WIRRAL COUNCIL

CABINET

8 DECEMBER 2011

SUBJECT	**CHANCELLOR OF THE EXCHEQUER'S AUTUMN STATEMENT**
WARD/S AFFECTED	**ALL**
REPORT OF	**DIRECTOR OF FINANCE**
RESPONSIBLE PORTFOLIO HOLDER	**COUNCILLOR STEVE FOULKES**
KEY DECISION	**NO**

1.0 EXECUTIVE SUMMARY

1.1. The Chancellor of the Exchequer presented his Autumn Statement 2011 on 29 November 2011. This report provides a summary of the main issues, a number of which have a direct bearing on local authorities. The most significant is that the planned four years of spending cuts will now be extended for a further two years to 2017 although the Statement does not reveal where these additional cuts in spending will fall.

2.0 RECOMMENDATION

2.1 That the report be noted.

3.0 REASON FOR RECOMMENDATION

3.1 The report updates Members on the Chancellor's continuing proposals to ensure that the Government meets its fiscal mandate and debt target.

4.0 BACKGROUND AND KEY ISSUES

4.1 The Government produces two significant budgetary policy statements per annum. The Budget is normally announced in March and deals with taxation and spending announcements. A pre-budget statement known since 2010 as the Autumn Statement provides information regarding future economic forecasts, which will impact upon future Government policy.

4.2 The 2011 Autumn Statement was issued by the Chancellor of the Exchequer on 29 November 2011. This Statement provides an update on Government plans for the economy based on the latest forecasts from the Office for Budget Responsibility which were published at the same time.

4.3 The June 2010 Budget set out the Government plan to reduce the deficit and rebuild the economy. Since then, the UK has been hit by a series of issues which have significantly weakened the economic and fiscal outlook;

- higher than expected inflation
- the euro area crisis has increased instability and uncertainty
- the continued impact of the 2008/09 financial crisis which has significantly reduced growth projections.

THE AUTUMN STATEMENT – KEY POINTS AND ACTIONS

4.4 **Employment**

a. Raise the State Pension age to 67 between April 2026 and April 2028 in response to changes in demography. This measure is expected to save around £60 billion at current prices between 2026/27 and 2035/36.

b. Set public sector pay awards at an average of 1% for each of the two years after the current pay freeze comes to an end. Departmental budgets will be adjusted in line with this policy, with the exception of the health and schools budgets, where the money saved will be recycled. Local authority pay settlements are not under the direct control of the Government but budgets will be adjusted on the assumption of comparable action being taken.

c. Independent Pay Review Bodies will be asked to consider how public sector pay can be made more responsive to local labour markets, to report by July 2012, including a review of TUPE requirements.

d. 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.

e. Other reviews of employment law in respect of the dismissal process will be undertaken.

4.5 **Infrastructure**

a. Savings arising from the 2010 Spending Review period will be used to fund additional infrastructure spending of £6.3 billion, of which £1.3 billion was detailed e.g. the Growing Places Infrastructure Fund (£0.5 billion). More than £1.4 billion will be invested in railway infrastructure including commuter links and support to Network Rail infrastructure developments.

b. Commitment to £5 billion spending on capital projects in the next Spending Review period as part of the National Infrastructure Plan.

c. A “Memorandum of Understanding” has been signed with two groups of Pensions Funds to support additional investment. Work is being undertaken with the Association of British Insurers to set up an Insurers’ Infrastructure Investment Forum. It is hoped that these measures will target up to £20 billion of investment.

4.6 **Enterprise**

a. In order to encourage bank lending to smaller businesses a national Loan Guarantee Scheme, providing up to £20 billion of guarantees, is to be introduced.

b. An initial £1 billion Business Finance Partnership Fund will be created which will invest in smaller and medium sized businesses, through non-bank channels.

c. A new Seed Enterprise Investment Scheme (SEIS) will be launched from April 2012 to encourage investment in new start-up companies. This will offer 50% income tax relief on investments in qualifying companies. Additionally, there will be a capital gains exemption on gains realised on disposal of an asset in 2012/13 and then invested through SEIS in the same year.

4.7 **Regional Development**

a. The Regional Growth Fund for England will be increased by £1 billion and extended to 2014/15.

b. 100% capital allowances will be made available in the Black Country, Liverpool and Wirral, North East, Sheffield and Tees Valley Enterprise Zones.

c. A number of reforms to the planning and consenting regime are proposed including a 13 week maximum for the majority of non-planning consents, improving pre-application phase flexibility for major new infrastructure developments and reviewing the planning appeals process.

d. The Government will consider allowing city mayors and partner local authorities to borrow against the income they will receive through the Community Infrastructure Levy where there is a demonstrable link to national infrastructure priorities.

4.8 **Education and Young People**

a. Invest an extra £600 million to fund 100 additional Free Schools by the end of this Parliament. This will include new specialist maths Free Schools for 16-18 year olds, supported by strong university maths departments and academies;

b. An additional £600 million to support those local authorities with the greatest demographic pressures. This funding should be enough to deliver an additional 40,000 school places.

c. Invest a further £380 million a year by 2014/15 to extend the offer of 15 hours free education and care a week for disadvantaged two year olds to cover an extra 130,000 children

d. The child element of the Child Tax Credit and disability elements of tax credits will be increased in line with the Consumer Price Index in 2012/13. However, the planned £110 above inflation increase in the child element of the Child Tax Credit will be shelved and there will be no increase in the couple and lone parents' elements of the Working Tax Credit in 2012/13.

e. Introduce a "Youth Contract" for 18-24 year olds increasing support and providing employment incentives

4.9 **Housing and Households**

a. Introduce a new build indemnity scheme to increase the supply of affordable mortgage finance for new build homes. The idea is to enable home buyers to purchase new build houses and flats with a 5% deposit, with the Government and house builders providing security for the loan.

b. Reinvigorate the Right to Buy scheme to support social tenants who aspire to own their own home (providing for up to 50% discount). For each home purchased the Government will provide an additional affordable home, in addition to the 170,000 already announced through the Affordable Homes programme.

c. Provide £400 million to launch a Get Britain Building investment fund, which will support firms in need of development finance.

d. Support new developments, which could include modern garden cities, urban and village extensions. The Government will invite proposals from developers and local authorities for new developments which have clear local support.

e. Set aside £675 million to freeze or reduce Council Tax during 2012/13.

f. The Autumn Statement highlights that the DCLG has issued a document entitled 'Laying the Foundations: A Housing Strategy for England' which deals with a number of important themes including affordability, supply and empty homes. As reported to Cabinet on 24 November 2011 Wirral is to receive £2.7 million of Government capital grant to tackle half-empty and abandoned streets connected to Housing Market Renewal Initiative areas. This grant is conditional on Wirral matching the grant.

4.10 **Business Rates**

a. 2012/13 Business Rates are to be up rated in line with the September 2011 Retail Price Index (RPI) at 5.6%. The business rate deferral scheme 2012/13 allows businesses to choose to defer 60% of this increase in their 2012/13 business rate bills, with half of the amount deferred to be repaid in 2013/14 and the final half in 2014/15.

b. The small business rate relief holiday is to be extended for a further six months until 1 October 2012.

4.11 **Fuel and Energy**

a. Defer the proposed January 2012 fuel duty increase and cancel the August 2012 inflation increase.

b. Limit the increase to Transport for London fares and regulated rail fares to the RPI plus 1% for one year from 2012 (estimated cost to the Government is £290 million).

c. The extension of Air Passenger Duty to flights taken aboard business jets is confirmed with an effective date of April 2013.

d. The climate change levy discount on electricity for climate change with agreed participants available from 1 April 2013 will be increased to 90%.

4.12 **Years Beyond 2014/15**

The plans for public spending in 2015/16 and 2016/17 will be set in line with the spending reductions over the Spending Review 2010 period.

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 no specific voluntary, community or faith implications arising from this report.

9.0 RESOURCE IMPLICATIONS

9.1. Whilst there are no quantifiable implications the Statement is quite explicit in stating that the Government will set plans for public spending in 2015/16 and 2016/17 in line with the spending reductions over the Spending Review 2010 period. Total managed expenditure will fall by 0.9% per year in real terms, the same rate as in the Spending Review 2010. Local authorities will therefore continue to experience severe financial pressures at least until March 2017.

10.0 LEGAL IMPLICATIONS

10.1 There are no specific legal implications arising from this report.

11.0 EQUALITIES IMPLICATIONS

11.1 There are no specific implications arising from this report.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 There are no specific carbon reduction implications arising from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are no direct implications arising from this report.

FNCE/283/11

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REFERENCE MATERIAL

Autumn Statement – HM Treasury – 29 November 2011.

SUBJECT HISTORY

Council Meeting	Date
Cabinet - Chancellor of the Exchequer's Budget 2910	22 July 2010
Cabinet - Chancellor of the Exchequer's Budget 2011	14 April 2011