts of pursuing this model on a larger scale. The government will report by Budget 2015 on the delivery vehicle, governance and investment in the site.

Home Ownership

1.137 The ability of potential first-time buyers to get on the housing ladder has been affected by a number of factors, which the government has sought to address. Since Help to Buy was launched at Budget 2013, the equity loan and mortgage guarantee schemes have helped over 66,000 households buy a home, supporting first time buyers in all parts of the country.[51] The equity loan scheme has boosted housing supply with almost 36,000 completions on new-build homes.[52]

Affordable housing

1.138 The government is on track to deliver 165,000 affordable homes over the 2015-18 period. **The government will extend affordable housing capital investment to 2018-19 and 2019-20**, to ensure that on average 55,000 new affordable homes per year continue to be delivered. This means that over the next Parliament, the government will build more new affordable homes than in any equivalent period in the last 20 years.

1.139 The government remains committed to establishing shared ownership as a route to home ownership, and making it more attractive to both households and investors. **To stimulate further investment in shared ownership, the government will extend the scope of Stamp Duty Land Tax (SDLT) multiple dwellings relief so that "lease and leaseback" arrangements with housing associations on shared ownership properties also attract the relief.**

1.140 The government will also consult on options for streamlining the process for selling on shared ownership properties, and will work with housing associations, lenders and the regulator to identify and lift barriers to extending shared ownership.

Reforming the planning system

1.141 The government has taken significant steps to speed up planning decisions. Building on this progress, the government will take further action to speed up the end-to-end planning process for major and minor applications, and to support SMEs, including:

- **ensuring that the principle of development need only be established once**, to give greater certainty and allow locally-supported development to proceed more quickly

[51] 'Help to Buy: mortgage guarantee scheme quarterly statistics', HM Treasury, November 2014; and 'Help to Buy: equity loan and Help to Buy: NewBuy statistics', DCLG, November 2014
[52] 'Help to Buy: equity loan and Help to Buy: NewBuy statistics', DCLG, November 2014

- **taking steps to speed up section 106 negotiations**, including revised guidance, consulting on a faster process for reaching agreement, considering how timescales for agreement could be introduced, and improving transparency on the use of section 106 funds
- **keeping the speed of decisions on major applications under review, with the minimum performance threshold increasing to 50% of major decisions on time** as performance continues to improve
- **publishing new data on local authorities' performance in meeting their statutory duty to process smaller planning applications within 8 weeks**
- **working with industry and local authorities to test whether more can be done to support the approval of small sites in the planning system**
- **publishing proposals for consultation at Budget 2015 on making the Compulsory Purchase Regime clearer, faster and fairer**, with the aim of bringing forward more brownfield land for development

Supporting science and innovation

1.142 The UK's ability to innovate and commercialise new ideas, products and services is critical to increasing productivity and providing jobs. Public expenditure on R&D delivers large, persistent private and social returns, while innovative businesses grow faster, attract inward investment, and create new jobs, products and markets.[53]

1.143 The government has chosen to prioritise spending on science this Parliament, investing £4.6 billion annually for science and research programmes in each year to 2015-16. The government has also made significant commitments to innovation, committing £1.4 billion public and private investment over 5 years into a new Catapult Network, improving the competitiveness of the R&D tax credit schemes and introducing the patent box to make it easier to protect and profit from new inventions. Recognising the importance of science and innovation in local economic growth, the government also encourages Local Enterprise Partnerships (LEPs) to bring forward proposals for science projects through the Local Growth Fund.

1.144 R&D tax credits are a key element in the government's commitment to an internationally competitive tax system and in its objective for strong and sustainable private sector-led growth. **The government will increase the rate of the 'above the line' credit from 10% to 11% and will increase the rate of the SME scheme from 225% to 230%, from 1 April 2015.** To ensure that this support remains effective and well-targeted, **the government will restrict qualifying expenditure for R&D tax credits from 1 April 2015** so that the costs of materials incorporated in products that are sold are not eligible **and will launch a package of measures to streamline the application process for smaller companies investing in R&D**.

1.145 But further action is required in order to ensure the UK continues to have world-class science facilities and remains the best place in the world for research intensive businesses to invest. The **government will invest £5.9 billion into the UK's research infrastructure over 2016-21** – the longest-term commitment to investment in science facilities in any Parliament. **This funding will include a £2.9 billion Grand Challenges fund, which will enable the UK to invest in major research facilities of national significance.** This strategy commits £0.8 billion of this to major new research facilities and projects including:

[53] 'The Economic Significance of the UK Science Base: a report for the Campaign for Science and Engineering', Haskel, Hughes and Bascavusoglu-Moreau, April 2014

- **£235 million in the advanced materials Sir Henry Royce Institute**
- **£113 million in big data at Hartree, Daresbury**
- **£95 million to take the lead in the next European mission to Mars**
- **£31 million in new energy security and innovation centres**
- **£60 million to extend the capabilities of the National Nuclear Users Facility**
- **£20 million for an innovation centre on ageing, in Newcastle**

1.146 The government can also confirm the final details of several further facilities: **the £42 million Alan Turing Centre, which will undertake new research into ways of collecting, organising and analysing big data, is to be located in London; and an additional £9 million is being provided by government to increase the prize fund for driverless car testbeds**, enabling trials in Bristol, London, Milton Keynes and Coventry from next year.

1.147 An additional £61 million funding will be provided to the High Value Manufacturing Catapult centres to meet increasing demand and provide outreach and technical support to SMEs. **The government will also provide an additional £28 million for a Formulation Centre** to design new products across numerous sectors by combining different gases, solids or liquids.

1.148 The government will launch a process of international peer review on further proposals received through the consultation, and will take a decision on whether to fund them at Budget 2015. **The government will also launch further calls for proposals to meet future Grand Challenges.** These will allocate a further £900 million to tackle the great questions and opportunities of the time.

1.149 On top of this, **the government will invest £3 billion in existing facilities** to ensure they remain world class. Over half of this will be subject to competition. An additional £200 million will be allocated through the Research Partnership Investment Fund over the next Parliament by competition, drawing on industry co-funding.

Strengthening the labour market

1.150 There are a record 30.8 million people in employment, an increase of 1.7 million since May 2010.[54] The government has set out its ambition to have the highest employment rate in the G7. Achieving full employment means backing business, reforming welfare and rewarding and supporting people in work. This Autumn Statement will make it cheaper for employers to take on apprentices, increase the number of highly-skilled workers in the labour market by removing the financial barriers to postgraduate study, and provide additional support for families.

Postgraduate funding

1.151 This government has reformed funding for higher education and removed the student numbers cap. Higher education is now accessible to all those with the ability and desire to study. The application rate for all English 18 year olds has increased in 2014 to the highest ever level (34.8%) and disadvantaged pupils are almost twice as likely to apply to university as 10 years ago.[55] Applications from disadvantaged 18 year olds have increased from 10.7% in 2004 to 20.7% in 2014.[56]

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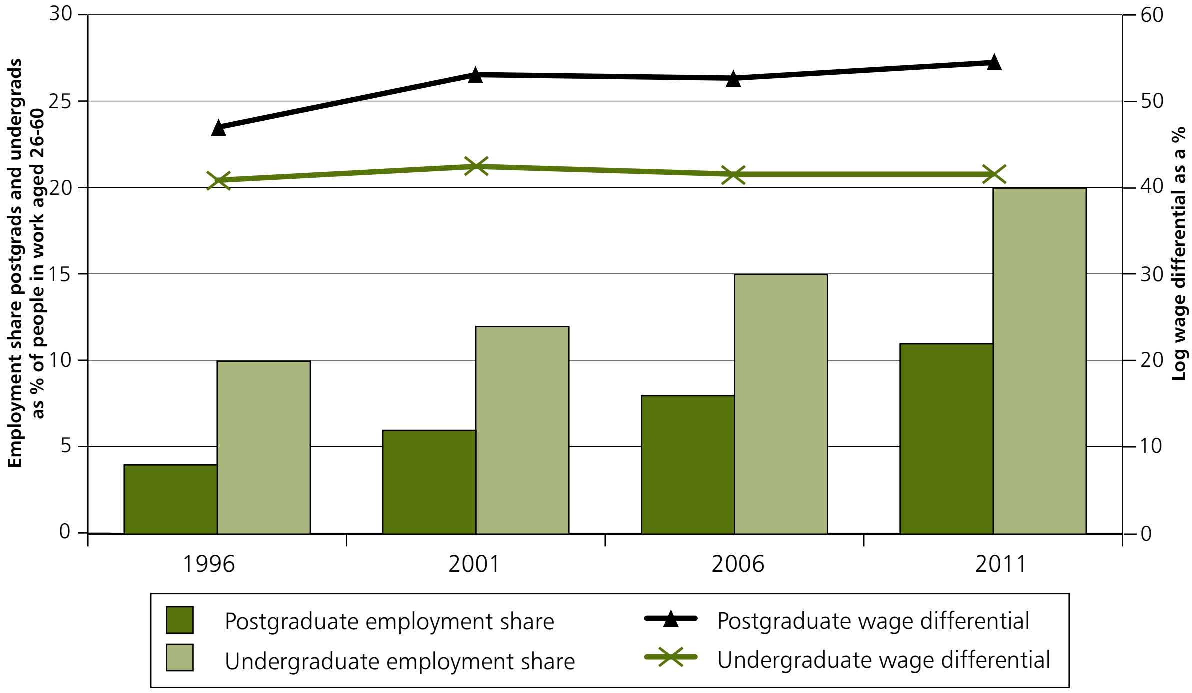
[54] 'A01, Table 1 (MGRZ)', ONS Labour Market Statistics, November 2014
[55] 'UK application rates by country, region, sex, age and background (2014 cycle, January deadline)', UCAS, 2014

1.152 Changes in technology are increasing the demand for high-skilled workers in the UK and internationally. The proportion of the UK workforce with a degree has doubled from 10% to 20% from 1996-2011, and the demand for even higher level skills is increasing still more quickly.[56] The employment share for postgraduates has increased at a faster pace than for undergraduates: it has more than doubled to 11% over 10 years and wage returns have also risen. The lifetime wage premium is now estimated at £200,000 for a postgraduate masters degree.[57]

Chart 1.12: Comparison of UK postgraduate and undergraduate employment shares and wage differentials 1996–2011



Source: S. Machin and J. Lindley, Sutton Trust 2013.
NB: The right hand axis is the log wage differential as a percentage. This is calculated by comparing the average wage of those who have an undergraduate degree only, or postgraduate degree, to the average wage for those whose highest qualification is a school level qualification (up to and including A-levels).

1.153 In addition, the Alan Milburn independent review on social mobility in 2012 highlighted that many professional careers now require postgraduate qualifications, and that the ability to pay up front, rather than a student's potential, risks becoming an increasingly strong factor in dictating who can access postgraduate education. The number of students from poorer backgrounds undertaking postgraduate courses is falling, unlike in undergraduate degree courses. And there is a wide gap: only approximately 3% of 33-34 year olds from the lowest income quintile had a postgraduate qualification in 2004, compared to 13% from the highest income quintile.[57]

1.154 Autumn Statement 2014 therefore introduces a new offer of income contingent loans for those under 30 years old wishing to undertake a postgraduate taught masters in any subject. These loans, of up to £10,000, are planned to be available from 2016-17 and will be repaid concurrently with undergraduate loans. The loans are designed so that, on average, individuals will repay in full, in recognition of the high private return to individuals, but they will beat commercial rates. The government will consult on the detail and will confirm the delivery plan. This is expected to benefit around 40,000 students, and

[56] 'The Postgraduate Premium', Lindley and Machin for The Sutton Trust, February 2013
[57] 'University Challenge: How Higher Education Can Advance Social Mobility: a progress report by the Independent Reviewer on Social Mobility and Child Poverty', Milburn, October 2012; and 'The social composition and future earnings of Postgraduates', London School of Economics for the Sutton Trust, March 2010

enable around 10,000 more individuals to take advantage of the opportunity to undertake postgraduate study each year.

1.155 To support students until these loans are in place, **the Higher Education Funding Council for England (HEFCE) will allocate £50 million in 2015-16 to universities to offer bursaries on a match funded basis**. These will be £10,000 each and will benefit 10,000 students.

Supporting young people and families

1.156 The number of young people claiming Jobseeker's Allowance is now the lowest since the 1970s.[58] But at 16%, youth unemployment is still too high.[59] To support the employment of young people, from April 2015, employers will no longer pay National Insurance contributions for any employees under the age of 21 on earnings up to the upper earnings limit. The government is now going further, helping young people to develop the skills and experience they need to build their careers. **The government is making it cheaper for employers to take on an apprentice by abolishing employer National Insurance contributions for apprentices aged under 25 on earnings up to the upper earnings limit. This means that employers of around half a million apprentices will be exempt from paying employer National Insurance contributions.** And for those young people who are out of work and require the most help to look for a job, **there will be a new intensive period of employment support at the start of their Universal Credit claim**.

1.157 The government is already helping parents by reducing the cost of childcare, extending the right to flexible working and introducing shared parental leave. But 30% of parents say there is not enough childcare in their area.[60] The government is further backing working parents by expanding start up grants available to childcare businesses.

1.158 The government is also supporting more unemployed parents to start their own business by **extending the New Enterprise Allowance scheme from January 2015 and piloting the use of children's centres to reach out to parents and provide them with the skills and employment support they need**.

Creating a dynamic economy

1.159 Productivity relies on the best firms and ideas being able to scale up and succeed, and the government is committed to creating a better environment for businesses to invest, export and grow. Since 2010, this government has worked systematically to promote enterprise, address barriers to growth, and unlock business investment across all sectors and regions by increasing the competitiveness of the UK economy.

Business tax

1.160 The government aims to have a tax system that is simple to understand, supports businesses and encourages growth. The government recognises the impact of business rates on many businesses, and so Autumn Statement 2014 announces:

- support for small businesses by **extending the doubling of Small Business Rate Relief to April 2016**; around 385,000 of the smallest businesses will continue to receive 100% relief from business rates until April 2016, with around a further 190,000 benefiting from tapering relief
- support for all businesses paying business rates by **extending the 2% cap on the RPI increase in the business rates multiplier to April 2016**

[58] DWP calculations based on data from NOMIS and the Employment Gazette
[59] 'A06 (MGWY)', ONS Labour Market Statistics, November 2014
[60] 'Childcare and early years survey of parents 2012-2013', Department for Education, January 2014

- additional support for the retail sector by **increasing the £1,000 business rates discount for shops, pubs, cafes and restaurants with a rateable value of £50,000 or below, to £1,500 in 2015-16**, benefitting an estimated 300,000 properties

1.161 The government will carry out a review of the future structure of business rates to report by Budget 2016. The review will be fiscally neutral and consistent with the government's agreed financing of local authorities. The government will also publish its interim findings from the review of business rates administration in December 2015, setting out how it will respond to business' calls for clearer billing, better information sharing and a more efficient appeal system.

1.162 Following recommendations by the Office of Tax Simplification (OTS), **the government will reform the rules for employee benefits and expenses**. These proposals will make the taxation of benefits and expenses more straightforward and effective, reducing the administrative burdens on employers by an estimated £20 million per year. In addition, **the government will accept or further consider 51 recommendations made by the OTS to improve the competitiveness of UK tax administration**.

1.163 The government will continue to provide tax relief for credit loss allowances recognised in companies' accounts upon the introduction of the new IFRS 9 accounting standard. This will support the objectives of the accounting change and help ensure that the tax and regulatory regime are aligned in this area. The full impact on corporation tax receipts on transition will be spread over 10 years.

Access to finance

1.164 Ensuring the best firms can get the finance they need to grow is essential for improving productivity. **The government is providing a further £400 million to support venture capital through the British Business Bank's Enterprise Capital Funds programme.** This enhanced funding will ensure the programme can continue into the next Parliament and will enable the funds to make larger investments in small businesses with growth potential, providing finance at a key stage of their development.

1.165 It is particularly difficult for small businesses to access finance if they lack security or an established track record. Since its creation, the Enterprise Finance Guarantee scheme has facilitated £2.9 billion of lending to small businesses.[61] Building on this long-standing success, **the Autumn Statement provides further funding for the Enterprise Finance Guarantee scheme, facilitating up to £500 million of new lending in 2015-16**.

1.166 Enterprise and the growth of successful businesses is a key driver of productivity. To continue to support entrepreneurs and developing businesses the government will **allow gains that are eligible for Entrepreneurs' Relief (ER) and deferred into investment under the Enterprise Investment Scheme (EIS) or Social Investment Tax Relief (SITR) to benefit from ER when the gain is realised**, encouraging successful entrepreneurs to invest in these companies. The government will also **increase the annual investment limit for SITR to £5 million per annum**, up to a total of £15 million per organisation, from April 2015 and **will also consult further on a new relief for indirect investment in social enterprises**.

1.167 To better target the tax reliefs, **the government will exclude all companies substantially benefiting from other government support for the generation of renewable energy from also benefiting from tax-advantaged venture capital schemes, with the exception of community energy generation undertaken by qualifying organisations**. Alongside this, **the government will make it easier for qualifying investors and companies to use the tax-advantaged venture capital schemes by launching a new digital process** in 2016.

[61] British Businesses Bank management information, September 2014

Banking competition and financial technology

1.168 The government is determined to support a more competitive banking sector where new banks, alternative providers and financial technology (fintech) firms can thrive alongside the established players, competing to offer new and improved services to customers.

1.169 The Competition and Markets Authority's (CMA) announcement of a market investigation into banking builds on a wide-reaching programme of government reforms to address competition issues and make the UK the leading global hub for fintech companies. This Autumn Statement announces support for Peer to Peer (P2P) and crowdfunding platforms through a package of measures to remove barriers to their growth from regulation and tax rules. **These include a new bad debt relief for lending through P2P platforms; a consultation on whether to extend ISA eligibility to lenders using crowdfunded, debt-based securities and an intention to review financial regulation which currently stands in the way of institutional lending through P2P platforms.**

1.170 The government is also committed to reducing barriers to investment in the UK, and **Autumn Statement 2014 announces a new targeted exemption from withholding tax for interest on private placements** – a form of long-term non-bank debt financing.

1.171 The government is also announcing support for all alternative finance providers by naming the big banks that will be required to open up access to their credit data and refer on any SMEs that they turn down for finance, and support for fintech firms who want to use bank data to help consumers and small businesses make better decisions. **Gocompare are the first comparison website to commit to launching a Midata current account tool, and intend to make the service available from 1 April 2015.** Building on this, **the government is keen to enable more innovation around bank data and will launch a Call for Evidence on how to deliver standardised Application Programming Interfaces in the banking industry**.

1.172 Autumn Statement 2014 also announces an upgrade to the 7-day Current Account Switch Service to include 99% of all SMEs and an extension of the redirection service to 36 months to give customers more reassurance that no direct debit or standing order will fail once they switch to a new current account. These upgrades will be delivered by March 2015. **In addition, the Chancellor of the Exchequer has asked the Financial Conduct Authority (FCA), as part of their review of the switching service, to examine whether a 5-day switching period would deliver significant benefits to consumers and to advise on this question before Budget 2015.**

1.173 The government supports action from the new Payment Systems Regulator (PSR) to solve the access problems that have made entry to the UK banking market difficult for fintechs and challenger banks. Should the measures set out by the PSR prove insufficient, the government expects the PSR to use its strong powers in order to deliver the government's aim of open, fair and innovative payment systems for the UK.

Support for the creative sector

1.174 The government is committed to supporting the creative industries so they continue to thrive in the UK. This government has introduced tax relief for high-end television programmes, animation, video games and theatre productions and has expanded the successful tax relief scheme for films.

1.175 Building on this, **the government will introduce a new tax relief for children's television programmes from April 2015**. **The government will also launch a formal consultation in early 2015 about introducing a new tax relief for orchestras from April 2016**, in recognition of their cultural value and artistic importance.

1.176 The government will also explore with industry whether to reduce the minimum UK expenditure for high-end television tax relief from 25% to 10% and modernise the cultural test, to bring the relief in line with film tax relief.

Exports

1.177 The government has invested significantly in export support through UK Trade and Investment (UKTI), UK Export Finance (UKEF) and the GREAT campaign, and has reoriented the Foreign & Commonwealth Office's (FCO) mission towards growth and prosperity. Extra funding has enabled UKTI to double the number of firms it helps each year to 50,000, and allowed UK Export Finance to support £15.4 billion of exports since 2009-10.[62]

1.178 But the UK's export performance has disappointed, with economic weakness in the European Union, the UK's major trading partner, acting as a brake on growth.[63] To help more companies take their first steps towards exporting **the Autumn Statement provides a £20 million package of support for first time exporters**, which includes:

- **an increase in UKTI's regional network of International Trade Advisors to help an extra 6,000 companies per year who have not exported before**
- **tailored support to help 5,000 companies per year access new markets through the internet**
- **funding for a global events programme to double the attendance at international exhibitions by SMEs with UKTI support to 60,000**

1.179 Following changes made at Budget 2014, UKEF now offers a service to match other EU countries. Building on these reforms, **UKEF will modernise and digitise its processes so they are more accessible to SMEs**. UKEF will also bring forward proposals in early 2015 for **improvements that will support exporters' working capital and export supply chains**, subject to changes to legislation.

1.180 On top of this, **the FCO will deliver a £25 million 'surge for growth' programme to support projects and trade agreements across the world**. This includes £22 million for emerging and developing economies on projects with the potential to increase UK exports. The additional £3 million will support further reducing trade barriers with North American and European trading partners.

Local growth and devolution

1.181 It is essential that growth is balanced and shared across the whole country, not focused in a few areas. That is why the government has taken significant steps to give local areas the powers and resources they need to foster growth.

1.182 The first wave of Growth Deals earlier this year announced over £6 billion of local growth allocations from 2015-16 to 2020-21. To give more power to local areas, **the government will allocate a further £1 billion from the £12 billion Local Growth Fund announced** in Spending Round 2013 for a second wave of Growth Deals. This will allow LEPs to bid for support for local projects as part of their ambitious plans for growth.

1.183 Enterprise Zones are a key part of the government's strategy for enabling growth in local areas. The government will continue to support Enterprise Zones to create even more new jobs and attract private investment to local areas. **The government will look to extend the Enterprise Zone in Nottingham to a site in Derby, and consider the case for further extensions to existing Enterprise Zones at the Budget, subject to value for money and affordability. The government will also discuss plans for a Growth Zone in Croydon,**

[62] 'UKTI Performance and Impact Monitoring Survey – PIMS: Position at Q2 FY 2014/15', UKTI, September 2014
[63] 'United Kingdom Balance of Payments – The Pink Book 2014', ONS, October 2014; and 'Statistical Bulletin Trade', ONS, September 2014

subject to value for money, and continues to support flourishing culture funded through local channels, including the proposal to construct a new pier in Rotherhithe.

1.184 The government believes that local authorities have an important role to play in reducing the administrative costs of their local licensing regime on small business. **The government will work with local authorities and businesses on a simplification programme, with an expectation that, by 2018, every local authority will offer a single online application process where businesses only need register their details once.**

The northern powerhouse

1.185 In June the Chancellor set out plans to make the cities of the north a powerhouse for the UK economy. He noted that economic analysis of urban growth in recent decades has highlighted 3 key themes. First, the importance of great cities linking together, particularly with strong transport connections. The Chancellor commissioned Sir David Higgins, Chairman of HS2 Ltd, to consider how to improve east-west connections across the north, a concept supported in the One North report, and in November 2014 the Deputy Prime Minister hosted Northern Futures to develop further ideas for growth in the north.[64]

1.186 Second, in a knowledge-based economy, cities are the crucial locations for science and innovation clusters. The northern regions are home to 7 of the 24 Russell Group Universities. The Chancellor asked the government's Chief Scientist, Mark Walport, to examine in which fields northern universities had globally significant scientific expertise.

1.187 Finally, the importance of strong civic leadership and a varied cultural offering. Studies have shown that innovators and entrepreneurs are attracted to work in creative and cultural areas, which offer a high quality of life. Strong civic leadership is instrumental in enabling this. In addition, research by the OECD shows that cities around the world with fragmented governance structures have lower levels of productivity than those that do not.[65] The Chancellor started discussions with Greater Manchester about a metro Mayor in the autumn.

1.188 In this Autumn Statement, the government is taking further action on each of these themes to create a northern powerhouse, investing over £7 billion.

Transport – pooling the strength of the north

1.189 The City Growth Commission has noted: "If our closely geographically located cities can have the best transport between them, allowing their current, and potential future consumers and producers to feel… part of one urban mass, then the benefits that typically accrue to London could be repeated elsewhere."[66]

1.190 In October, Sir David Higgins' report concluded that a high speed rail link could significantly reduce journey times across the regions of the north.[67] The Chancellor responded and announced the development of HS3, and the creation of Transport for the North, a new body that will be made up of the main northern city regions. **The government, with Transport for the North, will produce a comprehensive transport strategy for the north. This will include options, costs and a delivery timetable for a HS3 east west rail connection, with an interim report in March 2015.** The government is also analysing the possibility of accelerating construction of the HS2 Phase 2 route from north of Birmingham to Crewe, in order to bring the benefits of HS2 to the north sooner. This will be subject to decisions on phase 2 in 2015.

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[64] 'One North: A Proposition for an Interconnected North', Manchester City Council, July 2014
[65] 'What Makes Cities More Productive? Evidence on the Role of Urban Governance from Five OECD Countries', Ahrend, Farchy, Kaplanis and Lembcke, OECD iLibrary, May 2014
[66] 'Unleashing Metro Growth: final recommendations of the City Growth Commission', RSA City Growth Commission, October 2014
[67] 'Rebalancing Britain: From HS2 towards a national transport strategy', High Speed Two (HS2) Limited, October 2014

1.191 The government is committing to a transformative package of over £6 billion of investment in the northern road network. Cities including Sheffield, Newcastle, Hull, Sunderland, Leeds, Manchester and Liverpool will benefit, including through a £640 million investment in the A1 north and west of Newcastle and a £170 million of improvements to trans-Pennine roads.

1.192 The government will deliver, through the new franchises and the £1 billion infrastructure investment already underway, new trains, faster journeys, more seats and more services. Invitations to tender for the next Northern and Trans-Pennine Express rail franchises will be published shortly. The new franchises, subject to business case development, will: deliver at least a 20% increase in capacity to reduce overcrowding; include new Rolling Stock fit for the 21st century; encourage bidders to replace the outdated pacer trains with modern, better quality trains; bring all the trains that remain up to modern standards; provide additional services across the network; provide faster services on some of the busiest routes; and deliver substantial upgrades of station facilities across the network.

1.193 International connectivity is also crucial. **The government encourages West Yorkshire Combined Authority to develop further the plans to improve connectivity to Leeds Bradford International Airport. Over £300 million will be invested in improving road links to Liverpool Port and to Ellesmere Port.** The North East has also seen significant capital investment, including a further £20 million committed in June by Nissan to increase production at its Sunderland plant, on top of the £800 million already invested.

1.194 The government also recognises the importance of digital connectivity. Superfast broadband will be delivered to 95% of the UK by 2017, and the SME voucher scheme has helped businesses in cities including Salford, Newcastle, York, and Bradford to upgrade to superfast services. **The government commits up to £40 million nationwide to extend the voucher scheme to March 2016, and will look to double the number of northern cities in the scheme.**

Science and innovation

1.195 This package of measures also seeks to cement the north as a world leader in science and technology, with:

- **£235 million in a new Sir Henry Royce Institute for advanced materials research and innovation**, which will be based in Manchester and have satellites in cities including Leeds, Liverpool and Sheffield
- **a new £20 million Innovation Hub for Ageing Science, in Newcastle, and a new £113 million Cognitive Computing Research Centre in Daresbury, Warrington**
- **£750,000 development funding, matched by industry and education providers, for the new National College for Onshore Oil and Gas in Blackpool**
- **£31 million into Energy Security and Innovation Observing System**, consisting of 2 sub-surface test centres, one of which will be at the former Shell site in Thornton, North West
- **£28 million for a new high value manufacturing catapult centre in Sedgefield**, to drive manufacturing-based growth and help rebalance our economy
- **a new long-term investment fund established from tax revenues from shale gas extraction in the north**, to capture the economic benefits of shale gas for future generations, and ensure that revenues are invested in the long-term economic health of the north to create jobs and investment

1.196 These measures will build on existing northern science and technology expertise, including world-leading nuclear expertise and learning in Cumbria. This will be strengthened by a share in up to £60 million programme continuation funding for the National Nuclear Users Facility, and the statement of intent to provide a government guarantee to assist the financing of a new nuclear plant at Moorside, subject to due diligence and ministerial approval.

1.197 A deep pool of skilled labour is key in promoting growth and employment, and a high performing schools system is central to this.

1.198 The government inherited a situation in which school standards were too low, and performance varied widely around the country. The academies programme is driving up standards, but too many pupils are still not achieving 5 GCSEs at C or above, including English and Maths. Half of the poorest performing local authorities on this measure are in the north.[68] **The government is providing £10 million to support the expansion of the very best academy chains in areas of the north**, with the weakest provision to drive up standards.

Civic leadership and culture

1.199 In the autumn, the Chancellor engaged in negotiations with Greater Manchester. On 3 November 2015, a historic deal was announced involving devolution of powers and budgets from the government, and a new directly elected metro Mayor. This historic deal was possible because of the well-developed cooperation and strong cross-city government established by the Combined Authority.

1.200 Other city areas have since come forward with devolution proposals, which are being discussed. There are also proposals to form further combined authorities and improve cooperation between local authorities in a number of urban areas.

1.201 Strong civic government is built on strong civic identity. The government is also committed to developing the thriving cultural life of the north, and is:

- **creating a Great Exhibition in the north**, which will celebrate the great art, culture and design of the north
- **providing £78 million towards Manchester City Council's proposal for a new theatre and exhibition space for the community**, called The Factory Manchester
- **providing £3 million towards arts projects, focussed on northern cities** including Manchester, Liverpool, Leeds, Sheffield and Newcastle, to commemorate the centenary of the First World War

Performance

1.202 Under the last government the gap between the economic performance of the north and south widened.[69] Treasury analysis published in August 2014 suggested the magnitude of the gains to the UK as a whole from creating a northern powerhouse. If the government could raise the growth rate of the north to the projected rate for the country as a whole between now and 2030, it would add £56 billion in nominal terms to the northern economy, in real terms, over £1,600 for each person living in the north.

1.203 There are a number of positive signs that the northern economy is on the way to becoming a powerhouse. The North East has the fastest-growing economic activity.[70] The North West and Yorkshire and Humberside have seen the fastest employment growth of any region over the last quarter.[71] There have been significant investments all over the north, including Hitachi, Rolls Royce and Nissan in the North East and Siemens in Hull.

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[68] Key stage 4 – proportion of pupils that achieved 5+ A*-C including English and Maths in 2014 (statistical release)
[69] 'ONS Residence based GVA per head (R5VN), 2012', Regional Gross Value Added (Income Approach), December 2013
[70] 'ONS Total employment (YCJQ, YCJR), all aged 16 and over' Labour Market Statistics, November 2014

Fairness

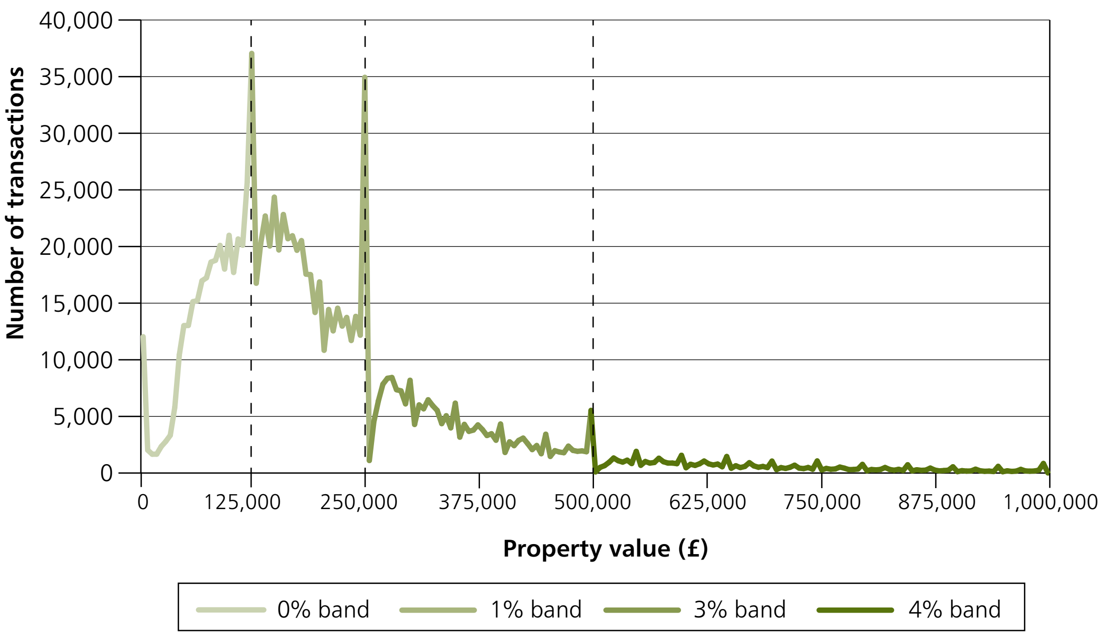
1.204 The government's long-term economic plan is underpinned by a firm commitment to support those who want to work hard and get on. Autumn Statement announces the most radical reform to Stamp Duty Land Tax (SDLT) since its introduction, which will reduce distortions and improve the functioning of the housing market, and increase the fairness of the tax system. As a result, SDLT will be cut for 98% of people who pay it. The government is also announcing further action to tackle tax avoidance, and to ensure that all businesses and individuals pay their fair share.

1.205 As a result of the government's reforms to tax, welfare and public spending across this Parliament, the richest households will make the biggest contribution to reducing the deficit, both in cash terms, and as a proportion of their income.[71]

Stamp duty reform

1.206 The existing system of SDLT creates distortions in the housing market which can lead to unfair outcomes. SDLT is currently charged at a single rate on the whole purchase price of a property, with different rates for different value bands. This structure means that a disproportionate number of transactions occur just below the value band thresholds and it is unusual for property to be bought or sold at prices just above the threshold levels, as shown in Chart 1.13. For example, many properties are sold at £250,000, where SDLT is paid at a rate of 1% or £2,500, but it is rare for properties to be sold for £251,000, where SDLT would be paid at a rate of 3% or £7,530.

Chart 1.13: Distribution of residential property transactions in 2013-14, by property value



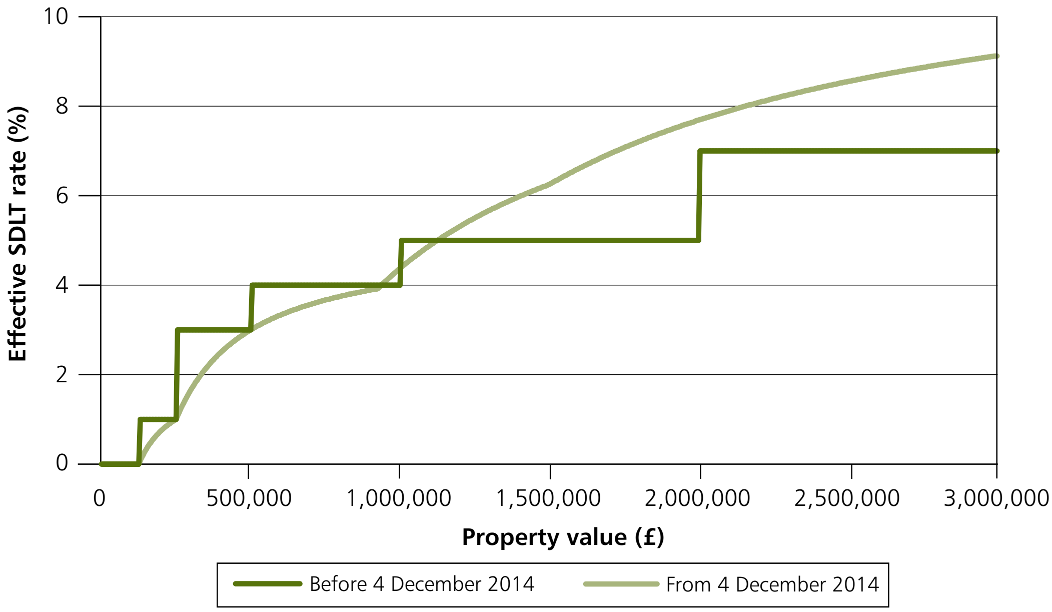
Source: HM Revenue and Customs calculations based on SDLT returns 2013-14.

[71] Further information on the estimated distributional impact of this Autumn Statement is available in 'Impact on households: distributional analysis to accompany Autumn Statement 2014', HM Treasury, December 2014.

1.207 As well as affecting the purchase price of property, the structure of SDLT limits transactions and mobility, and incentivises tax avoidance. As house prices have increased, more transactions have been brought into the scope of the tax and into the higher bands, increasing the upfront costs that buyers have to pay along with the purchase of their home. The government recognises the difficulties this causes, particularly for first-time buyers.

1.208 To reduce distortions and improve the fairness of the tax system, **Autumn Statement announces that the government will reform SDLT on residential property with immediate effect.** From 4 December 2014, SDLT rates will only apply to the part of the property price that falls within each band, similar to the structure of Income Tax. The effective rate of SDLT will rise steadily as property values increase, removing the distortions created by the existing system, where the amount of tax due jumps at the thresholds. Transitional rules will allow buyers who have already exchanged on a home but not completed before 4 December 2014 to choose whether to pay SDLT under the existing or new rules.

Chart 1.14: Effective SDLT rates before 4 December 2014 and from 4 December 2014



Source: HM Treasury calculations.

1.209 As part of the reform, the government is introducing new rates and thresholds for SDLT on residential property to ensure this change is introduced in a fair way. As a result, SDLT will be cut for 98% of people who pay it.

Table 1.8: SDLT rates from 4 December 2014

Property value (£)	Tax rate charged on part of property price within each tax band (%)
0–125,000	0
125,001–250,000	2
250,001–925,000	5
925,001–1,500,000	10
1,500,001+	12

Source: HM Treasury.

1.210 The government is committed to helping those who aspire to move up the housing ladder, as well as first-time buyers. It is fair that those who can afford to buy the most expensive homes contribute the most, to help those lower down the market with the costs of moving up.

Table 1.9: Illustrative SDLT liability and effective tax rate before 4 December 2014 and from 4 December 2014

Property value (£)	Before 4 December 2014		From 4 December 2014		Change in SDLT due (£)
	SDLT due (£)	Effective tax rate (%)	SDLT due (£)	Effective tax rate (%)	
100,000	0	0.0	0	0.0	0
150,000	1,500	1.0	500	0.3	-1,000
200,000	2,000	1.0	1,500	0.8	-500
Average price paid by first-time buyer:					
210,000	**2,100**	**1.0**	**1,700**	**0.8**	**-400**
250,000	2,500	1.0	2,500	1.0	0
Average UK house price:					
275,000	**8,250**	**3.0**	**3,750**	**1.4**	**-4,500**
300,000	9,000	3.0	5,000	1.7	-4,000
350,000	10,500	3.0	7,500	2.1	-3,000
400,000	12,000	3.0	10,000	2.5	-2,000
450,000	13,500	3.0	12,500	2.8	-1,000
500,000	15,000	3.0	15,000	3.0	0
Average house price in London:					
510,000	**20,400**	**4.0**	**15,500**	**3.0**	**-4,900**
550,000	22,000	4.0	17,500	3.2	-4,500
600,000	24,000	4.0	20,000	3.3	-4,000
650,000	26,000	4.0	22,500	3.5	-3,500
700,000	28,000	4.0	25,000	3.6	-3,000
750,000	30,000	4.0	27,500	3.7	-2,500
800,000	32,000	4.0	30,000	3.8	-2,000
850,000	34,000	4.0	32,500	3.8	-1,500
900,000	36,000	4.0	35,000	3.9	-1,000
937,500	37,500	4.0	37,500	4.0	0
950,000	38,000	4.0	38,750	4.1	750
1,000,000	40,000	4.0	43,750	4.4	3,750
1,500,000	75,000	5.0	93,750	6.3	18,750
2,000,000	100,000	5.0	153,750	7.7	53,750
3,000,000	210,000	7.0	273,750	9.1	63,750
4,000,000	280,000	7.0	393,750	9.8	113,750
5,000,000	350,000	7.0	513,750	10.3	163,750

Source: HM Revenue and Customs calculations. Average house prices from ONS September 2014 House Price Index, rounded to nearest £5,000.

1.211 The new structure will apply to people buying homes in Scotland until 31 March 2015. After this date, the Scottish Government's Land and Buildings Transaction Tax will replace SDLT in Scotland. The associated reduction in the Scottish Government's block grant will be around £80 million smaller in 2015-16 as a result of the changes in SDLT.

1.212 It is unfair that some people try to avoid SDLT by purchasing and holding their homes through corporate envelopes, such as companies. The government introduced a package of measures in Budgets 2012 and 2013 to tackle this tax avoidance and ensure that a fair share of tax is paid, including a higher charge of SDLT, the Annual Tax on Enveloped Dwellings (ATED) and the related Capital Gains Tax charge. ATED raised 5 times the amount forecast for 2013-14, with significantly more properties above £2 million in envelopes than expected.[72]

1.213 Autumn Statement announces further action to tackle this avoidance by increasing the rates of ATED by 50% above inflation. From 1 April 2015, the charge on residential properties owned through a company and worth more than £2 million but less than £5 million will be £23,350; for properties worth more than £5 million but less than £10 million the charge will be £54,450; for properties worth more than £10 million but less than £20 million the charge will be £109,050, and for properties worth more than £20 million the charge will be £218,200.

Supporting households and rewarding work

1.214 The government's strategy for delivering sustainable increases in living standards is to support economic growth and get more people into work. Real household disposable income per capita has grown by 2% over the last quarter and is forecast to increase in every year of the forecast.[73] However, the government recognises that the effects of the recession are still being felt, and continues to take action to help individuals and families with the cost of living by:

- boosting incomes through further increases to the Income Tax personal allowance
- rewarding those who work hard and save with greater freedom and flexibility over what they choose to do with their pensions and savings
- reducing travel costs for families by exempting children flying economy from Air Passenger Duty

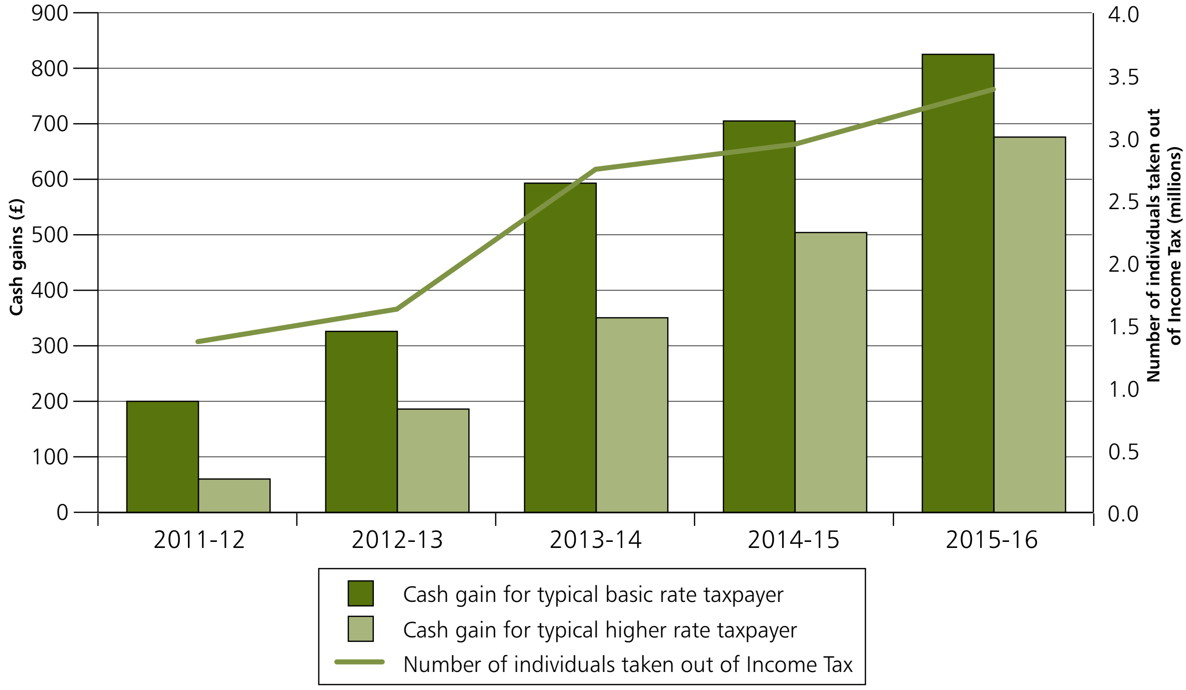
Personal allowance

1.215 The government is committed to increasing support for low- and middle-income earners and improving the rewards to work. The Coalition Agreement to raise the personal allowance to £10,000 over the course of this Parliament was achieved a year early in 2014-15. At Budget 2014, the government announced that the personal allowance will be increased to £10,500 from April 2015.

1.216 Autumn Statement announces that the personal allowance will be increased by a further £100 in 2015-16 to £10,600. In addition, the higher rate threshold will increase by inflation (1.2%) in 2015-16 for the first time in 5 years, so that the full gains of the increase in the personal allowance are passed on to higher rate taxpayers. The increase in 2015-16 will be worth £120 to a typical basic rate taxpayer and £172 to a typical higher rate taxpayer. Overall 24.4 million individuals will benefit, and a further 430,000 individuals will be removed from Income Tax altogether in 2015-16. The government's increases to the personal allowance since 2010 will be worth £825 to a typical basic rate taxpayer, and £676 to a typical higher rate taxpayer. The government will have taken 3.4 million working-age individuals out of Income Tax in this Parliament.

[72] 'UK Annual Tax on Enveloped Dwellings (ATED) Statistics 2013-14', HMRC, November 2014.
[73] 'United Kingdom Economic Accounts, Quarter 2 2014', Office for National Statistics, September 2014. Forecast from 'Economic and fiscal outlook', Office for Budget Responsibility, December 2014.

Chart 1.15: Personal allowance: cumulative cash gains and individuals taken out of Income Tax since 2010



Source: HM Treasury analysis based on 2010-11 to 2015-16 personal tax parameters, HMRC analysis based on Survey of Personal Incomes 2011-12 data and Autumn Statement 2014 OBR forecasts.
Note: The cash gain for higher rate taxpayers shown is the result of changes to Income Tax thresholds (the personal allowance and higher rate threshold) and the NICs upper earnings limit. Number of working-age individuals taken out of tax in 2015-16 includes some of those taken out of tax as a result of the 0% savings rate announced at Budget 2014.

Table 1.10: Illustrative Income Tax and National Insurance contributions paid per year, by income level

Gross income (£)	2010-11 (£)	2011-12 (£)	2012-13 (£)	2013-14 (£)	2014-15 (£)	2015-16 pre-Budget 2014 (£)	2015-16 post-Autumn Statement 2014 (£)
10,000	1,180	840	670	380	250	230	230
20,000	4,280	4,040	3,870	3,580	3,450	3,410	3,310
30,000	7,380	7,240	7,070	6,780	6,650	6,610	6,510
40,000	10,480	10,440	10,270	9,980	9,850	9,810	9,710
50,000	14,190	14,390	14,220	14,040	13,860	13,780	13,670
60,000	18,290	18,590	18,420	18,240	18,060	17,980	17,870
70,000	22,390	22,790	22,620	22,440	22,260	22,180	22,070
80,000	26,490	26,990	26,820	26,640	26,460	26,380	26,270

Source: HM Revenue and Customs calculations.
Note: Calculations are based on all changes to rates and thresholds in both the Income Tax and National Insurance system implemented or announced up to and including Autumn Statement 2014. This table is based on an individual born after 5 April 1948. Gross income refers to pay only, i.e. all gross income is subject to Income Tax and class 1 NICs. Income Tax calculations assume no other allowances or deductions. NICs calculations are on a weekly basis and then annualised. All figures are rounded to the nearest £10. 2015-16 post-Autumn Statement figures include the announcement made at Budget 2014 to increase the personal allowance to £10,500.

National Minimum Wage

1.217 The National Minimum Wage (NMW) provides important protection for low earners. To improve its enforcement, **Autumn Statement announces that the government will increase funding for NMW enforcement activity in 2015-16 by £3 million**. This will help to ensure that workers receive at least the hourly minimum rates set and that more employers and workers are aware of their obligations and rights.

Supporting savers

1.218 At Budget 2014, the government made the largest ever increase in the individual savings accounts (ISA) allowance to £15,000, nearly trebling the limit for cash ISAs. **From April 2015, the ISA allowance will rise to £15,240**, and the changes to the starting rate of savings tax will mean that those earning under £15,600 need pay no tax on any of their savings income.

1.219 150,000 married ISA savers pass away each year, and their ISA tax advantages die with them, even if they were saving as a couple. **Autumn Statement announces that from 3 December 2014, if an ISA saver in a marriage or civil partnership dies, their spouse or civil partner will inherit their ISA tax advantages.** From 6 April 2015, surviving spouses will be able to invest as much into their own ISA as their spouse used to have, on top of their usual allowance, and so will be better able to secure their financial future and enjoy the tax advantages they previously shared.

1.220 The government believes that individuals should be trusted with their savings. Budget 2014 announced a radical set of reforms that will give people more choice over how they access their defined contribution pension. From April 2015, savers will be able to access their defined contribution pension as they wish at the point of retirement, subject to their marginal rate of Income Tax, instead of the current 55% charge for full withdrawal. These changes will be supported by free, impartial guidance to help people make informed and confident decisions about how they use their defined contribution pension savings. Taken as a whole, these changes will give savers much more flexibility to plan for retirement.

1.221 The government also believes that people who work hard and save all their lives should be able to pass on their pension pot to the next generation. That is why it recently announced changes from April 2015 to allow individuals to pass on their unused defined contribution pension savings to any nominated beneficiary when they die, instead of paying the 55% charge which currently applies. If the individual dies before age 75, the beneficiary will pay no tax on the funds. If they die after age 75, the beneficiary will pay their marginal rate of Income Tax, or 45% if the funds are taken as a lump sum payment. From April 2016, lump sum payments will also be taxed at the recipient's marginal rate.

1.222 The government has now decided to go further. **From April 2015, beneficiaries of individuals who die under the age of 75 with a joint life or guaranteed term annuity will be able to receive any future payments from such policies tax free. The tax rules will also be changed to allow joint life annuities to be passed on to any beneficiary.** These changes mean that people will no longer have to worry about their pension savings being taxed at 55% on death.

Air Passenger Duty

1.223 The government will exempt children under 12 from Air Passenger Duty on economy tickets with effect from 1 May 2015, and will extend the exemption to include children under 16 from 1 March 2016. This will help to reduce the cost of holidays for families by up to £71 per child.

1.224 This announcement builds on the changes announced at Budget 2014, which reduced the cost of flying to countries over 4,000 miles from London, and froze short-haul Air Passenger Duty. Together, these changes mean that 99% of passengers will see a freeze or cut in Air Passenger Duty in 2015-16. The government believes that these tax changes should be clear and visible to consumers. **The government will therefore consult on an amendment to pricing regulations which would require airlines to separate out Air Passenger Duty from their other fees and charges.**

Support for off-gas-grid homes

1.225 At Budget 2014, the government committed to consider the particular challenges faced by those households that are not connected to the gas grid, which include higher average energy costs. **The government is allocating £25 million of funding in 2015-16 for first-time heating systems in off-gas-grid homes in England.**

A fair and affordable welfare system

1.226 The government continues to take action to ensure that the welfare system is affordable, fair, and supports those who need it most. Autumn Statement announces further steps to ensure spending remains within the welfare cap, including a series of operational measures and further action to deal with fraud and error in the welfare system.

Universal Credit

1.227 Universal Credit is transforming the welfare system for the better, ensuring it always pays to work, reducing fraud and error, and streamlining administration. The government estimates that up to 300,000 more people will be in work under Universal Credit.

1.228 As announced by the Department for Work and Pensions (DWP) on 13 October 2014, Universal Credit will expand nationwide through 2015-16 to all remaining Jobcentres and local authorities.[74] Legacy benefits will begin to close to new claims from 2016 and the Universal Credit caseload will continue to build naturally thereafter.

1.229 The government is investing £350 million in increasing the support on offer for childcare costs within Universal Credit from 70% of eligible costs to 85% from April 2016. This will benefit around 500,000 households by an average of £60 per month. **The government will also ensure that if a claimant leaves Universal Credit and returns within a 6 month period, they will be able to keep their existing assessment period, simplifying the reclaiming process.** To help fund these policies, **Autumn Statement announces that the government will maintain the Universal Credit work allowances at their current level for a further year, until April 2018.**

Migrant access to benefits

1.230 The government wants a credible, fair and transparent welfare system that supports work, and is determined to tackle abuse and clear exploitation of that system. The government has already announced a series of changes to ensure fairer migrant access to Child Benefit, tax credits, Housing Benefit and Jobseeker's Allowance (JSA). As a result of these changes:

- European Economic Area (EEA) migrants newly arriving in the UK without a job will need to be resident for 3 months before getting access to JSA, Child Benefit and Child Tax Credit
- in-work EEA migrants claiming benefits will be asked to satisfy a minimum earnings threshold of £156 per week, as part of a more robust test of entitlement
- the maximum period that new EEA migrants can claim JSA has been halved to 3 months, at which point claimants must undergo a Genuine Prospect of Work assessment

1.231 Autumn Statement announces that, from February 2015, the Genuine Prospect of Work assessment will apply to all EEA migrants who began claiming JSA before these changes were introduced. Those who do not have clear job prospects will see their claim ended and their right to reside in the UK as a jobseeker withdrawn.

1.232 Autumn Statement also announces changes that will tighten the eligibility conditions for those claiming tax credits on the basis of self-employment, to prevent

[74] Written Ministerial Statement, Department for Work and Pensions, October 2014.

abuse of the system. These include a new test to ensure that work being undertaken is genuine and effective, and a requirement that anyone claiming Working Tax Credit as self-employed registers with HMRC and provides their Unique Tax Reference. This will prevent bogus self-employment and abuse of the tax credits system, while allowing HMRC to continue to support those who are genuinely self-employed.

Support for carers

1.233 The government is determined to support carers and help families and individuals who need care. As the economy begins to recover, the government wants to ensure the support it offers carers keeps pace with the general rise in earnings. **Autumn Statement 2014 confirms that the Carer's Allowance earnings limit will increase in April 2015 from £102 to £110 per week.** The change means that more carers will have the opportunity to work part-time and still be eligible for Carer's Allowance.

1.234 From April 2015, the government will also extend the £2,000 annual National Insurance contributions Employment Allowance to those households that employ care and support workers. This means that a family will be able to employ a care worker on a salary of up to £22,500 and pay no employer NICs. **In addition, care workers will be exempted from the impacts of removing the £8,500 threshold below which employees do not pay Income Tax on benefits in kind.**

State Pension

1.235 In line with government policy, the basic State Pension will be increased by the triple lock – the highest of average growth in earnings, inflation or 2.5%. The rise in April 2015 will be 2.5%, a cash increase of £2.85 per week for the full basic State Pension. As a result of the triple lock, someone on a full basic State Pension can expect to receive around £560 more in 2015-16 than if it had been uprated by average earnings since the start of this Parliament. **The benefits of the triple lock uprating will also be passed on to the poorest pensioners through an increase in the standard minimum income guarantee in Pension Credit to match the cash rise in the basic State Pension. This will partly be paid for through a rise in the Savings Credit threshold by 5.1%.** As a consequence of the increase in the Pension Credit standard minimum income guarantee, the full new State Pension will rise to at least £151.25 per week. The actual amount will be set in autumn 2015.

Tackling fraud, error and debt in the welfare system

1.236 The government continues to take action to reduce fraud, error and debt in the welfare and tax systems. Autumn Statement announces that the government will:

- **invest an additional £6 million to increase capacity within DWP Fraud and Error Operations;** this will deliver significantly more interventions targeting claims identified as carrying a risk of fraud, claimant error or official error, to ensure that claimants are not being paid more than they are entitled to
- **make the tax credits system more responsive to changes in claimants' circumstances by reducing payments in-year**, to prevent the build-up of overpayments that must be repaid at a later stage
- **establish a new Housing Benefit Fraud and Error local authority incentive scheme**, which will pay financial rewards to local authorities that reduce the amount of money lost through fraud and error in Housing Benefit; these rewards will be worth up to £35 million over the next 3 years

1.237 These measures continue the government's drive to reduce the amount of taxpayers' money lost through fraud and error in the benefits and tax credits systems. As a result of activity during this Parliament, losses in the tax credits system, and losses through official error in DWP benefits, are the lowest ever recorded.[75]

1.238 Autumn Statement also announces that the government will work with the private sector to improve debt collection in the tax and welfare systems through the Debt Market Integrator – a more unified and coordinated approach which makes use of a range of debt collection services across the market.

Ensuring a fair contribution

Tackling tax avoidance

1.239 Since 2010, the government has taken strong and sustained action to tackle avoidance. It is not acceptable for a small minority not to pay their fair share, and the public rightly expects the government to be firm.

1.240 The measures taken so far this Parliament to tackle aggresive tax planning, avoidance and evasion add up to £7.6 billion in additional revenues in 2015-16. This includes the OBR's updated forecast for money from the UK-Swiss tax agreement.

Avoidance by multinational enterprises

1.241 The UK government is leading the way in joint G20 and OECD negotiations on reform of the international tax rules to ensure that they are fair and sustainable, and that multinational companies pay the right amount of tax in the UK. To that end, **the government is taking steps to implement the OECD model for country-by-country reporting**. This will improve transparency over multinational companies' tax affairs by providing tax authorities with high-level information to help them efficiently identify and assess tax avoidance risks.

1.242 The government will also consult on the introduction of the new anti-hybrids rule agreed during the G20-OECD negotiations. Once in force in all countries, these will prevent multinationals from exploiting differences between countries' rules to avoid tax – for example, by making use of financial hybrid instruments which are treated for tax purposes as debt in one country but equity in another, or by setting up a hybrid entity that is treated as taxable by one territory but not by another.[76]

1.243 The government will go further to ensure that multinational companies pay the right amount of UK tax. Where multinationals use artificial arrangements to divert profits overseas in order to avoid UK tax, the government will now act. **Autumn Statement announces the introduction of a new Diverted Profits Tax to counter the use of aggressive tax planning to avoid paying tax in the UK.** The Diverted Profits Tax will be applied at a rate of 25% from 1 April 2015.

1.244 Changes to the VAT place of supply rules for broadcasting, e-services and telecommunications were announced at Budget 2013. From 1 January 2015, VAT on these services will be payable where the customer is located, instead of where the supplier is located. This will increase tax revenues by £300 million per annum from 2015-16, and support the Exchequer by removing the incentive for businesses to relocate to other EU Member States with low rates of VAT.

Avoidance within the UK

1.245 The government will continue to be relentless in tackling avoidance and aggressive tax planning where it arises within the UK. At Budget 2014, the government changed the

[75] 'Fraud and error in the benefit system: final 2013 to 2014 estimates first release', National Statistics, November 2014, and 'HM Revenue and Customs Annual Report and Accounts 2013-2014', HMRC, July 2014.
[76] 'Policy measures database', Office for Budget Responsibility, April 2014, and 'Economic and fiscal outlook', Office for Budget Responsibility, December 2013.

economics of avoidance with the introduction of accelerated payments, requiring those involved in avoidance schemes to pay disputed tax upfront. The government is determined that those involved in avoidance schemes must continue to disclose their use of those schemes. **The government will therefore strengthen the Disclosure of Tax Avoidance Schemes (DOTAS) regime, and establish a DOTAS taskforce to ensure that avoiders cannot circumvent the DOTAS rules. To increase transparency, the government will enable HMRC to publish summary information about DOTAS-notified tax avoidance schemes and their promoters.**

1.246 Building further on its pursuit of avoiders, Autumn Statement announces the government's plans to respond to those who act with disregard to the rules and who engage in abusive arrangements. **HMRC will consult in early 2015 on introducing further deterrents for serial tax avoiders and on penalties for tax avoidance cases where the General Anti-Abuse Rule applies.**

1.247 The government will stop investment fund managers from disguising their guaranteed fee income as capital gains in order to avoid Income Tax. In response to the recent increase in schemes that abuse 'miscellaneous' loss relief by using artificial losses to avoid paying Income Tax, **Autumn Statement also announces measures to prevent the exploitation of miscellaneous loss relief**.

Ensuring a fair contribution from business

1.248 When a company makes a loss for Corporation Tax purposes, this loss can be carried forward and offset against profit arising in future periods. Many banks operating in the UK have built up exceptionally large carried-forward losses – a result of their performance during the financial crisis and the costs associated with subsequent misconduct and mis-selling scandals. The government considers it unreasonable that these losses are now being used to eliminate tax on current profits. Corporation Tax receipts from the banking sector have already fallen from £7.3 billion in 2006-07 to £1.6 billion in 2013-14, and it is unstainable that some banks will not be making Corporation Tax payments for another 15 to 20 years.[77] **Autumn Statement announces that the government will therefore restrict the amount of banks' profits that can be offset by carried-forward losses to 50%**, increasing banks' contribution to fiscal consolidation through Corporation Tax payments.

1.249 UK company takeovers have increasingly been carried out using schemes of arrangement, which can be structured to enable companies to avoid paying SDLT by cancelling the target's shares and reissuing them directly to the acquiring company. **The government believes that takeover structures that achieve the same outcome should have the same SDLT treatment, and will bring forward regulations by early 2015 to prevent the use of 'cancellation' schemes of arrangement for company takeovers.**

1.250 The government will stop individuals and partnerships from gaining an unfair tax advantage by transferring their businesses into a company they control, and then claiming Corporation Tax deductions for assets linked to the business' reputation and customer relationships. The government will also stop individuals claiming Capital Gains Tax Entrepreneurs' Relief on the transfer of these assets to the company.

1.251 As part of its reform of the rules for employee benefits and expenses in response to recommendations by the Office of Tax Simplification, **the government will stop tax relief from being claimed on reimbursed business expenses when they are paid in conjunction with a salary sacrifice scheme**. The government is also concerned at the growing use of overarching contracts of employment by employment intermediaries such as 'umbrella companies', which allow some temporary workers to benefit from tax relief for home-to-work travel expenses that is not generally available to other workers. **The government**

[77] 'Pay-As-You-Earn and corporate tax receipts from the banking sector', HMRC, August 2014.

will review these arrangements and publish a discussion document inviting representations from interested parties to inform potential future action.

1.252 Smoking imposes costs on society, and the government believes it is therefore fair to ask the tobacco industry to make a greater contribution. **The government will shortly launch a consultation on introducing a levy on tobacco manufacturers and importers.**

Ensuring a fair contribution from individuals

1.253 People who are not domiciled in the UK are able to elect to pay tax on the remittance basis so that any income and gains they hold offshore are only taxable as and when they are brought into the UK. The government believes it is fair to ask those non-domiciles who elect to use these generous rules to pay a higher charge when they have been living in the UK for a long time. **It will therefore increase the remittance charge for non-domiciles who have been resident in the UK for 12 of the past 14 years, and introduce a new charging point for those who have been resident for 17 of the past 20 years.** The charge for those resident for 7 of the past 9 years will remain unchanged. **The government will also consult on making the election to pay the remittance basis charge apply for a minimum of 3 years, so that non-domiciles are not easily able to arrange their tax affairs so as to only pay the charges occasionally.**

1.254 The government is taking action to block the tax advantage offered to additional and higher rate taxpayers by special purpose share schemes. These schemes allow shareholders to choose how to receive their 'dividend' so that it is taxed at preferential rates. This typically involves the issue of a share that is brought back by the company shortly after, with no commercial purpose other than to secure a tax advantage for the shareholder. **Autumn Statement announces that the government will remove this tax advantage by treating the amount received the same way as dividend income, where an individual shareholder is offered this choice.**

Offshore tax evasion

1.255 The government is committed to fighting tax evasion, which increases the burden on honest taxpayers. The UK has played a leading role, including through its Presidency of the G8, in the development and early implementation of a new global standard to automatically exchange financial information for tax purposes. Almost all financial centres have now agreed to begin exchange of information under the new standard in 2017 or 2018. The UK has already signed agreements to this effect with 50 other countries and jurisdictions which will lead to a step change in HMRC's ability to tackle tax evasion. In advance of these agreements coming into force from the end of 2015, **the government will increase the amount and scope of civil penalties for tax evasion, and review how best to enhance the incentives for obtaining information on offshore tax evaders.**

2 Autumn Statement policy decisions

2.1 Chapter 1 explains how the measures announced in this Autumn Statement advance the government's long-term goals. This chapter provides a brief description of all Autumn Statement policy decisions. These are decisions on tax measures, National Insurance contributions (NICs), measures that affect Annually Managed Expenditure (AME), changes to Departmental Expenditure Limits (DEL), and other policy measures. Unless stated otherwise, measures in this chapter are announced at this Autumn Statement or in the National Infrastructure Plan (NIP) 2014. The tables in this chapter set out the cost or yield of all Autumn Statement policy decisions with a fiscal impact in the years up to 2019-20.[1]

Fiscal impact of Autumn Statement policy decisions

2.2 Alongside this Autumn Statement, the Office for Budget Responsibility (OBR) has published an independent forecast of the public finances and the economy, incorporating Autumn Statement policy decisions. To produce the Autumn Statement forecast, the OBR has certified the government's assessment of the direct cost or yield of Autumn Statement policy decisions that affect the economy and public finance forecasts, and has made an assessment of the indirect effects of Autumn Statement measures on the economy.

2.3 Table 2.1 shows the cost or yield of all new Autumn Statement 2014 decisions with a direct effect on public sector net borrowing. This includes tax measures, changes to DEL, and measures affecting AME, including the total of the measures affecting the welfare cap.

2.4 Table 2.2 transparently sets out the impact of all policy decisions affecting welfare spending within the scope of the welfare cap. Further detail on the government's performance against the welfare cap is set out in Chapter 1.

2.5 Consistent with its commitment to transparency, the government is also publishing the methodology underlying the calculation of the fiscal impact of each policy decision. This is included in the supplementary document, 'Autumn Statement 2014 policy costings', published alongside this Autumn Statement.[2]

[1] The numbers and letters in brackets after each measure refer to the line in Table 2.1 or 2.2 where its cost or yield is shown.
[2] 'Autumn Statement 2014 policy costings', HM Treasury, Department for Work and Pensions, and HM Revenue and Customs, December 2014.

Table 2.1: Autumn Statement 2014 policy decisions[1,2]

		Head	£ million 2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Households								
1	Personal allowance: increase to £10,600 in 2015-16 with full gains to higher rate taxpayers	Tax	0	-530	-635	-640	-655	-655
2	ISAs: transfer to surviving spouses	Tax	0	*	*	-5	-5	-10
3	Air Passenger Duty: exempting children	Tax	0	-40	-80	-85	-90	-95
Property								
4	Stamp duty land tax reform: new marginal rate system	Tax	-395	-760	-840	-850	-815	-785
5	Enveloped dwellings: increase charge for properties over £2m	Tax	+10	+95	+50	+45	+90	+140
Business and employment								
6	Employer NICs: abolish for apprentices under 25	Tax	0	0	-105	-110	-120	-125
7	Business Rates: small business relief extension	Tax	0	-500	+70	+5	0	0
8	Business Rates: cap increase at 2% in 2015-16	Tax	0	-125	-90	-85	-85	-85
9	Business Rates: increase retail discount to £1,500 in 2015-16	Tax	0	-130	+20	+5	0	0
10	Business Rates: transitional relief	Tax	0	-10	-5	0	0	0
11	Employment Allowance: extend to carers	Tax	0	-10	-10	-10	-10	-10
12	R&D tax relief: increase large firms and SME credit	Spend	0	-40	–	–	–	–
13	R&D tax relief: changes to qualifying expenditure	Spend	0	+20	–	–	–	–
Investment and growth								
14	High value manufacturing catapult	Spend	0	-25	–	–	–	–
15	R&D: innovation funding	Spend	0	-70	–	–	–	–
16	Higher education: postgraduate loans	Spend	0	-15	–	–	–	–
17	Entrepreneurs' Relief: reinvested gains	Tax	0	0	-5	-5	-5	-5
18	Social investment tax relief	Tax	0	0	-10	-15	-20	-25
19	Peer-to-peer lenders: bad debt relief	Tax	0	0	-10	-15	-20	-25
20	Supporting first-time exporters	Spend	0	-20	–	–	–	–
Energy and environment								
21	Oil and gas: 2% cut to Supplementary Charge	Tax	0	-55	-60	-50	-65	-60
22	Oil and gas: support for investment	Tax	0	-5	-15	-15	-10	-95
23	Household energy efficiency incentives	Spend	-30	-70	–	–	–	–
24	Support for off-gas-grid households	Spend	0	-30	–	–	–	–
25	Corporation tax: flood defence relief	Tax	*	-5	-5	-5	-5	-5
Community								
26	Schools and children	Spend	0	-40	–	–	–	–
27	Culture and sport	Spend	-5	-30	–	–	–	–
28	Church roof repair fund	Spend	-15	*	–	–	–	–
29	VAT: support for search & rescue and hospices	Tax	-5	-10	-5	-5	-5	-5
Base erosion and profit shifting (BEPS)								
30	Diverted profits tax	Tax	0	+25	+270	+360	+345	+355
31	Corporation tax: hybrids	Tax	0	0	+15	+70	+85	+90
32	Corporation tax: country-by-country reporting	Tax	0	+5	+5	+10	+10	+15

		Head	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
			£ million					
Avoidance, tax planning and fairness								
33	Corporation tax: accounting treatment of credit losses	Tax	0	0	+5	+10	+240	+40
34	Corporation tax: bank losses restriction	Tax	0	+695	+765	+705	+695	+625
35	Non-domiciles: increase remittance basis charge	Tax	0	0	+120	+90	+90	+90
36	Self-incorporation: intangible assets	Tax	+5	+30	+80	+110	+135	+155
37	Investment managers' disguised fee income	Tax	0	*	+160	+80	+65	+55
38	Stamp duty on shares: schemes of arrangement	Tax	*	+65	+65	+55	+50	+50
39	Special purpose share schemes	Tax	0	0	+45	+40	+40	+40
40	Income tax: miscellaneous losses	Tax	0	+5	+5	+5	+5	+5
41	Venture capital schemes: restrictions on use	Tax	0	-15	+30	+10	+10	+10
42	Income tax: salary sacrifice and expenses, including umbrella companies	Tax	0	0	+120	+90	+75	+75
43	Office of Tax Simplification: review of expenses	Tax	0	-10	-5	-10	-10	-10
44	DOTAS regime changes	Tax	0	*	*	+30	+50	+70
45	HMRC: operational measures	Tax	0	-10	+260	+365	+145	+55
46	Corporation tax: accelerated payments and group relief	Tax	0	+425	-345	-40	-30	0
Previously announced								
47	Counter-terrorism funding	Spend	-20	-110	–	–	–	–
48	Pensions flexibility: decisions since Budget 2014	Tax	0	+60	-25	-25	+30	-10
49	Rail fares cap for 2015	Spend	-25	-95	–	–	–	–
50	Glasgow City Deal	Spend	0	-15	–	–	–	–
51	Migrant access to benefits	Spend	0	+15	–	–	–	–
52	Pool Reinsurance Limited: increased fee	Spend	+50	+175	+175	+175	+175	+175
Other								
53	Peer-to-peer lenders: withholding tax regime	Tax	0	0	0	+60	+10	+35
54	Public service pensions: next steps in revaluation	Spend	0	+335	+365	+375	+385	+390
55	Special Reserve	Spend	+200	0	–	–	–	–
56	Total fiscal impact of welfare cap measures[3]	Spend	-20	+150	–	–	–	–
Health								
57	Foreign Exchange fines	Tax	+1,115	0	0	0	0	0
58	NHS: fund to upgrade GP services[4]	Spend	0	-295	-295	-295	-295	0
59	Mental health and dementia	Spend	0	-45	–	–	–	–
	TOTAL POLICY DECISIONS		**+865**	**-1,030**	**+75**	**+410**	**+450**	**+425**
	Total spending policy decisions		+130	-470	+240	+250	+260	+565
	Total tax policy decisions		+735	-560	-165	+160	+190	-140
	Memo: NHS funding from the Reserve, reflected in 2015-16 spending numbers[4]	*Spend*	*0*	*-1,200*	–	–	–	–

** Negligible*

[1] Costings reflect the OBR's latest economic and fiscal determinants.

[2] Only spending numbers which directly affect borrowing in 2016-17, 2017-18, 2018-19 and 2019-20 are shown. All other spending measures do not affect borrowing as they fall within the Total Managed Expenditure assumption in those years.

[3] See Table 2.2.

[4] Spending numbers include allocations for Scotland, Wales and Northern Ireland.

Table 2.2: Policy decisions within the welfare cap[1]

	£ million					
	2014-15[2]	2015-16	2016-17	2017-18	2018-19	2019-20
Previously announced measures						
a Universal Credit: updated delivery schedule[3]	*0*	+55	+425	+915	-110	-395
b Universal Credit: supporting 85% of childcare costs	*0*	0	-10	-130	-245	-310
c Employment and Support Allowance: additional healthcare professionals	*0*	+30	+125	+95	+75	0
d Employment and Support Allowance: restricting repeat claims	*0*	+25	+25	+10	+10	+15
e Personal Independence Payment: updated delivery schedule	*-30*	-85	-45	-5	-10	0
f Pensions flexibility: notional income rules for benefits	*0*	*	*	-5	-5	-5
g Bereavement benefits reform	*0*	0	0	-40	-35	-15
Universal Credit						
h Simplifying assessment periods	*0*	-5	-10	-20	-25	-25
i Work allowances: maintain current level in 2017-18	*0*	0	0	+60	+115	+145
Operational policy decisions						
j DWP fraud and error: additional capacity	*0*	+45	+10	+5	-10	0
k DWP fraud and error: local authority incentive scheme	*+10*	+65	+5	0	0	0
l Tax credits: prevent overpayments following change of circumstances in-year	0	+60	+40	+30	+15	+10
m Tax credits: self-employment tests for Working Tax Credit	*0*	+45	+45	+30	+15	+10
Other policy decisions						
n Pension credit passthrough	*0*	-10	*	+5	+10	+15
o Carer's allowance: higher earnings limit	*0*	-5	-10	-20	-20	-20
p Welfare cap impacts of other policy decisions[4]	*0*	-15	-5	+20	+20	+10
Total impact of policy decisions on welfare cap	***-20***[2]	**+205**	**+595**	**+950**	**-200**	**-565**
Total fiscal impact of welfare cap policy decisions[5]	**-20**	**+150**	–	–	–	–

** Negligible*

[1] Costings reflect the OBR's latest economic and fiscal determinants.

[2] 2014-15 is not covered by the welfare cap.

[3] This reflects the updated delivery schedule announced by the government in October 2014, and the OBR's additional judgements as set out in their Economic and Fiscal Outlook.

[4] This reflects the impacts on benefits within the welfare cap of non-welfare measures, such as the impact of the personal allowance changes on UC entitlement.

[5] This reflects the total impact (both inside and outside the cap) of the welfare measures in this table, including impacts on non-welfare cap benefits and DWP DEL funding.

Public spending

Welfare cap

2.6 Autumn Statement 2014 sets the level of the welfare cap in 2019-20 at £129.8 billion, the level of the OBR's forecast for welfare spending in that year. The cap is adjusted in every year to reflect a neutral classification change in the OBR forecast. The forecast margin will be 2% of the cap in each year that the cap applies.

Total Managed Expenditure

2.7 Total Managed Expenditure (TME) in 2018-19 and 2019-20 will be held flat in real terms. The government will continue to prioritise capital investment over the medium to longer term. Therefore, within the overall TME assumption, public sector gross investment (PSGI) will grow in line with GDP from 2018-19. Following Spending Round 2013 and in line with previous policy, TME in 2016-17 and 2017-18 will fall in real terms at the same rate as over the period 2010-11 to 2014-15. The fiscal assumption for 2016-17, 2017-18, 2018-19 and 2019-20 is expressed in terms of TME. It would, of course, be possible to do some consolidation through tax instead.

Table 2.3: Total Managed Expenditure[1]

	£ billion						
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
CURRENT EXPENDITURE							
Resource AME	319.6	334.3	341.4	358.9	373.5	389.7	404.5
Resource DEL, excluding depreciation	316.9	316.8	316.8				
Ring-fenced depreciation	22.1	20.6	22.3				
Implied Resource DEL, including depreciation[2]				*321.8*	*310.6*	*305.6*	*302.5*
Public sector current expenditure	**658.5**	**671.7**	**680.4**	**680.6**	**684.1**	**695.3**	**707.0**
CAPITAL EXPENDITURE							
Capital AME	19.3	19.1	17.9	19.0	20.0	18.2	17.9
Capital DEL	42.0	46.3	47.9				
Implied Capital DEL[2]				*47.0*	*47.2*	*51.8*	*55.0*
Public sector gross investment	**61.4**	**65.4**	**65.8**	**66.0**	**67.2**	**70.0**	**72.9**
TOTAL MANAGED EXPENDITURE[3]	**719.9**	**737.1**	**746.2**	**746.7**	**751.3**	**765.3**	**779.9**
Total Managed Expenditure (%GDP)	41.5%	40.5%	39.5%	*38.2%*	*36.9%*	*36.0%*	*35.2%*

Memo: average annual real growth in Total Managed Expenditure (2010-11 to 2014-15): -1.1%

[1] Budgeting totals are shown including the OBR's forecast Allowance for Shortfall. Resource DEL excluding ring-fenced depreciation is the Treasury's primary control within resource budgets and is the basis on which Spending Review settlements are agreed. The OBR publishes public sector current expenditure in DEL and AME, and public sector gross investment in DEL and AME. A reconciliation is published by the OBR.

[2] Implied DELs beyond 2015-16 assume no future policy changes to AME. Departmental budgets will be set at the next Spending Review.

[3] The 2010-11 baseline for calculating the TME growth rule excludes in-year spending reductions announced at June Budget 2010 and departmental underspends against 2010-11 plans. The 2014-15 baseline for calculating the TME growth rule excludes the OBR's forecast Allowance for Shortfall. The TME growth rule is applied to a 2015-16 baseline which excludes the OBR's Allowance for Shortfall and the effect of all policy measures announced at Autumn Statement 2013, Budget 2014 and Autumn Statement 2014. Following the application of the growth rule, TME from 2016-17 onwards has been adjusted to take account of the same measues as at Budget 2014 and the following Autumn Statement 2014 measures: Pool Reinsurance, Public Service Pensions revaluations and funding for advanced care in GP-led services. The effect of the historic adjustments to the UK's GNI-based contributions to the EU, accrued to 2014-15, and the associated rebate in 2015-16 are excluded from the growth rule.

Departmental Expenditure Limits

2.8 Reduction in departmental spending in 2014-15 – The Special Reserve provision is adjusted to reflect revised forecasting. The government continues to support operations across the globe from Afghanistan to Iraq and Syria and this revision will not affect frontline operations. (55)

2.9 Devolved Administrations' budgets – The Devolved Administrations' budgets will be adjusted in line with the Barnett formula, as set out in the Statement of Funding Policy. The Northern Ireland Executive, Scottish Government and Welsh Government will each see increases in their budgets, to be allocated according to their own priorities, as a result of spending decisions taken by the UK government at this Autumn Statement.

International development

2.10 Official Development Assistance (ODA) – In 2013 the UK became the first G7 country to meet the UN target to spend 0.7% of Gross National Income (GNI) on ODA.[3] The government will meet this commitment again in 2014.

Financial transactions and contingent liabilities

2.11 A number of policy measures announced in this Autumn Statement do not directly affect public sector net borrowing in the same way as conventional spending or taxation. These include financial transactions that directly impact only on the central government net cash requirement (CGNCR) and public sector net debt, and transactions likely to be recorded as contingent liabilities. Table 2.4 shows the effect of financial transactions on CGNCR.

[3] 'Development Co-operation Report 2014: Mobilising Resources for Sustainable Development', OECD, October 2014.

Table 2.4: Financial transactions: impact on central government net cash requirement

Financial transactions	£ million					
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
i Postgraduate funding reform	0	0	-300	-425	-395	-365
ii Housing Zones	0	-50	-120	-180	-85	-50
iii British Business Bank: extend Enterprise Capital Funds	0	-5	-25	-45	-65	-55
TOTAL POLICY DECISIONS	**0**	**-55**	**-445**	**-650**	**-545**	**-470**

[1] *Costings reflect the OBR's latest economic and fiscal determinants, and are presented on a UK basis.*

Public sector pensions and efficiency

2.12 Public sector efficiency – The government will seek a further £10 billion of efficiency savings by 2017-18. This will be led by the Cabinet Office, working with HM Treasury and departments.

2.13 Public service pensions revaluations – New employer contribution rates will be introduced for the Armed Forces Pension Scheme, the Firefighters' Pension Scheme, the Judicial Pension Scheme and devolved public service pension schemes in Scotland and Northern Ireland from April 2015. (54)

2.14 Public service transformation – Responding to the recommendations of the Service Transformation Challenge Panel, the government will look to develop and extend the principles of the Troubled Families programme to other groups of people with complex needs from the next Spending Review. To move in this direction, the government will:

- complete analysis on the costs and outcomes of key groups of people with multiple needs suggested by the Panel, and the evidence around the best way to help them
- review the nature of the funding available for service transformation, with a view to improving incentives in future
- look at how best to align inspection and accountability regimes so that they encourage services to integrate around people with multiple needs
- explore options to stimulate innovation to take advantage of the latest digital techniques; this will include implementing digital tools to improve service outcomes and accessibility for local people and enable organisations to deliver services more efficiently
- publish local service budgets for 2015-16 on a single webpage in December 2014

2.15 To embed joint planning in health and social care further, and to build on the Better Care Fund, the government commits to giving local authorities and clinical commissioning groups (in collaboration with NHS England) indicative multi-year budgets as soon as possible after the next Spending Review. The government will also work towards enabling greater multi-year certainty in funding for schools and certainty for adult education providers where appropriate, in the context of area based strategies.

2.16 VAT refunds and shared services – As part of the shared services agenda, from 1 April 2015 'non-criminal legal services' will be added to the VAT refunds scheme to facilitate legal advice being shared across departments. Non-departmental public bodies will benefit from this shared service if their parent department agrees.

Health

2.17 NHS Funding – The government will spend an extra £2 billion on frontline NHS services in 2015-16. This is part of a multi-year £3.1 billion UK-wide investment in the future of the NHS. £1.5 billion will be used to help the NHS meet increased demand and deliver the best patient care in 2015-16, and £200 million will be invested in a transformation fund to help deliver the first year of the NHS's 'Five Year Forward View'.[4] On top of this, the government will use the £1 billion of fines collected from banks that broke the foreign exchange rules to create a fund for advanced care in GP practices and community healthcare facilities. From 2015-16, £250 million per year will be invested in modern premises and technology to bring GPs, nurses and specialists together so that patients can get the best care close to home. These new primary care facilities will also be encouraged to join up closely with local job centres, social services and other community services. (57, 58)

2.18 Dementia research programme – The government will invest at least £15 million in innovative dementia research. (59)

2.19 Children's mental health services – The government will invest £30 million per year, £150 million over 5 years, on services for the treatment of eating disorders. (59)

2.20 Help for hospices – Following the Fair Playing Field Review, the government will refund the VAT that hospice charities incur. (29)

Devolved and local government

2.21 Glasgow and Clyde Valley City Deal – Autumn Statement confirms the government's contribution of £500 million over 30 years from 2015-16 to the Glasgow and Clyde Valley Infrastructure Fund, part of the landmark Glasgow and Clyde Valley City Deal agreed in August 2014. (50)

2.22 Corporation Tax devolution to Northern Ireland – The government recognises the strongly held arguments for devolving Corporation Tax rate-setting powers to Northern Ireland, including its land border with the very low corporation tax environment in the Republic of Ireland, and the shared goal of the UK government and the Northern Ireland Executive of rebalancing the Northern Ireland economy and securing the peaceful economic progress made in Northern Ireland since the Good Friday Agreement. In practical terms, further work by HMRC and HM Treasury has concluded that this proposal could be implemented provided that the Northern Ireland Executive is able to manage the financial implications.

2.23 The Prime Minister has made clear that the government is well-disposed to this change, if the right conditions are met, in view of the cross-party support in Northern Ireland.

2.24 The parties in the Northern Ireland Executive are currently taking part in talks aimed at resolving a number of issues. These include agreeing budgets for 2015-16 and putting the Northern Ireland Executive's finances on a sustainable footing for the future. As any future decision to reduce the Corporation Tax rate in Northern Ireland will mean a reduction in the Northern Ireland Executive's budget, the Government will introduce legislation in this Parliament subject to satisfactory progress on these issues in the cross-party talks.

2.25 Treatment of full devolution of non-domestic rates to the Welsh Government – Autumn Statement confirms that agreement has been reached with the Welsh Government on full devolution of non-domestic (business) rates policy. A fully devolved regime will be operational by April 2015.

2.26 Scottish Government block grant adjustment for Stamp Duty Land Tax and Landfill Tax – The UK government is working with the Scottish Government to agree the terms of a block grant adjustment in relation to the devolution of Stamp Duty Land Tax (SDLT) and Landfill Tax from April 2015. The government has delayed agreement beyond the Autumn Statement in order to ensure that the adjustment reflects the reformed system of SDLT. The associated reduction in the Scottish Government's block grant will be around £80 million smaller in 2015-16 as a result of changes in SDLT.

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[4] 'Five Year Forward View', NHS, October 2014

Other general spending measures

2.27 Sovereign Grant – In accordance with the Sovereign Grant Act 2011, the Sovereign Grant for 2015-16 will be £40.1 million.

2.28 Counter terrorism – As the Prime Minister announced on 25 November 2014, the government will increase funding by £130 million over 2014-15 and 2015-16 to strengthen the UK's capability to combat the increased threat of terrorism, including additional resources for programmes to prevent radicalisation. (47)

Housing and local growth

2.29 Local Growth Deals – The government will allocate a further £1 billion from the £12 billion Local Growth Fund between 2016-17 and 2020-21 to support a second round of Growth Deals.

2.30 Queen Elizabeth Olympic Park redevelopment (Olympicopolis) – The government will invest £141 million to support the London Legacy Development Corporation and Mayor of London's plans to build a new higher education and cultural quarter at the Queen Elizabeth Olympic Park.

2.31 Enterprise Zones – The government will extend the Enterprise Zone in Nottingham to a site in Derby. Further decisions on Enterprise Zones will be announced at Budget 2015.

2.32 Croydon Growth Zone – The government will discuss plans for a Growth Zone with the London Borough of Croydon, which will be subject to value for money.

2.33 Ebbsfleet – The government is making the first £100 million available to fund infrastructure and land remediation at Ebbsfleet, taking forward its commitment to build the first new garden city for almost 100 years, which will deliver up to 15,000 new homes.

2.34 Bicester – The government will support Bicester to provide up to 13,000 new homes, subject to value for money.

2.35 Barking Riverside – The government will agree a principal heads of terms agreement for a loan of £55 million to support the extension of the London Overground to Barking Riverside, to unlock the delivery of 11,000 homes.

2.36 Brent Cross – The government supports the London Borough of Barnet and the Greater London Authority's plans for the regeneration of Brent Cross, which could deliver 7,500 homes, subject to a full business case.

2.37 Affordable housing – The government will extend affordable housing capital investment to 2018-19 and 2019-20, to ensure that 275,000 new affordable homes can be delivered over the next Parliament.

2.38 Public sector land: housing delivery – The government will set ambitious targets for the release of public sector land between 2015 and 2020. The government is committed to releasing land with capacity for up to 150,000 homes.

2.39 Northstowe – The government will take forward development at Northstowe to support accelerated delivery of up to 10,000 homes, and evaluate the feasibility and economic impact of using this model on a wider scale to support and accelerate housing supply.

2.40 Housing associations – The government will consult on ways to increase the borrowing capacity of housing associations in relation to the valuation of properties transferred from local authorities.

2.41 Estates regeneration – Budget 2014 announced a £150 million fund to kick start the regeneration of social housing estates through repayable loans. Following a bidding round, Grahame Park, Blackwall Reach, Aylesbury Estate and New Union Wharf regeneration projects have all now been approved for funding, subject to due diligence and contract negotiation.

2.42 Shared ownership – The government will work with housing associations, lenders and the regulator to identify and lift barriers to extending shared ownership. This will include the launch of a consultation on options for streamlining the process for selling-on shared ownership properties.

2.43 Local authority housing – Councillor Keith House and Natalie Elphicke are leading a review to consider the role local authorities can play in supporting overall housing supply within existing fiscal plans. The government welcomes the emerging recommendations on the importance of local authorities as Housing Delivery Enablers and greater transparency over local authority housing land.

Planning

2.44 Planning: establishing the principle of development – The government will take forward measures to ensure that the principle of development need only be established once.

2.45 Planning: section 106 negotiations – The government will take steps to speed up section 106 negotiations, to reduce delays to the planning process.

2.46 Planning: speed of decisions – The government will keep the speed of major decisions under review, with minimum performance thresholds increasing to 50% of major decisions made on time as performance improves.

2.47 Planning: small applications – The government will publish new data on local authorities' performance in meeting their statutory duty to process smaller planning applications within 8 weeks.

2.48 Planning: small sites – The government will work with industry and local authorities to test whether more can be done to support the approval of small sites in the planning system.

2.49 Compulsory Purchase reforms – The government will publish proposals for consultation at Budget 2015 to make processes clearer, faster and fairer, with the aim of bringing forward more brownfield land for development.

2.50 National Transport Policy – The government plans to lay the National Networks National Policy Statement before Parliament in December 2014 for consideration and a formal vote.

Personal tax and welfare

Income Tax and National Insurance contributions

2.51 Personal allowance in 2015-16 – The government will increase the Income Tax personal allowance to £10,600 from April 2015. The basic rate limit will be £31,785 so the higher rate threshold above which individuals pay Income Tax at 40% will be increased to £42,385. The National Insurance upper earnings and upper profits limits will increase to stay in line with the higher rate threshold. The basic, higher and additional rates of Income Tax for 2015-16 will remain at their 2014-15 levels. (Finance Bill 2015) (1)

2.52 Blind person's allowance, married couple's allowance and income limit for 2015-16 – As announced at Budget 2011, the government will increase the blind person's allowance, married couple's allowance and the income limit by amounts equivalent to the Retail Prices Index (RPI) in 2015-16. (Finance Bill 2015)

2.53 Abolish employer National Insurance contributions up to the upper earnings limit for apprentices aged under 25 – The government will abolish employer NICs up to the upper earnings limit for apprentices aged under 25. This will come into effect from April 2016. (6)

2.54 Extending the employer National Insurance contributions Employment Allowance to care and support workers – The government will extend the annual £2,000 Employment Allowance for employer NICs to care and support workers. This will come into effect from April 2015. (11)

2.55 Social investment tax relief (SITR): enlarging the scheme – The government will seek EU approval to increase the investment limit to £5 million per annum per organisation up to a maximum of £15 million per organisation and to extend the relief to small-scale community farms and horticultural activities. The changes will come into effect on or after 6 April 2015, subject to state aids clearance. The government will make special purpose vehicles for subcontracted and spot-purchase social impact bonds eligible for SITR through secondary legislation in autumn 2015. The government will consult in early 2015 on introducing a Social Venture Capital Trust (VCT) in a future finance bill. (Finance Bill 2015) (18)

2.56 Lump sums provided under the Armed Forces Early Departure scheme – The government will legislate to ensure that lump sum payments made under the new Armed Forces Early Departure Payment scheme are exempt from Income Tax and NICs. This change will take effect from 1 April 2015, when the new scheme is introduced. (Finance Bill 2015)

2.57 Taxation of resident non-domiciles – The government will increase the annual charge paid by non-domiciled individuals resident in the UK who wish to retain access to the remittance basis of taxation. The charge paid by people who have been UK resident for 7 out of the last 9 years will remain at £30,000. The charge paid by people who have been UK resident for 12 out of the last 14 years will increase from £50,000 to £60,000. A new charge of £90,000 will be introduced for people who have been UK resident for 17 of the last 20 years. The government will also consult on making the election apply for a minimum of 3 years. (Finance Bill 2015) (35)

2.58 Restricting entitlement to the personal allowance for non-residents – At Budget 2014 the government launched a consultation on whether or not to restrict the Income Tax personal allowance for non-residents. Whilst the government believes there is a strong rationale for doing this, it recognises it is a complex change for both employers and individuals who may be affected. The government will continue to discuss implementation of this change with stakeholders. Should the government decide to proceed, a more detailed consultation will be undertaken. No change will come into effect before April 2017.

2.59 Venture capital schemes: changes to scheme rules – All community energy generation undertaken by qualifying organisations will be eligible for SITR with effect from the date of the expansion of SITR, at which point it will cease to be eligible for the Enterprise Investment Scheme (EIS), Seed Enterprise Investment Scheme (SEIS) and VCTs. All other companies benefiting substantially from subsidies for the generation of renewable energy will be excluded from also benefiting from EIS, SEIS and VCTs with effect from 6 April 2015. (Finance Bill 2015) (41)

2.60 Venture capital schemes: online processes – The government will introduce a new digital process for investors and companies qualifying for the tax-advantaged venture capital schemes (EIS, SEIS and SITR) in 2016, making it easier to use the schemes. A new format for VCT returns will also be developed.

2.61 Tax exemption for travel expenses of members of local authorities – The government will exempt from Income Tax and employee NICs travel expenses paid to councillors by their local authority. The exemption will be limited to the Approved Mileage Allowance Payment (AMAP) rates where it applies to mileage payments. This change will take effect from 6 April 2015.

Taxation on savings and pensions

2.62 Individual Savings Accounts (ISAs): transfer to spouses on death – The government will legislate to allow an additional ISA allowance for spouses or civil partners when an ISA saver dies, equal to the value of that saver's ISA holdings on their date of death. (2)

2.63 ISAs: Qualifying Investments – The government will consult on whether to allow crowdfunded debt-based securities into ISAs and on how this could be implemented.

2.64 ISAs: new annual subscription limits – The government will uprate the ISA, Junior ISA and Child Trust Fund annual subscription limits in line with the Consumer Price Index (CPI). The 2015-16 ISA limit will be increased to £15,240. The Junior ISA and Child Trust Fund limits will both be increased to £4,080.

2.65 55% tax charge on inherited pensions – From April 2015, beneficiaries of individuals who die under the age of 75 with remaining uncrystallised or drawdown defined contribution pension funds, or with a joint life or guaranteed term annuity, will be able to receive any future payments from such policies tax free where no payments have been made to the beneficiary before 6 April 2015. The tax rules will also be changed to allow joint life annuities to be paid to any beneficiary. Where the individual was over 75, the beneficiary will pay the marginal rate of Income Tax, or 45% if the funds are taken as a lump sum payment. Lump sum payments will be charged at the beneficiary's marginal rate from 2016-17. (Finance Bill 2015) (48)

2.66 Pensions: changes to notional income rules – To assess means-tested benefits for those over the pension credit qualifying age, the government will change the notional income rules applied to pension pots which have not been accessed, or have been accessed flexibly, from 150% to 100% of the income an equivalent annuity would offer, or the actual income taken if higher. (f)

2.67 Pensions flexibility: £10,000 annual allowance – As announced on 21 July 2014, the government will introduce a reduced annual allowance of £10,000 for money purchase pension contributions for individuals who have flexibly accessed a pension from 6 April 2015. (48)

2.68 Pensions flexibility: transfers from funded defined benefit schemes – As announced on 21 July 2014, the government will continue to allow transfers from funded defined benefit schemes to defined contribution schemes in the context of the new flexibilities. (48)

2.69 Pensions flexibility: small pots rules – As announced on 21 July 2014, the government will continue the small pots rules for withdrawals from defined contribution pension savings from 6 April 2015. These rules allow individuals to take up to 3 small pension pots from non occupational schemes, or an unlimited number from occupational schemes, of up to £10,000 as a lump sum without being subject to a reduced annual allowance of £10,000. The government will also lower the age at which an individual can make use of these rules from 60 to 55 from 6 April 2015. (48)

2.70 Uprating of pensions benefits – The government confirms that the standard minimum income guarantee in Pension Credit will rise by the same amount as the cash increase in the basic State Pension. The Savings Credit threshold will rise by 5.1%. In consequence, the full new State Pension will rise to at least £151.25 a week; the actual amount will be set in autumn 2015. (n)

2.71 Pensions tax relief: the age 75 rule – Following informal consultation since Budget 2014, the government has decided not to make changes to the age limit at which tax relief can be claimed on pension contributions. This will remain at age 75.

Inheritance Tax

2.72 Inheritance Tax (IHT) exemption for emergency services personnel and humanitarian aid workers – Following consultation since Budget 2014, the government will extend the existing IHT exemption for members of the armed forces whose death is caused or hastened by injury while on active service to members of the emergency services and humanitarian aid workers responding to emergency circumstances. It will have effect for deaths on or after 19 March 2014. (Finance Bill 2015)

2.73 Inheritance Tax and trusts – Following consultation launched after Budget 2014, the government will not introduce a single settlement nil-rate band. The government will introduce new rules to target avoidance through the use of multiple trusts. It will also simplify the calculation of trust rules. (Finance Bill 2015)

2.74 Inheritance Tax changes to support the new digital service in 2015-16 – The government will introduce legislation dealing with interest to support the introduction of the new IHT digital service announced in Autumn Statement 2013. (Finance Bill 2015)

2.75 Inheritance Tax exemption for medals and other awards – The government will extend the existing IHT exemption for medals and other decorations that are awarded for valour or gallantry. From 3 December 2014 it will apply to all decorations and medals awarded to the armed services or emergency services personnel, and to awards made by the Crown for achievements and service in public life. (Finance Bill 2015)

Capital Gains Tax

2.76 Capital Gains Tax (CGT) Entrepreneurs' Relief (ER): restricting unfair tax advantages on incorporation – The government will prevent individuals from claiming ER on disposals of the reputation and customer relationships associated with a business ('goodwill') when they transfer the business to a related close company. This will affect transfers on or after 3 December 2014. (Finance Bill 2015) (36)

2.77 Capital Gains Tax: Entrepreneurs' Relief – The government will allow gains which are eligible for ER, but which are instead deferred into investments which qualify for the EIS or SITR, to remain eligible for ER when the gain is realised. This will benefit qualifying gains on disposals that would be eligible for ER but are deferred into EIS or SITR on or after 3 December 2014. (Finance Bill 2015) (17)

2.78 Capital Gains Tax digital calculator – The government will introduce a digital calculator for CGT. (45)

Charities

2.79 The use of London Interbank Offered Rate (LIBOR) fines – The government has committed a further £50 million of LIBOR fines over the next 6 years to support military charities and other good causes.

2.80 VAT refunds for search and rescue and air ambulance charities – From April 2015, UK search and rescue and air ambulance charities will be eligible to claim refunds on VAT they have paid on purchases of goods and services for their non-business activities. (Finance Bill 2015) (29)

2.81 Gift Aid digital – As announced at Budget 2014, the government will publish draft legislation to allow regulations to be made which give intermediaries a greater role in administering Gift Aid. (Finance Bill 2015)

2.82 Charity donor benefits and Gift Aid entrance and membership fees – The government will continue and extend the review of donor benefits launched at Budget 2014 to include consideration of the rules for claiming Gift Aid on membership and entrance fees. An update will be provided at Budget 2015. The government will also work with the sector on updating the guidance and making it easier to understand.

Welfare

2.83 Universal Credit: childcare package – From April 2016, the government will increase childcare support within Universal Credit to 85% of eligible costs for all families. In addition, if a claimant leaves Universal Credit and returns within a 6-month period, they will be able to keep their existing assessment period. To offset the cost of these policies, the Universal Credit work allowances will be maintained at their current level for a period of 1 year from April 2017. Surplus earnings that are in excess of £100 above a household's Universal Credit award threshold will be accounted for in award calculations over a 6-month period. (b, h, i)

2.84 Universal Credit delivery schedule – Universal Credit will be implemented in line with plans set out by the Secretary of State for Work and Pensions on 13 October 2014. (a)

2.85 Carer's Allowance: higher earnings limit – The government will increase the earnings limit in Carer's Allowance from £102 to £110 per week from April 2015. (o)

2.86 Personal Independence Payment (PIP) delivery schedule – The government will continue to roll out PIP natural reassessments (the migration of Disability Living Allowance claimants due for reassessment) in a controlled and gradual manner. (e)

2.87 Employment and Support Allowance (ESA) – As announced by the Department for Work and Pensions (DWP) on 27 November 2014, the government will prevent claimants who have been found fit for work at a Work Capability Assessment from being paid the ESA assessment rate unless their condition has changed or a new condition has developed. The government will also extend the period of time that claimants may remain on Jobseeker's Allowance (JSA) while sick without having to move to ESA, and pilot new approaches to supporting ESA claimants during the assessment phase and on return from the Work Programme. (d)

2.88 Employment and Support Allowance: procuring additional healthcare professionals – The government is procuring additional healthcare professionals to reduce waiting times for Work Capability Assessments, reducing costs by over £200 million across the forecast period. (c)

2.89 Extension of the New Enterprise Allowance scheme to dependent partners – Dependent partners in a couple's JSA or ESA claim will be able to access the New Enterprise Allowance scheme. The scheme supports benefit claimants who want to start their own business.

2.90 European Economic Area (EEA) migrant access to Jobseeker's Allowance – Budget 2014 announced a limit of 6 months on EEA migrants' access to JSA, unless they passed a Genuine Prospect of Work assessment. Autumn Statement confirms that the government will now limit EEA migrants' access to JSA to 3 months, subject to the same assessment. (51)

2.91 Genuine Prospect of Work assessment for migrants' pre-existing Jobseeker's Allowance claims – The government will apply a Genuine Prospect of Work assessment to EEA migrants who have been claiming JSA since before 1 January 2014. This assessment is already in place for EEA migrants who have been claiming JSA since 1 January 2014. (51)

2.92 Access to benefits – From April 2015, self-employed Working Tax Credit (WTC) claimants will need to register their self-employment with HMRC for Self Assessment purposes and provide a Unique Tax Reference number in order to be able to claim. Those declaring income less than the equivalent of working 24 hours a week at the National Minimum Wage (NMW) will also be required to provide evidence to HMRC that the work they are undertaking is genuine and effective. (m)

2.93 Taxation of the Bereavement Support Payment (BSP) – The Pensions Act 2014 legislated for the new BSP. The BSP will replace the 3 current benefits paid in respect of bereavement from April 2017. The Autumn Statement announces that the BSP will be exempt from Income Tax. (Finance Bill 2015) (g)

Corporate tax

2.94 Corporation Tax: high-end television tax relief – The government will explore with industry whether to reduce the minimum UK expenditure for high-end TV relief from 25% to 10% and modernise the cultural test, to bring the relief in line with film tax relief.

2.95 Corporation Tax: children's television tax relief – The government will introduce a new tax relief for the production of children's television programmes from 1 April 2015. The relief will be available at a rate of 25% on qualifying production expenditure. (Finance Bill 2015) (27)

2.96 Corporation Tax: orchestra tax relief – The government will consult in early 2015 on the introduction of an orchestra tax relief from 1 April 2016.

2.97 Research and Development (R&D) tax credits: rates – The government will increase the rate of the above the line credit from 10% to 11% and will increase the rate of the small and medium enterprise (SME) scheme from 225% to 230%, from 1 April 2015. (Finance Bill 2015) (12)

2.98 Research and Development tax credits: qualifying expenditure – The government will restrict qualifying expenditure for R&D tax credits so that the costs of materials incorporated in products that are sold are not eligible, with effect from 1 April 2015. (Finance Bill 2015) (13)

2.99 Research and Development tax credits – The government will introduce an advanced assurance scheme for small businesses making their first claim and develop new guidance for R&D tax credits. The government will launch a consultation on the issues faced by smaller businesses when claiming R&D tax credits in January 2015.

2.100 Withholding tax exemption for private placements – The government will provide for a new exemption from withholding tax on interest on qualifying private placements (a type of unlisted debt) to help unlock new finance for businesses and infrastructure projects. (Finance Bill 2015)

2.101 Share capital reductions in takeovers – The government will, by early 2015, bring forward amendments to section 641 of the Companies Act to prohibit reductions in share capital by target companies in takeovers conducted using schemes of arrangement in order to protect the stamp tax base. (38)

2.102 Repeal of the late paid interest rules – As part of the review of the legislation on corporate debt announced at Budget 2013, the government will repeal rules concerning loans made to UK companies by a connected company in a non-qualifying territory. (Finance Bill 2015)

2.103 Flood defence relief – The government will legislate to ensure that from 1 January 2015 business contributions to Flood and Coastal Erosion Risk Management (FCERM) projects will be deductible expenditure for Corporation Tax and Income Tax purposes. (Finance Bill 2015) (25)

Oil and gas taxes

2.104 Supplementary Charge – The government will implement an immediate 2% reduction in the rate of the Supplementary Charge from 32% to 30%, taking effect on 1 January 2015 and will aim to reduce the rate further in an affordable way. (Finance Bill 2015) (21)

2.105 Ring fence expenditure supplement – The government will extend the ring fence expenditure supplement from 6 to 10 accounting periods for all ring fence oil and gas losses and qualifying pre-commencement expenditure incurred on or after 5 December 2013 (Finance Bill 2015) (22)

2.106 High pressure, high temperature cluster area allowance – The government will introduce an allowance to support the development of high pressure, high temperature projects and encourage exploration and appraisal activity in the surrounding area or 'cluster'. The allowance will exempt a portion of a company's profits from the supplementary charge. The amount of profit exempt will equal 62.5% of the qualifying capital expenditure a company incurs in relation to a cluster from 3 December 2014 onwards. (Finance Bill 2015) (22)

Indirect taxes

2.107 VAT refunds and the Highways Agency – The Highways Agency will soon be replaced by a government-owned company. The relevant legislation will be updated to ensure that the new company is eligible for VAT refunds from 1 April 2015. (Finance Bill 2015)

2.108 Government departments and eligibility for refunds of VAT – HM Treasury has undertaken a review of government bodies eligible for VAT refunds and will publish the details in the London, Edinburgh and Belfast Gazettes early next year.

2.109 VAT and the London Legacy Development Corporation – The London Legacy Development Corporation will be eligible for VAT refunds from 1 April 2015.

2.110 Prompt payment discounts – From 1 April 2015, businesses will be required to account for VAT on the actual consideration received when prompt payment discounts are offered. HMRC will publish a response to the recent consultation shortly.

2.111 Minimum Excise Tax (MET) – The consultation on whether an MET could help support the tobacco duty regime closed on 15 October 2014. The government is carefully considering the responses and a decision on whether to pursue a MET further will be made in due course.

2.112 Tobacco levy – The government will consult on the introduction of a levy on tobacco manufacturers and importers. A consultation document will be published shortly.

Horserace betting levy

2.113 Horserace betting levy – The government will consult on the introduction of a racing right in early 2015 and will announce a decision after consultation.

Transport taxes

2.114 Air Passenger Duty (APD) – Autumn Statement announces an exemption from reduced rate APD from 1 May 2015 for children under 12 and from 1 March 2016 for children under 16. (Finance Bill 2015) (3)

2.115 Air Passenger Duty transparency – The government has reviewed how to improve tax transparency in ticket prices and will consult on an amendment to the Air Services (Pricing) Regulations to require the display of APD.

2.116 Fuel duty for aqua methanol – From 1 April 2015, the government will apply a reduced rate of fuel duty to aqua methanol. The rate will be set at 7.90 pence per litre (ppl). The government will review the impact of this incentive at Autumn Statement 2016. (Finance Bill 2015)

Environment and energy taxes

2.117 Carbon price floor: excluding combined heat and power (CHP) – As announced at Budget 2014, from 1 April 2015 the government will exclude from the carbon price support rates, fossil fuels that are used by CHPs to generate good quality electricity that is self-supplied or supplied under exemption from the requirement to hold a supplier licence. (Finance Bill 2015)

2.118 Landfill Tax: compliance work in relation to the lower rate – Following consultation, the government will introduce a loss on ignition testing regime on fines produced from the processing of waste at mechanical treatment plants from 1 April 2015. Only qualifying fines below a 10% threshold will be considered eligible for the lower rate, though there will be a 12 month transitional period where the threshold will be 15%. (Finance Bill 2015)

2.119 Landfill Tax: reform of the Landfill Communities Fund – Following the government's unspent funds challenge, the government is consulting on options for reform to get funding to community projects more efficiently. Public consultation on the reform options generated by the working group will follow in due course.

2.120 Aggregates Levy: credits in Northern Ireland – The government will introduce an 80% levy credit for aggregate commercially exploited in Northern Ireland between 1 April 2004 and 30 November 2010 following its importation from another EU Member State. (Finance Bill 2015)

Property tax

2.121 Stamp Duty Land Tax: reform of residential rates – The government will change the calculation of SDLT on purchases of residential property so that rates apply to the portion of the purchase price within each band. The government will also amend the rates and thresholds so that the portion of the transaction value up to £125,000 is charged at a rate of 0%, the portion between £125,001 and £250,000 is charged at a rate of 2%, the portion between £250,001 and £925,000 is charged at a rate of 5%, the portion between £925,001 and £1,500,000 is charged at a rate of 10% and the portion over £1,500,000 is charged at a rate of 12%. These changes will take effect on and after 4 December 2014. (Stamp Duty Land Tax Bill 2014) (4)

2.122 Stamp Duty Land Tax: treatment of shared ownership properties – The government will extend the SDLT multiple dwellings relief to include superior interests in residential property, such as shared ownership. This will apply where the transaction is part of a lease and leaseback arrangement, if acquired from a qualifying body such as a housing association. The change will take effect from the date on which Finance Bill 2015 receives Royal Assent. (Finance Bill 2015)

2.123 Application of Stamp Duty Land Tax on certain authorised property funds – As part of the Investment Management Strategy, the government intends to introduce a seeding relief for property authorised investment funds (PAIFs) and co-ownership authorised contractual schemes (CoACSs) and intends to make changes to the SDLT treatment of CoACSs investing in property so that SDLT does not arise on the transactions in units, subject to the resolution of potential avoidance issues. Any changes will be legislated for in Finance Bill 2016.

2.124 Stamp Duty Land Tax: alternative property finance reliefs – The government will change the definition of a 'financial institution' for the purposes of the SDLT alternative property finance reliefs to include all persons authorised to provide Home Purchase Plans. The change will take effect from the date on which Finance Bill 2015 receives Royal Assent. (Finance Bill 2015)

2.125 Annual Tax on Enveloped Dwellings (ATED) – The government will increase the annual charges of the ATED by 50% above inflation for residential properties worth more than £2 million for the chargeable period 1 April 2015 to 31 March 2016. (Finance Bill 2015) (5)

2.126 Business rates administration review: interim findings – The government will publish its interim findings in December 2014, setting out a summary of stakeholder responses and providing an update on how the government proposes to respond to businesses' calls for clearer billing, better sharing of information and a more efficient appeals system.

2.127 Small Business Rate Relief (SBRR) – The government will extend the doubling of SBRR for a further year from 1 April 2015. (7)

2.128 Business rates: transitional arrangements – The government will extend the transitional arrangements for properties with a rateable value of £50,000 and below facing significant bill increases due to the ending of Transitional Rate Relief from 1 April 2015 to 31 March 2017. (10)

2.129 Business rates: backdating – The government will change the rules so that alterations to rateable values can only be backdated to the period between 1 April 2010 and 1 April 2015 for Valuation Office Agency (VOA) alterations made before 1 April 2016 and ratepayers' appeals made before 1 April 2015.

2.130 Business rates: discount – The government will increase the business rates discount for retail and food and drink premises with a rateable value of £50,000 and below to £1,500 up to the state aids limit for 1 year from 1 April 2015. (9)

2.131 Business rates: indexation – The government will continue the 2% cap on the RPI increase in the business rates multiplier for an additional year from 1 April 2015. (8)

2.132 Business rates: long-term review – The government will conduct a review of the future structure of business rates to report by Budget 2016. The review will be fiscally neutral and consistent with the government's agreed financing of local authorities. The government will publish terms of reference in due course.

Tax simplification

2.133 Office of Tax Simplification (OTS) report on the competitiveness of UK tax administration – The government has accepted and will further consider 51 of the 58 recommendations made by the OTS. The government has commenced work on many of these, with details to be published in due course.

2.134 Office of Tax Simplification review of non-tax-advantaged share schemes: marketable security – Following consultation launched after Budget 2014, the government has decided not to proceed with changes to the taxation of employee shares that would have introduced a 'marketable security'.

2.135 Office of Tax Simplification review of non-tax-advantaged share schemes: employee shareholding vehicle – Following consultation launched after Budget 2014, the government has decided not to proceed with a new employee shareholding vehicle.

2.136 Simplification of the administration of employee benefits and expenses – As announced at Budget 2014 the government will simplify the administration of employee benefits and expenses. From April 2015 the government will provide a statutory exemption for trivial benefits in kind costing less than £50. From April 2016, the government will remove the £8,500 threshold below which employees do not pay Income Tax on certain benefits in kind and replace it with new exemptions for carers and for ministers of religion. It will also exempt certain reimbursed expenses and introduce a statutory framework for voluntary payrolling. The new exemption for reimbursed expenses will not be available if used in conjunction with salary sacrifice. (Finance Bill 2015) (42, 43)

2.137 Consortium Relief – With effect from 10 December 2014, the government will remove all requirements relating to the location of the 'link company' for consortium claims to group relief at section 133 Corporation Tax Act 2010 (CTA 2010). This measure makes the tax system simpler by removing differences in treatment of link companies based in the UK and other jurisdictions. (Finance Bill 2015)

2.138 Modernising the taxation of corporate debt and derivative contracts – Following the review announced at Budget 2013 the government will make wide-ranging changes to update, simplify and rationalise the legislation on corporate debt and derivative contracts. This will include a clearer and stronger link between commercial accounting profits and taxation, basing taxable amounts on items of accounting profit or loss. It will also include the introduction of a new relief for companies in financial distress and new rules to protect the regime against tax avoidance. (Finance Bill 2015)

2.139 Simplifying the Annual Tax on Enveloped Dwellings administrative burden – The government will introduce changes to the filing obligations and information requirements with respect to properties within the ATED that are eligible for a relief. These changes will take effect from 1 April 2015. (Finance Bill 2015)

2.140 Improving the operation of the Construction Industry Scheme (CIS) – Following consultation, the government will implement a package of improvements to the CIS to reduce administrative burdens on construction businesses. A summary of responses will be published shortly.

2.141 Travel and subsistence review – At Budget 2014 the government announced a review of the rules for tax relief on travel and subsistence payments, in response to the OTS's review on employee benefits and expenses. The government has undertaken the initial stages of this review and continues to take this work forward towards a full public consultation on the framework for new rules.

Avoidance and evasion

Business tax

2.142 Diverted Profits Tax – The government will introduce a new tax to counter the use of aggressive tax planning techniques used by multinational enterprises to divert profits from the UK. The Diverted Profits Tax will be applied using a rate of 25% from 1 April 2015. (Finance Bill 2015) (30)

2.143 Country-by-country reporting – The government will introduce legislation that gives the UK the power to implement the Organisation for Economic Co-operation and Development (OECD) model for country-by-country reporting. The new rules will require multinational enterprises to provide high level information to HMRC on their global allocation of profits and taxes paid, as well as indicators of economic activity in a country. (Finance Bill 2015) (32)

2.144 Consultation on addressing hybrid mismatch arrangements – The government will consult on the UK's plans for implementing agreed OECD rules for addressing hybrid mismatch arrangements. The new rules will prevent multinational enterprises avoiding tax through the use of certain cross-border business structures or finance transactions. (31)

2.145 Tobacco anti-forestalling restrictions – The informal consultation on anti-forestalling restrictions closed on 4 August 2014. The government will be introducing measures to tighten tobacco anti-forestalling rules and apply penalties for non-compliance, in order to prevent tax avoidance. The measures will be legislated for in Finance Bill 2015 and will apply to the forestalling behaviour ahead of Budget 2016 and beyond. (Finance Bill 2015)

2.146 Corporation Tax: restricting unfair tax advantages on incorporation – The government will restrict the Corporation Tax relief a company may obtain for the acquisition of the reputation and customer relationships associated with a business ('goodwill') when the business is acquired from a related individual or partnership. This will affect acquisitions on or after 3 December 2014. (Finance Bill 2015) (36)

2.147 Overarching contracts of employment and temporary workers – The government will review the increasing use of overarching contracts of employment by employment intermediaries such as 'umbrella companies'. These arrangements enable workers to obtain tax relief for home to work travel that would not ordinarily be available. The government will publish a discussion paper shortly to inform possible action at Budget 2015.

2.148 Employment intermediaries: penalties – The government will make a minor amendment to correct legislation underpinning the penalty regime for the late filing or non-submission of quarterly returns from employment intermediaries. This will take effect from 6 April 2015. (Finance Bill 2015)

2.149 Accelerated payments and group relief – The government will introduce legislation to ensure that the accelerated payments legislation works effectively where avoidance arrangements give rise to losses surrendered as group relief. (Finance Bill 2015) (46)

2.150 Business rates avoidance: discussion paper – The government will publish a discussion paper on the nature and scale of business rates avoidance in December 2014.

Personal tax

2.151 Miscellaneous loss relief – The government will legislate to counter the avoidance of Income Tax through miscellaneous loss relief by introducing anti-avoidance rules from 3 December 2014. From 6 April 2015 it will also limit the miscellaneous income against which a miscellaneous loss can be claimed. (Finance Bill 2015) (40)

2.152 Special purpose share schemes – The government will legislate to remove the unfair tax advantage provided by special purpose share schemes, commonly known as 'B share schemes'. From 6 April 2015 all returns made to shareholders through such a scheme will be taxed in the same way as dividends. (Finance Bill 2015) (39)

2.153 Investment managers: disguised fee income – The government will introduce legislation, effective from 6 April 2015, to ensure that sums which arise to investment fund managers for their services are charged to Income Tax. It will affect sums which arise to managers who have entered into arrangements involving partnerships or other transparent vehicles, but not sums linked to performance, often described as 'carried interest', nor returns which are exclusively from investments by partners. (Finance Bill 2015) (37)

2.154 Close company loans to participators – The government has completed its review into the tax charge on loans from close companies to individuals, trusts and partnerships that have a share or interest in them. The government does not intend to make any changes to the structure or operation of the tax charge following this review.

Tax evasion and fraud

2.155 Strengthening civil deterrents for offshore tax evasion – Following consultation, the government will introduce legislation on enhanced civil penalties for offshore tax evasion. This will amend the existing offshore penalties regime to:

- include IHT
- apply to domestic offences where the proceeds of non-compliance are hidden offshore

- update the territory classification system to reflect the jurisdictions that adopt the new global standard of automatic tax information exchange
- include a new aggravated penalty of up to a further 50% for moving hidden funds to circumvent international tax transparency agreements

The changes will come into effect from April 2016, except for the aggravated penalty which will come into effect following Royal Assent. (Finance Bill 2015)

2.156 Enhancing financial incentives for offshore intelligence – HMRC will review its existing framework for offering financial incentives for information on offshore tax evaders, in particular those who remain outside the reach of international efforts to achieve tax transparency.

Marketed avoidance schemes

2.157 Promoters of tax avoidance schemes – Following consultation, the government will update and further clarify the legislation covering 'high risk' promoters of tax avoidance schemes, ensuring that the 2014 legislation functions as intended. The changes will include a broader range of connected persons under the common control of a promoter in the regime and clarify the time limits within which HMRC can issue conduct notices to promoters who fail to disclose a scheme.

2.158 Serial avoiders – The government will consult on action that could be taken to impose additional financial costs, compliance and reporting requirements on repeat users of known avoidance schemes. The government will seek views on whether publishing the names of individuals who have engaged in multiple tax avoidance schemes could contribute to deterrence in this area.

2.159 Penalties for General Anti-Abuse Rule (GAAR) cases – The government will consult on whether and how to introduce penalties for tax compliance cases where the GAAR applies.

2.160 Disclosure of Tax Avoidance Schemes (DOTAS) transparency – HMRC will publish summary information about tax avoidance promoters and schemes that are notified under the regime, to increase transparency in this area and further educate potential scheme users of the risks involved in entering into marketed tax avoidance. (Finance Bill 2015)

2.161 Disclosure of Tax Avoidance Schemes regime changes – Following consultation the government will legislate to strengthen the DOTAS regime, including through updating existing scheme hallmarks, adding new hallmarks, and removing 'grandfathering' provisions for the future use of schemes that were excluded by those provisions. (Finance Bill 2015)

2.162 Disclosure of Tax Avoidance Schemes taskforce – The government will increase HMRC resources involved in administering and enforcing the DOTAS regime by creating a new taskforce, ensuring that promoter and user behaviour continues to be effectively policed. (44)

Fraud, error and debt

2.163 Department for Work and Pensions fraud and error additional operational capacity – DWP will increase capacity within its fraud and error operations. Claims identified as carrying a risk of fraud, claimant error or official error will be targeted to ensure that claimants are not being paid more than they are entitled to. (j)

2.164 Housing Benefit fraud and error local authority incentive scheme – New financial rewards will be paid to local authorities that reduce the amount of money lost through fraud and error in Housing Benefit. (k)

2.165 Direct Recovery of Debts (DRD) – As announced at Budget 2014, the government will be able to recover tax and tax credit debts from the bank and building society accounts (and ISAs) of debtors. Following consultation, the government has further strengthened the safeguards which will apply to DRD. These include:

- a guaranteed face-to-face visit from an HMRC agent to every debtor who is considered for debt recovery through this measure – this will allow HMRC to identify vulnerable debtors to provide them with appropriate support
- slower implementation of DRD in the first year to allow HMRC to start the process on a small, targeted basis, and gain experience and feedback
- ensuring that judicial oversight of the process is enshrined in legislation, by allowing for appeal to the County Court
- Scotland will be removed from the scope of DRD as HMRC already has 'summary warrant' powers in Scotland to recover debts in a similar, though not identical, manner to DRD (Finance Bill 2015) (45)

2.166 Debt Market Integrator (DMI) – The government will work with the private sector to improve debt collection across government through a single, co-ordinated private sector approach which makes use of a range of debt collection services across the market. HMRC has worked with the private sector over the last few years to improve their debt collection capacity and will continue to use the private sector to collect tax debts, but will now access the market through the DMI. (45)

2.167 Tax credits: stopping overpayments – Building on the announcement made at Autumn Statement 2013, from April 2015 tax credit payments will be reduced in-year where, due to a change of circumstance, a claimant would otherwise receive an overpayment. This will prevent claimants building up unnecessary overpayments that must be repaid at a later stage. (l)

Tax compliance and administration

2.168 Tax administration in developing countries – The government will provide £5 million for HMRC to support capacity building in developing countries, by recruiting a dedicated team of tax experts to help developing countries tackle tax avoidance and evasion, complementing the work of HMRC's Capacity Building Unit and partnering with the World Customs Organisation, to share expertise and help developing countries implement the World Trade Organisation Trade Facilitation Agreement.

2.169 HMRC enquiries: closure rules – The government will consult on a proposal to introduce a new power, enabling HMRC to achieve early resolution and closure of one or more aspects of a tax enquiry whilst leaving other aspects open.

2.170 Support for mid-sized businesses – HMRC is testing a new approach to supporting mid-sized businesses for launch in 2015. A new mid-size business unit will provide a gateway to the specialist tax help needed by mid-size businesses, including temporary access to a named individual for mid-size businesses transitioning through a key business change with significant tax implications. HMRC is also piloting a new model to support the fastest growing businesses.

2.171 Bolstering large business risk working – The government will further increase HMRC resource within the expanded Large Business Directorate to improve tax compliance levels amongst the UK's largest and riskiest businesses. (45)

2.172 Compliance yield target – The government will increase HMRC's compliance yield target for 2014-15 by £1.5 billion from £24.5 billion to £26 billion.

Financial services

Banking

2.173 Bank loss relief restriction – The government will restrict the amount of a bank's annual profit that can be offset by carried-forward losses to 50% from 1 April 2015. The restriction will apply to losses accruing up to 1 April 2015 and will include an exemption for losses incurred in the first 5 years of a bank's authorisation. (Finance Bill 2015) (34)

2.174 Tax treatment of credit loss allowances – Transitional adjustments arising from the new International Financial Reporting Standard 9 (IFRS9) accounting treatment of credit loss allowance will be spread over 10 years, irrespective of when the debt falls to be due. (33)

2.175 Funding for Lending Scheme – HM Treasury and the Bank of England will extend the Funding for Lending Scheme for one year until 29 January 2016. Unused borrowing allowances at 31 January 2015 will continue to be available to drawdown in this period and additional borrowing allowances will be generated only through positive net lending to SMEs.

2.176 Application Programming Interfaces (APIs) in banking – Following publication of a Government commissioned report on APIs and open data, the government will launch a Call for Evidence on how APIs could be used in banking. This will enable financial technology companies to develop innovative solutions to allow customers to make better comparisons between different banks and financial products.

2.177 Midata comparison – To help customers switch to the best current account for them, Gocompare are the first comparison website to commit to launching a Midata current account tool, and they intend to make the service available from 1 April 2015.

2.178 Upgrading the Current Account Switch Service – Autumn Statement 2014 announces an upgrade to the 7-day Current Account Switch Service to include 99% of all SMEs and an extension of the redirection service to 36 months. These upgrades will be delivered by March 2015. In addition, the Chancellor of the Exchequer has asked the Financial Conduct Authority, as part of their review of the switching service, to examine whether a 5-day switching period would deliver significant benefits to consumers and advise on this question before Budget 2015.

2.179 Speeding up card payments for small businesses – Budget 2013 announced that the government had reached an agreement with merchant acquirers. Autumn Statement 2014 announces that, from January 2015, the majority of acquirers will offer a new service for small businesses to receive the funds from debit and credit card transactions much more quickly. Two acquirers will not meet this commitment, and the government will ask the Payment Systems Regulator (PSR) to examine whether small businesses are being disadvantaged as a result.

2.180 Sharing Small and Medium Enterprise credit data – The government plans to designate Royal Bank of Scotland, Barclays, Lloyds Banking Group, HSBC, Santander, Clydesdale and Yorkshire Banks, Bank of Ireland, Allied Irish Bank, and Danske Bank under proposals in the Small Business, Enterprise and Employment Bill. These banks will be required to share SME credit data with other lenders through credit reference agencies and share information on SMEs which have been declined for finance.

2.181 Designation of payment systems – Autumn Statement announces that the following payment systems will be subject to oversight by the new PSR: Bacs, CHAPS, Faster Payments, LINK, Cheque and Credit, Northern Ireland Clearing, Visa, MasterCard. The government is gathering further information on other payment systems and will make a second stage of designation decisions before the PSR is fully operational.

2.182 Credit register – The government welcomes the Bank of England's publication of a report assessing the case for a UK credit register. This builds on the government's legislation to open up access to SME credit information and will help further deepen the level and availability of credit information and improve the diversity of market-based financing in the UK. The government will consider whether it needs to legislate to establish a credit register should timely progress not be made.

2.183 Removing regulatory barriers for peer-to-peer (P2P) lending – The government announces its intention to review financial regulation which currently stands in the way of institutional lending through P2P platforms.

2.184 Bad debt relief on investments made through the peer-to-peer lending industry – The government will introduce a new relief to allow individuals lending through P2P platforms to offset any losses from loans which go bad against other P2P income. It will be effective from April 2016 and, through Self Assessment, will allow individuals to make a claim for relief on losses incurred from April 2015. (19)

2.185 Withholding regime applied across peer-to-peer lending platforms – The government will consult on the introduction of a withholding regime for Income Tax to apply across all P2P lending platforms from April 2017. This will help many individuals to resolve their tax liability without them having to file for Self Assessment. (53)

2.186 Mortgage fees transparency – The government has asked the Council of Mortgage Lenders to work with Which? to improve the transparency of mortgage fees and make it easier for borrowers to choose the best mortgage deals.

Insurance

2.187 Pool Reinsurance Limited – The government has agreed with Pool Reinsurance Limited to increase the fee it receives in return for its indemnity to Pool Reinsurance Limited from 1 January 2015. (52)

2.188 Global Reinsurance – Building on the UK's position as a world leader in the global insurance market, the government will explore options to ensure that the UK's regulatory and tax regime is as competitive as possible to attract more reinsurance business to the UK. This work will report interim findings at Budget 2015.

Supply-side reform of the economy

Roads and automotive innovation

2.189 Roads Investment Strategy – The government is committing £15 billion between 2015-16 and 2020-21 to continue the transformation of the Strategic Road Network.

2.190 Support for ultra-low emission vehicles – The Roads Investment Strategy sets aside £15 million between 2015-16 and 2020-21 for a national network of chargepoints for ultra-low emission vehicles on the Strategic Road Network. The government is also announcing further detail of 3 funds totalling £85 million to support ultra-low emission taxis, buses and cities.

2.191 Ultra-low emission vehicle research and development – The government is announcing up to £50 million between 2017-18 and 2019-20 to support innovation in manufacturing of ultra-low emission vehicles in the UK, based on a government contribution of £25 million for which it will seek match funding from industry.

2.192 Ultra-low emission vehicles in London – The government will provide an additional £10 million between 2017-18 and 2019-20 to increase ultra-low emission vehicles in London, in support of the ambition to introduce an Ultra-Low Emission Zone by 2025.

2.193 Clean Vehicle Technology fund – The government will provide up to £4 million to extend the Clean Vehicle Technology fund in 2014-15, which funds road vehicle modification by local authorities in order to reduce air pollution.

2.194 Driverless cars testbeds – An additional £9 million is being provided by the government (from DfT, BIS and HM Treasury) to increase the prize fund for driverless car testbeds – enabling trials in Bristol, London, Milton Keynes and Coventry from next year. (15)

2.195 Leeds Bradford Airport connectivity – The government is publishing the outcome of a feasibility study on improved connectivity at Leeds Bradford International Airport, setting out the potential connectivity benefits of a new link road costing £38 million and recommending further consideration of opportunities for a rail link. It will be for the West Yorkshire Combined Authority to consider how to take the recommendations forward.

2.196 Bath city centre congestion relief – The government welcomes the strategy put forward by Bath and North East Somerset Council and the West of England Local Enterprise Partnership to improve transport capacity east of Bath and reduce city centre congestion. The government will consider a business case, which will be developed by Bath and North East Somerset Council, that assesses the viability of proposals including a park-and-ride, as well as a park-and-rail service, located to the east of Bath.

Rail

2.197 Crossrail 2 – The government will provide £2 million between 2014-15 and 2015-16 to support the development of a comprehensive business case produced jointly by DfT and Transport for London, to complete ahead of the next Spending Review. This will be combined with a full options appraisal of all potential major transport projects in London, including an extension of the Bakerloo Line to improve connectivity in south-east London, and the devolution of South Eastern rail services to London.

2.198 Access to Ebbsfleet – The government will undertake a review of transport provision for the Ebbsfleet area, including Crossrail, High Speed 1, Southern and Southeastern rail services.

2.199 Gatwick Airport rail station – The government has signed a Heads of Terms agreement with Gatwick Airport and Network Rail to support a £120.5 million redevelopment of Gatwick Airport railway station, on the basis of a contribution of £30 million from Gatwick Airport and a £30 million contribution from Network Rail.

2.200 Chesterton rail station – As announced by the Prime Minister and Deputy Prime Minister in December 2013, the government will provide £44 million between 2014-15 and 2016-17 to build a new rail station at Chesterton, linked to Cambridge Science Park.

2.201 Access for All – The government will increase the funding for the Access for All scheme by £60 million between 2015-16 and 2018-19, improving platform access at approximately 20 stations.

2.202 Rail fare rises capped at RPI+0% in 2015 – The government has extended the cap on increases to regulated rail fare rises at RPI inflation for a further year, into 2015. In addition, in 2015 train operating companies will not be able to increase individual fares by up to 2% more than the permitted average increase.

2.203 Northern and TransPennine Express rail franchises – The government will publish the Invitations to Tender for the Northern and TransPennine rail franchises in early 2015, and will specify a substantial package of upgrades including new services and modern trains in order to phase out the outdated Pacer trains.

2.204 East West Rail – The government will consider the outputs of the Network Rail study into the East West Rail central section (Bedford to Cambridge) as part of the planning for Control Period 6 (2019-2024).

2.205 Dawlish rail services – The government will support Network Rail in its work to improve the resilience of the railway at Dawlish. Additionally, it will ask Network Rail to examine wider issues surrounding connectivity to and within the south-west peninsula. Specifically, Network Rail will consider alternatives to the current mainline route to the south-west via Dawlish, including an alternative route via the north side of Dartmoor through Okehampton. This work will feed into Network Rail's Initial Industry Plan for Control Period 6 (2019-2024).

2.206 Norwich in Ninety – The government supports the key recommendations of the Great Eastern Main Line Task Force, including upgraded infrastructure and the latest rolling stock. Bidders for the next Anglia franchise, which will start in October 2016, will be incentivised to submit plans for achieving these recommendations for services to Norwich in 90 minutes and associated benefits along the Great Eastern Main Line.

Other transport infrastructure

2.207 Cycle City Ambition grants – As announced by the Deputy Prime Minister on 27 November 2014, the government will provide £114 million between 2015-16 and 2017-18 to enable the continuation of the Cycle City Ambition scheme in the 8 cities it already covers. This will provide capital funding for better cycle infrastructure such as segregated lanes and improved junctions.

Energy and the environment

2.208 Household energy efficiency – As announced on 7 October 2014, the government will increase funding by £100 million over 2014-15 and 2015-16 to support households installing energy efficiency improvements. (23)

2.209 Shale exploration – The government will establish a new £5 million fund for shale exploration to provide independent evidence directly to the general public about the robustness of the existing regulatory regime. (15)

2.210 Shale long-term investment fund – The government will establish a long-term investment fund from tax revenues from shale for the north and other areas hosting shale gas developments. Proposals will be brought forward in the next Parliament.

2.211 Off-gas-grid fund – The government will provide £25 million for first-time heating systems in off-gas-grid homes in England. (24)

2.212 Oil and Gas Authority – The government will provide an additional £6 million of funding for the Oil and Gas Authority in 2015-16 to help establish the body as a new arms-length asset steward and regulator. (22)

2.213 Swansea Bay Tidal Lagoon – The government will start closer discussions with Tidal Lagoon Power Ltd to establish whether a potential tidal lagoon project at Swansea Bay is affordable and value for money for consumers (without prejudice to the planning decision on the project).

2.214 Interconnectors – The government will ensure that interconnectors can participate in the 2015 capacity auction. It will estimate the eligible capacity of each interconnector on a case-by-case basis.

2.215 Moorside – HM Treasury has reached a cooperation agreement with Toshiba, GDF Suez and NuGen with the aim of issuing a statement of intent to provide a guarantee to assist the financing of a new nuclear power plant at Moorside, subject to due diligence and ministerial approval.

2.216 Flood defences – The government has published its 6-year programme of investment in flood defences, allocating the £2.3 billion capital funding provided at Spending Round 2013. It has also allocated an additional £60 million to the Lower Thames Scheme beyond 2021, subject to business case and local partnership contributions.

2.217 Department for Environment, Food and Rural Affairs (Defra) environmental spending – Additional funding is being provided for the government's commitment to complete England's coastal path by 2020 and to maintain funding for Royal Botanic Gardens Kew until April 2015. (27)

2.218 Green Investment Bank – The government is working to bring private capital into the Green Investment Bank through a new fund for private investment in operational offshore wind assets and wider options. It will report on progress at Budget 2015.

2.219 Green space map – Ordnance Survey will create a free online map of all the publicly-accessible green space in England and Wales. The data will be made freely available to users.

Science and innovation

2.220 Capital consultation – The government has allocated £5.9 billion of science capital funding over the next Parliament: £3 billion to support individual research projects and our institutions' world-class laboratories, and provide funding for our international subscriptions; and £2.9 billion for scientific Grand Challenges, including £1 billion of pre-commitments. At Autumn Statement this includes:

- **£235 million investment in the Sir Henry Royce Institute** for advanced materials, which will be based at Manchester University with satellite centres at Leeds, Liverpool, Sheffield, Cambridge, Oxford and Imperial College. The institute will drive collaborations between academia and industry, to commercialise the UK's world-leading research in this field
- **£113 million investment in a Cognitive Computing Research Centre** in Hartree, Daresbury, which will enable non-computer specialists to gain insights from big data in order to enhance and design products, services and manufacturing processes
- **£31 million investment into an Energy Security and Innovation Observing System** to develop home-grown energy supplies through sub-surface testing facilities
- a **£95 million investment into European Space Agency programmes**, to take the operational lead on the first European Rover mission to Mars which will search for life, past and present (15)
- a **£20 million Centre for Ageing Science and Innovation** in Newcastle, utilising academic research to tackle many of the challenges faced by an ageing population and, in doing so, ensuring optimum health and quality of life whilst reducing health and social care costs
- **£60 million** to extend the capabilities of the **National Nuclear Users Facility**, supporting research across the full nuclear lifecycle (15)

2.221 High Value Manufacturing Catapult: additional core funding – The government will provide an additional £61 million of core funding to the High Value Manufacturing Catapult. (14)

2.222 High Value Manufacturing Catapult: Formulation Innovation Centre – The government will provide an additional £28 million for a Formulation Centre to design new products across numerous sectors by combining different gases, solids or liquids. (14)

2.223 European Space Agency council of ministers – The government will provide an additional £55 million in 2015-16 to the European Space Agency, which will support the Exomars programme.

Education and skills

2.224 Postgraduate funding reform – The government will introduce income-contingent loans of up to £10,000, planned to be available from 2016-17, for under-30s to undertake a postgraduate taught masters course. These loans will be structured so that, on average, graduates repay them fully, but they will beat commercial rates. One way of doing this is to charge an interest rate of RPI+3%, with repayments of 9% of income above a threshold of £21,000, frozen for 5 years, repaid concurrently with undergraduate loans. The government will consult on the detail and will then confirm the delivery plan. (16)

2.225 Adult community learning and mental health – The government will commit £20 million in 2015-16 and 2016-17 to fund courses to help adults experiencing mild to moderate depression, anxiety and sleep disorders in England. (59)

2.226 Expansion of effective academy chains – The government will provide £10 million to drive up educational standards in areas of the north with the weakest provision by helping outstanding local academies sponsor local schools and supporting the expansion of the very best academy chains. (26)

2.227 Careers advice – The government will invest £20 million to improve careers advice and support for young people. (26)

2.228 Early intervention pilot for 0 to 2 year-olds – The government will pilot a new approach to ensure that the most effective early intervention actions are taken during a child's very earliest years, to prevent avoidable problems later. (26)

2.229 Childcare Business Grant scheme extension – The government will fund a £2 million extension of the existing Childcare Business Grant scheme to cover 2015-16, doubling the funding available through this scheme to support the creation of new childcare places.

Labour market

2.230 Skills and employment services for parents – The government will provide £5 million to the Behavioural Research Centre for Adult Skills and Knowledge (ASK) to conduct pilots using Children's Centres to provide employment support and access to basic skills training.

2.231 Back-to-work support for older workers – From April 2015 the government will pilot career change work experience and training opportunities for older benefit claimants to help them gain the experience and training they need to re-skill and get back to work.

2.232 Mental health and employment – The government remains committed to improving outcomes for people with mental health conditions. This Autumn Statement announces that, starting in 2015-16, the government will invest a further £3 million to expand existing psychological work and wellbeing pilots. (59)

2.233 Intensive activity period for young people – From October 2015 jobseekers aged 18 to 24 who are not in education, employment or training before claiming Universal Credit will participate in a period of intensive activity and job search support at the start of their benefit claim.

2.234 National Minimum Wage – The government will increase funding by £3 million in 2015-16 to improve enforcement of the NMW.

Markets and regulation

2.235 Broadband connection vouchers – The government will provide up to £40 million to extend the SME connection voucher scheme to March 2016, and to more cities. Vouchers will be available on a first come, first served basis.

2.236 Change of use of 700MHz spectrum – Further details of the clearance process for high-value spectrum will be set out in 2015 ahead of a further auction of mobile broadband spectrum, subject to the development of delivery options by the Department for Culture, Media and Sport (DCMS) and Ofcom.

2.237 Voluntary schemes and initiatives – The government will build on the Accountability for Regulatory Impact scheme by updating guidance to require government departments and regulators to engage business on the impacts of any government-sponsored voluntary scheme prior to implementation, and to work together to minimise costs where possible. Business will also have the right to ask the Regulatory Policy Committee to independently review a scheme's impact.

2.238 Business Focus on Enforcement – The government will put the Business Focus on Enforcement scheme on a permanent footing, enabling businesses to bid for government resources to conduct reviews of regulatory enforcement in their industries and present evidence and findings to government and regulators. The government is launching the next bidding round today (3 December 2014).

2.239 Local authority licensing – The government will work with local authorities and businesses on a simplification programme with an expectation that, by 2018, every local authority in England will offer a single online application process where businesses only need register their details once, and ensure that information on licensing requirements is streamlined and accessible online. The government, through the Better Regulation Delivery Office (BRDO), will monitor implementation of this, working with local authorities to remove blockages to simplification and gathering evidence of any legislative barriers that local authorities identify to streamlining processes and reducing burdens on business.

2.240 Motorway fuel price comparison signs – The government will install electronic signs showing fuel price comparisons on the M5 between Bristol and Exeter during 2015.

Access to finance

2.241 British Business Bank – The government will provide £400 million to extend the Enterprise Capital Fund programme, to be committed over the next 3 years, and will enable the Enterprise Finance Guarantee to support up to £500 million of new lending in 2015-16.

2.242 Promoting access to finance schemes to small businesses – Using BIS, HMRC and Companies House channels, the government will provide up to 3 million small businesses with information about the alternative sources of finance available to them, and their options if turned down for traditional bank finance.

Exports and international

2.243 First-time exporters – The government will provide a further £20 million to help companies export for the first time. UK Trade and Investment (UKTI) will: introduce a dedicated cadre of local International Trade Advisors to support 6,000 first-time exporters; double to 60,000 the attendance at international exhibitions by SMEs it supports; and help 5,000 more companies to sell internationally through the internet. (20)

2.244 Export finance – UK Export Finance will bring forward proposals in the new year for improvements to its working capital scheme and to support export supply chains. It will also commence a programme of modernisation to streamline and digitise its processes to make them more user-friendly and accessible to SMEs.

2.245 Surge for Growth – The Foreign and Commonwealth Office (FCO) will deliver a £25 million Surge for Growth programme to support projects and trade agreements across the world. This includes £22 million for emerging and developing economies on projects with the potential to increase UK exports. The additional £3 million will support further reducing trade barriers with North American and European trading partners.

2.246 Tourism – To encourage more visitors to the UK the government will provide funding to support tourism in 2015-16. (27)

2.247 HM Government's overseas network – Ahead of the next Spending Review the government will consider reform options for delivering a more efficient and effective overseas network. The government will look at its entire overseas platform and aim to deliver a mixture of efficiencies and asset sales worth up to £100 million by the end of the next Parliament.

2.248 Global Infrastructure Hub – To support the global investment climate and reduce barriers to investment the government has committed £1 million per annum for the 4-year mandate of the Global Infrastructure Hub, as agreed at the G20 Leaders' Summit in November 2014.

Culture and heritage

2.249 Great Exhibition – The government will provide £1 million to fund a Great Exhibition in the north, which will celebrate the great art, culture and design of the north. (27)

2.250 The Factory Manchester: new theatre and exhibition space – The government will provide £78 million of capital funding towards the construction of a new theatre and exhibition space in Manchester called 'The Factory Manchester'. This will provide a valuable resource for the community. (27)

2.251 Glasgow School of Art – Autumn Statement 2014 confirms the government's offer of £10 million to support the Glasgow School of Art's Mackintosh Appeal and a new Graduate and Research Centre. (27)

2.252 Church Roof Repair Fund – The government will provide £15 million for a new Listed Places of Worship: Roof Repair Fund, available across the whole of the UK, to support the maintenance of church roofs in 2015. (28)

2.253 First World War Arts projects – The government will provide £3 million towards First World War commemoration art projects, primarily in northern cities.

2.254 Thiepval Memorial – The government will provide £1.6 million towards the restoration and enhancement of the Thiepval Memorial in northern France as part of the First World War commemorations marking the centenary of the Battle of the Somme in 2016.

2.255 Blythe House museum storage – The government will consider the benefits and costs of the relocation of the museum collections currently housed at Blythe House.

A Financing

A.1 This annex sets out revisions to the government's financing plans for 2014-15, which were previously updated on 23 April 2014, and details of the government's intention to redeem 3½% War Loan and adopt a strategy to remove the other undated gilts from the gilt portfolio where it is deemed to provide value for money. Further details of the revised financing remit for 2014-15, including progress against the remit to date, can be found on the Debt Management Office's (DMO) website at www.dmo.gov.uk.

Financing arithmetic

A.2 As set out in Chapter 4 of the Office for Budget Responsibility's (OBR) December 2014 'Economic and fiscal outlook' (EFO), the revised forecast for the 2014-15 central government net cash requirement (excluding NRAM plc, Bradford & Bingley and Network Rail) (CGNCR (ex NRAM, B&B and NR)) is £102.3 billion. This measure of the government's cash requirement is used in the financing arithmetic as it reflects the forecast cash requirement of the Exchequer. This excludes Network Rail's cash requirement, but includes financing of £6.5 billion for lending from the Exchequer to Network Rail, as set out in April 2014, following the re-classification of Network Rail within central government. The relationship between public sector net borrowing and CGNCR (ex NRAM, B&B and NR) is set out in the OBR's December 2014 EFO.

A.3 The net financing requirement (NFR) for the DMO comprises the CGNCR (ex NRAM, B&B and NR), plus any financing required for gilt redemptions, additional financing for the reserves and other adjustments, less the net contribution to financing from National Savings and Investments (NS&I) and any other in-year contributions to financing.

A.4 Table A.1 sets out the updated financing arithmetic. From this Autumn Statement, in the interests of further transparency, the financing arithmetic will include provision for small sources of additional financing. This is expected to include non-governmental deposits, coinage and certificates of tax deposit. Prior to publication of the end-year outturn in the following April, this financing item will only comprise in-year revenue to date from coinage.

A.5 The NFR is forecast to be £134.4 billion in 2014-15, a reduction of £6.8 billion to the figure forecast in April 2014. The change reflects:

- a downward revision to the CGNCR forecast of £4.9 billion to £102.3 billion
- an increase in the gilt redemption total of £2.3 billion to £64.5 billion reflecting the government's announcement on 3 December 2014 that it will redeem 3½% War Loan in March 2015 and its previous decision to redeem 4% Consolidated Loan on 1 February 2015
- an upward revision to financing for the reserves of £6.0 billion to £12.0 billion
- retrospective downward corrections to the 2012-13 and 2013-14 CGNCR outturns published by the Office for National Statistics on 15 October 2014, contributing to a £9.0 billion increase to the financing adjustment carried forward from 2013-14
- a small upward revision to the forecast net contribution to financing from NS&I of £0.5 billion to £13.5 billion, remaining within the range set at Budget 2014

- financing of £0.2 billion from the UK's sovereign Sukuk, the Islamic equivalent of a bond, and £0.3 billion from the sale of a renminbi denominated bond
- an additional £0.2 billion of financing from coinage this year to date

A.6 The majority of the reduction in the NFR will be accommodated by a change in the planned end-year stock of Treasury bills. There will be a net reduction in the Treasury bill stock of £5.5 billion relative to the planned stock set out in April 2014 of £70.5 billion, taking the planned end-March 2015 Treasury bill stock to £65.0 billion.

A.7 Planned gilt sales in 2014-15 will be reduced by £1.3 billion to £125.9 billion. This will be accommodated via a reduction of £1.3 billion in sales delivered via mini-tender.

Gilt issuance by maturity, type and method

A.8 The maturity skew of gilt issuance by auction and syndication was previously set out in April 2014. This skew will remain broadly unchanged. In particular:

- short maturity conventional gilt issuance will remain unchanged at £32.0 billion (25.4% of total issuance)
- medium maturity conventional gilt issuance will remain unchanged at £26.7 billion (21.2% of total issuance)
- long maturity conventional gilt issuance has been increased by £1.0 billion to £33.9 billion (26.9% of total issuance), as a result of re-allocation of sales from the mini-tender to syndication programme in the year to date
- index-linked gilt issuance has been increased by £0.5 billion to £31.1 billion (24.7% of total issuance), as a result of re-allocation of sales from the mini-tender to syndication programme in the year to date

A.9 In addition, the DMO will plan to deliver sales via mini-tender of £2.2 billion (1.7% of total issuance). This represents a £2.8 billion reduction on the planned level announced in April 2014 (£5.0 billion). The DMO will determine the maturity and type of any gilt issued by mini-tender in the remainder of the financial year in consultation with the market.

A.10 Auctions will remain the government's primary method of gilt issuance but the government will continue to use syndications and mini-tenders as supplementary methods.

A.11 For 2014-15 as a whole, it is anticipated that:

- £105.2 billion (83.6% of total issuance) will be issued by auction
- £18.5 billion (14.7% of total issuance) will be issued by syndication
- £2.2 billion (1.7% of total issuance) will be issued by mini-tender

National Savings and Investments

A.12 At Budget 2014, NS&I was set a net financing target of £13.0 billion for 2014-15, within a range of £11.0 billion to £15.0 billion. There has been a small upward revision to the forecast net contribution to financing from NS&I of £0.5 billion to £13.5 billion, remaining within the range set at Budget 2014. The target provided for an increase in the Premium Bond limit from £30,000 to £40,000 from 1 June 2014, and the launch of 2 fixed-rate market leading savings bonds for people aged 65 and over from January 2015. Interest rates on these bonds will be confirmed on 12 December 2014.

Table A.1: Revised financing arithmetic in 2014-15

£ billion	April 2014	Autumn Statement 2014
CGNCR (ex NRAM, B&B and NR)[1]	107.2	102.3
Gilt redemptions	62.2	64.5
Planned financing for the reserves	6.0	12.0
Gilt secondary market purchases	0.0	0.0
Financing adjustment carried forward from previous financial years	-21.2	-30.2
Gross financing requirement	154.2	148.6
Less:		
Contribution from National Savings and Investments	13.0	13.5
UK sovereign Sukuk	–	0.2
Renminbi denominated bond	–	0.3
Other financing[2]	–	0.2
Net financing requirement (NFR) for Debt Management Office (DMO)	141.2	134.4
Financed by:		
1. Debt issuance by DMO		
a) Treasury bills (planned change in stock issued at tenders)	14.0	8.5
b) Gilt sales	127.2	125.9
of which		
– Short conventionals	32.0	32.0
– Medium conventionals	26.7	26.7
– Long conventionals	32.9	33.9
– Index-linked	30.6	31.1
– Mini-tenders	5.0	2.2
2. Planned change in the level of Ways and Means	0.0	0.0
Total financing	141.2	134.4
Short-term debt/cash levels at end of financial year		
End-year Treasury bill stock via tenders (in market hands)[3]	70.5	65.0
Ways and Means	0.4	0.4
DMO net cash position	0.5	0.5

Figures may not sum due to rounding.

[1] *This excludes Network Rail's cash requirement, but includes financing of £6.5 billion for lending from the Exchequer to Network Rail, as set out in April 2014, following the re-classification of Network Rail within central government.*

[2] *From this Autumn Statement onwards, the financing arithmetic includes provision for small sources of additional financing. This is expected to include non-governmental deposits, coinage and certificates of tax deposit. Prior to publication of the end-year outturn in the following April, this financing item will only comprise in-year revenue to date from coinage.*

[3] *The DMO has operational flexibility to vary the end-financial year stock subject to its operational requirements.*

Undated gilts

A.13 The government announced on 3 December 2014 that it will:

- redeem 3½% War Loan at par in March 2015
- adopt a strategy to remove all other undated gilts from the gilt portfolio where it is deemed value for money
- bring forward enabling legislation for any future redemption of 2¾% Annuities, 2½% Annuities and 2½% Consolidated Stock

A.14 This decision follows the recent decline in gilt yields to record lows, ensuring the government can deliver debt interest savings for current and future taxpayers by refinancing 3½% War Loan at current interest rates. The government's broader strategy for the residual undated gilt portfolio also reflects its ongoing commitment to modernising the gilt market and to focussing its issuance on large, liquid benchmark gilts. Focussing issuance in this way is consistent both with international best practice and the government's debt management objective to minimise, over the long term, the costs of meeting the government's financing needs, taking into account risk. The government previously announced on 31 October 2014 that it will redeem 4% Consolidated Loan on 1 February 2015.

Illustrative future gross financing requirement

A.15 Table A.2 sets out the illustrative gross financing requirement for the next 5 years, including the OBR's forecast for the CGNCR (ex NRAM, B&B and NR). The illustrative financing requirement includes provision for an additional £6 billion of sterling financing for the Official Reserves in 2015-16, as announced at Autumn Statement, and plans for a similar level of financing on average over the 4 years from 2016-17 up to, and including, 2019-20.

Table A.2: Illustrative future gross financing requirement

£ billion	2015-16	2016-17	2017-18	2018-19	2019-20
CGNCR (ex NRAM, B&B and NR)	95	73	38	16	-2
Gilt redemptions	70	70	79	67	93
Financing for the Official Reserves	6	6	6	6	6
Illustrative gross financing requirement	171	149	123	89	97

Figures may not sum due to rounding.

B OBR's Economic and fiscal outlook: selected tables

B.1 The Office for Budget Responsibility (OBR) has published its December 2014 'Economic and fiscal outlook' alongside Autumn Statement 2014. This annex reproduces the OBR's key projections for the economy and public finances. Further detail and explanation can be found in the OBR's report.

Table B.1: Detailed summary of OBR central economic forecast

	Percentage change on a year earlier, unless otherwise stated						
	Outturn	Forecast					
	2013	2014	2015	2016	2017	2018	2019
UK economy							
Gross domestic product (GDP)	1.7	3.0	2.4	2.2	2.4	2.3	2.3
GDP level (2013=100)	100.0	103.0	105.5	107.8	110.4	112.9	115.5
Nominal GDP	3.5	5.0	4.0	3.6	4.1	4.2	4.3
Output gap (% potential output)	-2.2	-1.0	-0.5	-0.5	-0.2	-0.1	0.0
Expenditure components of GDP							
Domestic demand	1.9	3.2	2.9	2.2	2.4	2.4	2.4
Household consumption[1]	1.6	2.3	2.8	2.2	2.4	2.3	2.4
General government consumption	0.7	1.1	-0.4	-0.8	-0.9	-0.3	0.0
Fixed investment	3.2	8.1	8.4	5.9	5.6	5.2	4.8
Business	4.8	7.7	8.4	6.3	6.3	6.3	6.3
General government[2]	-7.3	2.1	3.3	1.6	2.2	1.6	2.3
Private dwellings[2]	6.1	13.0	11.0	7.0	5.5	4.0	2.4
Change in inventories[3]	0.3	0.3	-0.2	0.0	0.0	0.0	0.0
Exports of goods and services	0.5	-1.6	2.4	4.7	4.9	4.7	4.4
Imports of goods and services	0.5	-0.8	3.9	4.7	4.7	4.7	4.5
Balance of payments current account							
% GDP	-4.2	-4.7	-3.5	-2.9	-2.5	-2.2	-1.9
Inflation							
CPI	2.6	1.5	1.2	1.7	2.0	2.0	2.0
RPI	3.0	2.4	2.2	2.9	3.4	3.6	3.6
GDP deflator at market prices	1.7	2.0	1.5	1.4	1.6	1.9	1.9
Labour market							
Employment (millions)	30.0	30.7	31.2	31.4	31.5	31.6	31.7
Wages and salaries	3.0	3.3	3.6	3.8	4.3	4.3	4.2
Average earnings[4]	1.8	1.8	2.0	3.1	3.9	3.9	3.8
LFS unemployment (% rate)	7.6	6.2	5.4	5.2	5.3	5.3	5.3
Claimant count (millions)	1.42	1.04	0.84	0.83	0.84	0.85	0.86
Household sector							
Real household disposable income	-0.2	2.2	1.9	1.7	1.8	2.0	2.1
Saving ratio (level, %)	6.4	6.6	5.4	5.4	5.1	4.9	4.8
House prices	3.5	10.2	7.4	5.9	5.8	5.1	3.8
World economy							
World GDP at purchasing power parity	3.2	3.3	3.8	4.0	4.0	4.1	4.1
Euro area GDP	-0.4	0.8	1.3	1.6	1.6	1.6	1.6
World trade in goods and services	3.1	3.8	5.1	5.4	5.6	5.6	5.6
UK export markets[5]	2.4	3.7	4.3	5.0	5.3	5.3	5.3

[1] Includes households and non-profit institutions serving households.

[2] Includes transfer costs of non-produced assets.

[3] Contribution to GDP growth, percentage points.

[4] Wages and salaries divided by employees.

[5] Other countries' imports of goods and services weighted according to the importance of those countries in the UK's total exports.

Table B.2: Determinants of the OBR central fiscal forecast

	Percentage change on a year earlier, unless otherwise stated						
	Outturn	Forecast					
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
GDP and its components							
Real GDP	2.2	3.0	2.2	2.2	2.4	2.3	2.3
Nominal GDP[1]	4.2	5.1	3.6	3.6	4.2	4.2	4.3
Nominal GDP (£ billion)[1,2]	1733	1822	1888	1956	2038	2124	2215
Nominal GDP (centred end-March £bn)[1,3]	1779	1854	1921	1996	2079	2169	2263
Wages and salaries[4]	2.9	3.5	3.5	3.9	4.4	4.2	4.2
Non-oil PNFC profits[4,5]	5.0	7.5	7.0	3.5	4.0	4.1	4.3
Non-oil PNFC net taxable income[4,5]	2.8	6.3	4.8	0.7	1.0	1.6	1.9
Consumer spending[4,5]	3.6	4.0	4.3	4.1	4.7	4.7	4.7
Prices and earnings							
GDP deflator	1.8	2.1	1.4	1.3	1.7	1.9	1.9
RPI (September)	3.2	2.3	2.1	2.9	3.4	3.6	3.6
CPI (September)	2.7	1.2	1.2	1.8	2.0	2.0	2.0
Average earnings[6]	1.7	1.8	2.1	3.3	4.0	3.9	3.8
'Triple-lock' guarantee (September)	2.7	2.5	2.5	3.0	3.8	4.0	3.9
Key fiscal determinants							
Claimant count (millions)	1.30	1.00	0.80	0.80	0.80	0.90	0.90
Employment (millions)	30.2	30.9	31.2	31.4	31.5	31.6	31.8
VAT gap (%)	10.3	11.1	11.0	11.0	11.0	11.0	11.0
Output gap (% potential output)	-2.0	-0.7	-0.5	-0.4	-0.2	-0.1	0.0
Financial and property sectors							
Equity prices (FTSE All-Share index)	3475	3570	3672	3805	3963	4130	4308
HMRC financial sector profits[1,5,7]	1.4	2.3	3.8	3.7	4.1	4.1	4.3
Financial sector net taxable income[1,5]	2.9	-5.0	-6.1	3.3	3.7	3.3	0.9
Residential property prices[8]	5.0	10.6	6.5	5.9	5.7	4.8	3.5
Residential property transactions (000s)[9]	1140	1215	1293	1385	1439	1473	1503
Commercial property prices[9]	17.3	11.3	0.9	1.2	2.7	2.1	2.7
Commercial property transactions[9]	8.4	4.2	0.5	2.0	2.9	2.5	2.6
Volume of stampable share transactions	13.6	1.2	-3.2	-0.6	-0.6	-0.6	-0.6
Oil and gas							
Oil prices ($ per barrel)[5]	108.8	100.6	83.1	86.1	86.5	86.5	86.5
Oil prices (£ per barrel)[5]	69.6	60.9	53.1	55.1	55.3	55.1	56.8
Gas prices (p/therm)[5]	66.9	50.1	54.5	56.8	56.8	56.8	56.8
Oil production (million tonnes)[5,10]	40.6	39.2	39.2	39.2	39.2	39.2	37.2
Gas production (billion therms)[5,10]	12.8	12.8	12.7	12.7	12.7	12.7	12.1
Interest rates and exchange rates							
Market short-term interest rates (%)[11]	0.5	0.6	0.9	1.5	1.9	2.1	2.4
Market gilt rates (%)[12]	2.4	2.5	2.4	2.7	2.9	3.1	3.2
Euro/Sterling exchange rate	1.19	1.25	1.26	1.25	1.23	1.21	1.19

[1] *Not seasonally adjusted.*

[2] *Denominator for receipts, spending and deficit forecasts as % GDP.*

[3] *Denominator for net debt as % GDP.*

[4] *Nominal.*

[5] *Calendar year.*

[6] *Wages and salaries divided by employees.*

[7] *HMRC Gross Case 1 trading profits.*

[8] *Outturn data from ONS House Price Index.*

[9] *Outturn data from HMRC information on stamp duty land tax.*

[10] *Department of Energy and Climate Change (DECC) forecasts available at www.gov.uk/oil-and-gas-uk-field-data*

[11] *3-month sterling interbank rate (LIBOR).*

[12] *Weighted average interest rate on conventional gilts.*

Table B.3: Current Receipts: OBR forecast

	£ billion						
	Outturn	**Forecast**					
	2013-14	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
Income tax (gross of tax credits)[1]	157.8	163.0	170.7	181.0	191.5	202.1	213.9
of which: *Pay as you earn*	135.5	137.9	142.8	151.2	161.3	171.4	181.8
Self assessment	20.9	24.6	27.7	30.0	30.8	31.9	33.3
Tax credits (negative income tax)	-2.8	0.0	0.0	0.0	0.0	0.0	0.0
National insurance contributions	107.3	109.0	112.9	122.9	128.2	134.1	140.2
Value added tax	106.5	110.1	114.1	117.7	121.6	125.7	130.2
Corporation tax[2]	40.3	41.7	43.2	43.8	44.5	45.6	45.9
of which: *Onshore*	36.7	39.4	41.5	42.0	42.9	43.6	44.2
Offshore	3.6	2.3	1.7	1.8	1.6	2.1	1.7
Corporation tax credits[3]	-1.0	-0.9	-0.9	-0.9	-0.9	-0.9	-1.0
Petroleum revenue tax	1.1	0.5	0.5	0.6	1.0	1.0	1.0
Fuel duties	26.9	27.0	27.0	27.7	28.3	29.0	29.8
Business rates	26.8	27.1	27.6	29.2	29.9	31.2	32.6
Council tax	27.3	27.8	28.4	29.0	29.8	30.6	31.5
VAT refunds	13.8	13.9	13.8	13.2	12.9	12.6	12.6
Capital gains tax	3.9	5.1	5.9	6.5	7.1	7.7	8.4
Inheritance tax	3.4	3.8	4.2	4.7	5.2	5.8	6.3
Stamp duty land tax	9.4	11.5	12.6	14.5	16.3	18.1	19.5
Stamp taxes on shares	3.1	2.9	2.9	3.0	3.1	3.2	3.4
Tobacco duties	9.6	9.1	9.0	9.0	9.1	9.2	9.3
Spirits duties	2.9	3.1	3.2	3.4	3.6	3.7	3.9
Wine duties	3.7	3.9	4.1	4.4	4.8	5.2	5.6
Beer and cider duties	3.7	3.6	3.5	3.6	3.7	3.8	3.8
Air passenger duty	3.0	3.2	3.1	3.2	3.4	3.6	3.8
Insurance premium tax	3.0	3.2	3.3	3.5	3.6	3.7	3.7
Climate change levy	1.2	1.7	2.1	2.0	1.8	1.7	1.6
Other HMRC taxes[4]	6.5	6.7	6.9	7.1	7.3	7.5	7.8
Vehicle excise duties	6.1	6.2	6.0	5.9	5.8	5.7	5.5
Bank levy	2.3	2.7	2.9	2.8	2.8	2.8	2.8
Licence fee receipts	3.1	3.2	3.2	3.2	3.3	3.4	3.5
Environmental levies	3.3	4.8	5.8	7.0	7.6	8.5	9.1
Swiss capital tax	0.9	0.0	0.0	0.0	0.0	0.0	0.0
EU ETS auction receipts	0.4	0.3	0.3	0.3	0.3	0.4	0.6
Other taxes	6.6	6.6	6.4	5.9	5.9	5.8	5.9
National Accounts taxes	**580.0**	**600.5**	**622.9**	**653.9**	**681.4**	**710.9**	**741.3**
Less own resources contribution to EU	-2.9	-3.0	-2.8	-2.5	-2.6	-2.8	-3.0
Interest and dividends exc. APF	5.9	6.3	7.7	10.0	11.6	13.1	14.8
Gross operating surplus	37.9	39.2	41.0	42.9	44.7	46.5	48.4
Other receipts	1.5	2.8	1.5	1.5	1.6	1.6	1.6
Current receipts	**622.3**	**645.8**	**670.3**	**705.8**	**736.7**	**769.3**	**803.0**
Memo: UK oil and gas revenues[5]	*4.7*	*2.8*	*2.2*	*2.4*	*2.6*	*3.1*	*2.7*

[1] Includes PAYE and self assessment and also includes tax on savings income and other minor components.

[2] National Accounts measure, gross of reduced liability tax credits.

[3] Includes reduced liability company tax credits.

[4] Consists of landfill tax, aggregates levy, betting and gaming duties and customs duties and levies.

[5] Consists of offshore corporation tax and petroleum revenue tax.

Note: Table is on accruals basis in line with national accounts definitions.

Table 2.8 in the online supplementary tables presents receipts on a cash basis.

Table B.4: Total Managed Expenditure: OBR forecast

	£ billion						
	Outturn	Forecast					
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Public sector current expenditure (PSCE)							
PSCE in RDEL[1]	**317.5**	**316.8**	**316.3**	**299.0**	**287.9**	**282.9**	**279.7**
PSCE in AME[2]	**341.0**	**354.9**	**364.1**	**381.6**	**396.2**	**412.4**	**427.3**
of which:							
Welfare spending[2]	206.7	215.0	218.3	222.5	227.5	234.1	240.7
of which:							
Inside Welfare Cap	*113.5*	*119.6*	*120.7*	*122.4*	*124.0*	*126.8*	*129.8*
Outside Welfare Cap	*93.2*	*95.3*	*97.7*	*100.1*	*103.5*	*107.3*	*110.9*
Company and other tax credits	1.9	2.1	2.3	2.5	2.6	2.6	2.6
Net public service pension payments	10.9	11.8	10.4	11.4	12.2	13.2	14.3
National lottery current grants	1.2	1.4	1.3	1.3	1.3	1.4	1.4
BBC domestic services current expenditure	3.2	4.0	3.7	3.9	3.9	4.0	4.1
Network Rail other current expenditure	0.4	0.9	1.0	0.7	0.4	-0.2	-0.3
Other PSCE items in departmental AME	1.4	1.0	1.0	1.1	1.1	1.1	1.1
Expenditure transfers to EU institutions	11.1	11.0	9.9	11.5	9.6	10.7	11.2
of which:							
EU VAT contributions	*2.2*	*2.4*	*2.5*	*2.6*	*2.7*	*2.8*	*3.0*
EU expenditure transfers under ESA95	*9.0*	*8.6*	*7.4*	*8.8*	*6.9*	*7.8*	*8.2*
Locally-financed current expenditure	33.8	35.0	37.2	39.5	41.6	43.5	45.0
Central government debt interest, net of APF	36.1	35.9	40.4	47.3	54.0	57.5	60.1
of which:							
Central government gross debt interest	*48.7*	*48.1*	*51.9*	*56.2*	*61.3*	*63.4*	*64.8*
Reductions in debt interest due to APF	*-12.6*	*-12.2*	*-11.5*	*-8.9*	*-7.3*	*-5.8*	*-4.6*
Depreciation	27.7	28.9	30.3	31.8	33.3	34.9	36.5
Current VAT refunds	11.6	11.7	11.7	11.0	10.6	10.4	10.3
R&D expenditure	-7.1	-7.5	-7.8	-8.3	-8.3	-8.3	-8.3
Single use military expenditure	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Environmental levies	3.6	4.4	5.6	6.8	7.6	8.9	9.9
Local authority imputed pensions	1.9	1.8	1.9	2.0	2.1	2.2	2.2
Other National Accounts adjustments	-3.7	-2.9	-3.4	-3.5	-3.5	-3.6	-3.8
Total public sector current expenditure	**658.5**	**671.7**	**680.4**	**680.6**	**684.1**	**695.3**	**707.0**
Public sector gross investment (PSGI)							
PSGI in CDEL[1]	**38.4**	**41.4**	**41.0**	**40.0**	**40.1**	**44.8**	**48.0**
PSGI in AME	**23.0**	**24.0**	**24.8**	**26.0**	**27.0**	**25.2**	**24.9**
of which:							
National lottery capital grants	0.5	0.5	0.5	0.5	0.5	0.6	0.6
Network Rail capital expenditure	3.1	1.8	1.7	1.5	1.4	1.8	1.4
Other PSGI items in departmental AME	-0.5	0.3	0.2	0.0	0.2	0.2	0.2
Locally-financed capital expenditure	6.4	6.1	5.9	7.4	8.1	6.4	6.2
Public corporations capital expenditure	7.4	7.6	8.0	7.8	7.8	7.4	7.5
R&D expenditure	7.1	7.5	7.8	8.3	8.3	8.3	8.3
Other National Accounts adjustments	-1.0	0.2	0.7	0.5	0.7	0.6	0.7
Total public sector gross investment	**61.4**	**65.4**	**65.8**	**66.0**	**67.2**	**70.0**	**72.9**
Less depreciation	-36.1	-37.7	-39.2	-40.9	-42.5	-44.3	-46.0
Public sector net investment	**25.3**	**27.7**	**26.5**	**25.2**	**24.6**	**25.7**	**26.9**
Total managed expenditure	**719.9**	**737.1**	**746.2**	**746.7**	**751.3**	**765.3**	**779.9**

[1] *Implied DEL numbers for 2016-17, 2017-18 and 2018-19. Calculated as the difference between PSCE and PSCE in AME in the case of PSCE in RDEL, and between PSGI and PSGI in AME in the case of PSGI in CDEL.*

[2] *Other than debt interest and depreciation, which are included in totals shown separately in this Table.*

Table B.5: OBR forecast of the headline fiscal aggregates

	% GDP						
	Outturn	**Forecast**					
	2013-14	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
Receipts and expenditure							
Public sector current receipts *(a)*	35.9	35.5	35.5	36.1	36.2	36.2	36.2
Total managed expenditure *(b)*	41.5	40.5	39.5	38.2	36.9	36.0	35.2
of which:							
Public sector current expenditure *(c)*	38.0	36.9	36.0	34.8	33.6	32.7	31.9
Public sector net investment *(d)*	1.5	1.5	1.4	1.3	1.2	1.2	1.2
Depreciation *(e)*	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Deficit							
Public sector net borrowing *(b-a)*	5.6	5.0	4.0	2.1	0.7	-0.2	-1.0
Current budget deficit *(c+e-a)*	4.2	3.5	2.6	0.8	-0.5	-1.4	-2.3
Cyclically-adjusted net borrowing	4.1	4.2	3.6	1.8	0.5	-0.3	-1.1
Primary balance	-3.8	-3.3	-2.2	-0.1	1.4	2.3	3.2
Cyclically-adjusted primary balance	-2.3	-2.6	-1.8	0.2	1.6	2.4	3.2
Fiscal mandate and supplementary target							
Cyclically-adjusted current budget deficit	2.6	2.7	2.2	0.5	-0.7	-1.5	-2.3
Public sector net debt[1]	78.8	80.4	81.1	80.7	78.8	76.2	72.8
Financing							
Central government net cash requirement	4.5	5.3	4.4	3.2	1.5	0.4	-0.3
Public sector net cash requirement	3.7	4.9	4.0	3.0	1.3	0.2	-0.6
Stability and Growth Pact							
Treaty deficit[2]	5.8	5.3	4.3	2.3	0.9	0.0	-0.8
Cyclically-adjusted Treaty deficit	4.2	4.5	3.9	2.0	0.8	-0.1	-0.8
Treaty debt[3]	87.8	88.0	89.9	90.0	88.4	86.1	83.0
	£ billion						
Public sector net borrowing	97.5	91.3	75.9	40.9	14.5	-4.0	-23.1
Current budget deficit	72.3	63.6	49.4	15.7	-10.1	-29.7	-50.0
Cyclically-adjusted net borrowing	70.6	77.4	68.0	34.8	10.9	-6.0	-23.7
Cyclically-adjusted current budget deficit	45.3	49.7	41.5	9.6	-13.7	-31.8	-50.6
Public sector net debt	1402	1489	1558	1610	1638	1652	1648
Memo: Output gap (% GDP)	*-2.0*	*-0.7*	*-0.5*	*-0.4*	*-0.2*	*-0.1*	*0.0*

[1] Debt at end March; GDP centred on end March.

[2] General government net borrowing on a Maastricht basis.

[3] General government gross debt on a Maastricht basis.

Table B.6: Changes to the cyclically-adjusted current budget since March 2014

	% GDP						
	Outturn	Forecast					
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20[1]
March forecast	**2.8**	**2.2**	**1.5**	**0.2**	**-0.7**	**-1.5**	**-1.5**
December forecast	**2.6**	**2.7**	**2.2**	**0.5**	**-0.7**	**-1.5**	**-2.3**
Change	**-0.2**	**0.5**	**0.7**	**0.3**	**0.1**	**0.0**	**-0.8**
of which:							
GDP revisions	*-0.2*	*-0.2*	*-0.1*	*0.0*	*0.0*	*0.1*	*0.1*
ESA10/PSF review	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.1*	*0.1*
Underlying receipts	*-0.1*	*0.6*	*0.9*	*0.7*	*0.7*	*0.7*	*0.7*
Underlying spending	*0.2*	*0.1*	*-0.1*	*-0.1*	*-0.4*	*-0.4*	*-0.6*
Autumn Statement measures	*0.0*	*-0.1*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Baseline spending assumption	*0.0*	*0.0*	*0.0*	*-0.3*	*-0.3*	*-0.3*	*-1.0*

[1] The OBR did not produce a forecast for the CACB in 2019-20 in their March EFO. The table assumes their 2018-19 is rolled over one year, consistent with the OBR's 2014 Fiscal sustainability report assumption for the year.

Table B.7: Changes to public sector net debt since March 2014

	% GDP						
	Outturn	Forecast					
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
March forecast (ESA95)	**74.5**	**77.3**	**78.7**	**78.3**	**76.5**	**74.2**	**–**
December forecast (ESA10)	**78.8**	**80.4**	**81.1**	**80.7**	**78.8**	**76.2**	**72.8**
Change	**4.3**	**3.1**	**2.4**	**2.4**	**2.2**	**2.0**	**–**
of which:							
Change in nominal GDP[1]	*-3.8*	*-4.2*	*-3.8*	*-3.2*	*-2.9*	*-2.8*	*–*
Change in cash level of net debt	*8.1*	*7.2*	*6.2*	*5.7*	*5.2*	*4.8*	*–*
	£ billion						
March forecast (ESA95)	**1258**	**1355**	**1439**	**1497**	**1530**	**1548**	**–**
December forecast (ESA10)	**1402**	**1489**	**1558**	**1610**	**1638**	**1652**	**1648**
Change in cash level of net debt	**144**	**134**	**119**	**113**	**107**	**104**	**–**
of which:							
PSF review: APF	*44*	*44*	*43*	*42*	*37*	*34*	*–*
PSF review: other	*51*	*51*	*51*	*51*	*51*	*51*	*–*
ESA10 (Network Rail)	*33*	*37*	*41*	*44*	*47*	*49*	*–*
Underlying changes in net borrowing	*-2*	*3*	*11*	*10*	*9*	*8*	*–*
Gilt premia	*1*	*-6*	*-22*	*-29*	*-34*	*-36*	*–*
Other	*16*	*5*	*-5*	*-5*	*-3*	*-3*	*–*
Memo: Nominal GDP centred end March: ESA10 implied March 2014 forecast	*1779*	*1854*	*1929*	*2019*	*2110*	*2204*	*–*

[1] Non-seasonally-adjusted GDP centred end March.

Table B.8: OBR's forecast of public sector net borrowing

	£ billion						
	Outturn	**Forecast**					
	2013-14	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
March 2014 underlying PSNB (ESA95)	**107.8**	**95.5**	**75.2**	**44.5**	**16.5**	**-4.8**	**–**
APF effect	12.2	11.6	6.9	2.9	-1.3	-3.7	–
March 2014 headline PSNB (ESA95)	**95.6**	**83.9**	**68.3**	**41.5**	**17.8**	**-1.1**	**–**
Changes due to implementation of ESA10 and the ONS PSF review							
Total	**3.6**	**2.5**	**0.0**	**-0.1**	**-2.0**	**-2.5**	**–**
of which:							
Receipts	*-0.9*	*-4.7*	*-9.8*	*-13.9*	*-15.9*	*-16.8*	–
AME spending	*4.5*	*7.3*	*9.8*	*13.8*	*13.9*	*14.2*	–
March 2014 headline PSNB (ESA10)	**99.3**	**86.4**	**68.3**	**41.5**	**15.8**	**-3.7**	**–**
Forecast changes and consequences for implied government spending							
Forecast changes since March 2014	**-1.7**	**5.8**	**6.6**	**-0.1**	**0.8**	**1.8**	**–**
of which:							
Receipts forecast	*-1.6*	*7.8*	*14.3*	*18.9*	*22.7*	*25.3*	–
Spending forecast	*-0.1*	*-2.0*	*-7.7*	*-19.0*	*-21.9*	*-23.5*	–
of which:							
AME	*-2.5*	*-1.3*	*-9.3*	*-11.9*	*-15.9*	*-19.2*	–
DEL plans	*2.4*	*-0.7*	*1.6*	–	–	–	–
Changes to implied total DEL from applying Budget 2014 spending policy assumptions post 2015-16	–	–	–	*-7.1*	*-6.0*	*-4.3*	–
December 2014 before effects of government decisions	**97.5**	**92.1**	**74.9**	**41.3**	**16.6**	**-1.9**	**-6.5**
Changes due to government decisions							
Autumn Statement policy measures	0.0	-0.9	1.0	-0.1	-0.4	-0.5	-0.4
Effect of applying new Autumn Statement spending policy assumptions post 2015-16[1]	–	–	–	-0.4	-1.6	-1.7	-16.2
December 2014 headline PSNB (ESA10)	**97.5**	**91.3**	**75.9**	**40.9**	**14.5**	**-4.0**	**-23.1**
Change since March on a like-for-like basis	**-1.7**	**4.9**	**7.7**	**-0.6**	**-1.3**	**-0.3**	**–**
Memo: December 2014 implied on ESA95	*101.2*	*93.8*	*76.0*	*40.8*	*12.6*	*-6.6*	–

[1] The additional tightening in 2019-20 of £14.5 billion is relative to a baseline that assumes current spending by departments would otherwise have remained constant as a share of potential GDP.

List of abbreviations

AMAP	Approved Mileage Allowance Payment
AME	Annually Managed Expenditure
APD	Air Passenger Duty
APF	Asset Purchase Facility
API	Application Payment Interfaces
ASHE	Annual Survey of Hours and Earnings
ASK	Audit Skills and Knowledge
ATED	Annual Tax on Enveloped Dwellings
B&B	Bradford and Bingley plc
BIS	Department for Business, Innovation and Skills
BRDO	Better Regulation Delivery Office
BSP	Bereavement Support Payment
CBI	Confederation of British Industry
CDEL	Capital Departmental Expenditure Limit
CFO	Chief Financial Officer
CGNCR	Central government net cash requirement
CGT	Capital gains tax
CHP	Combined heat and power
CMA	Competition and Markets Authority
COACS	Co-ownership Authorised Contractual Scheme
CPI	Consumer Prices Index
CPS	Carbon Price Support
CTA2009	Corporation Tax Act 2009
CTA2010	Corporation Tax Act 2010
DCLG	Department for Communities and Local Government
DCMS	Department for Culture, Media and Sport
DECC	Department of Energy and Climate Change
DEFRA	Department for Environment, Food and Rural Affairs
DEL	Departmental Expenditure Limit
DfE	Department for Education
DfT	Department for Transport
DH	Department of Health
DMI	Debt Market Integrator
DMO	Debt Management Office
DOTAS	Disclosure of Tax Avoidance Scheme
DRD	Direct Recovery of Debts
DWP	Department for Work and Pensions
EEA	European Economic Area
EFO	Economic and Fiscal Outlook

EIS	Enterprise Investment Scheme
ER	Entrepreneurs Relief
ESA	Employment and Support Benefit
ESA10	European System of Accounts 2010
ESA95	European System of Accounts 1995
FCA	Financial Conduct Authority
FCO	Foreign and Commonwealth Office
FLS	Funding for Lending Scheme
FPC	Financial Policy Committee
FSCS	Financial Services Compensation Scheme
FSTIB	Financial Services Trade and Investment Board
FTSE	Financial Times Stock Exchange
G7	A group of 7 major industrial nations (comprising: Canada, France, Germany, Italy, Japan, UK and US)
G8	A group of 8 major industrial nations (comprising: Canada, France, Germany, Italy, Japan, Russia, UK and US)
G20	A group of 20 finance ministers and central bank governors representing 19 countries plus the European Union
GAAR	General Anti-Abuse Rule
GDP	Gross Domestic Product
GLA	Greater London Authority
GNI	Gross National Income
HCA	Homes and Committees Agency
HEFCE	Higher Education Funding Council for England
HGV	Heavy Goods Vehicle
HMRC	Her Majesty's Revenue & Customs
HMT	Her Majesty's Treasury
HPHT	High pressure, high temperature
HS2	High Speed 2
IFRS9	International Financial Reporting Standard 9
IFS	Institute for Fiscal Studies
IHT	Inheritance Tax
IMF	International Monetary Fund
ILO	International Labour Organisation
ISA	Individual savings account
JSA	Job Seekers Allowance
LEP	Local Enterprise Partnership
MET	Minimum Excise Tax
MPC	Monetary Policy Committee
NDPB	Non Departmental Public Body
NFR	Net Financing Requirement
NICs	National Insurance contributions
NIP	National Infrastructure Plan
NMW	National minimum wage
NR	Network Rail

NRAM	Northern Rock Asset Management
NS&I	National Savings and Investments
OBR	Office for Budget Responsibility
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
ONS	Office for National Statistics
OTS	Office of Tax Simplification
P2P	Peer to peer
PAIF	Property Authorised Investment Fund
PIPs	Personal Independence Payments
PPL	Pence per litre
PRA	Prudential Regulation Authority
PSCE	Public Sector Current Expenditure
PSF	Public Sector Finances
PSGI	Public Sector Gross Investment
PSNB	Public Sector Net Borrowing
PSND	Public Sector Net Debt
PSR	Payment System Regulator
R&D	Research and development
RBS	Royal Bank of Scotland
RHDI	Real Household Disposable Income
RMB	Renminbi
RPI	Retail Prices Index
SBRR	Small Business Rate Relief
SDLT	Stamp Duty Land Tax
SEIS	Seed Enterprise Investment Scheme
SGP	Stability and Growth Pact
SITR	Social Investment Tax Relief
SME	Small and medium-sized enterprise
SPA	State Pension age
TfL	Transport for London
TME	Total Managed Expenditure
UKAR	UK Asset Resolution Ltd
UKCS	UK Continental Shelf
UKEF	UK Export Finance
UKTI	UK Trade and Investment
UTC	University Technology College
VAT	Value Added Tax
VCT	Venture Capital Trust
VED	Vehicle Excise Duty
VOA	Valuation Office Agency
WTC	Working Tax Credit

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HM Treasury contacts

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If you require this information in another language, format or have general enquiries about HM Treasury and its work, contact:

Correspondence Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Tel: 020 7270 5000

E-mail: public.enquiries@hm-treasury.gov.uk

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