

Introduction

Chancellor George Osborne today presented the coalition's last Autumn Statement before the 2015 General Election. It provides an update on the national economy, alongside tax and investment plans. It confirms ministerial announcements made earlier this week, including £2bn of new money for the NHS and details of how already-committed funds will be allocated, including £15bn on roads and £2.3bn on flooding.

South East announcements include £1.4bn for roads in the South East and London plus a 6-year funding programme for flood prevention in areas such as Oxford, Tonbridge and the Thames from Surrey to Windsor. Many of these announcements reflect the cases made by SEEC-SESL this year through the Mind the Gap transport report and work on flooding. There is to be a second garden city in the South East at Bicester, Oxfordshire.

National changes include a review of business rates and new stamp duty rules. Devolution offers include business rate powers for Wales, income tax setting powers for Scotland and corporation tax powers for Northern Ireland. Devolution to English councils was not mentioned. Read the full Autumn Statement [here](#).

National economic overview

New figures from the Office for Budget Responsibility (OBR) increase economic growth forecasts for 2014, from 2.7% to 3%. UK growth is 2.5 times faster than Germany and 7 times faster than France. The UK future growth forecast is 2.4% next year then 2.2% in 2016 and 2.4% in 2017. In addition:

- The deficit has been halved since 2010. It now sits at 5% of GDP compared to 10.2% in 2010.
- In the past year 500,000 jobs were created (estimated 265,000) 85% are full time. Unemployment benefit claims fell 23% in the year. Total unemployment is expected to fall to 5.4% in 2016.
- Inflation is forecast to fall to 1.5% this year. The forecast is 1.2% for 2015, then 1.7% in 2016.
- Borrowing has fallen each year since 2010. At £91.3bn this year it is more than the expected £86.4bn but is due to fall more quickly than previously anticipated from 2016 to give a £4bn surplus in 2018-19.
- Government will repay the nation's first world war debt.

Whitehall budgets

The Chancellor said Whitehall administration costs are down 40% since 2010 and the Government is on track to meet its welfare cap commitment. However, further public spending savings are still needed. He will ask Parliament to vote on a Charter for Budget Responsibility to ensure savings continue after 2015.

- Spending plans for 2015-16 will be set out for departments to save £13.6bn in total.
- Public service pension reforms recommended by Lord Hutton will be completed to save £1.3bn a year.
- Universal credit work allowances will be frozen for another year.
- Unemployment benefits for migrants with no prospect of work will end.
- Ending operations in Afghanistan will save £200m from the special military reserve.
- Net payments to the EU will fall by £1bn this year and next year.
- LIBOR fines from banks will fund a new helicopter for **Kent, Surrey and Sussex** Air Ambulance.

Infrastructure investment

A Road Investment Strategy (1 December) and updated National Infrastructure Plan (2 December) include investments in key South East projects:

- Improvements to **M25 junctions 10-16; M3 junctions 9-14; and M2 junction 5**. On the South East/London borders there will be changes to M4 junctions 4/4a, improving access to Heathrow.
- Upgrades to the **M27/A27 corridor** including an Arundel bypass, capacity and junction improvements at Worthing, Lancing and M27 junctions 5-8. Developers will fund a new layout at M27 junction 10.
- Investment to improve the **A34 near Oxford, A3 near Guildford, A31 near Winchester** and developer funding to improve **A20 access to Dover**. A study will consider an **Oxford-Cambridge 'expressway'**.
- £100m infrastructure investment for the planned 15,000-home **Ebbsfleet garden city, Kent**. Government will also review transport services to Ebbsfleet.
- £2m for a **Crossrail 2** business case by Government and Transport for London.
- £297m for 162 flooding projects along the Thames to protect over 12,000 homes. There is an increase of £60m funding towards a major scheme protecting for residents and businesses in **Surrey, Windsor and London**; £42m for **Oxford**; £17m for **Tonbridge**, plus investment in coastal flood defences in **Kent, Sussex and Hampshire** to cover areas including Sandwich, Shoreham by Sea and Portsea Island.

Housing and Planning

- **Bicester, Oxfordshire**, was announced as the second garden city, providing up to 13,000 homes. A new rail station serving Bicester has already been announced.
- A project in Cambridgeshire will pilot a new role for Government (via the HCA) as a commissioner, builder and seller of housing. This would give Ministers a direct role in increasing housing supply.
- £100m for 'shovel ready' housing schemes and a target to release enough Government-owned land for 150,000 homes in 2015-2020.
- Budget 2015 will launch consultation on making Compulsory Purchase clearer, faster and fairer to help bring forward more brownfield land for development. SEEC has called for this over the past year.
- There will be steps to speed up section 106 negotiations to reduce planning delays. Councils will be required to make more major planning decisions on time, with a new minimum threshold of 50%.

Devolution

- Devolution offers include business rate powers for Wales, income tax setting powers for Scotland and corporation tax powers for Northern Ireland – all aimed at encouraging economic growth in these areas.
- The 'Northern Powerhouse' will receive £0.25bn for an advanced material science institute with branches in Manchester, Leeds, Liverpool & Sheffield. There will also be a new theatre in Manchester.
- A sovereign wealth fund for the north of England will ensure the area's shale gas resources are used to invest locally.
- There was no mention of devolution to the **South East** – or other areas of England – despite the South East's record of making the highest net contributions to the Treasury of £80bn over the past 10 years. However praising the joint working by councils in Manchester, the chancellor said "my door is open to other cities who want to follow their cross party lead".

Skills, low carbon, digital & broadband

- Postgraduate loans of up to £10,000 will be introduced.
- Ultra low emission vehicles: £50m to support R&D; £15m for a national network of charge points; and £85m to support ultra low emission taxis, buses and cities.
- Clean vehicles - £4m to fund road vehicle modifications by local authorities to help reduce air pollution.
- £40m to extend the SME broadband connection voucher scheme and support for Ofcom's work on the change of use of 700MHz spectrum for mobile broadband.

Health and social care

- The statement confirmed commitment made on 30 November to provide an extra £2bn a year for the NHS frontline services. £1.2bn of bank foreign exchange fines will be invested in GP services.
- The £2,000 employment allowance will be extended to include carers.
- Investment in prevention includes £15m for research into dementia and £150m for children with eating disorders. Commentators argue more investment in prevention could reduce NHS costs, particularly in the **South East** with the UK's largest older population, expecting over 1.5m aged 75+ by 2037.

Businesses

The Chancellor announced a major review of business rates to help high street shops compete with online retailers who pay less in rates due to smaller premises. It will be important to monitor the impact of proposed changes on councils' share of business rate income. Other measures included:

- Business rate rises will be capped at 2%. Small business rate relief will be doubled for a further year.
- Discounts for small business in retail premises in England with a rateable value of up to £50,000 will increase from £1,000 to £1,500.
- A new 25% tax will be levied on multinationals who generate business in the UK but then artificially shift the benefits offshore. This is expected to raise £1bn in the next 5 years.
- There will be a new limit on the amount of profit banks can offset against losses to reduce their tax bills. This is expected to raise £4bn in the next five years.
- £400m to extend Government-backed 'Enterprise Capital Funds', which invest in fast growing SMEs.
- £500m new bank lending to SMEs via the Enterprise Finance Guarantee Scheme. The Funding for Lending scheme is extended to January 2016 with a specific focus to support bank lending to SMEs.
- Tax breaks for theatres will be extended to orchestras and there will be a new children's TV credit.
- R&D tax credit for SMEs will increase to 230% and the credit for larger firms to 11%.
- National insurance will be abolished for apprentices aged under 25.

Travel costs

The freeze on fuel duty will continue. From May 2015 Air Passenger Duty will be abolished for children under 12. In 2016 this will be extended to under 16s.

Taxes

- Stamp duty will be reformed from midnight on 3 December so purchasers pay incremental rates of tax rather than a flat rate on the full property price. Purchasers will now pay
 - 0% up to £125,000
 - 2% on the portion of the price up to £250,000
 - 5% on the portion up to £925,000
 - 10% up to £10m
 - 12% on anything over £13m.
- The annual charge on enveloped property worth £2m+ will rise by 50% above inflation.
- Tax to pass on unused pension pots to surviving partners will be abolished. It was previously 55%. Passing on annuities for those who die before age 75 will also become tax free.
- The tax free ISA allowance will increase by £200 to £15,240 in April. On death, ISAs will now maintain tax free status when they pass to a spouse.
- Personal tax allowances will rise to £10,600 next year. This is £100 more than previously announced.
- The higher rate personal tax threshold will rise in line with inflation next year from £41,865 to £42,385.
- Inheritance tax exemptions will be extended to cover aid workers who die dealing with emergencies.
- VAT will be refunded for air ambulances, search and rescue and hospice charities.
- Non dom status will be reviewed with costs rising for those who spend most of their time in the UK. The annual charge will rise from £30,000 to 60,000 for anyone who has spent 12 of the past 14 years here and to £90,000 for those who have spent 17 out of the past 20 years here.

To read SESL's submission ahead of the Autumn Statement, click [here](#).