AUTUMN STATEMENT 2022

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

November 2022

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Executive summary

The Autumn Statement 2022 comes at a time of significant economic challenge for the UK and global economy. Putin's illegal war in Ukraine has contributed to a surge in energy prices, driving high inflation across the world. Central banks are raising interest rates to get inflation under control, which has pushed up the cost of borrowing for families, businesses and governments. Growth is slowing and the International Monetary Fund (IMF) expects a third of the global economy to fall into recession this year or next.

This comes against a backdrop of higher levels of government debt due to the economic impacts of the COVID-19 pandemic and current energy crisis. Debt interest spending is now expected to reach a record £120.4 billion this year. These factors have contributed to a significant gap opening between the funds the government receives in revenue and its spending.

The government's priorities are stability, growth and public services. Economic stability relies on fiscal sustainability – and the Autumn Statement sets out the government's plan to ensure that national debt falls as a proportion of the economy over the medium term. This will reduce debt servicing costs and leave more money to invest in public services; support the Bank of England's action to control inflation; and give businesses the stability and confidence they need to invest and grow in the UK.

To achieve this aim, the government has reversed nearly all the measures in the Growth Plan 2022. The Autumn Statement sets out further steps on taxation and spending, ensuring that each contributes in a broadly balanced way to repairing the public finances, while protecting the most vulnerable. The government's approach to delivering fiscal sustainability is underpinned by fairness, with those on the highest incomes and making the highest profits paying a larger share.

The Autumn Statement reduces the income tax additional rate threshold from £150,000 to £125,140, increasing taxes for those on high incomes. Income tax, National Insurance and Inheritance Tax thresholds will be maintained at their current levels for a further two years, to April 2028. The government will also reduce the Dividend Allowance and Capital Gains Tax Annual Exempt Amount.

Businesses must also pay their fair share. The Autumn Statement fixes the National Insurance Secondary Threshold at £9,100 until April 2028. The government will implement the OECD Pillar 2 rules, to deliver a global minimum corporate tax rate of 15%. R&D tax credits will be reformed to ensure public money is spent effectively and best supports innovation.

The Autumn Statement sets out reforms to ensure businesses in the energy sector who are making extraordinary profits contribute more. The Energy Profits Levy will be increased by 10 percentage points to 35% and extended to the end of March 2028, and a new, temporary 45% Electricity Generator Levy will be applied on the extraordinary returns being made by electricity generators.

While taking these necessary steps, the government also recognises that businesses are facing significant inflationary pressures. The Autumn Statement sets out a package of targeted support to help with business rates costs worth £13.6 billion over the next 5 years. The business rates multipliers will be frozen in 2023-24, and upward transitional relief caps will provide support

to ratepayers facing large bill increases following the revaluation. The relief for retail, hospitality and leisure sectors will be extended and increased, and there will be additional support provided for small businesses.

The government is taking a balanced approach between revenue raising and spending restraint, whilst protecting vital public services. The Autumn Statement confirms that total departmental spending will grow in real terms at 3.7% a year on average over the current Spending Review period. Within this, departments will identify savings to manage pressures from higher inflation, supported by an Efficiency and Savings Review.

To help get debt falling, for the years beyond the current Spending Review period, planned departmental resource spending will continue to grow, but slower than the economy, at 1% a year in real terms until 2027-28. Total departmental capital spending in 2024-25 will be maintained in cash terms until 2027-28, delivering £600 billion of investment over the next 5 years. This includes maintaining the government's commitments to deliver major infrastructure projects.

While delivering overall spending restraint, the government is prioritising further investment in the NHS and social care, and in schools. Supporting these two public services is the government's priority for public spending.

The Autumn Statement makes up to £8 billion of funding available for the NHS and adult social care in England in 2024-25. This includes £3.3 billion to respond to the significant pressures facing the NHS, enabling rapid action to improve emergency, elective and primary care performance, and introducing reforms to support the workforce and improve performance across the health system over the longer term.

The NHS's performance is closely tied to that of the adult social care system, so the government will also make available up to £4.7 billion in 2024-25 to put the adult social care system in England on a stronger financial footing and improve the quality of and access to care for many of the most vulnerable in our society. This includes £1 billion to directly support discharges from hospital into the community, to support the NHS.

The Autumn Statement announces a real-terms increase in per pupil funding from that committed at Spending Review 2021. The core schools budget in England will receive £2.3 billion of additional funding in each of 2023-24 and 2024-25, enabling schools to continue to invest in high quality teaching and to target additional support to the children who need it most.

The government has taken unprecedented steps to help households deal with rising living costs and the energy crisis in 2022-23. The level of spending seen this year, if sustained over time, would add further upward pressures on inflation and interest rates and risk excessively burdening future generations with higher debt. The Autumn Statement sets out steps to taper the support next year and make it more targeted to those who most need it, while also raising more through levies on energy producers.

The Energy Price Guarantee (EPG) will be maintained through the winter, limiting typical energy bills to £2,500 per year. From April 2023 the EPG will rise to £3,000. With prices forecast to remain elevated throughout next year, this equates to an average of £500 support for households in 2023-24. On top of this, to protect the most vulnerable, in 2023-24 an additional Cost of Living Payment of £900 will be provided to households on means-tested benefits, of £300 to pensioner households, and of £150 to individuals on disability benefits. The government will also raise benefits, including working age benefits and the State Pension, in line with inflation from April 2023, ensuring they increase by over 10%.

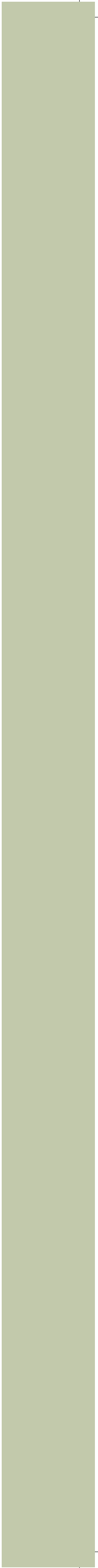
Alongside direct support, the government is setting a national ambition to reduce energy consumption by 15% by 2030, delivered through public and private investment, and a range of cost-free and low-cost steps to reduce energy demand.

Economic growth is the only way to sustainably fund public services, raise living standards and level up the country. The Autumn Statement sets out measures to boost growth and productivity by investing in people, infrastructure, and innovation. These include additional support to increase labour market participation; increasing public investment in infrastructure across this Parliament; delivering planned skills reforms; and supporting R&D by increasing public funding to £20 billion in 2024-25.

The government will ensure that those sectors which have the most potential for growth - such as digital, green technology and life sciences - will be supported through measures to reduce unnecessary regulation and boost innovation and growth. The Autumn Statement also announces the final Solvency II reforms, which will unlock tens of billions of pounds of investment across a range of sectors.

By taking difficult decisions on tax and spending, the Autumn Statement sets out a clear and credible path to get debt falling and deliver the economic stability needed to support long-term prosperity.

Autumn Statement 2022



1 Sustainable public finances

1.1 Sustainable public finances provide the stability and confidence that underpin the economy, supporting businesses and households across the country. By taking the responsible decisions needed to achieve fiscal sustainability, the government is providing the necessary conditions for economic growth.

1.2 The UK economy has been hit by significant global shocks. Putin's weaponisation of gas supplies to Europe pushed prices to record levels, contributing to high inflation and leading the Office for Budget Responsibility (OBR) to forecast a recession that started in Q3 2022.[1] This comes at a time when the economy is recovering from the COVID-19 pandemic. During a period of significant global economic challenges, the UK economy continues to benefit from the underlying strength of its macroeconomic framework. As set out in Chapter 4, the government has affirmed the remit of the Monetary Policy Committee (MPC) of the Bank of England, which is taking action to get inflation under control. The forecasts produced by the OBR support transparency, accountability and credibility.

1.3 The UK's economic and fiscal outlook has deteriorated materially since March 2022. Higher inflation and interest rates, coupled with slower economic growth, have hit the public finances. Difficult decisions are necessary to put the public finances back on to a sustainable footing in the medium term. This is the case across both taxation and public spending, and the government is adopting a balanced approach. Given the scale of the challenge, it is inevitable that everyone will need to play a part in restoring the public finances. In taking these decisions at the Autumn Statement, the government has ensured that the greatest burden falls on those with the broadest shoulders, while supporting vital public services and protecting the most vulnerable in our society. As a result, the OBR forecasts that underlying debt (public sector net debt excluding the Bank of England) will be falling as a share of the economy in 2027-28.[2]

Fiscal sustainability

1.4 Sustainable public finances are a pre-requisite for macroeconomic stability and growth. Unsustainable public finances would lead to higher borrowing costs and dampen economic growth over the long term. If the public finances are on an unsustainable trajectory, larger reductions in public spending or a higher tax burden may be required to repair them.

1.5 A key measure of fiscal sustainability is the trajectory of public debt as a share of GDP. Before accounting for the effect of the measures taken at the Autumn Statement, underlying debt would have been rising by 1.0% of GDP in 2027-28.[3] Ensuring that debt as a share of GDP falls over time allows the government to fund high quality public services while preserving its ability to support households and businesses in the face of economic shocks. Debts cannot continue to grow forever – at some point lenders become concerned that they will not be repaid and choose to lend their money elsewhere. That is why the government is reaffirming

[1] Economic and Fiscal Outlook, Office for Budget Responsibility, November 2022.
[2] Economic and Fiscal Outlook, Office for Budget Responsibility, November 2022.
[3] Economic and Fiscal Outlook, Office for Budget Responsibility, November 2022.

its commitment to ensuring debt falls over the medium term. Several other countries have also reaffirmed their commitment to return to fiscal discipline in the medium term, including reducing debt as a share of GDP.

1.6 In the face of regular, significant shocks and long-term pressures, keeping the debt trajectory under control requires debt to fall as a share of GDP in normal times. The OBR stated that, on average, the UK economy has been hit by a fiscal shock such as a recession every nine years, and a typical recession could add an average of 10 percentage points to the debt-to-GDP ratio.[4] In addition, long-term structural changes, such as an ageing population, pose challenges to the public finances that will materialise over the coming decades.

1.7 Reducing debt as a share of GDP will also help to reduce spending on debt interest, which could otherwise be spent on public services. Higher inflation and rising borrowing costs have increased the amount the government is spending servicing its debt. The OBR expects spending on debt interest to reach £120.4 billion this year, the highest since the late 1940s, both as a share of GDP and as a share of revenue. If debt interest spending were a government department, its departmental budget would be second only to the Department for Health and Social Care. As set out in Chart 1.1, this year the government is expected to spend more than 11% of its revenue on debt interest, the highest level since the 1960s. Compared to March, debt interest spending remains elevated over the medium term. The debt interest to revenue ratio reaches 7.6% in 2026-27, compared to 3.3% as forecast in March for the same year.[5]

1.8 The UK's public finances are exposed to changes in inflation and interest rates, as shown in Chart 1.2. The OBR estimates that the impact of a one percentage point rise in short rates would increase debt interest spending by £7.9 billion in 2026-27.[6] A higher stock of debt means that the sensitivity to gilt rates has also risen. A one percentage point increase in gilt rates could raise debt interest spending by £9.5 billion in 2026-27, compared to £6.0 billion in March 2022. Similarly, a £10.0 billion annual increase in the government's cash requirement could mean debt interest spending rises by £1.6 billion by the end of the forecast.[7]

1.9 The cost of government borrowing has been rising over the course of 2022 in all major advanced economies. The relatively similar increases in 10-year sovereign bond yields over the year-to-date in G7 economies (except for Japan) is consistent with these moves reflecting largely common factors.[8] There was significant repricing in UK government debt during late September. This volatility exposed vulnerabilities in a specific segment of the financial sector, leading to a risk of further dysfunction in the gilt market. In line with its statutory financial stability objective, the Bank of England acted to restore orderly market conditions through the temporary and targeted purchase of long-dated and index-linked UK government bonds. UK yields have fallen since the peaks in late September.

1.10 The Chancellor of the Exchequer welcomed this action in his annual remit and recommendations letter to the Bank of England's Financial Policy Committee (FPC) and reaffirmed the importance of the FPC's primary objective of promoting UK financial stability. The letter set out that, while it might not be reasonable to expect market participants to insure against all market outcomes, it is important that lessons are learned from the recent dysfunction in the gilt market and the vulnerabilities this exposed.

[4] Fiscal Risks and Sustainability Report, Office for Budget Responsibility, July 2022.

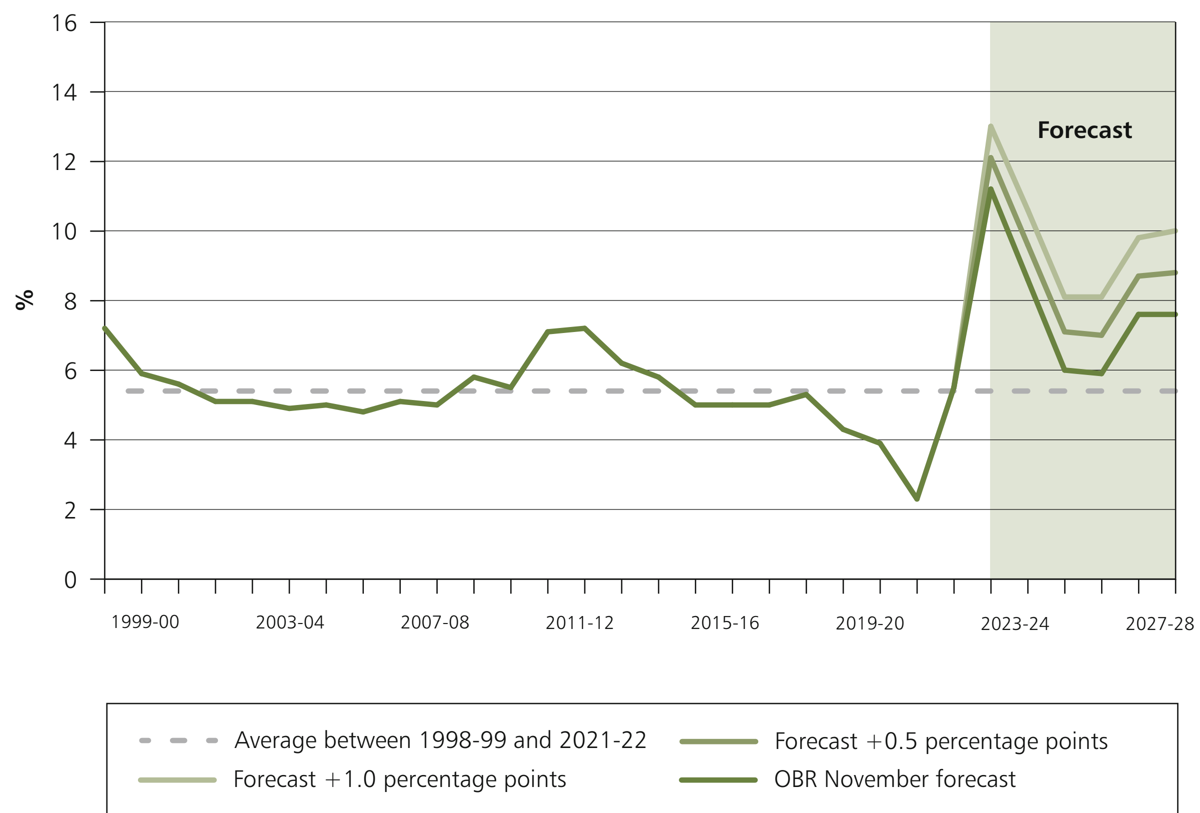
[5] Economic and Fiscal Outlook, Office for Budget Responsibility, March 2022 and Economic and Fiscal Outlook, Office for Budget Responsibility, November 2022.

[6] This rate is applied to the APF loan, Treasury Bills and National Savings and Investment products.

[7] Economic and Fiscal Outlook, Office for Budget Responsibility, November 2022.

[8] 10-year sovereign bond yields for G7 economies, Eikon Refinitiv, as of market close 15 November.

Chart 1.1: Debt interest to revenue ratio with illustrative interest rate and retail price index shocks

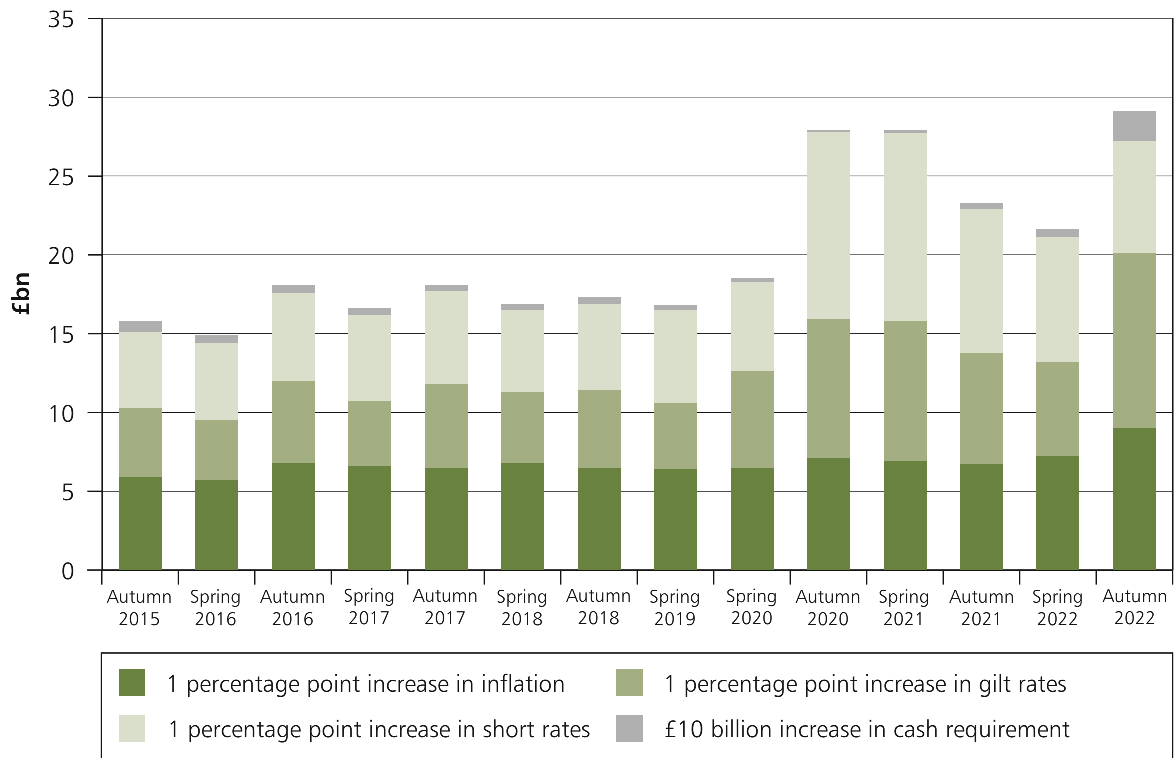


Note: Debt interest to revenue ratio uses net debt interest, calculated as public sector interest paid less property income receivable, which is also deducted from revenue. The shocks are modelled using OBR's debt interest ready reckoner. For illustrative rate and RPI shocks all increases are assumed to take effect at the beginning of 2022-23 and continue throughout the forecast.

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

Public Sector (excluding the Public Sector Banks) interest & dividends paid to the private sector and the rest of the world. ONS code JW2P.
Public Sector (excluding the Public Sector Banks) Current Receipts. ONS code JW2O.
Public Sector (excluding the Public Sector Banks) interest & dividends received from the private sector, the rest of the world and Public Sector Banks. ONS codes JW2L and JW2M.

Chart 1.2: Debt interest sensitivities in the final year of the forecast, by forecast event



Source: Office for Budget Responsibility.

Responsible fiscal strategy

1.11 The government is demonstrating fiscal discipline in the near term which will support the Bank of England in bringing inflation down. This is carefully balanced against the need to support vulnerable households and businesses with their energy bills, and to protect public services. The Energy Price Guarantee lowers the peak of inflation and provides significant support to households this year. As noted by the OBR, the net effect of the government's package supports the economy in the aggregate by "reducing the fall in output when the economy is in recession and unemployment rising".[9]

1.12 Over the forecast, consolidation brings borrowing down and supports the Bank of England in their fight against inflation by ensuring that excessive borrowing does not add to inflationary pressures and push up interest rates further. Box 1A sets out the government's overall fiscal stance which shows that while policy is supportive compared to the OBR's March forecast, decisions at the Autumn Statement ensure fiscal and monetary policy are aligned.

1.13 Taken together with the tax reversals announced since the Growth Plan, decisions at the Autumn Statement ensure debt as a share of GDP is on a sustainable path. The Autumn Statement delivers a consolidation of £55 billion in 2027-28. Decisions to repair the public finances are broadly balanced across tax and spend by the end of the forecast. Autumn Statement policy decisions begin to reduce borrowing from 2024-25, when the economy is in recovery and unemployment begins to fall.

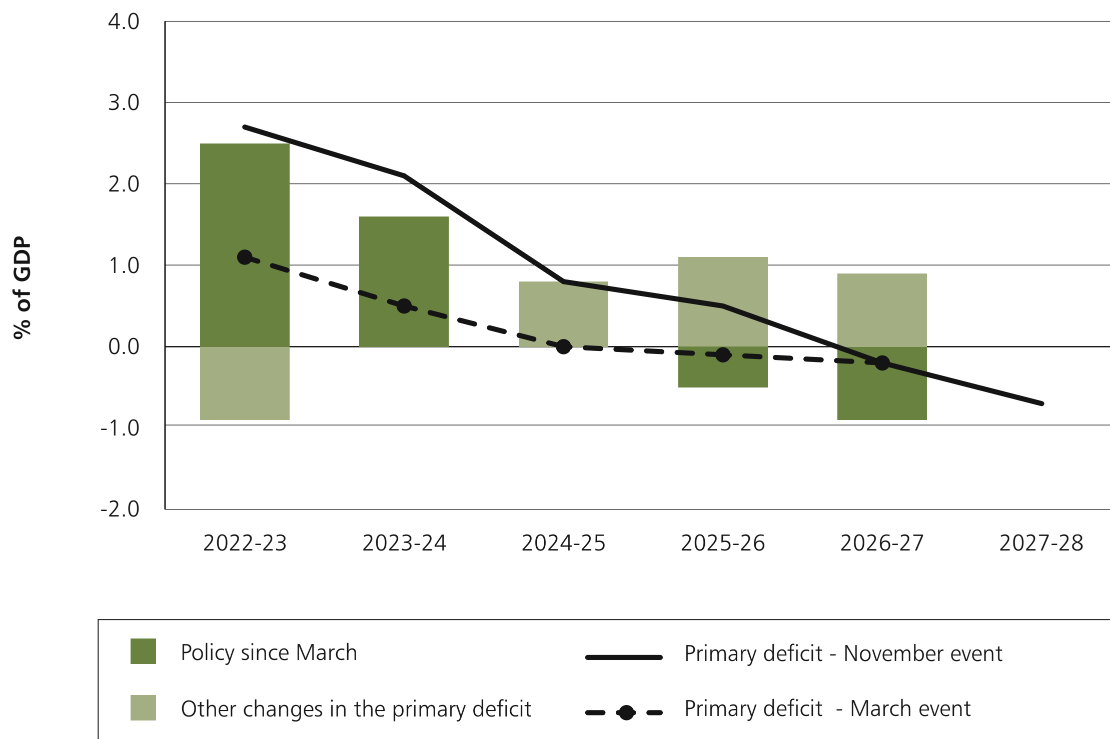
[9] Economic and Fiscal Outlook, Office for Budget Responsibility, November 2022.

Box 1.A: The stance of fiscal policy

Faced with a recession driven by high inflation, it is necessary for fiscal policy to work alongside monetary policy while providing targeted support to households. Untargeted fiscal support would mean the Bank of England need to raise interest rates further in order to bring inflation under control. The fiscal stance measures how fiscal policy is supporting the economy and it can be viewed through the primary deficit, which captures a broad set of factors that affect borrowing (excluding debt servicing costs which typically do not stimulate economic activity).

Chart 1.3 shows that in 2022-23 and 2023-24 fiscal policy has become more supportive compared to March 2022 by 1.6% GDP in 2022-23 and 1.6% GDP in 2023-24. This increase in the primary deficit is primarily driven by energy support, which the OBR expects will also lower the peak of inflation, as well as spending on targeted welfare support. The year-on-year change in the primary deficit is negative, supporting monetary policy in bringing inflation back to target. It is possible to show a 'cyclically-adjusted' measure of the primary deficit but issues around how high inflation affects the fiscal position present challenges in illustrating the fiscal stance this way.

Chart 1.3: Primary Deficit (% of GDP) with changes since March decomposed



Note: The final year of the March OBR forecast was 2026-2027. Therefore there are no changes shown for 2027-28.
Source: Office for Budget Responsibility and HM Treasury calculations.

Table 1.1 shows that near-term policy decisions are more supportive than in March 2022, taking account of energy and cost of living support, but then broadly neutral in 2024-25, with a material tightening from 2025-26. Overall, this leaves policy providing targeted near-term support, before a medium-term consolidation to ensure sustainable public finances.

Table 1.1: Total policy decisions 2022-23 to 2027-28

£bn	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Total policy since March 2022	-64.2	-39.8	+0.6	+14.9	+26.5	+39.4
New policy at Autumn Statement (excluding energy and cost of living support)	+1.3	-2.0	+10.0	+25.7	+41.4	+54.9
New policy at Autumn Statement (including energy and cost of living support[1])	-41.9	-27.1	+9.8	+25.5	+41.2	+54.7

[1] Please refer to Table 5.1 for more detailed breakdowns.

Note: negative numbers represent net support to the economy
Source: HM Treasury

Fiscal rules

1.14 The government's commitment to responsible management of the public finances is codified in new fiscal rules published in the Autumn Statement. The rules ensure that policy puts the public finances on a sustainable path, requiring that debt falls as a share of the economy over the forecast, while providing space for the economy to recover.

1.15 Fiscal rules impose constraints to ensure governments pursue sustainable fiscal policies and help to anchor market expectations. In general, the UK's fiscal rules are designed to guide policy decisions for the length of a Parliament, balancing stability with fiscal policy that reflects the current macroeconomic context and the government's objectives.

1.16 The UK is facing profound global challenges, meaning the context has already shifted significantly since the fiscal rules were last set at Autumn Budget 2021. While the principles behind the government's previous fiscal rules remain, applying them rigidly now would require at least an additional £11.4 billion of spending cuts or higher taxes at this event,[10] on top of the difficult, but necessary, decisions already taken.

1.17 Countries around the world are balancing the need to respond to cost of living pressures against the need to ensure fiscal sustainability. Several countries have reaffirmed their commitments to medium-term fiscal sustainability. In Europe, Germany plans to reimpose their "debt brake" in 2023,[11] which would limit government borrowing, while France has set out commitments to get debt falling over the medium term.[12] The European Commission is consulting on changes to the Stability and Growth Pact, proposing to reintroduce the debt and deficit rules that have been suspended since the COVID-19 pandemic, while allowing member states more time to meet them.[13] Elsewhere, Canada[14] and Australia[15] have reiterated their commitment to reduce the debt-to-GDP ratio over the medium term.

[10] Economic and Fiscal Outlook, Office for Budget Responsibility, November 2022.
[11] German Draft Budgetary Plan 2023, Germany Federal Ministry of Finance, October 2022.
[12] France Draft Budgetary Plan 2023, France Ministry of Economy and Finance, September 2022.
[13] European Commission Communication for fiscal rules reform, November 2022.
[14] Canada Fall Economic Statement, Department of Finance Canada, November 2022.
[15] Australia Budget, 2022-23, Australia Treasury, October 2022.

1.18 Fiscal policy decisions will be guided by updated fiscal rules, which require public sector net debt (excluding the Bank of England) to be falling as a percentage of GDP and public sector net borrowing to be below 3% of GDP by the fifth year of the rolling forecast.

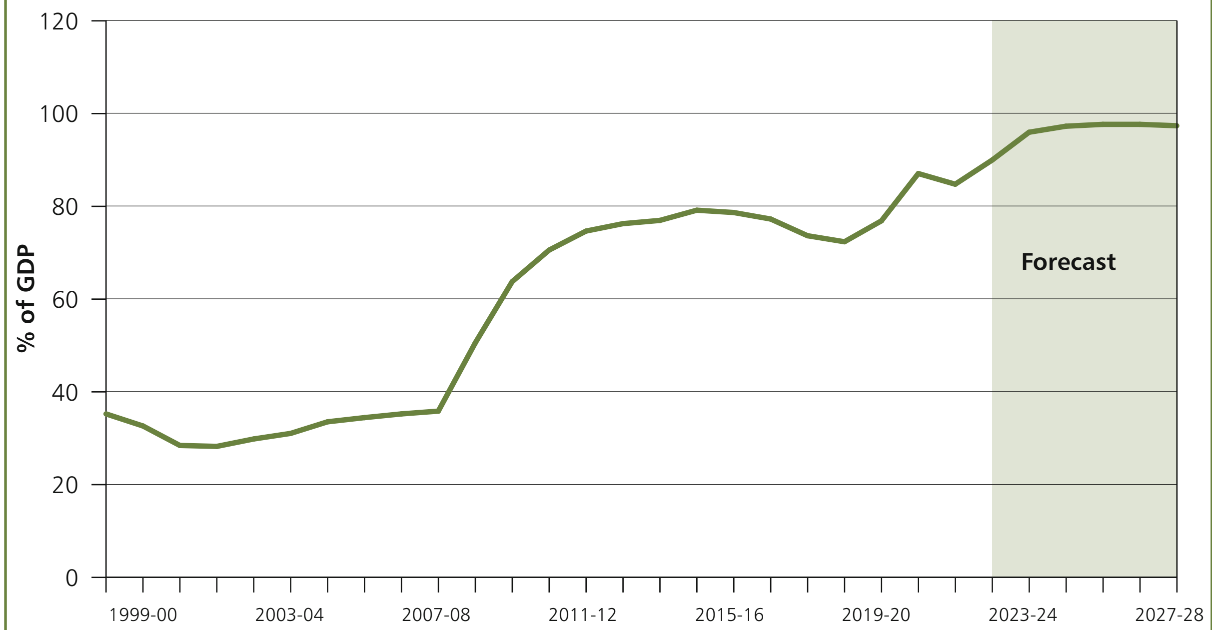
1.19 The debt rule will ensure that future policy decisions maintain the sustainable path achieved at the Autumn Statement. Alongside this, limiting borrowing will ensure debt reduction is delivered sustainably through tax and spend policy. Public sector net borrowing at 3% of GDP is broadly the level of borrowing which keeps debt on a downward trajectory, so a rule to keep borrowing below this level creates a clear path to ensure debt falls over the medium term. Targeting the fifth year of the forecast provides additional space to allow the economy to recover from the recession.

1.20 The government is retaining the welfare cap, which ensures that welfare spending is sustainable. The cap will continue to apply to spending in 2024-25. In accordance with the Charter for Budget Responsibility, the level of the welfare cap and pathway has been adjusted to reflect a fiscally neutral change associated with the increase to the Universal Credit Administrative Earnings Threshold.

1.21 The OBR confirm that the government is on track to meet both fiscal rules, as shown in Chart 1.4 and Chart 1.5. In the target year (2027-28), underlying debt falls to 97.3% of GDP and borrowing falls to 2.4% of GDP. Both rules are also met a year earlier than required. The welfare cap is forecast to be met in 2024-25, with the OBR forecasting welfare spending, subject to the cap, to be £138.2 billion, which is £0.6 billion below the cap.[16] While no longer a formal fiscal rule, policy decisions help to reduce the current budget deficit to just £5.6 billion in 2027-28. This is an important step towards reaching a position where day-to-day spending is funded through tax revenues.

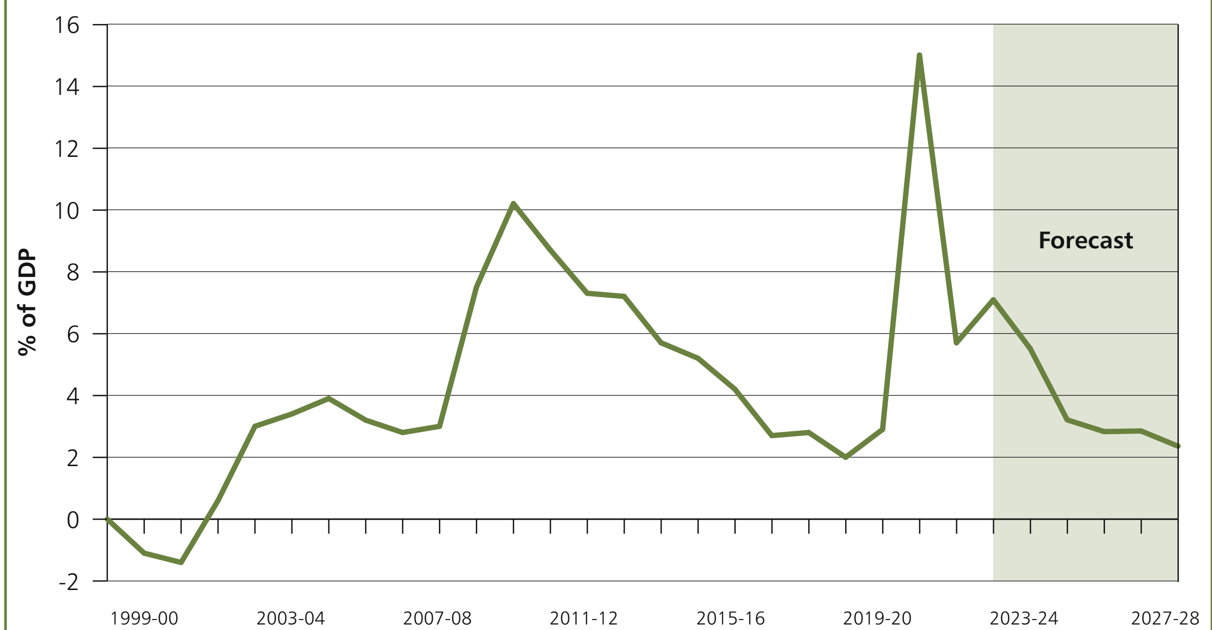
[16] Economic and Fiscal Outlook, Office for Budget Responsibility, November 2022.

Chart 1.4: Public sector net debt (excluding the Bank of England)



Source: Office for National Statistics (ONS code: CPOA) and Office for Budget Responsibility.

Chart 1.5: Public sector net borrowing



Source: Office for National Statistics (ONS code: J5IJ) and Office for Budget Responsibility.

1.22 The rules are met with a buffer ("headroom") of £9.2 billion against the debt rule and £18.6 billion against the borrowing rule in the target year. Headroom increases the resilience of fiscal plans, as it avoids the need to adjust policy if the forecast deteriorates, but the level needs to balance implications for public services, taxes and the economy. OBR analysis highlights that the headroom to underlying debt falling could be wiped out by a 0.4 percentage point increase in interest rates at all maturities, or equally would be doubled by a 0.4 percentage point fall.[17]

1.23 The fiscal rules are published in an updated Charter for Budget Responsibility alongside the Autumn Statement.

1.24 The Charter retains the commitment to consider wider data on the strength of the public sector balance sheet, including broader fiscal indicators such as public sector net worth. To ensure effective management of public sector assets and liabilities, an integral part of fiscal sustainability, the government will undertake periodic reporting on how it is managing them. This will set out the government's objectives across the balance sheet, and how departments are delivering efficiencies through better management of their assets and liabilities. This builds on the Balance Sheet Review report published in 2020.[18] The government will look to publish the first report by the end of 2024.

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[17] Economic and Fiscal Outlook, Office for Budget Responsibility, November 2022.

[18] The Balance Sheet Review Report: Improving public sector balance sheet management, HM Treasury, November 2020.

2 Taking Responsible Decisions

2.1 Delivering sustainable public finances requires difficult but unavoidable decisions on tax and public spending. The Autumn Statement sets out a fiscally responsible path to getting debt falling as share of the economy, protecting vital public services and prioritising the needs of the most vulnerable.

Taxation

2.2 The government has taken steps to help households with the rising cost of living through the tax system in the short term. In July, the threshold at which workers start paying National Insurance contributions (NICs) was raised from £9,880 to £12,570, and in November the Health and Social Care Levy was reversed, saving almost 30 million workers an average of £480 in total in 2023-24.

2.3 In light of the deterioration in the economic outlook since the Spring, the government must now take further action to return the public finances to a sustainable path.

2.4 Having concluded that now is not the right time to proceed with a package of tax cuts, the government has already confirmed the reversal of the majority of the tax measures set out in the Growth Plan. Taken together with maintaining the basic rate of income tax at 20% these changes are estimated to raise £34 billion per year.

2.5 As previously confirmed, the planned increase in the Corporation Tax rate to 25% for companies with over £250,000 in profits will go ahead. This will still be the lowest rate in the G7 ensuring the UK remains strongly competitive internationally. The Corporation Tax rise in April 2023 will only affect the most profitable companies because of the Small Profits Rate. The additional rate of income tax will now not be removed, and the basic rate of income tax will be maintained at 20%.

2.6 Going forward, the fairest way to restore the public finances is to ask everyone to contribute a little, with those on the highest incomes and those making the highest profits paying a larger share.

2.7 The Autumn Statement takes steps towards this. The government will decrease the additional rate threshold from £150,000 to £125,140 from 6 April 2023. The government is also fixing other personal tax thresholds within income tax, NICs and Inheritance Tax for an additional 2 years, until April 2028. Those in the highest income households will contribute more.

2.8 A fair tax system also ensures that individuals doing similar work pay a similar amount of tax, and that those with unearned income also contribute. The Autumn Statement reduces the generosity of the Dividend Allowance and the Capital Gains Tax Annual Exempt Amount. The Personal Allowance will generally be available in addition to the reduced Dividend Allowance and Capital Gains Tax Annual Exempt Amount.

2.9 The tax system should continue to adapt to reflect consumer behaviour. Reflecting the success of the transition to electric vehicles, the government will therefore introduce Vehicle Excise Duty on electric cars, vans and motorcycles from April 2025. This will ensure that all motorists begin to pay a fairer tax contribution.

2.10 The Autumn Statement ensures that businesses making extraordinary profits due to external factors contribute more. This includes those in the oil and gas sector. The government is therefore extending the Energy Profits Levy to the end of March 2028, and increasing its rate by 10 percentage points to 35% from 1 January 2023.

2.11 The government will consult stakeholders over the coming months as part of a review of the UK's long-term tax treatment of the North Sea after the Energy Profits Levy ceases, to ensure the regime delivers predictability and certainty, supporting investment, jobs and the country's energy security.

2.12 The structure of our energy market means high oil and gas prices are driving up the cost of otherwise cheap low-carbon electricity in the UK. The government will introduce a new, temporary 45% Electricity Generator Levy on these extraordinary returns from 1 January 2023. This will help fund government support for energy bills and vital public services.

2.13 It is fair that all businesses contribute to restoring the public finances. The Autumn Statement maintains the NICs Secondary Threshold for employers at £9,100 until April 2028 and the VAT registration threshold at £85,000 for two years from April 2024.

2.14 As part of the ongoing review of the R&D reliefs, the government is reforming the reliefs to ensure taxpayers' money is spent as effectively as possible by rebalancing rates. These changes will help to support fiscal sustainability by raising revenue and reducing fraud and error, without materially changing the levels of R&D expenditure over the forecast period. The government remains committed to supporting R&D, and the amount of support provided to innovative businesses through R&D tax reliefs is forecast to increase.

2.15 Whilst businesses have their part to play in returning the public finances to a sustainable path, the government is committed to supporting small businesses and the high street. 70% of actively trading companies will not see an increase in the rate of Corporation Tax they pay due to the Small Profits Rate, and 40% of employers will not be affected by decisions on the threshold for employer NICs due to the Employment Allowance.[19] It is fair that the largest employers pay the most.

2.16 The government is going further to support businesses and the high street by reducing the burden of business rates, providing £13.6 billion of support for businesses over the next 5 years. This includes freezing the multipliers, increasing relief for retail, hospitality and leisure to 75%, and reforming transitional relief on the revaluation by exchequer funding the scheme and abolishing downward caps. This builds on the government's existing commitment to reform the business rates system by delivering more frequent revaluations, which will ensure rates better reflect current market values.

2.17 To support businesses to invest and grow, the government is setting the Annual Investment Allowance (AIA) at its highest ever permanent level of £1 million from 1 April 2023. This amounts to full expensing for an estimated 99% of UK businesses, which means that those businesses can write off the cost of qualifying plant machinery investment in one go. A permanent increase provides businesses with stability and makes tax simpler for any business investing between £200,000 and £1 million.

2.18 The government's action to repair the public finances will be supported by a package of measures to tackle tax avoidance, evasion, and wider non-compliance. This will raise an estimated £1.7 billion over the next 5 years.

[19] HMRC analysis of Employer NICs Liabilities.

2.19 The government will also implement the OECD Pillar 2 rules for a global minimum corporate tax rate, for accounting periods beginning on or after 31 December 2023. This will protect the UK tax base against aggressive tax planning and reinforce the competitiveness of the UK, raising £2.3 billion a year by 2027-28.

Public spending

2.20 While increasing tax revenues, the government is taking a responsible and disciplined approach to public spending which prioritises vital public services and infrastructure to drive economic growth.

2.21 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. The Autumn Statement confirms that departmental DEL budgets will be maintained at least in line with the budgets set at the Spending Review.

2.22 At Spending Review 2021, departments were also provided with funding to cover employer costs of the Health and Social Care Levy. As the Levy is no longer being introduced as a separate tax from April 2023 and departments will not face these additional costs, their budgets have been adjusted to remove this compensation.

2.23 To keep spending focused on the government's priorities and help manage pressures from higher inflation, government departments will continue to identify efficiency savings in day-to-day budgets. To support departments to do this, the government is launching an Efficiency and Savings Review. This will include reprioritising spending away from lower-value and low-priority programmes, and reviewing the effectiveness of public bodies.

2.24 The Chief Secretary to the Treasury and the Minister for the Cabinet Office will work with all the cross-cutting government functions and departments to drive up professional standards, accelerate progress on innovation and automation, and further reduce waste and duplication. The government will report on progress with the Review in the spring.

2.25 To ensure key public services continue to deliver, the government is prioritising further funding to support the healthcare system and schools. As a result of this targeted additional funding, total departmental spending (total DEL) will grow in real terms at 3.7% a year on average over this Spending Review period.

2.26 Protecting existing capital plans means public sector net investment as a proportion of GDP will average 2.5% over the forecast period, delivering over £600 billion of planned public sector gross investment over the next 5 years.

Table 2.1: Resource DEL (RDEL) excluding depreciation

£ billion (current prices)	Outturn[1] 2021-22	Plans 2022-23	Plans 2023-24	Plans 2024-25
Resource DEL excluding depreciation				
Health and Social Care	144.1	168.2	176.2	180.4
of which: NHS England	*133.7*	*152.6*	*160.4*	*165.9*
Education	70.1	77.1	81.2	82.6
of which: core schools	*49.8*	*53.8*	*57.3*	*58.8*
Home Office	14.4	14.6	15.4	15.5
Justice	8.5	9.4	9.8	10.0
Law Officers' Departments	0.7	0.8	0.8	0.8
Defence	31.7	32.1	31.9	32.0
Single Intelligence Account	2.5	2.6	2.3	2.4
Foreign, Commonwealth and Development Office	7.5	8.2	7.8	7.7
DLUHC Local Government	10.7	11.8	15.7	15.3
DLUHC Levelling Up, Housing and Communities	2.6	3.1	2.1	2.1
Transport	3.2	8.3	6.8	5.7
Business, Energy and Industrial Strategy[2]	2.4	2.6	2.7	2.6
Digital, Culture, Media and Sport	1.6	2.0	1.6	1.6
Environment, Food and Rural Affairs	4.1	4.5	4.3	4.2
International Trade	0.5	0.6	0.5	0.5
Work and Pensions	5.7	8.4	8.0	7.1
HM Revenue and Customs	4.6	5.9	5.6	4.6
HM Treasury	0.4	0.4	0.3	0.3
Cabinet Office	0.9	0.7	0.5	0.4
Scotland[3]	32.5	35.3	36.5	36.9
Wales[4]	13.7	15.2	15.9	15.6
Northern Ireland	12.5	13.4	13.5	13.6
Small and Independent Bodies	2.4	2.4	2.4	2.4
UK Shared Prosperity Fund	-	-	0.6	1.3
Reserves	-	10.7	13.9	12.9
Total Resource DEL excluding depreciation, ringfenced COVID-19 and energy support funding in DEL	**377.2**	**438.3**	**456.2**	**458.6**
Ringfenced COVID-19 funding	74.6	-	-	-
Energy support funding in DEL[2]	-	13.9	-	-
Total Resource DEL excluding depreciation	**451.8**	**452.2**	**456.2**	**458.6**
Allowance for Shortfall	-	-2.4	-3.7	-3.6
Total Resource DEL excluding depreciation, post allowance for shortfall	**451.8**	**449.8**	**452.6**	**455.0**

[1] 2021-22 figures reflect outturn in Public Expenditure Statistical Analysis (PESA), adjusted for provisional estimates of core spending. For devolved administrations, figures represent the Barnett consequentials of departmental COVID-19 funding less the element they carried forward from 2021-22 into 2022-23.

[2] The Department for Business, Energy and Industrial Strategy plans in 2022-23 exclude £11.8 billion of funding for Energy Bills Support Scheme, £2.0 billion of funding for the Expected Credit Loss from the Bulb Special Administration Regime, and £79 million of funding for Alternative Fuel Payments for businesses.

[3] Resource DEL excluding depreciation is before adjustments for tax and welfare devolution.

[4] Resource DEL excluding depreciation is after adjustments for tax devolution.

Table 2.2: Departmental Capital Budgets - Capital DEL (CDEL)

£ billion (current prices)	Outturn 2021-22[1]	Plans 2022-23	Plans 2023-24	Plans 2024-25
Capital DEL				
Health and Social Care	9.0	12.0	11.7	12.6
Education	4.7	6.3	7.0	6.1
Home Office	0.9	1.2	1.0	1.1
Justice	1.4	1.7	2.3	1.5
Law Officers' Departments	0.0	0.1	0.0	0.0
Defence	14.2	19.5	16.5	16.6
Single Intelligence Account	0.9	1.2	1.2	1.2
Foreign, Commonwealth and Development Office	1.7	2.6	3.6	4.1
DLUHC Levelling Up, Housing and Communities	6.2	9.5	6.9	6.8
Levelling Up Fund	-	0.9	1.4	1.4
Transport	19.0	19.9	19.9	20.5
Business, Energy and Industrial Strategy[2]	20.7	17.8	20.8	21.2
Digital, Culture, Media and Sport	0.5	0.8	1.1	1.2
Environment, Food and Rural Affairs	1.4	2.1	3.0	2.9
International Trade	0.0	0.0	0.0	0.0
Work and Pensions	0.3	0.8	0.6	0.5
HM Revenue and Customs	0.7	0.7	0.6	0.5
HM Treasury	0.0	0.0	0.0	0.0
Cabinet Office	0.3	1.1	1.2	2.7
Scotland	5.1	7.2	5.9	5.6
Wales	3.0	3.3	3.0	2.9
Northern Ireland	1.8	2.1	2.0	1.8
Small and Independent Bodies	0.3	0.4	0.5	0.7
UK Shared Prosperity Fund	-	-	0.1	0.2
Reserves	-	4.1	3.3	3.2
Adjustment for Budget Exchange	-	-2.4	-	-
Total Capital DEL excluding ringfenced COVID-19 funding and energy support funding in DEL	**92.1**	**112.8**	**113.6**	**115.2**
Memo: Total Capital DEL excluding ringfenced COVID-19, energy support, and intragovernmental leases[3]	*93.0*	*106.9*	*111.5*	*111.9*
Ringfenced COVID-19 funding	0.9	-	-	-
Energy support funding in DEL[2]	-	5.5	-	-
Total Capital DEL	**93.0**	**118.3**	**113.6**	**115.2**
Remove Capital DEL not in PSGI[4]	-16.0	-19.5	-10.3	-12.3
Allowance for Shortfall	-	-9.9	-8.8	-8.2
Public Sector Gross Investment in Capital DEL	**77.0**	**88.8**	**94.4**	**94.7**

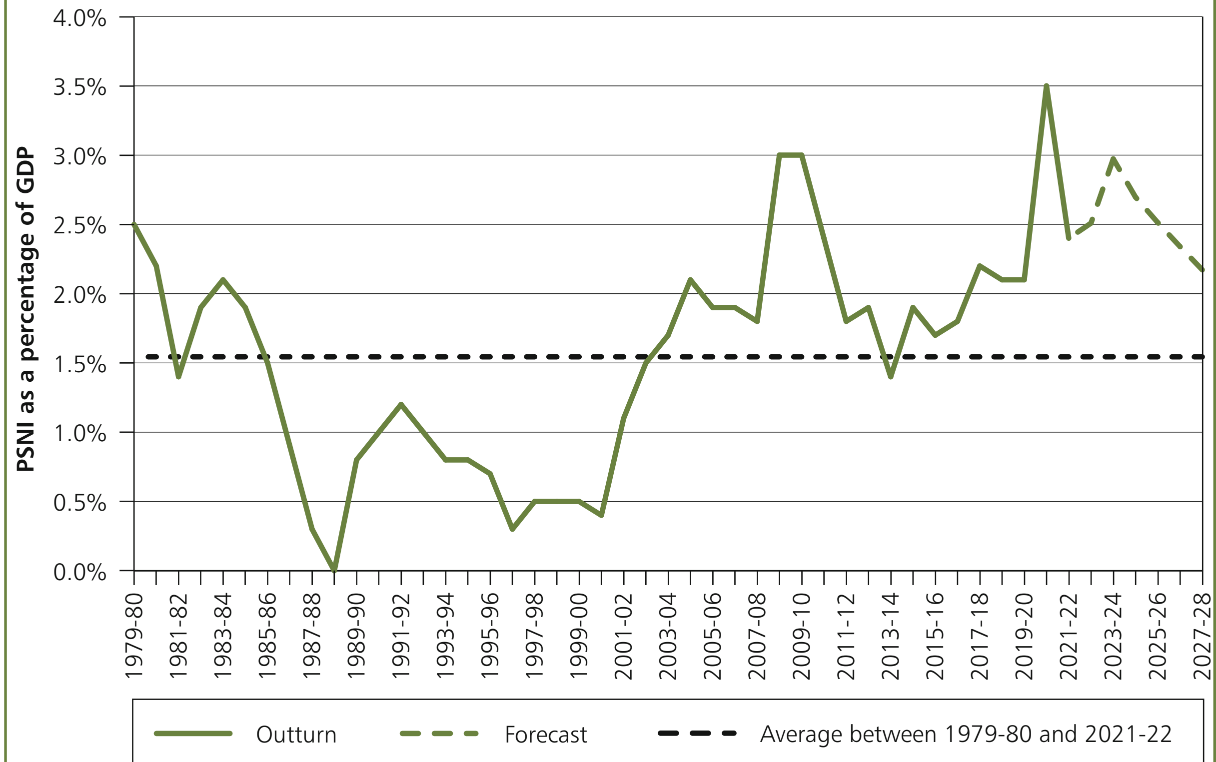
[1] 2021-22 figures reflect outturn in PESA, adjusted for provisional estimates of core spending. For devolved administrations, figures represent the Barnett consequentials of departmental COVID-19 funding less the element they carried forward from 2021-22 into 2022-23.

[2] Reflects Bulb Special Administration Regime - costs up to December 2022.

[3] Following the reclassification of IFRS16, total Capital DEL has been increased to reflect intragovernmental and non-property leases. This increase does not impact Public Sector Gross Investment.

[4] 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.

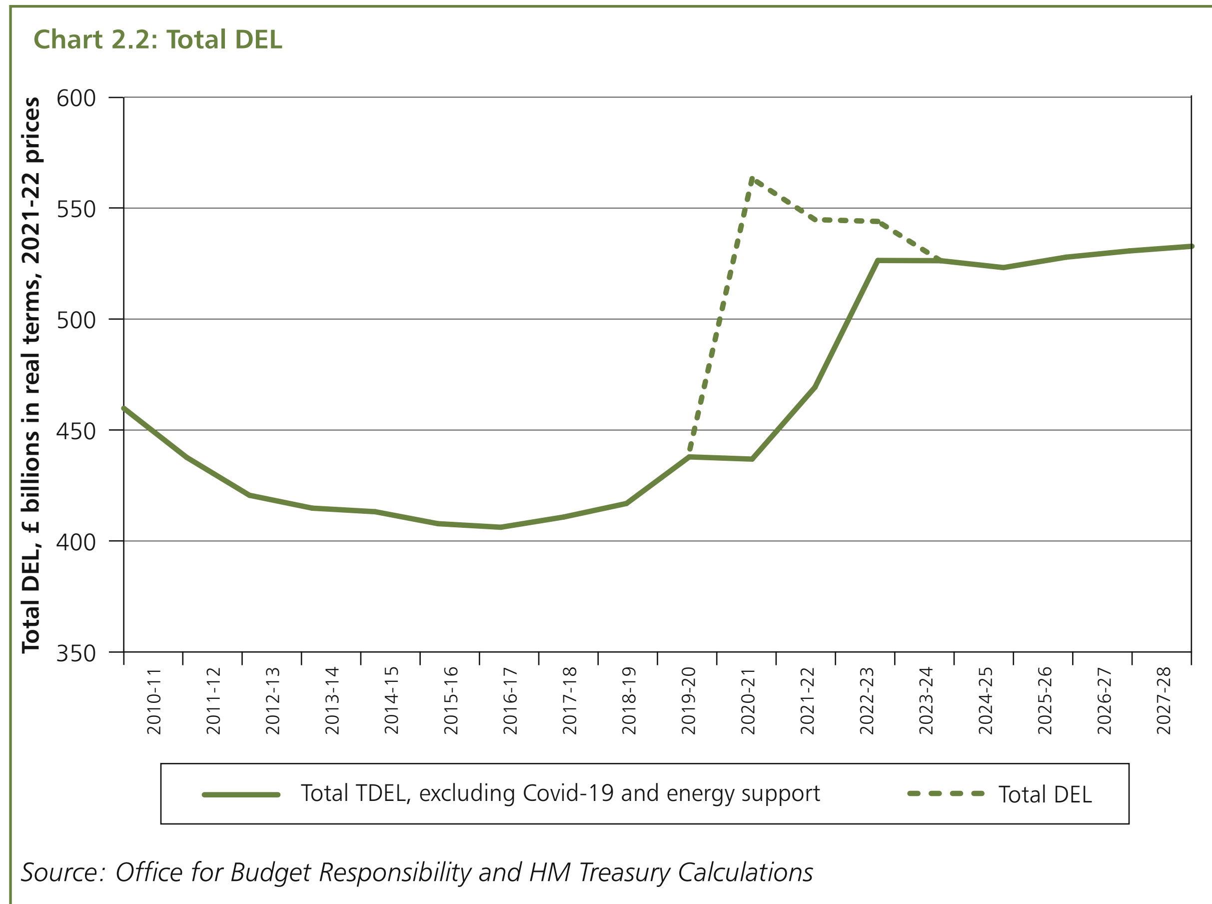
Chart 2.1: Public Sector Net Investment (PSNI) relative to historic average



Source: Office for National Statistics (MUB2), Office for Budget Responsibility and HM Treasury calculations.

2.27 As part of the OBR forecast process, the government also provides an assumption for the future path of departmental spending. After this Spending Review period, departmental resource spending will grow at 1% a year in real terms. Departmental capital spending will continue at the same level in cash terms. As a result, total departmental spending will be over £90 billion higher in real terms by 2027-28 than it was at the start of this parliament (2019-20). DEL budgets beyond 2024-25 will be set at the next Spending Review.

Chart 2.2: Total DEL



Source: Office for Budget Responsibility and HM Treasury Calculations

2.28 Total Managed Expenditure (TME) is the total amount of money that the government spends through departments, local authorities, other public bodies and social security. TME as a share of the economy has increased since 2019-20 and is forecast to fall in each year of the forecast period as illustrated in Table 2.3.

Table 2.3: Total Managed Expenditure (TME)

£ billion (current prices)	Outturn 2021-22	Plans 2022-23	Plans 2023-24	Plans 2024-25	Plans 2025-26	Plans 2026-27	Plans 2027-28
Current Expenditure							
Resource AME	461.7	581.3	578.3	559.4	570.7	600.6	617.6
Resource DEL excluding depreciation[1]	451.8	452.2	456.2	458.6	466.5	476.6	490.1
of which: COVID-19 funding	*74.6*	-	-	-	-	-	-
Ringfenced depreciation	24.4	28.6	29.2	29.6	30.0	30.7	31.5
Total Public Sector Current Expenditure	**937.9**	**1062.1**	**1063.6**	**1047.6**	**1067.1**	**1107.8**	**1139.2**
Capital Expenditure							
Capital AME	16.6	1.5	21.6	17.5	16.5	16.3	16.7
Capital DEL[1]	93.0	118.3	113.6	115.2	115.6	115.6	115.2
Total Public Sector Gross Investment	**109.6**	**119.8**	**135.1**	**132.8**	**132.1**	**131.9**	**131.9**
Total Managed Expenditure	**1047.5**	**1181.9**	**1198.8**	**1180.3**	**1199.2**	**1239.7**	**1271.1**
Total Managed Expenditure % of GDP	*44.7%*	*47.3%*	*47.2%*	*44.9%*	*44.2%*	*44.0%*	*43.4%*
of which Total DEL	*544.8*	*570.5*	*569.8*	*573.8*	*582.1*	*592.2*	*605.3*

[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.

2.29 As a result of the government's tax and spending decisions, devolved administration funding is increasing by around £3.4 billion over 2023-24 and 2024-25 through the Barnett formula and agreed tax and welfare Block Grant Adjustments. This comprises around £1.5 billion for the Scottish Government, £1.2 billion for the Welsh Government and £650 million for the Northern Ireland Executive.

2.30 Some policy measures do not directly affect Public Sector Net Borrowing (PSNB) in the same way as conventional spending or taxation. These include financial transactions, which predominantly affect the central government net cash requirement (CGNCR) and Public Sector Net Debt (PSND). Table 2.4 shows the effect of the financial transactions announced since Spring Statement 2022 on PSND.

Table 2.4: Financial Transactions from 2022-23 to 2027-28

£ million	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	AME/DEL
Support for Mortgage Interest: reduce wait period from 9 to 3 months and abolish the zero earnings rule	0	-50	-60	-75	-85	-95	AME
Extending student finance eligibility to individuals on Ukraine visa routes from 1 August 2022	-10	-35	-60	-70	-60	-45	AME
Additional student finance costs associated with the Artificial Intelligence Scholarship Scheme	0	-5	-5	-5	0	0	AME
Additional student finance costs associated with the National Validation Scheme	0	*	-5	-5	-5	-5	AME
Total policy decisions	**-10**	**-90**	**-130**	**-155**	**-150**	**-145**	

2.31 Public sector pay is a significant proportion of government departments' resource DEL budgets. It is important that pay awards deliver value for the taxpayer whilst also recognising the vital importance of public sector workers. For 2022-23, the government accepted the pay recommendations of the independent Pay Review Bodies for the NHS, teachers, police and the armed forces. This delivered the highest uplifts in nearly twenty years, with most awards targeted towards the lower paid. The government is seeking recommendations from Pay Review Bodies where applicable for pay awards for 2023-24.

2.32 The State Pension age is legislated to increase over the next 25 years. There is currently a Review of the State Pension age being carried out which is considering whether the existing timetable remains appropriate. The Secretary of State for Work and Pensions will publish the government's Review of the State Pension age in early 2023. The Review will need to carefully balance important factors, including fiscal sustainability, the economic context, the latest life expectancy data and fairness both to pensioners and taxpayers.

Protecting vital public services

2.33 In ensuring sustainable public spending, the government's focus is on protecting vital public services, prioritising the needs of low-income households and levelling up the country.

2.34 The government recognises that the NHS is under significant pressure, including from the ongoing recovery from the impact of the pandemic. The Autumn Statement therefore makes up to £8 billion of funding available for the NHS and adult social care in England in 2024-25. As part of this, the government is investing an additional £3.3 billion in each of 2023-24 and 2024-25 to support the NHS in England, enabling rapid action to improve emergency, elective and primary care performance towards pre-pandemic levels.

2.35 The NHS will publish full recovery plans for the urgent and emergency care and primary care systems including interim milestones in the new year. These plans will set out detailed ambitions for recovery to deliver:

- improved ambulance response times for Category 2 incidents to 30 minutes on average over 2023-24, with further improvement towards pre-pandemic levels in 2024-25
- year-on-year improvements in A&E waiting times over 2023-24 and 2024-25
- improved access to general practice, so that everyone who needs an appointment with their GP practice can get one within two weeks, and those who need an urgent appointment can get one on the same day

2.36 The NHS will continue to deliver the Elective Recovery plan published in February, and will explore further options to enable patients to make genuine choices about where to access their care from any provider - private sector or NHS - which meets NHS standards and NHS prices at both the point of GP referral and later in the pathway. This choice will be supported by radically increasing patient information, data transparency and regular monitoring of patient choice uptake.

2.37 The government will continue with the New Hospital Programme to deliver healthcare more efficiently, and will introduce measures to support and grow the workforce and improve performance across the health system, including:

- ensuring the NHS has the workforce it needs for the future, including publishing a comprehensive workforce plan next year. This will include independently-verified forecasts for the number of doctors, nurses and other professionals that will be needed in 5, 10 and 15 years' time, taking full account of improvements in retention and productivity
- further measures to support greater local decision making and freedom for healthcare professionals to do their job. This will include commissioning an independent review by Patricia Hewitt into how best the new Integrated Care Boards can work with appropriate autonomy and accountability

2.38 The NHS performance also relies on the adult social care system, so the government will make available up to £2.8 billion in 2023-2024 in England and £4.7 billion in 2024-2025 to help support adult social care and discharge. This includes £1 billion of new grant funding in 2023-24 and £1.7 billion in 2024-25, further flexibility for local authorities on council tax and, having heard the concerns of local government, delaying the rollout of adult social care charging reform from October 2023 to October 2025.

- £600 million will be distributed in 2023-24 and £1 billion in 2024-25 through the Better Care Fund to get people out of hospital on time into care settings, freeing up NHS beds for those that need them

- £1.3 billion in 2023-24 and £1.9 billion in 2024-25 will be distributed to local authorities through the Social Care Grant for adult and children's social care
- £400 million in 2023-24 and £680 million in 2024-25 will be distributed through a grant ringfenced for adult social care which will also help to support discharge

2.39 Together with continued investment across the sector, including in training and technology, this will put the adult social care system on a stronger financial footing and improve the quality of and access to care for many of the most vulnerable in our society.

2.40 The government will also redouble its commitment to support schools, enabling school leaders to continue investing in the areas that positively impact educational attainment. The government will increase per pupil funding committed to at Spending Review 2021 in real terms, helping schools to continue to deliver a high-quality education for children and young people.

2.41 The core schools budget in England will receive an additional £2.3 billion of funding in 2023-24 and £2.3 billion in 2024-25. After adjusting Spending Review 2021 budgets down to account for the removal of the compensation for employer costs of the Health and Social Care Levy, this brings the core schools budget to a total of £58.8 billion in 2024-25, £2 billion greater than published at Spending Review 2021. This restores 2010 levels of per pupil funding in real terms and provides an average cash increase for every pupil of more than £1,000 by 2024-25, compared to 2021-22.

Prioritising vulnerable people

2.42 In response to global high inflation and rising energy prices, the government is providing support for families across the UK this winter through the Energy Price Guarantee (EPG), which places a limit on the price households pay per unit of gas and electricity. In line with the Chancellor of the Exchequer's announcement on 17 October, the government has reviewed the energy support available from April 2023 to design a new approach that is expected to cost the taxpayer less while targeting support on those most in need. The government will adjust the EPG so that a typical household will pay £3,000 per year (up from the current £2,500 per year) from April 2023 to end of March 2024, saving £14 billion of government spending.[20]

2.43 The government will keep the EPG under review and may revisit the parameters of the scheme, for example if the forecast cost increases significantly. The government will consult on amending the scheme as soon as is feasible after April 2023 so that those who use very large volumes of energy have their state support capped, whilst the vast majority of households can continue to benefit. This proposal is intended to ensure taxpayers do not subsidise all of the energy usage of those households with extremely high usage. This consultation will explore the best ways to ensure that vulnerable high energy users, such as those with medical requirements are not put at risk.

2.44 The government will also develop a new approach to consumer protection in energy markets, which will apply from April 2024 onwards. It will work with consumer groups and industry to consider the best approach, including options such as social tariffs, as part of wider retail market reforms. The objectives of this new approach will be to deliver a fair deal for consumers, ensure the energy market is resilient and investable over the long-term, and support an efficient and flexible energy system.

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[20] This figure represents the change in the estimated cost of the Energy Price Guarantee in fiscal year 2023-24 resulting from the adjustment in the Energy Price Guarantee. Prior to the adjustment, the Energy Price Guarantee was estimated to cost £27 billion in 2023-24.

2.45 The government will double to £200 the level of support for households that use alternative fuels, such as heating oil, liquified petroleum gas, coal or biomass, to heat their homes. This support will be delivered as soon as possible this winter. The government will provide this payment to all Northern Ireland households in recognition of the prevalence of alternative fuel usage in Northern Ireland.

2.46 The government will target support on the most vulnerable households, providing households on means-tested benefits with an additional £900 Cost of Living payment in 2023-24. Pensioner households will receive an additional £300 Cost of Living payment, and individuals on disability benefits will receive an additional £150 Disability Cost of Living payment in 2023-24. The Department for Work and Pensions, and HM Revenue and Customs will provide further detail on timing of the payments and eligibility in due course.

2.47 In addition, the government is protecting the most vulnerable in society by increasing benefits in line with inflation, measured by September CPI which is 10.1% this year. As a result of uprating both working age and pension benefits around 19 million families will see their benefit payments increase from April 2023.[21] The benefit cap will also be raised in line with inflation in April 2023, so that more households will benefit from uprating.

2.48 The State Pension will be uprated by inflation, in line with the commitment to the Triple Lock. The standard minimum income guarantee in Pension Credit will also increase in line with inflation from April 2023 (rather than in line with average earnings growth). This will ensure pensioners on the lowest incomes are protected from inflation and do not lose some of their State Pension increase in the Pension Credit means test.

2.49 The government remains committed to tackling low pay. From 1 April 2023, the government will increase the National Living Wage (NLW) by 9.7% to £10.42 an hour, for those aged 23 and over. This is in line with the ambitious target for the NLW to reach two-thirds of median earnings by 2024, and for the age threshold to be lowered to those aged 21 and over. This represents an increase of over £1,600 to the annual earnings of a full-time worker on the NLW, and is expected to benefit over 2 million low paid workers.

2.50 The government is also supporting people in social housing in England with the cost of living by limiting the increase in their rents. Under current rules, rents could have risen by up to 11.1% – but now they will only be able to rise by a maximum of 7% in 2023-24. This will save the average tenant in the social rented sector £200 next year and will generate an overall saving to government of around £630 million over 5 years.

2.51 To support mortgage borrowers with rising interest rates during periods of low-income, from spring 2023, the government will allow those on Universal Credit to apply for a loan to help with interest repayments after three months, instead of nine. The government will also abolish the zero earnings rule to allow claimants to continue receiving support while in work and on Universal Credit.

The UK in the wider world

2.52 The government has committed to return 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.

[21] Benefit Up-rating – Estimated number and type of GB families and individuals in families benefitting from the up-rating of benefits in 2023-24, 17 November 2022.

2.53 Reflecting a significant shock to the economy and public finances, the independent OBR's forecasts show that the principles for a return to 0.7% GNI confirmed by Parliament in 2021 have not been met. The UK remains a champion for international development as well as a leading donor. Last year the UK spent over £11 billion as ODA, making it the third largest G7 donor as a proportion of GNI.

2.54 Over the past 12 months the government has acted decisively and compassionately to support the people of Ukraine and Afghanistan to escape oppression and conflict and find refuge in the UK. The government is providing additional resources of £1 billion in 2022-24 and £1.5 billion in 2023-24 to help meet the significant and unanticipated costs which have been incurred.[22]

2.55 The government recognises the vital importance of defence, as our record investment in 2020 and our unwavering support to Ukraine has shown. The Autumn Statement reconfirms the government's commitment that defence spending will not fall below 2% of GDP. Russia's unjustified invasion has led to devastating consequences for Ukraine, and implications for our own security and economic wellbeing. The government recognises the need to increase defence spending to meet the threats we face, and will consider this as part of an update to the Integrated Review.

[22] Funding will come from the reserve and is reflected in DEL tables published at Autumn Statement 2022.

Box 2.A: The government's response to the invasion of Ukraine

The UK stands united with Ukraine in the face of Russian aggression. To date the government has committed over £6.1 billion of support to Ukraine, which includes the biggest package of military support after the United States. In coordination with the G7 allies, the government has introduced the strongest set of economic sanctions ever imposed against a major economy, in order to cripple Putin's war machine. The government will continue to work closely with international partners to mitigate the detrimental effects of Russia's invasion of Ukraine on the global economy and will prioritise the UK's future economic security in its response.

Military support for Ukraine

The government has also committed £2.3 billion in military support for Ukraine in 2022, providing both lethal and non-lethal aid, including thousands of anti-tank missiles, and has committed to sustain that level of support into 2023, totaling £4.6 billion over both years.

On top of the UK's direct support, the government has made available up to £3.5 billion of UK Export Financing capacity to support UK exports to Ukraine, which includes up to £2.3 billion to support Ukrainian defence capabilities. Since 2014 the UK has also been investing in Ukrainian military capacity and training.[23]

Economic and humanitarian support for Ukraine

The UK has been an early mover in providing diplomatic, economic and humanitarian support to Ukraine. This comprises around £1.5 billion of economic and humanitarian support, including £220 million in humanitarian aid and around £1.3 billion in fiscal support, including loan guarantees to support Multilateral Development Banks increase their lending to help meet Ukraine's needs and keep essential services running.[24]

Ukraine resettlement schemes

The Ukraine visa schemes are also some of the world's most generous humanitarian schemes, with the UK ranked 7th in terms of the number of Ukrainian arrivals. The government has helped over 140,000 people settle in the UK through the Homes for Ukraine Scheme and Ukraine Family Scheme.

[23] Press release: UK will match record Ukraine support in 2023, September 2022.

[24] Foreign, Commonwealth and Development Office, July 2022.

3 Growing the Economy

3.1 The government is committed to sustained economic growth. Growth funds high quality public services, raises living standards and keeps down government debt. To create the confidence and stability needed to achieve stronger growth, the government is taking decisive action to ensure sustainable public finances.

3.2 The UK has fundamental strengths that support growth. It has flexibly regulated labour and product markets, independent and respected institutions, it is a world-leading financial centre, and the UK hosts many innovative businesses and globally recognised universities.

3.3 However, the UK's productivity growth has slowed since the Global Financial Crisis and lags behind comparative economies. There are further economic headwinds which pose risks to UK prosperity. The effects of the COVID-19 pandemic and the war in Ukraine have also pushed up the price of energy and other commodities, and exacerbated supply chain issues across developed economies.

3.4 Stronger economic growth requires a long-term plan and commitment to see it through - there are no quick fixes to the challenges the UK faces. Growth can come both from increasing labour supply and increasing productivity, which the government will facilitate by:

- investing in the UK's people, including by ensuring that they have the skills that businesses and public services need
- creating the right environment for business investment
- investing in the economic infrastructure that connects the country and secures the UK's energy independence
- backing the UK's world-leading researchers and innovative firms

3.5 The government is committed to reforming retained EU law. As part of this programme, the government will move rapidly to review retained EU law in key growth industries - including digital technology, life sciences, green industries, financial services, and advanced manufacturing - to identify changes that can be made over the next year which have the greatest potential to unlock growth. This work is already underway in several of these sectors, including the government's ambitious programme of reforms in financial services. The government will also task the Government Chief Scientific Adviser and National Technology Officer, Sir Patrick Vallance, to bring together the best minds to advise how the UK can better regulate emerging technologies, enabling their rapid and safe introduction.

People

3.6 Since the 2008 Global Financial Crisis, much of the UK's growth has been driven by an increase in the number of hours worked.[25] This was partly due to falling unemployment – which is now close to its lowest rate in 50 years – and increased labour market participation after 2008, particularly amongst women.[26] However, since the COVID-19 pandemic the trend in

[25] Output per hour worked, UK, Office for National Statistics, October 2022.

[26] Summary of labour market statistics, Office for National Statistics, November 2022.

participation has reversed, seen particularly acutely within those aged over 50. There are now 630,000 more working age inactive individuals than there were pre-pandemic.[27] The Department for Work and Pensions will thoroughly review workforce participation. This work will conclude in early 2023.

3.7 To help tackle the barriers to progression faced by individuals on lower earnings, the government will bring forward the nationwide rollout of the In-Work Progression offer, starting with a phased rollout from September 2023. This will mean that over 600,000 Universal Credit claimants that are in work will be required to meet with a dedicated work coach so that they have support to increase their hours or earnings. This is in addition to the government's recent announcement to raise the Administrative Earnings Threshold from January 2023, from the equivalent of 12 hours to 15 hours at the National Living Wage, which will bring more claimants in-work and on low earnings into a more intensive regime of work coach support.

3.8 Since leaving the European Union (EU), the government has refocused the immigration system towards securing the skilled labour businesses need to stay competitive and innovative. Over the last year a high number of visas have been issued,[28] partly reflecting the UK's action to welcome those from Ukraine and Hong Kong and international students returning after the COVID-19 pandemic. As these temporary factors ease over time, the government expects net migration to return broadly to pre-pandemic levels. The government will continue to strike the balance between reducing overall net migration in the longer term with ensuring businesses have the skills they need.

3.9 Inward migration can ease short-term skills gaps, however it is crucial that over the long term, the UK's domestic workforce is equipped with the skills necessary to maximise their productivity and drive economic growth. Despite around 50% of adults being educated at tertiary level, the UK underperforms on basic and technical skills compared to similar developed countries.[29]

3.10 That is why the government is taking steps to ensure the education system provides the skills current and future employers need, for example through T-Levels, Higher Technical Qualifications, Skills Bootcamps and Apprenticeships.

3.11 The government recognises the importance of supporting upskilling throughout people's lives, and so is introducing the Lifelong Loan Entitlement from 2025 to provide more flexible finance for adults to study throughout their lives.

Investment

3.12 In addition to economic stability, policy certainty is fundamental to giving businesses the confidence to invest. The government remains committed to supporting businesses to invest and grow by:

- keeping the UK's headline Corporation Tax Rate internationally competitive at 25% – the lowest in the G7 – and protecting 70% of trading companies at 19% with the Small Profit Rate
- setting the Annual Investment Allowance (AIA) at its highest ever permanent level of £1 million from 1 April 2023
- reducing the burden of business rates by providing £13.6 billion of support for businesses over the next five years

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[27] Summary of labour market statistics, Office for National Statistics, November 2022.

[28] Immigration statistics data tables, year ending June 2022, Home Office, August 2022.

[29] Education at a glance: educational attainment and labour-force status, OECD, November 2022.

3.13 The government is unlocking tens of billions of pounds for investment from UK insurers in long-term productive assets by publishing the final reforms to Solvency II.

3.14 During this Parliament there has been a step change in public investment in infrastructure. The Autumn Statement protects the public capital budget at record levels, meaning government will invest over £600 billion over the next five years.

3.15 Investing in high quality infrastructure is crucial for boosting economic growth and productivity. Infrastructure spreads opportunity and prosperity across communities by connecting people to new jobs through faster and more reliable routes. Infrastructure is also the foundation for securing our energy independence and transitioning to net zero.

3.16 The government will seek to accelerate delivery of projects across its infrastructure portfolio, rather than focus on the list of projects that were flagged for acceleration in the Growth Plan. The government will continue to ensure that all infrastructure is delivered quickly through reforms to the planning system, including through updating National Policy Statements for transport, energy and water resources during 2023, and through sector-specific interventions.

3.17 The government is placing the UK Infrastructure Bank on a statutory footing. This will cement its status as a key institution that will facilitate long-term investment in infrastructure to tackle climate change and support regional and local growth.

3.18 The Autumn Statement recommits to the government's transformative growth plans for our railways. These include East West Rail, core Northern Powerhouse Rail, and High Speed 2 to Manchester. These will provide fast, more reliable services and connect people to new job opportunities.

3.19 The government also remains committed to supporting digital infrastructure investment through Project Gigabit, with an ambition to reach at least 85% gigabit-capable broadband coverage by 2025 and nationwide coverage by 2030. This will ensure that every corner of the UK can access fast and reliable gigabit-capable broadband, driving economic growth and productivity.

3.20 The government will continue to secure the UK's energy security through delivering new nuclear power, including Sizewell C (subject to final agreement), and the roll-out of cheap, clean renewables, including wind and solar. This will support the government's commitment to reduce emissions, decarbonise the power system by 2035 (subject to security of supply) and reach net zero by 2050.

3.21 The government remains committed to levelling up and spreading opportunity across all areas of the UK. To support this, the Autumn Statement confirms that the second round of the Levelling Up Fund will allocate at least £1.7 billion to priority local infrastructure projects. Successful bids will be announced before the end of the year.

3.22 The government also remains committed to giving more local areas greater power to drive local growth and tackle local challenges. This includes delivering the commitment to agree devolution deals with all areas in England that want one by 2030. Building on other devolution deals agreed this year, the government has agreed a further mayoral devolution deal with Suffolk County Council and is in advanced discussions on mayoral devolution deals with local authorities in Cornwall, Norfolk and the North East of England. Taken together, these deals will increase the proportion of people living under a directly elected mayor with devolved powers in England to over 50%.[30]

[30] Government internal calculations using population and household estimates from Population and household estimates, England and Wales: Census 2021 Office for National Statistics, June 2022.

3.23 The government will deliver the Levelling Up White Paper commitment to sign new 'trailblazer' devolution deals with Greater Manchester and the West Midlands Combined Authorities by early 2023. The government is in discussion with the mayors of these areas to devolve powers to deliver levelling up in areas such as skills, transport and housing. These 'trailblazer' deals will act as a blueprint for other areas to follow.

3.24 As part of negotiations on trailblazer deals, the government will explore with Greater Manchester Combined Authority and West Midlands Combined Authority the potential to provide single departmental-style settlements at the next Spending Review. This could give local partners more flexibility and accountability over key economic growth funds, moving away from competitive bidding processes. Subject to progress of these discussions, the government will consider the eligibility of other mayoral combined authorities for these settlements, noting the need to ensure appropriate accountability structures are in place.

3.25 The government will refocus the Investment Zones programme. The government will use this programme to catalyse a limited number of the highest potential knowledge-intensive growth clusters, including through leveraging local research strengths. The Department for Levelling Up, Housing and Communities will work closely with mayors, devolved administrations, local authorities, businesses and other local partners to consider how best to identify and support these clusters, driving growth while maintaining high environmental standards, with the first clusters to be announced in the coming months. The existing expressions of interest will therefore not be taken forward. The government is grateful to local authorities for their work to develop proposals.

Innovation

3.26 Science and innovation are some of the UK's greatest strengths. With less than 1% of the world's population, the UK hosts 3 of the world's 10 best universities,[31] has produced up to 13% of the world's most impactful research[32] and has the second highest number of Nobel Laureates of any nation.[33] The UK also ranks fourth in the Global Innovation Index.[34] These remarkable achievements in R&D and innovation generate significant economic and social benefits for the whole of the UK and beyond.

3.27 Government spending on R&D plays a crucial role in stimulating private sector investment. Public spending on R&D will increase to £20 billion a year by 2024-25, a cash increase of around a third compared to 2021-22. This is the largest increase in R&D spend ever over a Spending Review period.[35]

3.28 As part of this increase, Innovate UK programmes were allocated £2.6 billion across the Spending Review period, which will support the UK's most innovative companies and leverage in private sector investment. The government is also now confirming that funding for the UK's nine Catapults will increase by 35% compared to the last 5-year funding cycle. This £1.6 billion investment will allow Catapults to continue to support innovation and commercialisation by providing access to world-leading facilities, skills, and equipment across the UK. This includes the Compound Semiconductor Applications Catapult in Wales, the Digital Catapult centre in Northern Ireland and the Offshore Renewable Energy Catapult centre in Scotland.

[31] Times Higher Education World University Ranking 2023, 2022.
[32] International comparison of the UK research base, Department for Business, Energy and Industrial Strategy, May 2022.
[33] Nobel Prizes by Country, World Population Review, 2022.
[34] Global Innovation Index 2022, World Intellectual Property Organisation, 2022.
[35] Autumn Budget and Spending Review 2021: A Stronger Economy for the British People, UK Government, September 2021.

3.29 The government will help more small and medium sized manufacturing firms boost their productivity through advanced digital technology by extending the Made Smarter Adoption programme to the East Midlands. This follows the positive feedback the Made Smarter Adoption programme has already received in the North East, West Midlands, North West, Yorkshire & the Humber.

3.30 As part of the ongoing review of R&D tax reliefs, the government is reforming the reliefs to ensure taxpayers' money is spent as effectively as possible. There is significant error and fraud in the small and medium-sized enterprises (SME) scheme, with the generosity of the relief making it a target for fraud. By contrast, the separate R&D expenditure credit is better value but has a rate that is less internationally competitive. The government is therefore rebalancing the rates of the reliefs.

3.31 The government is committed to ensuring cutting-edge innovative firms have access to finance to invest and grow. As previously announced, the government is increasing the generosity and availability of the Seed Enterprise Investment Scheme and Company Share Option Plan. The government remains supportive of the Enterprise Investment Scheme and Venture Capital Trusts and sees the value of extending them in the future. The government will also continue to champion institutional investment into innovation so that UK savers can benefit from the growth of high potential businesses.

3.32 Competition is fundamental for growth and productivity. The government will bring forward the Digital Markets, Competition and Consumer Bill in the third Parliamentary session to provide the Competition and Markets Authority with new powers to promote and tackle anti-competitive practice in digital markets. Opening these markets to greater competition will encourage new challenger firms, spur innovation, and provide consumers with higher quality products and greater choice.

4 Economic and Fiscal Outlook

Economic context

4.1 The economy continued the strong recovery from the effects of the pandemic in the first half of the year. Despite the after-effects of the COVID-19 pandemic and an increase in global energy prices, the economy continued to grow in the first half of this year by 0.7% and 0.2%, in Q1 (January to March)[36] and Q2 (April to June)[37] respectively. This followed on from 7.5% growth in 2021, which was the strongest growth in the G7.[38]

4.2 In the labour market, unemployment was 3.6% in Q3, close to its lowest rate in 50 years. At the same time the economic recovery from the pandemic has pushed the total number of vacancies in the economy above the total number of unemployed people for the first time on record. Working age inactivity remains high, with 630,000 more people inactive compared to pre-pandemic levels. Hiring difficulties are contributing to strong nominal wage growth of 6.0% (including bonuses) in Q3.[39]

4.3 Putin's illegal invasion of Ukraine has led to further increases in inflation and slowing growth in the UK and globally (see Box 4.A). Rising global energy prices have led to a deterioration in the UK's terms of trade, the relative prices of exports compared with imports, and exposed the UK economy to an inflationary shock. Putin's weaponisation of gas supplies to Europe has pushed gas prices to record levels,[40] which has been the largest driver of inflation in many countries.

4.4 Alongside the ongoing effects of the pandemic on global supply and demand, the rise in energy prices has contributed to a slowdown in the global economy, with the International Monetary Fund (IMF) forecasting that more than a third of the global economy will contract this year or next.[41] Open economies like the UK are particularly exposed to these pressures. The UK is a net energy importer with a high dependence on gas and oil.[42] Energy price increases have made the country unavoidably worse off, with the UK now expected to spend the equivalent of 8% of GDP on energy (£190 billion) compared to 2% (£40 billion) prior to the pandemic.[43] High inflation is restraining consumer demand, increasing costs for businesses, limiting investment and slowing growth.

4.5 In the last year, households have seen the prices they pay at the checkout, the forecourt and for their energy bills increase rapidly. The Energy Price Guarantee (EPG), introduced in October, caps the average energy bill for a typical household at £2,500 until 31 March 2023. Despite this, inflation still reached a 40-year high in October, with the Consumer Prices Index (CPI) rising by 11.1% on a year earlier.[44] The Office for Budget Responsibility (OBR) has noted that the peak of inflation would have been 2.5 percentage points higher without the EPG.[45] Household energy

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36 GDP quarterly national accounts, UK: January to March 2022, Office for National Statistics, June 2022.
37 GDP quarterly national accounts, UK: April to June 2022, Office for National Statistics, September 2022.
38 Gross domestic product, constant prices, annual growth rate, OECD Annual National Accounts, November 2022.
39 Labour market overview, UK: November 2022, Office for National Statistics, November 2022.
40 UK Natural gas (NBP), Bloomberg (FN1 Comdty), November 2022.
41 World Economic Outlook, International Monetary Fund, October 2022.
42 Economic and Fiscal Outlook, Office for Budget Responsibility, November 2022.
43 HMT calculations using GDP first quarterly estimate, UK: July to September 2022, Office for National Statistics, November 2022.
44 Consumer price inflation, UK: October 2022, Office for National Statistics, November 2022.
45 Economic and Fiscal Outlook, Office for Budget Responsibility, November 2022.

prices have almost doubled in the year-to-October and remain the single largest contributor to the headline inflation rate.[46] The picture is similar across Europe, with initial estimates of inflation across the euro area reaching 10.7% in October.[47]

4.6 Over the course of the year, price pressures have become more widespread, reflecting hiring difficulties and associated strong wage growth,[48] as well as pass through of energy prices to the prices of other goods and services. Nearly a third of categories in the CPI inflation basket experienced inflation above 10% in October.[49] The Bank of England's November Monetary Policy Report commented that "not all of the recent excess CPI inflation can be attributed to global events".[50]

Box 4.A: Macroeconomic developments in the UK and Europe following Russia's invasion of Ukraine

At the start of 2022, the global economy was recovering from a sharp fall in activity caused by the COVID-19 pandemic and inflation had begun to rise. Economies re-opened rapidly with the help of unprecedented pandemic support. This, coupled with supply constraints, led to significant global demand-supply imbalances particularly for goods and commodities (including energy).

Putin's illegal invasion of Ukraine and interference in global energy markets has exacerbated these issues. Limits on Russian natural gas supply to Europe, including the closure of Nord Stream 1 (the primary pipeline to Europe), have put significant upward pressure on European and UK natural gas prices. As a result, the prices of gas and electricity have risen to eight times their historic average.[a]

UK and euro area consumer price inflation reached fresh highs in October of 11.1% and 10.7% respectively. Energy prices remain the largest single driver, with energy inflation of 59.0%[b] in the UK and 41.9%[c] in the euro area. Higher consumer food prices are also a factor, particularly reflecting higher energy costs, a stronger US Dollar, and the lagged pass-through of increases in international grain and oilseed prices that started around the middle of 2020. In response to higher inflation, central banks around the world have raised interest rates sharply, slowing demand and pushing up mortgage rates for households.

Russia's actions have significantly worsened the global growth outlook. The IMF point to the severe energy crisis in Europe sharply increasing costs of living and hampering economic activity.[d] The OBR attribute the majority of the downward revision to cumulative growth in the UK's potential output over the next 5 years to the increase in energy prices since March.[e]

a NBP/electricity forward prices average for 2023 compared to pre-pandemic average taken over ten-working-day observation window to 4 November.
b HM Treasury calculation of the underlying CPI basket, based on Consumer price inflation, UK: October 2022, Office for National Statistics, November 2022.
c Euro area 10.7% October inflation is a flash estimate, and may be subject to revision when the final figures are published.
d World Economic Outlook, International Monetary Fund, October 2022.
e Economic and Fiscal Outlook, Office for Budget Responsibility, November 2022.

4.7 Prices are rising faster than wages, an unavoidable consequence of the terms of trade deterioration. Adjusting for inflation, real wages fell by 3.7% in Q3.[51] Households have started to cut back on spending in response, with retail sales volumes falling 1.4% in September to below their pre-pandemic level.[52] Savings built up during the COVID-19 pandemic will have helped some households to withstand part of the shock, although these are concentrated

[46] Consumer price inflation, UK: October 2022, Office for National Statistics, November 2022.
[47] Euro area annual HICP inflation, flash estimate – October 2022, Eurostat, October 2022.
[48] Labour market overview, UK: November 2022, Office for National Statistics, November 2022.
[49] HM Treasury calculation of the underlying CPI basket, based on Consumer price inflation, UK: October 2022, Office for National Statistics, November 2022.
[50] Monetary Policy Report – November 2022, Bank of England, November 2022.
[51] Average weekly earnings, adjusting for consumer price inflation, Average weekly earnings in Great Britain: November 2022, Office for National Statistics, November 2022.
[52] Retail sales, Great Britain: September 2022, Office for National Statistics, October 2022.

predominantly in households in the top half of the income distribution.[53] Government support, through cost of living payments alongside the EPG, has cushioned the fall in incomes for households at the bottom of the distribution.

4.8 In response to rising inflation, central banks across the world have tightened monetary policy. The Bank of England is responsible for controlling inflation in the UK. Since the COVID-19 pandemic, it was the first G7 central bank to increase its interest rates, successively raising Bank Rate from 0.1% in December 2021 to 3% in November 2022, and was also the first to begin the unwind of its quantitative easing programme. It began to cease reinvestments of maturing government bonds in February 2022 and undertook its first gilt sale operation on 1 November.

4.9 In his annual remit letters, the Chancellor reaffirmed the Monetary Policy Committee's (MPC) primary objective of ensuring price stability defined at 2% year-on-year CPI inflation and has stated that this government will not change this definition.

4.10 Reflecting both temporary factors, including a reduction in working days in September, and an underlying loss of momentum in the real economy, GDP fell in Q3 by 0.2% with all 13 manufacturing sub-sectors contracting.[54] Survey data for October shows economic activity slowing, both in the UK and the euro area.[55,56] Additionally, business confidence fell to levels last seen during the pandemic.[57] The OBR has said that support over the winter will boost household consumption and GDP, although not by enough to avoid a recession starting in Q3 2022.[58]

4.11 The latest data shows UK GDP was still 0.4% below its pre-pandemic level in Q3 2022, which is accounted for by the effect of the pandemic on public sector output, which the UK measures in a different way to other countries.[59] Due to the different way the UK estimates the output of the public sector, the Office for National Statistics (ONS) have said that international comparisons of GDP growth since the onset of the pandemic are difficult to make.[60] The UK's measurement approach has meant that the disruptions to public services since the pandemic have led to relatively larger falls in public sector output, which remained 4.4% below its pre-pandemic peak in 2022 Q3.[61] Excluding public sector output shows the rest of the UK economy has recovered above its pre-pandemic level and, on this measure, is in line with other major European economies.[62]

Fiscal context

4.12 Supporting households with their energy bills and rising government borrowing costs have put pressure on the public finances, which were already vulnerable as a result of the pandemic. Through the two peak years of the pandemic (2020-21 and 2021-22) the government borrowed over £300 billion more than had been forecast in March 2020.[63]

4.13 Borrowing and debt are at historically high levels. Public sector net borrowing (PSNB) reached a post-war high of £312.6 billion in 2020-21. While PSNB fell back to £133.3 billion in 2021-22, this remained more than double the level seen in 2019-20. Borrowing is currently

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[53] Monetary Policy Report – November 2022, Bank of England, November 2022.

[54] GDP first quarterly estimate, UK: July to September 2022, Office for National Statistics, November 2022.

[55] CIPS UK Composite PMI, S&P Global, November 2022.

[56] S&P Global Eurozone Composite PMI, S&P Global, November 2022.

[57] Business Barometer, Lloyds Bank, October 2022.

[58] Economic and Fiscal Outlook, Office for Budget Responsibility, November 2022.

[59] OECD Databank, November 2022.

[60] International comparisons of GDP during the coronavirus (COVID-19) pandemic, Office for National Statistics, February 2021.

[61] GDP output approach, Office for National Statistics, November 2022.

[62] HMT calculations of private sector GDP growth based on GDP output approach, Office for National Statistics, November 2022 and Gross value added and income A*10 industry breakdowns, Eurostat, November 2022.

[63] Public Sector Finances, UK: September 2022, Office for National Statistics, October 2022 & Economic and Fiscal Outlook, Office for Budget Responsibility, November 2022.

£24.9 billion lower than the same period last year. Additional support announced since May will increase government spending this winter. Public sector net debt (PSND) increased from 85.0% of GDP in 2019-20 to 97.8% of GDP in 2021-22, and is now at its highest level since the 1960s.

Economic outlook

4.14 The OBR expects inflation to peak at 11.1% in Q4 2022, compared with the peak of 8.7% in its March forecast.[64] The OBR expects inflation to then fall over 2023 to 3.8% in Q4 2023 and to fall below the 2% target by Q2 2024. Inflation then turns negative between Q3 2024 and Q2 2026 as energy and food prices fall. The OBR has noted that the EPG, which caps typical household energy bills at £2500, has reduced the anticipated winter peak of inflation by 2.5 percentage points, and continues to hold inflation down by 2 percentage points when the EPG increases to £3000 in April 2023.

4.15 The OBR forecasts nominal earnings to rise by 5.9% in 2022 and 4.2% in 2023 but to fail to keep pace with rising prices.[65] Given higher global energy prices the OBR expects real household disposable income (RHDI) per person to fall by 4.3% in 2022-23 and 2.8% in 2023-24. The OBR estimates that government support announced this year, including the EPG and cost of living payments, will offset half of the fall in household incomes in 2022-23. The OBR forecasts house prices to fall by 9.0% back to around Q3 2021 levels between Q4 2022 and Q3 2024.

4.16 Driven by falling consumption, the OBR forecasts a recession starting in Q3 2022, with output falling 2.1% in total.[66] The economy then grows by 1.3%, 2.6%, 2.7% and 2.2% in 2024, 2025, 2026 and 2027. The OBR assesses that the EPG and other cost of living support will boost private demand over the winter, making the recession 1.1 percentage points shallower overall.

4.17 Deteriorating economic conditions, rising uncertainty and higher interest rates weigh on business investment, leaving the level 8.0% below pre-pandemic levels in Q2 2022.[67] The OBR expects this to fall further until Q4 2023 when the economy emerges from recession.

4.18 The OBR expects trade volumes to decline over the medium term and remain below the levels expected in their March forecast. Import volumes are expected to decline, reaching a forecast trough in Q4 2023, 8.3% below present levels, driven by the weaker path for domestic consumption.[68] The current account deficit is also expected to widen sharply from 2.0% of GDP in 2021 to 5.8% in 2022, driven largely by higher imported energy costs. However, this deficit narrows over the forecast period as energy prices fall and weaker imports reduce the trade deficit.

4.19 Reflecting the expected recession, the OBR forecasts the unemployment rate to rise slightly over the forecast period to 4.9% in 2024 and 4.7% in 2025. It then falls back to 4.1% by Q3 2027. The inactivity rate is projected to rise marginally and remain elevated at 37.0% over the forecast, reflecting increasing inactivity in older age groups. Despite this, the level of employment in 2027 is forecasted to be 3.5% above the level in 2021.

4.20 The OBR's forecast for growth in potential output in the medium term is around 1.75% per year, which is little changed from March.[69] This reflects upward revisions to labour supply, driven by higher net migration, being offset by an increase in inactivity rates and downward revisions to capital deepening and total factor productivity in the context of higher interest rates

[64] Economic and Fiscal Outlook, Office for Budget Responsibility, November 2022.
[65] Economic and Fiscal Outlook, Office for Budget Responsibility, November 2022.
[66] Economic and Fiscal Outlook, Office for Budget Responsibility, November 2022.
[67] Economic and Fiscal Outlook, Office for Budget Responsibility, November 2022.
[68] Economic and Fiscal Outlook, Office for Budget Responsibility, November 2022.
[69] Economic and Fiscal Outlook, Office for Budget Responsibility, November 2022.

and energy prices. However, cumulative growth in potential output over the forecast period is 1.7 percentage points lower than in March, with the OBR judging that higher energy prices in the medium term "explain the majority of the downward revision to cumulative growth in potential output over the next five years relative to [its] March forecast".

Table 4.1: Summary of the OBR's central economic forecast (percentage change on year earlier, unless otherwise stated)[1]

	Outturn	Forecast					
	2021	2022	2023	2024	2025	2026	2027
GDP growth	**7.5**	**4.2**	**-1.4**	**1.3**	**2.6**	**2.7**	**2.2**
GDP growth per capita	**6.9**	**4.0**	**-1.8**	**1.0**	**2.3**	**2.3**	**2.0**
Main components of GDP							
Household consumption[2]	6.2	4.7	-1.9	1.1	2.5	2.2	1.9
General government consumption	12.6	2.1	4.8	1.6	0.8	1.6	1.6
Total Fixed investment	5.6	4.5	-1.4	1.2	4.7	4.9	3.4
Business investment	-0.1	4.9	-2.1	3.0	8.2	6.6	4.8
General government investment	7.3	3.8	10.7	-0.9	-2.2	-1.4	-1.6
Private dwellings investment[3]	13.5	5.6	-7.4	-0.4	2.5	5.0	3.7
Change in inventories[4]	0.9	1.7	-1.6	0.0	0.0	0.0	0.0
Net trade[4]	-1.0	-1.8	0.9	0.1	0.1	0.1	0.1
Consumer Price Index (CPI) inflation	**2.6**	**9.1**	**7.4**	**0.6**	**-0.8**	**0.2**	**1.7**
Employment (millions)	**32.4**	**32.7**	**32.8**	**32.7**	**32.9**	**33.3**	**33.6**
Unemployment (% rate)	**4.5**	**3.7**	**4.1**	**4.9**	**4.7**	**4.3**	**4.2**
Productivity – output per hour	**0.9**	**0.3**	**-0.8**	**0.9**	**1.5**	**1.6**	**1.4**

[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 Economic and Fiscal Outlook November 2022, Office for National Statistics (for full details of relevant ONS codes please see Spring Statement 2022 Data Sources document) and HM Treasury calculations.

Fiscal outlook

4.21 In order to ensure stability and sustainability in the medium term – thereby creating the conditions for growth – the government has taken difficult but necessary decisions on tax and spending. This is underpinned by the fiscal rules outlined in Chapter 1.

4.22 The government is expected to borrow £177.0 billion this year, which is £77.9 billion higher than the OBR forecast in March. This mainly reflects historically high spending on servicing government debt and energy support, with debt interest spending peaking at £120.4 billion this year – the highest since the late 1940s both as a share of GDP and as a share of revenue.[70] As the OBR highlights, these "increases in debt interest spending relative to March are not just large but also take hold quickly, reflecting a significant increase in the sensitivity of the debt stock to changes in interest rates and inflation since the start of the century."

[70] Economic and Fiscal Outlook, Office for Budget Responsibility, November 2022.

4.23 Borrowing is expected to fall by the end of the forecast. The OBR forecasts that, by 2027-28, PSNB will be reduced to £69.2 billion, from a peak of £177.0 billion in 2022-23. This reflects government policy decisions to strengthen the public finances and the recovery in the economy. The current budget deficit is also gradually reduced, reaching £5.6 billion or 0.2% of GDP by the end of the forecast.

4.24 As set out in Table 4.2, while borrowing is expected to fall by 2027-28, it remains higher in every year than the OBR's March forecast. This is due in large part to higher debt interest spending and a weaker economy forecast.

Table 4.2: Changes in borrowing since March 2022

	£ billion						
	Outturn	**Forecast**					
	2021-22	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**
March 2022 forecast	127.8	99.1	50.2	36.5	34.8	31.6	
November 2022 forecast	133.3	177.0	140.0	84.3	76.9	80.3	69.2
Difference	**5.4**	**77.9**	**89.8**	**47.8**	**42.1**	**48.8**	
of which:							
Underlying differences[1]		**35.1**	**59.4**	**45.2**	**55.8**	**74.8**	
of which:							
Debt interest spending		41.1	52.1	26.6	27.0	46.6	
Receipts		0.5	1.0	6.7	17.4	24.6	
Welfare spending		2.2	10.3	19.7	18.1	14.0	
Other spending		-8.7	-3.9	-7.9	-6.7	-10.4	
Direct effect of policy decisions		**64.2**	**39.8**	**-0.6**	**-14.9**	**-26.5**	**-39.4**
of which:							
Energy and cost-of-living support[2]		58.4	25.0	0.2	0.2	0.2	0.2
Other spending measures		6.0	9.3	4.2	-9.7	-19.9	-31.1
Tax measures		-0.2	5.5	-5.0	-5.4	-6.8	-8.5
Indirect effects of decisions		**-21.4**	**-9.3**	**3.3**	**1.2**	**0.5**	**0.6**

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.

[1] Includes classification changes.

[2] Includes energy price guarantee cap, energy bill relief scheme, and cost-of-living support measures announced on May 27.

4.25 In line with its responsibilities in the Charter for Budget Responsibility, the OBR has assessed performance against the government's fiscal rules. Debt (public sector net debt excluding the Bank of England) begins to fall in 2026-27 and falls in the final year of the OBR's forecast with a headroom of £9.2 billion (0.3% of GDP). The government is meeting its borrowing rule two years early, with a margin of safety of £18.6 billion (0.6% of GDP) in the target year.

4.26 Public sector net worth (PSNW) as a % of GDP is expected to be on an improving path from 2023-24 onwards. The OBR forecasts PSNW to strengthen to -89.4% of GDP in 2027-28, from a trough of -97.2% of GDP in 2023-24, improving faster than underlying debt due to a build up of financial and non-financial assets.

Table 4.3: Overview of the OBR's fiscal forecast (% of GDP)

	Outturn	Forecast					
	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Public sector net debt[1]	97.4	101.9	106.7	105.8	101.7	100.0	99.3
Public sector net debt ex Bank of England[1]	84.3	89.9	95.9	97.2	97.6	97.6	97.3
Public sector net financial liabilities[1]	84.9	89.0	92.1	91.4	90.8	89.8	88.4
Public sector net worth[1,2,3]	88.6	93.4	97.2	96.8	94.8	92.2	89.4
General government gross debt	101.9	103.1	109.6	110.9	111.3	111.3	110.7
Public sector net borrowing	5.7	7.1	5.5	3.2	2.8	2.9	2.4
Public sector net investment	2.4	2.5	3.0	2.7	2.5	2.3	2.2
Current budget deficit	3.3	4.6	2.5	0.5	0.3	0.5	0.2
Cyclically-adjusted public sector net borrowing	6.5	7.5	4.1	1.5	1.8	2.4	2.3
Cyclically-adjusted current budget deficit	4.2	5.0	1.1	-1.2	-0.8	0.1	0.1
General government net borrowing	6.4	7.1	6.4	3.7	3.0	3.3	2.8

[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, Office for National Statistics and HM Treasury calculations

Public Sector Net Debt ex BoE – ONS code CPOA, Current Budget Deficit – ONS code JW2V, Public sector net investment – ONS code MUB2, Public sector net borrowing– ONS code J5IJ, General Government Gross Debt – ONS code BKPX, General Government Net Borrowing - ONS code NNBK

4.27 The government takes on risk in order to achieve policy outcomes, creating uncertain liabilities that that may lead to future expenditure if specific conditions are met. Box 4.B sets out how the UK is at the forefront of transparency, analysis, and management of these contingent liabilities.

Box 4.B: Improving the management of contingent liabilities

The government held a maximum quantified contingent liability exposure of £464 billion at the end of 2019-20.[a] The government entered into a number of large contingent liabilities during the pandemic to provide support for businesses and the economy, including the COVID-19 loan guarantee schemes.

Contingent liabilities expose the government to fiscal risk that is not covered by the core fiscal framework. Their appropriate management is an important part of the government's approach to sustainable public finances. In spring 2021, the government set up the Contingent Liability Central Capability (CLCC) to improve the value for money of contingent liabilities. The UK is one of the first countries to establish an organisation focused exclusively on the management of this important fiscal risk. The CLCC produced its first annual report earlier this year. To strengthen the management of contingent liabilities, the government is making two further commitments. These are:

1. The government will publish an annual report covering its portfolio of contingent liabilities. This will be published by the CLCC by the end of 2023. Going forwards this will analyse government's stock of contingent liabilities, allowing government to understand how its portfolio of risks are performing as a whole.
2. HM Treasury will make an annual statement on contingent liabilities, alongside the CLCC report. This will detail how the government intends to use contingent liabilities to appropriately allocate risk and meet the government's policy objectives.

These changes will allow the government to better distribute and price risk when using the balance sheet to deliver its policy objectives. This improved transparency will ensure the UK remains an international leader in the management of contingent liabilities.

a Whole of Government Accounts, 2019-20, HM Treasury, June 2022

4.28 Table 4.4 provides an update on all new significant contingent liabilities taken on since the last update at Budget 2021, with £1.8 billion of expected loss offset by £0.4 billion of expected income.[71] These include the Foreign, Commonwealth and Development Office's (FCDO) guarantees to the World Bank to support Ukraine and extensions to the Department for Business, Energy, Innovation and Strategy's (BEIS) Recovery Loan Scheme. There are nine unquantified contingent liabilities from HM Treasury, the Department for Health and Social Care (DHSC) and Ministry of Defence (MOD). These include guarantees issued under HM Treasury and the Bank of England's Energy Market Financing Scheme, which will depend on a number of variables, principally on the take-up of the scheme.[72]

[71] These figures exclude three contingent liabilities which do not expire and so can only be described on an annual basis.

[72] More detail on the scheme can be found here: Energy Markets Financing Scheme: Contingent Liability - Hansard - UK Parliament.

Table 4.4: Significant new contingent liabilities since November 2021[1]

Department	Number of quantified contingent liabilities	Reasonable worst-case exposure (£m)	Expected loss (£m)	Expected income (£m)
		Quantified on a lifetime basis		
BEIS	6	7,300	460	75
DLUHC	2	715	335	335
FCDO	6	4,135	930	neg
Other departments	12	1,330	30	0
Total	**26**	**13,480**	**1,755**	**410**
		Quantified on an annual basis[2]		
DfT	1	4,500	neg	0
BEIS	2	640	10	0
Total	**3**	**5,140**	**10**	**0**

[1] Changes made to the Asset Purchase Facility and the contingent liabilities associated with the Energy Price Guarantee and Energy Bill Relief Scheme are out of scope.

[2] Contingent liabilities which can only be described annually, as they are ongoing risks without a fixed expiry date.

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

Debt management

4.29 The Debt Management Office (DMO) Net Financing Requirement for 2022-23 has been revised down by £31.4 billion to £202.7 billion. This improvement since the September DMO remit update is underpinned by several factors, including an improved underlying borrowing forecast (excluding debt interest) relative to March and lower energy prices. This decrease is to be accommodated through reductions in the planned sales of gilts and net Treasury bill issuance for debt management purposes of £24.4 billion and £7 billion respectively, compared to the September remit.

5 Policy Decisions

Energy

5.1 Review of the Energy Price Guarantee (EPG) - From April 2023, the government will adjust the EPG, which places a limit on the price households pay per unit of gas and electricity. This means that a typical household in Great Britain will pay £3,000 per annum (up from the current £2,500 per annum) from April 2023 to April 2024, saving £14 billion of government spending. Equivalent support will continue to be provided in Northern Ireland. The government will keep the EPG under review and may revisit the parameters of the scheme, for example if the forecast cost increases significantly. The government will consult on amending the scheme as soon as is feasible after April 2023 so that those who use very large volumes of energy have their state support capped, whilst the vast majority of households can continue to benefit. This proposal is intended to ensure taxpayers do not subsidise all of the energy usage of those households with extremely high usage. The consultation will explore the best way to ensure that vulnerable high energy users, such as those with medical requirements, are not put at risk.

5.2 New approach to consumer protection post April 2024 - The government will work with consumer groups and industry to consider the best approach to consumer protection from April 2024, including options such as social tariffs, as part of wider retail market reforms. The objectives of this new approach will be to deliver a fair deal for consumers, ensure the energy market is resilient and investable over the long-term, and support an efficient and flexible energy system.

5.3 Alternative Fuels Payment (AFP) - The government will double to £200 the level of support for households that use alternative fuels, such as heating oil, liquefied petroleum gas (LPG), coal or biomass, to heat their homes. This support will be delivered as soon as possible this winter. The government will provide this payment to all Northern Ireland households in recognition of the prevalence of alternative fuel usage in Northern Ireland. The government will also provide a fixed payment of £150 to all UK non-domestic consumers who are off the gas grid and use alternative fuels, with additional 'top-up' payments for large users of heating oil based on actual usage.

5.4 Review of the Energy Bill Relief Scheme (EBRS) - A HM Treasury-led review of the EBRS will determine support for non-domestic energy consumers, excluding public sector organisations, beyond 31 March 2023. The government has today published terms of reference for the review, with the findings to be published by 31 December 2022. While the government recognises that some businesses may continue to require support beyond March 2023, the overall scale of support the government can offer will be significantly lower, and targeted at those most affected to ensure fiscal sustainability and value for money for the taxpayer.

5.5 Energy Bills Support Scheme Northern Ireland (EBSS NI) - The government's Energy Bills Support Scheme provides a £400 non-repayable discount to eligible households to help with their energy bills over winter 2022-23. Equivalent support will be provided to eligible households in Northern Ireland through the Energy Bills Support Scheme NI, costing £342 million in 2022-23.

5.6 Energy Efficiency Taskforce (EETF) – The government is announcing a new long-term commitment to drive improvements in energy efficiency to bring down bills for households, businesses and the public sector with an ambition to reduce the UK's final energy consumption from buildings and industry by 15% by 2030 against 2021 levels. New government funding worth £6 billion will be made available from 2025 to 2028, in addition to the £6.6 billion provided in this Parliament. To achieve this target, a new EETF will be charged with delivering energy efficiency across the economy.

Welfare, work and pensions

5.7 Cost of Living Payments - The government will provide households on means-tested benefits with an additional £900 Cost of Living payment in 2023-24. Pensioner households will receive an additional £300 Cost of Living payment, and individuals on disability benefits will receive an additional £150 Disability Cost of Living payment in 2023-24. These payments will be made on a UK-wide basis.

5.8 Uprating of benefits - The government is protecting the most vulnerable in society by increasing benefits in line with inflation, measured by September CPI which is 10.1% this year.[73] Around 19 million families will see their benefit payments increase from April 2023. This includes increasing the State Pension by inflation, in line with the commitment to the Triple Lock. The standard minimum income guarantee in Pension Credit will also increase in line with inflation from April 2023 (rather than in line with average earnings growth). This will ensure pensioners on the lowest incomes are protected from inflation and do not lose some of their State Pension increase in the Pension Credit means test. 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.

5.9 Raising the benefit cap - The benefit cap will be raised by 10.1%, in line with September CPI, so that more households will see their payments increase as a result of uprating from April 2023. The cap will be raised from £20,000 to £22,020 for families nationally and from £23,000 to £25,323 in Greater London. While for single adults it will be raised from £13,400 to £14,753 nationally and from £15,410 to £16,967 in Greater London.

5.10 National Living Wage (NLW) and National Minimum Wage (NMW) 2023 Uprating - Following the recommendations of the independent Low Pay Commission (LPC), the government will increase the NLW for individuals aged 23 and over by 9.7% to £10.42 an hour from 1 April 2023. This represents an increase of over £1,600 to the annual earnings of a full-time worker on the NLW and is expected to benefit over 2 million low paid workers.[74] The government has also accepted the LPC's recommendations for the other NMW rates to apply from April 2023, including:

- Increasing the rate for 21-22 year olds by 10.9% to £10.18 an hour;
- Increasing the rate for 18-20 year olds by 9.7% to £7.49 an hour;
- Increasing the rate for 16-17 year olds by 9.7% to £5.28 an hour;
- Increasing the apprentice rate by 9.7% to £5.28 an hour; and
- Increasing the accommodation offset rate by 4.6% to £9.10 an hour

5.11 In-Work Conditionality for Universal Credit claimants - The government will bring forward the nationwide rollout of the In-Work Progression Offer, announced at Spending Review 2021, starting with a phased rollout from September 2023, to support individuals on Universal Credit (UC) and in-work to increase their earnings and move off benefits entirely. This will mean

[73] Office for National Statistics, Consumer Price Inflation, https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/september2022

[74] This assumes that full-time workers work 35 hours per week and 52 weeks per year. Coverage estimates are based on BEIS internal modelling.

that over 600,000 claimants on UC whose household income is typically between the equivalent of 15 and 35 hours a week at the NLW will be required to meet with a dedicated work coach in a Jobcentre Plus to increase their hours or earnings.

5.12 **Household Support Fund -** £1 billion (including Barnett impact) will be provided to enable the extension of the Household Support Fund in England over 2023-24. The Fund is administered by local authorities who will deliver support to households to help with the cost of essentials. It will be for the devolved administrations to decide how to allocate the additional funding.

5.13 **DWP: additional investment in tackling fraud and error –** The government is taking further action to protect taxpayer money by investing an extra £280 million between now and 2024-25 to target fraud, error and debt across the benefits system. This funding will expand fraud and error capabilities in DWP to help prevent abuse of the system. The expansion will better equip DWP to proactively review and correct UC claims that are at risk of fraud, and help prevent, detect and correct overpayments across the entire benefits system. This is forecast to deliver gross savings of £2.2 billion per annum by 2027-28. As well as announcing additional resource today to increase counter-fraud and compliance capacity within DWP, the government remains committed to ensuring DWP have sufficient funding to enable them to maintain their fraud, error, and debt, and compliance performance over time, while continuing to make efficiencies – both in this and future Spending Review periods.

5.14 **Moving back the Housing Benefit to Pension Credit merger date -** The government's plans to create a new housing element of Pension Credit to replace pensioner Housing Benefit are now intended to take effect in 2028-29. Eligible pensioners will continue to receive Housing Benefit.

5.15 **Employment and Support Allowance: delay managed move -** The government is pushing back the managed migration of claimants on income-related Employment and Support Allowance (with the exception of those receiving Child Tax Credit) to UC to 2028. Employment and Support Allowance claimants are still able to make a claim for UC if they believe that they will be better off, and this will not affect the managed migration of other legacy benefits onto UC.

5.16 **Reforming Support for Mortgage Interest -** To support mortgage borrowers with rising interest rates, the government will allow those on UC to apply for a loan to help with interest repayments after three months, instead of nine. The government will also abolish the zero earnings rule to allow claimants to continue receiving support while in work and on UC. This will come into effect in Spring 2023.

Tax

5.17 **Income tax and National Insurance contributions thresholds -** The income tax Personal Allowance (PA) and higher rate threshold (HRT), and the National Insurance contributions (NICs) Upper Earnings Limit (UEL) and Upper Profits Limit (UPL) are already fixed at their current levels until April 2026 and will now be maintained for an additional two years until April 2028. From July 2022 the NICs Primary Threshold (PT) and Lower Profits Limit (LPL) were increased to align with the PA and will be maintained at this level from April 2023 until April 2028. The Class 2 Lower Profits Threshold (LPT) will also be fixed from April 2023 until April 2028 to align with the LPL. The PA, PT, LPL and LPT will remain at £12,570 and the HRT, UEL and UPL will remain at £50,270. The PA and NICs thresholds apply across the UK. The HRT for non-savings and non-dividend income will apply to taxpayers in England, Wales, and Northern Ireland, and the HRT for savings and dividend income will apply UK-wide. The government will legislate for the income tax measures in Autumn Finance Bill 2022, and NICs changes in affirmative secondary legislation in early 2023.

5.18 National Insurance contribution rates and thresholds for 2023-24 - The government will fix the Lower Earnings Limit (LEL) and the Small Profits Threshold (SPT) at 2022-23 levels in 2023-24. The LEL will remain at £6,396 per annum (£123 per week) and the SPT will remain at £6,725 per annum. The Upper Secondary Threshold, Apprentices Upper Secondary Threshold, and Veteran Upper Secondary Threshold, will stay fixed at £50,270 per annum until April 2028, to remain aligned with the UEL and UPL. The Freeport Upper Secondary Threshold will also be fixed at £25,000 per annum. The government will use the September CPI figure of 10.1% to uprate the Class 2 and Class 3 NICs rates for 2023-24. The Class 2 rate will be £3.45 per week, and the Class 3 rate will be £17.45 per week. The government will legislate for these measures in affirmative secondary legislation in early 2023.

5.19 Inheritance tax nil-rate band and residence nil-rate band - The inheritance tax nil-rate bands are already set at current levels until April 2026 and will stay fixed at these levels for a further 2 years until April 2028. The nil-rate band will continue at £325,000, the residence nil-rate band will continue at £175,000, and the residence nil-rate band taper will continue to start at £2 million. Qualifying estates can continue to pass on up to £500,000 and the qualifying estate of a surviving spouse or civil partner can continue to pass on up to £1 million without an inheritance tax liability. The government will legislate for these measures in Autumn Finance Bill 2022.

5.20 Income tax additional rate threshold - The income tax additional rate threshold (ART) will be lowered from £150,000 to £125,140 from 6 April 2023. The ART for non-savings and non-dividend income will apply to taxpayers in England, Wales, and Northern Ireland. The ART for savings and dividend income will apply UK-wide. The government will legislate in Autumn Finance Bill 2022.

5.21 Dividend Allowance and Capital Gains tax Annual Exempt Amount - The government will reduce the Dividend Allowance from £2,000 to £1,000 from April 2023, and to £500 from April 2024, and reduce the Capital Gains Tax Annual Exempt Amount from £12,300 to £6,000 from April 2023 and to £3,000 from April 2024. These measures will raise over £1.2 billion a year, from April 2025. The government will legislate for these measures in Autumn Finance Bill 2022.

5.22 Married Couples' Allowance and Blind Persons Allowance - The government will uprate the Married Couple's Allowance and Blind Person's Allowance by the September CPI figure of 10.1% for the 2023-24 tax year. The Married Couple's Allowance will be valued at between £4,010 and £10,375 and the Blind Person's Allowance will be valued at £2,870. The government will implement these changes in the usual way through a Treasury Order.

5.23 Stamp Duty Land Tax cuts - On 23 September 2022, the government increased the nil-rate threshold of Stamp Duty Land Tax (SDLT) from £125,000 to £250,000 for all purchasers of residential property in England and Northern Ireland and increased the nil-rate threshold paid by first-time buyers from £300,000 to £425,000. The maximum purchase price for which First Time Buyers' Relief can be claimed was increased from £500,000 to £625,000. This will now be a temporary SDLT reduction. The SDLT cut will remain in place until 31 March 2025 to support the housing market and the hundreds of thousands of jobs and businesses which rely on it. The government will amend the Stamp Duty Land Tax (Reduction) Bill to implement this measure.

5.24 Enveloped Dwellings (ATED) - The annual chargeable amounts for the ATED will be uplifted by the September CPI figure of 10.1% for the 2023-24 ATED charging period. This uplift is a routine change as set out in existing primary legislation. The government will implement these changes in the usual way through a Treasury Order.

5.25 Council Tax flexibility - The government is giving local authorities in England additional flexibility in setting council tax by increasing the referendum limit for increases in council tax to 3% per year from April 2023. In addition, local authorities with social care responsibilities will be able to increase the adult social care precept by up to 2% per year. This will give local authorities greater flexibility to set council tax levels based on the needs, resources and priorities of their area, including adult social care.

5.26 National Insurance contributions Secondary Threshold - The government will fix the level at which employers start to pay Class 1 Secondary NICs for their employees (the Secondary Threshold) at £9,100 from April 2023 until April 2028. It is fair that businesses play their part in reducing the UK's debt. The Employment Allowance means that 40% of businesses do not pay NICs and will be unaffected by this change, and the largest employers contribute the most. The government will legislate for this measure in affirmative secondary legislation in early 2023.

5.27 Bank Corporation Tax Surcharge - Following the decision to proceed with the Corporation Tax rate increase to 25% from April 2023, the changes to the Bank Corporation Tax Surcharge which are legislated to take effect from the same point will also go ahead. This means that from April 2023, banks will be charged an additional 3% rate on their profits above £100 million – meaning that they will continue to pay a higher combined rate of corporation tax than most other companies, and a higher rate than they did previously.

5.28 Increasing the rate of Diverted Profits Tax – From April 2023, the rate of Diverted Profits Tax will increase from 25% to 31%, in order to retain a 6 percentage points differential above the main rate of Corporation Tax, and therefore ensure that it remains an effective deterrent against diverting profits out of the UK.

5.29 Maintaining the VAT registration and deregistration thresholds at the current levels for an additional 2 years - The VAT registration and deregistration thresholds will not change for a further period of 2 years from 1 April 2024. At £85,000, the UK's VAT registration threshold is more than twice as high as the EU and OECD averages.

5.30 OECD Pillar 2 - Following consultation, the government will legislate to implement the globally agreed G20-OECD Inclusive Framework Pillar 2 framework in the UK. For accounting periods beginning on or after 31 December 2023 the government will:

- Introduce an Income Inclusion Rule (IIR) which will require large UK headquartered multinational groups to pay a top-up tax where their foreign operations have an effective tax rate of less than 15%
- Introduce a supplementary Qualified Domestic Minimum Top-up (QDMTT) tax rule which will require large groups, including those operating exclusively in the UK, to pay a top-up tax where their UK operations have an effective tax rate of less than 15%

Both the IIR and QDMTT will incorporate the substance based income exclusion that formed part of the G20-OECD agreement. This will be legislated for in Spring Finance Bill 2023.

The government intends to implement the backstop Undertaxed Profits Rule in the UK, but with effect no earlier than accounting periods beginning on or after 31 December 2024.

5.31 Tariff suspensions - Following applications from business stakeholders, this measure will remove tariffs on over 100 goods for two years to help put downward pressure on costs for UK producers. The measure will remove tariffs as high as 18% on goods ranging from aluminium frames used by UK bicycle manufacturers to ingredients used by UK food producers.

5.32 Energy Profits Levy (EPL) - From 1 January 2023, the EPL rate will rise by 10 percentage points to 35%. The investment allowance will be reduced to 29% for all investment expenditure (other than decarbonisation expenditure) broadly maintaining its existing cash value. Decarbonisation expenditure will continue to qualify for the current investment allowance rate

of 80%. The Levy will end on 31 March 2028. With these changes, the EPL is expected to raise over £40 billion in total over the next 6 years. The government will legislate for these measures in Autumn Finance Bill 2022, except the changes related to decarbonisation expenditure which will be legislated for in Spring Finance Bill 2023.

5.33 Electricity Generator Levy – The government is introducing the Electricity Generator Levy, a temporary 45% tax that will be levied on extraordinary returns from low-carbon UK electricity generation. For the purposes of the tax, extraordinary returns will be defined as the aggregate revenue that generators make in a period from in-scope generation at an average output price above £75/MWh. The tax will be limited to generators whose in-scope generation output exceeds 100GWh across a period and will only then apply to extraordinary returns exceeding £10 million. The tax will apply to extraordinary returns arising from 1 January 2023 and will be legislated for in Spring Finance Bill 2023.

5.34 VED on Electric Vehicles (VED) - From April 2025, electric cars, vans and motorcycles will begin to pay VED in the same way as petrol and diesel vehicles. This will ensure that all road users begin to pay a fair tax contribution as the take up of electric vehicles continues to accelerate. The government will legislate for this measure in Autumn Finance Bill 2022. This means:

- new zero emission cars registered on or after 1 April 2025 will be liable to pay the lowest first year rate of VED (which applies to vehicles with CO_2 emissions 1 to 50g/km) currently £10 a year. From the second year of registration onwards, they will move to the standard rate, currently £165 a year
- zero emission cars first registered between 1 April 2017 and 31 March 2025 will also pay the standard rate
- the Expensive Car Supplement exemption for electric vehicles is due to end in 2025. New zero emission cars registered on or after 1 April 2025 will therefore be liable for the expensive car supplement. The Expensive Car Supplement currently applies to cars with a list price exceeding £40,000 for 5 years
- zero and low emission cars first registered between 1 March 2001 and 30 March 2017 currently in Band A will move to the Band B rate, currently £20 a year
- zero emission vans will move to the rate for petrol and diesel light goods vehicles, currently £290 a year for most vans
- zero emission motorcycles and tricycles will move to the rate for the smallest engine size, currently £22 a year
- rates for Alternative Fuel Vehicles and hybrids will also be equalised

5.35 Company Car Tax (CCT) Rates - The government is setting rates for Company Car Tax until April 2028 to provide long term certainty for taxpayers and industry in Autumn Finance Bill 2022. Rates will continue to incentivise the take up of electric vehicles:

- appropriate percentages for electric and ultra-low emission cars emitting less than 75g of CO_2 per kilometre will increase by 1 percentage point in 2025-26; a further 1% in 2026-27 and a further 1% in 2027-28 up to a maximum appropriate percentage of 5% for electric cars and 21% for ultra-low emission cars
- rates for all other vehicles bands will be increased by 1 percentage point for 2025-26 up to a maximum appropriate percentage of 37% and will then be fixed in 2026-27 and 2027-28

5.36 Van Benefit Charge and Car & Van Fuel Benefit Charges - From 6 April 2023, Car and Van Fuel Benefit Charges and van benefit charge will increase in line with CPI. The government will legislate by way of Regulations in December 2022.

5.37 First Year Allowance for Electric Vehicle Chargepoints - The government will legislate in Spring Finance Bill 2023 to extend the 100% First Year Allowance for electric vehicle chargepoints to 31 March 2025 for corporation tax purposes and 5 April 2025 for income tax purposes. This will ensure that the tax system continues to incentivise business investment in charging infrastructure.

5.38 Climate Change Levy (CCL) rates rebalancing - Fulfilling the Budget 2016 commitment to equalise the CCL main rates on gas and electricity in the UK by 2025, the government will legislate in Spring Finance Bill 2023 to raise the CCL main rate on gas to £0.00775/kWh whilst freezing the CCL main rate on electricity at £0.00775/kWh in 2024-25. The CCL main rate on solid fuels will rise in line with the increase in the CCL main rate on gas to £0.06064/Kg in 2024-25. To help ensure the tax system treats fuels that are used off the gas grid equitably, the government will maintain the CCL main rate on LPG at £0.02175 in 2024-25.

The percentage discount on the CCL main rates available through the Climate Change Agreement scheme will be fixed at 92% for electricity and 77% for LPG. The discounts for gas and solid fuels will be adjusted to 89% to produce an RPI increase from 2023-24 into 2024-25.

5.39 Carbon Price Support (CPS) rates and review - The government will maintain CPS rates in Great Britain at a level equivalent to £18 per tonne of carbon dioxide in 2024-25. The government will engage with industry and conduct a review of the CPS beyond the announced rates.

5.40 Transfer pricing documentation: Master File / Local File - From April 2023, large multinational businesses operating in the UK will be required to keep and retain transfer pricing documentation in a prescribed and standardised format, set out in the OECD's Transfer Pricing Guidelines (Master File and Local File). This will give businesses certainty on the appropriate documentation they need to keep and enable HM Revenue and Customs (HMRC) to effectively identify risks and conduct transfer pricing investigations more efficiently. This will be legislated for in Spring Finance Bill 2023. HMRC will continue to consult on a Summary Audit Trail which is a questionnaire that businesses would be required to complete that covers the main steps undertaken in preparing the Local File.

5.41 Preventing Capital Gains Tax avoidance - To address tax avoidance, the government will legislate in Spring Finance Bill 2023 so that shares and securities in a non-UK company acquired in exchange for securities in a UK close company will be deemed to be located in the UK. This will have effect where an individual has a material interest in both the UK and the non-UK company and where the share exchange is carried out on or after 17 November 2022. Draft legislation and supporting documents will be published alongside the Autumn Statement.

5.42 Additional Compliance Resource for HMRC - The government is investing a further £79 million over the next 5 years to enable HMRC to allocate additional staff to tackle more cases of serious tax fraud and address tax compliance risks among wealthy taxpayers. This investment is forecast to bring in £725 million of additional tax revenues over the next 5 years. The government remains committed to ensuring HMRC has sufficient funding to enable it to maintain its compliance performance over time, while continuing to make efficiencies, both in this and future Spending Review periods.

5.43 Tax Conditionality: Licensing in Scotland and Northern Ireland - The requirement to make the renewal of certain licenses in Scotland and Northern Ireland conditional on applicants completing checks to confirm they are appropriately registered for tax will now come into force for license renewals from October 2023 rather than April 2023. This measure will be legislated for in Spring Finance Bill 2023. This will provide licensing bodies and license holders with additional time to prepare.

5.44 Online Sales Tax (OST) - Following consultation, the government has decided not to introduce an OST, an idea put forward by certain stakeholders in the context of Business Rates reform. The government's decision reflects concerns raised about an OST's complexity and the risk of creating unintended distortion or unfair outcomes between different business models. A response to the OST consultation will be published shortly.

5.45 Business Rates – Overall Package - From 1 April 2023, business rate bills in England will be updated to reflect changes in property values since the last revaluation in 2017. A package of targeted support worth £13.6 billion over the next 5 years will support businesses as they transition to their new bills, protect businesses from the full impact of inflation, and support our high streets. 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.

5.46 Business Rates - Multiplier Freeze - The business rates multipliers will be frozen in 2023-24 at 49.9 pence and 51.2 pence, preventing them from increasing to 52.9 pence and 54.2 pence. This is a tax cut worth £9.3 billion over the next five years. This will support all ratepayers, large and small, and mean bills are 6% lower than without the freeze, before any reliefs are applied.

5.47 Business Rates - Transitional Relief Scheme - Upwards Transitional Relief will support properties by capping bill increases caused by changes in rateable values at the 2023 revaluation. This £1.6 billion of support will be funded by the Exchequer rather than by limiting bill decreases, as at previous revaluations. The 'upward caps' will be 5%, 15% and 30%, respectively, for small, medium, and large properties in 2023-24, and will be applied before any other reliefs or supplements. This delivers significant reform to the business rates system and responds to a key stakeholder ask. The 300,000 properties with falls in rateable values will see the full benefit of that reduction in their new business rates bill from April 2023. Over the life of the 3-year list the scheme will support around 700,000 ratepayers.

5.48 Business Rates - Retail, Hospitality and Leisure Relief - Support for eligible retail, hospitality, and leisure businesses is being extended and increased from 50% to 75% business rates relief up to £110,000 per business in 2023-24. Around 230,000 RHL properties will be eligible to receive this increased support worth £2.1 billion.

5.49 Business Rates - Supporting Small Business Scheme (SSBS) - Bill increases for the smallest businesses losing eligibility or seeing reductions in SBRR or Rural Rate Relief (RRR) will be capped at £600 per year from 1 April 2023. This is support worth over £500 million over the next 3 years and will protect over 80,000 small businesses who are losing some or all eligibility for relief. This means no small business losing eligibility for SBRR or RRR will see a bill increase of more than £50 per month in 2023-24.

5.50 Business Rates - Improvement Relief - At Autumn Budget 2021 the government announced a new improvement relief to ensure ratepayers do not see an increase in their rates for 12 months as a result of making qualifying improvements to a property they occupy. This will now be introduced from April 2024. This relief will be available until 2028, at which point the government will review the measure.

5.51 Adjusting super-deduction rules - As the main rate of Corporation Tax will increase, previously proposed technical changes to the related capital allowance super-deduction rules are no longer required.

5.52 Reforms to Research and Development (R&D) tax reliefs - For expenditure on or after 1 April 2023, the Research and Development Expenditure Credit (RDEC) rate will increase from 13% to 20%, the small and medium-sized enterprises (SME) additional deduction will decrease from 130% to 86%, and the SME credit rate will decrease from 14.5% to 10%. These

rate changes will be legislated for in the Autumn Finance Bill 2022. This reform ensures that taxpayer support is as effective as possible, improves the competitiveness of the RDEC scheme, and is a step towards a simplified, single RDEC-like scheme for all. The government will consult on the design of a single scheme, and ahead of Budget work with industry to understand whether further support is necessary for R&D intensive SMEs, without significant change to the overall cost envelope for supporting R&D. As previously announced at Autumn Budget 2021, the R&D tax reliefs will be reformed by expanding qualifying expenditure to include data and cloud costs, refocusing support towards innovation in the UK, and targetting abuse and improving compliance. These changes will be legislated for in Spring Finance Bill 2023.

5.53 **Consultation on reforming the audio-visual creative reliefs -** The government is seeking to build upon the success of the audio-visual subset of the creative industry tax reliefs, covering film, animation, high-end TV, children's TV and video games. The government will consult on a series of proposals that will go further to incentivise the production of culturally British content and support the growth of the audio-visual sectors, ensuring these highly skilled industries continue to thrive in the UK.

Spending

5.54 **DEL Spending Assumption from 2025-26 to 2027-28 -** After this Spending Review period, departmental resource spending will grow at 1% a year in real terms. Departmental capital spending will continue at the same level in cash terms.

5.55 **Efficiency and Savings Review -** To help identify further savings in departmental budgets, the government is launching an Efficiency and Savings Review. The Review will target increased efficiency, reprioritise spending away from lower-value programmes, and review the effectiveness of public bodies. Savings will be reinvested in public services, and the government will report on progress in the spring.

5.56 **Official Development Assistance (ODA) Spending -** The government remains committed to returning to spending 0.7% of Gross National Income (GNI) on 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. In the meantime, the government's plans assume ODA spending will be around 0.5% of GNI.

Over the past 12 months the government has acted decisively and compassionately to support the people of Ukraine and Afghanistan to escape oppression and conflict and find refuge in the UK. The Government is providing additional resources of £1 billion in 2022-23 and £1.5 billion in 2023-24 to help meet the significant and unanticipated costs which have been incurred.

5.57 **NHS funding -** The government is providing additional funding of £3.3 billion in each of the next 2 years to support the NHS in England in response to the significant financial pressures it faces, and enabling rapid action to improve emergency, elective and primary care performance.

5.58 **Review of Integrated Care Boards -** The government has asked former Health Secretary Patricia Hewitt to lead an independent review into oversight of Integrated Care Boards in England and how they can best work with autonomy and accountability.

5.59 **NHS workforce plan -** The government is publishing a comprehensive NHS workforce plan, including independently verified workforce forecasts, next year. This will include measures to make the best use of training to get doctors, nurses and allied health professionals into the workforce, increase workforce productivity and retention.

5.60 Maternity services - The government is bolstering maternity services by meeting recommendations supported by the Ockenden Review for 2000 more midwives.

5.61 Central government adult social care and discharge funding increase - The government is investing an additional £1 billion of central government funding in England in 2023-24, increasing to £1.7 billion in 2024-25 to get people out of hospital on time and into social care. £600 million in 2023-24 and £1 billion in 2024-25 will be allocated through the Better Care Fund. The remaining £400 million in 2023-24 and £680 million in 2024-25 will be allocated to local authorities through a ringfenced adult social care grant which will also help to support discharge.

5.62 Adult social care charging reform in local authorities - The government is responding to the concerns of local government by taking the difficult decision to delay the national rollout of social care charging reforms from October 2023 to October 2025. Funding for implementation will be maintained within local government to enable local authorities to address current adult social care pressures. This will be allocated at the Local Government Finance Settlement through the Social Care Grant.

5.63 Core Schools Budget Uplift - The government has decided to increase the core schools budget by £2.3 billion in 2023-24 and a further £2.3 billion in 2024-25. After adjusting Spending Review 2021 budgets down to account for the removal of the compensation for employer costs of the Health and Social Care Levy, this brings the core schools budget to a total of £58.8 billion in 2024-25, £2 billion greater than published at Spending Review 2021.

5.64 Appointment of Adviser on Skills Reform - The government recognises that skills are crucial in driving long-term economic growth and is taking forward major reforms set out in the Skills for Jobs White Paper: delivering T Levels, approving Higher Technical Qualifications, rolling out skills bootcamps, and introducing the Lifelong Learning Entitlement from 2025. To help maximise the impact of these commitments, Sir Michael Barber has been appointed to advise the Chancellor of the Exchequer and the Secretary of State for Education on the implementation of current reforms.

5.65 Funding for Catapult Network - The government is now confirming that funding for the UK's 9 Catapults will increase by 35% compared to the last five-year funding cycle. This £1.6 billion investment will allow Catapults to continue supporting innovation and de-risking the transition from research to commercial delivery by providing access to world-leading facilities, expertise, skills, and equipment; accelerating innovation clusters and stimulating additional private sector investment in R&D across the UK, including for the Compound Semiconductor Catapult in Wales, the Digital Catapult centre in Northern Ireland and the Offshore Renewable Energy Catapult centre in Scotland.

5.66 Funding for the Advanced Technology Research Centre (ATRC) - The government will provide up to £10 million of support, subject to business case, to work collaboratively with the Welsh government to deliver a defence-focussed Centre of Excellence Site in Wales, to include high security laboratory space, training and skills infrastructure.

5.67 Options to improve the A75 - The government is reconfirming its commitment to work with the SG on options to improve the A75, in line with the findings from the Union Connectivity Review. The government has offered development funding to support this, subject to a business case from SG.

5.68 Northern Ireland Trade and Investment Event - We are providing up to £2 million for the Department for International Trade to work with local partners including Invest NI to host a trade and investment event in Northern Ireland in 2023. This will showcase Northern Ireland as an attractive and vibrant place to do business and help drive new mobile investment into its economy.

5.69 Regulatory Reform for Growth - The government will review retained EU law to identify changes that can be made over the next year with the greatest potential to unlock growth in key growth industries - digital technology, life sciences, green industries, financial services, and advanced manufacturing. The government will also task the Government Chief Scientific Adviser and National Technology Officer (Sir Patrick Vallance) to lead work to consider how the UK can better regulate emerging technologies, enabling their rapid and safe introduction.

Supply side growth

5.70 Investment zones - The government will refocus the Investment Zones programme to catalyse a limited number of high potential clusters, working with local stakeholders, to be announced in the coming months. The existing expressions of interest will therefore not be taken forward.

5.71 Bringing forward the Digital Markets, Competition and Consumer Bill - The government is bringing forward the Digital Markets, Competition and Consumer Bill to provide new powers to the 'Digital Markets Unit' (DMU) in the CMA to foster more competitive digital markets; make changes to the competition framework that will include streamlined decision making and updating merger and fine thresholds; and protect consumers in fast-moving markets by tackling 'subscription traps' and fake reviews online.

5.72 New devolution deals

The government has agreed new mayoral devolution deals with Suffolk County Council, and will shortly be agreeing an mayoral deal with Cornwall Council and an expanded mayoral deal with local authorities in the North East of England. Good progress is also being made towards signing a deal with Norfolk County Council. Once agreed, these deals, taken together, will increase the proportion of people living under a directly elected mayor with devolved powers in England to over 50%.

5.73 Trailblazer devolution deals

The government will deliver the Levelling Up White Paper commitment to sign new 'trailblazer' devolution deals with Greater Manchester and the West Midlands Combined Authorities by early 2023. The government is in discussion with the Mayors of these areas to devolve powers to deliver levelling up in areas such as skills, transport and housing, including through consolidating funding. These 'trailblazer' deals will act as a blueprint for other areas to follow.

5.74 Single settlements for mayoral combined authorities

As part of negotiations on trailblazer deals, the government will explore with Greater Manchester Combined Authority and West Midlands Combined Authority the potential to provide single departmental-style settlements at the next Spending Review. This could give local partners more flexibility and accountability over key economic growth funds, moving away from competitive bidding processes. Subject to progress of these discussions, the government will consider the eligibility of other mayoral combined authorities for these settlements, noting the need to ensure appropriate accountability structures are in place.

5.75 Solvency II Reform - The government has today published a consultation response setting out the final reforms of Solvency II. These reforms will unlock tens of billions of pounds for investment across a range of sectors.

Table 5.1 shows the cost or yield of all government policy decisions since the Spring Statement 2022 with a direct effect on PSNB compared to the OBR forecast in the years up to 2027-28. This includes tax measures, changes to 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 2022: policy costings' published alongside Autumn Statement.

Table 5.1: Autumn Statement 2022 policy decisions (£ million)[1]

		Head[2]	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Energy and cost of living								
1	Energy Price Guarantee: support for households through a cap on the unit rate of electricity and gas bringing typical household energy bills to £2,500 from 1 October to 31 March 2023 and £3,000 from 1 April 2023 to 31 March 2024	Spend	-24,780	-12,780	0	0	0	0
2	*Memo: cost of 8 September 2022 announcement (£2,500 typical household bill from 1 October 2022 to 30 September 2024)*		*-24,780*	*-26,780*	*-3,745*	*0*	*0*	*0*
3	*Memo: saving from Autumn Statement change (£3,000 typical household bill from 1 April 2023 to 31 March 2024)*		*0*	*+14,005*	*+3,745*	*0*	*0*	*0*
4	£900 Cost of Living Payment for households on means-tested benefits in 2023-24	Spend	0	-7,475	-90	-80	-75	-70
5	£300 Pensioner Cost of Living Payment in 2023-24	Spend	0	-2,610	0	0	0	0
6	£150 Disability Cost of Living Payment in 2023-24	Spend	0	-1,170	-135	-120	-110	-100
7	Household Support Fund: further extension to 31 March 2024	Spend	0	-1,000	0	0	0	0
8	*Memo: total Cost of Living Payments*		*0*	*-12,255*	*-225*	*-200*	*-185*	*-170*
9	Energy Bill Relief Scheme: support for businesses for a 6 month period	Spend	-18,405	0	0	0	0	0
	Total energy and cost of living package[3]		**-43,190**	**-25,030**	**-225**	**-200**	**-180**	**-170**
Public spending								
	Supporting public services							
10	NHS and social care: addressing pressures in the system	Spend	0	-5,110	-5,920	-	-	-
11	Schools: increase Spending Review 2021 levels of per pupil funding in real terms	Spend	0	-2,760	-2,765	-	-	-
12	ODA: remove unallocated provision in 2024-25	Spend	0	0	+5,220	-	-	-
13	Council Tax: implications of changes for local authority reserves[4]	Tax	0	+30	+60	+120	+170	+240
	Adjustments to reserve							
14	Adjustments to reserve and departmental budgets[5]	Spend	-1,080	-65	+440	-	-	-

		Head[2]	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
	Sustainable public spending							
15	Day-to-day (RDEL) spending assumption: increase by 1% p.a. on average in real terms beyond Spending Review 2021	Spend	0	0	0	+6,755	+14,000	+21,520
16	Capital investment (CDEL) spending assumption: maintain spending in cash terms beyond Spending Review 2021	Spend	0	0	0	+4,820	+9,175	+14,765
Tax								
	Providing support for business rates costs							
17	Business Rates: freezing the multiplier in 2023-24[6]	Tax	+25	-1,795	-1,955	-1,960	-1,900	-1,900
18	Business Rates: 75% relief for Retail, Hospitality and Leisure sectors in 2023-24, up to £110,000 cash cap[6]	Tax	+50	-2,295	+45	-10	0	0
19	Business Rates: three-year transitional relief to limit bill increases at the revaluation[6]	Tax	+15	-1,230	-375	-110	0	*
20	Business Rates: three-year supporting small businesses scheme for properties losing Small Business Rates Relief or Rural Rates Relief[6]	Tax	+5	-180	-190	-210	+5	*
21	Business Rates: delay improvement relief by one year to April 2024[6]	Tax	*	+145	*	0	0	0
	Taxing windfall profits							
22	Energy Profits Levy: extend until 31 March 2028 and increase rate to 35% from 1 January 2023	Tax	+1,130	+3,435	+2,465	+2,750	+5,510	+4,135
23	*Memo: total revenue raised from Energy Profits Levy*		*+7,190*	*+10,810*	*+8,010*	*+5,965*	*+5,510*	*+4,135*
24	Electricity Generator Levy: implementation of 45% tax on excess returns from 1 January 2023 to 31 March 2028	Tax	+1,035	+4,075	+3,445	+2,195	+1,935	+1,535
	Personal tax							
25	Income Tax and National Insurance: maintain thresholds at 2023-24 levels until April 2028	Tax	0	0	0	0	0	+1,260
26	Inheritance Tax: maintain thresholds at current level until April 2028	Tax	0	0	0	0	0	+35
27	Income Tax: reduce the dividend allowance from £2,000 to £1,000 from April 2023 and then £500 from April 2024	Tax	0	-30	+450	+810	+860	+940
28	Income Tax: reduce the additional rate threshold from £150,000 to £125,140 from April 2023	Tax	+80	+420	+790	+770	+800	+855
29	Capital Gains Tax: reduce the annual exempt amount from £12,300 to £6,000 from April 2023 then £3,000 from April 2024	Tax	0	+25	+275	+425	+435	+440
30	Vehicle Excise Duty: equalise treatment of electric and internal combustion engine vehicles from April 2025	Tax	0	0	0	+515	+985	+1,595

		Head[2]	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
31	Company Car Tax: set rates from 6 April 2025 to 5 April 2028	Tax	0	0	0	+95	+155	+245
	Business tax							
32	National Insurance: maintain the secondary threshold for employer contributions at current level from April 2023 until April 2028[7]	Tax	0	+3,145	+5,340	+5,370	+5,440	+5,825
33	Pillar 2 rules: UK implementation of global minimum corporate tax reforms from 31 December 2023	Tax	0	+335	+2,110	+2,085	+2,155	+2,255
34	R&D tax reliefs: rebalance generosity of reliefs from 1 April 2023	Tax	0	+215	+620	+1,070	+1,250	+1,340
35	VAT: maintain registration threshold at current level to 31 March 2026	Tax	0	0	+310	+370	+375	+420
36	Climate Change Levy: rebalance rates in 2024-25 by increasing rates on natural gas and solid fuels, while freezing other rates	Tax	0	0	+85	+90	+95	+100
	Tackling tax avoidance and evasion							
37	Capital Gains Tax: preventing avoidance through share exchange	Tax	0	+95	+200	+195	+180	+160
38	Transfer pricing documentation: implementation of OECD best practice requirements from April 2023	Tax	0	0	0	0	+50	+80
39	HMRC: investment in compliance - tackling tax fraud	Tax	0	+5	+20	+60	+110	+155
40	HMRC: investment in compliance - reducing non-compliance by wealthy taxpayers	Tax	0	+10	+45	+80	+110	+130
	Other tax							
41	Stamp Duty Land Tax: ending the Growth Plan 2022 change on 31 March 2025	Tax	-30	-95	+180	+850	+1,440	+1,635
42	Van benefit charge: uprate with CPI in 2023-24	Tax	0	+15	+15	+15	+15	+15
43	Car fuel benefit charge: uprate with CPI in 2023-24	Tax	0	+10	+10	+10	+10	+10
44	First Year Allowance for electric vehicle chargepoints: extend for a further two years until April 2025	Tax	-5	-25	-30	-5	+5	+10
45	Carbon Price Support: maintain rates at a level equivalent to £18 t/CO2 in 2024-25	Tax	0	0	-5	-5	-5	-5
46	Import tariff changes since Spring Statement 2022	Tax	-25	-160	-150	-15	-15	-15
	Welfare and pensions							
47	Pension Credit: uprate Standard Minimum Guarantee by CPI in 2023-24	Spend	0	-700	-720	-710	-700	-700
48	Benefit cap levels: uprate by CPI in 2023-24	Spend	0	-315	-465	-485	-490	-510

		Head[2]	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
49	Support for Mortgage Interest: reduce wait period from 9 to 3 months and abolish the zero earnings rule	Spend	0	*	+5	+5	+10	+15
50	*Memo: impact on public sector net debt*		*0*	*-50*	*-60*	*-75*	*-85*	*-95*
51	DWP: expand in-work conditionality for Universal Credit claimants from September 2023	Spend	0	-25	-20	0	0	0
52	Social housing: cap rent increases below CPI in 2023-24	Spend	0	+135	+135	+120	+115	+125
53	Employment and Support Allowance: delay managed move to Universal Credit until 2028	Spend	0	0	+25	+230	+445	+320
54	Housing Benefit and Pension Credit: delay merger until 2028	Spend	0	0	0	0	+15	+130
55	DWP: additional investment in tackling fraud and error	Spend	*	-15	+140	+645	+1,115	+1,715
Previously announced policy								
	Pre-Growth Plan							
56	May Cost of Living package[8]	Spend	-15,530	-1,210	-1,205	-1,205	-1,205	-1,205
57	Energy Profits Levy[8]	Tax	+6,060	+7,375	+5,545	+3,215	0	0
58	R&D tax reliefs: extend to data & cloud costs and refocus reliefs towards UK innovation	Tax	0	0	-20	-40	-55	-70
59	Tax exemptions for compensation payments[9]	Tax	0	-140	-30	-25	-20	0
60	Capital Gains Tax: extend the period for no gain/no loss transfers to three years for couples that separate or divorce	Tax	0	-5	-10	-10	-10	-15
61	IFRS17 transitional rules	Tax	-60	+140	+65	+100	+110	+40
62	DWP: residency test exemption for arrivals from Ukraine	Spend	-100	-50	0	0	0	0
63	DWP: Personal Independence Payment Award Review Queue	Spend	-50	-70	*	0	0	0
64	DWP: pause full Personal Independence Payment rollout	Spend	0	+5	+105	+240	+255	+270
65	Additional costs associated with extending student finance eligibility to individuals on Ukraine visa routes from 1 August 2022	Spend	-5	-15	-20	-20	-15	-10
66	Bulb: Special Administration Regime	Spend	-4,580	0	0	0	0	0
	Post-Growth Plan							
67	Income Tax: maintaining the basic rate at 20%[10]	Tax	0	0	+5,970	+6,715	+6,630	+6,795
	Growth Plan							
68	National Insurance: reverse temporary 1.25pp increase in NICs rates from November 2022, and cancel the Health and Social Care Levy	Tax	-7,070	-16,685	-16,535	-16,855	-17,370	-17,955
69	*Memo: increased tax yield due to higher wages and profits as a result of the tax change[11]*		*+860*	*+2,620*	*+2,720*	*+2,825*	*+2,935*	*+2,935*

		Head[2]	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
70	*Memo: net Exchequer cost*		*-6,210*	*-14,065*	*-13,815*	*-14,030*	*-14,435*	*-15,020*
71	Stamp Duty Land Tax: increases to nil-rate thresholds from 23 September 2022[12]	Tax	-745	-1,085	-1,045	-1,195	-1,440	-1,635
72	Annual Investment Allowance: permanently set at £1m from April 2023	Tax	-290	-1,015	-1,555	-1,495	-1,435	-1,360
73	Venture capital schemes: increase Seed Enterprise Investment Scheme limits from April 2023	Tax	0	0	-25	-20	-20	-20
74	Employee share schemes: Company Share Option Plan reforms from April 2023	Tax	0	-10	-15	-20	-85	-125
75	Alcohol duty reform: changes to the new alcohol duty system (following the consultation after Autumn Budget 2021)	Tax	+25	-25	-80	-25	-25	-25
	Total Autumn Statement policy decisions (excluding energy)[2,3,13,14]		**+1,255**	**-2,035**	**+10,020**	**+25,720**	**+41,400**	**+54,915**
	o/w Total spending policy decisions[2,3,13,14]		-1,020	-9,450	-4,705	+8,725	+18,950	+30,135
	o/w Total tax policy decisions[2,3,13,14]		+2,275	+7,415	+14,725	+16,995	+22,450	+24,785
	Total policy decisions (since Spring Statement 2022)[2,3,14]		-64,220	-39,780	+640	+14,865	+26,520	+39,415
	o/w Total spending policy decisions (since Spring Statement 2022)[2,3,14]		-64,405	-34,465	-4,550	+9,340	+19,585	+30,800
	o/w Total tax policy decisions (since Spring Statement 2022)[2,3,14]		+185	-5,315	+5,190	+5,525	+6,935	+8,615

* 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. The totals for tax and spending reflect the components with the actual fiscal classification of each row of the table.

[3] Totals may not sum due to rounding.

[4] Shows the net fiscal impact on the council tax policy. Assumed additional taxation raised by local authorities is mostly offset by assumed additional local authority spending (with the exception of the additional funding added to reserves, which does not count towards PSNB until it is drawn down).

[5] Includes increases to reserve funding to reflect revised estimates of pressures, offset by the removal of public sector compensation for the repealed Health and Social Care Levy that will be removed from departmental budgets from 2023-24 onwards.

[6] 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.

[7] This measure is expected to have an indirect effect on wages. The impact of this effect on tax receipts is captured as part of the wider OBR forecast.

[8] As announced in the Cost of Living support package: https://www.gov.uk/government/publications/cost-of-living-support

[9] This measure relates to tax exemptions for the Infected Blood Interim Compensation Payment Scheme and Post Office compensation payments for Overturned Historic Convictions.

[10] This measure was announced on 17 October and represents a change to the policy announced in Spring Statement 2022.

[11] Using the OBR's Autumn 2021 EFO assumption of the impact of the tax increase on wages and profits, scaled for 2022-23 to match the period the measure would have been in place.

[12] Changes reflect: increase to nil rate band from £125k to £250k, increase to First Time Buyers Relief (FTBR) nil-rate threshold from £300k to £425k and increase to FTBR property eligibility from £500k to purchases up to £625k.

[13] By the final year of the forecast, the total fiscal consolidation announced since the Growth Plan is 51% tax and 49% spending, including the measures announced in the Autumn Statement and maintaining the basic rate of income tax (see footnote 10).

[14] Total policy decisions include changes to the OBR's judgement of assumed departmental underspends.

Table 5.2 summarises the fiscal impact of the decisions not to proceed with certain elements of the Growth Plan 2022. These changes are not included in Table 5.1 because the measures they reverse were never reflected in the OBR's forecast.

Table 5.2: Growth Plan 2022 reversals (£ million)[1]

		Head[2]	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
1	Corporation Tax: reinstate plans to raise to 25% from April 2023, with 19% small profits rate[3]	Tax	+2,045	+11,660	+15,850	+17,060	+17,940	+18,785
2	Income Tax: maintain the basic rate at 20% in 2023-24[4]	Tax	0	+5,195	+520	-270	-45	-45
3	Income Tax: maintain the additional rate	Tax	+2,320	-615	+775	+2,110	+1,980	+1,845
4	Income Tax: maintain 1.25 percentage point increase in dividends tax rates	Tax	0	+1,535	-945	+1,025	+835	+925
5	Off-payroll working rules: maintain 2017 and 2021 reforms (also known as IR35)	Tax	0	+1,125	+1,370	+1,660	+2,015	+2,045
6	VAT: cancel VAT-free shopping scheme for visitors to Great Britain	Tax	0	0	+1,200	+1,825	+1,915	+2,040
7	Alcohol duty: cancel one year freeze to rates	Tax	+195	+1,310	+1,360	+1,405	+1,460	+1,520
	Total policy decisions[5]		**+4,560**	**+20,210**	**+20,130**	**+24,815**	**+26,100**	**+27,115**

* 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] Includes reinstating plans to set the Bank Corporation Tax Surcharge rate at 3% from April 2023 and the Diverted Profits Tax rate at 31% from April 2023.

[4] The fiscal impact of maintaining the basic rate at 20% in 2024-25 and beyond is shown in Table 5.1

[5] Totals may not sum due to rounding.