

# Autumn Statement – quick summary

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29<sup>th</sup> November 2011

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## Introduction

The chancellor of the exchequer, George Osborne has **announced** the 2011 Autumn Statement. The Autumn Statement provides an update on the government's plans for the economy based on the latest forecasts from the Office for Budget Responsibility<sup>1</sup>. These forecasts have been published alongside the Autumn Statement on 29 November. The Autumn Statement sets out the actions the government will take in three areas: *'protecting the economy; building a stronger economy for the future; and fairness'*.

This quick summary sets out the items of key relevance to the learning and skills sector. Many of the policy details published in the Autumn Statement have been announced in the weeks leading up to the Autumn Statement, however, they are also summarised here for completeness.

## Headlines

### Education and Skills

- A Youth Contract worth a total of £940 million over the Spending Review period.
- A new £250 million pilot fund to enable businesses to *'design, develop and purchase the vocational training programmes they need'*. An extra £600 million investment to fund 100 additional Free Schools by the end of this Parliament.
- An additional £600 million to support the local authorities with the *'greatest demographic pressures'* to deliver an additional 40,000 school places.
- Further investment of £380 million a year by 2014-15 to extend the offer of 15 hours free education and care a week for disadvantaged two year olds to cover an extra 130,000 children.

### Economy and Growth

- An increase in the Regional Growth Fund for England by £1 billion, plus Barnett consequential<sup>2</sup> for the devolved administrations, and an extension of the fund into 2014-15 to provide *'ongoing support to grow the private sector in areas currently dependent on the public sector'*.
- The publication of a new strategy for coordinating public and private investment in UK infrastructure the ***National Infrastructure Plan*** which includes: £6.3 billion of additional infrastructure spending over the

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<sup>1</sup> The Office for Budget Responsibility (OBR) was formed in May 2010 to make an independent assessment of the public finances and the economy, the public sector balance sheet and the long term sustainability of the public finances.

<sup>2</sup> a mechanism used by HM Treasury to adjust the amounts of public expenditure allocated to Northern Ireland, Scotland and Wales automatically to reflect changes in spending levels allocated to public services in England, England and Wales or Great Britain, as appropriate.

Spending Review 2010 period, of which £1.3 billion was announced earlier in the autumn; commitments to £5 billion of capital projects in the next spending review period as part of the National Infrastructure Plan; and around £1 billion of new private sector investment in regulated industries supported by government guarantee.

- The approval of proposals from the Lancashire and Humber Local Enterprise Partnerships to form Enterprise Zones.
- An expansion of mobile network and urban broadband coverage across the country.

### Employment

- An increase in the State Pension age to 67 between 2026 and 2028.
- For public sector workers, an average of a one per cent pay award for each of the two years after the current pay freeze comes to an end.
- Independent Pay Review Bodies to consider how public sector pay can be made *'more responsive to local labour markets'*, to report by July 2012.
- The minister for the Cabinet Office will review how *'more local, market facing pay could be introduced in civil service departments'*. Secretaries of state may then choose to take forward recommendations for their departments.

### Benefits and Taxes

- Most working age and disability benefits will be uprated in line with the Consumer Price Index (CPI) in 2012-13, an increase of 5.2 per cent.
- The child element of Child Tax Credit will also be uprated in line with CPI, and will rise by £135 per year in 2012-13. The £110 above inflation increase that was planned for 2012-13 will not go ahead.
- The disability elements of tax credits will be uprated by CPI, however government will not uprate the couple and lone parent elements of the Working Tax Credit in 2012-13.
- The basic State Pension will increase by the triple guarantee, as announced in the June 2010 Budget. A full basic State Pension will rise by £5.30 to £107.45 per week in April 2012.
- The standard minimum income guarantee in Pension Credit will increase by 3.9 per cent in April 2012 to £142.70 per week for single pensioners and £217.90 a week for pensioner couples.

### Business Support

- A package of interventions worth up to £21 billion *'to ease the flow of credit to businesses that do not have ready access to capital markets'* will be introduced, with scope to increase the scale of this package in future if necessary.
- A National Loan Guarantee Scheme whereby up to £20 billion of guarantees for bank funding will be made available over two years. This will allow banks to offer lower cost lending to smaller businesses, subject to state aid approval.
- An initial £1 billion through a Business Finance Partnership, which will invest in smaller and mid-sized businesses in the UK through non-bank channels.
- Up to £10 million over five years to establish an Open Data Institute to help industry exploit the opportunities created through the release of datasets on transport, weather and health, including giving individuals access to their online GP records by the end of this Parliament.

## Learning and skills sector/BIS

### The Youth Contract

- The Youth Contract worth a total of £940 million over the Spending Review 2010 period with an additional £4.2 million over three years will be provided so that the National Careers Service can provide careers interviews for 18–24 year olds who have been on Jobseeker's Allowance for three months. The Youth Contract will:
  - provide extra support from Jobcentre Plus for unemployed 18-24 year olds, with additional advisor time and a careers interview from the National Careers Service after three months on Jobseeker's Allowance (JSA), and with weekly, rather than fortnightly, signing for all 18-24 year olds from month five; and
  - provide an offer of a work experience or a Sector Based Work Academy place *'for every unemployed 18-24 year old who wants one'* after three months on JSA, before they enter the Work Programme. The government is providing an additional 250,000 places.
- Young people still unemployed after nine months on JSA will transfer to the Work Programme. In addition the Youth Contract will:
  - provide funding for an estimated 160,000 wage incentives of £2,275 *'to make it easier for private sector employers to take on young people'*;
  - ensure the funding for at least 40,000 incentive payments for small firms to take on young apprentices; and
  - fund a new £50 million a year programme to provide support to some of the most disadvantaged 16-17 year olds not in education, employment or training (NEET) across the UK. To *'provide support to help them to get into education, an apprenticeship or a job with training'*.

### Vocational Education and Training

The government will:

- launch a new £250 million pilot fund to enable businesses to *'design, develop and purchase the vocational training programmes they need'*. In early 2012, employers will be invited to bid for a share of the fund.
- *'improve the apprenticeships programme and reduce red tape'*, including by:
  - requiring all apprenticeship providers to support training in English and maths up to good GCSE standard where not already achieved;
  - ensuring that employers are able to advertise a vacancy within one month of deciding to take on an apprentice and have them ready to start work within three months;
  - removing all *'excess health and safety requirements'* for apprenticeships;
  - launching a further opportunity in 2012 for organisations to bid for funding to extend Higher Apprenticeship provision; and
  - conducting an employer-led review into the quality and standards of apprenticeships to report by spring 2012.
- increase young people's access to *'high quality'* work experience by investing £4.5 million over the next two years to support work experience as part of post-16 programmes of study; work with the Federation of Small Businesses and other employer groups to review regulation impacting on the provision of work experience by the end of December 2011; and publish shortly a guide on work experience;
- support the kite-marking of *'courses that employers value'* by science, technology, engineering and maths Sector Skills Councils supported by the Confederation of British Industry:
  - a group of Science, Technology, Engineering and Mathematics (STEM)-focused sector skills councils (the Sector Skills Council for Science, Engineering and Manufacturing Technologies; the Sector Skills Council for Chemicals, Pharmaceuticals, Nuclear, Oil and Gas, Petroleum and Polymer Businesses; and e-skills), with support from the Confederation of British Industry and Skillset, will lead an industry group to kite-mark courses, *'helping students understand better which courses are valued by employers'*. The government will encourage other sector skills councils to do the same. Students will be able to access initial information on employer endorsement as part of the 2012 Key Information Sets;

- invest £10 million over five years from 2013-14 in Project Enthuse, matched by investment from the Wellcome Trust, to improve the quality of science teaching in schools;
- The government will offer undergraduates access to mentoring support drawn from the existing network of STEM Ambassadors to give undergraduates insight into STEM occupations and raise the profile of the STEM sector;
- publish destination information at ages 16 and 18 from spring 2013 *‘to encourage schools’ focus on young people’s future beyond school as well as attainment’*. *‘The Government recognises the contribution that strong links between schools, colleges, and business can make to outcomes for young people, and will keep the impact of this measure under review and consider stronger incentives if needed’*;
- *‘reform adult basic literacy and numeracy provision’* by piloting a new funding method for the providers of courses, which creates incentives for them to deliver the greatest skills gains for learners on basic skills courses; and
- launch HE Global, an online portal providing information and advice to higher education (HE) institutions on expanding abroad. It will also develop a vehicle to bring together government, the HE sector and industry expertise to package and sell education offers overseas.

## Schools/DfE

The government will:

- invest an extra £600 million to fund 100 additional Free Schools by the end of this Parliament. This will include new specialist maths Free Schools for 16-18 year olds, supported by *‘strong’* university maths departments and academics;
- invest an additional £600 million to support those local authorities *‘with the greatest demographic pressures. This funding is enough to deliver an additional 40,000 school places’*; and
- in line with the approach to child poverty set out in the child poverty strategy the government will invest a further £380 million a year by 2014-15 to extend its offer of 15 hours free education and care a week for disadvantaged two year olds to cover an extra 130,000 children.

## Regional growth/development

The government will:

- increase the Regional Growth Fund for England by £1 billion, plus Barnett consequentials for the devolved administrations, and extend it into 2014–15, to provide ongoing support to grow the private sector in areas currently dependent on the public sector;
- subject to due diligence, expand the existing Enterprise Zone in the North East to include land around the Port of Blyth, encouraging business investment in the renewables industry. The Government will also consider an Enterprise Zone in Battersea linked to the redevelopment of the power station;
- make 100 per cent capital allowances available in the following Enterprise Zones: the Black Country; Humber; Liverpool; North Eastern; Sheffield; and Tees Valley; and
- approve proposals from the Lancashire and Humber Local Enterprise Partnerships to form Enterprise Zones on and around the BAE Systems’ sites in these areas.

## Employment

The government will:

- increase the State Pension age to 67 between 2026 and 2028. This is expected to save around £60 billion in today’s prices between 2026–27 and 2035-36;
- ensure that pensioners with the lowest incomes benefit from the triple guarantee, increasing the standard minimum income guarantee in Pension Credit by 3.9 per cent in April 2012 to £142.70 per week for single

pensioners and £217.90 a week for pensioner couples. Government will also raise the threshold for Savings Credit in April 2012 to £111.10 for single pensioners and £177.20 for pensioner couples;

- ensure the amount of tax relief given to employers making asset-backed pension contributions to registered pension schemes accurately reflects the amount of payments made, *'and does not give rise to unintended excess relief'*;
- set public sector pay awards at an average of one per cent for each of the two years after the current pay freeze comes to an end. Departmental budgets will be adjusted in line with this policy, with the exception of the health and schools budgets, where the money saved will be reinvested. *'This will protect expenditure on public services'*;
- ask independent Pay Review Bodies to consider how public sector pay can be made *'more responsive to local labour markets'*, to report by July 2012; and
- review how *'more local, market facing pay'* could be introduced in civil service departments. Secretaries of State may then choose to take forward recommendations for their departments.

## Employment Regulation

The government will:

- work with industry and key stakeholders to *'change attitudes to mediation and embed it as an accepted part of the dispute resolution process'*. As a first step, the government will explore with large businesses in the retail sector how they might share their mediation expertise with smaller businesses in their supply chain. The Government will also pilot local mediation networks for small and medium-sized enterprises (SMEs);
- look for ways to provide a *'quicker and cheaper'* alternative to a tribunal hearing in simple cases — a 'Rapid Resolution' scheme;
- introduce a provision for employment tribunals to levy a financial penalty on employers found to have breached employment rights (payable to the Exchequer), but will allow judges the discretion about whether to exercise this power to ensure that employers are not penalised for *'inadvertent errors'*;
- launch a formal consultation in 2012 on any proposed changes to the current TUPE regulations should the current call for evidence on the effectiveness of the TUPE regulations protecting employees' rights and smoothing the process of business restructuring call for it. complete a call for evidence on the impact of reducing the collective redundancy process for redundancies of 100 or more staff from the current 90 days to 60, 45 or 30 days;
- begin a call for evidence on two proposals to reform UK employment law. First, the government will seek views on the introduction of compensated no-fault dismissal for micro-businesses with fewer than 10 employees. Second, the government will look at how it could move to a simpler, quicker and clearer dismissal process, potentially including working with ACAS to make changes to their code or by introducing supplementary guidance for small businesses;
- develop a model agreement for use by smaller businesses, consult on a legislative change to enable compromise agreements to cover all existing and future claims, and rename agreements as *'settlement agreements'*;
- subject to consultation, introduce a system of 'protected conversations' which will allow employers to have a conversation about any employment issue with their employees;
- shortly publish a consultation on the introduction of fees for anyone wishing to take a claim to an employment tribunal;
- consult in spring 2012 on streamlining the current regulation of the recruitment sector;
- examine the paperwork obligations of the Agency Worker Regulations in 18 months' time to ensure that the practical arrangements for employers are as simple as possible;
- close a loophole in the Public Interest Disclosure Act 1998, which enables employees to blow the whistle about breaches to their own personal work contract;

- merge the current body of National Minimum Wage (NMW) regulations into a single set of consolidated regulations, to complement the work of the Low Pay Commission in considering simplification of the current regime; and
- deliver universal portability of CRB checks with an immediate checking service for employers via an online facility available from 2013.

## Economy and Business Support

The government has published a new strategy for coordinating public and private investment in UK infrastructure the **National Infrastructure Plan**, which includes £6.3 billion of additional infrastructure spending, of which £1.3 billion was announced earlier in the autumn. Alongside this, around £1 billion of new private sector investment in regulated industries will be supported by government guarantee. The government is also announcing commitments to £5 billion of capital projects in the next Spending Review period as part of the National Infrastructure Plan and is working with UK pension funds to *'unlock'* an additional £20 billion of investment in UK infrastructure. In total, the Autumn Statement supports around £30 billion of new capital investment.

The government will:

- launch a package of interventions worth up to £21 billion to *'ease the flow of credit to businesses that do not have ready access to capital markets'*, with scope to increase the scale of this package in future if necessary;
- introduce a National Loan Guarantee Scheme. Up to £20 billion of guarantees for bank funding will be made available over two years. *'This will allow banks to offer lower cost lending to smaller businesses, subject to state aid approval'*;
- make available an initial £1 billion through a Business Finance Partnership, which will invest in smaller and mid-sized businesses in the UK through non-bank channels;
- launch a new Seed Enterprise Investment Scheme (SEIS) from April 2012, offering 50 per cent income tax relief on investments, and will offer a capital gains tax exemption on gains realised in 2012–13 and then invested through SEIS in the same year;
- make 100 per cent capital allowances available in the Black Country, Humber, Liverpool, North Eastern, Sheffield, and Tees Valley Enterprise Zones;
- introduce an 'above the line' tax credit in 2013 to encourage research and development activity by larger companies;
- extend the Enterprise Finance Guarantee (EFG) from January 2012 to include businesses with up to £44 million annual turnover, and a number of new lenders will be accredited to offer EFG lending; and
- establish an industry working group to explore how to further develop access to non-bank lending channels, including forms of bond issuance, for SMEs and mid-sized businesses. The group will be led by the Department for Business, Innovation and Skills and will report by Budget 2012.

## Innovation

The government will:

- publish its Innovation and Research Strategy shortly to set out how it will support innovation in the UK;
- invest an additional £75 million in supporting technology-based SMEs to develop, demonstrate and commercialise new products and services;
- invest an additional £200 million in science, including an £80 million investment in the Institute for Animal Health and £25 million for large-scale technology demonstrators;
- introduce an 'above the line' tax credit in 2013 to encourage research and development (R&D) activity by larger companies. The Government will consult on the detail at Budget 2012 and will ensure that SME R&D incentives are not reduced as a result of this change; and
- set out the government's strategy *'to ensure that the UK is the best location for undertaking translational research in life sciences'* in December 2011. The strategy will outline how the government will support the

life sciences work of universities, the NHS, private investors and businesses, *'to attract and develop talent, and improve incentives'*.

## DWP – Benefits and taxes

- Raise the State Pension age to 67 between April 2026 and April 2028 in response to changes in demography. This measure is expected to save around £60 billion in today's prices between 2026–27 and 2035–36;
- Increase the standard minimum income guarantee in Pension Credit by 3.9 per cent in April 2012 to £142.70 per week for single pensioners and £217.90 a week for pensioner couples. The Government will raise the threshold for Savings Credit in April 2012 to £111.10 for single pensioners
- Uprate the child element of the Child Tax Credit and disability elements of tax credits will be in line with CPI in 2012-13.
- Not go ahead with the planned £110 above inflation increase to the child element of the Child Tax Credit and will not uprate the couple and lone parent elements of the Working Tax Credit in 2012–13, to ensure the welfare system remains affordable;
- Uprate the majority of working age and disability benefits in line with the CPI in 2012-13, an increase of 5.2 per cent.
- uprate the child element of Child Tax Credit in line with CPI by £135 per year in 2012-13. The £110 above inflation increase that was planned for 2012-13 will not go ahead.
- The disability elements of tax credits will be uprated by CPI. However, the government will not uprate the couple and lone parent elements of the Working Tax Credit in 2012-13.
- The basic State Pension will increase by the triple guarantee, as announced in the June 2010 Budget. A full basic State Pension will rise by £5.30 to £107.45 per week in April 2012.

## Procurement

The government will publish medium-term plans setting out its procurement needs for other sectors by April 2012 and complete *'all but the very biggest and most complex procurement processes'* within 120 working days by introducing the Lean sourcing process from January 2012.

## Communications

The government will:

- as announced in October 2011, invest up to £150 million to improve the coverage and quality of mobile network services for the five to ten per cent of consumers in areas of the UK where existing mobile network coverage is poor or non-existent, with the aim of extending coverage to 99 per cent of the UK population. The government will begin procurement by spring 2012 with businesses and consumers benefiting from improved coverage from early 2013 onwards; and
- establish a new £100 million urban broadband fund that will create up to 10 *'super-connected cities'* across the UK with 80-100 megabits per second superfast broadband. Belfast, Cardiff, Edinburgh, London and up to six further cities will receive support from the fund over the next three years. The first winning cities will be announced at Budget 2012.

## Contact the LSIS policy team

This quick summary has been prepared by Angela Nartey, policy research officer, LSIS. Your comments are welcome – please contact Angela by email on [angela.nartey@LSIS.org.uk](mailto:angela.nartey@LSIS.org.uk).

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© LSIS November 2011

Published by the Learning and Skills Improvement Service (LSIS).

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