

## Autumn Statement November 2023

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In the Autumn Statement, the Chancellor gives an update on the state of the economy, announcing spending and tax changes and reforms to the economy.

‘The Conservatives will reject big government, high spending and high tax because we know that leads to less growth, not more’ – **Jeremy Hunt, Chancellor of the Exchequer**

‘An Autumn statement for a country that has turned the corner’ – **Jeremy Hunt, Chancellor of the Exchequer**

‘Growth has hit a dead end’ – **Rachel Reeves, Shadow Chancellor**

### Skills Policy

- An extra £50m for a two-year apprenticeship pilot to explore ways to stimulate training in growth sectors and address barriers to entry in high-value standards.
- The minimum hourly wage for an apprentice will increase by 21% to £6.40 from next April.
- There was no announcement on restrictions to level 6 and 7 apprenticeships, despite speculation.

### Economic performance

- The Office for Budget Responsibility (OBR) has significantly downgraded its growth projections for the UK economy in 2024. Forecasts are not in line with the Bank of England’s forecast of zero growth in 2024. The OBR predicts 0.6% growth in 2023, 0.7% in 2024 and 1.4% in 2025.
- BoE Governor Andrew Bailey is concerned about the potential persistence of inflation, and may not reduce interest rates next year from the current 5.25%

This Autumn Statement must be understood in the current economic context. With low growth, close to 100% GDP to debt ratio, and an election likely to take place next year. We live in an era of low growth and little money. Taxes are at a 70-year high, yet public services are strained. The current situation could best be described as claustrophobic. The only way out is through growth.

However, with increased taxes politically impossible, and unfunded tax cuts likely to spook international debt markets, the only route available is technocratic reform.

The Chancellor and the Prime Minister have both publicly declared that they would like to head in the direction of tax cuts. Their ideal would be a big tax giveaway before a General Election. Ironically a stealth tax rise has given the Chancellor headroom to deliver a tax cut. A freeze in the personal income tax allowance has resulted in real terms income tax rises for every taxpayer, improving the fiscal position by £20 billion, and giving the chancellor room for a giveaway.

Jeremy Hunt claimed in his speech that the government is delivering on its three economic priorities of growing the economy, reducing debt and halving inflation.

## Policy

The focus of the Chancellor's statement is about getting people back to work to improve economic growth. He announced 110 different growth measures he believes will help grow the economy. Highlights include:

- Hunt's flagship reform is the permanent extension of 'full expensing'. This allows a company to immediately deduct all of its spending on IT equipment, plant or machinery from taxable profits. The OBR predicts this will boost business investment by 3%. He called this the 'largest business tax cut in modern British history', while the OBR predicts it will increase annual investment by £3 billion a year.
- National insurance has been cut from 12% to 10%.
- Universal Credit and other benefits will increase 6.7% from April.
- The Chancellor unveiled a [Back to Work Plan](#), building on the Spring Budget. This involves an expansion of employment support.
- A near 10% increase in the National Living Wage from £10.42 to £11.44
- £500m to fund further AI innovation centres.
- A range of benefit reforms that the OBR predict will increase the number of people in work by 200,000. This includes reform to the Work Capability Assessment, £1.3 bn over 5 years to help people with health conditions find jobs, £1.3 bn to help 300,000 long term unemployed people find a job including through work placements.
- New devolution deals. Greater Manchester Combined Authority and West Midlands have signed a Memorandum of Understanding for single funding pots. There were new level 3 deals for Greater Lincolnshire, and Hull and East Yorkshire, and two level 2 non-mayoral deals with Lancashire and Cornwall.

## Reaction

### Labour Party

The Labour Party was unsurprisingly critical of the Statement. Shadow Chancellor Rachel Reeves said that 'growth has hit a dead end' and that the 'sun begins to set...on this government'.

The Labour response focussed on the cost of living crisis, and an assessment of the record of the government over the last 13 years, since 2010. She also accused the government of 'pickpocketing working people' through freezes to the income tax personal allowance, which means every income taxpayer is paying more income tax.

### Skills sector

The Association of Colleges is critical of the statement, saying low growth could have been averted through investment in skills.

The Association of School and College Leaders said it 'contained barely a mention of education'

**For any questions, please contact Ciaran Roche, Public Affairs Manager, [croche@aelp.org.uk](mailto:croche@aelp.org.uk)**