Science Industry Partnership (SIP): AUTUMN STATEMENT HIGHLIGHTS

Briefing – Chancellor’s Autumn Statement 2016

On 23rd November, Chancellor of the Exchequer Philip Hammond gave his first Autumn Statement to Parliament. His overall message was one of reduced growth forecasts and falling revenues, with the intention to prepare the UK economy for the uncertainties around Brexit.

Although he committed to fiscal discipline, he moved back the target for balanced public finances from 2019 to the next Parliament. Business taxation will follow the previously announced road map, with Corporation Tax reducing to 17% by 2020.

Unlike last year’s Autumn Statement, which contained significant measures around the Apprenticeship Levy and the Institute for Apprenticeships, this year’s had few new skills-related developments.

Departmental budgets

The government had already announced significant cuts to departmental budgets last year. These have not been cut any further, but budgets will be maintained at their lower levels in real terms.

Industrial Strategy

The Chancellor seeks to use the forthcoming Industrial Strategy to address what he sees as the three main weaknesses of the economy: productivity, housing, and the imbalance of growth across the UK.

Productivity

UK average productivity lags some of its key competitors by 18% to 30%. Funding to tackle this will be from a £23 billion National Productivity Infrastructure Fund, as well as through regional productivity strategies. This will include:

- Housing: Support for infrastructure around new housebuilding
- Transport improvements: roads, rail and next generation vehicles
- Digital communication: 5G mobile networks and fibre broadband
- Research and development:
  - An additional £4.7 billion by 2021 will be spent by UK Research & Innovation (UKRI), on enhancing the UK as a world leader in science and innovation. This will include an Industrial Strategy Challenge Fund for collaboration between researchers and business. An extra £100 million is to be provided for tech transfer from universities to industry. There will also be increases through UKRI and Innovate UK for research grants.
  - There will be a review of the Research & Development tax environment, and eight regional Science and Innovation Audits including the Bio economy of the North of England Audit.
Management Skills

There will be support of £13 million to implement the business productivity review carried out by Sir Charlie Mayfield (former Chair of the UK Commission for Employment & Skills).

Devolution

Devolved administration budgets will be adjusted in line with the Barnett Formula.

In England, Local Enterprise Partnerships’ roles are strengthened through a third round Local Growth Fund deals worth £1.8 billion.

The adult education budget will be devolved to the London mayor from 2019-20.

Future Budgets

The Chancellor announced that this would be the last Autumn Statement. From next year, the main annual Budgets will be announced in the autumn, to allow for time to implement changes for the following fiscal year. A new annual “Spring Review” will be used only to respond to semi-annual reports from the Office of Budget Responsibility, and budget changes at that point will be by exception only.