



# The Autumn Statement 2014

---

RJF Public Affairs and MHA Bloomer Heaven Briefing Paper

2<sup>nd</sup> December 2014

Benjamin Mulvihill  
Research Assistant, RJF Public Affairs

Additional Material: Paul Dale  
Edited by Kevin Johnson and Jay Boyce

*Combining tax and accountancy expertise with high level parliamentary intelligence, RJF Public Affairs and MHA Bloomer Heaven are pleased to offer clients and stakeholders an advance briefing of what to expect in the Autumn Statement this Wednesday.*

## Contents

Introduction .....	2
MHA Bloomer Heaven Priorities .....	2
RJF Perspective .....	3
Policy.....	4
Roads.....	4
Fracking.....	5
Devolution of Corporation Tax.....	5
Green Climate Fund.....	5
Flood Defences.....	5
Tax Avoidance .....	6
NHS.....	6
About RJF .....	7
About MHA Bloomer Heaven.....	8



**RJF Public Affairs** is the only dedicated public affairs and political communications consultancy owned and based in Greater Birmingham.



**MHA Bloomer Heaven** is one of the most established and successful independent Chartered Accountancy practices in the West Midlands.

## Introduction

*Four years ago, our economy was in crisis, our country was on the floor.*

*But we did what we Britons do best when we're being counted out. We picked ourselves up, we sorted ourselves out and got back in the fight... We set out our long term economic plan and worked through it..*

*George Osborne*

*Birmingham*

*29<sup>th</sup> September 2014*

Devolution, new roads, flood defences, fracking and, of course, the budget deficit will all feature when George Osborne makes his Autumn Statement to the House of Commons tomorrow lunchtime.

Mr Osborne will bring MPs up to date with the latest efforts to eliminate the budget deficit by the end of this Parliament, as well as confirming a variety of pre-election Government spending plans.

The Autumn Statement provides an update to MPs and the public on the Government's plans for the economy, and is an opportunity for Mr Osborne to comment on the latest economic forecasts provided by the Office for Budget Responsibility (OBR).

Whilst taxation plans were traditionally set out in the Budget, a number are also now announced in the Autumn Financial Statement.

A raft of associated statements are also being made this week, including those on the roads, flood defences and the national infrastructure plan, a science strategy and a new garden city. Interviews and leaks have also revealed developments on devolution and NHS.

This document seeks to give readers a short summary of what is expected to be in the Autumn Statement on Wednesday, together with our perspective on some key issues.

Follow [@ChamberlainFile](#) and [@bloomerheaven](#) as they live tweet the latest updates and reactions to the Autumn Statement tomorrow from around 12:30 PM.

## MHA Bloomer Heaven Priorities

For those who pay attention to this type of thing, it is well known that Old Mother George's cupboard is bare. There is nothing with which to pay for a pre-election giveaway of any kind – that's not to say the Chancellor won't try mind you, but more on this later. So what happened?

The main reason is that receipts from income tax are down – significantly; which has meant that there has been no meaningful reduction in borrowing. The economists will give you lots of technical reasons, but let's try looking at the problem from the heart of the UK where we have real first-hand experience of what is actually going on.

Businesses are still wary about over extending themselves and this includes lenders. This results in businesses trying to rely on their own capital to build their companies. Customers of all types are very aware of the power they wield and drive a hard bargain on price (competition in all sectors is fierce). The result is that prices are at best held and in many cases falling in real terms. In the light of this, is anyone really surprised that wage inflation in general is at an all-time low? If you then add in the effects of recent



*Jay Boyce*

*Director, Tax and Wealth Management  
MHA Bloomer Heaven*

increases in the income tax personal allowance, it is hardly surprising that the Government finds that cash is a little tight.

*“I think we do need to look at longer term reform of business rates... It is not going to be easy because rates raise about £24bn and I don't think there is any one solution that is going to make everybody happy.”*

*David Cameron  
28<sup>th</sup> January 2014*

The targets for fundraising in earlier years have already contributed significant sums and the effects have undoubtedly been felt. The favourite pantomime villain - the tax avoider - is still top of the list but there is a time delay on the delivery of cash benefits, not least because of a lack of resource in HMRC. Thus the Government faces the conundrum of cash shortfalls and a rapidly reducing group from which to extract additional cash.

So, there is a straightforward explanation as to why we are likely to see spending restraint as one of the key tools going forward. With this in mind, we do not expect to see the Autumn Statement as particularly exciting. If there are to be any early Christmas presents, we would kindly request the following:

1. We have asked for **business rate reform** for a number of years and believe there may be some light at the end of the tunnel. It might take the shape of more frequent revaluations or the introduction of a number of reliefs, but whatever it is, it will be a welcome start to long overdue restructuring.
2. Businesses need to be encouraged to invest more and create more jobs. Further encouragement of **capital expenditure** such as an increase or extension to the Annual Investment Allowance would be welcome.
3. The **roads** funding scheme announced earlier this week is welcome news (and largely cost neutral). Further announcements of improvements to the road network in the West Midlands would be helpful and a useful investment in the long term future of the region.

### R|J|F Perspective

One thing is absolutely certain about tomorrow's Statement. Mr Osborne will not miss an opportunity to accelerate further his 'Northern Powerhouse' vision which has been gathering a head of steam in recent weeks.

The conversion of the Chancellor to the devolution cause in recent months is nothing short of remarkable. If only he had emerged from the Treasury and committed the same energy and passion (with details of powers and budgets) to the debate around the mayoral referenda earlier in the Parliament, some of the results beyond Bristol might (*just might*) have been different.

The Chancellor is likely to set out plans to give Leeds, Sheffield and Manchester more London-style self-rule with devolved powers and budgets and will put some flesh on the bones of the HS3 high speed trans-Pennine railway.



*Kevin Johnson  
Partner  
R|J|F Public Affairs*

*Today I'm setting out the northern powerhouse, so we can deliver a real improvement in the long term economic performance of the north of England. This will be the centrepiece of my Autumn Statement – and part of our long-term economic plan for the country.*

*George Osborne  
5th August 2014*

He may also announce plans to allow councils in the North to keep a greater proportion of the revenues raised from business rates in their area.

The implication, clearly, will be that the great cities of the Midlands can one day benefit from a measure of independence too – but only if Combined Authorities are established, preferably in Mr Osborne's view under the leadership of metro mayors. However, it is thought that Leeds and Sheffield will not be compelled to have a mayor.

[We will be looking closely at what he has to say about developments in the West Midlands, following the announcement by Birmingham and Black Country councils that they plan to form a Combined Authority.](#)

Discussions with Solihull and Coventry about joining are continuing, but it is unlikely Solihull will be ready to sign this side of the General Election.

The extent to which Northern Powerhouse happens, and the way in which it happens, cannot be determined until after next year's General Election. It will be a matter for the new Government, of whichever political colour(s), to decide how far to travel down a rocky road from Westminster to the regions that has hit so many dead ends in the past.

In response to the Heseltine report the Government has made decentralisation a key focus, with LEPs being specifically referenced. The Financial Times reported this month that Communities Secretary Eric Pickles has been pressing for a second tranche of enterprise zones as part of a push to devolve more power to the regions.

## Policy

The following policy statements are expected to be confirmed in the Statement.

## Roads

The Government launched six strategic road network feasibility studies, designed to inform the first Road Investment Strategy. The Prime Minister told the Confederation of British Industry (CBI) conference recently that a road improvement strategy would be at the heart of the Autumn Statement. It has been described by the Treasury as “the biggest ever upgrade of the strategic road network” and a programme to “improve some of the most notorious and long-standing road hot spots in the country”.

Details of the £15bn plan were announced yesterday, with £1.4bn set aside for the Midlands with 17 new road schemes worth around £1.4bn, creating an estimated 900 construction jobs. Spending during the next parliament on the local and national roads network across the Midlands will be boosted further by maintenance funding worth £2.4bn.

Projects include expansion of the M6 junction 10 to help 10 key employment sites within a 10 minute radius, creating 2,500 new homes plus



major improvements to junction 6 on the M42, providing better access to Birmingham, and Coventry, supporting Birmingham airport and the NEC and providing capacity for the planned HS2 station.



## Fracking

When the first national UK shale colleges were announced in November 2014, Business, Enterprise and Energy Minister Matthew Hancock MP described shale gas as ‘a once-in-a-generation economic opportunity’.

It has been confirmed that the Government is preparing to announce plans for a ‘sovereign wealth fund’ in the Autumn Statement.

Commercial Secretary to the Treasury Lord Deighton stated during a House of Lords debate on the Infrastructure Bill that: “as a Government we support the idea and want to explore ... creating a sovereign wealth fund with the money that comes from shale gas”.

## Devolution of Corporation Tax

The Government policy paper “Building a prosperous and united community” included a package of proposals to strengthen the economy in Northern Ireland.

The paper committed the Government to make a decision on whether to devolve corporation tax powers to Northern Ireland no later than the Autumn Statement. This commitment has been confirmed in written answers by ministers and it has been widely trailed that the province will be handed the tax power.

Alok Sharma MP, in a sitting of the Treasury Select Committee, claimed that should the Government decide to devolve corporation tax powers to Northern Ireland, it would be very difficult to deny similar powers to Scotland and Wales.

## Green Climate Fund

Mr Osborne is expected to give the green light to £1bn in funding for an international Green Climate Fund designed to help poorer countries mitigate and adapt to climate extremes.

"The poorest and most vulnerable on the planet are already suffering the effects of climate change and it's our moral duty to act," Secretary of State for Climate Change Ed Davey told the BBC in November 2014.

## Flood Defences

A six-year programme of flood and coastal defence schemes is being announced today. A new garden city and the first ‘tidal power project’ to generate energy will also be unveiled. Chief Secretary to the Treasury Danny Alexander is announcing further details of more than 1,400 projects which will form part of the 2014 National Infrastructure Plan, including six

*Money is no object in this relief effort. Whatever money is needed for [flood relief], it will be spent..*

*David Cameron  
10<sup>th</sup> February 2014*

years of flood defences worth £2.3bn. He predicts that flood defences would save more than £30bn.

Meanwhile, Nick Clegg is revealing plans for 13,000 homes to be built in Bicester, the site of the Government's second proposed garden city.

### Tax Avoidance

*There should be a general rule that you can't play the system, you can't abuse the system.*

The chancellor is expected to crack down on firms that use arrangements known as 'Double Irish' schemes to avoid paying tax. A number of big technology companies such as Google, Apple, Microsoft and Facebook use schemes which allow them to collect profits in the UK and register their tax base in Ireland, where they pay lower rates of tax.

*Nick Clegg  
5<sup>th</sup> January 2012*

Mr Osborne was among a group of 20 finance ministers who pushed the Organisation for Economic Co-operation and Development to re-examine international rules that allow technology companies to shift profits into tax havens.

He also told the Conservative Party conference in Birmingham in September that he was looking at ways to clamp down on tax avoidance by multinationals.

### NHS

As trailed in his interview with the BBC's Andrew Marr on Sunday, the Chancellor will say that £2bn extra will be spent on frontline staffing and facilities, which he says is available because of stronger economic growth.

The fund will receive £1.3bn from the Treasury with the remaining £700m coming from existing health budgets. A further £1.1bn will be given to GP services from bank fines, to be spread over four years.

## About RJF

Contact us:

+44 (0) 121 213 4716

[kevin.johnson@rjffa.com](mailto:kevin.johnson@rjffa.com)

[www.rjffa.com](http://www.rjffa.com)

---

RJF Public Affairs is the only dedicated public affairs and political communications consultancy owned and based in Birmingham.

RJF believes most of the public affairs requirements of Greater Birmingham's economy are best understood and serviced locally. We counsel organisations on issues of public policy, where legislative, regulatory or governmental decisions could affect their operations, prospects or value.

Our client portfolio includes Bullring Birmingham, Birmingham City University, Broad Street BID, Go Ahead, Groundwork Trust West Midlands, the Library of Birmingham Development Trust, Live Nation, Vision for a Connected Midlands, Watkin Jones and The University of Warwick.

Our advocacy service includes influencing, or advising those who wish to influence, the UK Government, Parliament, the devolved legislatures or administrations, regional or local government or other public bodies on any relevant matter.

We inform and help implement the public and political agenda not simply through 'lobbying' but in bringing governments, agencies, legislators and regulators together with our clients and stakeholders to shape ethical and effective public policy solutions.

Our core values of **intelligence**, **transparency** and **connectivity** reflect our approach, experience and the opportunity for a new approach to public affairs in Birmingham and beyond.

You can find more information at our website: [www.rjffa.com](http://www.rjffa.com). This is one of a series of **Briefing Papers** we produce for clients and stakeholders. We also produce **Insights** containing unique datasets and intelligent analysis of key decision makers in the region. Keep up to date with the latest developments at Birmingham City Council and across Greater Birmingham's political scene at our blog: [www.thechamberlainfiles.com](http://www.thechamberlainfiles.com).

Our sister consultancy, Urban Communications, is a strategic communications firm which focuses on **Building Relationships** and **Enhancing Reputations**. More details at: [www.urbancomms.com](http://www.urbancomms.com).



## About MHA Bloomer Heaven

Contact us: MHA Bloomer Heaven is one of the most established and successful independent Chartered Accountancy practices in the West Midlands. From our offices in the heart of Birmingham's business district we provide accountancy and business advisory services to a wide range of companies and organisations. We have built up a portfolio of clients that range across many sectors including manufacturing, property, law and not-for-profit.

+44 (0) 121 236 0465

[post@mhabloomerheaven.co.uk](mailto:post@mhabloomerheaven.co.uk)

[www.mhabloomerheaven.co.uk/](http://www.mhabloomerheaven.co.uk/)

Our reputation is built upon the values of **trust**, **efficiency**, **relevance** and **value**. Our team of specialists can provide accountancy and business support from audit and tax through to payroll and strategic financial planning.

MHA Bloomer Heaven's philosophy is a simple one. We work hard to understand your business - that's how we can provide services that are relevant. We pride ourselves on developing positive and effective working relationships built upon knowledge, respect and understanding. At MHA Bloomer Heaven we will take a pragmatic, flexible and constructive approach to your business. Underpinning everything we do is a commitment to value for money and providing a first class client service.

In 2011, Bloomer Heaven joined with eight other similar minded independent accountancy firms situated across the UK to form MacIntyre Hudson Association (MHA). This means that MHA Bloomer Heaven is able to provide clients with a nationwide service with 42 offices within the group and means that we can also resource additional specialist skills and expertise when they are required.

MHA Bloomer Heaven is also a member of Morison International, a global organisation of independent accountants, auditors, business advisors and lawyers created specifically to support the cross border objectives of member firms' clients. 90 firms are now part of the network, located in 65 countries which means that MHA Bloomer Heaven can provide a truly global perspective and network to clients with specific international requirements.

Whether you are looking for a full service accountancy service or specialist advice, MHA Bloomer Heaven has the skills, experience, resource and passion to support your needs.