Autumn Statement: Osborne delivers hope for construction sector

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Chancellor George Osborne: investment at last.

LONDON: Chancellor George Osborne said the Government will use the savings from current spending generated over the Spending Review 2010 period to fund £6.3bn of additional infrastructure spending, of which £1.3bn was announced earlier in the autumn.

Alongside this, around £1bn of new private sector investment in regulated industries will be supported by government guarantee.

The Government also pledged its commitment to £5bn of capital projects in the next Spending Review period, as part of the National Infrastructure Plan.

Credit easing:

The Government will introduce a National Loan Guarantee Scheme. Up to £20bn 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 and the Government will make available an initial £1bn through a Business Finance Partnership, which will invest in smaller and mid-sized businesses in the UK through non-bank channels.

Enterprise:

The Government will: look for ways to provide a quicker and cheaper alternative to a tribunal hearing in simple cases – a 'Rapid Resolution' scheme; 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 for radical reform; launch a new Seed Enterprise Investment Scheme (SEIS) from April 2012, offering 50% 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.

In addition, the Government will make 100% capital allowances available in the Black Country, Humber, Liverpool, North Eastern, Sheffield, and Tees Valley Enterprise Zones and will introduce an 'above-the-line' tax credit in 2013 to encourage research and development activity by larger companies.

Housing:

Mr Osborne stated that the Government plans to introduce a newbuild indemnity scheme to increase the supply of affordable mortgage finance for newbuild homes and to re-invigorate the Right to Buy to support social tenants who aspire to own their own home.

Compared with its previous forecasts, the Office for Budget Responsibility report has substantially revised down its estimate of the level of potential output. While the OBR highlights the difficulties quantifying underlying productivity, it suggests the reduction is consistent with evidence that financial crises are typically associated with large output losses that persist for many years.

The OBR now projects the trend rate of growth to average 1.1% a year in 2011 and 2012, rising to 2.0% in 2013 and 2.3% thereafter. That compares with 2.35% a year over that period projected at Budget 2011.

Overall, these revisions reduce the level of trend output at the end of the forecast horizon by around 3.5%. The OBR has not revised up its judgement of the structural rate of unemployment, which remains at around 5.4%

Investment in UK infrastructure:

The Government will: bring new investors into UK infrastructure. It is working with the Association of British Insurers to set up an Insurers' Infrastructure Investment Forum. It will target up to £20bn of investment from these initiatives and explore new sources of revenue to support investment.

The Government is committed to increasing capacity and improving performance on the A14, which will support proposed housing developments in Northstowe, Waterbeach and Alconbury.

By spring 2012, the Government will have developed proposals with local partners for improvements to theA14 road and the other local transport networks and allow local authorities more flexibility to support major infrastructure.

Mr Osborne also announced the Government's support for the extension of the Northern Line to Battersea.

The Government will consider creating a new Enterprise Zone at Battersea and allowing local borrowing against the Community Infrastructure Levy (CIL) to support this, subject to a commitment by April 2013 from a developer to contribute and develop the site. As part of its commitment to enable Tax Increment Financing, the Government will also consider allowing city mayors to borrow against future CIL receipts where this can make a significant contribution to national infrastructure; and use guarantees when investors cannot accommodate certain risks.

An increase in public investment in infrastructure is being kicked off with the announcement of the £500m Growing Places local infrastructure fund and £150m to expand mobile network coverage.

Major investments in road, rail, and broadband networks to the tune of £1bn.will tackle areas of congestion and improve the national road network, including £270m for two new managed motorway schemes to allow use of the hard shoulder at congested times on the M3 and M6; £150m for improvements to the M1/M6 intersection, £110m for the A14 Kettering Bypass, £160m for widening the A453 and £110m for the A45/46 Tollbar End improvement scheme; and £220m for smaller projects which will deliver significant improvements on the road network, such as removing bottlenecks and improving safety and road layout.

More than £1.4bn will be invested in railway infrastructure and commuter links, including: supporting Network Rail to deliver £290m to electrify the Transpennine railway route from Manchester to Leeds, and £270m for a rail link between Oxford and Bedford; supporting Network Rail to deliver £390m of enhancement and renewal works to improve stations and rail infrastructure, improve resilience against extreme weather and tackle problems more quickly.

Mr Osborne also pledged £170m of extra funding to allow more local transport projects to go ahead, including the Kingskerswell Bypass in Devon, the Lincoln Eastern Bypass and Manchester Cross City Bus, and will write down £150m of debt on the Humber Bridge, which will halve the tolls for cars.