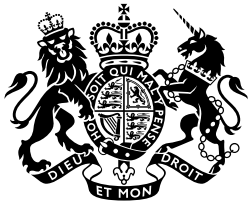
HM Treasury

AUTUMN STATEMENT 2023

CP 977

November 2023



AUTUMN STATEMENT 2023

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

November 2023

CP 977



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CORRECTION NOTE

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The document provides a comprehensive summary of the policy measures in the Chancellor of the Exchequer's Autumn Statement 2023.

Correction 1

Paragraph 4.62, page 68. This previously read:

> **4.62** The UK Emissions Trading Scheme (ETS) plays a vital role in providing businesses with the long-term certainty to plan ahead and decarbonise efficiently. Reforms to the ETS, as set out by the UK ETS Authority in July 2023, will reduce the number of ETS permits available for purchase from government by 45% between 2023 and **2025**. It will also extend the scheme to cover emissions from domestic maritime and energy from waste in 2026 and 2028 respectively. This is an important step in achieving net zero ambitions.

This has been corrected to change the 2025 date to 2027 (bold added here), so the paragraph now reads:

> **4.62** The UK Emissions Trading Scheme (ETS) plays a vital role in providing businesses with the long-term certainty to plan ahead and decarbonise efficiently. Reforms to the ETS, as set out by the UK ETS Authority in July 2023, will reduce the number of ETS permits available for purchase from government by 45% between 2023 and **2027**. It will also extend the scheme to cover emissions from domestic maritime and energy from waste in 2026 and 2028 respectively. This is an important step in achieving net zero ambitions.

Correction 2

Table 5.1, page 83. The title of line 33 previously read:

> 33. Universal Credit: increase the Minimum Income Floor by up to a max. of £1,250 a month for lead carers from April 2024

This has been corrected so the title now reads:

> 33. Universal Credit: increase the maximum level of the Minimum Income Floor for lead carers from January 2024

Correction 3

Table 5.1, page 83. The subtitle "Public Spending" between rows 35 and 36 has been corrected to read "Other Tax".

Correction 4

Paragraph 5.4, page 85. “Experise” has been corrected to “expertise”.

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Executive Summary

In January 2023 the Prime Minister set out three economic priorities: to halve inflation, grow the economy and reduce debt. Consumer Prices Index (CPI) inflation has now more than halved from a peak of over 11% last autumn to 4.6% in October 2023. The economy has recovered from the pandemic more quickly than first thought, grown more than expected this year, and is forecast to grow in every year of the forecast period. Underlying debt is forecast to fall as a proportion of GDP from 2027-28 and the government has greater headroom against its fiscal rules than at Spring Budget 2023.

The government must continue to bear down on inflation, and the Office for Budget Responsibility (OBR) forecasts that government policies in the Autumn Statement will reduce inflation next year. With inflation falling and the economy and public finances stabilised after a series of unprecedented shocks, the government can now take the long-term decisions necessary to strengthen the economy and build a brighter future.

The government is focusing on five areas: reducing debt; cutting tax and rewarding hard work; backing British business; building domestic and sustainable energy; and delivering world-class education. The Autumn Statement takes a responsible approach to public spending to keep debt falling, cuts taxes for working people and businesses, reforms welfare to help people into work and removes barriers to business investment to boost growth.

The OBR estimates that government decisions at the Autumn Statement will boost business investment by £14 billion and bring a further 78,000 people into employment by the end of the forecast period. This means that the combined impacts of the Spring and Autumn policy measures will increase the number of people in work by around 200,000 by the end of the forecast.

Together, Autumn Statement policies are forecast to increase the economy's potential output in the medium term by 0.3%. This is in addition to a 0.2% increase to potential GDP resulting from announcements at Spring Budget 2023. These are the two largest increases to labour supply and potential GDP resulting from fiscal policy the OBR has ever scored in a medium-term forecast.

Reducing debt

Reducing debt and borrowing is essential to controlling inflation, keeping mortgage rates affordable and funding public services sustainably. After accounting for decisions at the Autumn Statement, borrowing is forecast to be lower this year, next year and on average over the forecast period compared to the OBR's March forecast. Underlying debt is also lower as a percentage of GDP, by an average of 2.1 percentage points across the forecast.

The government is on track to meet its debt and borrowing fiscal rules with greater headroom against both rules compared to spring. Underlying debt begins to fall from 2027-28 and then falls to 92.8% of GDP in the target year (2028-29). The debt rule is met with £13 billion headroom, double the £6.5 billion held in spring. The borrowing rule is met three years ahead of target and with £61.5 billion headroom, an increase of £22.3 billion since the spring.

The government has taken difficult but necessary decisions to get debt falling and ensure our public services continue to operate effectively in the face of financial and operational pressures. The Autumn Statement reaffirms the commitments made at Autumn Statement 2022 to make available up to £14.1 billion for the NHS and adult social care and provide an additional £2 billion for schools in both 2023-24 and 2024-25. Total departmental spending will be £85 billion higher in real terms by 2028-29 than at the start of this Parliament (2019-20). As a proportion of income, households on the lowest incomes have benefited the most from government decisions on tax, welfare and public spending since Autumn Statement 2022.

Tackling waste and inefficiency has always been at the heart of the government's approach to public spending, but high inflation continues to put additional pressure on departmental budgets. The government has therefore driven even greater efficiencies than those assumed at Spending Review 2021 to manage down these pressures and ensure departments can live within their settlements and deliver the service outcomes the public expect.

The government continues to tackle tax non-compliance and is introducing the largest package of measures since 2016. This is forecast to raise an additional £5 billion of tax revenue over the next five years, which would otherwise have gone unpaid, to fund vital public services.

While day-to-day spending will continue to grow above inflation in future years, public spending faces many pressures. The government must get the most out of every pound of taxpayers' money by boosting productivity and focusing spending on the government's priorities. The government continues to drive forward the Public Sector Productivity Programme to reimagine the way public services are delivered.

Cutting tax and rewarding hard work

The government has had to take difficult decisions to restore the stability of the public finances in wake of the economic shocks caused by the COVID-19 pandemic and Putin's illegal invasion of Ukraine. But with inflation falling, growth more resilient than expected this year and debt forecast to reduce, the government can now return some of that money to taxpayers and ensure people keep more of what they earn.

The government is cutting taxes for over 29 million working people. The main rate of Class 1 employee National Insurance contributions (NICs) will be cut from 12% to 10% from 6 January 2024, with employees benefitting from January onwards. This means the average worker on £35,400 will receive a tax cut in 2024-25 of over £450. This will reward work and sustainably grow the economy, providing a combined rate of income tax and NICs for an employee paying the basic rate of tax of 30% – the lowest since the 1980s.

The government is also cutting taxes for the self-employed from 6 April 2024. The government is reducing the main rate of Class 4 self-employed NICs from 9% to 8%, and will abolish the outdated and needlessly complex Class 2 self-employed NICs, reforming and simplifying the tax system. Taken together these changes will benefit around 2 million self-employed individuals and result in an average self-employed person on £28,200 saving £350 in 2024-25.

These tax cuts are part of the government's long-term strategy for growing the economy and getting more people into work, ensuring that the UK has the labour market it needs for its future. The OBR forecast these changes will increase the number of people in employment by 28,000 by 2028-29, alongside a further substantial economic benefit from those in work increasing their hours.

The government is delivering on its commitment to end hourly low pay. From 1 April 2024, the National Living Wage (NLW) will increase by 9.8% to £11.44 with the age threshold lowered from 23 to 21 years old. This represents an increase of over £1,800 to the annual earnings of a full-time worker on the NLW and is expected to benefit over 2.7 million low paid workers.

The government is reforming the welfare system so it better supports people into work where they are able, focusing on the long-term sick and disabled, and long-term unemployed. The government's Back to Work Plan, supported by over £2.5 billion in funding over the next five years, is an ambitious new programme to help people look for and stay in work, manage their health conditions, and stem the flow into sickness related inactivity.

There are now a record 2.6 million people who are economically inactive due to long-term sickness and disability, almost half a million more than before the pandemic. The government is taking steps to reform the fit note process to support more people to resume work after a period of illness and expanding the Universal Support programme that matches those with health conditions and disabilities into vacancies. The government is also expanding the NHS Talking Therapies programme and Individual Placement and Support to help people with mental health conditions. The government will work with employers and business representatives to develop and promote best employment practices to support employees with health and disability issues.

The government is reforming the Work Capability Assessment (WCA) so that more individuals, such as those with limited mobility and mental health conditions, receive the right support to find work where they can, rather than being automatically deemed unable to work or look for work.

To better help the long-term unemployed into work, the government is expanding Additional Jobcentre Support, extending and expanding the Restart programme in England and Wales, and strengthening sanctions for those who choose not to engage with measures that help them find work.

For those that cannot work for legitimate reasons there must always be a safety net. The government will uprate all working age benefits for 2024-25 in full, by September 2023 CPI inflation of 6.7%, and will continue to protect pensioner incomes by maintaining the Triple Lock and uprating the basic State Pension, new State Pension and Pension Credit standard minimum guarantee for 2024-25 in line with average earnings growth of 8.5%.

In response to the energy crisis, the government provided one of the largest support packages in Europe. To further support low-income households with increasing rent costs, the government will raise Local Housing Allowance rates to the 30th percentile of local market rents in April 2024. This will benefit 1.6 million low-income households, who will be around £800 a year better off on average in 2024-25. Taken together, support to households to help with the high cost of living is worth £104 billion over 2022-23 to 2024-25, or £3,700 per household on average.

Backing British business

When the economy is growing there are more jobs, higher wages and increasing living standards. Since 2010 the UK economy has grown the third fastest in the G7, faster than France, Germany, Japan and Italy. Unprecedented shocks have hit the economy since 2020, but with stability restored, the government is backing British business to drive long-term economic growth.

The government believes the best way to grow the economy is not through higher borrowing and untargeted support but by creating the conditions for the private sector to thrive by removing barriers to investment and cutting taxes for businesses.

Business investment in the UK has been lower than other leading advanced economies at 9.5% of nominal GDP over the last 10 years, compared to 11.2% on average in France, Germany and the US. Addressing this gap is crucial to improving UK productivity and so the government is introducing an ambitious package of measures to unlock business investment.

The UK already has one of the most competitive business tax regimes of any major economy, with the lowest headline rate of corporation tax in the G7. In 2021, the government introduced the super deduction to incentivise business investment. Since then, investment growth has been faster in the UK than any other country in the G7. At Spring Budget 2023 the government went further, replacing this with full expensing for three years from 1 April 2023, allowing businesses to write off the full cost of qualifying plant and machinery investment.

The government is now making this change permanent. Worth over £10 billion a year, full expensing is the biggest business tax cut in modern British history. This makes the UK's capital allowances regime one of the most generous in the world, and the OBR expect this will unlock an additional £14 billion of investment over the forecast period. This will improve the UK's capital stock, help close the productivity gap and drive sustainable growth. The government is also making changes worth £280 million a year to simplify and improve R&D tax reliefs, helping to drive innovation in the UK.

The government is removing barriers to investment in critical infrastructure by reforming the planning system to speed up approvals and setting out a plan to reduce the time it takes for new projects to connect to the grid. Together these reforms will unlock new commercial developments that will enhance our energy security and help drive the transition to net zero.

The government is announcing a business rates support package worth £4.3 billion over the next five years to support small businesses and the high street. The small business multiplier will be frozen for a fourth consecutive year, and Retail, Hospitality and Leisure (RHL) relief will be extended, ensuring the most vulnerable businesses continue to be supported. The standard rate multiplier will be uprated

in line with CPI inflation. While this will increase business rates bills for some, large retailers are expected to benefit from hundreds of millions of pounds of tax relief per year as a result of full expensing.

Businesses need access to capital to grow and invest in the UK. The Autumn Statement builds on the Chancellor's Mansion House speech with a package of measures to reform the pensions market to unlock investment into high growth sectors and generate increased returns for savers.

The government continues to back the growth sectors of the future and is announcing further targeted support for digital technology, green industries, life sciences, advanced manufacturing and creative industries. This includes making available £4.5 billion to unlock investment in strategic manufacturing sectors – auto, aerospace, life sciences and clean energy – which are developing cutting edge technology and driving our transition to net zero. Together with existing manufacturing support and decarbonisation plans, this funding will level up communities across the country with higher-paid jobs, improve the UK's energy security, and help grow the sectors of the future.

The government is delivering on levelling up and announcing further measures to support growth and investment across the UK, including confirming the next set of investment zones in Greater Manchester, the West Midlands, and the East Midlands; and doubling the flexible funding envelope for each investment zone from £80 million to £160 million by extending the programme and associated tax reliefs from five to ten years.

Together with submitted plans for investment in regulated utilities, the Autumn Statement measures could raise business investment by around £20 billion per year in a decade's time.

The long-term decisions taken at the Autumn Statement keep debt falling, cut taxes and reform welfare to reward hard work, and unlock billions of pounds of business investment to drive sustainable growth.

Autumn Statement 2023

1 Economic and Fiscal Outlook

Overview

1.1 In January 2023 the Prime Minister set out three economic priorities: to halve inflation, grow the economy and reduce debt. The latest Office for National Statistics (ONS) data and forecasts from the Office for Budget Responsibility (OBR) show:[1]

- Inflation is less than half its peak. Responsible decisions taken by the government to limit borrowing have supported the Bank of England in its action to bring inflation down;[2]
- Economic growth has been resilient, and the economy is now expected to grow in every year of the forecast period. Revisions to gross domestic product (GDP) show that the UK economy recovered more strongly from the pandemic than previously thought;
- Debt is forecast to fall as a proportion of GDP over the medium term, with greater headroom than at Spring Budget 2023.

1.2 The government must continue to bear down on inflation, and the OBR forecasts that government policies in the Autumn Statement will reduce inflation next year. With inflation falling and the economy and public finances stabilised after a series of unprecedented shocks, the government can now take the long-term decisions necessary to strengthen the economy and build a brighter future.

1.3 The government is focusing on five areas: reducing debt; cutting tax and rewarding hard work; backing British business; building domestic and sustainable energy; and delivering world class education. The Autumn Statement takes a responsible approach to spending to keep debt falling, cuts taxes for working people and businesses, reforms welfare to help people into work and removes barriers to business investment to boost growth.

1.4 The OBR has revised up its forecast for growth this year, and the economy is now expected to grow in every year of the forecast period. The OBR estimates that government decisions at the Autumn Statement will boost business investment by £14 billion and bring a further 78,000 people into the labour market by the end of the forecast period. Together, these measures increase the economy's potential output in the medium term by 0.3%. This means that the policy measures announced at Spring Budget 2023 and this Autumn Statement have been assessed by the OBR as increasing potential output by a combined 0.5%, resulting in the two largest increases in potential GDP since it was established.

[1] 'Economic and Fiscal Outlook', Office for Budget Responsibility, November 2023.
[2] 'Consumer price inflation, UK', Office for National Statistics, October 2023.
Details of numerical references, including National Statistics, used in this chapter can be found in 'Autumn Statement 2023 data sources'.

1.5 The OBR's forecast shows that, compared to Spring Budget 2023, borrowing is lower this year and next, as well as on average across the forecast, and debt as a proportion of GDP is lower in every year. The government has met its borrowing and debt rules with improved headroom in the fifth year of the forecast. Given the stronger fiscal outlook, responsible policy choices at Autumn Statement support lower taxes and long-term, sustainable growth.

A resilient economy and public finances

Growth has been resilient this year

1.6 GDP growth has been more resilient than forecast in the spring. Output grew by a cumulative 0.5% during the first three quarters of 2023. This compares to the OBR's March forecast for a contraction and was faster than Germany, Italy and the euro area as a whole. Revisions to the National Accounts, explained in Box 1.A, mean that the level of GDP is higher than previously thought. GDP growth has slowed into the second half of 2023 as higher interest rates contributed to a fall in household consumption.

Box 1.A Revisions to GDP

Estimates of GDP are revised as the ONS incorporates more data and improves its methods for measuring economic activity. The most recent revisions have been historically large due to more uncertainty than usual in estimates of GDP during the pandemic.

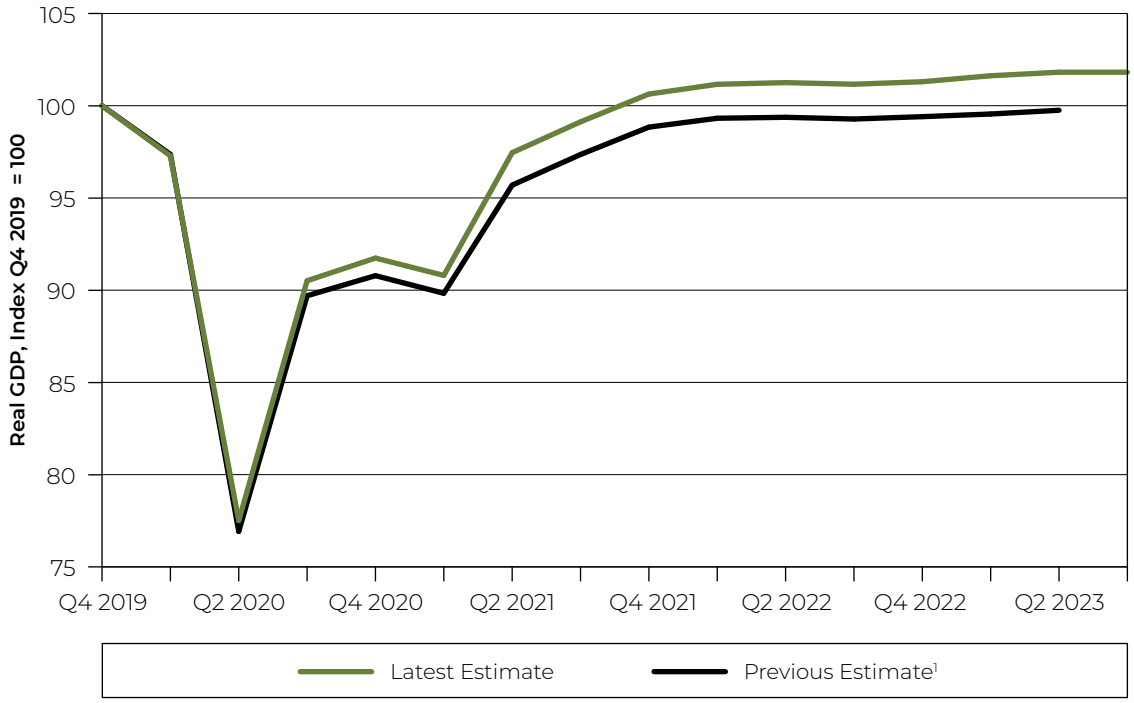
On 29 September 2023, the ONS published revisions which showed a shallower contraction in GDP in 2020 and a faster recovery in 2021. The level of real GDP was revised up by 2.0%. GDP recovered past its pre-pandemic peak earlier than previously thought. The revisions to real GDP were similarly reflected in higher estimates of nominal GDP. A larger nominal economy than previously estimated helps to explain why tax receipts have been stronger than forecast. Since the pandemic, the UK has recovered more rapidly than Germany and at a similar rate to France.

The revisions to components of GDP were also significant. Box 1.C in the Spring Budget noted public sector output accounted for much of the weakness relative to European peers with private sector output having been more comparable.[3] The latest data show that public sector output – in particular in the health sector – was much stronger than previously thought, outstripping growth in the private sector. Public sector productivity remains a challenge, lying below pre-pandemic levels.

The revised data shows that business investment grew nearly twice as fast as previously thought since the pandemic. Business investment as a share of GDP remains relatively low compared to other major European economies. Household consumption was also higher than previously thought between mid 2021 and late 2022, driven by higher than previously estimated real incomes. The household saving ratio has also been revised down since 2021, suggesting consumers saved less to support consumption than previously estimated.

[3] 'Spring Budget', HM Treasury, March 2023.

Chart 1.1: Revisions to Real GDP since the pandemic



[1] First quarterly estimate, 11 August 2023.

Source: Office for National Statistics, HMT calculations.

1.7 Business investment and consumption drove growth in the first half of the year. Growth was broad based across categories of business investment. There are likely to have been some positive effects from measures announced at previous fiscal events, including the super-deduction and temporary full expensing, as expected by the OBR. Quarterly business investment data is volatile and recently has been affected by one-off factors, but remains 4% above its pre-pandemic level.

1.8 Aggregate real household disposable income (RHDI) has been more resilient than expected in the spring. High inflation remains a challenge for many households, and this pressure is not spread equally. The costs of high inflation have been offset by stronger-than-expected income growth, thanks in part to government support measures. Instead of falling by 3.5% between Q2 2022 and Q2 2023, as was forecast at Spring Budget 2023, aggregate real incomes rose by 2.7%, surpassing their pre-pandemic level. Rising RHDI meant consumption grew in the first half of 2023.

Inflation has fallen significantly but has been more persistent than expected

1.9 The rate of Consumer Prices Index (CPI) inflation has fallen since its peak last autumn of over 11%, and was 4.6% in October 2023. Lower wholesale energy prices have been the main driver of lower inflation, which have reduced the Ofgem price cap for household energy bills. Food and others goods inflation has also fallen, but services inflation remains elevated.

1.10 Elevated inflation is a challenge globally and it remains above central banks' targets in many advanced economies. In the UK, inflation has been more persistent than the OBR forecast at Spring Budget 2023. The OBR has judged that high energy costs since Putin's illegal invasion of Ukraine have had a more significant impact on inflation than it previously thought.[4] In addition, domestically driven inflation pressure has proved more significant, due to excess demand in the economy and as wage growth has been stronger than expected. High rates of wage growth have been an important factor in services inflation remaining elevated.

1.11 Indicators suggest that recruitment difficulties have eased since the spring.[5] Vacancies have fallen across almost all sectors of the economy, and the number of unemployed people per vacancy has risen. This loosening in the labour market is expected to lead to slower wage growth over time. Wage growth remains elevated, at 7.9% in Q3, and is above rates consistent with inflation falling to the 2% target. High nominal wage growth has boosted tax receipts.

1.12 Labour market data on employment, unemployment and inactivity are currently subject to significant uncertainty. Concerns about data quality – relating to falling response rates – have led to a temporary suspension of the publication of Labour Force Survey (LFS) statistics. The ONS has published alternative experimental estimates, drawing on information taken from outside the LFS.[6] These estimates indicate that unemployment has risen steadily since the spring to 4.2% in Q3, in line with the OBR's March forecast. The population estimates which underpin the LFS do not account for demographic changes since mid 2021, and are based on a mid 2021 assumption about total population growth, both of which are affecting current estimates of employment. Other administrative data suggest stronger growth in employees in the last two years than the LFS – employee numbers grew by 1.6 million in the two years to Q2 2023 in real-time PAYE data, compared to 0.6 million in the LFS. The ONS has published a plan to address concerns around the LFS.[7]

1.13 The independent Monetary Policy Committee (MPC) of the Bank of England has responded to high inflation by tightening monetary policy, through raising Bank Rate to 5.25%, from 0.1% in December 2021.[8] Central banks around the world have also been raising benchmark interest rates. Since the beginning of 2022, the European Central Bank (ECB) has raised interest rates by 4.5 percentage points and the US Federal Reserve by 5.25 percentage points.[9,10] The global increase in interest rates, necessary to bring down inflation, has weighed on growth in the UK and other advanced economies. Government debt interest costs have also increased as a result.

The government is borrowing less this year than expected in the spring, resulting in lower levels of debt

1.14 ONS data shows the government has borrowed less so far this year than implied by the OBR's March forecast. This mainly reflects stronger-than-expected tax receipts.

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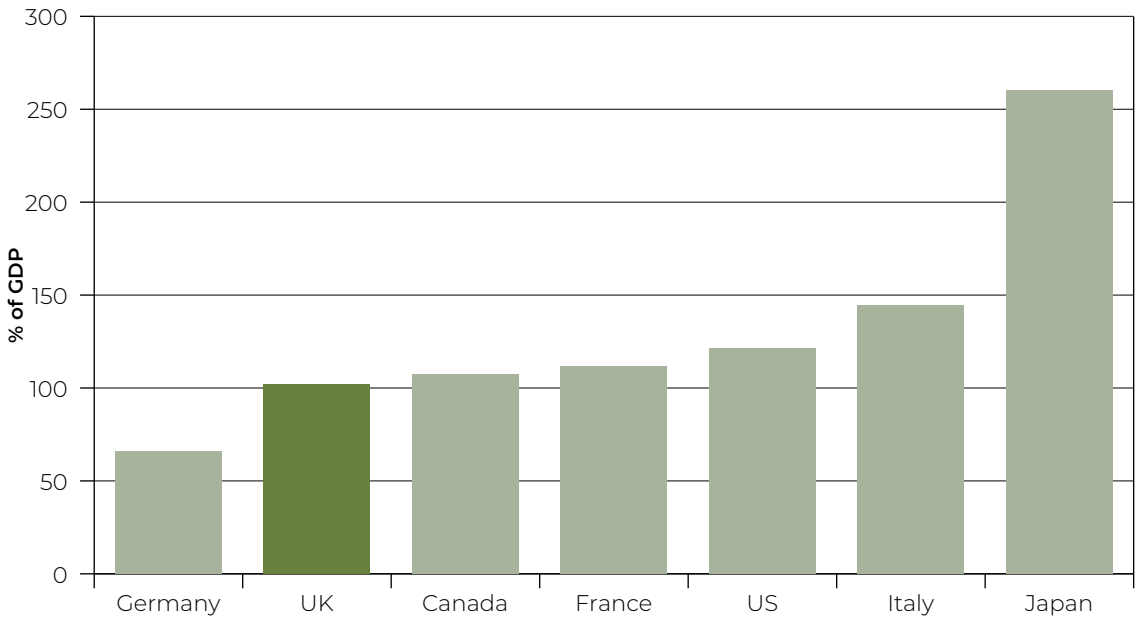
[4] 'Forecast Evaluation Report', Office for Budget Responsibility, October 2023.
[5] 'Report on Jobs', KPMG and REC, November 2023.
[6] 'Using administrative data to create headline labour market figures', Office for National Statistics, November 2023.
[7] 'Labour force survey: planned improvements and its reintroduction', Office for National Statistics, November 2023.
[8] 'Monetary Policy Report', Bank of England, November 2023.
[9] 'Key ECB interest rates', European Central Bank, September 2023.
[10] 'Open market operations', Federal Reserve Board, July 2023.

1.15 The lower level of borrowing, alongside higher-than-forecast nominal GDP, means that public sector net debt (PSND) as a percentage of GDP is lower than implied by the OBR's March forecast. The OBR forecasts that at the end of 2023-24 PSND will be £2.7 trillion or 97.9% of GDP. Although this remains high by historical standards, the UK is not alone in having an elevated level of debt following recent shocks. As set out in Box 1.B, UK general government gross debt as a share of GDP was the second lowest in the G7 in 2022.[11]

Box 1.B International fiscal comparisons

The latest International Monetary Fund (IMF) Fiscal Monitor indicates that, in 2022, UK general government gross debt as a share of GDP was lower than all G7 peers other than Germany and the level of UK borrowing as a share of GDP was in line with G7 peers.[12]

Chart 1.2: General government gross debt of the G7 in 2022



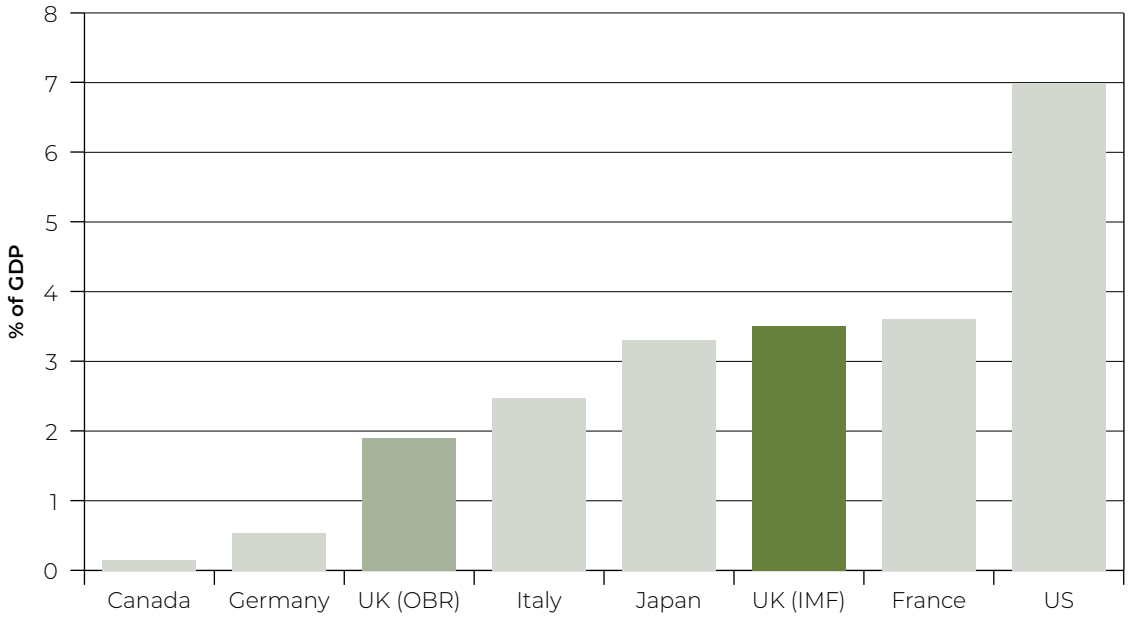
Source: International Monetary Fund, Fiscal Monitor, October 2023.

[11] 'Fiscal Monitor', International Monetary Fund, October 2023.
Data uses general government metrics and, unlike the OBR, makes specific judgements of the likelihood of future tax and spend policy, meaning figures differ. Data from the IMF are taken on a calendar year whereas the OBR's forecasts are presented on a financial year basis.
[12] 'Fiscal Monitor', International Monetary Fund, October 2023.

The government's priority to reduce debt is aligned with the approach of other advanced economies. Several countries have reaffirmed their commitments to medium-term fiscal sustainability. In Europe, Germany has reimposed its constitutional debt brake, which limits its core budget deficit to 0.35% of GDP, while France has set out commitments to get debt falling over the medium term.[13,14] The European Commission has consulted on changes to the Stability and Growth Pact, proposing to reintroduce updated debt and deficit rules that have been suspended since the COVID-19 pandemic.[15] Elsewhere, Canada and Australia have committed to reducing their debt-to-GDP ratios over the medium term.[16,17]

The IMF forecasts UK borrowing to remain in line with G7 peers and debt to maintain a strong relative position. The OBR's forecast would put UK borrowing third lowest of G7 countries in 2028-29 (comparing to IMF forecasts for 2028).

Chart 1.3: General government net borrowing of the G7 in 2028



The Office for Budget Responsibility (OBR) forecasts borrowing for the UK in the financial year of 2028-29.

Source: Office for Budget Responsibility and International Monetary Fund, Fiscal Monitor, October 2023.

Long-term decisions for a brighter future

The government is growing the supply side of the economy

1.16 Over the last few years, the economy has been buffeted by a series of shocks, including the pandemic and an energy crisis. In addition to supporting households, the government has responded by prioritising UK energy security, forging new trading relationships and controlling borrowing. Building on Spring Budget 2023, now inflation has halved and as the economy recovers, the government is using

[13] 'France, 2022 Article IV Consultation', International Monetary Fund, January 2023.
[14] 'Germany's federal debt rule', Federal Ministry of Finance, February 2022.
[15] 'Stability and Growth Pact', European Commission, October 2021.
[16] '2023 Budget', Government of Canada, March 2023.
[17] 'Fiscal overview', Parliament of Australia, April 2022.

the underlying fiscal improvement to tackle long-term economic challenges. The government is prioritising action in five critical areas: reducing debt; cutting taxes and rewarding hard work; building domestic and sustainable energy; backing British business; and delivering world-class education.

1.17 UK productivity growth has been subdued in the public and private sectors. This suppresses living standards and makes it more difficult to deliver the funding needed for world-class public services. Weaker growth in business investment has been one of the reasons for slower productivity growth in the UK since the Global Financial Crisis. As shown in Chart 1.4, business investment as a share of GDP is relatively low in the UK compared to other major European economies. Increasing business investment will lead to more capital being available per worker, allowing workers to be more productive and increasing growth and real incomes. Removing barriers to investment in critical infrastructure is necessary to increase Britain's energy security and support the transition to net zero.

1.18 The Autumn Statement aims to boost business investment by introducing measures such as making capital full expensing permanent. The OBR estimates this measure will lead to £14 billion extra business investment over the forecast horizon. The additional business investment increases the capital stock permanently by 0.2%, which in turn increases potential output by 0.1% in 2028-29. The OBR notes that other measures in the Autumn Statement 'could also boost business investment particularly over the longer-term'. By making full expensing permanent at the Autumn Statement, the government is recognising the higher short-term fiscal cost of this measure, but this cost will decline over time while the increase to business investment will increase GDP in the long term.

Chart 1.4: Business investment in selected advanced economies[1]



[1] GDP and business investment are in current prices.

Source: Organisation for Economic Co-operation and Development and HMT calculations.

1.19 Growth depends on the number of workers in the economy, as well as productivity. Labour market participation has improved since the spring, but inactivity has continued to increase among some groups, including those who are inactive due to long-term sickness. Growing the labour supply by helping these people back into work will increase the potential output of the economy. The Autumn Statement builds on the landmark labour market package introduced in the Spring Budget by introducing the Back to Work Plan.

1.20 Alongside a welfare system that supports people to work, allowing people to keep as much of their hard-earned money as possible is a priority for this government. As part of the government's long-term plan to grow the economy it will cut taxes for 29 million working people.

1.21 The OBR says these measures will bring 78,000 people into the labour market. Although it is not reflected in the forecast, due to uncertainty around the impacts, the OBR notes that 'some measures could provide a further boost to labour supply', such as proposed changes to fit notes.

1.22 The OBR confirms that policies announced at the Autumn Statement will increase economic growth. It estimates that the overall effect of these supply-side measures is to boost the size of the economy by 0.3% by the end of the forecast. The OBR's forecast also reflects long-term demographic and technological changes. The OBR judges that as the population ages, individuals will work for fewer hours on average. Due to the higher proportion of intangible assets in the economy, it assumes capital is being retired at a faster rate than previously. These factors mean that, prior to the impact of policy measures, labour and capital are assumed to grow more slowly than before, which pulls down long-term growth. This further justifies the government's continued focus on creating growth by boosting the supply side of the economy.

1.23 The economy is expected to grow by 0.6% in 2023 and 0.7% in 2024. Growth is then forecast to increase to 1.4% in 2025 and an average of 1.9% between 2026 and 2028 as inflation falls, helping real wages grow more quickly, and as the effect of past interest rate increases fades. The OBR forecasts unemployment to rise to 4.6% in the middle of 2025, as slower GDP growth and higher interest rates weigh on labour demand. Unemployment is then expected to fall back to its structural rate of 4.1% at the end of the forecast horizon.

Managing risks and increasing resilience

1.24 Prioritising sustainable growth, repairing the public finances, and an effective risk management framework mean that the government has been able to support the economy through the shocks faced in recent years. The government remains alive to external and domestic risks, including further escalation of Putin's illegal war in Ukraine, and the conflict in Israel and Gaza. An escalation of that conflict involving the broader region that risks a reduction in energy exports from the Middle East would have material financial market and economic impacts.

1.25 The government's approach to economic and fiscal risk management is at the forefront of international best practice. Alongside Autumn Statement, the government has published its response to the OBR's Fiscal Risks and Sustainability report.[18] The response sets out the actions the government is taking to address risks to the public finances, including those examined by the OBR.

[18] 'Government Response to the 2023 Fiscal Risks and Sustainability Report', HM Treasury, November 2023.

1.26 The Autumn Statement goes further in building the UK's capabilities to assess and manage risk. The government will provide up to £10 million of funding over 2024-25 and 2025-26 to finance research on risks to the economy and public finances. This will include the understanding of risk impacts, their potential mitigations and response preparations. For the first time, the government has published a report assessing the risks from existing contingent liabilities, as set out in Box 1.C.

Box 1.C Managing risk on the government's balance sheet

A key area of fiscal risk comes from obligations that the government enters into, such as insurance, provisions and guarantees, known as contingent liabilities. Alongside the Autumn Statement the government has published for the first time an estimate of its overall stock of these obligations and their expected cost, putting the UK at the forefront of international best practice on reporting the fiscal implications of these types of balance sheet intervention.[19]

This assessment from the Contingent Liability Central Capability (CLCC) - the government's centre of excellence for the management of guarantees, insurance and contingent liabilities - means the government can now make better decisions about taking risks onto its balance sheet. That is because new risks can be assessed against the existing stock of contingent liabilities for the first time. The CLCC's expertise, alongside HM Treasury's robust framework for approving policies that create new liabilities, better equips the government to judge the benefits and risks it takes on, helping to ensure value for money for the taxpayer. To aid transparency, the government will continue to report on the new major contingent liabilities it takes on, as in Table 1.2.

As is already the case for major tax and spending decisions, the government intends to apply in future the principle that new major guarantee or insurance schemes, or major changes to the risk held in existing schemes, are announced at fiscal events, to support the management of these risks as a portfolio across government. The government will retain the flexibility to respond to events to support the economy, households and businesses at any point when needed. This will further support fully-informed decision making that involves new risks and improve the value for money achieved from these schemes.

Sound money

Responsible fiscal policy is supporting the Bank of England in reducing inflation

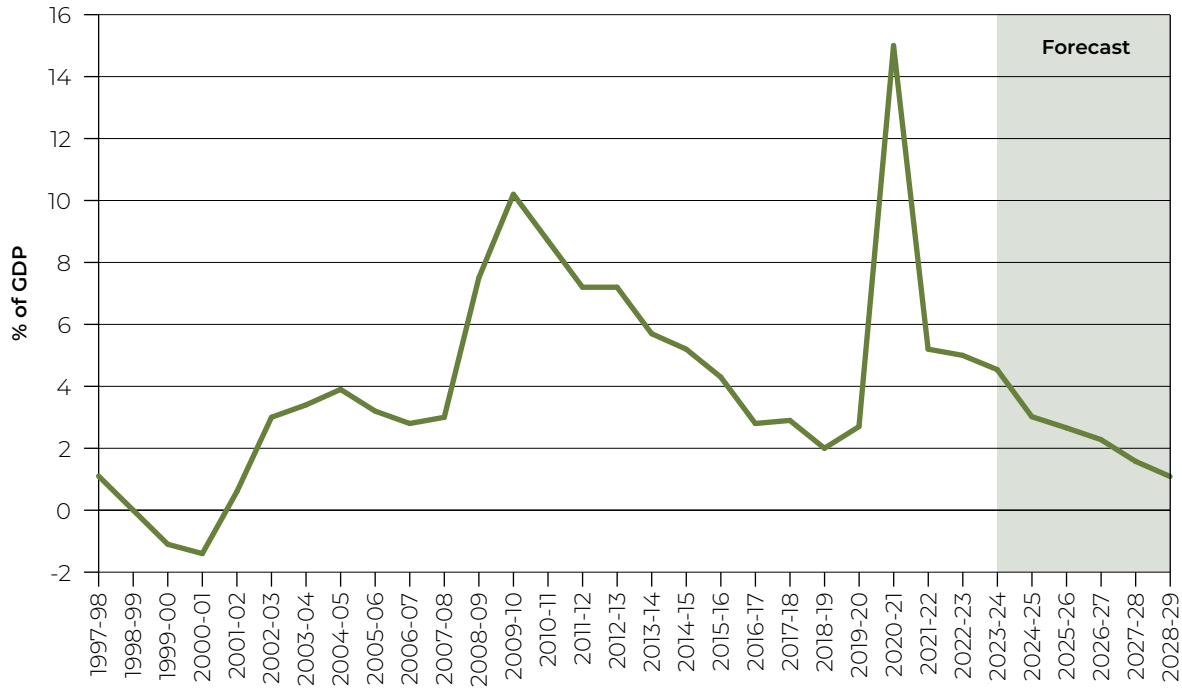
1.27 Compared to Spring Budget 2023, the OBR forecasts that borrowing is lower on average across the forecast and debt as a proportion of GDP is lower in every year. PSND excluding the Bank of England (underlying debt) peaks at 93.2% of GDP and falls from 2027-28 to 92.8% in the final year of the forecast (2028-29). Headline debt (PSND) as a proportion of GDP falls in every full year of the forecast and is 3.2 percentage points lower across the forecast on average. Before policy decisions at Autumn Statement 2022, the OBR forecast that headline debt would rise to 99.6%

[19] 'Annual Report on the UK Government's Contingent Liabilities', HM Treasury, November 2023.

of GDP.[20] Headline debt is now forecast to be 5.5 percentage points lower as a proportion of GDP by the end of the forecast, reflecting a combination of policy and revisions to GDP.

1.28 Public sector net borrowing (PSNB) peaks at £123.9 billion (4.5% of GDP) in 2023-24 and then falls until it reaches £35.0 billion (1.1% of GDP) in the final year of the forecast. The current budget is in balance from 2027-28, reaching a position where day-to-day spending is funded through tax revenues and the government is only borrowing for investment.

Chart 1.5: Public sector net borrowing



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

1.29 Compared to the March forecast, the OBR forecasts borrowing will be lower in 2024-25 and across the forecast period on average. Underlying improvements to the fiscal outlook have been used to deliver lower taxes and long-term sustainable growth, without adding to borrowing.

1.30 Tax receipts have been revised up across the forecast across all the main taxes, reflecting the resilience of the economy and inflation which has driven higher nominal earnings and higher nominal consumption. This increase more than offsets higher spending on welfare and debt interest costs from higher-than-expected inflation and interest rates. The OBR forecasts that debt interest costs will reach £116.2 billion this year (2023-24); £22.2 billion higher than forecast in March. Compared to departmental budgets, debt interest costs for 2023-24 would be second only to the Department for Health and Social Care (Table 2.1), which illustrates the importance of delivering on the government's commitment to reducing debt.

[20] 'Economic and Fiscal Outlook', Office for Budget Responsibility, October 2022.

Table 1.1: Changes in borrowing since March 2023

	£ billion						
	Forecast						Average (2023-24 - 2027-28)
	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	
March 2023 Forecast	131.6	85.4	76.7	63.5	49.3		
November 2023 Forecast	123.9	84.6	76.8	68.4	49.1	35.0	
Difference	**-7.7**	**-0.8**	**0.2**	**4.9**	**-0.2**		**-0.7**
of which:							
Underlying differences[1]	**-15.8**	**-14.5**	**-14.2**	**-17.2**	**-26.8**		**-17.7**
of which:							
Receipts	-35.3	-47.8	-47.8	-50.6	-59.0		-48.1
Welfare spending	0.9	8.1	16.3	19.2	20.2		12.9
Debt interest spending	21.7	27.8	23.1	17.5	15.1		21.0
Other spending	-3.1	-2.6	-5.8	-3.3	-3.1		-3.6
Direct effect of policy package[2]	**8.7**	**16.3**	**17.0**	**23.0**	**25.1**	**17.3**	**18.0**
of which:							
Spending decisions	6.8	5.6	7.2	8.0	7.4	-0.9	5.7
Tax decisions	1.8	10.7	9.8	15.1	17.7	18.2	12.2
Indirect effects of decisions[3]	**-0.5**	**-2.6**	**-2.7**	**-0.9**	**1.5**	**2.2**	**-1.0**

Note: This table uses the convention that a negative figure means a reduction in PSNB i.e. an increase in receipts or a reduction in spending will have a negative effect on PSNB.
Figures may not sum due to rounding.
[1] Includes classification changes.
[2] Differences between the direct impacts of the policy measures as set out in Table 5.1 of the Statement, and how the OBR incorporate these into their forecast are explained in the OBR's EFO Table 4.13.
[3] This includes some behavioural impacts and second round economy effects of the Autumn Statement package.

Source: Office for Budget Responsibility.

1.31 By increasing employment and investment and increasing the size of the economy, policy has indirect benefits to the public finances. On average, the underlying forecast improvement since the OBR's March forecast is greater than the combined direct and indirect effects of policy decisions, as shown in Table 1.1.

1.32 Reflecting the improvement in the fiscal outlook, the Net Financing Requirement for the Debt Management Office in 2023-24 has been revised down by £10.5 billion, to £232.3 billion compared to the April remit. This decrease is to be met through a reduction in gross gilt issuance this year of £0.5 billion; and a £10.0 billion reduction in the financing raised through Treasury bill issuance for debt management purposes. The government's financing plans for 2023-24 are summarised in Annex A.

1.33 Alongside its focus on fiscal sustainability the government continues to support the MPC in its action to bring inflation down to the 2% target. The government has published the remit for the MPC alongside Autumn Statement, to reaffirm that the MPC's target of price stability is defined as 2% CPI inflation, which applies at all times.

1.34 Responsible decisions on borrowing are a key pillar of government support to the MPC. As set out in Box 1.D, fiscal policy is aligned with monetary policy by withdrawing support at a pace well matched to the strength of the economy. Fiscal

policy is adding less to demand than forecast in the spring, as demonstrated by the primary deficit (both adjusted and unadjusted for the economic cycle) being lower in every year of the forecast.

Box 1.D Fiscal stance

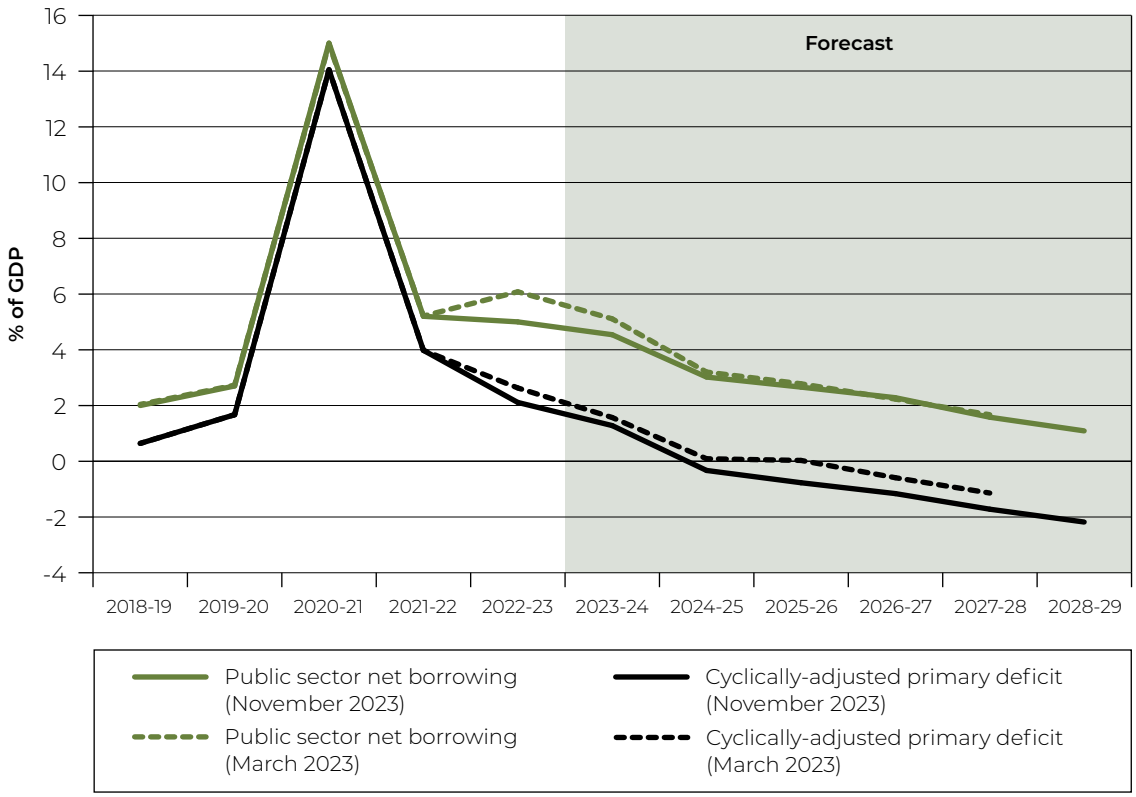
Fiscal policy affects growth, inflation and monetary policy because changes in spending and taxation add or withdraw demand to and from the economy. Measures of the level of that impact are called the 'fiscal stance'; measures of changes in that impact are called the 'fiscal impulse'.

Estimates of the fiscal stance are usually derived from headline borrowing. PSNB is currently elevated, but is due to fall to 1.1% of GDP in the final year of the forecast. When assessing the fiscal stance, net debt interest costs are often removed from borrowing, as interest payments are not a good measure of stimulus to the economy. In addition, cyclical changes in the economy are accounted for, because, for example, tax revenues will rise temporarily if the economy is running above capacity. These adjustments give the cyclically-adjusted primary deficit (CAPD), shown in Chart 1.6 alongside headline borrowing, which is a useful measure of the fiscal stance.

The CAPD has a downward slope, showing that fiscal support for the economy is being withdrawn consistently over the forecast. This means fiscal policy is helping the MPC to bring inflation back to target. Chart 1.6 shows that fiscal policy is supporting the fight against inflation more so than at the Spring Budget.

The government is taking difficult decisions to repair the public finances, with a negative impulse of 1.0% of GDP on average in the next two years. By the end of the forecast the primary balance reaches a level that is consistent with ensuring that debt falls gradually and sustainably, given the nominal growth rate of GDP and cost of borrowing.

Chart 1.6: Fiscal stance



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

Inflation is forecast to fall below 3% next year, then sustainably return to target in the medium term

1.35 The OBR forecasts inflation to continue to fall gradually. After reaching a peak of 10.7% in Q4 2022, CPI inflation is expected to be 4.8% in Q4 2023 and fall further to 2.8% in Q4 2024. The OBR expects CPI inflation to average 1.8% over 2025 before returning to the 2% target in the medium term. The OBR says the direct effect of changes to duties at Autumn Statement means CPI is slightly lower in 2024-25. This builds on the impact government policies have had in helping to bring inflation down, through holding down energy bills under the Energy Price Guarantee (EPG) and cutting fuel duty. The OBR notes a small boost to demand from the government's policy package, which does not have a material impact on the path of inflation.

1.36 High inflation reduces living standards. The OBR expects living standards, as measured by RHDI per person, to fall by 0.8% in 2023-24, before recovering as labour incomes grow faster than inflation. This outlook has improved since Spring Budget 2023. In the year to Q2 2023, RHDI per person was around £800 higher than OBR expected in their March forecast. The OBR's Autumn Statement forecast shows a fall in RHDI that is half as large as at Spring Budget 2023. The government believes the best way to sustainably improve living standards is to get more people into higher-paid jobs and boost growth, as well as ensuring people keep more of what they earn. The government will continue to provide support to households vulnerable to cost of living pressures. In 2023-24 this includes making Cost of Living

Payments and providing £1 billion for the Household Support Fund. From April 2024, rates of the Local Housing Allowance will be increased to the 30th percentile of local market rents to help low income households with housing costs.

The government is keeping spending under control

1.37 The government continues to focus on delivering the spending plans agreed at Spending Review 2021. Since those budgets were set, the government has also provided generous funding to ensure key public services continue to deliver. Total departmental spending (DEL) will grow in real terms at 2.6% a year on average over this Spending Review period, and 3.2% a year on average over this Parliament. As a result, total DEL will be around £85 billion higher in real terms in 2028-29 than it was at the start of this Parliament.

1.38 Reducing waste and improving efficiency is at the heart of this government's approach to public spending. The government has therefore driven even greater efficiencies than those set out at Spending Review 2021, and ran an Efficiency and Savings Review last winter to help departments navigate the challenging economic environment and manage pressures caused by high inflation.

1.39 Looking forward, higher public sector productivity is necessary to maintain current levels of public service provision without growing the state unsustainably. To tackle this, the Chief Secretary to the Treasury is running an ambitious Public Sector Productivity Programme with all departments to reimagine the way public services are delivered.

The government remains on track to meet its borrowing and debt fiscal rules

1.40 Sustainable public finances provide the foundations for economic growth. The government remains committed to fiscal sustainability. The fiscal rules commit the government to reduce borrowing and to get debt falling over the five-year forecast period. The rules require PSND excluding the Bank of England as a percentage of GDP to be falling and PSNB to not exceed 3% of GDP, both by the fifth year of the rolling forecast period.

1.41 The OBR has confirmed that the government is on track to meet its borrowing and debt fiscal rules with greater headroom against both rules compared to the spring. Underlying debt begins to fall from 2027-28 and then falls to 92.8% of GDP in the target year (2028-29). The debt rule is met with £13.0 billion headroom in 2028-29, an increase of £6.5 billion since the spring. The borrowing rule is met three years ahead of target and with £61.5 billion headroom, an increase of £22.3 billion since the spring.

1.42 The OBR has forecast that the welfare cap will be breached by £8.6 billion in 2024-25. The increase in welfare spending is largely due to more health-related claims for Universal Credit and the government's decision to provide benefit claimants with more support with the costs of renting private sector housing by increasing the Local Housing Allowance to the 30th percentile in 2024-25.[21] Nonetheless, the government remains committed to ensuring welfare spending is sustainable in the medium term, as demonstrated by policies announced at Autumn Statement to reduce fraud and error, and reform the welfare system to help people into work.

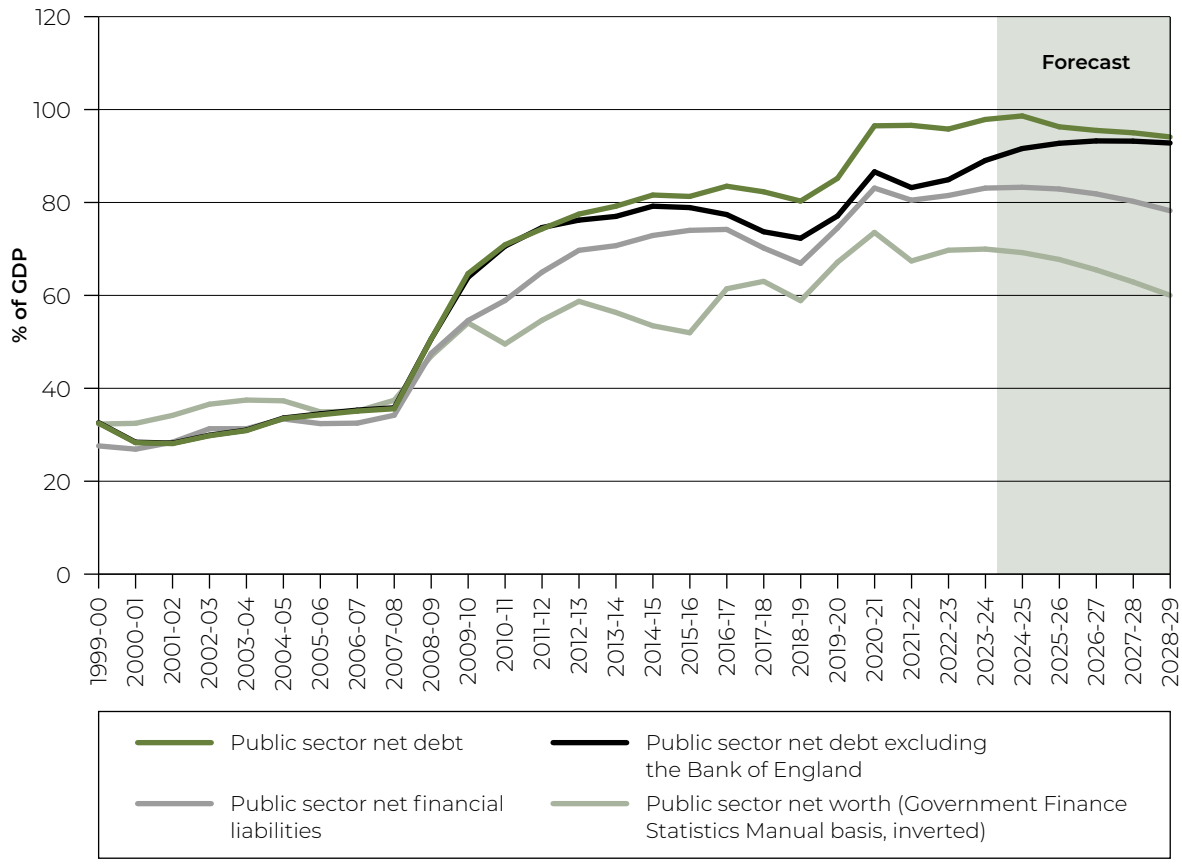
[21] 'Economic and Fiscal Outlook', Office for Budget Responsibility, November 2023.

The government monitors a broad range of fiscal metrics

1.43 The Charter for Budget Responsibility includes an aim to strengthen over time a range of measures of the public sector balance sheet, as monitoring these broader metrics helps to ensure that debt is reduced in a sustainable way.[22] Public sector net worth (PSNW), the total value of the public sector's assets and liabilities, is expected to be on an improving path as a share of GDP in every year of the forecast. The OBR forecasts PSNW to strengthen from -70.0% of GDP in 2023-24 to -60.0% of GDP in 2028-29, improving faster than underlying debt predominantly due to an increase in the value of government-owned assets. Public sector net financial liabilities (PSNFL), a measure of the financial balance sheet, is forecast to fall from a peak of 83.3% of GDP in 2024-25 to 78.2% in 2028-29.

1.44 The government continues to monitor PSND, or headline debt. This is the public sector's total stock of debt liabilities net of 'liquid' assets, it includes the liabilities of the Bank of England and all of its subsidiaries. In recent years, the Bank of England's Term Funding Scheme and Asset Purchase Facility (APF) have had a large distortive effect on this measure. As the Term Funding Scheme approaches its end, the OBR forecasts PSND and PSND excluding the Bank of England to begin to converge (as shown in Chart 1.7). The sale or redemption of gilts held in the APF also has an effect and after 2026 is the predominant cause of differences between the path of the two measures. When a gilt is sold at a loss the increase in underlying debt is larger than the increase to headline debt.

Chart 1.7: Four measures of the public sector balance sheet



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

[22] 'The Charter for Budget Responsibility', HM Treasury, January 2023.

Box 1.E Transparency and the Asset Purchase Facility

The APF is a subsidiary of the Bank of England through which quantitative easing (QE) has been carried out. The APF is indemnified by HM Treasury, so that all profits and losses accrue to HM Treasury. Between January 2013 and September 2022, the APF transferred £123.9 billion of excess cash to HM Treasury.[23] Since October 2022, HM Treasury has been making cash transfers to the APF to cover losses incurred from higher interest rates, gilt sales and redemptions.[24]

The eventual lifetime net profit or loss arising from the APF is uncertain and will depend on decisions by the independent MPC and market conditions. Different unwind strategies will impact when losses are incurred but not necessarily change the lifetime profit or loss. Active gilt sales, for example, will incur upfront costs but have the benefit of reducing lifetime net interest costs from carrying gilts on the APF's portfolio.

Central banks have different arrangements with national treasuries for sharing profits and losses related to QE, and as highlighted by the Organisation for Economic Cooperation and Development, many are now incurring such losses.[25] Since national governments are the beneficial owners of central banks, asset purchases that were undertaken on central bank balance sheets will ultimately flow through to government finances. Differences in arrangements result in variation in the transparency, time profile and mechanism of how losses materialise and how the fiscal impacts are recorded.

The UK approach of indemnifying the APF is in line with best practice as set out in a recent IMF working paper, relating to several areas of governance, accountability, and transparency.[26] The indemnity supports accountability by making the costs and risks from large scale asset purchases explicit. Historical and projected income flows made publicly available by the independent OBR provide extensive transparency around the fiscal impact of QE. This is supported by regular reporting by HM Treasury and the Bank of England and the publication of public sector statistics which capture APF impacts.

1.45 As set out in Box 1.C, best practice fiscal management requires transparency about the government's potential obligations. Table 1.2 provides an update on all new significant contingent liabilities taken on since the last update at Spring Budget 2023. The expected loss of these contingent liabilities is £1.3 billion, of which £1.1 billion supports the Government of Ukraine through World Bank guarantees. Other contingent liabilities include the Shipbuilding Credit Guarantee Scheme provided by the Department for Business and Trade and an extension to HM Treasury's Mortgage Guarantee Scheme.

[23] 'Public Sector Finances', Office for National Statistics, October 2023.
[24] 'Economic and Fiscal Outlook', Office for Budget Responsibility, March 2023.
[25] 'A long unwinding road, OECD economic outlook', Organisation for Economic Co-operation and Development, June 2023.
[26] 'Quasi Fiscal Implications of Central Bank Crisis Intervention', International Monetary Fund, June 2023.

Table 1.2: Newly-approved contingent liabilities since Spring Budget 2023

Department	Number of quantified contingent liabilities	Reasonable worst case exposure (£bn)	Expected loss (£bn)	Expected income (£bn)
Foreign, Commonwealth and Development Office	4	4.9	1.3	<0.1
Other departments	3	0.6	0.1	0.1
Total	**7**	**5.5**	**1.3**	**0.1**

Figures may not sum due to rounding.

Source: HM Treasury contingent liability database and Contingent Liability Central Capability analysis.

Forecast summary

Table 1.3: Overview of the OBR's economic forecast[1]

	Outturn	Forecast					
	2022	2023	2024	2025	2026	2027	2028
GDP growth	**4.3**	**0.6**	**0.7**	**1.4**	**2.0**	**2.0**	**1.7**
GDP growth per capita	**3.3**	**-0.3**	**0.1**	**0.9**	**1.6**	**1.6**	**1.4**
Potential output growth		**1.8**	**1.7**	**1.6**	**1.6**	**1.6**	**1.6**
Main components of GDP							
Household consumption[2]	5.2	0.5	0.5	1.0	1.6	2.1	2.0
General government consumption	2.5	0.7	4.0	2.1	1.6	1.5	1.6
Total fixed investment	7.9	2.3	-4.7	-0.4	2.3	1.2	0.9
Business investment	9.6	5.4	-5.6	1.2	3.4	0.9	0.5
General government investment	0.7	8.0	0.2	-5.6	-3.0	-1.4	-2.3
Private dwellings investment[3]	9.4	-7.0	-6.0	0.0	3.7	3.5	3.7
Change in inventories[4]	0.9	-0.9	0.3	0.0	0.0	0.0	0.0
Exports	8.6	-1.2	-0.9	0.2	0.6	0.6	0.6
Imports	14.1	-1.4	-0.8	-0.8	-0.2	0.1	0.5
Consumer Prices Index (CPI) inflation	**9.1**	**7.5**	**3.6**	**1.8**	**1.4**	**1.7**	**2.0**
Employment (millions)	**32.7**	**32.9**	**32.9**	**33.1**	**33.4**	**33.7**	**34.0**
Unemployment (% rate)	**3.7**	**4.2**	**4.6**	**4.6**	**4.4**	**4.2**	**4.1**
Productivity – output per hour	**0.7**	**-0.1**	**0.8**	**0.8**	**1.0**	**1.1**	**1.1**

[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 the statistical discrepancy.
[2] Includes households and non-profit institutions serving households.
[3] Includes transfer costs of non-produced assets.
[4] Contribution to GDP growth, percentage points.

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

Table 1.4: Overview of the OBR's fiscal forecast (% GDP)

	Forecast					
	2023-24	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**2028-29**
Public sector net debt[1]	97.9	98.6	96.3	95.5	95.0	94.1
Public sector net debt ex Bank of England[1]	89.0	91.6	92.7	93.2	93.2	92.8
Public sector net financial liabilities[1]	83.1	83.3	82.9	81.8	80.2	78.2
Public sector net worth[1,2,3]	70.0	69.2	67.7	65.5	62.9	60.0
Public sector net borrowing	4.5	3.0	2.7	2.3	1.6	1.1
Public sector net investment	2.6	2.5	2.2	2.1	1.9	1.8
Current budget deficit	1.9	0.5	0.5	0.2	-0.3	-0.7
Cyclically-adjusted public sector net borrowing	4.8	2.7	2.1	1.9	1.5	1.1
Primary deficit	1.0	0.0	-0.2	-0.8	-1.6	-2.2
Cyclically-adjusted primary deficit	1.3	-0.3	-0.8	-1.2	-1.7	-2.2

[1] Stock values at end of March; GDP centred on end of March.
[2] IMF Government Finance Statistics Manual (GFSM) basis.
[3] PSNW has been inverted to facilitate comparisons with the other stock metrics.

Source: Office for Budget Responsibility and HM Treasury calculations.

2 Reducing Debt

2.1 Sustainable public finances provide the foundations for economic growth, which is why the government is committed to reducing debt. The government remains committed to fiscal sustainability. It has taken the difficult but necessary decisions to get debt falling and ensure our public services continue to operate effectively in the face of financial and operational pressures.

2.2 The OBR forecast shows that, compared to Spring Budget 2023, borrowing is lower on average across the forecast and debt as a proportion of GDP is lower in every year. The government is on track to meet its borrowing and debt rules, with improved headroom in the fifth year of the forecast.

2.3 To support these aims, the government continues to focus on delivering the spending plans agreed at Spending Review 2021. It is also taking targeted action against non-compliance in the tax system. Looking forward, the government is committed to reimagining the way it delivers public services through the Public Sector Productivity Programme. This aims to place public spending on a sustainable footing over the long-term and maximise value for the taxpayer.

Public spending

2.4 Spending Review 2021 set UK government departments' resource and capital Departmental Expenditure Limit (DEL) budgets and the devolved administrations' block grants from 2022-23 to 2024-25. It took action to repair the public finances following the historic shock of the COVID-19 pandemic and increased departmental spending accordingly.

2.5 Since those budgets were set, the government has also provided generous funding to ensure key public services continue to deliver.

- The Autumn Statement reaffirms the commitments made at Autumn Statement 2022 to provide additional support to the NHS and adult social care in England in response to the pressures facing the health service. More detail is provided in box 2.A below.
- The government has announced its ambition to introduce the Advanced British Standard in England, a new Baccalaureate style qualification, which will provide greater breadth of study, improve essential literacy and numeracy skills, and ensure technical and academic education are put on equal footing. The government has also provided additional education funding since Spending Review 2021. Together, additional funding for schools announced since Spending Review 2021 totals more than £2.4 billion in 2023-24, and more than £2.8 billion in 2024-25.[1] This will bring per pupil funding to its highest ever level in real terms in 2024-25.[2] At Spring Budget 2023, the government

[1] Changes to the core schools budget since Autumn Budget and Spending Review 2021 as a result of uplifts announced at Autumn Statement 2022 and alongside the July 2023 teacher pay award.
[2] Record funding for schools in England, Department for Education, July 2023.

committed to providing an extra £4.1 billion for childcare by 2027-28 to facilitate the expansion of the new free hours offer, which will bring total investment in childcare to over £8 billion.[3]

2.6 Following Putin's illegal invasion of Ukraine in February 2022 the UK has been at the forefront of the international response. The UK, along with our partners, has implemented one of the most severe packages of sanctions on a major economy, undermining Putin's ability to fund his illegal war. The UK has also been one of the largest bilateral donors to Ukraine. The UK's total military, humanitarian, and economic support for Ukraine to date amounts to over £9.3 billion. This includes £4.6 billion in military support over 2022-23 and 2023-24, leveraging support from others and making a crucial difference on the battlefield, and £347 million in humanitarian aid over three years to 2025.[4] Since February 2022 the UK has played a critical role in providing fiscal support to Ukraine, pledging a total of £4.7 billion to bolster Ukraine's economy. This includes through World Bank loan guarantees supporting the inception of the IMF's programme to support Ukraine, as well as through direct bilateral assistance.[5] This has played a crucial role in supporting the government of Ukraine in withstanding Russian aggression.

2.7 Alongside this, the government continues to invest in infrastructure, and will deliver over £600 billion of planned public sector investment over the next 5 years, underpinning our future growth and supporting energy security, Net Zero and our vital public services. In 2024-25, we are investing over £30 billion more in real terms than at the start of this Parliament.[6]

2.8 Total departmental spending (DEL) will grow in real terms at 2.6% a year on average over this Spending Review period, and 3.2% a year on average over this Parliament.[7]

2.9 A focus on improving efficiency and productivity is at the heart of this government's approach to public spending. Spending Review 2021 set out an ambitious programme to drive out inefficient spend, confirming savings of 5% against day-to-day central departmental budgets in 2024-25, which have been reinvested in priority areas.[8]

2.10 The government has maintained a consistent focus on tackling waste across the public sector to maximise value for money for the taxpayer, building on the functional efficiency programme, which delivered £3.4 billion of audited savings in 2020-21 and £4.4 billion of audited savings in 2021-22.[9] This work includes:

- Delivering a property sales programme, which has generated more than £1 billion in receipts to be reinvested in improving the government estate.[10]

[3] Spring Budget 2023, HM Treasury, March 2023.
[4] PM announces further £1 billion in military support to Ukraine, Prime Minister's Office, 10 Downing Street, Ministry of Defence, June 2022; UK will match record Ukraine support in 2023, Prime Minister's Office, 10 Downing Street, September 2022.
[5] Global businesses pledge to back Ukraine's recovery as PM sets out major financial package, Prime Minister's Office, 10 Downing Steet, Foreign, Commonwealth & Development Office, June 2023.
[6] HMT calculations based on Autumn Statement 2023 HMT DEL plans and OBR Economic and Fiscal Outlook - November 2023.
[7] HMT calculations based on Autumn Statement 2023 HMT DEL plans and OBR Economic and Fiscal Outlook - November 2023.
[8] Autumn Budget and Spending Review 2021, HM Treasury, October 2021, page 49.
[9] Government Efficiency Savings 2021/22, Cabinet Office, July 2023.
[10] Cabinet Office calculations based on progress of property sales programme so far.

- Launching our Roadmap for Digital and Data, which commits to elevating 50 government services to a "great" standard and streamlining access to government services via the One Login and Find a Grant programmes.[11] One Login is expected to help save over £700 million over the next three years.[12]
- Passing the Procurement Bill, which consolidated over 350 different procurement regulations and will enable more flexible procurement procedures across government.[13]
- Setting up a new Public Sector Fraud Authority (PSFA) that aims to put counter-fraud at the heart of decision-making. The PSFA brings a greater focus on counter-fraud performance and outcomes, will provide an increased depth and breadth of support to public bodies, and is using cutting edge analytics and technology to find and stop fraud. In its first year of operation, 2022-23, the PSFA saved taxpayers £311 million.[14]
- Delivering the Public Bodies Review Programme, to scrutinise the work and effectiveness of arm's length bodies (ALBs). The programme will deliver savings of at least 5% of ALBs' day-to-day resource budgets that will be reinvested into frontline priorities. Through this programme the government aims to review 40 public bodies in 2024-25.
- Launching the Government Efficiency Framework (GEF) in July 2023. The GEF will standardise and improve how departments report efficiency savings and puts in place consistent reporting processes and oversight to make sure efficiency savings are delivered.[15]

2.11 Last winter the government also ran an Efficiency and Savings Review to help departments navigate the challenging economic environment and manage pressures caused by high inflation. Departments reprioritised to ensure the government can continue to protect the vital frontline services that matter most to the public.

Box 2.A Additional support for the health service

- The government has provided record levels of funding to the NHS and adult social care in England. At Autumn Statement 2022, up to £8 billion of additional funding was made available. This resulted in a total NHS budget of £162.5 billion for 2024-25 in England, 45% higher than 2018-19 in cash terms.[16] This level of investment is enabling rapid action to improve urgent and emergency care and tackle the elective backlog, as set out in the recovery plans published in January and February respectively, and the primary care recovery plan published in May. The government built on this support with £200 million of new funding announced in September 2023 to boost NHS resilience and ensure patients receive the care they need this winter.

[11] Speech: Skills, Efficiency and Technology in the Civil Service, Cabinet Office, July 2023.
[12] GOV.UK One Login: 1.5 million people already benefiting from reform of government services online, Cabinet Office, Government Digital Service, July 2023.
[13] Speech: Skills, Efficiency and Technology in the Civil Service, Cabinet Office, July 2023.
[14] New counter fraud authority saves taxpayers £311 million in its first year, beating target by more than £100 million, Cabinet Office, Public Sector Fraud Authority, September 2023.
[15] The Government Efficiency Framework, HM Treasury, July 2023.
[16] Annual Reports and Accounts 2021-22, Department of Health and Social Care, January 2023.

- The Autumn Statement recommits to the NHS Agenda for Change pay deal announced this year, including the non-consolidated payment for 2022-23, which was paid out from June 2023.[17]
- The government is taking significant steps to support the long-term sustainability of the health service. The Prime Minister announced in October plans to create the first smoke-free generation, including a historic new law with the potential to prevent up to 115,000 cases of strokes, heart disease, lung cancer and other lung diseases.[18]
- The government also announced in June an additional £2.4 billion investment over the next five years to back the first ever NHS Long Term Workforce Plan, underpinned by an assumption of labour productivity increasing by 1.5-2% per year alongside the biggest expansion of staff training in NHS history.[19] Starting with 205 extra medical school places in 2024, the plan will set the NHS in England on the path to double the number of medical school places and almost double the number of adult nursing places by 2031.
- The UK's security and prosperity are dependent on creating a healthier, safer, and more resilient world, and the World Health Organisation (WHO) plays a key part in that. The government is increasing its core funding to the WHO by £2 million for underfunded priorities such as patient safety, reinforcing the UK as the largest donor of fully flexible funds.

2.12 Public Service Pension Schemes (PSPS) are in the process of finalising outcomes of the 2020 valuations, which will determine employer contribution rates for PSPS from April 2024 onwards. These valuations are based on the revised Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate. Following a review of the SCAPE methodology, and the latest OBR forecast of expected long-term GDP growth, HM Treasury confirmed the new SCAPE discount rate of 1.7%+CPI p.a. on 30 March 2023.[20] The government has committed to providing funding for the increased cost of employer contributions from April 2024 for centrally funded employers.

2.13 As confirmed at Autumn Statement 2022, the government is committed to returning to spending 0.7% of Gross National Income (GNI) on Official Developmental Assistance (ODA) when, on a sustainable basis, the government is not borrowing for day-to-day spending and underlying debt is falling. In accordance with the International Development (Official Development Assistance Target) Act 2015, the government will continue to review and confirm each year whether a return to spending 0.7% of GNI on ODA is possible against the latest fiscal forecast with spending assumed at around 0.5% of GNI until then. The independent OBR forecasts show that the principles for a return to 0.7% GNI confirmed by Parliament in 2021 have not been met in 2024-25.

[17] Government and health unions agree pay deal paving way for an end to strike action, Department of Health and Social Care, March 2023.
[18] Prime Minister to create 'smokefree generation' by ending cigarette sales to those born on or after 1 January 2009, Prime Minister's Office, 10 Downing Street, October 2023.
[19] NHS Long Term Workforce Plan, NHS England, June 2023.
[20] Public Service Pensions: SCAPE discount rate, HM Treasury, March 2023.

Box 2.B The government's response to the conflict in Israel and Gaza

2.B.1 Overview

- Following Hamas' terrorist assault against Israel on 7 October, the UK has been at the forefront of efforts to provide support in the immediate region and to affected communities in the UK.
- To date, the government has facilitated flights carrying almost 1,000 people to the UK.[21] The safety of British nationals remains our top priority and the government will continue to look at how it can support those who remain in Israel and Gaza.

2.B.2 UK support to date

2.B.2.1 Humanitarian support

- The UK supports Israel's legitimate right to defend itself and take action against terrorism but has been clear that all parties must comply with international humanitarian law and take every possible step to minimise harm to civilians.
- Since 7 October, the UK has committed £30 million in additional aid to the Occupied Palestinian Territories – more than doubling our existing aid commitment (£27 million) for this year.[22] This will allow trusted partners to provide essential humanitarian relief items and services such as food, water, and shelter.

2.B.2.2 Maintaining regional stability

- The UK is focused on working with international partners to help prevent a damaging and destabilising escalation in the region.
- The Royal Navy have deployed a task group to the eastern Mediterranean, supported by the Royal Air Force patrolling the skies – they are working with partners in the region to deter those who may seek to escalate tensions and are monitoring threats to regional stability, including the transfer of weapons to terrorist groups.
- The Foreign Secretary has also announced a package of sanctions against Hamas senior leaders and financiers as part of efforts alongside our allies to disrupt the group's ability to finance and carry out its acts of terror.

2.B.2.3 Support for affected communities within the UK

- The government recognises the conflict has affected communities both abroad and at home and has been clear that hate crime of any kind will not be tolerated. The UK is a multinational, multi-ethnic, and multi-faith society where our strengths and values are rooted in our culture and our laws. The government is working with local communities throughout the UK in ensuring these values are upheld, and there is support in place for those affected.

[21] Occupied Palestinian Territories: Humanitarian Situation, Hansard, November 2023.
[22] Extra £20 million in humanitarian aid doubles UK support to Palestinian civilians, Foreign, Commonwealth & Development Office, Prime Minister's Office, 10 Downing Street, October 2023.

- That is why the government has provided £3 million of additional funding this year to the Community Security Trust, an organisation established to protect British Jews from antisemitism and related threats. This funding will be maintained next year, bringing annual protective security funding for the Jewish community for 2023-24 and 2024-25 to £18 million.
- The government is also investing up to a further £7 million over the next three years for organisations like the Holocaust Educational Trust to help tackle antisemitism. This funding will ensure support is in place for schools and universities to understand, recognise, and deal with antisemitism effectively.

Table 2.1: Resource Departmental Expenditure Limits (DEL) excluding depreciation

£ billion (current prices)	Outturn 2022-23[1]	Plans 2023-24	Plans 2024-25
Resource DEL excluding depreciation			
Health and Social Care[2]	171.8	174.6	177.2
of which: NHS England[2]	*155.1*	*161.1*	*162.5*
Education	76.4	81.7	84.9
of which: core schools	*53.8*	*57.3*	*58.8*
Home Office	16.8	14.5	15.5
Justice	9.3	10.0	10.0
Law Officers' Departments	0.7	0.8	0.8
Defence	32.5	32.2	32.8
Single Intelligence Account	2.6	2.8	2.4
Foreign, Commonwealth and Development Office	7.2	7.8	7.7
DLUHC Local Government	11.8	14.6	17.0
DLUHC Levelling Up, Housing and Communities	4.0	3.0	2.2
Culture, Media and Sport	1.8	1.5	1.4
Science, Innovation and Technology	0.1	0.3	0.3
Transport	8.4	6.9	5.7
Energy Security and Net Zero	1.6	1.7	1.5
Environment, Food and Rural Affairs	4.4	4.4	4.2
Business and Trade	1.3	1.5	1.5
Work and Pensions	8.1	8.4	8.0
HM Revenue and Customs	5.9	5.7	4.7
HM Treasury	0.3	0.3	0.3
Cabinet Office	0.7	0.8	0.2
Scotland[3]	35.8	36.9	37.4
Wales[3]	15.4	16.1	15.9
Northern Ireland	13.7	13.8	13.8
Small and Independent Bodies	2.3	2.5	2.4
UK Shared Prosperity Fund[4]	-	-	1.3
Reserves	-	13.4	12.7
Total Resource DEL excluding depreciation, Energy support and SCAPE funding	**433.0**	**456.4**	**461.8**
Energy support funding in DEL[5]	12.5	0.3	-
SCAPE funding[6]	-	-	5.3
Total Resource DEL excluding depreciation	**445.5**	**456.7**	**467.2**
Allowance for Shortfall	-	-2.9	-2.9
Total Resource DEL excluding depreciation, post Allowance for Shortfall	**445.5**	**453.8**	**464.2**

[1] 2022-23 figures reflect outturn in PESA, adjusted for provisional estimates of energy support spending.
[2] Depreciation funding for the NHS has been switched from Resource DEL excluding ringfenced depreciation into the depreciation ringfence. This is a technical change, requested by the NHS, that has no impact on the spending power of the Department of Health and Social Care or NHS England. It reduces NHS England Resource DEL excluding ringfenced depreciation by £3.3 billion in 2022-23 and 2023-24, and £3.4 billion in 2024-25, with offsetting increases in the depreciation ringfence.
[3] Due to the scale of tax devolution in Scotland, Scottish Government DEL funding is presented excluding tax and welfare Block Grant Adjustments. Welsh Government DEL funding is presented including tax Block Grant Adjustments.
[4] Budgets for the UK Shared Prosperity Fund for 2022-23 and 2023-24 were allocated to departments at the relevant Estimates. Budgets for 2024-25 will be allocated at the relevant Estimate.
[5] The Department for Energy Security and Net Zero outturn in 2022-23 excludes £11.9 billion of funding for Energy Bills Support Scheme (EBSS) and £0.5 billion of funding for Alternative Fuel Payments. In 2023-24, plans for the Department for Energy Security and Net Zero exclude £0.23 billion of funding for EBSS and £72 million for Alternative Fuel Payments.
[6] This is the forecast aggregate cost of uplifting DEL budgets for higher centrally funded employer contributions to unfunded public service pensions schemes as a result of the 2020 valuations. The DEL funding will be allocated to individual departments in spring 2024. The total PSNB impact of the 2020 valuations is expected to be broadly neutral as the DEL funding will be offset by the AME benefit of those higher contributions being received as income by the Exchequer.

Source: HM Treasury Public Spending Statistics, HM Treasury DEL plans, and Office for Budget Responsibility.

Table 2.2: Capital Departmental Expenditure Limits (DEL)

£ billion (current prices)	Outturn 2022-23[1]	Plans 2023-24	Plans 2024-25
Capital DEL[2]			
Health and Social Care	9.9	12.1	12.6
Education	5.3	7.0	6.1
Home Office	1.1	1.0	1.0
Justice	1.3	2.3	1.8
Law Officers' Departments	0.0	0.0	0.0
Defence	20.3	18.3	18.9
Single Intelligence Account	1.2	1.3	1.2
Foreign, Commonwealth and Development Office	2.1	3.6	4.1
DLUHC Levelling Up, Housing and Communities	6.9	7.2	7.1
Levelling Up Fund[3]	-	0.7	1.3
Culture, Media and Sport	0.5	0.7	0.7
Science, Innovation and Technology	10.5	13.1	13.8
Transport	20.5	20.7	20.5
Energy Security and Net Zero	4.3	5.9	8.2
Environment, Food and Rural Affairs	1.6	2.8	2.9
Business and Trade	0.1	1.1	1.1
Work and Pensions	0.5	0.8	0.6
HM Revenue and Customs	0.6	0.6	0.5
HM Treasury	0.0	0.0	0.0
Cabinet Office	0.4	0.4	2.5
Scotland	6.2	6.0	5.6
Wales	2.8	3.1	2.9
Northern Ireland	1.9	2.1	1.8
Small and Independent Bodies	0.3	0.4	0.7
UK Shared Prosperity Fund[4]	-	-	0.2
Reserves	-	5.6	1.9
Adjustment for Budget Exchange	-	-1.3	-
Total Capital DEL excluding Energy support funding in DEL	**98.3**	**115.6**	**118.2**
Energy support funding in DEL[5]	2.0	-	-
Total Capital DEL	**100.3**	**115.6**	**118.2**
Remove Capital DEL not in PSGI[6]	-10.5	-10.7	-12.6
Allowance for Shortfall	-	-8.9	-6.4
Public Sector Gross Investment in Capital DEL	**89.8**	**96.0**	**99.2**

[1] 2022-23 figures reflect outturn in PESA, adjusted for provisional estimates of energy support spending.
[2] Following the reclassification of IFRS16, total Capital DEL was increased at Autumn Statement 2022 to reflect intragovernmental and non-property leases. This increase does not impact Public Sector Gross Investment.
[3] Budgets for the Levelling Up Fund for 2022-23 were allocated to departments at the relevant Estimate. Budgets for 2023-24 and 2024-25 will be allocated at the relevant Estimates. The total size of the Levelling Up Fund is £4.8bn; this table refers to this spending review period only and does not reflect spending anticipated from 2025-26.
[4] Budgets for the UK Shared Prosperity Fund for 2022-23 and 2023-24 were allocated to departments at the relevant Estimates. Budgets for 2024-25 will be allocated at the relevant Estimate.
[5] The Department for Energy Security and Net Zero outturn in 2022-23 excludes £2.0 billion relating to the Bulb Special Administration Regime.
[6] Capital DEL that does not form part of Public Sector Gross Investment in Capital DEL, including Financial Transactions in Capital DEL, intragovernmental leases, and Scottish Government capital.

Source: HM Treasury Public Spending Statistics, HM Treasury DEL plans, and Office for Budget Responsibility.

2.14 The government is confirming the assumption for the future path of departmental spending. This will follow the profile set at Spring Budget 2023. After this Spending Review period, planned departmental resource spending will continue to grow at 1% a year on average in real terms, excluding the funding provided to local authorities in 2024-25 as part of the one-year Retail, Hospitality, and Leisure relief scheme. Departmental capital spending will follow the cash profile agreed at Spring Budget 2023, with new commitments funded in addition to this, including further support for levelling up programmes and business access to finance.

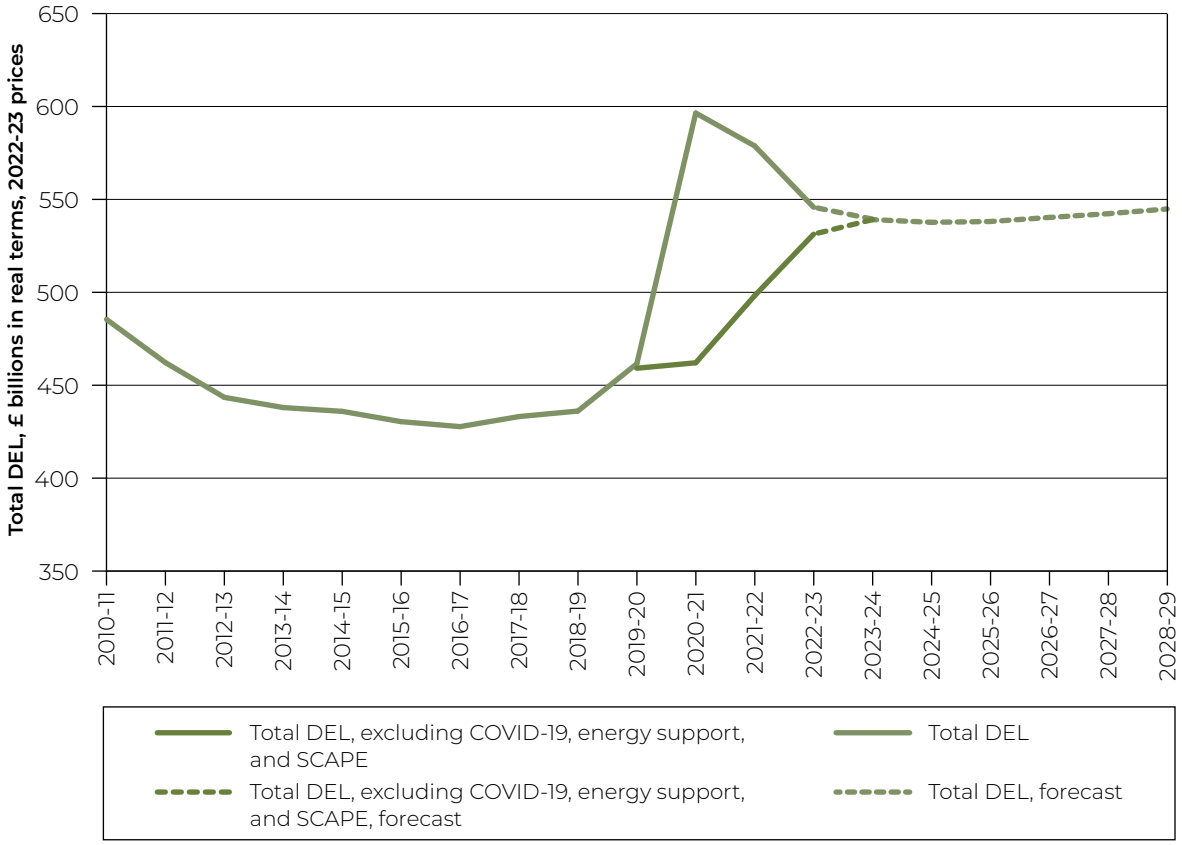
2.15 As a result, total departmental spending (DEL) will be around £85 billion higher in real terms by 2028-29 than it was at the start of this Parliament (2019-20). Departmental resource and capital budgets beyond 2024-25 will be set at the next Spending Review.

2.16 The government rightly provided unprecedented levels of support in response to the COVID-19 pandemic and the energy crisis. As the economy recovers from these shocks, this extraordinary support should subside accordingly to prevent permanent growth in the size of the state. As such, Total Managed Expenditure (TME), the total amount of money that the government spends through departments, local authorities, other public bodies, and social security, is forecast to fall in each year of the forecast period as a share of the economy. This follows an increase since 2019-20 as illustrated in Chart 2.2.

2.17 As a result of decisions at the Autumn Statement, the devolved administrations are receiving over £1 billion in additional funding through the Barnett formula over 2023-24 and 2024-25. The Scottish Government is receiving £545 million, the Welsh Government £305 million, and the Northern Ireland Executive £185 million.[23]

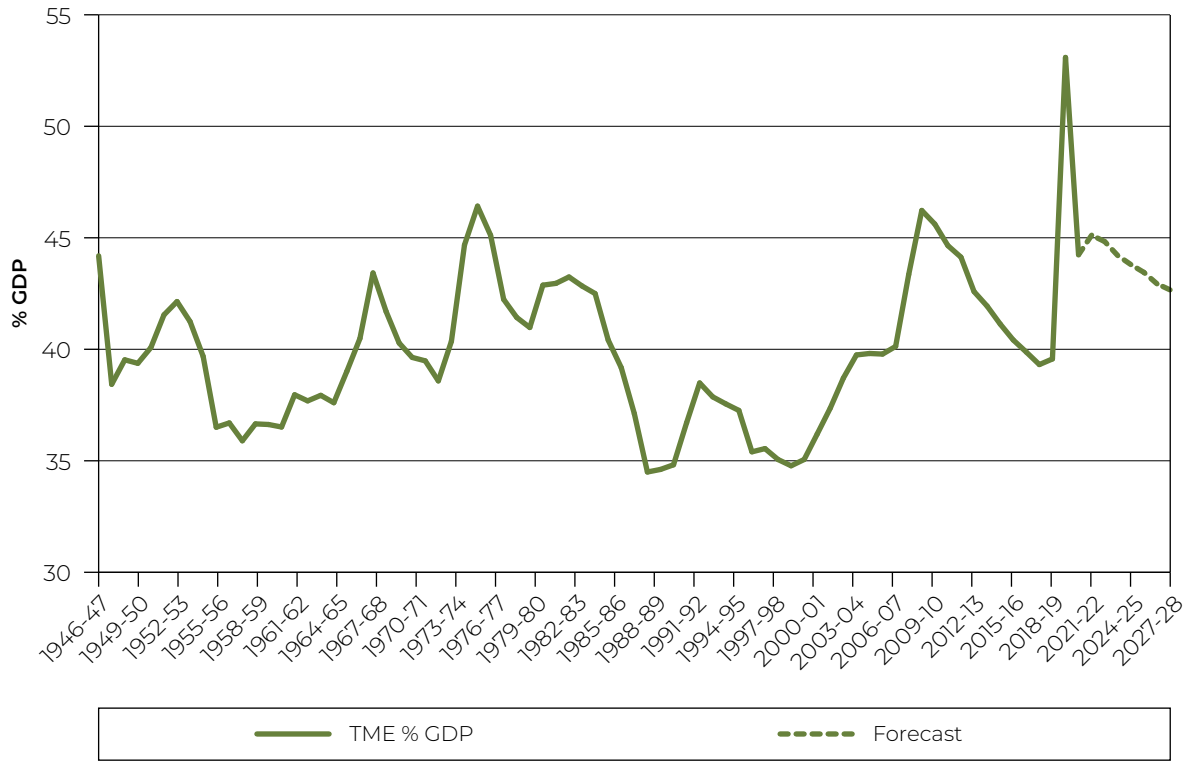
[23] As set out in the Written Ministerial Statement on 27 April on Northern Ireland Finances 2023-24, Barnett consequentials for 2023-24 will be used to repay the £297 million Northern Ireland Executive overspend from 2022-23. Details will be confirmed at Supplementary Estimates 2023-24.

Chart 2.1: Total Departmental Expenditure Limits (DEL)



Source: HM Treasury and Office for Budget Responsibility.

Chart 2.2: Total Managed Expenditure (% GDP)



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

Table 2.3: Total Managed Expenditure (TME)

£ billion (current prices)	Outturn 2022-23	Plans 2023-24	Plans 2024-25	Plans 2025-26	Plans 2026-27	Plans 2027-28	Plans 2028-29
Current Expenditure							
Resource AME	580.6	591.2	588.2	607.4	630.3	647.5	670.8
Resource DEL excluding depreciation	445.5	456.7	467.2	478.5	490.8	504.5	519.3
Ringfenced depreciation	20.5	41.6	47.1	48.4	49.6	51.0	52.4
Total Public Sector Current Expenditure	**1046.5**	**1089.5**	**1102.5**	**1134.2**	**1170.7**	**1203.0**	**1242.5**
Capital Expenditure							
Capital AME	4.6	17.2	16.0	12.9	13.3	13.9	13.9
Capital DEL	100.3	115.6	118.2	117.4	117.3	116.7	116.7
Total Public Sector Gross Investment	**104.9**	**132.8**	**134.2**	**130.3**	**130.6**	**130.6**	**130.6**
Total Managed Expenditure	**1151.4**	**1222.3**	**1236.8**	**1264.5**	**1301.3**	**1333.6**	**1373.0**
Total Managed Expenditure % of GDP	*45.1%*	*44.8%*	*44.2%*	*43.8%*	*43.4%*	*42.9%*	*42.7%*
o/w Total DEL	*545.8*	*572.3*	*585.4*	*595.8*	*608.1*	*621.2*	*636.0*

[1] Resource DEL excluding ringfenced depreciation is the Treasury's primary control within resource budgets. Capital DEL is the Treasury's primary control within capital budgets. The Office for Budget Responsibility (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.

Source: HM Treasury calculations and Office for Budget Responsibility EFO.

Improving public sector productivity

2.18 While day-to-day spending will continue to grow above inflation in future years, public spending faces many pressures. The government will get the most out of every pound spent by boosting public sector productivity and by focusing spending on the government's priorities.

2.19 The government has already identified significant opportunities in key public services:

- The recently published independent Policing Productivity Review has made a series of recommendations to improve police productivity. These proposals range from building on recently introduced measures that cut unnecessary bureaucracy to driving greater productivity through the adoption of new and improved technology. If all of these were implemented, they could save up to 38 million hours of police officer time per year, the equivalent of an additional 20,000 police officers.[24]
- The NHS Long Term Workforce Plan will help deliver a more productive NHS and is underpinned by an assumption of 1.5-2% per annum growth in labour productivity over the next 15 years. This includes a more preventative model of care being provided further upstream and closer to home. Over the period of the Plan the total community workforce will nearly double in size to enable more care to be delivered outside of hospital settings. The Plan will also mean NHS staff working and training in different ways, building broader teams with flexible skills, as well as having the right skills to make full use of new

[24] Policing Productivity Review, Home Office, November 2023.

technology that reduces the time for administrative tasks and gives clinicians more time to care. The NHS will also take advantage of opportunities that innovation and technology can offer, including identifying where AI can be used to automate administrative tasks, as well as improving the accuracy and efficiency of diagnostic tools.

2.20 Building on this, the Public Sector Productivity Programme has focused on:

- Creating a modern and efficient public sector workforce. As a first step, the size of the Civil Service has been capped. The Civil Service, excluding devolved administrations, has grown by around 66,000 since 2019; capping headcount at current levels could save up to £1 billion by March 2025.[25] To go further after the current Spending Review period, government departments will be asked to produce plans to reduce the size of the civil service to pre-pandemic levels by the end of the next Spending Review period.
- Reducing the amount of time our key frontline workers, including police, doctors, and nurses, spend on administrative tasks. Some frontline workers can spend at least 8 hours per week on administrative tasks. Reducing this could allow frontline workers to spend more time supporting patients, pupils, and delivering for the public.
- Embracing the opportunities presented by making greater use across the public sector of cutting-edge technology like Artificial Intelligence (AI). The potential productivity benefits from applying AI to routine tasks across the public sector are estimated to be worth billions. As part of this, the Deputy Prime Minister recently announced a new Incubator for Artificial Intelligence, an elite team of technical experts at the heart of government that will help departments to harness the potential of AI to improve lives and the delivery of public services.
- Strengthening preventative action to reduce demand on public services, by ensuring that the government intervenes early to prevent problems arising and, in turn, reduces the chance of these problems becoming embedded. This will build on a number of prevention-related pilots currently funded through the Shared Outcomes Fund, such as trialling workplace health checks to spot early signs of heart disease and testing new models to improve access to specialist support in primary schools for neurodiverse pupils.[26]

2.21 Alongside this, the audit of Equality, Diversity, and Inclusion (EDI) spending is coming to conclusion and, subject to further work, the Government is considering introducing a presumption against external EDI spending and increasing ministerial scrutiny of EDI spending whilst streamlining EDI training and HR processes with a view to getting value for the taxpayer. The Minister for the Cabinet Office will be outlining the final proposals, in due course.

2.22 As well as mainstreaming AI, the government is also exploring the use of other cutting-edge technologies, including quantum, in the public sector. The National Quantum Computing Centre is supporting government and industry to explore

[25] According to the latest ONS official statistics on public sector employment in the UK, there were 457k FTE in June 2023, compared to 391k in March 2019, excluding devolved administrations. If the size of the civil service remained at June 2023 levels, instead of increasing at the average 2016-2023 growth rate, up to £1bn could be saved by March 2025.
[26] Shared Outcomes Fund Round Three, HM Treasury, November 2023.

how quantum computing could be applied and HMG has launched a Catalyst fund bringing together quantum innovators and government departments to identify and develop near- and longer-term applications.

2.23 In June the Chancellor commissioned the National Statistician to run a review to improve the measurement of public sector productivity. As part of the conclusion of the first phase of the ONS's Public Services Productivity Measurement Review, the ONS has published new experimental baseline estimates for public service productivity from 1997 including nowcasts for 2021 and 2022.[27] The Review will now proceed to further develop and evaluate new methods and data sources to improve estimates, coverage, and accuracy of public sector productivity measurement. This will deliver early results in Spring 2024 with further improvements on a regular basis after this.

Tackling the Tax Gap

2.24 The government is committed to a tax system that is easy for businesses and individuals to engage with, and where everyone pays their fair share. The Tackling the Tax Gap package of measures is the largest since 2016, raising £5 billion of tax revenue over the next five years, which will contribute to funding our public services.[28]

2.25 The government is investing in HMRC's ability to support individuals and businesses who are unable to pay their tax debts by increasing HMRC's debt management resource. This will allow HMRC to better target their debt collection activity, pursuing those with tax debts that can afford to pay, and providing support to those that are temporarily unable to pay. The government is also taking action against those who continue to bend or break the rules, by reducing opportunities for tax fraud in the construction industry and taking strong action against promoters of tax avoidance.

[27] Public service productivity, UK: 1997 to 2022, ONS, November 2023.
[28] HMT analysis of fiscal event documentation since 2016.

3 Cutting Taxes and Rewarding Work

3.1 The government is committed to ensuring work always pays and reforming the welfare system to help people work, where they are able to. In support of this aim, the government is announcing tax cuts for 29 million people.

3.2 The government is also expanding the support on offer to help those with a long-term sickness or disability and those who are long-term unemployed to get into work, as well as reforming the Work Capability Assessment (WCA) so that more people are able to access the support on offer. Increasing the number of people in work in this way will grow the economy without putting upwards pressure on inflation.

3.3 The Office of Budget Responsibility (OBR) have judged that the Autumn Statement package will not only bring 78,000 people into the labour market, but will also significantly increase the numbers of hours worked in the economy. This means that the combined impacts of the Spring and Autumn policy measures will increase the number of people in employment by around 200,000 by the end of the forecast.

3.4 The best way to improve living standards in the long-term is to get more people into higher paid jobs. However, the government recognises that short-term cost of living pressures remain, particularly impacting vulnerable groups. This year the government is providing support through Cost of Living Payments to households on means-tested-benefits, those on disability benefits, and pensioners, and next year will raise the Local Housing Allowance to support low-income families with housing costs. The government will also protect the State Pension Triple Lock and uprate working age benefits in line with inflation.

Cutting taxes

3.5 The government has had to take difficult decisions to restore the public finances in the wake of the economic shocks caused by COVID and Putin's illegal invasion of Ukraine. But with inflation falling, the economy growing in every year of the forecast and debt set to fall, that hard work is starting to pay off. This means the government is now in a position where it can start to return some money to taxpayers.

3.6 Allowing working families to keep as much of their hard-earned money as possible in a sustainable way is a priority for this government, and rewarding work is part of the long-term plan to grow the economy. This is why the government is building on the largest ever increase to National Insurance starting thresholds in 2022, by cutting taxes for 29 million working people and reforming the tax system, which the OBR believe will increase the number of people in employment by 28,000 by 2028-29.[1] As a result of these cuts and above-inflation increases

[1] Tax Structure and Parameters statistics, HM Revenue and Customs, June 2022. HMRC analysis of NICs liabilities. Economic and Fiscal Outlook, Office for Budget Responsibility, November 2023.

to personal tax thresholds since 2010, an average worker on £35,400 will pay over £1,000 less in personal taxes in 2024-25 than they otherwise would have done.[2] Taxes are being cut for employees and the self-employed through a number of changes.

3.7 Firstly, the current combined rate of income tax and National Insurance contributions (NICs) for employees paying the basic rate of tax is too high at 32%. The government will address this by cutting the main rate of Class 1 employee NICs from 12% to 10%. This will provide a tax cut for 27 million working people with the average worker on £35,400 receiving a tax cut in 2024-25 of over £450.[3] By cutting taxes on work, the government is rewarding employees and providing a combined rate of income tax and NICs for an employee paying the basic rate of tax of 30% – the lowest since the 1980s.[4] This change will make sure work pays, and in 2024-25:

- an average full-time nurse on £38,900 will receive an annual gain of over £520;[5]
- an average teacher on £44,300 will receive an annual gain of over £630;[6]
- an average police officer on £44,300 will receive an annual gain of over £630;[7]
- a typical junior doctor on £63,000 will receive over £750;[8] and
- working families with two earners on the average income will receive a gain of £900.

3.8 This will take effect from 6 January 2024 so that employees benefit as soon as possible. While rate changes usually take effect from 6 April, the government wants to provide people with money in their pockets now and is therefore delivering this as quickly as possible. This will ensure that employees benefit from this tax cut from January onwards as employers make this change to their payroll systems.

3.9 Secondly, the government values the work of the self-employed who contribute so much to the economy. Therefore, the government will support the self-employed by cutting the main rate of Class 4 self-employed NICs from 9% to 8% from 6 April 2024. This will benefit around 2 million individuals, recognising the contribution of the self-employed and ensuring that work pays for all.

3.10 Finally, the current NICs system is needlessly complicated for the self-employed who have to pay two separate NICs charges in order to access contributory benefits. Therefore, the government will reform the tax system by abolishing Class 2 self-employed NICs. From 6 April 2024, no one will be required to pay Class 2 self-employed NICs. Self-employed individuals with profits above £12,570 are currently required to pay a weekly flat rate of Class 2 NICs, which would have risen to £3.70 from 6 April 2024. The details of this change are:

- From 6 April 2024, self-employed people with profits above £12,570 will no longer be required to pay Class 2 NICs, but will continue to receive access to contributory benefits, including the State Pension.

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[2] Annual Survey of Hours and Earnings, Office for National Statistics, November 2023. HM Revenue and Customs analysis of NICs liabilities.
[3] HM Revenue and Customs analysis of NICs liabilities.
[4] Tax Structure and Parameters statistics, HM Revenue and Customs, June 2022.
[5] Annual Survey of Hours and Earnings, Office for National Statistics, November 2023.
[6] School workforce in England survey, June 2023.
[7] Annual Survey of Hours and Earnings, Office for National Statistics, November 2023.
[8] NHS Staff Earnings Estimates, NHS, June 2023.

- Those with profits between £6,725 and £12,570 will continue to get access to contributory benefits including the State Pension through a National Insurance credit without paying NICs as they do currently.
- Those with profits under £6,725 and others who pay Class 2 NICs voluntarily to get access to contributory benefits including the State Pension, will continue to be able to do so.
- The main rate of Class 2 NICs is usually uprated by Consumer Price Index (CPI) and therefore had been due to rise to £3.70 per week in April 2024. For those paying voluntarily, the government has decided to maintain the current rate of £3.45 per week for 2024-25.

3.11 The government will set out next steps on Class 2 reform next year. As part of this reform the government will protect the interests of lower paid self-employed people who currently pay Class 2 NICs voluntarily to build entitlement to certain contributory benefits including the State Pension. This is a progressive reform, giving lower-paid self-employed individuals a significant tax cut. It simplifies the system for self-employed taxpayers, reducing needless complexity, freeing up valuable time for them to grow their businesses rather than interacting with the tax system. This builds on the Spring Statement 2022 decision to ensure that self-employed individuals with profits between the Small Profits Threshold and Lower Profits Threshold could continue to build up National Insurance credits without paying Class 2 NICs.

3.12 This will mean that a self-employed person who pays Class 2 NICs every week will save at least £192 per year. Together with the cut to Class 4 NICs around 2 million self-employed people will benefit, with an average self-employed person on £28,200 saving £350 in 2024-25.[9]

3.13 These changes build on the historic increases to NICs starting thresholds in 2022 which mean that a UK employee can earn more before paying tax or social security contributions than an employee in any other G7 country.[10] The action taken today provides a tax cut worth over £9 billion per year – the largest ever cut to employee and self-employed National Insurance.[11] These NICs cuts and above inflation increases to thresholds since 2010 mean that an average worker on £35,400 will pay over £1,000 less in personal taxes in 2024-25 than they otherwise would have done.

Ensuring work pays

3.14 To make sure that work always pays, the government will deliver on its commitment for the National Living Wage (NLW) to meet two-thirds of median earnings. From 1 April 2024, the NLW will increase by 9.8% to £11.44 an hour with the age threshold lowered from 23 to 21 years old, ending hourly low pay. This represents an increase of over £1,800 to the annual earnings of a full-time worker on the NLW and is expected to benefit 2.7 million low paid workers.[12] [13]

[9] HM Revenue and Customs analysis of NICs liabilities.
Annual Survey of Hours and Earnings, Office for National Statistics, November 2023.
[10] Organisation for Economic Cooperation and Development (OECD), April 2023.
[11] Policy Measures Database, Office for Budget Responsibility, October 2023.
[12] This is based on the assumption that a full-time worker on the NLW works 35 hours a week, 52 weeks a year.
[13] Department for Business and Trade calculations – for further details see Data Sources.

3.15 From April, take-home pay for someone on the NLW (not in receipt of tax credits or Universal Credit) will have increased in real terms by more than 30% since 2010 (Chart 3.1).

Chart 3.1: Net annual earnings for a full-time worker on the National Living Wage in cash terms (bars) and real terms (line)



Source: Office for National Statistics (Consumer price inflation time series – MM23), Office for Budget Responsibility, historical NMW/NLW rates, historical tax/NI bands and rates. HM Treasury calculations.

Reforming welfare to support people into work

3.16 Increasing labour market participation, and rewarding work, remains a key priority for the government. It is important for growing the UK economy sustainably, controlling spending and improving living standards. Getting more people into good jobs is beneficial to those individuals and the best route out of poverty.

3.17 Since 2010, the government has been successful in reducing unemployment. Over the period Q1 2010 to Q3 2023 (inclusive), the UK unemployment rate fell by 3.8 percentage points, the third largest percentage point decline among the G7 countries, more than Canada, Japan, France and more than triple the fall in Italy, with only the US and Germany having had a greater reduction.[14]

3.18 However, whilst the UK has made significant progress in reducing unemployment, inactivity – people of working-age neither in work nor looking for or available for work – remains an issue. The UK's inactivity rate is currently

[14] Short-Term Labour Market Statistics: Employment Rates (Database), OECD, 2023.

higher than the best performing G7 comparators. While the UK's inactivity rate is lower than the US, France and Italy, the UK is the only G7 country to have seen an increase in the inactivity rate since Q4 2019.[15]

3.19 Whilst there are many reasons for labour market inactivity, including study and caring responsibilities, the recent rise in inactivity since the onset of the pandemic due to ill-health and disability is particularly concerning.[16] In its 2023 Fiscal Risks and Sustainability (FRS) report, the OBR highlighted the significant impact rising health-related inactivity is having on the UK's medium-term economic growth prospects and the public finances, reducing tax receipts by an estimated £8.9 billion and increasing welfare spending by an estimated £6.8 billion in 2023-24.[17]

Box 3.A Labour market tightness has eased since the spring, but inactivity remains a key economic challenge

Office for National Statistics (ONS) experimental estimates indicate that the working-age inactivity rate has fallen from 21.4% in Q4 2022 to 20.9% in Q3 2023. This is likely to reflect an unwinding of temporary factors, such as the increase in student inactivity observed over the pandemic. Alongside this, ONS experimental estimates also suggest the unemployment rate has risen, increasing to 4.2% in Q3 2023, up from 3.8% in Q4 2022.[18]

Despite falls in the headline rate of inactivity, ONS experimental estimates suggest there are still over 350,000 more people of working-age inactive than before the pandemic. The number of people who are inactive due to long-term sickness or disability has also continued to rise since the spring, reaching a record 2.6 million in the latest published data for the three months to July 2023.[19] This is consistent with Department for Work and Pensions (DWP) benefit caseload data which indicates the numbers of people claiming incapacity benefits (who have Limited Capability for Work and Work Related Activity (LCWRA)) has increased by 0.7 million, to around 2.4 million, since May 2019.[20]

3.20 The government is now building on the policies announced at Spring Budget 2023, which the OBR had forecast would have an overall impact on GDP of around 0.2% in 2027-28.[21] That package focused support towards those groups where employment support was most needed. The policies included:

- For parents, removing one of the biggest barriers to parents working, by substantially increasing the amount of free childcare that working families can access. All eligible working parents in England will be able to access 30 hours of free childcare per week for 38 weeks per year from when their child is 9 months old, to when they start school

[15] Short-Term Labour Market Statistics: Inactivity Rates (Database), OECD, 2023.
[16] Rising ill-health and economic inactivity because of long-term sickness, UK – Office for National Statistics (ons.gov.uk), Office for National Statistics, 2023.
[17] Fiscal Sustainability and Risks Report, Office for Budget Responsibility, 2023.
[18] UK Labour Market: November 2023, Office for National Statistics, 2023.
[19] UK Labour Market: November 2023, Office for National Statistics, 2023.
[20] Department for Work and Pensions, UC Health Caseload and Employment and Support Allowance Support Group Caseload, Stat X-plore, May 2019 and February 2023.
[21] Economic and Fiscal Outlook – March 2023, Office for Budget Responsibility, 2023.

- To extend working lives, enhancing the digital strand of the midlife MOT offer, and removing the Lifetime Allowance charge, raising the Annual Allowance, and increasing the Money Purchase Annual Allowance to stop these limits acting as a barrier to remaining to work
- For those with a health condition or disability, embedding employment support within mental health and musculoskeletal health (MSK) services in England, digitising the NHS Health Check, publishing the Health and Disability White Paper and introducing a new Universal Support programme to support people with disabilities and long-term sickness into work
- For welfare recipients, increasing work coach support and work search requirements, including increasing the Administrative Earnings Threshold (AET), strengthening the way the sanctions regime is applied, extending the Youth Offer and expanding the Additional Job Centre Support Pilot.

The Back to Work Plan

3.21 At Autumn Statement, the government builds on this through its Back to Work Plan, which includes investment of over £2.5 billion over the next five years, and which will significantly expand available support and transform the way people interact with the benefits system. It has been designed to support those who are long-term unemployed to find work, and to ensure that those with long-term sickness or disabilities are better equipped to manage their conditions and participate in work, if they are able to do so.

Supporting the long-term unemployed into work

3.22 The latest data for the three months to July shows there were around 300,000 people who had been unemployed for over a year: a fifth of the UK's overall unemployed population.[22] The proportion of unemployed people out of work for over a year is significantly higher in the UK than the top performing countries in the OECD.[23]

3.23 The longer someone spends out of work, the harder it becomes for them to find a job.[24] Minimising the time people spend unemployed is therefore vital to increasing labour supply while helping individuals realise the social, health and financial benefits that meaningful work brings.

3.24 As part of the Back to Work Plan the government will invest over £1.3 billion over the next five years to help tackle long-term unemployment by establishing an end-to-end process that supports and incentivises unemployed Universal Credit claimants to find work. These policies, which include expanding Additional Jobcentre Support and strengthening Restart, build on the comprehensive welfare package announced at Spring Budget 2023, which increased work coach support for claimants.

3.25 To incentivise compliance, the government will strengthen the Universal Credit sanctions regime. This will further enforce the government's expectation that those who can work must engage with the support available or lose their benefits:

[22] UK Labour Market: November 2023,Office for National Statistics, 2023
[23] Unemployment by duration, OECD, 2022.
[24] Which groups find it hardest to find a job following a period out of work?, Office for National Statistics, 2021.

- the government will target claimants who continue to disengage with Jobcentre support by **closing the claims of individuals who have been on an open-ended sanction for over six months** and who are solely eligible for the Universal Credit standard allowance. This will also end their access to additional benefits such as free prescriptions and legal aid
- to root out fraud and error, the government will use the existing **Targeted Case Review** process to review the Universal Credit claims of disengaged claimants who have been on open-ended sanctions for over 8 weeks, ensuring they receive the right entitlement
- the government will **track claimants' attendance at job fairs and interviews organised by Jobcentres** so that work coaches have the information they need to determine whether claimants are meeting their commitments. The government will look to build on these changes in the future to further integrate employers into Jobcentre processes and improve oversight of claimants' work search activities.

3.26 The Back to Work Plan provides enhanced support, delivered across three phases of a claimant's work search journey, with interventions intensifying the longer a claimant remains unemployed:

- **phase 1**: unemployed claimants across Great Britain will receive regular support from a work coach to search for and move into work. To strengthen the government's understanding of how early interventions can best help claimants find work or increase their income, the government has expanded **Additional Jobcentre Support**, currently live in 90 Jobcentres.[25,26] This will test the impact of intensive support 7 weeks into a claimant's work search journey, building on the pilot announced at Spring Budget 2023 to test the impact of interventions at 13 and 26 weeks
- **phase 2**: if a claimant in England and Wales has failed to find a job after 6 months, they will be referred to an **expanded and improved Restart**. The scheme will provide 12 months of intensive, tailored support to tackle barriers to employment, with more expectations placed on claimants and eligibility expanded to include those who are 6 months, rather than 9 months as now, into their work search journey. Support will include coaching, CV and interview skills, and training sessions. Work coaches will track the activity of participants to ensure they comply with the scheme's requirements
- **phase 3:** claimants in England and Wales who are still unemployed after 12 months on Restart will take part in a **claimant review point**: a new process whereby a work coach will decide what further work search conditions or employment pathways would best support them into work. If no suitable local job is available immediately, claimants will be required to accept a time-limited **mandatory work placement** or take part in other intensive activity, designed to increase their skills and improve their employability. If a claimant refuses to accept these new conditions without good reason, their Universal Credit claim will be closed. This model will be rolled out gradually from 2024.

3.27 As a result of these reforms, no claimant should reach their claimant review point at 18 months of unemployment in receipt of their full benefits if they have not taken every reasonable step to comply with Jobcentre support.

[25] Written statements – Written questions, answers and statements – UK Parliament, UK Parliament, February 2023.
[26] Written statements – Written questions, answers and statements – UK Parliament, UK Parliament, September 2023.

3.28 The government will also take further action on fraud and error by legislating to increase the DWP's access to data on benefit claimants that is held by third parties (e.g. banks). This will enable DWP to better identify fraud in the welfare system, especially in detecting fraudulent claims where there is undeclared capital, which is the second highest type of welfare fraud. These extra powers are estimated to generate around £300 million per year savings by 2028-29.[27]

Supporting the long-term sick and disabled into work

3.29 The government announced a wide-reaching package at Spring Budget 2023 including reforms to help those with disabilities and health conditions. The Back to Work Plan builds on this and includes investment of almost £1.3 billion over the next five years to deliver a significant expansion of work and health support as well as reforms to the way people who fall ill interact with the state.

3.30 By giving people greater access to mental health treatment and employment support the government aims to improve their health outcomes, providing both a better quality of life and increasing their chances of staying in or returning to work sooner.

Expansion of employment support and available treatments

3.31 Between 2019 and 2023, the number of people inactive because of long-term sickness who reported a mental health condition rose by over 35%.[28] To counter this trend, the government is committing £795 million over the next five years to tackle the root causes of mental health problems and support people to remain in or return to work, providing support for an additional half a million people over five years.

3.32 The government will expand **Individual Placement and Support for Severe Mental Illness**, the employment support service within community mental health teams, aiming to help people gain and retain paid employment, offering an additional 100,000 places over five years. The government will also expand **Talking Therapies**, the flagship NHS England programme for treatment of mild and moderate mental health conditions. Funding will be provided to increase the number of sessions per course of treatment as well as broaden access, leading to an expected additional 384,000 people completing a course of treatment by 2028-29.[29]

3.33 The government will also increase the annual number of placements available on **Universal Support** to 100,000 in England and Wales, doubling its commitment at Spring Budget 2023. The programme matches long-term sick and disabled participants with suitable vacancies, based on their preferences, strengths and any lessons learnt from previous work experience. It also funds support of up to £4,000 per participant, such as for relevant training or employer adjustments, to ensure that they can succeed in their roles.

Reform to the way people who fall ill interact with the state

3.34 Following a consultation, the government is reforming the activities and descriptors in the **WCA** to better reflect the greater flexibility and reasonable adjustments now available in the world of work.[30] This reform will prevent some

[27] Represents gross AME savings only. See scorecard for net savings figure.
[28] Rising ill-health and economic inactivity because of long-term sickness, UK: 2019 to 2023, Office for National Statistics, 2023.
[29] Internal NHSE calculations using existing administrative data from the NHS Talking Therapies programme.
[30] Work capability assessment activities and descriptors, Department for Work and Pensions, 2023.

individuals from being deemed as not fit for work, and ensure they are better supported into employment. These changes will apply to new claims only when the reform is implemented from 2025 onwards.

3.35 In the absence of Autumn Statement policies, the OBR forecast that the combined number of people in the Universal Credit LCWRA group and the Employment and Support Allowance Support Group (ESA SG) was due to increase from around 2.4 million individuals in 2023-24 to around 2.9 million individuals in 2028-29.[31] The government's WCA reforms have significantly reduced this, more than halving the net flows into LCWRA and ESA SG over five years and ensuring that more individuals receive the right work and health support at the right time.[32]

3.36 The government will also explore end-to-end reforms of the **fit note process** to support more people to resume work after a period of illness. As part of this, trailblazer trials in a small number of Integrated Care Systems in England will test changes to increase access to health and employment support for those who have received a fit note for a prolonged period of time. The government will launch a consultation in 2024 on wider reforms, to examine options for improving fit note assessments and integrating quicker access to specialised employment and health support.

Working with employers to support their employees

3.37 Employers can play a key role in preventing sickness leading to long-term economic inactivity. Over 9 million people in work have a long-term health condition and the government wants to collaborate with employers to help them play their part in preventing their employees from becoming inactive due to ill-health.[33]

3.38 Provision of high-quality **Occupational Health** (OH) is important for helping employees with disabilities and long-term health conditions to stay in work. Following the recent consultation, the government will meet employers' requests for clearer guidance and support by establishing an expert group to develop a new voluntary OH framework in Great Britain.[34] The full consultation response outlines further detail. The government will also work with employers and business representatives to develop and promote best employment practices for employees with health and disability issues.

Supporting vulnerable households

3.39 Over the last two years, the government has demonstrated its commitment to supporting the most vulnerable. In response to the energy crisis, the government provided one of the largest support packages in Europe.[35]

3.40 The government has provided significant energy support this year and last through the Energy Price Guarantee (EPG) and Energy Bills Support Scheme (EBSS) which together paid for almost half of the typical family's energy bill from October 2022 to June 2023.[36] This is in addition to the benefits uprating and

[31] The Stat-Xplore caseload is 2.46 million at May 2023, the forecast combined caseload is lower than this due to the removal of dual claims where individuals claim New Style ESA (alongside UC health or legacy ESA).
[32] Economic and Fiscal outlook – November 2023, Office for Budget Responsibility, 22 November 2023
[33] The employment of disabled people 2023 – GOV.UK (www.gov.uk), Department for Work and Pensions, 2023.
[34] Occupational Health: Working Better, Department for Work and Pensions, November 2023.
[35] 'National fiscal policy responses to the energy crisis', Bruegel, 2023.
[36] Written statements – Written questions, answers and statements – UK Parliament, UK Parliament, 2023.

support for vulnerable households announced last year, which included new Cost of Living Payments in 2023-24 and a £1 billion extension of the Household Support Fund.

3.41 In June, the government also announced the Mortgage Charter to support residential mortgage customers. This Charter sets out the standards that Signatory Lenders – who represent over 90% of the UK mortgage market – will adopt when helping their customers.[37] This offers mortgage holders greater flexibility in managing their finances and offers protections against repossession.

3.42 It is partly as a result of these measures that growth has been stronger than expected this year, as resilient real incomes, in aggregate, supported consumption. Inflation has more than halved from its 2022 peak, though remains too high.[38] The government continues to support the Monetary Policy Committee (MPC) in its action to bring inflation down to the 2% target by keeping borrowing under control.

3.43 High inflation reduces living standards. The OBR expects living standards, as measured by real household disposable income (RHDI) per person to fall by 0.8% in 2023-24, before recovering as labour incomes grow faster than inflation. This outlook has improved since Spring Budget 2023. In the year to Q2 2023, RHDI per person was around £800 higher than the OBR expected in their March forecast. The OBR's Autumn Statement forecast shows a fall in RHDI that is half as large as at Spring Budget 2023.[39] This pressure on real incomes is not spread equally, with some households more exposed than others, particularly to higher interest rates, rental costs and food and energy prices.[40]

3.44 Over 2023-24, the government is providing targeted support to the most vulnerable, through Cost of Living Payments, to 8 million UK households on eligible means-tested-benefits, 8 million pensioner households and 6 million people across the UK on eligible disability benefits.[41] Local Authorities will also be able to continue supporting households with the cost of essentials through the £1 billion provided for the Household Support Fund this year.

3.45 Going further, to support households that need most help to pay their rent, the government will also raise Local Housing Allowance rates in Great Britain to the 30th percentile of local market rents in April 2024. 1.6 million low-income households will be better off, gaining £800 on average in 2024-25.[42]

3.46 To support low-income households to build savings, the government is also reforming the Help to Save scheme, which aims to encourage low-income workers to save for short-term and long-term term goals and kickstart a lifelong savings habit, through adding a bonus to savings. The new design will ensure the scheme's sustainability as a key savings product, encourage take-up and provide the best value for taxpayers. The new design will be published in due course, alongside the launch of a consultation on the most effective way to deliver it.

3.47 The government will also increase working age benefits delivered by DWP in Great Britain and by HM Revenue and Customs across the United Kingdom by 6.7% next year, equivalent to inflation in the 12 months to September 2023, which

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[37] Mortgage Charter – GOV.UK (www.gov.uk), September 2023.
[38] Inflation and price indices: November 2023, (ons.gov.uk), Office for National Statistics, November 2023.
[39] Economic and Fiscal Outlook, Office for Budget Responsibility, November 2023.
[40] Monetary Policy Report – November 2023, Bank of England, November 2023.
Family Spending in the UK: April 2021 to March 2022, Office for National Statistics, May 2023.
[41] Cost of Living Payments: Overview and FAQs, House of Commons Library, October 2023.
[42] Department for Work and Pensions analysis (Ad hoc statistical analyses 2023), Department for Work and Pensions, November 2023.

is the typical basis for benefit uprating and is higher than the OBR's forecasts for earnings and inflation next year.[43] This will see 5.5 million households on Universal Credit gaining £470 on average in 2024-25, in addition to the government's other cost of living support.[44]

3.48 The government is supporting pensioner incomes by maintaining the Triple Lock. The basic State Pension, new State Pension and Pension Credit standard minimum guarantee will be uprated in April 2024 in line with average earnings growth of 8.5% in the reference period.[45] This means that the new State Pension will be worth up to £900 a year more.[46]

3.49 Taken together, support to households to help with cost of living pressures is worth £104 billion over 2022-23 to 2024-25, or £3,700 per household on average.[47]

[43] Economic and Fiscal Outlook, Office for Budget Responsibility, November 2023.
[44] Department for Work and Pensions analysis (Ad hoc statistical analyses 2023), Department for Work and Pensions, November 2023.
[45] Average weekly earnings in Great Britain: November 2023 (ons.gov.uk), Office for National Statistics, November 2023.
[46] The new full State Pension will increase from £203.85 per week in 2023-24 to £221.20 per week in 2024-25. This is an increase of £17.35 per week, or £902.20 a year, if a pensioner receives 52 weeks of State Pension.
[47] Support figure includes raising the Local Housing Allowance, the Energy Price Guarantee, working age benefits uprating in April 2024 and April 2025, and further direct household support announced over Autumn Statement 2023, Spring Budget 2023, Autumn Statement 2022, May 2022 Package, Spring Statement 2022 and Autumn Budget 2021. Average support is calculated by dividing total support by the number of UK households (Office for National Statistics, May 2023).

4 Backing British Business

Growing the economy without fuelling inflation

4.1 The government is focussed on long-term decisions to strengthen the economy. The government recognises that growth cannot be generated through directing economic activity – it comes from giving individuals the freedom to learn, innovate and succeed. The job of government is to create the right conditions for the private sector to thrive. In light of challenging fiscal conditions, the government must be smarter and more strategic – this means prioritising the UK's strengths and being focussed on the biggest opportunities for growth.

4.2 The government supported households and businesses through historic shocks. This year, GDP growth has been more resilient than forecast in the spring and was faster than Germany, Italy and the euro area as a whole.[1] Revisions to the National Accounts mean that the level of GDP is higher than previously thought.[2] GDP growth has slowed into the second half of 2023 as higher interest rates contributed to a fall in household consumption.[3] Responsible policy choices at Autumn Statement support lower taxes and long-term, sustainable growth, whilst supporting the Bank of England in reducing inflation. The Office for Budget Responsibility (OBR) forecast shows that, compared to Spring Budget 2023, borrowing is lower on average across the forecast and debt as a proportion of GDP is lower in every year.[4]

4.3 At Spring Budget 2023, and in successive announcements since, the Chancellor has set out the government's plan to deliver sustained economic growth. The Autumn Statement goes further, tackling long-term barriers to investment, cutting taxes and rewarding work. The policies set out in Box 4.A, taken together, could raise business investment by **around £20 billion per year** in a decade's time.

- To unlock business investment **the government will make full expensing permanent**, building on the UK's already competitive business tax regime and making sure the UK has one of the most generous capital allowances regimes in the world.
- To get Great Britain building and to deliver energy security and the net zero transition, **the government will remove barriers to investment in critical infrastructure by reforming the UK's inefficient planning system and speeding up electricity grid connection times**.

[1] HM Treasury calculations using quarterly national accounts data, Eikon Refinitiv, accessed 15 November 2023.
[2] GDP Revision Triangles, real GDP Revisions, Office for National Statistics (ONS), September 2023.
[3] CPI Inflation Time Series, CPI Inflation Annual rate, ONS, November 2023.
[4] Economic and fiscal outlook, Office for Budget Responsibility, November 2023.

- To ensure that the UK's world-leading financial system invests the capital companies need to grow, **the government is bringing forward a comprehensive package of pension reform and driving private investment from insurers into infrastructure by legislating for key reforms to Solvency II**.
- To ensure the door is held wide open to those that want to invest in the UK's future, **the government is taking steps to boost foreign direct investment,** through supporting the Office for Investment to strengthen its concierge offer to strategically important investors.
- To help create the conditions for innovative and dynamic businesses to thrive, **the government is bringing forward an ambitious package to supercharge small and medium sized enterprises** as the engine room of the economy.
- To unlock investment, support levelling up and enable the UK to seize growth opportunities through the transition to net zero, **the government is making £4.5 billion available in strategic manufacturing sectors – auto, aerospace, life sciences and clean energy – from 2025 for five years.**
- To support a thriving economy, the government will **deliver a world-class education system** to ensure employers have access to a strong, dynamic and highly skilled workforce that meets industry needs.
- Lastly to ensure the benefits of its growth package are felt everywhere, **the government is announcing new Investment Zones and plans for deepening and extending devolution** to boost investment and deliver on the government's commitment to levelling up.

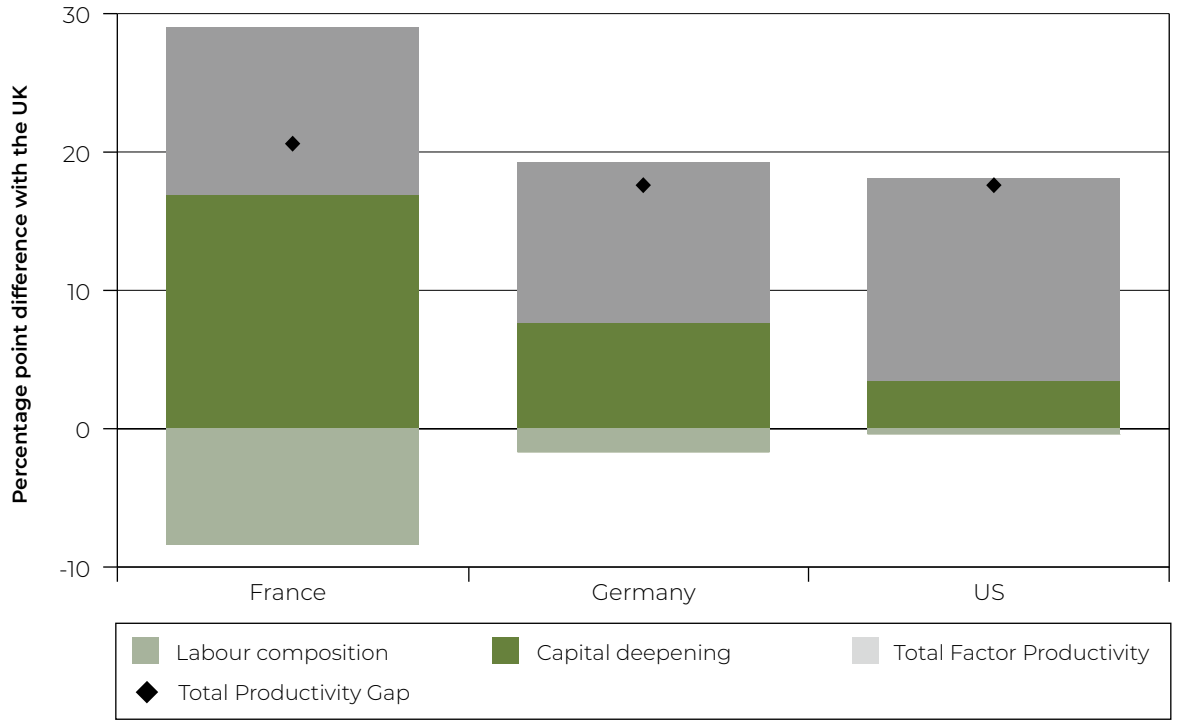
Unlocking business investment

4.4 Relatively low business investment compared to other advanced economies has been part of the UK's historically weak productivity performance. UK business investment has been 9.5% of nominal GDP over the last 10 years, compared to 11.2% on average in France, Germany and the US.[5] This has fed into the UK's productivity weakness with lower capital stock per hour worked accounting for most of the productivity gap to France and around half that to Germany.[6]

4.5 There is no single driver of the UK's business investment gap. The government's strategy is centred on removing barriers, providing the right incentives and expanding access to capital in order to increase levels of investment. Government action is already having an impact – although the data can be volatile and revised – since Q2 2021, when the super deduction was launched, investment growth has been faster in the UK than any other country in the G7.[7]

[5] Annual national accounts, non-financial accounts by economic sector, average of 2012-2021, OECD Statistics, 2023.
[6] HM Treasury analysis using GDP per hour worked data, OECD, 2023; Penn World Table v10.01 data on capital stocks, Human Capital index, and share of labour composition in GDP, January 2023.
[7] Growth in gross fixed capital formation from Q1 2021 – Q2 2023 for G7 countries, OECD Investment (GFCF), 2023.

Chart 4.1: Decomposition of the UK's output per hour worked gap with selected economies, 2019



Source: HM Treasury estimates using GDP and GDP per hour worked at current prices and adjusted for purchasing power parity from OECD's data warehouse. Calculations also use Penn World Tables (version 10.01) data on capital services at current purchasing power parities, index of human capital per person, and the share of labour compensation in GDP.

Box 4.A Business investment package effects

The Autumn Statement announces a range of measures to grow the supply-side of the economy by supporting increased business investment. As the Office for Budget Responsibility set out in the *Economic and fiscal outlook*, full expensing is expected to raise business investment and potential output within the five-year economic forecast, and other measures could boost business investment over the longer term.[8] This box sets out some of these longer-term effects.

Policies and their economic effects

Permanent full expensing reduces firms' cost of capital for qualifying plant and machinery investment. This raises the economy's long run optimal capital stock, which in turn increases annual business investment. The OBR expect the policy to increase business investment by £3 billion per year.

[8] Economic and fiscal outlook, Office for Budget Responsibility, November 2023. The OBR account for the supply side impact of selected policy measures within their economic forecast where credible evidence suggests they are likely to have a material, additional and durable impact on potential output, as discussed in Dynamic scoring of policy measures in OBR forecasts, Office for Budget Responsibility, November 2023.

Pension reforms, as described below, have the potential to make more pension scheme funding available to finance business investment. This could result in an additional £75 billion of financing for unlisted equity investment. Some of this would flow overseas or to secondary investments. But this additional finance could also address the current mismatch between the supply and demand for equity finance by smaller firms in the UK (an "equity gap"), thereby raising business investment.[9] The insurance industry may similarly increase investment in productive assets due to reform to Solvency II.[10] Taken together, these reforms could support an increase in business investment of around £2 billion per year in the long run.

The government is also targeting public funding within the manufacturing sector to help unlock private investment in eight strategic sectors. The targeted funding will support opportunities to develop and build the UK's current or future economic strengths and enable UK industries to remain at the forefront of the global transition to net zero. This funding could support an average of £2 billion of additional business investment per year in UK manufacturing for 10 years.[11]

Several of the measures, for example reforms to upgrade the electricity transmission network, are intended to remove barriers to investment, as discussed below, and could therefore result in investment being brought forward. Analysis published by Department for Energy Security and Net Zero (DESNZ) and reviewed by the Energy Systems Catapult estimates that, once embedded, the grid reforms announced could increase investment temporarily by an average of £10 billion per year over the next ten years, speeding up the transition to net zero.[12] Alongside reforms to planning and the electricity grid, as part of the ongoing Price Review process led by Ofwat and based on submitted draft plans, water companies could increase investment by £6 billion per year compared to the previous price review period.[13]

Taken together, the policy measures set out above will build over time so that they could raise business investment by **around £20 billion per year** in a decade's time.

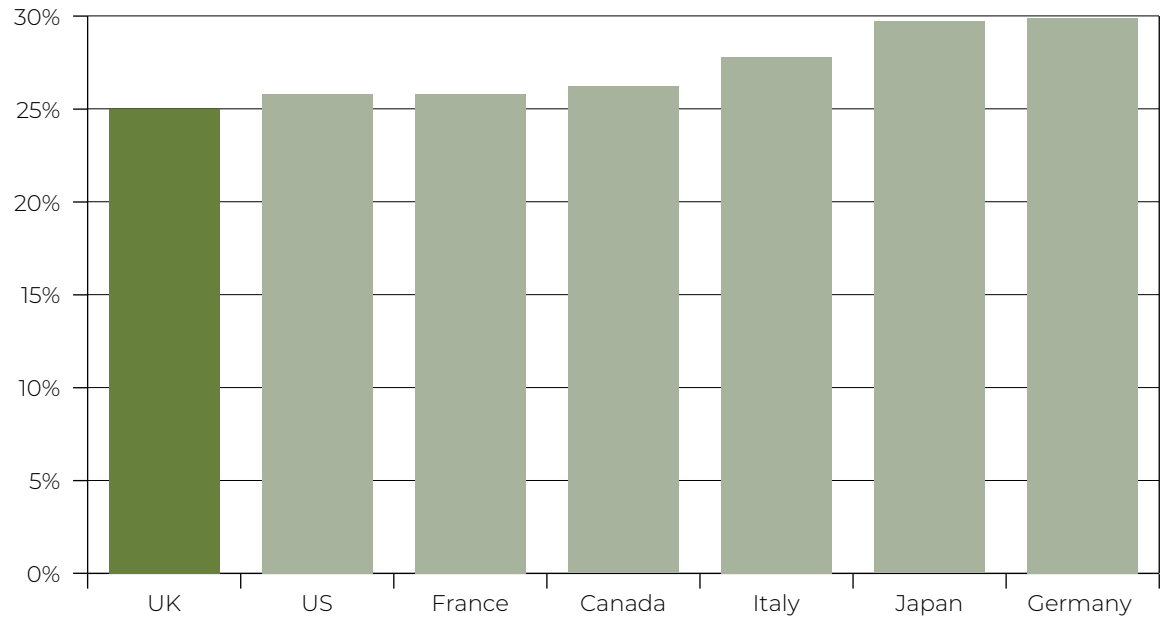
[9] Patient Capital Review, Industry Panel Response, HM Government, October 2017; Supporting Innovative Start-Up and Growing Businesses: Equity Finance Provision through the Pandemic: Interim Report, Marek Kacer, Nick Wilson, September 2023; Business equity finance and the UK regions, Department for Business and Trade (DBT), July 2019.
[10] Report on potential economic impacts of changes to the insurance regulatory framework in response to HM Treasury's review of Solvency II and PRA Solvency II Reform Consultation Paper, KPMG, November 2023.
[11] This estimate is based on internal government analysis that draws on public and proprietary information at a sectoral level, as provided by DBT, DESNZ, and the Office for Life Sciences. The approach takes the public spending amount by manufacturing sector, uses a ratio of gross private investment per pound of public spending and applies an additionality assumption to account for the fact that some of this investment would occur without government intervention.
[12] Connections Action Plan, Department for Energy Security and Net Zero (DESNZ) and Ofgem, November 2023; Transmission Acceleration Action Plan, DESNZ, November 2023. A letter from the Energy Systems Catapult will be published on their website.
[13] 2024 Price Review: key facts and data from water company draft plans, Ofwat, October 2023. Estimated expenditure is set to increase from £11.8bn per year on average (£59bn, 2020-21 to 2024-25) to £19.2bn per year on average (£96bn, 2025-26 to 2029-30). This is c£7bn per year but will include expenditure other than business investment so we have assumed £6bn. These draft company plans and costs are subject to ongoing scrutiny by Ofwat.

There are uncertainties around the estimated aggregate impact. Any sustained, additional business investment on this scale would need to be met via an increase in domestic or foreign savings. Other government policy measures have the potential to help facilitate this – notably, the packages announced at Spring Budget and in the Autumn Statement that together add nearly 200,000 people to employment.[14] A positive labour supply boost such as this can raise aggregate income and national savings, facilitating higher business investment.[15] The existence of this channel can therefore increase confidence in the estimates presented here.

Setting out the UK's world class business tax and investment offer

4.6 The UK already has one of the most competitive business tax regimes among major economies, with the lowest headline rate of Corporation Tax and joint highest uncapped headline rate of R&D tax relief for large companies in the G7.[16] [17]

Chart 4.2: Headline Corporation Tax rate, G7 countries, 2023



Source: OECD Tax Database, rate takes into account surcharges and sub-national rates

4.7 At Spring Budget 2023 the government went further by introducing full expensing for three years from 1 April 2023 – a £27 billion Corporation Tax cut for companies investing in the UK – and undertook to make this tax cut permanent when fiscal conditions allowed.

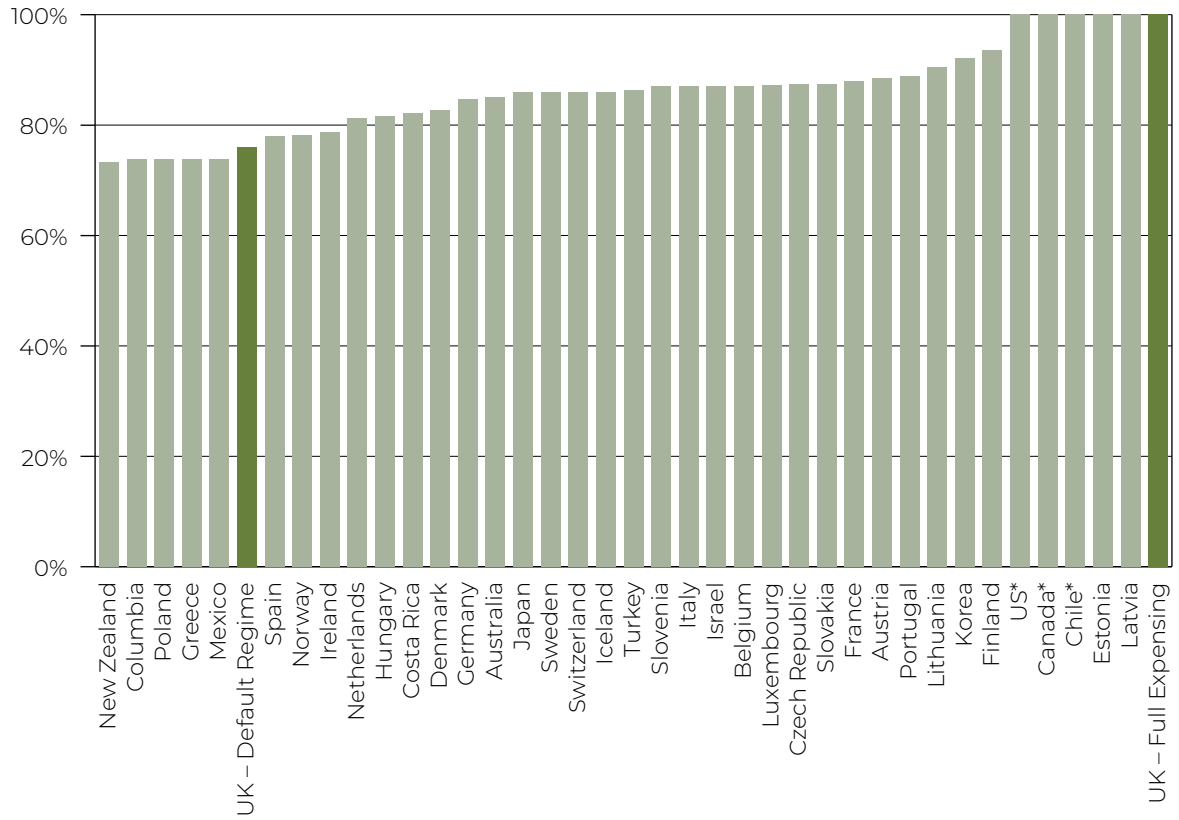
4.8 The government is honouring this now, by making full expensing permanent. This reflects the government's commitment to support businesses to invest, as well as to ensure the tax system is simple, stable and predictable.

[14] See Box 2.2 Economic and fiscal outlook, Office for Budget Responsibility, March 2023 and Box 2.1 Economic and fiscal outlook, Office for Budget Responsibility, November 2023. The OBR estimate 110,000 additional people into employment from measures announced at Spring Budget 2023, and an additional 78,000 people into employment from measures announced in Autumn Statement 2023.
[15] Appendices to Working Paper No. 471 The Bank of England's forecasting platform: COMPASS, MAPS, EASE and the suite of model, page 64, Bank of England, May 2013.
[16] On the basis of OECD 2023 figures taking into account national as well as sub-national rates.
[17] OECD R&D Tax Incentives database, OECD, April 2023.

4.9 Companies across the UK will be able to write off ("fully expense") the full cost of qualifying main rate plant and machinery investment in the year of investment, supporting businesses to invest and grow. This means companies are rewarded with up to 25p off their tax bill for every £1 that they invest, which amounts to a tax cut of over £10 billion per year.[18]

4.10 This significant reform makes the UK's capital allowances regime one of the most generous in the world, and it boosts the UK to joint first among OECD countries in net present value terms. The UK's low and internationally competitive Corporation Tax rate, combined with some of the world's most generous investment incentives, will ensure the tax system encourages investment.

Chart 4.3: Net present value of plant and machinery capital allowances, 2022 OECD regimes



*The US, Canada and Chile are in the process of phasing out their temporary full expensing policies for plant and machinery capital allowances since the data in this chart was published, which mean that NPVs are now expected to be lower.

Source: HMRC analysis using OECD 2022 data from Tax Foundation 2023 cost of capital recovery publication.

4.11 Full expensing has long-term and wide-reaching economic benefits, reducing the cost of capital for firms and boosting overall business investment by £3 billion a year according to the OBR.[19] The additional investment increases GDP by 0.1% by the end of the forecast period, increasing further to slightly below 0.2% in the long run.[20] The government has prioritised this business tax cut as it is the most effective tax measure to prioritise growth across all sectors of the economy, rewarding those that invest the most with lower taxes.

[18] Policy Costings, Autumn Statement 2023.
[19] Economic and fiscal outlook, Office for Budget Responsibility, November 2023. This is based on an established evidence base on the links between cost of capital (which includes capital allowances) and business investment.
[20] Economic and fiscal outlook, Office for Budget Responsibility, November 2023.

4.12 Permanent full expensing, including the 50% first-year allowance for special rate assets, will give companies certainty to plan long-term investments. This applies across the economy, including to the UK's capital intensive green industries such as solar and offshore wind, which will also benefit from a new investment exemption from the Electricity Generator Levy. Permanent full expensing also provides further support for companies that want to decarbonise by investing in solar panels and heat pumps, and for companies that want to invest in newer, greener plant and machinery.

4.13 The cash flow benefits of full expensing are particularly important in a high interest rate environment when companies are facing higher costs, since cash up front has become even more valuable than a stream of future lower payments through Writing Down Allowances. Given that costs of the policy are much lower in the long-term, the government sees full expensing as an effective and targeted way of using the government's balance sheet to increase investment in a fiscally sustainable way.

4.14 The move to full expensing also provides us with an opportunity to permanently simplify capital allowances. The government will therefore launch a technical consultation on wider changes to simplify the UK's capital allowances legislation.

4.15 Since Spring Budget, the government has been exploring the case for expanding the scope of full expensing to include assets for leasing with an industry working group. The government will continue to carefully consider whether there is a case to do so and publish a technical consultation in due course to seek further input from a wider range of stakeholders.

4.16 The government is committed to protecting and enhancing the UK's energy security and maintaining competitiveness. In recognition of this, alongside confirming the Energy Profits Levy will end no later than 31 March 2028, the government has published the conclusion to the review of the oil and gas fiscal regime and set out the final design of the Energy Security Investment Mechanism, including future adjustments to the mechanism's price thresholds in response to inflation. This package will provide certainty and predictability for investors and operators in this crucial industry in the short-, medium- and long-term.

4.17 The government is committed to supporting businesses with business rates bills. Many larger retail businesses and large supermarkets benefitted from the 2023 business rates revaluation and the £13.6 billion package of support provided at Autumn Budget 2022, which together decreased total bills paid by the retail sector by an estimated 20% and large supermarkets by an estimated 15%.[21] A third of properties in England have already been taken out of rates completely through Small Business Rates Relief, and the government has also frozen the tax rate for the last three years, extended the relief for Retail, Hospitality and Leisure (RHL) properties and removed downwards caps from Transitional Relief.[22]

4.18 The government will continue to make sure that support is offered to the small businesses, high street shops and independent cafes and pubs that need it most. The small business multiplier will be frozen for another year, while the 75% RHL relief will be extended for 2024-25. The standard multiplier will be uprated

[21] Estimates based on internal HM Treasury modelling on total bill changes by sector and property type, including the effect of reliefs.
[22] Small Business Rates Relief data, National Non-Domestic Relief (NNDR) return, Department for Levelling Up, Housing and Communities (DLUHC), 2023.

in line with September's CPI. These changes will take effect from 1 April 2024 in England. English Local Authorities will be fully compensated for the loss of income as a result of these business rates measures and will receive new burdens funding for administrative and IT costs.

4.19 The government has chosen to prioritise measures that will boost investment and growth, while not fuelling inflation. While this means that business rates bills will go up for some, these increases will be far outweighed by the benefits of full expensing for companies that invest. For example, HM Treasury estimates that while inflation uprating of the multiplier will result in an increase of £250 million or 6.4% in business rates paid by the retail sector in 2024-25, the sector could benefit from full expensing by around £1 billion per year.[23] In addition, total bills paid by larger retail businesses and supermarkets will still be lower in 2024-25 than they were before the 2023 revaluation.

4.20 The Government is committed to internationally competitive R&D tax reliefs. Following consultation, the current R&D Expenditure Credit (RDEC) and SME schemes will be merged from April 2024 onwards, simplifying the system and providing greater support for UK companies to drive innovation. The rate at which loss-making companies are taxed within the merged scheme will be reduced from 25% to 19%. The intensity threshold in the R&D intensives scheme will also be reduced from 40% to 30% for accounting periods that start on or after 1 April 2024, allowing around 5,000 extra SMEs to qualify for an enhanced rate of relief.[24] A one year grace period will also be introduced, providing certainty for companies who dip under the 30% threshold that they will continue to receive relief for one year. Taken together, these changes will provide £280 million of additional relief per year by 2028-29 to help drive innovation in the UK.

Removing barriers to investment and supporting infrastructure

4.21 Delivering high quality infrastructure is crucial for boosting economic growth and productivity across the UK, and is an essential foundation for increasing energy security and transitioning to net zero. This means addressing barriers to investment such as the UK's outdated planning system and lengthy delays to connect to the electricity grid; and making the economic regulatory framework more pro-investment.

4.22 Reforming the UK's planning system is crucial to ensuring there is investment in the essential infrastructure and commercial development needed for growth. The government will progress the National Infrastructure Commission's (NIC) April recommendations on planning by delivering reforms to return the Nationally Significant Infrastructure Project regime to the two and a half year average consenting time achieved in 2012.[25] [26] As set out in '*Getting Great Britain building again: speeding up infrastructure delivery*' policy paper, the government's active reform agenda to deliver this ambition includes publishing spatial data on major infrastructure projects for the first time and ensuring a more reliable process

[23] Business rates estimates based on DLUHC modelling using VOA data and National Non-Domestic Relief (NNDR) returns. Information on total rateable value by sector can be found from the Valuation Office Agency. HM Treasury analysis of potential benefit of full expensing to retail sector (SIC code G) using HM Revenue & Customs (HMRC) data on qualifying expenditure for capital allowances in Corporation Tax returns with accounting periods ending in 2021-22 by sector.
[24] Based on analysis of HMRC tax administration data.
[25] Delivering net zero, climate resilience and growth: Improving nationally significant infrastructure planning, National Infrastructure Commission, April 2023.
[26] Nationally Significant Infrastructure: action plan for reforms to the planning process, DLUHC, February 2023.

for updating National Policy Statements, further to the updates to the National Networks and Energy National Policy Statements that will be designated in the coming months.[27]

4.23 Alongside reforms to deliver infrastructure quicker, the government will strengthen the capacity of the planning system to deliver a better service for businesses, including introducing new premium planning services across England with guaranteed accelerated decision dates for major applications and fee refunds wherever these are not met. These services will improve the existing patchwork approach of Planning Performance Agreements. The government will also invest £5 million to incentivise greater use of Local Development Orders in England, to end delays for businesses so that key commercial projects secure planning permission faster.

4.24 The government is also creating more certainty for investors in low-carbon infrastructure by extending the critical national priority designation for nationally significant low-carbon energy projects. Alongside this, the government will look to remove unnecessary planning constraints by accelerating the expansion of electric vehicle (EV) charging infrastructure and will consult on amending the National Planning Policy Framework to ensure the planning system prioritises the rollout of EV chargepoints, including EV charging hubs. It will also consult on introducing new permitted development rights to end the blanket restriction on heat pumps one metre from a property boundary in England. Together these measures will reduce delays and capitalise on the UK's world-leading approach to decarbonising the economy.

4.25 Substantive action is required to address the lengthy wait to connect to the electricity grid. These delays limit investment in the transition to low-carbon power generation, which is critical to the UK's energy security. The government is therefore announcing reform of the grid connection process to cut waiting times, including freeing up over 100GW of capacity so that projects can connect sooner. This will help to enable the significant majority of projects to get their requested connection date with no wait and, for viable projects, reduce overall connection delays from five years to no more than six months.[28]

4.26 The government is also setting out an Action Plan to halve the time to build new grid infrastructure to seven years, in response to the review by the Electricity Network Commissioner, Nick Winser. Key elements of this action plan include new proposals for community benefits with up to £10,000 off electricity bills; consulting next year on reforms to energy consenting rules in Scotland; committing to commission the Electricity System Operator to work with government to produce a new Strategic Spatial Energy Plan; and introducing competition into onshore electricity networks in 2024 to benefit consumers. These actions will support the government's efforts to electrify and decarbonise the economy and increase the UK's energy security. Overall, these actions will help to lower electricity prices and are estimated to deliver a net saving of £15-25 on average per household per year out to 2035.[29]

[27] Getting Great Britain building again: speeding up infrastructure delivery, DLUHC, November 2023.
[28] Connections Action Plan, DESNZ and Ofgem, November 2023.
[29] Transmission Acceleration Action Plan, DESNZ, November 2023.

4.27 The Autumn Statement addresses several of the NIC's recommendations, published in October in its second National Infrastructure Assessment (NIA2).[30] The government will respond in full to the NIA2 with an updated National Infrastructure Strategy next year.

4.28 The government continues to make the most of its Brexit freedoms to make the UK's globally respected regulatory regime even more pro-growth and pro-investment without compromising on its quality and effectiveness. In addition to consulting on the economic regulation framework to encourage greater private investment through proposals to increase competition for strategic infrastructure investment and develop a long-term investment blueprint, the government is also consulting on stronger guidance on the regulators' Growth Duty; extending the Growth Duty to Ofgem, Ofwat and Ofcom; and providing a new strategic steer for the Competition and Markets Authority.[31] [32] This will ensure the UK's regulators must be pro-innovation, agile facilitators of growth in the sectors they regulate. The government will kickstart a Smart Data Big Bang, giving industry and investor certainty by setting out the UK's ambition for using new powers in the Data Protection and Digital Information Bill, exploring innovative opportunities across seven sectors: energy, banking, finance, retail, transport, homebuying and telecoms.

4.29 The government welcomes the Financial Reporting Council's (FRC) renewed focus on ensuring the UK's corporate governance and stewardship regime supports growth and enhances the UK's international competitiveness. Reflecting the importance of this work, the government has updated the FRC's remit. The revised remit emphasises the important role the FRC should play in promoting the competitiveness and growth of the UK economy whilst fulfilling its core purpose of enhancing public trust and confidence in corporate governance.[33]

4.30 Recognising the need to better support the critical links between and within towns and cities, the government recently made the decision to not extend HS2 beyond Birmingham, and to take a radically new, development-led approach at Euston station, which will leverage significant private finance. The government's decisions on HS2 will deliver £36 billion of savings that will be reallocated to Network North, an ambitious pipeline of alternative transport projects which will drive growth and connectivity in the great towns and cities across the North.[34] This will expand Northern Powerhouse Rail, allocate an extra £8.3 billion to roads resurfacing across England; deliver the long-promised mass transit system in West Yorkshire; and provide £8.55 billion of additional funding for the second round of City Region Sustainable Transport Settlements (CRSTS2).

Unlocking investment in growth through the financial system, pension funds, and international investment offer

4.31 The government has announced a comprehensive package of pension reform that will provide better outcomes for savers, drive a more consolidated pensions market and enable pension funds to invest in a diverse portfolio. These measures represent the next steps of the Chancellor's Mansion House reforms and meet the three golden rules: to secure the best possible outcomes for pension

[30] The Second National Infrastructure Assessment, National Infrastructure Commission, October 2023.
[31] Smarter regulation: strengthening the economic regulation of the energy, water and telecoms sectors, DBT, November 2023.
[32] Smarter regulation: regulating for growth, DBT, November 2023.
[33] Financial Reporting Council Remit, letter from Secretary of State for Business, November 2023.
[34] Network North: Transforming British Transport, Department for Transport (DfT), October 2023.

savers; to prioritise a strong and diversified gilt market; and to strengthen the UK's competitive position as a leading financial centre.[35] This package builds on the momentum from industry over the summer which has seen further signatories join the Mansion House Compact taking the total number to 11, the launch of the British Venture Capital Association's Venture Capital Investment Compact and the Mansion House Pension Summit bringing together pension funds, trustees and private market investors for the first time.

4.32 Large schemes can drive down costs for savers and are better placed to diversify into growth equity.[36] Therefore the government welcomes the current trend of defined contribution pension fund consolidation and expects to see a market in which the vast majority of savers belong to schemes of £30 billion or larger by 2030.[37] The Financial Conduct Authority (FCA) will consult next spring on the next steps of the new Value for Money Framework. As part of this, schemes will be required to compare themselves against others in the market, including large scale schemes, to ensure they are delivering value for their members.

4.33 The government will tackle the long-standing problem of "small pot" pensions and is launching a call for evidence on a lifetime provider model which would allow individuals to have contributions paid into their existing pension scheme when they change employer, providing greater agency and control over their pension.

4.34 To increase opportunities for defined benefit schemes to invest in productive finance while fully protecting member benefits, the government will consult this winter on how the Pension Protection Fund can act as a consolidator for schemes unattractive to commercial providers and whether changes to rules around when surpluses can be repaid, including new mechanisms to protect members, could incentivise investment by well-funded schemes in assets with higher returns. The authorised surplus repayment charge will also be reduced from 35% to 25% from 6 April 2024.

4.35 Following consultation, the government confirms that guidance for the Local Government Pension Scheme (LGPS) in England and Wales will be revised to implement a 10% allocation ambition for investments in private equity, which is estimated to unlock around £30 billion.[38] The government is also establishing a March 2025 deadline for the accelerated consolidation of LGPS assets into pools and setting a direction towards fewer pools exceeding £50 billion of assets under management.

4.36 To support pension scheme investment into the UK's most innovative companies, the government will commit £250 million to two successful bidders in the Long-term Investment for Technology and Science (LIFTS) initiative, subject to final agreement. This will create new investment vehicles tailored to the needs of pension funds, generating over a billion pounds of investment from pension funds and other sources into UK science and technology companies.

4.37 Following positive feedback from industry, the government is confirming its intention to establish a Growth Fund within the British Business Bank (BBB). The Growth Fund will draw upon the BBB's expertise and a permanent capital base of over £7 billion to give pension funds access to investment opportunities in the UK's most promising businesses. A new Venture Capital Fellowship will help produce

[35] Chancellor's Mansion House speech, July 2023.
[36] Evolving the regulatory approach to Master Trusts, Department for Work and Pensions (DWP), November 2023.
[37] Trends in the defined contribution trust-based pensions market, DWP, November 2023.
[38] HM Treasury calculations using modelling provided by the Government Actuary's Department on the size of the LGPS, which is estimated to grow to around £500 billion of assets by 2030.

the next generation of world-leading investors in the UK's renowned venture capital funds to support investment into the UK's most innovative high-growth companies.

4.38 Alongside measures on pensions investment, the government is legislating to give effect to the Solvency II reforms to deliver a more tailored, clearer and simpler regulatory regime for the insurance sector. The reforms will boost economic growth by incentivising private investment for productive assets, such as infrastructure. Industry have committed to investing over £100 billion in a greater range of productive assets over the next decade as a result of the Solvency II reforms.[39]

4.39 The government is committed to ensuring that the UK is the most attractive destination in Europe for internationally mobile investment. To that end, the Chancellor and the Secretary of State for Business and Trade asked Lord Harrington in March 2023 to review the government's approach to attracting foreign direct investment.

4.40 Lord Harrington's Review has been published alongside the Autumn Statement.[40] The government has responded and accepted in principle his headline recommendations.[41] A new Ministerial Investment Group will be established, tasked with driving the government's ambition on investment. This will be backed by additional resource and an improved toolkit for the Office for Investment, allowing it to deepen its world-class concierge offer to strategically important investors.

Supporting the growth of the UK's world-leading financial services sector

4.41 The UK's world-leading financial and related professional services sector is a vital source of UK growth. It makes up an estimated 12% of the economy, contributes around £100 billion a year in tax receipts and employs 2.5 million people across the country.[42] The government is taking important steps to build on these strengths – setting the UK up for another century of success as the global capital for capital – to grow the sector and the economy.

4.42 Ensuring UK companies have access to capital and supporting the UK's world-leading capital markets is critical for future growth. The government's comprehensive package of ongoing regulatory reforms includes Lord Hill's Listings Review, Mark Austin's Secondary Capital Raising Review, Rachel Kent's Investment Research Review and the Wholesale Markets Review.[43] The government is now delivering Lord Hill's central recommendation, laying legislation to fundamentally overhaul the UK's prospectus regime. In addition, the government is putting in place a consolidated tape to improve market data; launching a financial market infrastructure sandbox to test distributed ledger technology; and making fundamental changes to short selling. Finally, the FCA and government are also engaging industry stakeholders to take forward the recommendations of the Investment Research Review.

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[39] Investment Delivery Forum, July 2023.
[40] Harrington Review of Foreign Direct Investment, HMT and DBT, November 2023.
[41] HM Government's response to Lord Harrington's Review into the government's approach to attracting foreign direct investment, HM Government, November 2023.
[42] Enabling growth across the UK 2023: UK-based financial and related professional services, TheCityUK, 2023; State of the sector: annual review of UK financial services 2023, The Global City, HM Treasury, 2023.
[43] UK Listings Review, HM Treasury, November 2020; UK Secondary Capital Raising Review, HM Treasury, 2021; UK Investment Research Review, Rachel Kent, July 2023; Wholesale Markets Review Consultation Response, HM Treasury, March 2022.

4.43 Following the passage of the Financial Services and Markets Act 2023 in July, the government continues to take steps to ensure the UK maintains and enhances its world-leading financial services regulatory environment. The government repealed over 100 pieces of unnecessary retained EU law earlier this year.[44] As part of the Edinburgh Reforms, the government committed to making significant progress in building a Smarter Regulatory Framework tailored to the UK by the end of the year. The government is delivering on this promise by soon laying key legislation, and publishing drafts of other legislation being progressed. Given the global interconnectedness of the financial system, the government also continues to work closely with its international partners through the Financial Stability Board and other fora to establish and maintain high global standards and to mitigate risks to financial stability.

4.44 The government is also committed to growing the UK's world-leading retail payments sector. That is why the government supports Joe Garner's independent review into the future of payments.[45] The government is acting to implement the review's core recommendations, including repealing prescriptive EU-derived payments authentication rules allowing industry to better prevent fraud and improve the customer payments experience. The FCA will review the rules with a view to adopting an outcomes-based approach, and will specifically consider the contactless limits.

4.45 The government is also committed to unlocking the full potential of Open Banking-enabled payments and will seek to legislate next year to support this. The government's intention is for the new regulatory framework to require firms beyond the largest banks to participate in a sustainable and equitable commercial model through which the technology and necessary consumer protections will be developed, and with appropriate regulatory backstops. In line with the Review's central recommendation, the government will publish a National Payments Vision next year. Building from the review's findings, this will include consideration of priorities for UK payments and, working with the Payment Systems Regulator and the Bank of England, will consider the role of the New Payments Architecture.

4.46 The government is committed to exiting its shareholding in NatWest, subject to market conditions and sales representing value for money. The government intends to fully exit by 2025-26 utilising a range of disposal methods, including accelerated bookbuilds and directed buybacks with NatWest and also via continuing sales through the ongoing trading plan. As part of the plan to return NatWest to the private sector, the government will explore options to launch a share sale to retail investors in the next 12 months, subject to supportive market conditions and achieving value for money.

4.47 The government is making changes to simplify ISAs and provide more choice, meaning it will be easier for people to choose the best ISA accounts for their needs and move money between them. This involves digitalising the ISA reporting system to make it more effective, as well as expanding the investment opportunities available in ISAs to include Long-Term Asset Funds and open-ended property funds with extended notice periods.

[44] Building a Smarter Financial Regulatory Framework for the UK, HM Treasury's Plan for Delivery, HM Treasury, July 2023.
[45] Future of Payments Review 2023, HM Treasury, July 2023.

Fostering a dynamic and innovative investment economy

Supporting the UK's scientists and innovators

4.48 Scientific breakthroughs are a crucial driver of long-run growth and play a critical role in improving lives and helping to tackle societal challenges. The UK hosts many of the world's leading universities and the government provides the most generous support for business R&D in the OECD as a share of GDP through tax relief and public investment.[46] The government is now going even further to ensure the UK remains at the cutting edge of science, innovation and technological development.

4.49 The Prime Minister has negotiated excellent terms for the UK to associate to Horizon Europe and Copernicus, getting great value for taxpayers while maximising opportunities for researchers. As a result, the government can now announce ambitious investments of over £750 million in UK R&D this financial year. These investments include transformative new programmes, including £250 million for long-term world-class Discovery Fellowships, £145 million for new business innovation support, and support to establish a National Academy focussed on mathematical sciences. The government is also ensuring the research, development and innovation organisational landscape is diverse, resilient, and investable, in response to Sir Paul Nurse's review.[47] The government will also continue to cut bureaucracy in grant applications.

4.50 University spin-outs are some of the UK's most innovative companies and play a hugely important role for the UK economy, with investment increasing almost five-fold since 2014.[48] To capitalise on this strength, the government is accepting all the recommendations of the Independent Review of Spin-outs and setting out how it will deliver them.[49] Several universities and investors have already endorsed the recommendations of the review, and the government will provide £20 million for a new cross-disciplinary proof-of-concept research funding scheme, to help prospective founders in the UK's universities demonstrate the commercial potential of their research.

4.51 The government is committed to staying at the forefront of new technology. For example, this Autumn Statement provides £121 million for the UK's space sector. This investment will pave the way for new space clusters and infrastructure, make progress towards the government's climate goals by supporting the earth observation industry and deliver new capabilities in low earth orbit satellite communications technology. The government is also building on the £2.5 billion ten-year National Quantum Strategy by publishing an ambitious set of quantum missions,[50] including a mission to have accessible, UK-based quantum computers capable of running 1 trillion operations by 2035. Other missions focus on quantum networks, medical applications, navigation, and sensors for infrastructure.

4.52 The government also remains committed to ensuring early-stage, innovative companies have access to the investment they need to grow and develop. To continue supporting thousands of start-ups and small and medium-sized

[46] R&D tax expenditure and direct government funding of BERD, OECD Statistics, 2023.
[47] Research, development and innovation (RDI) organisational landscape: an independent review, November 2023
[48] Intellectual property, start-ups and spin-offs, HESA, April 2023.
[49] Independent Review of University Spin-out Companies and HM Government response, November 2023.
[50] National Quantum Strategy Long-Term Quantum Missions, Department for Science, Innovation and Technology (DSIT), November 2023.

enterprises (SME) each year who face the biggest challenges in accessing growth capital, the government will legislate to extend the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCT) to 2035.

4.53 To support these innovative businesses to accelerate their growth and scale up, the government is extending the British Business Bank's Future Fund: Breakthrough programme. This will provide at least £50 million additional investment in the UK's most promising R&D intensive companies.

4.54 It is vital that businesses can access the talent they need, which is why the government is delivering on the Spring Budget 2023 commitment to simplify and expand the UK's business visitor visa. The includes introducing changes from January 2024 that will broaden and clarify the activities that can be undertaken in an intra-corporate setting, offer wider coverage for the legal services sector and simplify arrangements for those undertaking paid engagements. During 2024 the government will explore further improvements to the business visitor rules alongside the potential for further enhanced provisions linked to trade negotiations. Given these changes relate to short-term business visas, they do not impact on the overall level of net migration. The government is also signing and expanding new and existing Youth Mobility Schemes (YMS) to make sure the next generation of talent have a wide range of opportunities to live, work and travel abroad and experience other cultures. This year the government has increased the places available on the YMS with Australia and Canada by 7,000 and, for 2024, added a further 9,100 places through new and expanded agreements, including with Japan and South Korea.[51] In 2023 the government has also expanded the eligibility and length of stay available for participants from Canada, New Zealand and Australia.

Supercharging growth of the UK's SMEs

4.55 The vast majority of businesses in the UK are SMEs and they are engines of the economy.[52] The UK has a reputation as a world-leading location for businesses to start up and grow and the Autumn Statement builds on this.[53] In addition to freezing the small business rates multiplier in England, the government is announcing a package of support to help SMEs thrive.

4.56 One of the key challenges facing SMEs is the cash-flow implications of late payments, which hold small businesses back from investing and innovating. Alongside publication of the Payment & Cash Flow Review Report and action taken through the Procurement Act, the government will lead by example in introducing more stringent payment time requirements for firms bidding for large government contracts. From April 2024, firms bidding for government contracts over £5 million will have to demonstrate they pay their own invoices within an average of 55 days, tightening to 45 days in April 2025, and to 30 days in the coming years.

4.57 In order for SME leaders to acquire the vital skills and opportunities they need to increase productivity and grow their businesses, the government is expanding the Made Smarter Adoption, programme helping more manufacturing SMEs use advanced digital technologies. The government is also setting up a taskforce to rapidly explore how best to support SMEs to adopt digital technology, committing

[51] Immigration Rules Appendix Youth Mobility Scheme: eligible nationals, Home Office, November 2023.
[52] Business population estimates for the UK and regions 2023 statistical release, DBT, October 2023.
[53] For example, Global Startup Ecosystem Index, Startup Blink, 2023

to delivery of the Help to Grow: Management programme beyond 2024-25; and offering additional support to SMEs to access global markets through UK Export Finance.

4.58 To reward work, and so that the self-employed are able to keep more of their hard-earned money, the government will cut and simplify self-employed taxes from 6 April 2024. The main rate of Class 4 self-employed NICs will be cut from 9% to 8%, and the outdated and needlessly complicated Class 2 self-employed NICs will be abolished. Together these cuts will benefit around 2 million self-employed people and the average self-employed individual on £28,200 will see a saving of £350 in 2024-25.

4.59 The government is also announcing that HMRC will rewrite guidance around the tax deductibility of training costs for sole traders and the self-employed, to provide more clarity to business on what costs are deductible. This will ensure that individuals can be confident that updating existing skills, or maintaining pace with technological advances or changes in industry practices, are allowable costs for tax purposes.

Investing in energy security and net zero

4.60 Delivering the net zero transition is vital to the UK's energy security and long-term prosperity. In Powering Up Britain[54] the government laid out clear and comprehensive plans to meet its energy security and climate targets. As the Prime Minister has stressed, the government will deliver these in a proportionate and pragmatic way, which protects households and plays to the UK's significant strengths.

4.61 The government is therefore focused on securing the investment needed to deliver clean energy and support industry to decarbonise. This approach has already mobilised £198 billion of public and private investment in low-carbon energy since 2010, and seen the UK decarbonise faster than any other G7 country since 1990.[55] [56] The cross-economy measures in the Autumn Statement will unlock further investment in the transition in the years ahead.

4.62 The UK Emissions Trading Scheme (ETS) plays a vital role in providing businesses with the long-term certainty to plan ahead and decarbonise efficiently. Reforms to the ETS, as set out by the UK ETS Authority in July 2023, will reduce the number of ETS permits available for purchase from government by 45% between 2023 and 2027. It will also extend the scheme to cover emissions from domestic maritime and energy from waste in 2026 and 2028 respectively. This is an important step in achieving net zero ambitions.

4.63 In a connected world, the ETS can only be truly effective if action is taken to mitigate the risk of carbon leakage. The government has undertaken extensive consultation on possible measures to mitigate carbon leakage risk including introducing a carbon border adjustment mechanism and will publish its response shortly.

4.64 The government is providing support to help firms transition to a resilient, low-carbon and industrially competitive future. This includes spending £185 million on the Industrial Energy Transformation Fund (IETF) to support industrial sites invest in more energy efficient and low-carbon technologies. This grant funding

[54] Powering Up Britain, DESNZ, 2023.
[55] DESNZ analysis of the BloombergNEF, Energy transition investment dataset converting to 2022 prices, BNEF.
[56] PRIMAP-hist. Historical emissions time series, United Nations Climate Change (UNCC), 2022.

will come from the £6 billion announced at Autumn Statement 2022 to support energy efficiency from 2025, with further allocations set out in due course. The government is also providing around £300 million a year in tax relief in exchange for meeting energy efficiency targets under the new six-year Climate Change Agreement scheme which starts from 2025, and expanding VAT relief available on the installation of energy-saving materials in residential buildings or those used solely for a relevant charitable purpose.

4.65 To support continued investment in the UK's renewable generation capacity, the government will legislate for a new investment exemption for the Electricity Generator Levy (EGL). New projects for which the substantive decision to proceed is made on or after 22 November 2023 will be exempt from the EGL. The government has published a technical note on the exemption and will legislate in an upcoming Finance Bill. The EGL will end as planned on 31 March 2028. The government has also set out the parameters for the next renewables Contracts for Difference auction round, increasing the maximum price that can be received, and will shortly publish further details on growing hydrogen and Carbon Capture, Usage and Storage (CCUS) deployment, ensuring that the government's world-leading clean energy deployment continues at pace and remains on track to meet the government's energy security and net zero ambitions.

4.66 To further accelerate the UK's world-leading offshore wind deployment, the government will bring forward legislation to provide the Crown Estate with borrowing and wider investment powers as soon as parliamentary time allows, which will help to unlock a further 20-30GW of new offshore wind seabed rights by 2030. Government is working with The Crown Estate to bring forward additional floating wind in the Celtic Sea through the 2030s, which could see an additional 12GW of generation deployed, alongside the 4.5GW round due to open soon, with the potential to deliver £20 billion of direct investment from deployment in the area.[57]

Catalysing the growth sectors of the future

4.67 At Spring Budget and throughout 2023, the Chancellor has unveiled a package of measures to turbocharge growth in the industries of the future. The Autumn Statement builds on this with further steps to make sure the UK is investing in its strengths and developing its competitive advantage in these sectors.

Advanced Manufacturing

4.68 The manufacturing sector is a vital part of the UK's economy. It enables levelling up across the country, helps deliver net zero commitments and promotes economic security and resilience. The sector contributes 41% of all UK expenditure on business R&D, 43% of exports, and provides around 2.6 million jobs.[58] [59] [60] These jobs are often highly skilled, are typically located in UK regions with lower gross disposable household income and pay 9% more than the national average.[61] [62]

[57] Floating Offshore Wind in Wales, House of Commons Welsh Affairs Committee, 2023.
[58] Business Enterprise Research & Development (BERD), UK: 2021, ONS, November 2022.
[59] Trade in goods: CPA (08) exports and imports, ONS, November 2023; Total Trade (TT): WW: Exports: BOP: CP: SA, ONS, November 2023.
[60] JOBS02: Workforce jobs by industry, ONS, 2023.
[61] JOBS05: Workforce jobs by region and industry, ONS, 2023; Regional gross disposable household income, UK, ONS, 2023.
[62] Make UK – UK Manufacturing The Facts 2023, Make UK, 2023.

4.69 The UK also has a world-leading track record of delivery on decarbonisation, with significant steps taken to strengthen energy security and the broader investment environment. This approach has seen £198 billion of public and private investment into low carbon sectors since 2010. Therefore, the UK will not be looking to match countries such as the US pound for pound on the back of policies like the Inflation Reduction Act.

4.70 The UK will take a different approach, continuing to build a positive environment for investment via cross-cutting measures such as full expensing, supported by targeted funding where justified to bolster the UK's attractiveness as a place to start, grow and invest in manufacturing businesses.

4.71 Funding of £4.5 billion has been announced to help unlock private investment in strategic manufacturing sectors, starting in 2025-26 and lasting for five years. Over £2 billion is being made available for the automotive sector to support the manufacturing and development of zero emission vehicles, their batteries and supply chain. £975 million is being made available for the aerospace sector to support the development of energy efficient and zero-carbon aircraft technology. £520 million is being made available for life sciences to build resilience for future health emergencies and capitalise on the UK's R&D strengths. And £960 million is being made available for green industries to support strong clean energy manufacturing capacity across the UK and seize opportunities from the global net zero transition.

4.72 Advanced manufacturing harnesses the UK's world-leading R&D capabilities and the government is taking further steps to support innovation across the wider sector. The government recently published Dame Angela McLean's review of the role that regulation can play in driving innovation and growth in advanced manufacturing, alongside the government's response accepting all recommendations.[63] The government also published its Critical Minerals Strategy refresh earlier this year and recently committed to extend the Connected and Automated Mobility R&D programme.[64]

4.73 The government is also unlocking new sources of finance for advanced manufacturing. The Chancellor has recently clarified the government's priorities for the UK Infrastructure Bank to ensure the Bank is able to invest in critical supply chains where it meets the Bank's strategic objectives, including semiconductor manufacturing and critical minerals. The Bank is actively engaging with the relevant sectors and exploring opportunities in these markets.

4.74 Other announcements being taken forward by the government at Autumn Statement which support UK advanced manufacturing firms include expanding the Made Smarter Adoption programme, responding to Lord Harrington's review of foreign direct investments, championing apprenticeship provision through the growth sectors apprenticeship pilot and providing details of further Investment Zones focused on the sector. The government will shortly set out more on its actions to support investment and growth in the manufacturing sector with the publication of the Advanced Manufacturing Plan and UK Battery Strategy.

[63] Professor Dame Angela McLean's review on pro-innovation regulation for advanced manufacturing and the government response, HM Treasury, November 2023.
[64] Critical Minerals Refresh: Delivering Resilience in a Changing Global Environment, DBT, March 2023.

Green industries

4.75 This Autumn Statement will boost investment to support the government's clear plans to deliver net zero and energy security objectives. UK firms are ready to supply vital goods and services to the new global green economy, maximising growth opportunities through the transition.

4.76 The UK is already seizing the opportunities and exports within low-carbon and renewable energy industries, which are growing significantly faster than exports from the broader economy.[65] Not only is the UK a world leader in the deployment of offshore wind, but its industries are also driving the development of innovative Small Modular Nuclear Reactors (SMRs) and investing in the UK's potential to store an estimated 78 billion tonnes of carbon in the UK continental shelf.[66]

4.77 To ensure the UK continues to build strong supply chains and maximises global growth opportunities, the government is announcing a £960 million Green Industries Growth Accelerator (GIGA). This will support investments in manufacturing capabilities for the clean energy sectors where the UK can gain the clearest strengths: Carbon Capture Utilisation and Storage (CCUS), hydrogen, offshore wind, electricity networks, and nuclear. GIGA will enable the UK to seize growth opportunities through the transition to net zero, unlocking private investment, protecting jobs and creating new ones, and leveraging impact across the wider supply chain. The fund will sit alongside the full range of long-term deployment support set out in Powering Up Britain which will ensure the government delivers the clean energy transition and boosts green investment and job creation across the country.

Digital technology and AI

4.78 Digital technologies have radically transformed lives, from smart phones and apps to the internet of things. The UK is harnessing the significant growth potential of digital technologies to continue as the leading European tech ecosystem, which last year was worth more than double Germany's and three times as much as France's, and contributed GVA of £158 billion.[67] Not only does this represent 3 million jobs and 85,000 tech start-ups,[68] including ground-breaking companies such as DeepMind, but the UK is also taking a world-leading role in developing technologies of the future, like Artificial Intelligence (AI) and quantum computing, ensuring that the UK is at the forefront of shaping how technology transforms lives for the better.

4.79 The development of AI has accelerated over the last year, with the release of new [g]enerative AI chatbots such as ChatGPT and Bard. The economic impact of AI is likely to be significant; a recent Goldman Sachs report projected that "generative AI has [the] potential [to] boost global labour productivity by more than 1 percentage point a year in the decade following widespread usage".[69] The

[65] Internal DESNZ research; Low carbon and renewable energy economy estimates, ONS, 2023; UK trade: goods and services publication tables, ONS, November 2023.
[66] CO2 Storage Evaluation Database (CO2 Stored). The UK's online storage atlas, Bentham et al., 2014.
[67] DCMS Sectors Economic Estimates: Monthly GVA (to September 2023), DCMS, November 2023.
[68] UK tech sector retains #1 spot in Europe and #3 in world as sector resilience brings continued growth, DCMS, December 2022.
[69] AI investment forecast to approach $200 billion globally by 2025, Goldman Sachs, August 2023.

UK is well placed to capture these gains as third in the world for AI investment; the AI sector already contributes £3.7 billion to the UK economy and employs 50,000 people across the country.[70]

4.80 To realise the many potential benefits of AI, the UK needs to work with international partners to ensure the safe development of advanced AI systems. The UK is taking a leading role in this area, having hosted the world's first AI Safety Summit earlier this month. The government will be launching the first AI Safety Institute, backed by an initial £100 million investment. In parallel, the government is developing its wider regulatory approach, to balance innovation and safe adoption, publishing its response to the AI white paper by the end of the year, and launching a pilot AI Regulatory Sandbox in the spring.[71] Later this year the government will be launching the Manchester Prize which will award prizes of up to £1 million to researchers working on the safe, responsible application of AI over the next 10 years.

4.81 Key to the UK creating a world-leading AI ecosystem is access to compute, which powers the development of AI models. In the last year, the government has announced significant compute investments, including £900 million at Spring Budget 2023. The government will be investing a further £500 million in compute for AI over the next two financial years bringing the total planned investment in compute to more than £1.5 billion. These investments will allow researchers and SMEs to develop new foundation models and maximise the UK's potential in AI, enabling, for example, the discovery of new drugs. This complements the government's £100 million AI Life Sciences Accelerator Mission, announced by the Prime Minister, which will use health data and cutting-edge AI to address some of the most pressing health challenges facing the nation.

4.82 Together these investments will support the UK to unlock the potential of AI, from the development and testing of advanced AI models, to creating the conditions for further innovation and the safe application of AI across the economy.

Life Sciences

4.83 Life sciences is a strength of the UK economy, with the sector critical to the country's health, wealth and resilience. In May 2023, the government committed £121 million in funding as a first response to Lord O'Shaughnessy's recommendations on improving the UK's commercial clinical trial offer. The government has published its full response to the review, supported by an implementation plan, to make the UK one of the best places in the world to conduct clinical research. Up to £20 million of this funding will launch the first Clinical Trial Delivery Accelerator, focused on dementia, to help innovation reach NHS patients even faster.

4.84 To build resilience for future health emergencies and to capture and capitalise on the UK's R&D strengths, the government is providing £520 million in funding from 2025-26 to support transformational manufacturing investments in life sciences. It is also backing UK innovation by investing £10 million, with an additional £10 million from Scottish Enterprise, in a world class Manufacturing Centre of Excellence in Oligonucleotides. Tackling antimicrobial resistance will be essential for future health resilience, so to mark the 2028 centenary of the discovery of penicillin, the government is granting £5 million seed funding to help launch

[70] UK unveils world-leading approach to innovation in first artificial intelligence white paper to turbocharge growth, DSIT, March 2023; DCMS and Digital Economic Estimates: Monthly GVA (to Sept 2023), DCMS, DSIT, November 2023.
[71] A pro-innovation approach to AI regulation, DSIT, Office for AI, March 2023.

the Fleming Centre. A collaboration led by Imperial College London and Imperial College Healthcare NHS Trust, the Centre will support the next generation of world-changing health innovations.

4.85 The UK is uniquely placed to harness the power of health data to improve patient outcomes. In England the NHS has 1.6 million patient interactions every 24 hours generating real world experience and insights at scale.[72] The government is therefore announcing a further £51 million for the Our Future Health (OFH) programme, a world-leading resource for health research, to genotype their first 1 million participants and to recruit hundreds of thousands of new volunteers, supporting the development of better ways to prevent, detect and treat diseases. The COVID-19 vaccine showed the UK is one of the best places to launch lifesaving therapies. Building on this legacy, Genomics England, along with a consortium of partners, is announcing the launch of a world first Rare Therapies Launch Pad, generating evidence on whether a pathway for new individualised therapeutics could be implemented in the UK for children with ultra-rare disease.

4.86 The government has reached an in-principle agreement with the pharmaceutical industry on the 2024 Voluntary Scheme for Branded Medicines Pricing, Access, and Growth. The scheme is expected to deliver around £14 billion in savings to the NHS across the next five years, as well as supporting rapid patient access to new clinically and cost-effective medicines. A £400 million fund will also be established by industry to support investment in the UK life sciences ecosystem, including improved clinical trial capacity.

Creative industries

4.87 The UK has world-leading creative industries at the heart of an increasingly digital world. The sector grew at over one and a half times the rate of the wider economy between 2010 and 2019,[73] contributing £126 billion in GVA in 2022.[74] In June 2023, the government published its Sector Vision which set ambitions to grow the creative industries by £50 billion and deliver a creative careers promise to support a million more jobs by 2030. This included £77 million in new government spending, bringing the total announced since the 2021 Spending Review to £310 million. The sector also continues to be supported by significant tax reliefs, which were worth £1.66 billion in the year ending 2022.[75]

4.88 The government expects further growth and a rise in employment as creative industries embrace new technologies. To maximise the benefits of this, the government will further boost the international competitiveness of tax incentives for the UK's world-leading visual effects sector. The government intends to increase the generosity of the Audio-Visual Expenditure Credit for visual effects expenditure, and will work with industry on how best to design this with the intention of implementing changes to the tax relief from April 2025.

4.89 To support the production of film and high-end TV across the UK, the government will provide £2.1 million of new funding next year for the British Film Commission and the British Film Institute Certification Unit. Furthermore, the government will review public investment in R&D spending for the creative industries to a Spending Review timeframe.

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[72] Activity in the NHS, The King's Fund, June 2023.
[73] DCMS Economic Estimates 2019: GVA in individual DCMS sectors, DCMS, February 2021.
[74] DCMS and Digital Economic Estimates: Monthly GVA (to Sept 2023), DCMS, DSIT, November 2023.
[75] HMRC Creative Industry statistics commentary: Creative industries tax reliefs, 2019-20 to 2021-22, HMRC, August 2023.

Making a long-term investment in skills by delivering a world-class education system

4.90 A crucial part of securing Britain's prosperity for future generations is building a world-class education and skills system. Long-term investment in human capital is crucial for growth and productivity: changes in labour quality contributed to around 15% of growth in labour productivity between 2001 and 2007, and the majority of labour productivity growth in the years after.[76] This is why the government continues to make year on year increases to school funding in England, boost opportunities for adults to train, upskill and retrain, and, from 2025, transform the student finance system through the Lifelong Learning Entitlement.

4.91 In October 2023, the Prime Minister announced a strong action plan to ensure every student has the literacy and numeracy skills they need to thrive through the introduction of the Advanced British Standard. This new Baccalaureate-style qualification will bring the best of A-Levels and T-Levels together, creating a unified structure that puts technical and academic education on equal footing. This reform will ensure every student in England studies some form of maths and English to age 18, boosting basic skills and bringing the UK in line with international peers. It will increase the number of taught hours by 15% for most students aged 16 to 19 and will broaden the number of subjects students take.

4.92 The government is funding a down payment of over £600 million over the next two years. This will give teachers in key shortage academic and technical subjects – who are in the first five years of their career – a payment of up to £6,000 per year tax free, including further education colleges for the first time; support students to achieve their maths and English GCSEs where they did not pass first time; improve the quality of maths teaching; and build a deeper understanding of what works in 16-19 teaching and training with a £40 million capital investment into the Education Endowment Fund.

4.93 Beyond 16-19 education, the government is supporting employer-based training in England so that adults of all ages can access high quality apprenticeships. The government has transformed apprenticeships to offer a prestigious and high quality alternative route to higher education. In 2021-22, almost a third of all starts were at Level 4 and above compared to only 4% in 2014-15.[77]

4.94 The government continues to work closely with businesses to improve the apprenticeship system to meet the needs of learners, employers and training providers. The government is supporting plans to catalyse the growth sectors by committing £50 million to deliver a two-year apprenticeships pilot to explore ways to stimulate training in these sectors and address barriers to entry in high-value standards.

Boosting growth and investment across the country

4.95 To grow the economy, the government is committed to building on the potential of all areas across the UK, and to tackling the unequal spread of opportunity. The recently launched Round 3 of the Levelling Up Fund and the Long-Term Plan for Towns will continue to deliver on this ambition.

[76] Skills and UK Productivity, Department for Education, 2023.
[77] Apprenticeships and Traineeships, Department for Education, October 2023.

4.96 At Spring Budget 2023, the government launched the refocussed Investment Zones programme. The government is now going further by extending the Investment Zones programme from five to ten years, which will double the envelope of funding and tax reliefs available in each Investment Zone from £80 million to £160 million, to provide greater certainty to investors. The government is also extending the duration of the tax reliefs available in Freeports from five to ten years to maximise the programme's impact. To ensure Investment Zones and Freeports can respond nimbly as investment opportunities arise, the government is also creating a new £150 million Investment Opportunity Fund, which will be available over five years.

4.97 The government is also announcing the next set of Investment Zones.

- The Greater Manchester Investment Zone will focus on advanced manufacturing and materials and local partners expect it to help to leverage £1.1 billion in private investment and help to create 32,000 jobs in the region over the next 10 years.
- The West Midlands Investment Zone will focus on advanced manufacturing and local partners expect it to help to leverage £2 billion in private investment and help to create 30,000 jobs in the region over the next 10 years.
- The East Midlands Investment Zone, with a focus on green industries and advanced manufacturing, is expected by local partners to help to leverage £383 million in private investment and help to create 4,200 jobs in the region over the next 10 years.

All of these Investment Zones have received anchor investment from private sector companies.

4.98 The government continues to make good progress on developing the Investment Zones for the North East and Tees Valley. The government is also confirming that there will be two Investment Zones in Wales; one located across the Cardiff and Newport area, and delivered by the South East Wales Corporate Joint Committee, and another focusing on the Wrexham and Flintshire region delivered by the North Wales Corporate Joint Committee. The government has now confirmed details of 6 of 13 Investment Zones in the UK and will work with local partners with the aim of confirming details of all Investment Zones by summer 2024.

4.99 To deepen devolution in England and further empower local leaders to drive growth in their areas, the government has agreed with local partners a Memorandum of Understanding outlining the approach to the single funding settlements which will be implemented at the next Spending Review for the West Midlands and Greater Manchester Combined Authorities. The government is also publishing a new 'Level 4' of the devolution framework. Devolved institutions with a directly elected leader that meet eligibility requirements will be able to draw down from this framework, which delivers deeper powers alongside new scrutiny expectations. The powers include new levers over local transport, reflecting the substantial progress made towards the National Infrastructure Commission's recommendation to devolve local transport powers and funding to local authorities. The government has already agreed to negotiate a further trailblazer devolution deal with the North East and discussions have now commenced with a view to finalising a deal in spring 2024. The deal will empower local leaders to develop existing and potential industrial strengths across the region, from creative industries to advanced manufacturing.

4.100 The government is also announcing four new devolution deals and an intention to expand Level 2 devolution to eligible councils across England that represent a whole county or functional economic area. This includes new Level 3 deals with Greater Lincolnshire, and Hull and East Yorkshire, and Level 2, non-mayoral, deals with Cornwall and Lancashire. Combined, these new deals, and the extended Level 2 offer, could increase the proportion of people in England benefiting from devolved powers to over two-thirds.

4.101 Building on this support for growth across the UK, the government is announcing:

- £80 million for the expansion of the Levelling Up Partnerships programme to Scotland, for Na h-Eileanan an Iar, Argyll and Bute, Dundee, and the Scottish Borders, and will consider how to extend the programme further;
- over £50 million to support regeneration in places across the UK: Bolsover, the Isles of Scilly, Warrington, North Norfolk, Eden and Monmouthshire;
- support for the Hay festival in Wales;
- the reallocation of £20 million from within the Inverness & Highland City Region Deal to fund essential landside infrastructure improvements for the Corran Ferry, subject to agreement through the appropriate Deal governance structures; and
- confirming £3 million for the Tackling Paramilitarism Programme in Northern Ireland

Investing in housing supply

4.102 Building homes in the right places, where people want to live and work, will support economic growth across the UK and make home ownership a reality for more people.

4.103 The government is investing an additional £32 million across housing and planning to unlock thousands of homes across the country. This includes additional funding to tackle planning backlogs in Local Planning Authorities (LPA), alongside further reforms to streamline the system through a new Permitted Development Right to enable one house to be converted into two homes.

4.104 Funding will also accelerate the delivery of new high quality housing in Cambridge, Leeds and London. As part of this, the government will support the Cambridge Delivery Group to drive the long-term vision for Cambridge by exploring the case for a development corporation. The government is also continuing to progress its commitment to deliver East West Rail, with a statutory consultation due next year and, as part of Network North, has committed to providing £2.5 billion for a West Yorkshire mass transit system. Subject to the business case, the government will also provide funding for a rapid transit bus network in Thamesmead, as part of its vision for a new Docklands 2.0.

4.105 Today the government is also confirming £110 million will be made available through the Local Nutrient Mitigation Fund. This will support LPAs affected by nutrient neutrality rules to deliver high quality local nutrient offsetting schemes, unlocking up to 40,000 homes over the next five years.[78]

[78] DLUHC internal estimates.

4.106 The government remains committed to building the affordable homes this country needs, building on the success of the existing Affordable Homes Guarantee Scheme through a £3 billion extension which will help the scheme deliver 20,000 new homes, as well as improving the quality and efficiency of thousands more.[79] The government is also extending until June 2025 the Public Works Loan Board policy margin announced at Spring Budget 2023 to support local authority investment in social housing, as well as delivering an additional 2,400 homes by allocating £450 million to a third round of the Local Authority Housing Fund, which will provide additional funding for new Temporary Accommodation as well as homes for Afghan refugees.

4.107 The government will extend 'thank you' payments into a third year for Homes for Ukraine sponsors across the UK. These will remain at £500 per month and reflect the ongoing generosity of hosts in supporting those who have fled the war. The government is also providing £120 million funding for the devolved administrations and local authorities in England to invest in homelessness prevention, including to support Ukrainian households who can no longer remain in sponsorship.

4.108 As well as building the homes of the future, this government is committed to supporting home movers with a range of measures to improve the buying and selling process, including pilots to develop property tech products and digitise local council property data.

Box 4.B Creating a simpler, more effective tax system

Tax simplification

The government has four main objectives on tax simplification, to support growth and fairness:

- Tax rules should have a clear consistent rationale and be easy to understand.
- The burden of compliance and administration should be proportionate for taxpayers and HMRC and it should be easy for taxpayers to get their tax right.
- Taxpayers should be able to understand their obligations and options particularly at key lifecycle points, such as when they do something for the first time or infrequently.
- Tax policy should not unnecessarily distort the decisions of taxpayers and result in poorly informed choices.

The government will measure annual progress against these objectives, focusing on taxpayers' experience and prioritising the impact of complexity on individuals and small businesses. The government will update on these metrics before the end of 2023-24.

Building on reforms announced at Spring Budget 2023, the government is now making it easier for small businesses as they set up and grow by:

- Expanding the 'cash basis' – a simplified way for over four million sole traders and partners to calculate and pay their Income Tax.

[79] DLUHC internal estimates.

- Introducing a package of changes to simplify the design of Making Tax Digital (MTD) for Income Tax Self Assessment (ITSA), that will benefit around 1.7 million businesses and landlords set to be mandated to use MTD.
- Merging the R&D Expenditure Credit (RDEC) and the SME scheme by combining the best parts of both reliefs under a common set of rules and removing the situation where companies have to transition between the SME and RDEC schemes.

As announced in the Spring, the government is undertaking a systematic review of guidance and key forms for small business and has already made improvements: including enhanced guidance when checking if you need to submit an ITSA return; new interactive guidance to help businesses register for ITSA; and improved guidance making it easier to report VAT errors.

To simplify the experience of interacting with the tax system for individuals, the government has already increased to £150,000 the threshold for individuals with income taxed only through Pay As You Earn to file a Self Assessment return. From the tax year 2024-2025, it is abolishing the threshold altogether. These changes remove the requirement for up to 338,000 taxpayers to submit a return.

To simplify the experience for the self-employed who currently have to pay two National Insurance contributions (NICs) charges the government will abolish the outdated and needlessly complex Class 2 self-employed NICs. From 6 April 2024 the government will remove the requirement to pay Class 2 NICs but will maintain access to contributory benefits including the State Pension. Those currently paying voluntarily will still be able to do so. The government will set out next steps on Class 2 reform next year. As part of this reform the government will protect the interests of lower paid self-employed people who currently pay Class 2 NICs voluntarily to build entitlement to certain contributory benefits including the State Pension. This change simplifies the tax affairs of around 2 million people.

The government is also making it easier for people to choose the best ISA accounts for their needs and move money between them.

The government is also simplifying the tax system for large businesses. Tax professionals have welcomed the simplicity of full expensing that was due to come to an end in March 2026, and the government has announced that this will be made permanent. The government will take this opportunity to determine how the capital allowances legislation could be simplified in consultation with industry.

Tax simplification is an ongoing priority for this government, and it will aim to demonstrate progress on this agenda at every fiscal event.

International taxation – OECD Pillar 2

The government is committed to delivering the landmark G20/OECD two-pillar reform to the international tax system in response to the challenges posed by the digitalisation of the economy, which was brokered by the Prime Minister as part of the UK's G7 presidency in 2021.

Pillar 2, which is being implemented from 2023, will ensure Multinational Enterprises (MNEs) will be subject to a minimum 15% effective tax rate in every jurisdiction in which they operate. Implementation of these rules will protect the UK from aggressive tax planning by large multinationals, help ensure that profits made in the UK are taxed in the UK, and level the playing field for tax competition that has been tipped in favour of no or low tax jurisdictions.

The Multinational Top-up Tax, Domestic Minimum Tax and Undertaxed Profits Rule are expected to raise approximately £12.7 billion in the UK in total over the next 6 years. If the UK had not implemented these rules, this tax would have been collected elsewhere.

It is important that the UK implements Pillar 2 to a similar timeline as other countries. More than 30 countries across the world have taken steps towards implementation. Other countries moving to implement Pillar 2 from 31 December 2023 or 1 January 2024 include members of the European Union, where a Directive obliges all but the smallest Member States to implement Pillar 2 from 31 December 2023, Australia, Canada, New Zealand, South Korea, Switzerland and Vietnam. Japan is implementing from 1 April 2024. Jurisdictions implementing in 2025 so far include Thailand and Singapore with many more countries expected to follow. The government will continue to monitor international developments on implementation.

5 Policy Decisions

5.1 This chapter sets out all Autumn Statement 2023 policy decisions. Unless stated otherwise, the decisions set out are ones which are announced at the Statement. Table 5.1 shows the cost or yield of all government decisions accounted for at Autumn Statement 2023 which have a direct effect on Public Sector Net Borrowing (PSNB) in the years up to 2028-29. This includes tax measures, changes to aggregate Departmental Expenditure Limits (DEL) and measures affecting annually managed expenditure (AME). The government is also publishing the methodology underpinning the calculation of the fiscal impact of each policy decision. This is included in 'Autumn Statement 2023: policy costings' published alongside the Autumn Statement.

5.2 Where measures set out in the Autumn Statement do not apply UK-wide, the government will provide the devolved administrations with funding through the Barnett formula in the usual way. The Scottish and Welsh Governments' funding will also be adjusted in relation to tax and welfare devolution as set out in their respective fiscal frameworks.

Table 5.1: Autumn Statement 2023 policy decisions (£ million)[1]

		Head[2]	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Cutting taxes and rewarding hard work								
1	National Insurance contributions (NICs): 2p cut to the main rate of Class 1 employee NICs from January 2024	Tax	-2,230m	-8,715m	-8,650m	-8,835m	-9,055m	-9,325m
2	National Insurance contributions (NICs): 1p cut to the main rate of Class 4 self-employed NICs from April 2024	Tax	+0m	-345m	-385m	-330m	-330m	-340m
3	National Insurance contributions (NICs): abolish Class 2 self-employed NICs liability from April 2024	Tax	+0m	-380m	-465m	-380m	-375m	-370m
4	Restart: expand eligibility and extend the scheme for two years	Spend	+0m	-325m	-580m	-250m	-10m	+15m
5	Mandatory Work Placements: phased rollout	Spend	+0m	-35m	-45m	-45m	-10m	+0m
6	Universal Support: increase to 100,000 starts per year	Spend	+0m	+0m	-135m	-160m	-140m	-115m
7	Talking Therapies: expand access and increase provision	Spend	+0m	-25m	-80m	-130m	-175m	-220m
8	Individual Placement and Support (IPS): expand access	Spend	+0m	-5m	-15m	-30m	-25m	-15m
9	Sanctions: closing claims for disengaged claimants & end of scheme review	Spend	+0m	-5m	-10m	-10m	-10m	-10m
10	Fit Note Reform trial	Spend	+0m	-10m	-15m	+0m	+0m	+0m

		Head[2]	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
11	Local Housing Allowance (LHA): set to the 30th percentile from April 2024	Spend	+0m	-1,285m	-1,485m	-1,585m	-1,660m	-1,700m
12	Work Capability Assessment (WCA): reform to descriptors	Spend	+0m	+0m	+125m	+500m	+900m	+1,265m
13	Employer NICs: extend relief for employers of veterans for one year from April 2024	Tax	+0m	-5m	+0m	+0m	+0m	+0m
14	NICs: freeze the Lower Earnings Limit and Small Profits Threshold for one year from April 2024	Tax	+0m	-5m	-5m	-10m	-10m	-10m
15	Universal Credit: extend the £2,500 surplus earnings threshold for one year from April 2024	Spend	+0m	-155m	+0m	+0m	+0m	+0m
16	DWP: new powers to tackle fraud and error	Spend	+0m	-5m	+5m	+40m	+120m	+215m
Backing British Business								
17	Capital allowances: permanent full expensing from 2026-27	Tax	+280m	+715m	-1,435m	-7,545m	-10,715m	-10,935m
18	Business Rates: 75% relief for Retail, Hospitality and Leisure sectors in 2024-25, up to £110,000 cash cap[3]	Tax	+40m	-2,650m	+55m	-15m	+0m	+0m
19	Business Rates: freeze the small business multiplier in 2024-25[3]	Tax	+5m	-330m	-355m	-405m	-405m	-410m
20	R&D reliefs: simplifying and improving the system from April 2024	Tax	*	*	-50m	-225m	-280m	-280m
21	Expanding Made Smarter Adoption programme: supporting manufacturing SMEs	Spend	+0m	+0m	-10m	-30m	-30m	-30m
22	Electricity Generator Levy: new investment exemption	Tax	+0m	+0m	-5m	-40m	-85m	-20m
23	Climate Change Agreement (CCA): introduce 6-year scheme from 1 January 2025-31 December 2030	Tax	+0m	+0m	+0m	+0m	-295m	-330m
24	Apprenticeship Growth Sector Pilot	Spend	+0m	-30m	-	-	-	-
Devolution, public spending, and housing								
25	Investment Opportunity Fund and other regional investment	Spend	+0m	-275m	-50m	-50m	+0m	+0m
26	Extending 100% Business Rates Retention for Greater Manchester and West Midlands Mayoral Combined Authorities	Spend	+0m	+0m	-155m	-160m	-160m	-165m
27	Levelling Up: additional partnerships and projects	Spend	*	-5m	-125m	-10m	+0m	+0m
28	Setting the debt caps for the North of Tyne and South Yorkshire Mayoral Combined Authorities	Spend	-10m	-60m	-55m	-5m	-5m	-5m
29	Local Authority Housing Fund, housing supply and planning	Spend	-10m	-150m	+0m	+0m	+0m	+0m

		Head[2]	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
30	Housing Revenue Account rate: extend the preferential Public Works Loan Board rate for housebuilding to June 2025	Spend	+0m	*	-5m	-5m	-5m	-5m
31	Mortgage Guarantee Scheme: extend to end-June 2025	Spend	*	+5m	+5m	+5m	+5m	+5m
32	Personal Independence Payment (PIP): extend operational easements until end of November 2024	Spend	-20m	-30m	*	+0m	+0m	+0m
33	Universal Credit: increase the maximum level of the Minimum Income Floor for lead carers from January 2024	Spend	+0m	+5m	+45m	+80m	+80m	+80m
34	Supporting victims of domestic abuse	Spend	*	-10m	-	-	-	-
35	Veterans support: Veterans Places, Pathways and People programme	Spend	+0m	-5m	-	-	-	-
Other Tax								
	Confirmation of rates and thresholds							
36	Alcohol duty: freeze rates until 1 August 2024	Tax	-90m	-220m	+0m	+0m	+0m	+0m
37	Climate Change Levy: freeze main and reduced rates for one year from April 2025	Tax	+0m	+0m	-40m	-40m	-45m	-50m
38	VAT: expand scope for Energy-Saving Materials relief from February 2024	Tax	-5m	-20m	-20m	-25m	-20m	-25m
39	HGV Levy and Vehicle Excise Duty for HGVs: freeze rates in 2024-25	Tax	+0m	-20m	-20m	-20m	-20m	-25m
40	Gaming duty: maintain bands for one year from April 2024	Tax	+0m	+5m	+5m	+5m	+5m	+5m
41	Tobacco duty: increase duty on Hand Rolling Tobacco by RPI+12% from 6pm on 22 November 2023	Tax	+40m	+85m	+90m	+95m	+100m	+100m
42	Individual Savings Accounts: maintain subscription limits at current levels for 2024-25 for Adult, Junior, Lifetime ISAs and Child Trust Fund	Tax	+0m	*	+30m	+60m	+85m	+130m
43	VAT: extend the zero rate on Women's Sanitary Products to include period underwear from January 2024	Tax	*	-5m	-10m	-10m	-10m	-15m
44	Pensions: reduce the authorised surplus payment charge from 35% to 25%	Tax	-5m	*	*	-5m	-5m	-5m

		Head[2]	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
	Simplification of Tax Administration and Tackling the Tax Gap							
45	Implement the OECD Pillar 2 Undertaxed Profits Rule from 31 December 2024, alongside repeal of the Offshore Receipts of Intangible Property rules	Tax	+0m	+0m	+260m	+420m	+465m	+490m
46	Individual Savings Accounts: bring Long Term Asset Funds into the scope of Innovative Finance ISAs from April 2024	Tax	+0m	-5m	-5m	-10m	-15m	-20m
47	Simplifying Making Tax Digital for Income Tax Self-Assessment	Tax	+0m	+0m	+0m	*	-5m	-10m
48	Income tax: expanding the cash basis from 6 April 2024	Tax	+0m	+0m	+115m	-30m	+0m	+0m
49	Construction Industry Scheme (CIS) Reform: reforms to the Gross Payment Status test	Tax	+0m	+50m	+95m	+75m	+60m	+40m
50	HMRC: Investment in Debt Management Capability	Tax	+95m	+515m	+1,050m	+1,040m	+1,055m	+940m
Previously announced policy								
51	NHS: funding for Agenda for Change pay awards (consolidated and non-consolidated) and winter planning	Spend	-4,805m	+0m	-	-	-	-
52	Other previously announced increases to departmental spending	Spend	-10m	-310m	-	-	-	-
53	Tariffs: impact of FTAs and other changes on revenue	Tax	-35m	-55m	-65m	-65m	-65m	-65m
54	Defra: Deposit Return Scheme & Extended Producer Responsibility policy	Tax	+0m	+0m	-5m	-10m	-15m	-20m
55	Creative industries tax relief: extend the 5% uplift for animated TV to animated films from 1 January 2024	Tax	*	*	-5m	-5m	-10m	-10m
56	Post Office compensation scheme payments: exempt from tax	Tax	-30m	*	+0m	+0m	+0m	+0m
57	War Widow(er)s Recognition Payment Scheme: exempt from tax	Tax	-10m	*	+0m	+0m	+0m	+0m
58	Welsh Freeport: initial 5 years tax reliefs offer	Tax	+0m	*	*	*	-5m	-5m
59	Clarifying structural assets for life insurance companies: regulations applying from 1 January 2024	Tax	+5m	+10m	+10m	+10m	+10m	+10m
60	Scottish Government Fiscal Framework: updated Block Grant Adjustments Spend	Spend	*	*	+5m	+10m	+15m	+35m
61	OECD Model Rules for Digital Platforms from January 2024	Tax	+0m	*	+20m	+40m	+40m	+40m

		Head[2]	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
62	Universal Credit: Severe Disability Premium transitional protection	Spend	*	-270m	-80m	-80m	-80m	-75m
63	UK Emissions Trading Scheme: expansion to maritime and waste sectors	Tax	+0m	+0m	+0m	+25m	+100m	+185m
64	Voluntary NICs: extend deadline for tax years between 6 April 2006 and 5 April 2018 to April 2025	Spend	+85m	+90m	-45m	-55m	-60m	-60m
65	Student Finance: impact of NHS Long Term Workforce Plan	Spend	+0m	*	*	-5m	-10m	-20m
66	Student Finance: introduce the Lifelong Learning Entitlement from 2025-26 academic year	Spend	+0m	+0m	+5m	+5m	-5m	-25m
67	Student Finance: reduce maximum tuition fees for Foundation Years from 2025-26 academic year	Spend	+0m	+0m	+50m	+85m	+75m	+60m
	Total policy decisions[4,5]		**-6,710m**	**-14,265m**	**-12,440m**	**-18,120m**	**-21,035m**	**-21,100m**
	Total spending policy decisions[4,5,6]		-4,770m	-2,890m	-2,650m	-1,885m	-1,190m	-770m
	Total tax policy decisions[4,5]		-1,940m	-11,375m	-9,790m	-16,235m	-19,845m	-20,330m

* Costing is negligible.
[1] Costings reflect the OBR's latest economic and fiscal determinants.
[2] Many measures have both tax and spend impacts. Measures are identified as tax or spend on the basis of their largest impact.
[3] Business rates are deductible for Corporation Tax and Income Tax Self-Assessment. Increased business rates relief reduces the amount of business rates paid and so increases these other tax receipts.
[4] Totals may not sum due to rounding.
[5] The totals for tax and spending reflect both the tax and spend impacts of each measure. Totals may not sum by head classification.
[6] Beyond the current Spending Review period, the government's policy is that RDEL will grow in real terms by 1% per year on average and that CDEL will follow the cash terms path set out at Spring Budget 2023. As these policies are unchanged since Spring Budget 2023, only specific spending commitments beyond 2024-25 are shown in this table.

Economic and fiscal outlook

5.3 Research fund on risks to the economic and fiscal outlook – The government will provide up to £10 million of funding over 2024-25 and 2025-26 to finance research on risks to the economy and public finances, including the understanding of risk impacts, their potential mitigations and response preparations.

5.4 Economic Advisory Council – The Chancellor is standing down the Economic Advisory Council (EAC), which was set up last autumn to provide independent advice on economic and financial market issues. The government thanks the Council for their expertise, and will continue to seek advice from experts on issues under consideration including long-term economic challenges.

Reducing debt

5.5 DEL Spending Assumption from 2025-26 to 2028-29 – Planned departmental resource spending for the years beyond the current Spending Review period (2025-26 to 2028-29) will continue to grow at 1% a year on average in real terms, excluding the funding provided to local authorities in 2024-25 as part of the one-year Retail,

Hospitality, and Leisure relief scheme. Departmental capital spending will follow the cash profile agreed at Spring Budget 2023, with new commitments funded in addition to this, including further support for levelling up programmes and business access to finance.

5.6 Support for Veterans – The government is providing an additional £10 million to support the Veterans' Places, People and Pathways Programme to increase support to a significant community of vulnerable veterans throughout the UK and enable it to become self-sustaining.

5.7 Apprenticeships – The government is committing a further £50 million for a 2-year pilot to explore ways to stimulate training in growth sectors and address barriers to entry in high-value apprenticeships.

5.8 Support for affected communities within the UK following the conflict in Israel and Gaza – The £3 million of additional funding that the government has already provided to the Community Security Trust will be maintained in 2024-25. In addition, the government is also providing up to £7 million over three years for organisations like the Holocaust Educational Trust to help tackle antisemitism in schools and universities.

5.9 Productivity Programme – The Chief Secretary to the Treasury is running an ambitious public sector productivity programme.

International

5.10 Official Development Assistance (ODA) Spending – The government has committed to return to spending 0.7% of Gross National Income (GNI) on ODA when it is not borrowing for day-to-day spending and underlying debt is falling, as reviewed each year against the latest fiscal forecast for the following year. Autumn Statement 2023 confirms that these conditions have not been met for 2024-25.

5.11 Tariff suspensions – The government is maintaining tariff-free imports on over 2,000 goods to provide continuity and avoid unnecessary costs for UK businesses. This measure will extend, for five years, tariff suspensions on goods ranging from vaccine components to ingredients used by UK food producers.

5.12 Uplift to the UK's Core Voluntary Contribution to the World Health Organisation (WHO) – The government is increasing its core funding to the WHO by £2 million for underfunded priorities.

Cutting taxes and rewarding hard work

5.13 National Insurance contributions (NICs) rates – The government will cut the main rate of Class 1 employee NICs from 12% to 10%. This will take effect from 6 January 2024. The government will also cut the main rate of Class 4 self-employed NICs from 9% to 8%. This will take effect from 6 April 2024.

From 6 April 2024 the government will also ensure that no one will be required to pay Class 2 self-employed NICs. Details of this change are:

- From 6 April 2024, self-employed people with profits above £12,570 will no longer be required to pay Class 2 NICs, but will continue to receive access to contributory benefits including the State Pension.

- Those with profits between £6,725 and £12,570 will continue to get access to contributory benefits including the State Pension through a National Insurance credit without paying NICs as they do currently.
- Those with profits under £6,725 and others who pay Class 2 NICs voluntarily to get access to contributory benefits including the State Pension, will continue to be able to do so.

The government will set out next steps on Class 2 reform next year. As part of this reform the government will protect the interests of lower paid self-employed people who currently pay Class 2 NICs voluntarily to build entitlement to certain contributory benefits including the State Pension.

5.14 National Minimum & Living Wage Uprating – From 1 April 2024, the National Living Wage (NLW) will increase by 9.8% to £11.44 an hour for eligible workers across the UK aged 21 and over. Young people and apprentices on the National Minimum Wage (NMW) will also see a boost to their wages.

The Back to Work Plan

Supporting the long-term unemployed into work

5.15 Restart scheme – The government is expanding its programme of employment support for the long-term unemployed for two years from 2024 across England and Wales. Those who have been on Intensive Work Search for 6 months will now be eligible, as opposed to the previous requirement of 9 months. In addition, work coaches will track the activity of participants to ensure they comply with requirements of the Restart programme.

5.16 Post-Restart Claimant review point – From late 2024, Universal Credit claimants in England and Wales who have completed Restart and remain unemployed after 18 months will undergo a review conducted by a work coach. Claimants who do not agree to revised claimant commitments without a good reason, which could include attending a mandatory work placement or new intensive work search activities, will have their claim closed.

5.17 Post-Restart employment schemes, including Mandatory Work Placements – From late 2024, the government will begin rolling out new schemes to support Universal Credit claimants in England and Wales, who have completed Restart and remain unemployed after 18 months. Following the post-Restart claimant review point, claimants will be mandated to attend a time-limited work placement or undertake other intensive work activity.

5.18 Additional Jobcentre Support – The government is expanding Additional Jobcentre Support currently live in 90 Jobcentres in England and Scotland to trial intensive support for people who have been receiving Universal Credit for 7 weeks, in addition to the support after 13 and 26 weeks announced at Spring Budget 2023.

5.19 Strengthening the application of Universal Credit sanctions – The government is investing in digital tools that will allow work coaches to track claimant attendance at job fairs and interviews organised by a Jobcentre Plus in Great Britain.

5.20 Closing claims for disengaged UC claimants on open-ended sanction for over 6 months – The government will take steps to close the claims of sanctioned Universal Credit claimants in Great Britain who have not engaged with Jobcentre support for over 6 months and are solely eligible for the Universal Credit standard allowance.

5.21 Investigating sanctioned claimants through the Targeted Case Review – The government will use its Targeted Case Review process to investigate sanctioned Universal Credit claimants in Great Britain who have not engaged with Jobcentre support for over eight weeks who are still receiving some Universal Credit payments, ensuring they receive the right entitlement.

Supporting the long-term sick and disabled into work

5.22 Individual Placement and Support expansion – The government will expand access to Individual Placement and Support (IPS) for severe mental illness, an employment support service within community mental health teams in England, to reach an additional 100,000 people over the next 5 years.

5.23 NHS Talking Therapies expansion – The government will expand access to NHS Talking Therapies in England, the flagship NHS programme for treating mild and moderate mental health conditions, to reach an additional 384,000 people over the next 5 years, and increase the number of sessions available to those that use the service.

5.24 Universal Support expansion – Universal Support is a supported employment programme in England and Wales for people with a disability or health condition. The government will double the number of yearly places on Universal Support to 100,000.

5.25 Occupational Health – The government will establish an expert group to develop a voluntary minimum framework which will set out the minimum level of Occupational Health intervention that employers could adopt to help improve employee health at work.

5.26 Work Capability Assessment (WCA) gateway reform – The government is reforming the activities and descriptors in the Work Capability Assessment for new claimants in Great Britain, to support more people into employment, with implementation occurring from 2025.

5.27 Fit note reform – The government will explore end-to-end reforms of the fit note process to support more people to resume work after a period of illness. Trailblazer trials, in a small number of areas in England, will test changes to make referrals to health and employment services easier and improve digital access for patients. They will include trigger points for referrals for people who have received a fit note for a prolonged period of time and new designs of the fit note form. The government will launch a consultation in 2024 on wider reforms, to examine providing individuals whose health affects their ability to work, with easy and rapid access through the fit note process to specialised support for a return to work.

Supporting vulnerable people

5.28 Raising Local Housing Allowance (LHA) rates – In April 2024, LHA rates in Great Britain will be raised to the 30th percentile of local market rents.

5.29 Uprating of benefits – The government is increasing working age benefits in line with inflation, measured by September CPI which is 6.7% this year. The government is also maintaining the Triple Lock. The basic State Pension, new State Pension and Pension Credit standard minimum guarantee will be uprated in April 2024 in line with earnings growth. This is measured by the usual metric of annual earnings growth in May-July, which is 8.5% this year. Over 19 million families will see their benefit payments increase from April 2024. Some disability benefits are devolved in Scotland, so it is for the Scottish Government (SG) to decide uprating. Department for Work and Pensions (DWP) benefits are fully devolved in Northern Ireland, so it is for the Northern Ireland Executive to decide uprating in Northern Ireland.

5.30 DWP: new powers to tackle fraud and error – The government is legislating to give DWP further access to claimant data to better identify fraud and error in the welfare system in Great Britain.

5.31 Personal Independence Payment (PIP) easements – DWP is continuing operational measures to reduce the waiting time for new PIP claims in England & Wales. DWP's ability to use these measures has been extended until November 2024, to ensure that new disability benefit claimants are not facing excessive wait times to have their benefits claims processed.

5.32 Universal Credit surplus earnings – The government will maintain the surplus earnings threshold for Universal Credit claimants in Great Britain at £2,500 for a further year until April 2025.

5.33 Universal Credit: Severe Disability Premium Transitional Element rates – The government will increase the rates of the Severe Disability Premium Transitional Element to provide further support for legacy benefit claimants in Great Britain that naturally migrate to Universal Credit.

5.34 Increasing the Minimum Income Floor for self-employed lead carers on Universal Credit – The government will increase the level of the Minimum Income Floor in Great Britain for lead carers of children aged 3-12 who are self-employed. This will align it with the new work-related activity requirements for employed lead carers, which were announced at Spring Budget 2023.

5.35 Tackling the Economic Impacts of Domestic Abuse (TEIDA) Fund – The government will make £10 million of additional funding available in 2024-25 for projects that aim to understand the impacts of domestic abuse on the labour market, support victims of domestic abuse in the workplace or prevent victims experiencing further abuse.

5.36 Expanding the Flexible Fund for victims of domestic abuse – The government will provide £2m of additional funding to expand the Flexible Fund, which trials an innovative new approach to provide one off payments to victims of domestic abuse. This support will reduce the financial pressure on victims to return to the abuser and will enable victims to set themselves up sustainably, for example by securing long term accommodation.

5.37 Help to Save – The government will reform the Help to Save scheme for low-income workers and will publish proposals in a response to the consultation on Help to Save Reform, as well as consulting on delivery of the new scheme.

Personal Tax and Savings

5.38 ISA: Allowing multiple ISA subscriptions – The government will allow multiple subscriptions to ISAs of the same type every year from April 2024.

5.39 ISA: Allowing partial transfers between providers – The government will allow partial transfers of ISA funds in-year between providers from April 2024.

5.40 ISA: Removing the requirement to reapply for an existing ISA annually – The government will remove the requirement to reapply for an existing dormant ISA from April 2024.

5.41 ISA: Expanding the Innovative Finance ISA to include Long-Term Asset Funds – The government will allow Long-Term Asset Funds to be permitted investments in the Innovative Finance ISA from April 2024.

5.42 ISA: Expanding the Innovative Finance ISA to include open-ended property funds with extended notice periods – The government will allow open-ended property funds with extended notice periods to be permitted investments in the Innovative Finance ISA from April 2024.

5.43 ISA: Allowing certain fractional shares contracts as a permitted investment – The government intends to permit certain fractional shares contracts as eligible ISA investments and will engage with stakeholders on implementation.

5.44 ISA: Digitalise the ISA reporting system – The government is announcing the digitalisation of the ISA reporting system to enable the development of digital tools to support investors.

5.45 ISA: Harmonise ISAs to those over 18 years of age – The government will harmonise the account opening age for any adult ISAs to 18 from April 2024.

5.46 ISA, JISA, LISA & CTF Annual Limits – The government is freezing the Individual Savings Account (£20,000), Junior Individual Savings Account (£9,000), Lifetime Individual Savings Account (£4,000 excluding government bonus) and Child Trust Fund (£9,000) limits at their current levels for 2024-25.

5.47 LTA Abolition – The government will legislate in the Autumn Finance Bill 2023 to remove the Lifetime Allowance. The measure will clarify the taxation of lump sums and lump sum death benefits, and the application of protections, as well as the tax treatment for overseas pensions, transitional arrangements, and reporting requirements. This will take effect from 6 April 2024.

5.48 Uprating Blind Person's Allowance and Married Couple's Allowance for 2024-25 – The government will uprate the Blind Person's Allowance (BPA) and the Married Couple's Allowance (MCA) by the September CPI figure of 6.7% in 2024-25. The BPA will be valued at £3,070 and the MCA will be valued at between £4,280 and £11,080. This decision represents no policy change, as it confirms the default position for these allowances to be uprated by CPI, as set out in the Income Tax Act 2007.

5.49 Taxation of the pension remedies for Members of Parliament, Members of the Senedd and Members of the Legislative Assembly – The government will legislate in the Autumn Finance Bill 2023 to modify how the pensions tax framework applies to certain redress payments made from the Parliamentary

Contributory Pension Fund, the Members of the Senedd Pension Scheme, and the Assembly Members' Pension Scheme. This will align scheme members' tax treatment with that of the wider public sector in relation to the McCloud judgment.

5.50 Off-Payroll Working (IR35) – calculation of PAYE liability in cases of non-compliance – The government will legislate in the Autumn Finance Bill 2023 to allow HMRC to reduce the PAYE liability of a deemed employer to account for taxes paid by a worker and their intermediary on payments received where an error has been made in applying the off-payroll working rules.

5.51 National Insurance contributions rates and thresholds – The government will freeze the Lower Earnings Limit (LEL) and the Small Profits Threshold (SPT) at 2023-24 levels in 2024-25. For those paying voluntarily, the government will also freeze Class 2 and Class 3 National Insurance contribution (NIC) rates at their 2023-24 levels in 2024-25. The LEL will remain at £6,396 per annum (£123 per week) and the SPT will remain at £6,725 per annum. The main Class 2 rate will remain at £3.45 per week, and the Class 3 rate will remain at £17.45 per week. This will not affect existing arrangements for payments of voluntary Class 2 or Class 3 NICs connected with previous tax years.

5.52 Extending the Employer NICs relief for employment of veterans – The government is extending the NICs relief for employers of eligible veterans for one year. The relief means businesses pay no employer NICs on annual earnings up to £50,270 for the first year of a qualifying veteran's employment in a civilian role.

5.53 Legislative correction to Scottish Government's Carer Allowance Supplement reference – A technical change will be made to Table A of section 660 of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA) in the Autumn Finance Bill 2023, to ensure that the legislative reference to the Scottish Government's Carer Allowance Supplement is correct.

5.54 Announcement of future guidance changes to tax relief for self-employed – The government is announcing that HMRC will rewrite guidance around the deductibility of training costs for sole traders and the self-employed. This measure will clarify the guidance to ensure that individuals can be confident that updating existing skills, maintaining pace with technological advances, or changes in industry practices are allowable costs when calculating the taxable profits of a business.

5.55 Simplifying Making Tax Digital for Income Tax Self Assessment – The government is announcing the outcome of the review into the impact of Making Tax Digital (MTD) for Income Tax Self Assessment (ITSA) on small businesses. This includes maintaining the current MTD threshold at £30,000 and design changes to simplify and improve the system. These changes will take effect from April 2026. The government is also legislating in the Autumn Finance Bill 2023 to ensure taxpayers, who join MTD from 6 April 2024, are subject to the government's new, fairer penalty regime for the late filing of tax returns and late payment of tax.

5.56 Response to consultation on taxation of environmental land management and ecosystem service markets – At Spring Budget 2023, the government launched a consultation on the taxation of environmental land management and ecosystem service markets. This closed on 9 June 2023. The government is currently reviewing responses to this consultation and will give a further update in Spring 2024.

Tackling the Tax Gap

5.57 Investment in HMRC debt management capability – The government is investing a further £163 million to improve HMRC's ability to manage tax debts. This will allow HMRC to better distinguish between those who can afford to settle their tax debts, but choose not to, from those who are temporarily unable to pay and need support. HMRC will also expand its debt management capacity to support both individual and business taxpayers out of debt faster and collect debts that are due.

5.58 Construction Industry Scheme (CIS) reform: reforms to the Gross Payment Status test – The government will introduce reforms in the Autumn Finance Bill 2023 to the Construction Industry Scheme, including adding VAT as part of the Gross Payment Status (GPS) compliance test, giving HMRC more power to remove GPS immediately in cases of fraud. Alongside this, the government is also announcing simplifications to other aspects of the scheme, which will be subject to technical consultation.

5.59 Tougher consequences for promoters of tax avoidance – The government is legislating in the Autumn Finance Bill 2023 to introduce tougher consequences for promoters of tax avoidance schemes. These include a new criminal offence for those who continue to promote avoidance schemes after receiving a notice requiring them to stop; and a new power enabling HMRC to bring disqualification action against directors of companies involved in promoting tax avoidance, including those who control or exercise influence over a company. These changes will take effect from Royal Assent of the Autumn Finance Bill 2023.

5.60 Improving the data HMRC collects from its customers – The government is legislating in the Autumn Finance Bill 2023 to require employers, company directors, and the self-employed to provide new or improved data to HMRC to enable better outcomes for citizens and businesses. These changes will take effect from the tax year 2025-26.

5.61 Reforming requirements to file a Self Assessment tax return – The government will no longer require individuals with income taxed only through Pay As You Earn to file a Self Assessment return from 2024-25.

Backing British business

Business Tax

5.62 Capital allowances: permanent full expensing – Full expensing will be made permanent in the Autumn Finance Bill 2023, so that investments made by companies in qualifying plant and machinery, after 1 April 2026, will continue to qualify for a 100% first-year allowance for main rate assets, and a 50% first-year allowance for special rate (including long life) assets. Cars, assets for leasing and second-hand assets will be excluded from these 100% and 50% first-year allowances.

5.63 Capital allowances: Technical consultation on extending full expensing to assets for leasing – Assets for leasing remain excluded from full expensing. The government will continue to consider whether there is a case to extend full expensing to leasing. The government will publish a technical consultation in due

course to seek input on draft legislation which will help to determine whether error and abuse risks are appropriately mitigated. The government will consider consultation responses before reaching any final decision.

5.64 Business rates: multiplier – For 2024-25, the small business multiplier in England will be frozen for a fourth consecutive year at 49.9p, while the standard multiplier will be uprated by September CPI to 54.6p.

5.65 Business rates: retail, hospitality, and leisure relief – The current 75% relief for eligible Retail, Hospitality and Leisure (RHL) properties is being extended for 2024-25, a tax cut worth £2.4 billion. Around 230,000 RHL properties in England will be eligible to receive support up to a cash cap of £110,000 per business.

5.66 New Burdens Funding – English Local Authorities will be fully compensated for the loss of income as a result of these business rates measures and will receive new burdens funding for administrative and IT costs.

5.67 Stamp Duty and Stamp Duty Reserve Tax – Widening access to the Growth Market Exemption – The government is extending the Growth Market Exemption, a relief from Stamp Duty (SD) and Stamp Duty Reserve Tax (SDRT), to include smaller, innovative growth markets. It will also increase the threshold for the market capitalisation condition that is used within the exemption from £170 million to £450 million. These changes will be included in the Autumn Finance Bill 2023 for implementation from 1 January 2024.

5.68 Offshore Receipts in respect of Intangible Property (ORIP) – The government will abolish the ORIP rules in respect of income arising from 31 December 2024. ORIP's repeal will be legislated for in an upcoming Finance Bill, and take place alongside the introduction of the Pillar 2 Undertaxed Profits Rule, which will more comprehensively discourage the multinational tax-planning arrangements that ORIP sought to counter.

5.69 Post Office Compensation Schemes, Corporate Entities – The government will legislate in the Autumn Finance Bill 2023 to exempt from Corporation Tax compensation payments made under the Historical Shortfall Scheme (HSS), Group Litigation Order (GLO) schemes, Suspension Remuneration Review (SRR) or Post Office Process Review Scheme (PPR). The legislation will align the taxation of onward payments of compensation to that of individual recipients.

5.70 OECD Pillar 2 – The government will introduce the Undertaxed Profits Rule, which forms part of the G20-OECD global minimum tax framework, in the UK for accounting periods beginning on or after 31 December 2024, with legislation included in an upcoming Finance Bill. It will also make technical amendments to the Multinational Top-up Tax and Domestic Top-up Tax legislation through the Autumn Finance Bill 2023.

5.71 Real Estate Investment Trusts (REITs) – Further to the publication of draft legislation on 18 July 2023, the government will make amendments to the rules for Real Estate Investment Trusts (REITs) to enhance the competitiveness of the regime. Changes will variously take effect from Royal Assent of the Autumn Finance Bill 2023, apply to accounting periods ending on or after 1 April 2023, or are deemed to have always had effect.

5.72 Merger of R&D tax reliefs – The existing Research and Development Expenditure (RDEC) and SME schemes will be merged, with expenditure incurred in accounting periods beginning on or after 1 April 2024 to be claimed in the

merged scheme. Merging schemes is a significant tax simplification, including an aligned set of qualifying rules and a more visible above the line credit. The notional tax rate applied to loss-makers in the merged scheme will be lowered from 25% as per the current RDEC scheme, to 19%. A note setting out the key changes to the policy following the technical consultation is published alongside the Autumn Statement, ahead of it being legislated for in the Autumn Finance Bill 2023.

5.73 R&D tax reliefs: additional tax-relief for R&D intensive loss-making SMEs – The intensity threshold in the additional support for R&D intensive loss-making SMEs will be reduced from 40% to 30%, bringing approximately 5,000 more R&D intensive SMEs into scope of the relief. The government will also introduce a one-year grace period, so that companies that dip under the 30% qualifying R&D expenditure threshold will continue to receive relief for one year. Businesses will be able to claim for expenditure incurred from 1 April 2023 once the Autumn Finance Bill 2023 has received Royal Assent, with the reduction in intensity threshold and grace period coming into effect for accounting periods beginning on or after 1 April 2024.

5.74 R&D tax reliefs: removing nominations and voiding assignments – From 1 April 2024, R&D claimants will no longer be able to nominate a third-party payee for R&D tax credit payments, subject to limited exceptions. In addition, no new assignments of R&D tax credits will be possible from 22 November 2023. This means that in most circumstances payments of R&D tax reliefs will be paid directly to the company that claims for the R&D, ensuring they have full oversight of the claim, and receive payment more quickly. This will be legislated in the Autumn Finance Bill 2023.

5.75 Closing the R&D review – At Spring Budget 2021, the government launched a review of R&D tax reliefs to ensure the UK remains a competitive location for cutting edge research, the reliefs continue to be fit for purpose and taxpayer money is effectively targeted. The government is now concluding that review with the announcement of the merged scheme. Further action may needed to reduce the unacceptably high levels of non-compliance in the R&D reliefs, and HMRC will be publishing a compliance action plan in due course. The government will also continue working with industry to develop the enhanced support for R&D intensive SMEs, and consider further simplifications.

5.76 Enterprise Investment Scheme (EIS) and Venture Capital Trust (VCT) extension – The government will legislate in the Autumn Finance Bill 2023 to extend the existing sunset clauses for the EIS and VCT from 6 April 2025 to 6 April 2035.

5.77 Annual Tax on Enveloped Dwellings (ATED): annual increase – The annual chargeable amounts for ATED will be uprated by the September CPI figure of 6.7% for the 2024-25 ATED charging period. This uprating is a routine change, as set out in existing primary legislation. The government will implement this change in the usual way through a Treasury Order.

5.78 Expanding the Cash Basis – Following a consultation at Spring Budget 2023, the government is expanding and simplifying the income tax cash basis for the self-employed and partnerships. These changes will take effect from 6 April 2024, for 2024-25 and will be included in the Autumn Finance Bill 2023.

5.79 Van Benefit Charge and Car & Van Fuel Benefit Charges – The government will maintain the Van Benefit Charge and the Car & Van Fuel Benefit Charges at 2023-24 levels for 2024-25.

5.80 Vehicle Excise Duty (VED) uprating & Heavy Goods Vehicles (HGV) VED and HGV levy freeze – The government will uprate VED rates for cars, vans and motorcycles in line with RPI from 1 April 2024 in the Autumn Finance Bill 2023. To support the haulage sector, VED for HGVs and the HGV levy will both remain at 2023-24 rates for 2024-25.

5.81 VAT Treatment of Private Hire Vehicles – The government will consult in early 2024 on the impacts of the July 2023 High Court ruling in Uber Britannia Ltd v Sefton MBC.

5.82 Women's Sanitary Products – The government will extend the scope of the current VAT zero rate relief on women's sanitary products to include reusable period underwear from 1 January 2024.

5.83 Alcohol duty – The government will freeze alcohol duties until 1 August 2024 and delay its annual uprating decision to Spring Budget 2024 to give businesses time to adapt to the duty system introduced on 1 August 2023.

5.84 Tobacco Duty Rates – Duty rates on all tobacco products will increase by RPI +2%. To reduce the gap with cigarette duty, the rate on hand-rolling tobacco will increase by RPI + 12% this year. These changes will take effect from 6pm on 22 November 2023 and will be included in the Autumn Finance Bill 2023.

5.85 Gaming Duty – The Gross Gaming Yield bandings for gaming duty will be frozen from 1 April 2024 until 31 March 2025.

5.86 Tax Treatment of Remote Gambling – The government will consult shortly on proposals to bring remote gambling (meaning gambling offered over the internet, telephone, TV and radio) into a single tax, rather than taxing it through a three-tax structure.

5.87 VAT Retail Export Scheme – The government is grateful for industry submissions on the VAT Retail Export Scheme and the associated airside scheme (tax-free shopping). The government will continue to accept representations and consider this new information carefully, alongside broader data.

5.88 Electricity Generator Levy: New Investment Exemption The government will legislate so that, where the substantive decision to proceed with a project to create a new electricity generation station or expand an existing generating station is made on or after 22 November 2023, receipts from that new generating station or additional capacity will not be subject to the Electricity Generator Levy.

Infrastructure, planning and regulation

5.89 Transmission Acceleration Action Plan – The government has announced a full response to the Electricity Network Commissioner's report on accelerating electricity transmission network build, reducing the end-to-end process from 14 years to 7 years on average. Supporting this, the government has published proposals on community benefits for electricity transmission infrastructure and updated Energy National Policy Statements.

5.90 Connections Action Plan – The government has announced a joint action plan with Ofgem to drastically reduce the time it takes viable projects to connect to the electricity grid, ensuring Great Britain remains one of the best places in the world to connect.

5.91 NIC study on electricity distribution networks – The government is commissioning the National Infrastructure Commission to undertake a study on making the electricity distribution network fit for net zero.

5.92 Infrastructure planning – The government has published its response to the National Infrastructure Commission's study on infrastructure planning reforms, with measures to return consent times to two and a half years on average, is designating low carbon infrastructure as a critical national priority in updated Energy National Policy Statements, and will consult on amending the National Planning Policy Framework to ensure that the planning system prioritises the rollout of electric vehicle charging infrastructure, including EV charging hubs, and also introduce new permitted development rights to end the blanket restriction on heat pumps one metre from a property boundary in England.

5.93 Planning system performance reforms – The Department for Levelling Up, Housing and Communities will bring forward plans for authorities to offer guaranteed accelerated decision dates for major developments in England in exchange for a fee, ensuring refunds are given where deadlines are not met and limiting use of extension of time agreements. This will also include measures to improve transparency and reporting of planning authorities' records in delivering timely decision-making.

5.94 Support for substantial commercial development – The government will incentivise greater use of Local Development Orders to ensure key commercial developments are approved faster.

5.95 Consultation to Strengthen Economic Regulation – The government is consulting on proposals to strengthen the regulation of the energy, water and telecoms sectors, focussing on encouraging investment and growth.

5.96 Strengthening the regulators' Growth Duty: Consultation – The government is publishing and consulting on new draft statutory guidance to update and strengthen the current Growth Duty guidance for regulators, asking regulators to report for the first time on actions taken under the Growth Duty, and monitoring the quality of reporting. The guidance will include a new expectation for regulators to deliver year-on-year improvements in approval times.

5.97 Government response to consultation on extending the Growth Duty to Ofcom, Ofwat and Ofgem – The government is extending the Growth Duty to these economic regulators and will introduce secondary legislation in 2024 to do so.

5.98 National Infrastructure Commission (NIC) study on connected and autonomous vehicles and mobility – The government is commissioning the NIC to undertake a study on how connected and autonomous vehicles and mobility can deliver growth.

5.99 Using smart regulation to boost market competition –The government is publishing a strategic steer to CMA, a consultation on options to reform the airport slot allocation system, and kickstarting a Smart Data Big Bang to explore potential of utilising new powers in the Digital Protection and Digital Information Bill across 7 sectors: energy, banking, finance, retail, home-buying, transport and telecoms. The government is also introducing proposals to tackle hidden fees online and accepting the CMA's recommendations to improve the clarity of price labelling in stores.

Unlocking investment in growth through pension funds, the financial system, and international investment offer

5.100 Master Trust Review – The government is publishing a review of the Master Trusts market, five years after the 2018 Master Trusts regulations came into force, including market trends and the future of regulation and supervision.

5.101 Update on implementing the Value for Money framework – The government welcomes the Financial Conduct Authority (FCA) and the Pensions Regulator (TPR) announcements on next steps towards implementing the Value for Money framework in the defined contribution workplace pensions market. The FCA will consult on rules for contract-based schemes in Spring 2024, working closely with the government and TPR for consistency with the development of legislative requirements for trust-based schemes. In the meantime, actions from the TPR will strengthen their existing supervisory approach.

5.102 Update on saver choices at retirement – The government is publishing an update that proposes placing duties on occupational pensions trustees to offer decumulation services and products at an appropriate quality and price when savers access their pension assets, either themselves or through a partnership arrangement. It also sets out the intention to further explore the development and wider use of Collective DC schemes as part of a long-term vision for pension saving in the UK.

5.103 Call for Evidence on Lifetime Provider Model and small pots consultation response – The government is launching a call for evidence on a lifetime provider model to simplify the pensions market by allowing individuals to move towards having one pension pot for life, and on a potential expanded role for collective defined contribution (CDC) schemes in future. The government will also introduce the multiple default consolidator model to enable a small number of authorised schemes to act as a consolidator for eligible pension pots under £1,000.

5.104 Public consolidator for DB pension schemes – DWP will launch a consultation this winter on options for DB schemes, currently unserved by the market, to consolidate into a new statutory vehicle run by the Pension Protection Fund.

5.105 Solvency II Reform – The government announced reforms to Solvency II, the prudential regulatory regime for insurers, at Autumn Statement 2022. The government will be introducing secondary legislation to give effect to the reforms, delivering a more tailored, clearer, and simpler regulatory regime for the insurance sector, and incentivising private investment in long-term productive assets.

5.106 Growth Fund – Following positive feedback from industry, the government is confirming its intention to establish a Growth Fund within the British Business Bank. The Growth Fund will give pension schemes access to the BBB's pipeline of opportunities, crowding private capital into the UK's most promising businesses.

5.107 Long-term Investment for Technology and Science (LIFTS) – Subject to final agreement, the government will commit £250 million to two successful bidders under the LIFTS initiative. This will create new investment vehicles tailored to the needs of pension schemes, seeking to generate over a billion pounds of investment to support the UK's most promising science and technology businesses.

5.108 Pension investment expertise and skills – The government supports the Pensions Regulator's plans to implement a register of trustees to aid engagement with trustees and to update the trustee toolkit to include further information on productive finance.

5.109 Prioritising long-term pension investment performance over low fees – Building on the guidance and commitments made by the Productive Finance Working Group, the government will engage with industry on proposals to ensure that all aspects of the pensions market are playing their part to support best outcomes for savers. This will include how to shift employer incentives away from low fees towards long-term pension investment performance. The Pensions Regulator will provide further information for employers on what factors should be assessed when they are selecting a pension scheme.

5.110 Surplus extraction arrangements for DB pension schemes – DWP will launch a consultation this winter on the appropriate regime under which surpluses can be repaid and enabling 100% PPF coverage for DB schemes that opt to pay a higher levy. The authorised surplus payments charge will be reduced from 35% to 25% from 6 April 2024.

5.111 Local Government Pension Scheme: Investment reform consultation response – Following consultation, the government confirms that Local Government Pension Scheme (LGPS) guidance will be revised to implement a 10% allocation ambition for investments in private equity, which is estimated to unlock £25bn, as well as a March 2025 deadline for the accelerated consolidation of LGPS assets into pools, and setting a direction towards fewer pools exceeding £50bn of assets under management.

Supporting the growth of the UK's world leading financial services sector

5.112 Smarter Regulatory Framework programme – The government is pressing ahead with work to ensure the UK maintains its world-leading financial services regulatory environment. The government will deliver its commitment to make significant progress in building a Smarter Regulatory Framework, tailored to the UK, by the end of the year. This includes the upcoming laying of legislation to replace the current Prospectus, Securitisation and Data Reporting Services Regulation regimes.

5.113 Replacing the Securitisation Regulation – The government will lay a statutory instrument that will replace the retained EU law Securitisation Regulation with a new framework tailored to the UK. This takes forward certain reforms identified in the government's 2021 Review of the Securitisation Regulation.

5.114 Replacing the Short Selling Regulation (SSR) – The government has published a draft statutory instrument setting out how it will replace the retained EU law short selling regulation, including aspects on sovereign debt, with a new framework tailored to the UK. The government will also shortly legislate to double the SSR reporting threshold, as announced at Mansion House.

5.115 Replacing the Data Reporting Services Regulation (DRSR) – The government will shortly lay a statutory instrument that will replace retained EU law in relation to Data Reporting Services Providers (DRSPs) with a new framework tailored to the UK. This delivers on the Edinburgh Reforms commitment to have a regulatory framework for a consolidated tape in place by 2024.

5.116 Investment Research Review – The government and the FCA are engaging with industry stakeholders to take forward the recommendations of the Investment Research Review. This will inform formal consultations in 2024.

5.117 UK Retail Disclosure Framework – The government has published a draft statutory instrument setting out how it will replace the retained EU law Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation with a new framework tailored to the UK. The accompanying policy note confirms the scope of the new framework, including its application to overseas funds, and sets out the government's intention to fully resolve legislative issues with cost disclosure.

5.118 Prospectus reform – The government will shortly lay a statutory instrument to replace the retained EU law prospectus regime with a new framework tailored to the UK. This will create a more agile and simplified regime, helping to widen participation in the ownership of public companies, simplify the capital-raising process for companies on UK markets, and make the UK a more attractive listing destination.

5.119 Future of Payments Review – The government welcomes the publication of Joe Garner's Future of Payments Review. The government will repeal prescriptive EU-derived payments authentication rules and will also legislate to unlock the full potential of Open Banking-enabled payments. Next year, the government will publish a National Payments Vision.

5.120 Digital Securities Sandbox – The government will publish a response to the consultation on the Digital Securities Sandbox (DSS), which will facilitate the adoption of digital assets across financial markets. The government will also lay an SI to implement the DSS, delivering on the Edinburgh Reform announcement to implement a Financial Market Infrastructure Sandbox in 2023.

5.121 Consultation on introducing a UK regime for captive insurance companies – The government will consult on the design of a new framework for encouraging the establishment and growth of captive insurance companies in the UK. The consultation will launch in Spring 2024.

5.122 Mortgage Guarantee Scheme extension – The Mortgage Guarantee Scheme supports the availability of 95% Loan-to-Value mortgage products. While the scheme was due to close to new accounts on 31 December 2023, the Government will extend the scheme for an additional 18 months until the end of June 2025 to continue helping prospective borrowers with smaller deposits buy a home.

5.123 NatWest shareholding – The government intends to fully exit its shareholding in NatWest Group by 2025-26, subject to supportive market conditions and sales representing value for money. As part of this process, the government will explore options to launch a share sale to retail investors in the next 12 months, subject to supportive market conditions and achieving value for money.

5.124 UK Asset Resolution (UKAR) Pension Schemes Transfer – Continuing progress towards winding down the UKAR interventions, the government expects the transfer of the former Northern Rock Asset Management and Bradford & Bingley pension schemes to central government to occur in 2025-26.

5.125 Corporate Governance Reform – The government has written to the Financial Reporting Council (FRC) to update its remit, emphasising the role the FRC should play in promoting growth and competitiveness.[1] The government welcomes the Capital Markets Industry Taskforce work to reset culture through an "investor covenant" and the commitment from industry to provide additional funding to the Investor Forum.[2]

Supporting our scientists and innovators

5.126 Extension to Future Fund: Breakthrough – The government will provide at least £50 million of additional funding to the Future Fund: Breakthrough investment programme, helping the UK's most intensive R&D companies to scale up.

5.127 Venture capital fellowship scheme – The government will develop a fellowship course targeting mid-career science and technology venture capital investors, similar to the Kauffman Fellowship in the US, to be operational in 2024. This will produce the next generation of world-leading UK VC investors to support the UK's most innovative high-growth companies.

5.128 Youth Mobility Schemes – The government is signing and expanding new and existing Youth Mobility Schemes to improve UK and overseas nationals' opportunities to live, work, and travel in each other's countries.

5.129 Pro-Innovation Regulation of Technologies Review: Cross Cutting and Growth Duty – The government is publishing Professor Dame Angela McLean's final report in this series and the government response, accepting recommendations to encourage pro-innovation regulation in all sectors.

5.130 New regulatory sandboxes – The government will establish new regulatory sandboxes for spectrum sharing, engineering biology, and space to help support innovation in these areas.

5.131 Government response to independent review of spin-outs – The government has published its response to the independent review of spin-outs, and has accepted all the recommendations, which will improve the ecosystem of support for university spin-out companies. The government is also introducing a new £20 million cross-disciplinary proof-of-concept research fund, which will help prospective founders in universities demonstrate the commercial potential of their research.

5.132 Quantum Missions – The government has published a set of quantum missions that will be delivered over the next decade.

5.133 Space Clusters and Infrastructure Fund – The government is awarding up to £59 million to 15 projects, which will leverage significant additional private funding from the sector, representing an expected £100 million of new private / public investment in space research and development infrastructure.

[1] Financial Reporting Council Remit, Letter from Secretary of State for Business, November 2023 https://www.gov.uk/government/publications/financial-reporting-council-frc-remit-letter-from-business-secretary-november-2023
[2] Capital Markets Industry Taskforce, Letter on Governance and Stewardship, November 2023 https://capitalmarketsindustrytaskforce.com

5.134 Connectivity in Low Earth Orbit (CLEO) R&D programme – The government is opening £15 million of calls to nurture innovation for satellite communications which will be delivered as part of the £60 million European Space Agency Advanced Research in Telecommunications Systems (ARTES) programme, allocated to the UK's CLEO scheme.

5.135 Earth observation package – The government is investing £47 million in the earth observation sector, which will enable the UK industry to make better use of Earth Observation data for climate science and to develop innovative products and services.

5.136 National Academy for mathematical sciences – The government will support the establishment of a National Academy focused on Mathematical Sciences.

5.137 R&D infrastructure investment – The government will invest £25 million in scientific infrastructure through Public Sector Research Establishments.

5.138 Business innovation support – The government will invest £145 million through Innovate UK to support business innovation. This includes £20 million for productivity and decarbonisation of foundation industries, £50 million for battery innovation, £50 million for investment in Catapults, and £25 million for innovation in critical technologies.

5.139 Discovery Fellowships – The government aims to invest £250 million in new fellowships for world-class mid-career researchers. To maximise flexibility and test new funding models, it is exploring funding this through an endowment.

5.140 Response to the Landscape Review – The government is publishing its vision for evolving the landscape of organisations performing research, development and innovation, informed by the Review of the RDI organisational landscape led by Sir Paul Nurse.

5.141 Business visitor visa reform – The government will expand the business visitor rules to allow businesspeople to engage in a wider range of permitted activities and paid engagements, to take effect from January 2024. The government will also explore further reforms to the business visitor rules, during 2024.

Supercharging growth of the UK's SMEs

5.142 Payment and Cashflow Review – The government has published its Payment and Cash Flow Review Report and responses to the consultation on the Payment Practices and Performance Regulations 2017 and the statutory review of the Small Business Commissioner. These publications outline measures to combat late payments.

5.143 Government Procurement and Prompt Payment – To encourage prompt payments, the government will introduce a requirement that firms bidding for government contracts over £5 million from April 2024 will have to demonstrate they pay their own invoices within an average of 55 days, tightening to 45 days in April 2025, and to 30 days in the coming years.

5.144 Made Smarter – The government will expand the Made Smarter Adoption programme, committing up to £16 million in 2025-26 to offer the scheme to all English regions before working with the devolved administrations to

explore expanding the programme from 2026-27. The programme supports manufacturing SMEs to use advanced digital technologies, and expansion will also involve inclusion of digital internships in the programme.

5.145 UK Export Finance SME Support – The government will offer additional support to SMEs to access global markets through UK Export Finance including reviewing the products available for SMEs and enhancing the SME-focused support that is offered.

5.146 Help to Grow – The government will commit to future delivery of the Help to Grow: Management programme beyond 2024-25, providing training to SME leaders.

5.147 Growth Hubs – The government will commit to funding for Growth Hubs in 2024-25, delivering local business advice and support.

5.148 Digital Adoption – The government will set up a taskforce with industry to rapidly explore how best to support SMEs to adopt digital technology to improve their productivity.

Investing in key sectors

5.149 Landfill Remediation Pathfinder – The government is launching a £78 million competitive pilot fund to alleviate the cost of landfill tax where it is acting as a barrier to the remediation and redevelopment of contaminated land.

5.150 Future Climate Change Agreement scheme – The government is introducing a new, six-year Climate Change Agreement scheme. Participants that meet agreed energy efficiency or decarbonisation targets between 2025 and 2030 will be entitled to reduced rates of Climate Change Levy from 1 July 2027 to 31 March 2033. The new scheme will be open to applications for new sectors that meet energy intensity and import penetration criteria, and will require more regular reporting of energy and throughput data.

5.151 Climate Change Levy Rates 2025-26. The government will freeze main and reduced rates of Climate Change Levy in the UK in 2025-26 at the main rate of £0.00775/kWh for electricity and gas, £0.02175/kWh for liquid petroleum gas (LPG), and £0.06064/kWh for any other taxable commodity. Reduced rates will be frozen at 92% for electricity, 77% for LPG, and 89% for gas and any other taxable commodity.

5.152 Reforms to Energy-Saving Materials VAT Relief – Following a call for evidence, the government will expand the VAT relief available on the installation of energy-saving materials by extending the relief to additional technologies – such as water-source heat pumps – and bringing buildings used solely for a relevant charitable purpose within scope. Thanks to the Windsor Framework, these reforms will be implemented UK-wide in February 2024. Full details on these reforms will be published shortly.

5.153 Crown Estate modernisation – The government will bring forward legislation to provide The Crown Estate with borrowing and wider investment powers as soon as parliamentary time allows.

5.154 Carbon price support review and 2025-26 rates – The government will maintain Carbon Price Support (CPS) rates in Great Britain at a level equivalent to £18 per tonne of carbon dioxide in 2025-26. The government will continue to engage with industry and review CPS beyond the announced rates.

5.155 Oil and Gas Fiscal Regime – The government has announced an oil and gas fiscal regime package covering the short, medium- and long-term. The government has published a Technical Note and Summary of Responses from the Energy Profits Levy (EPL) Energy Security Investment Mechanism (ESIM) discussion note. In addition to restating that the EPL will end no later than 31 March 2028, these confirm that the EPL ESIM will be monitored monthly and that the price thresholds of the mechanism will be adjusted annually in line with CPI from April 2024. The government will introduce legislation to give effect to the ESIM in due course. The government has also published its conclusions to the review of the long-term oil and gas fiscal regime. This includes setting out principles for the tax treatment of future oil and gas price shocks after the end of EPL and targeted support for the energy transition through allowing relief for payments made by oil and gas companies into decommissioning funds in relation to oil and gas assets that are repurposed for use in Carbon Capture Usage and Storage instead of being decommissioned after their productive life in upstream projects. Legislation will also remove the receipts from the sale of these assets from the EPL.

5.156 Plastic Packaging Tax – The government will legislate in the Autumn Finance Bill 2023 to increase the Plastic Packaging Tax rate in line with CPI, from 1 April 2024, to £217.85 per tonne. To ensure the Plastic Packaging Tax continues to incentivise the use of recycled plastic in packaging, the government will publish an evaluation plan by the end of the year and gather further evidence to inform the future trajectory of the rate and recycled plastic content threshold.

5.157 Aggregates Levy Rate – The government will increase the Aggregates Levy rate in line with RPI, from 1 April 2025 to £2.08 per tonne.

5.158 Emissions Trading Scheme – Reforms to the ETS, as set out by the UK ETS Authority in July 2023, will reduce the number of ETS permits available for purchase from government by 45% between 2023 and 2027. It will also extend the scheme to cover emissions from domestic maritime and energy from waste in 2026 and 2028 respectively.

5.159 Manufacturing Funding – Funding of £4.5 billion will be made available starting in 2025-26 lasting for five years for eight manufacturing sub-sectors: automotive (particularly zero emission vehicles, their batteries and supply chains), aerospace, life sciences, and clean energy (carbon capture, utilisation and storage, electricity networks, hydrogen, nuclear and offshore wind).

5.160 Pro-Innovation Regulation of Technologies Review: Advanced Manufacturing – The government is publishing Professor Dame Angela McLean's review on pro-innovation regulation of technologies for advanced manufacturing and the government response. This is the fifth report in the series commissioned at Autumn Statement 2022. The government's response accepts Dame Angela's recommendations and sets out how these will be implemented.

5.161 Clinical Trials Delivery Accelerator (Dementia) – The government is launching the first Clinical Trials Delivery Accelerator (CTDA) focused on dementia, with up to £20 million of the £121 million funding announced for clinical trials at the May life sciences moment, to help innovation reach NHS patients even faster.

5.162 Oligonucleotide Manufacturing Centre of Excellence (OMICE) – The government is investing £10 million, with an additional £10 million from Scottish Enterprise, in a world-class manufacturing centre in Paisley, Scotland, to develop a novel class of therapeutic molecules to be used for the treatment of a wide variety of diseases.

5.163 Fleming Centre – The government is granting £5 million to support establishment of the Fleming Centre to tackle the global fight against antimicrobial resistance (AMR).

5.164 Our Future Health – The government is providing £51 million to the UK's largest health research proramme to recruit hundreds of thousands of new volunteers and genotype the first 1 million participants.

5.165 Creative Industries: call for evidence on the visual effects industry – The government has published a call for evidence on recent trends in the visual effects industry. This will inform the design of additional tax relief for expenditure on visual effects, which the government intends to deliver through the Audio-Visual Expenditure Credit. The government intends to consult on the detailed policy design of further support and intends to implement changes to the expenditure credit from April 2025.

5.166 Extension of uplifted relief for animated TV to include animation film – As previously announced, animated feature film will be eligible for a 5% uplift in relief under the Audio-Visual Expenditure Credit.

5.167 High-end TV relief: amending documentary definition – The government has amended the proposed definition of a documentary. The new definition is aligned with the guidance used by the British Film Institute and will apply to the Audio-Visual Expenditure Credit, which will be legislated for in the Autumn Finance Bill 2023.

5.168 Amendment to rules for connected party transactions in creative industry tax reliefs – The proposal to cap the relief that companies can receive on connected party transactions has been amended. Companies will now be required to disclose connected party transactions and charge connected parties at an arm's length price. This will be legislated in the Autumn Finance Bill 2023.

5.169 Creative Industries – the government will provide £2.1 million of new funding for the British Film Commission and the British Film Institute Certification Unit for 2024/25. The government will also review the evidence on public investment in R&D spending for the creative industries to a Spending Review timeframe.

5.170 Increasing investment in UK research and innovation – The Prime Minister has negotiated excellent terms for the UK to associate to Horizon Europe and Copernicus. As a result, the government is making additional substantive investment in UK R&D this financial year. This includes Green Futures Fellowships, the Isambard supercomputer, Discovery Fellowships, business innovation support, Our Future Health, R&D infrastructure investment, and support to establish a National Academy focused on Mathematical Sciences.

5.171 Lord Harrington Review of Foreign Direct Investment – The government agrees in principle with Lord Harrington's headline recommendations and will establish a new Ministerial Investment Group, review investment grant processes, and increase resourcing for the Office for Investment, strengthening the UK's world-class concierge service for investors.

5.172 Connected and Automated Mobility funding – The government has committed to extend the Connected and Automated Mobility R&D programme with up to £150 million of funding between 2025-26 and 2029-30, helping the UK secure first-mover advantage in the deployment of self-driving vehicles and services.

5.173 5G Innovation Regions – The government is announcing the ten regions that have been awarded funding to establish themselves as 5G Innovation Regions following a competition for the £40 million adoption fund. This will support regions to drive take up of innovative 5G-enabled services for businesses and the public sector.

5.174 AI Compute – Investing £500 million in further UK based compute so that universities, scientists and start-ups have access to the compute power they need to help make the UK an AI powerhouse.

5.175 Rare Diseases Launchpad – The government is supporting a pilot developed by a consortium including Genomics England, Oxford Harrington Rare Disease Centre, the Medicines and Healthcare products Regulatory Agency, and Mila's Miracle Foundation to generate evidence on a pathway for new individualised therapeutics in the UK for children with ultra-rare diseases.

Boosting growth and investment across the country

5.176 New devolution deals – The government has finalised four new devolution deals across England. This includes two Level 3 mayoral deals with Greater Lincolnshire, and Hull and East Yorkshire and two Level 2 non-mayoral deals with Lancashire and Cornwall. The government is also in advanced discussions to agree a Level 2 non-mayoral deal with Devon and Torbay.

5.177 Extension of Level 2 devolution deals – The Department for Levelling Up, Housing and Communities intends to offer Level 2 devolution powers to councils that cover a functional economic or whole county area, and meet relevant criteria as set out in the Levelling Up White Paper, where there is local consent to such arrangements.

5.178 Single Settlements Memorandum of Understanding – At Spring Budget 2023 the government announced two new trailblazer deals with West Midlands Combined Authority (WMCA) and Greater Manchester Combined Authority (GMCA). This included a commitment to provide flexible, single funding settlements for these MCAs at the next Spending Review. The government has published a Memorandum of Understanding (MoU) for these single settlements. The MoU sets out how the government will operationalise these single funding settlements for the GMCA and WMCA.

5.179 Business rates retention – the government has agreed the detailed terms of the long-term business rates retention arrangements for the Greater Manchester and West Midlands Combined Authorities, delivering on the commitment in the trailblazer deals announced at Spring Budget 2023. These arrangements will commence from April 2024.

5.180 Level 4 framework – The government has published a new framework for extending deeper devolution to existing Level 3 Mayoral Combined Authorities (MCAs). The Level 4 framework provides new powers for MCAs to draw down on, based on the trailblazer deals negotiated with the Greater Manchester and West Midlands Combined Authorities, including powers over adult skills, local transport and housing.

5.181 Levelling Up Partnerships (LUPs) extension to Scotland – The government, in collaboration with the Scottish Government, is announcing over £80 million of investment for the expansion of the Levelling Up Partnerships programme

to Scotland, for Na h-Eileanan an Iar, Argyll and Bute, Dundee, and the Scottish Borders. The government will consider, as the programme develops, how to extend it further.

5.182 Additional regeneration projects – In addition to the recently announced Levelling Up Fund Round Three projects, the government is announcing £37.5 million to support regeneration in places across the UK. These are: the Isles of Scilly, Warrington, Monmouthshire, North Norfolk and Eden. All funding is subject to final checks, including subsidy control. Bolsover will also receive £15 million, ensuring that all Priority Places, as determined using the Levelling Up Need metrics set out in the Levelling Up White Paper, have benefited from levelling up funding. The government will also support the Hay Festival in Wales, and the reallocation of £20 million from within the Inverness & Highland City Region Deal to fund essential landside infrastructure improvements for the Corran Ferry, subject to agreement through the appropriate Deal governance structures. This will ensure the long-term sustainability of the lifeline service.

5.183 Barrow Delivery Board – The government is announcing a new Delivery Board in Barrow-in-Furness, backed by £5 million of funding, to ensure local people see lasting benefits from investment in the Defence Nuclear Enterprise.

5.184 Fund Simplification Implementation – The recently announced funding simplification doctrine will come into force from January 2024. This is an important step to simplifying the local government funding landscape, giving councils greater flexibility and freeing up resources for delivery.

5.185 Local Finance Working Group – The Department for Levelling Up, Housing and Communities will work with the UK Infrastructure Bank, the British Business Bank, Homes England and other departments to consider – with local and private sector partners – how to support levelling up through improving access to finance. The group will report to Ministers by the spring.

5.186 Investment Zones Programme Extension – The Investment Zones programme in England will be extended from five to ten years. Investment Zones will be provided with a £160 million envelope from 2024-25 to 2033-34 which can be used flexibly between spending and tax incentives, subject to ongoing co-design of proposals and agreement of delivery plans. The UK government will work in partnership with the Scottish and Welsh governments with the intention of delivering an extension to the Investment Zones programme in Scotland and Wales and continue to work with stakeholders on how best to deliver the benefits of the Investment Zones programme in Northern Ireland.

5.187 Announcing Investment Zones – Greater Manchester's Investment Zone will focus on advanced manufacturing and materials across Manchester, Salford, Rochdale, Bury, Oldham and the wider city region, with anchor investment from First Graphene, Kadant, Werit and Hydrograph worth over £10 million. West Midlands' Investment Zone will focus on advanced manufacturing across Birmingham, Wolverhampton and Coventry, with benefits felt across the wider region, with anchor investment from Bruntwood SciTech and Woodbourne Group worth £70 million in total and backed by over £5 million of investment into enabling digital platforms to support advanced manufacturing growth. East Midlands' Investment Zone will focus on advanced manufacturing and green industries across Nottinghamshire, Derby and Derbyshire with benefits felt across the wider region, with anchor investment from Rolls Royce and Laing O'Rourke worth £9.3 million. In addition to this, the government can confirm there will be

two Investment Zones in Wales; one located across Cardiff and Newport, delivered by the South East Wales Corporate Joint Committee and another focusing on Wrexham and Flintshire delivered by the North Wales Corporate Joint Committee. The government will be working closely with the Welsh Government on the delivery of these Investment Zones.

5.188 Investment Opportunity Fund – The government is creating a £150 million fund to support Investment Zones and Freeports across the UK to secure business investment opportunities. The fund will be available over five years.

5.189 Freeport Tax Relief Sunset Date Extension – The window to claim Freeport tax reliefs will be extended from five to ten years, until September 2031 in English Freeports, conditional on agreement of delivery plans with each Freeport. The UK Government will work with the devolved administrations to agree how the 10-year window to claim reliefs can be extended to Freeports in Scotland and Wales.

5.190 Freeports Delivery Roadmap – The Department for Levelling Up, Housing and Communities will publish a Freeports Delivery Roadmap in December outlining the steps the government will take to ensure Freeports are best able to capitalise on the opportunity the extension presents.

5.191 Tackling Paramilitarism Programme – The government is confirming the allocation of £3 million for the Tackling Paramilitarism Programme in Northern Ireland, enabling the programme to continue its positive work to tackle paramilitarism in Northern Ireland and strengthen community resilience.

Investing in housing supply

5.192 Cambridge, Leeds and London – The government is announcing a further £2 million to address water scarcity in Cambridge, alongside £3 million to support the Cambridge Delivery Group drive the long-term vision for Cambridge by exploring the case for a development corporation. An additional £2 million in capacity funding will also be available for Leeds City Council to maximise delivery of new homes. Subject to business case approval, the government will also provide £23 million for a bus network to unlock housing in the 'Docklands 2.0' as part of the £150 million allocation to London from the Brownfield, Infrastructure and Land Fund.

5.193 Planning capacity funding – The government is investing £5 million in additional funding for DLUHC's Planning Skills Delivery Fund for Local Planning Authorities to target application backlogs.

5.194 Local Nutrient Mitigation Fund – The government is providing £110 million of funding to support Local Planning Authorities to deliver high quality schemes to offset nutrient pollution, unlocking planning permissions that are otherwise stalled.

5.195 Affordable Homes Guarantee Scheme – The government is expanding the existing £3 billion scheme by a further £3 billion to support housing associations to access cheaper loans for quality and energy efficiency works as well as new homes.

5.196 Housing Revenue Account rate extension – The government is announcing a £5 million extension to June 2025 of the Public Works Loan Board policy margin announced in Spring 2023. This supports local authorities borrowing for Housing Revenue Accounts, and could provide savings and additional investment in social housing of as much as £150 million over the life of the borrowing.

5.197 Home buying and selling – The government is providing £3 million for a range of measures to improve the home buying and selling process, including pilots to develop property tech products and to digitise local council property data.

5.198 Local Authority Housing Fund 3 – The government is announcing £450 million for a third round of the Local Authority Housing Fund to deliver 2,400 new housing units to house Afghan refugees and ease wider housing and homelessness pressures. This will bring the total amount spent on the Local Authority Housing Fund to over £1.2 billion.

5.199 Homes for Ukraine and homelessness prevention – The government will extend 'thank you' payments into a third year for Homes for Ukraine sponsors across the UK. They will remain at £500 per month and reflect the ongoing generosity of hosts in supporting those who have fled the war. The government is also providing £120 million funding for the devolved administrations and local authorities in England to invest in homelessness prevention, including to support Ukrainian households who can no longer remain in sponsorship.

5.200 Permitted Development Right convert one house into two flats – The government is announcing a consultation on a new Permitted Development Right for subdividing houses into two flats without changing the façade. This will be implemented in 2024 following consultation early in the New Year.

Annexes

A Financing

A.1 This annex sets out the revision to the government's financing plans for 2023-24, which were previously revised on 25 April 2023.[1] Further details of the revised financing remit for 2023-24, including progress against the remit to date, can be found on the website of the UK Debt Management Office (DMO).[2] The government's debt management framework remains as set out in the 'Debt management report 2023-24'.[3]

Debt management objective

A.2 The debt management objective, as set out in the 'Debt management report 2023-24', is "to minimise, over the long term, the costs of meeting the government's financing needs, taking into account risk, while ensuring that debt management policy is consistent with the aims of monetary policy."

Debt management policy

A.3 While decisions on debt management policy must be taken with a long-term perspective, specific decisions on funding the government's gross financing requirement are taken annually. Those decisions are announced in advance of the forthcoming financial year and are typically updated in April (a technical adjustment to reflect outturn data from the previous year) and as the Office for Budget Responsibility (OBR) publishes subsequent fiscal projections.

Financing arithmetic

A.4 The updated financing arithmetic for 2023-24 is set out in Table A.1.

A.5 The OBR's November 2023 forecast for the 2023-24 central government net cash requirement (excluding NRAM ltd, Bradford & Bingley, and Network Rail), which is referred to as CGNCR (ex NRAM, B&B, and NR) is £150.5 billion, which represents a downward revision of £9.0 billion from Spring Budget 2023. This measure is used in the financing arithmetic, as it reflects the forecast cash requirement of the Exchequer.

A.6 The DMO's net financing requirement (NFR) was revised down by £3.3 billion on 25 April 2023 from £246.1 billion at Spring Budget 2023. The DMO's NFR is being revised down by a further £10.5 billion at the Autumn Statement. The updated forecast for the NFR comprises: CGNCR (ex NRAM, B&B, and NR), plus financing for maturing debt, and a reconciling adjustment due to unanticipated over financing in 2022-23; less the net contribution to financing from National Savings and Investments (NS&I) and any other ad hoc in-year contributions to financing.

[1] 'Revision to the DMO's Financing Remit 2023-24', UK Debt Management Office, April 2023.
[2] https://www.dmo.gov.uk.
[3] 'Debt management report 2023-24', HM Treasury, March 2023.

The downward revision to the DMO's NFR will be delivered through: a reduction in gross gilt issuance this year of £0.5 billion; and a £10.0 billion reduction in the financing raised through Treasury bill issuance for debt management purposes.

Table A.1: Financing arithmetic in 2023-24 (£ billion)[1]

	Debt Management Report 2023-24	April 2023-24[2]	Autumn Statement 2023-24
CGNCR (ex NRAM, B&B, and NR)[3]	159.5	159.5	150.5
Gilt redemptions	117.0	117.0	117.0
Financing adjustment carried forward from previous financial years[4]	-21.3	-24.6	-24.6
Gross financing requirement	**255.1**	**251.9**	**242.8**
less:			
NS&I net financing[5]	7.5	7.5	7.5
NS&I Green Savings Bonds	-	-	-
Other financing[6]	1.5	1.5	3.0
Net financing requirement (NFR) for the Debt Management Office (DMO)	**246.1**	**242.8**	**232.3**
DMO's NFR will be financed through:			
Gilt sales, through sales of:			
Short conventional gilts	86.7	84.6	86.6
Medium conventional gilts[7]	65.3	65.3	68.3
Long conventional gilts[7]	50.9	49.7	51.3
Index-linked gilts	26.2	26.2	28.6
Unallocated amount of gilts	12.0	12.0	2.5
Total gilt sales for debt financing	**241.1**	**237.8**	**237.3**
Total net contribution of Treasury bills for debt financing	**5.0**	**5.0**	**-5.0**
Total financing	**246.1**	**242.8**	**232.3**
DMO net cash position[8]	2.3	2.3	2.3

[1] Figures may not sum due to rounding.
[2] Following the 'Debt Management Report 2023-24' in March 2023, the financing arithmetic was updated in April 2023 to reflect the outturn of the previous financial year's CGNCR (excluding NRAM ltd, Bradford & Bingley, and Network Rail), which changes the financing adjustment and gross financing requirement
[3] Central government net cash requirement (excluding NRAM ltd, Bradford & Bingley, and Network Rail).
[4] The -£24.6 billion financing adjustment in 2023-24 carried forward from previous years reflects the 2022-23 outturn for the CGNCR (ex NRAM, B&B, and NR), as first published on 25 April 2023. The -£24.6 billion adjustment in 2023-24 is the amount required to reduce the estimated DMO cash position at end-March 2024 to £2.3 billion.
[5] The proceeds from the sale of the NS&I Green Savings Bonds do not form part of the annual net financing target. They will be reported as part of the financing arithmetic before the financial year's end.
[6] This financing item is typically comprised of estimated income from coinage and unhedged reserves.
[7] Includes green gilt issuance. More detail is provided in paragraph A.11.

Source: UK Debt Management Office, HM Treasury, National Savings & Investments, and Office for Budget Responsibility.

Gilt issuance by method, type and maturity

A.7 The method, type and maturity of gilt issuance were previously set out in April 2023. Total gilt sales in 2023-24 are now forecast to reduce by £0.5 billion to £237.3 billion.

A.8 The decrease in gilt sales of £0.5 billion will be implemented as follows:

- An increase of £2.0 billion in short-dated conventional gilts to £86.6 billion (36.5% of total issuance in 2023-24)
- An increase of £3.0 billion in medium-dated conventional gilts to £68.3 billion (28.8% of total issuance in 2023-24)
- An increase of £1.6 billion in long-dated conventional gilts to £51.3 billion (21.6% of total issuance in 2023-24)
- An increase of £2.4 billion in index-linked gilts to £28.6 billion (12.1% of total issuance in 2023-24)
- A reduction of £9.5 billion in the unallocated portion to £2.5 billion. Since April 2023, the unallocated portion has been drawn-down via transfers to the medium and long conventional and index-linked gilt sales programmes.

A.9 Auctions will remain the government's primary method of gilt issuance. It is anticipated that £203.1 billion (85.6%) of total gilt sales will be sold by auction in 2023-24, and £31.4 billion (13.2%) will be issued by syndication.

Green gilts and green retail savings product

A.10 Since Spring Budget 2023, the government has made strong progress with its green financing programme, under which the UK issues sovereign green bonds ('green gilts') via the DMO, and retail Green Savings Bonds via NS&I. The government aims to raise £10.0 billion via green gilts this financial year.

A.11 The UK successfully launched its inaugural green gilt maturing in 2033 on 21 September 2021, followed by a second green gilt, maturing in 2053 on 21 October 2021, bringing total proceeds raised by both issues to £16.1 billion. In FY 2022-23, a further £9.9 billion was raised by reopening the existing green gilts.

A.12 The retail Green Savings Bonds were brought on sale via the NS&I website on 22 October 2021. The retail Green Savings Bonds are a 3-year fixed-term product, with the current sixth issue of the product offering an interest rate of 3.95%. Customers can invest between £100 and £100,000. A world-first sovereign retail green investment product, this innovative financing instrument will allow UK savers to support the government's green spending initiatives.

Treasury bills

A.13 Treasury bills for debt management purposes comprised £70.0 billion of the total debt stock at the end of 2022-23. It was anticipated at Spring Budget 2023 that net issuance of Treasury bills for debt management purposes in 2023-24 would contribute £5.0 billion to meeting the NFR. It is now planned for net issuance to make a contribution of -£5.0 billion.

NS&I

A.14 NS&I's net financing target in 2023-24 remains at £7.5 billion, within a range of ± £3.0 billion, as set out at Spring Budget 2023. This target reflects NS&I's requirement to balance the interests of its savers, the taxpayer, and the wider financial services sector. The proceeds from the sale of the retail Green Savings Bonds do not form part of the annual net financing target. They will be reported as part of the financing arithmetic before the financial year-end.

Illustrative future gross financing requirement

A.15 Table A.2 sets out the illustrative gross financing requirement for each financial year from 2024-25 to 2028-29, using the OBR's November 2023 forecast for CGNCR (ex NRAM, B&B, and NR) and taking into account current planned gilt redemptions.

Table A.2: Illustrative gross financing requirement (£ billion)[1]

£ billion	2024-25	2025-26	2026-27	2027-28	2028-29
CGNCR (ex NRAM, B&B, and NR)[2]	137.0	111.1	100.1	102.7	93.1
Gilt redemptions	139.9	158.6	104.9	109.1	129.9
Total illustrative gross financing requirement	**276.9**	**269.7**	**205.0**	**211.8**	**223.0**

[1] Figures may not sum due to rounding.
[2] Central government net cash requirement (excluding NRAM ltd, Bradford & Bingley, and Network Rail).

Source: Debt Management Office, HM Treasury, and Office for Budget Responsibility.

HM Treasury contacts

This document can be downloaded from www.gov.uk

If you require this information in an alternative 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

Email: public.enquiries@hmtreasury.gov.uk

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