

WIRRAL COUNCIL

CABINET

12 APRIL 2012

| | |
|--------------------------------------|--|
| SUBJECT: | CHANCELLOR OF THE EXCHEQUER'S BUDGET 2012 |
| WARD/S AFFECTED: | ALL |
| REPORT OF: | DIRECTOR OF FINANCE |
| RESPONSIBLE PORTFOLIO HOLDER: | COUNCILLOR JEFF GREEN |
| KEY DECISION: | NO |

1.0 EXECUTIVE SUMMARY

1.1 The Chancellor of the Exchequer presented his Budget 2012 on 21 March 2012. This report provides a summary of the main issues together with the key implications for local authorities.

2.0 BACKGROUND AND KEY ISSUES

2.1 The Chancellor's budget set out actions covering three specific themes

- A Stable Economy: the government laid out measures which aim to protect the economy and achieve strong, sustainable and balanced growth.
- A Fairer More Efficient and Simpler Tax System: this to be achieved by introducing measures to reward work, reducing headline tax rates, closing tax loopholes and by introducing measures to create a simpler and sustainable tax system.
- Reforms to Support Growth: this includes measures which complement the Plan for Growth, Autumn Statement 2011 and the National Infrastructure Plan 2011.

2.2 THE ECONOMIC OUTLOOK

- (a) The Office for Budget Responsibility (OBR) has revised the UK growth forecast for 2012 from 0.7% to 0.8%. Growth is forecast to be 2% in 2013, 2.7% in 2014 and 3% in both 2015 and 2016.
- (b) Inflation is forecast to fall to 2.8% during 2012 and reduce to 1.9% during 2013.
- (c) The OBR forecast unemployment to peak at 8.7% during 2012 before falling to 6.3% by 2016/17.
- (d) Borrowing is expected to be £125 billion in 2012 which is £1 billion less than forecast in the Autumn Statement. Borrowing is expected to reduce to £120 billion during 2012/13 and reduce further each year to £21 billion in 2016/17.

- (e) The Chancellor confirmed the plans set out in the Autumn Statement 2011 for public spending growth in 2015-16 and 2016-17 to continue at the same rate as per the Spending Review 2010.

PROPOSALS AFFECTING LOCAL GOVERNMENT

2.3 A number of measures and proposals were announced by the Chancellor which may impact upon Local Government. These are detailed in the following paragraphs.

- (a) **Borrowing Costs.** The Government will introduce a 20 basis point (0.2%) discount on loans made by the Public Works Loans Board (PWLB) for local authorities who aid transparency by providing the Government with additional information regarding long term borrowing and associated capital spending plans. The Government will also work with local authorities to examine the potential for an independent body to facilitate the provision of PWLB lending at a further reduced rate. Further details regarding these proposals will be announced at a future date.
- (b) **Public Sector Pay.** The Government has provided evidence to the Pay Review Bodies on the case for reforming public sector pay to better reflect local labour markets. The review bodies are expected to report back from July 2012.
- (c) **Local Support for Council Tax Set Up Costs.** £30 million has been set aside to help local authorities with set-up costs for the new local support for Council Tax which replaces Council Tax Benefit from 1 April 2013. Further details are awaited.
- (d) **Council Tax Rebate for Service Families.** The Chancellor announced that relief on Council Tax for service families will be raised to 100%. The current 50% relief scheme is paid for by the Ministry of Defence and does not affect the Council Tax receipts of Councils. Details are awaited as to whether the 100% scheme will function in the same manner.
- (e) **Tax Increment Financing.** The Chancellor announced that £150 million would be made available from 2013-14 for larger scale projects in core cities. This will enable eligible local authorities to borrow against future growth in business rates.
- (f) **Planning.** The Government will publish the National Planning Policy Framework. This is intended to aid local authorities with pro-growth policies in local plans.

3.0 RELEVANT RISKS

3.1 There are none arising directly from this report.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options are applicable to this report.

5.0 CONSULTATION

5.1 No specific consultation has been undertaken with respect to this report

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are none arising directly from this report

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

7.1 There are no specific resource implications arising directly from this report. Once further details of the proposals laid out within the Chancellor's budget 2012 are released, these will impact upon future local government resources.

8.0 LEGAL IMPLICATIONS

8.1 There are none arising directly from this report.

9.0 EQUALITIES IMPLICATIONS

9.1 There are none arising directly from this report.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising directly from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising directly from this report

12.0 RECOMMENDATION

12.1 That Cabinet notes the implications from the Chancellor's budget.

13.0 REASON FOR RECOMMENDATION

13.1 To make Members aware of changes emanating from the Budget that will impact on future policy decisions taken by the Council.

REPORT AUTHOR: **Peter Molyneux**
Chief Accountant
Telephone: (0151) 666 3389
Email: petemolyneux@wirral.gov.uk

APPENDICES

None

SUBJECT HISTORY (last 3 years)

| Council Meeting | Date |
|--|------------------------|
| Cabinet - Autumn Statement 2011 | 8 December 2011 |
| Cabinet - Chancellor of the Exchequer's Budget 2011 | 14 April 2011 |
| Cabinet - Chancellor of the Exchequer's Budget 2012 | 15 April 2010 |