

# Quick guide

## Autumn Statement 2011

November 2011

This quick guide provides information on the Chancellor's Autumn Statement of 29 November 2011, summarising the headline policy announcements and the potential impact on Wales.

### Introduction

The Chancellor of the Exchequer, George Osborne, made his Autumn Statement on Tuesday 29 November 2011.<sup>1</sup> The Autumn Statement replaces the previous Government's Pre-Budget Report,<sup>2</sup> and provides an update on the Government's plans for the economy based on the latest forecasts from the Office for Budget Responsibility, which were published alongside the Autumn Statement.<sup>3</sup>

Also, alongside the Autumn Statement details of progress on the Plan for Growth<sup>4</sup> and the National Infrastructure Plan 2011 were published.<sup>5</sup>

### Headline policy announcements

#### Protecting the economy:

- **State Pension age** - raise to 67 between April 2026 and April 2028 in response to demographic change, saving around £60 billion between 2026-27 and 2035-36;
- **Public sector pay** - awards to be average of one per cent for each of the two years following the current pay freeze next year, forecast to save around £1.75 billion over the three years to 2014-15;
- **Tax Credits** - uprate child element of Child Tax Credit and disability elements of tax credits in line with CPI, the planned £110 above inflation increase to the child element

<sup>1</sup> HM Treasury, [Autumn Statement 2011](#), 29 November 2011 [accessed 29 November 2011]

<sup>2</sup> [Section 2](#) of the *Budget Responsibility and National Audit Act 2011* removed the requirement on HM Treasury to prepare and publish a Pre-Budget Report. [accessed 29 November 2011]

<sup>3</sup> Office for Budget Responsibility, [Economic and Fiscal Outlook](#), 29 November 2011. A summary of the headline forecasts, as well as comparisons with independent forecasts can be found in the Research Service publication: [Economic and Fiscal Forecasts](#), November 2011 [accessed 29 November 2011]

<sup>4</sup> HM Treasury, and Department for Business, Innovation and Skills, [Plan for Growth](#), March 2011 and HM Treasury, [Growth Review Phase 1 Implementation](#), 29 November 2011 [accessed 29 November 2011]

<sup>5</sup> HM Treasury, [National Infrastructure Plan 2011](#), 29 November 2011 [accessed 29 November 2011]

will not proceed, neither will the uprating of the couple and lone parent elements of the working Tax Credit. Forecast to save around £3.8 billion over the three years to 2014-15;

### **Building a stronger economy for the future:**

- **Infrastructure** – the National Infrastructure Plan 2011 contains commitments to improve the UK’s transport and broadband networks as well as steps to attract major new private sector investment. In relation to this, savings from current spending are to be used to fund £6.3 billion of additional infrastructure spending, of which £4.7 billion is new funding to be made available over the years 2012-13 to 2014-15. A further £20 bn of additional investment to be targeted from pension funds.
- **Regional Growth Fund** – an additional £1 billion allocated and fund extended to 2014-15 to support growth in the private sector.
- **Credit easing** - £20 billion National Loan Guarantee Scheme over two years, to allow banks to offer lower cost lending to smaller businesses, and a £1 billion Business Finance Partnership to invest in small and medium-sized business in the UK via non-bank channels.
- **Education** – £1.2 billion of additional funding for education: an additional £600m investment to fund 100 additional Free Schools by end of Parliament, and an additional £600m to support local authorities with greatest demographic pressures to deliver an additional 40,000 school places.
- **Housing** – introduction of a new build indemnity scheme to increase supply of affordable mortgage finance for new homes and reinvigorate the Right to Buy scheme.
- **Energy-intensive industry** - £250 million in support of reducing the impact of policy on the costs of electricity for the most electricity-intensive industries.
- **Science**- invest an additional £200 million in science, including an £80 million investment in the Institute for Animal Health and £25 million for large-scale technology demonstrators

### **Fairness:**

- **State Pension** - full basic State Pension will rise by £5.30 to £107.45 per week in April 2012.
- **Fuel duty** - delay the 3p fuel duty increase due in January and cancel the inflation increase planned for August 2012 (reduced from 5p to 3p).
- **Rail fares** - limit increase to regulated rail fares to RPI plus one per cent (6.2%) from 2012, estimated to cost £345 million over the three years to 2014-15.
- **Bank Levy** - Increase the Bank Levy to 0.088% from January 2012.
- **Youth Contract** - introduce a Youth Contract worth £940m over 2012-13 to 2014-15 financial years to support young people in gaining employment, education or apprenticeships.

- **Childcare** - invest a further £380m per year by 2014-15 to extend the 15 hour free education and care per week for disadvantaged two year olds, to cover an additional 130,000 children.

Table 1 provides details of **additional spending** detailed in the Chancellor's Autumn Statement.

**Table 1: Additional spending measures**

|   | 2012-13      | 2013-14      | 2014-15      |
|---|--------------|--------------|--------------|
| <b>Revenue spending:</b>                        |              |              |              |
| Youth Contract                                  | 365          | 310          | 265          |
| Early years' childcare                          | 85           | 240          | 455          |
| Rail fares                                      | 105          | 105          | 135          |
| Carbon price floor: energy intensive industries | 0            | 40           | 60           |
| Science   | 30           | 30           | 30           |
| <b>Capital spending:</b>                        |              |              |              |
| New funding for infrastructure                  | 760          | 1,785        | 2,145        |
| <b>Total</b>                                    | <b>1,345</b> | <b>2,510</b> | <b>3,090</b> |

Source: HM Treasury, *Autumn Statement 2011*, 29 November 2011 (Table 2.1)

## Potential impact on Wales

As shown in table 1 above, the Autumn Statement 2011 detailed **total additional spending of around £6.94 billion over the three year 2012-13 to 2014-15**. Of this £2.25 billion is revenue funding and £4.69 billion is capital. Some of this will result in consequentials to the Welsh budget.

A Wales Office news release responding to the Autumn Statement suggests that it results in an **additional £216 million in capital funding to Wales over the three years**.<sup>6</sup> However, this makes no mention of any revenue consequentials. Depending on the degree of comparability<sup>7</sup> and the exact nature of the programmes for which the additional revenue funding is allocated (ie whether it is devolved or provided on a UK basis) there may be the possibility of further revenue consequentials to Wales.

The Secretary of State, Cheryl Gillan, says of the Autumn Statement:

Today's Autumn Statement will have a strong impact on Wales. The Welsh Government will receive an additional £216m capital and I would encourage them to use this additional funding to enhance growth opportunities.<sup>8</sup>

<sup>6</sup> Wales Office, News Release, *Welsh Secretary responds to Autumn Statement: UK measures will help boost Welsh economy*, 29 November 2011 [accessed 29 November 2011]

<sup>7</sup> As determined in HM Treasury's *Funding the Scottish Parliament, National Assembly for Wales and Northern Ireland Assembly: Statement of Funding Policy*, October 2010 [accessed 29 November 2011]

<sup>8</sup> Wales Office, News Release, *Welsh Secretary responds to Autumn Statement: UK measures will help boost Welsh economy*, 29 November 2011 [accessed 29 November 2011]

## Further information

For further information on budgets and finance, please contact **Dr Eleanor Roy** ([Eleanor.Roy@wales.gov.uk](mailto:Eleanor.Roy@wales.gov.uk)), Research Service.

### See also:

- [\*Economic and Fiscal Forecasts\*](#), November 2011
- [\*The Barnett formula and the changing face of devolution funding\*](#), June 2011
- [\*Chancellor's Budget 2011\*](#), March 2011

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