BEACON WEALTH MANAGEMENT

AUTUMN BUDGET SUMMARY 2021

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Let Us Be Your Guiding Light

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WELCOME

Overview of the Autumn Budget 2021.

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This Budget, Rishi Sunak said was "delivering a stronger economy for British people", with employment up, investment up, growth up, wages rising and debt down.

The OBR have forecast a faster recovery for our economy than first predicted and things are looking up.

Can we finally be entering back into a pre-covid world? And what about inflation and rising energy costs?

In this summary we look at what the Chancellor has in store for us over the coming years.

Thank you once again to everyone who is a Keyworker and member of the NHS, for your dedication in keeping everyone safe and the economy moving.

ECONOMY SITUATION

A stronger-than-expected recovery as restrictions were lifted earlier in 2021 will likely result in the Office for Budget Responsibility (OBR) revising up its forecasts for growth for the year.

- Statements from the Autumn Budget 2021: Background briefing.

In March, the OBR forecast GDP growth would be 4%. The average forecast among economists in October is growth of 7% in 2021.

The Initial Rebound from Lockdown

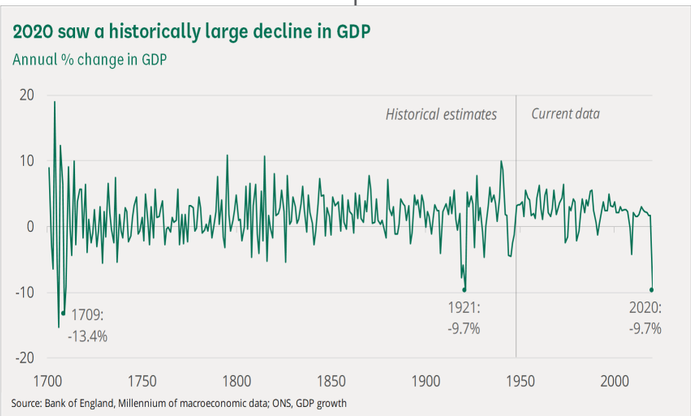
After the initial rebound, economic growth slowed over the course of the summer. The spread of the Delta coronavirus variant and the large numbers of people having to self-isolate were thought to be behind the initial slowdown.

Recent Revisions to GDP Data

On 30 September 2021, the Office for National Statistics (ONS) published revised historical GDP and national accounts data. These changes incorporated improved ways of measuring the value of economic output and led to revised estimates of GDP.

One outcome was that economic growth so far in 2021 was faster than was previously estimated. This meant that the size of the economy (as measured by GDP) is a little larger too. For example, previously the economy was estimated to be just over 2% smaller in July 2021 than before the pandemic; the newly-revised figure is just over 1% smaller.

A roughly 1% point change in GDP may not seem huge, but 1% of annual GDP is approximately £20 billion.



Based on a statement from the OBR, it appears that it will only be using economic data published up to 24 September in preparing its forecasts. That would mean its new forecasts (published alongside the Budget) would be based on the older unrevised GDP data.

Supply and Labour Shortages

As the global economy recovers from its pandemic-related recession, there has been increased demand for products – especially consumer goods and materials. At the same time, outbreaks of the Delta coronavirus variant in some key manufacturing and trading hubs in East Asia has caused disruptions in global supply chains. The disruption to global supply chains has led to longer supplier delivery times for some businesses, particularly in the manufacturing and construction sectors.

Furthermore, the inbalance of (strong) demand and (disrupted) supply is leading to rising prices and higher transportation costs. These inflationary pressures are a global issue and have filtered through into rising consumer price inflation.

A shortage of labour in certain industries and occupations has exacerbated the problems. A shortage of Heavy Goods Vehicle (HGV) drivers – caused by a number of factors, including an ageing workforce, the pandemic and the impact of Brexit – have intensified some of the shortages.

More broadly, many firms are reporting difficulty in hiring staff. Overall job vacancies are at a high level of over 1 million, which is the highest since comparable records began in 2001.

The Unemployed

More people are unemployed or economically inactive. Although high numbers of job vacancies indicate that there is currently strong demand for labour, as well as potentially not enough workers to fill those vacancies, other indicators suggest that there could be a mismatch between the jobs that businesses need filled and the skills and expectations of jobseekers.

Inflation

Inflation has risen over 2021 and is expected to continue to do so heading into 2022.

There are several genuine inflationary pressures, including energy prices, with household energy tariffs increasing and petrol costs going up. Many global commodity prices have also risen. The ongoing supply shortages may also increase consumer prices.

Economists generally think that the inflation rate will head higher over the remainder of 2021 and into 2022. In late September, the Bank of England said it expected CPI inflation to rise to "slightly above 4%" in Q4 2021 and could remain there "into Q2 2022". Some other forecasters, though not all, expect it to peak even higher.

Recently, some members of the Monetary Policy Committee (MPC) have warned about the possibility of persistently higher inflation. This has led financial markets to anticipate that interest rates may be raised over the coming months in an attempt to lower inflation. Interest rates are currently at a historic low of 0.1%.

The results of the MPC's next scheduled meeting, as well as its latest quarterly economic forecasts, will be published on 4 November.

The Forescast

Even when the immediate economic shock of the pandemic does eventually dissipate, the crisis may result in lasting damage – or 'scarring' – to the economy. Currently, the OBR estimates that the long-term impact of the pandemic will lead to GDP being 3% lower than it otherwise would have been.

The Bank of England assumes a smaller impact of 1%.

The OBR's new forecast alongside the budget announcement is that the ecnomy will be back to pre COVID levels by the end of the year.

With inflation at 3.1% in September the OBR says it is likley to rise to average 4% over the next year.

Annual growth is set to rebound by 6.5% this year, followed by 6% in 2022.

Borrowing as a percentage of GDP is forecast to fall from 7.9% this year to 3.3% next year, and will then fall in the following four years to 1.5%.

source: https://commonslibrary.parliament.uk/research-briefings/cbp-9349/

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SUPPORTING LIVELIHOODS AND HOUSING

Increase in Minimum Wage
The National Living Wage, also known as the minimum wage, will increase to £9.50 an hour, up from £8.91 - an increase of £1000 a year for a full time worker. Around 2.5 million people will benefit from this rise.

Pay rise for Public Sector Workers
The Chancellor announced pay rises for public sector workers, following the freeze in pay announced during the pandemic. It comes as the cost of living is forecast to soar.

Tax Cuts
The Chancellor stated that his goal is to reduce taxes by the end of parliament, to reward work.

Universal Credits
The Chancellor announced that Universal credit reduces payment by 63% (for every £1 earnt they reduce their payment by 63p). That rate will be cut by 8% to 55%. On average keeping an extra £1000. The Government will be introducing this by no later than 1st December 2021.

Fuel Prices
Fuel prices are the highest they've been for in eight years, therefore, the Chancellor announced that the planned rise in fuel duty is to be cancelled. A saving of £8 billion over the next five years.

Multi Housing Project
The Chancellor announced that they will be investing more in housing and home ownership too. A multi housing project totalling £24 billion is planned, with £11.5 billion to build up to 180,000 new affordable homes and £1.8 billion investing in brownfield sites.

Unsafe Cladding
A £5 billion fund will be created to remove unsafe cladding from high rise buildings, with a 4% levy to be placed on property developers with profits over £25 million rate.

Homelessness
£640 million a year has been pledged to address rough sleeping and homelessness.

CHILD WELFARE

Start for Life Pledge
The Chancellor announced a £300 million pledge for a "Start for Life" offer for families. This will provide high quality parenting programmes, tailored services to help with perinatal mental health services and funding a network of family hubs around the country, amongst other things.

Childcare
To improve the quality of childcare the Chancellor announced that they are going to pay providers more, with the spending review providing an extra £170 million by 2024/2025. Confirming £150 million to support training and development of the entire early years workforce. To help up to 300,000 more families facing multiple needs. They will also be investing an extra £200 million in the supporting families programme.

Continued support
The Chancellor also announced that they will continue to provide £200 million for holiday activity and food programmes for children.

Schools
A pledge of £4.7 billion has been made to schools by 2024/2025 which will restore pre pupil funding to 2010 spending levels in real terms. This is the equivalent of a cash increase per pupil of more than £1500.

Additional Needs
30,000 new school places have been pledged for children with special educational needs and disabilities.

Schools recovering from the Pandemic
The Chancellor had already announced £3.1 billion to help schools and colleges to recover from the pandemic, he announced a further new funding of just under £2 billion, bringing the total for education to almost £5 billion.

Youth Services
The Chancellor announced £560 million for youth services. This is enough to fund up to 300 youth clubs across the country.

Sports centres and Parks
SR21 will fund up to 8,000 multi-use community sports facilities and football pitches, as well as refurbishing more than 4,500 tennis courts. The £9 million Levelling Up Parks Fund will create over 100 new parks to ensure access to green space in urban areas.

The Levelling Up White Paper to be published later this year will set out further detail on the government's plans in this area.

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GOVERNMENT SPENDING

Whitehall Departments
Whitehall departments are to receive a rise in overall speding, totalling £150 billion over the course of this parliament.

Joint Governments
Funding will rise by an average of £4.6 billion for Scottish Government, £2.5 billion for Welsh Government and £1.6 billion for Northern Ireland Executive.

Local Areas
Levelling Up Fund will see £1.7 billion being invested in local areas across the UK.
The Government will also be backing projects across the UK in Aberdeen, Bury, Burnley, Lewes, Clywd South, Stoke-on-Trent, Ashton under Lyne, Doncaster, South Leceister, Sunderland and West Leeds.

Justice System
An extra £2.2 billion has been pledged to courts, prisons and probation services, to include cases involving violence against women and girls and improved responses to rape cases, in addition to the recruitment of 20,000 new police officers.

Museums and Galleries
£800 million was pledged to protect museums, galleries, libraries and local culture. The tax relief for Museums and Galleries will be extended for two years, to March 2024.

Health Capital Budget
The Chancellor announced that the Health capital budget is the largest since 2010, with record investment in health R&D and better newborn screening. 40 new hospitals, 70 hospital upgrades, more operating theatres, 100 community diagnostic centres, 50,000 more nurses and 50 million more primary care appointments.

NHS
Furthermore, £6 billion of funding has been pledged to help tackle NHS backlogs.

Science Funding
The Chancellor announced that core science funding is to rise to £5.9 billion a year by 2024/2025.

Infrastructure
£7 billion will be spent on transport projects in areas including Greater Manchester, the West Midlands and South Yorkshire.

R&D
Investment in R&D and innovation will help drive economic growth and create the jobs of the future. At the Budget and SR, the government is increasing public R&D investment to record levels: £20 billion by 2024/2025. This is an increase of around a quarter in real terms over the SR period, and makes significant progress towards the government's ambition to spend £22 billion on R&D by 2026/2027 and towards achieving the economy-wide target to invest 2.4% of GDP in R&D in 2027.

SUPPORTING BUSINESSES AND JOBS

Overseas Talent
£1.4 billion has been pledged to encourage foreign investment into UK businesses and attract overseas talent.

Numeracy Skills
The Chancellor announced £560 million for adult maths coaching to help increase adult numeracy under the new "Multiply" scheme.

Skill Spending
A skill spending of £3.8 billion was announced to help people get the required skills they need to work, this is an increase of 42%.

HGV Drivers
To address the driver shortage, the transport secretary has introduced temporary visas along with new funding for lorry park facilities. The suspended HGV levy until August 2022 has been extended today until 2023 and the Chancellor announced that they will be freezing exercise duty for vehicles.

New scale up Visa
The eligibility for the new scale up visa will make it quicker and easier for businesses to bring in highly skilled individuals.

Business Rates
It was announced today that business rates will be retained and reformed to make the system fairer. There will be a more frequent evaluation every three years. New investment relief to encourage businesses to adopt green technologies like solar panels. There will also be a new business rates improvement relief from 2023 whereby businesses will be able to make property improvements and for 12 months will not be made to pay extra business rates.

The Multiplier
Next years planned increase in the muliptlier will be cancelled. A tax cut for business over the next 5 years of £4.6 million.

The Hospitality and Leisure Sectors
A new 50% business rates discount for businesses in the retail, hospitality and leisure sectors will be introduced, meaning that businesses such as pubs, gyms and cinemas up to a maximum of £110,000 will receive the 50% discount on rates. This is the biggest cut for 30 years.

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TAXES

Alcohol

The Chancellor announced the most radical changes to alcohol tax for 140 years. They have slashed the rating categories from 15 rates to six rates.

To simplify matters it is basically "the stronger the drink, the higher the rate". In the shake up wines will increase, while Rosé and fruit ciders will be lowered.

A new small producer relief has also been introduced. Sparkling wines are to be the same as still wines of the same strength. They will be cutting duty on fruit cider. The good news continued for pubs, with an introduction of "Draught relief", a new lower rate for draught beer and cider. Draught duty will cut duty by 5%.

The planned increase on duty to spirits and whiskey from midnight tonight will be cancelled. A tax cut worth £3 billion.

Air Travel

Flights between UK airports will benefit from a new lower rate of air passenger duty from April 2023.

Introducing, from April 2023, a new ultra long haul band in air passenger duty, for flights over 5500 miles.

GREENER US

The Net Zero Strategy confirmed £26 billion of public capital investment since the Ten Point Plan.

The Budget and SR confirms that since March 2021 the government will have committed a total of £30 billion of public investment for the green industrial revolution in the UK, fully supporting the delivery of all the priorities in the Ten Point Plan and going further in several key areas.

This includes £620 million of new investment over the next three years to support the transition to electric vehicles and a significant increase in new funding to encourage more people to walk and cycle. To make buildings and homes warmer and more environmentally friendly, the Budget and SR provides £3.9 billion to decarbonise buildings, including £1.8 billion to support tens of thousands of low-income households to make the transition to net zero while reducing their energy bills.

Across the transition, the government's priority is to ensure that changes are inclusive, fair, and sustainable for all, and work with the grain of consumer choice: no one will be required to rip out their existing boiler or scrap their current car.

As well as accelerating the decarbonisation of transport and buildings, the government is investing £1.5 billion in net zero innovation, and laying the foundations for the wider transition to a more resilient energy supply by investing in nuclear technologies and offshore wind. This includes £1.7 billion to enable a final investment decision for a large-scale nuclear project in this Parliament, and the government remains in active negotiations with EDF over the Sizewell C project.

To decarbonise industry and power the government is confirming £1 billion for Carbon Capture, Usage and Storage (CCUS), selecting Hynet and East Coast as the first CCUS clusters. In addition, the government is providing up to £140 million over the SR period to support hydrogen producers and heavy industry, adopting CCUS through the Industrial Decarbonisation and Hydrogen Revenue Support scheme.

The government is expanding the Nature for Climate Fund to ensure total spending of more than £750 million by 2024/2025 to help meet our commitment to plant at least 7,500 hectares of trees every year in England by 2025 and restore 35,000 hectares of peatland. This is in addition to public investment to support the government's world-leading target to halt biodiversity loss by 2030.

Taken together, this spending package, along with bold action on regulation and green finance, will keep the UK on track for its carbon budgets and 2030 Nationally Determined Contribution, and support the pathway to net zero by 2050. It does so in a way that creates green jobs across the country, attracts investment, and ensures energy security.

Source: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1028814/Budget_AB2021_Web_Accessible.pdf

UPDATES

Updates to our business.

Adviser Vacancy

We have an exciting opportunity for a driven individual to work with Tony to train as an adviser.

If you, or anyone you may know could be interested in this opportunity please contact Tony at:
tlarkins@beaconwealth.co.uk
01480 869466

Vacancies

We have two exciting vacancies: Firstly we are looking for someone to man our reception at our legal practice in St Ives, secondly we are seeking a Private Client Legal Practioner in our St Neots office.

If you, or anyone you may know could be interested in this opportunity please contact Pippa Ellis at:
pellis@beaconwealth.co.uk
01480 869466

Solicitors

Beacon Wealth Legal offices are in prominent locations in St Neots, St Ives, Sawtry and Kimbolton.

Contact:
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St Neots: 01480 219699
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Sawtry: 01487 832404
Kimbolton: 01480 869466

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Clients of Beacon Wealth Management receive a 10% discount on most fees via Beacon Wealth Legal.

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Simply quote Ref: **BWL.**

Beacon Wealth Group

Beacon Wealth offer a 10% discount for current and former military, across both legal and financial services.

Simply quote Ref: **BWG.**

Click to see the Chapel Renovation video, which is now available on our website.

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