



*Keeping you informed*

# AUTUMN STATEMENT 2023



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WEALTH MANAGEMENT

*“Our plan is working, but the work is not done”*

On the 22<sup>nd</sup> November 2023, The Chancellor of the Exchequer, Jeremy Hunt announced the Government’s autumn statement.

Prior to the statement, Mr. Hunt had said that *“everything is on the table”* when it comes to tax cuts and had pledged to *“remove the barriers that stop businesses growing”*. Thematically the autumn statement echoed these goals, focussing on the need to help struggling families with the cost of living, as well as boosting economic growth and supporting the workforce.

Mr. Hunt began the statement by saying *“After a global pandemic and energy crisis, we have taken difficult decisions to put our economy back on track. We have supported families with rising bills, cut borrowing and halved inflation. Rather than a recession, the economy has grown. Rather than falling as predicted, real incomes have risen.”*

The Chancellor outlined that the measures highlighted in the statement would not just remove barriers to investment, but that they would also reward efforts.

The statement was split into three key sections, in the first section, Mr. Hunt highlighted the updated Office for Budget Responsibility (OBR) forecasts to show the progress being made in alignment with the Prime Minister’s economic priorities. The second section illustrated the growth measures to back British businesses and the final section was a conclusion summarising the methods in which it will work.

Before beginning the first section of the statement, Mr. Hunt shared his horror of the recent Hamas attacks on Israel and upon recalling his visit to the concentration camp Auschwitz, Mr. Hunt announced £7m of funding over three years for bodies such as the Holocaust Educational Trust, to tackle antisemitism in schools and universities.

He further announced a repeat of the £3m uplift for the Community Security Trust to tackle antisemitism and all forms of racism.

## 1. OFFICE FOR BUDGET RESPONSIBILITY FORECAST

### INFLATION

Mr. Hunt highlighted that inflation has reduced to 4.6% from the 11.1% it was when he and Prime Minister, Rishi Sunak, took office. He shared that the OBR are forecasting that headline inflation will fall to 2.8% by the end of 2024 and will continue to fall to the 2% target in 2025.

The Chancellor added that the Conservative Party will not take risks when it comes to inflation and stated the OBR have said that *“the measures I take today make inflation lower next year than it otherwise would have been”*.



## **COST OF LIVING MEASURES**

Mr. Hunt announced four further measures to support families amid the cost-of-living crisis.

1. Universal credit and other benefits will be increased by 6.7% from April 2024 amounting to an average of £470m for 5.5m households.
2. Increased local housing allowance rate to the 30<sup>th</sup> percentile of local market rents giving 1.6m households on average £800 per year.
3. Although hand rolling tobacco will increase by 10%, the alcohol tax on beer, cider, wine and spirits has been frozen until 1<sup>st</sup> August 2024.
4. The Pension triple lock will remain and the new full state pension will be increased by 8.5% to £221.20 per week from April 2024 worth up to £900 per year per person.

The Chancellor stated that the Government's commitment to supporting in the easing of the current cost of living crisis now totals £104m, which includes paying around half of the cost of the average household's energy bills since October 2023, amounting to an average of £3,700 per year per household.

## **REDUCING DEBT**

In last year's Autumn Statement, debt was predicted to reach almost 100% of GDP but since then, the economy has outperformed expectations.

Borrowing has been reduced and as a result, headline debt is now predicted to be 94% of GDP, reducing to 92.8% in 2028/29. This also means that the UK will continue to have the second lowest government debt in the G7.

## **BORROWING**

Mr. Hunt stated that the Government's borrowing will continue to fall further from the 4.5% of GDP in 2023-24, to 3.0%, 2.7%, 2.3%, 1.6% and 1.1% in 2028-29, highlighting that this forecast would meet their second fiscal rule that public sector borrowing must be below 3% of GDP by the final year.

To emphasise this point, The Chancellor quoted the words of the late Lord Lawson, stating that *"borrowing is just a deferred tax on future generations"*.

## **DEFENCE COMMITMENTS**

Mr. Hunt confirmed they will meet their NATO commitment to spend 2% of GDP on defence, continuing by saying that this is more important than ever if we are to continue to support the Ukraine.

## **VETERANS**

Mr. Hunt confirmed the National Insurance relief eligible to veterans will continue for another year and that £10m will be made available to support the Veterans' Places, Pathways and People programme, an organisation which supports veterans in accessing mental health support and treatment pathways relevant to their needs.



## 2. ECONOMIC GROWTH

Mr. Hunt revealed that as a result of their increased funding for vital public services, he expects the UK to grow by 0.6% this year, 0.7% next year, by 1.4% in 2025, 1.9% in 2026, 2% in 2027 and finally 1.7% in 2028. Mr. Hunt added that if we want these figures to increase, we need *“higher productivity”* and that he believes his 110 measures will do just that, by boosting business investment by £20m a year.

Mr. Hunt said *“They [the 110 measures] do not involve borrowing more, or ramping up debt... they unlock investment with supply side reforms that back British business in the following areas”*.

### SKILLS

England’s 9–10-year-olds are now the 4<sup>th</sup> best readers globally, but there are still around 9 million adults with low basic literacy and numeracy skills. The Prime Minister set out the new advanced British standard to ensure all school leavers reach a minimum standard in Mathematics and English and further to this, Mr. Hunt announced £50m of funding over the next 2 years for engineering apprenticeships and other key growth sectors.

*“No economy can prosper without investing in the potential of its people.”*

## PLANNING

Explaining how local authority planning project timelines are currently taking too long and that deadlines are not being met, Mr. Hunt announced that the system will be reformed, allowing local authorities to recover the full costs of major business planning applications, with the caveat that they will be required to meet guaranteed faster timelines. If they fail, these will be refunded automatically with the application.

*“Service or your money back, just as would be the case in the private sector.”*

Mr. Hunt further announced the funding of £450m for the Local Authority Housing Fund, to deliver 2400 new homes and he will consult on a new permitted development right to allow any house to be converted into two flats provided the exterior area remains unaffected.

Mr. Hunt continued by saying that it's also taking too long for clean energy businesses to access the electricity grid and that through consultation with businesses such as the National Grid, Octopus Energy and SSC, the Government published their response to the Winsor Review and Connections Action Plan.

The measures will aim to cut grid access delays by 90% and offer up to £10,000 off electricity bills over 10 years for those living closest to new transmission infrastructure. These reforms are estimated to accelerate around £90 billion of additional business investment over the next 10 years.

## **INCREASED FOREIGN DIRECT INVESTMENTS**

Mr. Hunt announced that they will put in place a concierge service for large international investors, modelled on the best such services offered by our competitors and will increase funding for the Office for Investment to deliver it.

## **PENSION FUNDS**

Mr. Hunt says he is considering allowing employees to choose where their pension contributions from employers go, which would stop people having to consolidate their pensions whenever they take up a new job and result in them having one pension pot for life.

By 2030, the majority of workplace Defined Contribution (DC) savers will have their pension pots managed in schemes of over £30bn and by 2040, all local government pension funds will be invested in pools of £200bn or more. Mr. Hunt continued by saying how these reforms could unlock an extra £75bn of financing for high growth companies by 2030 and provide an extra £1000 a year in retirement for the average earner saving from the age of 18.



## **CAPITAL MARKET REFORM**

Mr. Hunt said that he will make sure that UK remains one of the most attractive places to start, grow and list a company. As part of this, a NatWest retail share offer will be explored in the next 12 months, subject to market conditions and achieving value for money.

## **SUPPORTING INNOVATIVE INDUSTRIES**

In the last decade, the UK has grown to become the third largest technology sector in the world. Mr. Hunt continued by saying that when it comes to technology, it is clear that AI is at the heart of future growth and that as a result, he wants researchers to have access to computing power.

As such, the Government will be investing £500m over the next 2 years to fund further innovation centers and make the UK an AI powerhouse.

## **SCIENCE INDUSTRY**

To further support research and development, Mr. Hunt announced that he would be creating a new simplified R&D tax, combined with existing R&D expenditure credit and SME schemes.

Mr. Hunt will also reduce the rate at which companies are taxed within the scheme from 25% to 19% and lower the threshold for the additional support for R&D intensive SME schemes (previously announced in the spring budget).

Additionally, because 2028 marks the centenary of the invention of penicillin, Mr. Hunt is giving £5m to Imperial College and the Imperial College Healthcare NHS Trust, to set up a Fleming Centre, to inspire the next generation of world changing innovations.

## ADVANCED MANUFACTURING AND GREEN ENERGY SECTORS

The Chancellor confirmed that £4.5bn will be made available over the next five years to attract investment into green energy sectors, which includes £2bn for zero emission investments in the automotive sector, £520m for life sciences and £960m for new green industries focusing on offshore wind, electricity networks and Hydrogen.

## 3. LEVELING UP MEASURES

### INVESTMENT ZONES

In the spring budget, Mr. Hunt announced 12 new investment zones. In the autumn statement, he announced that the financial incentives for those zones and the tax relief for freeports will be extended from 5 years to 10 years, along with *"a new £150m investment opportunity fund to catalyse investment into the programme"*.

He also announced three further investment zones focused on advanced manufacturing in the West Midlands, East Midlands and Greater Manchester which will *"help catalyse over £3.4bn of private investment and 65,000 new jobs"*.

Mr. Hunt also announced a second *"investment zone"* in Wales, located in Wrexham and Flintshire.

The Chancellor went on to say that the Government is publishing new devolution deals with four areas of the UK, which includes Hull and East Yorkshire.

Mr. Hunt confirmed that he will proceed with over £50m of funding for high-quality regeneration projects in communities such as Bolsover, Monmouthshire, Warrington and Eden Valley and additionally announced:

- £80m for the new levelling up partnerships in Scotland.
- £500,000 to support the Hay Festival in Wales.
- £3 million pounds of additional funding to support the successful Tackling Paramilitarism programme in Northern Ireland.

### SMALL BUSINESSES AND BUSINESS RATES

The Procurement Act means that the 30-day payment terms which are already set for public sector contracts will automatically apply throughout the subcontractor supply chain.

From April 2024 however, Mr. Hunt has also introduced a condition that any company bidding for large government contracts should demonstrate that they pay their own invoices within an average of 55 days, which will reduce progressively to 30 days.

The temporary support measure of a 75% discount on business rates up to £110,000 has been frozen for another year. The measure has saved the average independent shop over £20,000. The 75% business rate discount for retail, hospitality and leisure has also been extended for another year. This will save the average independent pub over £12,800 next year.

## **SELF-EMPLOYED BUSINESS OWNERS**

Mr. Hunt praised the efforts of the self-employed workers who kept the country running during the pandemic and as such announced the following measures:

- Class 2 National Insurance, which is the compulsory £3.45 a week charge paid by self-employed workers earning more than £12,570 which gives state pension entitlement, will be abolished.
- Class 4 National Insurance, which is the 9% tax on earnings between £12,570 and £50,270, will be reduced to 8% from April 2024.

## **BACK BRITISH BUSINESS**

Mr. Hunt announced that the full expensing introduced in the spring for three years, will be made permanent *“due to inflation falling and borrowing going down”*. Mr. Hunt stated that the OBR believes it will increase annual investment by roughly £3bn a year - and total £14bn over the forecast period.

Mr. Hunt said that *“taken together, the overall impact of today's growth measures will be to increase business investment in the UK economy by around £20bn a year within a decade, nearly 1% of GDP at today's level. This is the biggest ever boost for business investment in modern times”*.

## **INCENTIVES TO WORK**

Mr. Hunt announced three further reforms designed to improve incentives to work.

### **1. WELFARE**

With over 100,000 people signed off from work due to sickness and/or disability, Mr. Hunt stated his belief that there is a waste of potential and as such, announced the Back to Work plan.

This will reform the sick note process, so that treatment, rather than time off, will be the default.

### **2. INCREASING THE WORKFORCE**

The Chancellor announced reform of the work capability assessment, to reflect greater flexibility of homeworking after the pandemic and that they will spend £1.3bn over the next five years to help nearly 700,000 people with health conditions find jobs. Over 180,000 more people will be helped through the University Support Programme and nearly 500,000 more people will be offered treatment for mental health conditions and employment support over the forecast period.



*"If we are to incentivise work,  
we must tackle low pay"*

Furthermore, £1.3bn of funding will be provided to offer extra help to the 300,000 people who have been unemployed for over a year without any sickness or disability. But, if after 18 months of intensive support jobseekers have not found a job, Mr. Hunt announced a programme roll out requiring them to take part in mandatory work placement to increase their skills and improve their employability and if they choose not to engage with the process for six months, their case will be closed and their benefits will stop.

### **3. LOW PAY**

The minimum wage is being increased to £11.44 per hour, meaning that by next year someone working full time on the national living wage will see their real take home, after tax pay increase by 30% when compared to 2010.

### **NATIONAL INSURANCE CONTRIBUTIONS**

Mr. Hunt said that if we want people to get up early, work nights and go the extra mile, we need to recognise that hard work benefits all and as such, The Chancellor announced a 2% cut to National Insurance contributions to 10%, which will help 27m people, coming into effect on 6<sup>th</sup> January 2024.





*"As a country we're sticking to a plan that's working and this autumn statement for growth will attract £20bn of additional business investment a year in the next decade. Bring tens of thousands of people into work and support our fastest growing industries in a package which leaves borrowing lower debts and keeps inflation falling. We are delivering the biggest business tax cuts in modern British history. The largest ever cut to employee and self-employed National Insurance and have the package of tax cuts to be implemented since the 1980s. An autumn statement for a country that has turned a corner, an autumn statement for growth which I commend to the house".*

**Jeremy Hunt**

Chancellor Of the Exchequer

November 22<sup>nd</sup> 2023



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