

WIRRAL COUNCIL

CABINET

14 APRIL 2011

SUBJECT	CHANCELLOR OF THE EXCHEQUER'S BUDGET 2011
WARD/S AFFECTED	ALL
REPORT OF	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR JEFF GREEN
KEY DECISION	YES

1.0 EXECUTIVE SUMMARY

- 1.1 The Chancellor of the Exchequer presented his Budget 2011 on 23 March 2011. This report provides a summary of the main issues together with the key implications for local authorities.

2.0 RECOMMENDATION

- 2.1 That Cabinet notes the implications contained in the Chancellor's Budget.

3.0 REASON FOR RECOMMENDATION

- 3.1 To make Members aware of any changes emanating from the Budget that might impact on future policy decisions taken by the Council.

4.0 BACKGROUND AND KEY ISSUES

- 4.1 The Chancellor's Budget is usually presented annually in March. The 2011 Budget sets out the actions the Government will take over three specific areas:

- **A strong and stable economy:** to be achieved using fiscal, monetary and microeconomic policies and reform of financial sector regulation
- **Growth:** to be achieved by creating a competitive tax system, encouraging the UK to be the best place in Europe to start, finance and grow a business, encouraging growth in investments and exports and creating a more educated and flexible workforce.
- **Fairness:** to be achieved by tackling the deficit to reduce burdens on future generations, encouraging economic growth and the reform of the tax, benefit and pensions schemes.

- 4.2 Key forecasts and issues arising from the budget which impact upon local government are detailed in the sections below.

THE ECONOMIC OUTLOOK

- 4.3 The latest forecast from the Office for Budget Responsibility (OBR) is for a sustained recovery. The economy is forecast to grow by 1.7% in 2011, lower than forecast in the June 2010 Budget. This mainly reflects higher than expected inflation in 2011, as a result of recent global commodity price inflation and the weak final quarter of 2010. The forecast is for GDP growth to strengthen, peaking at 2.9% in 2013.
- 4.4. The OBR fiscal forecast shows that the outlook for public finances is broadly unchanged since the June 2010 Budget:
- a) Public sector net borrowing will decline from a peak of 11.1% of GDP in 2009-10 to 1.5% of GDP in 2015-16;
 - b) The cyclically adjusted or “structural” current deficit will be eliminated by 2014-15, with a projected surplus of 0.4% of GDP in that year, rising to 0.8% of GDP in 2015-16;
 - c) Public sector net debt will peak at 70.9% of GDP in 2013-14, before declining to 70.5% of GDP in 2014-15 and 69.1% in 2015-16.

PROPOSALS AFFECTING LOCAL GOVERNMENT

Infrastructure

- 4.5 The Government announced an additional £100 million in funding for local authorities to aid in the repair of local roads damaged by the recent cold weather. The additional £100 million is on top of the £100m announced in February 2011. Expenditure can be incurred over the first six months of 2011/12.
- 4.6 Councils will be required to publish a statement on their website by 30 September 2011 setting out how the funding has been spent.
- 4.7 Over the next four years, the Government will invest over £30 billion in transport projects with the Budget confirming an additional £200 million for such schemes.

Local Enterprise Zones

- 4.8 The Government has announced the creation of 21 new Enterprise Zones, with the first 10 of these to be located in Local Enterprise Partnerships (LEP) that include the major urban centres and areas that have significant untapped potential.

- 4.9 Businesses occupying the 21 Enterprise Zones (EZ) will benefit from:
- a) 100% business rate discount worth up to £275,000 over a five year period for businesses that move into an EZ before 2015;
 - b) All business rates growth within the EZ for a period of at least 25 years will be retained and shared by the local authorities in the LEP area, to support LEP economic priorities and ensure that the returns from EZ growth are reinvested locally;
 - c) Government and local authority help to develop radically simplified planning approaches in the EZ, for example using existing Local Development Order powers;
 - d) Government support to ensure that superfast broadband is rolled out throughout the EZ, achieved through guaranteeing the most supportive planning environment and if necessary public funding;
- 4.10 The location of specific zones will be a matter for each LEP, but the Government is seeking to support real growth opportunities, not remedy local dereliction. The first round of ten EZs will be in the following LEPs:
- Birmingham and Solihull
 - Leeds City Region
 - Sheffield City Region
 - Liverpool City Region
 - Greater Manchester
 - West of England
 - Tees Valley
 - North East
 - The Black Country
 - Derby & Derbyshire with Nottingham & Nottinghamshire
- 4.11 A further ten EZs will be determined by competition. A letter of invitation will be sent to the chairs of each LEP, including a prospectus for new EZs, and the Government will seek to make decisions on the final ten zones in the summer.
- 4.12 Government announced on 24 March 2011 that Liverpool and Wirral Waters would be designated as one of four vanguard area Enterprise Zones.

Small Business Rate Relief

- 4.13 The Chancellor announced that the temporary increase in Small Business Rate Relief, due to end on 1 October 2011, will now be extended by a further year to 1 October 2012.

- 4.14 Eligible small businesses occupying properties with rateable values up to £6,000 will therefore pay no business rates up to that date. Small businesses benefiting from the rate relief taper (rateable values up to £12,000) may also receive significant reductions.

Planning Reform

- 4.15 The Chancellor announced that it will be expected that the planning system should prioritise growth and jobs.
- 4.16 Further reforms will include localising choice about the use of previously developed land; pilot of a land auction model starting with public sector land; and the introduction of measures to streamline planning applications including a 12 month guarantee for the processing of all planning applications.

Public service pensions, taxation and personal mileage allowance

- 4.17 The Government accepts the Hutton Commission report on public service pensions as a basis for consultation with public sector workers, trade unions and others. In the autumn the Government intends to set out proposals that are affordable, sustainable and fair to the public sector workforce and the taxpayer.
- 4.18 There will be a 1% increase in employer National Insurance Contributions from 2011-12. However, the primary threshold for contributions will increase by £29 per week and the secondary threshold by £26 per week.
- 4.19 The Government has announced that it will increase the Approved Mileage Allowance Payments from 40p per mile to 45p per mile. However, this only impacts on those Councils that have moved to paying the HMRC rate.

Capitalisation

- 4.20 On 4 March 2011, the Government announced that it would be adding an extra £100 million to the amount earmarked for capitalisation of restructuring costs in 2011-12, bringing the total to £300 million. The Government is not providing Councils with extra money as the cost of capitalisation is being met through a reduction in the Capital Departmental Expenditure Limits Reserve.

Fuel Duty

- 4.21 Fuel duty is to be cut by 1p per litre from the date of the budget. Additionally the planned rise in fuel duty due in April 2011 is to be delayed until 2012 and the annual 1p above inflation “fuel escalator” rise is scrapped until 2015.

Tax credits and benefits

- 4.22 As announced by the Department for Work and Pensions, as part of the Welfare Reform Bill 2011, the Government will not implement the planned 10% reduction in Housing Benefit for long-term Job Seekers Allowance claimants.
- 4.23 The proposed changes for Local Housing Allowance claimants will come into effect from April 2011 for new claimants and April 2012 for existing claimants
- 4.24 The Government will no longer remove the mobility component of the Disability Living Allowance for people in residential care from 2012.

Employment and education

- 4.25 There will be funding for an additional 80,000 work experience places for young people over the next two years.
- 4.26 £180 million is to be made available over the next four years to provide for up to 50,000 additional apprenticeship places.
- 4.27 The University Technical Colleges programme is to be extended to establish at least 24 new colleges by 2014. Formed through partnerships between universities, colleges and businesses they will provide technical training for 11 to 19 year olds.

Housing

- 4.28 The Government will provide £250 million to support first time buyers to purchase a new build property. The FirstBuy programme will assist over 10,000 households with equity investments jointly funded with house builders.

5.0 RELEVANT RISKS

- 5.1 There are none arising directly from this report.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 There are no other options considered in this report.

7.0 CONSULTATION

- 7.1 No specific consultation has been undertaken with regard to this report.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 8.1 There are none arising out of this report.

9.0 RESOURCE IMPLICATIONS

9.1. There are no resources implications arising out of this report.

10.0 LEGAL IMPLICATIONS

10.1 There are none arising directly from this report.

11.0 EQUALITIES IMPLICATIONS

11.1 There are none arising directly from this report.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 There are none arising directly from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are none arising directly from this report.

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APPENDICES

None attached.

REFERENCE MATERIAL / SUBJECT HISTORY

Her Majesty's Treasury Budget Report - 23 March 2011

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