

WIRRAL COUNCIL

CABINET

20 DECEMBER 2012

SUBJECT	AUTUMN STATEMENT 2012
WARD/S AFFECTED	ALL
REPORT OF	INTERIM DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR PHIL DAVIES
KEY DECISION	NO

1. EXECUTIVE SUMMARY

- 1.1 The Chancellor of the Exchequer presented the Autumn Statement on 5 December 2012. This report provides a summary of the main issues, a number of which have a direct bearing on local authorities. What is clear is that there will be no let up in the pressure being applied to local authority finances. The Chancellor has made it clear that spending reductions will continue into 2017-18. Additional spending cuts of £445 million are to be imposed on local authorities in 2014-15. Wirral's resources could therefore be reduced by a further £5.2 m over 2014-16. As a result the 3 year savings target will increase from £103.5 m to £108.7m, assuming an even distribution between local authorities.

2. BACKGROUND AND KEY ISSUES

- 2.1 The Government's economic strategy set out in the June Budget 2010 is designed to reduce the deficit, restore stability, equip the UK to succeed in the global race and rebalance the economy. Where it is affordable, the Government is committed to helping families with the cost of living and to supporting those who want to work hard and get on. The Government states it is committed to ensuring that the impact of the consolidation is shared fairly. Autumn Statement 2012 maintains this strategy and sets out the further action the Government will take in three areas

- Protecting the economy;
- Growth; and
- Fairness

3. Protecting the economy

3.1 The Office for Budget Responsibility's forecasts for GDP growth revise down the march Budget forecast, as follows:

	Autumn Statement December 2012	Budget March 2012	Change
2012	-0.1%	0.8%	-0.9%
2013	1.2%	2.0%	-0.8%
2014	2.0%	2.7%	-0.7%
2015	2.3%	3.0%	-0.7%
2016	2.7%	3.0%	-0.3%
2017	2.8%	N/A	N/A

3.2 Since Budget 2012 employment has grown more strongly than forecast and is projected to rise in every year of the OBR's December 2012 Economic and Fiscal Outlook report.

3.3 Borrowing is forecast to fall by 1.0% of GDP in 2012-13, by 0.8% in 2013-14 and 0.9% in 2014-15.

3.4 Public sector net debt as a percentage of GDP is expected to be 79.9% in 2015-16 before falling to 77.3% in 2017-18.

3.5 The deterioration in these forecasts is due to a persistent cyclical economic deterioration, the euro debt crisis and higher commodity price inflation.

3.6 In response to this the Government has announced a further £6.6 billion package of savings made up from welfare, overseas aid and departmental current spending of which the latter accounts for £3.4 billion. Local government will be exempt from the reduction in 2013-14; however the CLG Local Government Resource Budget for 2014-15 has been reduced by £445 million. Health and schools will continue to be protected in line with the policy set out at the Spending Review 2010.

3.7 In line with the Autumn Statement 2011 the Government has confirmed that total spending in 2015-16 and 2016-17 will continue to fall at the same rate as the Spending Review 2010 period with detailed spending plans set out in the first half of next year. Furthermore the Government is setting the fiscal assumption that Total Managed Expenditure (TME) in 2017-18 will also continue to fall at this rate. Consequently, TME in 2017-18 will be £4.6 billion lower than 2016-17.

4. Growth

4.1 The Government is proposing to deliver a programme of structural reforms that will strengthen and rebalance the economy. The most significant measures are detailed in the following paragraphs.

- 4.2 The savings package referred to in paragraph 3.6 will fund a £5.5 billion capital package and support for long-term private investment. Of this
- £1.5 billion to enhance the road network;
 - £0.8 billion to improve the supply of housing through the FirstBuy equity loan scheme, investment in the Affordable Homes Programme and support for the building of private rented homes;
 - To further support housing and commercial development £60 million will be made available to support infrastructure in a number of Enterprise Zones, £225 million developing larger housing sites, £190 million to enable the quicker disposal of surplus public sector land for new homes and £100 million to bring forward public sector sites for development;
 - £0.6 billion will be invested in Research Council infrastructure to support high quality research and development;
 - A number of measures to promote exports and encourage foreign direct investment with a direct investment by the Government of £100 million;
 - £10 million will be provided every year for capacity building within Local Enterprise Partnerships (LEPs). Each LEP will be able to apply for £250,000 additional funding per year to support the development and delivery of their strategic plan. A new concessionary public works loan rate will be available to an infrastructure project nominated by each LEP with the total borrowing capped at £1.5 billion;
 - LEPs, which bring together local leaders and businesses, will be asked by the Government to lead the development of new strategic plans for local growth consistent with national priorities. In developing the plans, LEPs will be expected to consult with all relevant local partners, including the local chambers of commerce and other business bodies. These multi-year plans will build on any existing plans and include coordination with ongoing public programmes. It is expected that local authorities or other bodies, and not LEPs, will deliver programmes and projects, ensuring that there are proper accountability structures in place
 - The Government will also provide a further £350 million towards the Regional Growth Fund, to provide support for jobs and growth;
 - An additional £980 million will be invested in schools which is estimated to provide funding for 100 new academies and free schools. A further £270 million will be available for capital investment in further education colleges.
- 4.3 Subject to consultation, the Government will implement the School Teachers Review Body recommendations that include the flexibility for individual schools to set pay in line with performance
- 4.4 Consultation is to be undertaken regarding the way TUPE operates.
- 4.5 The intention is to simplify the Carbon Reduction Commitment (CRC) energy efficiency scheme from 2013. The CRC's Performance League Table will be abolished to simplify the scheme further. A full review of the effectiveness will be held in 2016 and the tax will be a high priority for removal when the public finances allow.

- 4.6 The main rate of corporation tax will be reduced by an additional 1% in April 2014 to 21% meaning the UK will have the lowest rate in the G7.
- 4.7 The Annual Investment Allowance is to be increased from £25,000 to £250,000 for qualifying investment in plant and machinery for two years from 1 January 2013. It is hoped to encourage this type of investment especially among small and medium enterprises.
- 4.8 Creation of a £1 billion Business Bank to help smaller businesses access finance and support.
- 4.9 Enabling UK Export Finance to provide up to £1.5 billion in loans to finance small firms' exports.
- 4.10 Subject to consultation the Government will exempt all newly built commercial property completed between 1 October 2013 and 30 September 2016 from empty property rates for the first 18 months, up to the state aids limit. This will affect the Council's tax base, unless allowed for.
- 4.11 The temporary doubling of the Small Business Rate Relief scheme will be extended for a further 12 months from 1 April 2013. Currently this cost is borne by the Exchequer and hopefully the DCLG will confirm that this is still going to be the case.

5. Fairness

- 5.1 The personal tax allowance is to be increased by £235 in April 2013, taking it to £9,440. It is estimated that this will lift an additional 250,000 people out of income tax altogether.
- 5.2 The higher rate threshold for income tax will increase by 1%, rather than inflation, in 2014-15 and 2015-16;
- 5.3 The capital gains annual exempt amount will increase by 1% each year in 2014-15 and 2015-16 whilst the inheritance tax nil-rate band will be increased by 1% in 2015-16;
- 5.4 The proposed increase in fuel duty of 3.02 pence per litre from 1 January 2013 has been cancelled. Furthermore the proposed increase from 1 April 2013 will now be deferred until 1 September 2013 with any subsequent increases taking effect in September as opposed to April.
- 5.5 The Autumn Statement introduces a welfare reform package that is designed to save a further £3.7 billion in 2015-16. The key components of this are:
 - Most working age benefits (including the main elements of Jobseeker's Allowance, Employment and Support Allowance and Income Support) will be uprated by 1% for three years from April 2013;

- This increase will also apply to Child Tax Credit and Working Tax Credit, except for those elements that are already frozen in 2013-14 and the family element;
- Child Benefit will be uprated by 1% in 2014-15 and 2015-16;
- Other benefits, including the Additional State Pension and those specifically for disability and carers, will continue to be uprated in line with prices, as will the disability elements of tax credits. The basic state pension will increase by 2.5% in April 2013;
- Local Housing Allowance Rates will be capped at an increase of 1% in most areas in 2014-15 and 2015-16;
- The Support for Mortgage Interest scheme will continue at the same level until March 2015.

5.6 In order to protect the public finances from the growing cost of tax relief for pension savings, from 2014-15 the lifetime allowance for pension contributions will be reduced by £0.25 million to £1.25 million accompanied by a reduction in the annual allowance of £10,000 to £40,000.

5.7 In recognition of the importance of partnership across a functional economic area the Government will support local authorities that wish to create a combined authority or implement other forms of collaboration (for example, shared management arrangements), and will also ensure that the existing legislation is fit for purpose. However, there is no indication what form this support will take.

6. OTHER OPTIONS CONSIDERED

6.1 None.

7. CONSULTATION

7.1 No consultation has been carried out in relation to this report.

8. IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

8.1 As yet, there are no implications for voluntary, community or faith groups.

9. RESOURCE IMPLICATIONS

9.1 The Autumn Statement is quite explicit in stating that Government will set plans for public spending up to March 2017-18 in line with the spending reductions over the Spending Review 2010 period. Taken together with the announcement regarding the additional funding reduction for local authorities of £445 million in 2014-15 this will mean that we will continue to experience severe financial pressures at least until March 2018. Wirral's resources could therefore be reduced by a further £5.2 m over 2014-16. As a result the 3 year savings target will increase from £103.5m to £108.7m assuming an even distribution between local authorities.

10. LEGAL IMPLICATIONS

10.1 There are no legal implications.

11. EQUALITIES IMPLICATIONS

11.1 An Equality impact assessment is attached to this report.

12. CARBON REDUCTION IMPLICATIONS

12.1 None.

13. PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 None.

14. RECOMMENDATIONS

14.1 That the report be noted.

15. REASONS FOR RECOMMENDATIONS

15.1 At this stage the report is for information only and provides the context for future national spending plans.

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REFERENCE MATERIAL

Autumn Statement 2012– HM Treasury – 5 December 2012

SUBJECT HISTORY

Council Meeting	Date
Cabinet - Chancellor of the Exchequer's Budget 2010	22 July 2010
Cabinet - Chancellor of the Exchequer's Budget 2011	14 April 2011
Cabinet - Chancellor of the Exchequer's Budget 2012	12 April 2012
Cabinet - Chancellor of the Exchequer's Autumn Statement 2011	8 December 2011

Equality Impact Assessment Toolkit (from May 2012)

Section 1: Your details: Reg Huyton

EIA lead Officer: Reg Huyton

Email address: reghuyton@wirral.gov.uk

Head of Section: Tom Sault

Chief Officer: Peter Timmins

Department: Finance

Date: 10th December 2012

Section 2: What Council proposal is being assessed?

None

Section 2b: Will this EIA be submitted to a Cabinet or Overview & Scrutiny Committee?

Yes

If 'yes' please state which meeting and what date
Cabinet 20 December 2012

Please add hyperlink to where your EIA is/will be published on the Council's website <http://www.wirral.gov.uk/my-services/community-and-living/equality-diversity-cohesion/equality-impact-assessments/eias-2010/finance>

Section 3: Does the proposal have the potential to affect..... (please tick relevant boxes)

Services

The workforce

Communities

Other (please state eg: Partners, Private Sector, Voluntary & Community Sector)

If you have ticked one or more of above, please go to section 4.

√ **None** (please stop here and email this form to your Chief Officer who needs to email it to equalitywatch@wirral.gov.uk for publishing)

Section 4: Does the proposal have the potential to maintain or enhance the way the Council (please tick relevant boxes)

Eliminates unlawful discrimination, harassment and victimisation

Advances equality of opportunity

Fosters good relations between groups of people

If you have ticked one or more of above, please go to section 5.

No (please stop here and email this form to your Chief Officer who needs to email it to equalitywatch@wirral.gov.uk for publishing)

Section 5: Could the proposal have a positive or negative impact on any of the protected groups (race, gender, disability, gender reassignment, age, pregnancy and maternity, religion and belief, sexual orientation, marriage and civil partnership)?

You may also want to consider socio-economic status of individuals.
Please list in the table below and include actions required to mitigate any potential negative impact.

Which group(s) of people could be affected	Potential positive or negative impact	Action required to mitigate any potential negative impact	Lead person	Timescale	Resource implications

Section 5a: Where and how will the above actions be monitored?

Section 5b: If you think there is no negative impact, what is your reasoning behind this?

Section 6: What research / data / information have you used in support of this process?

Section 7: Are you intending to carry out any consultation with regard to this Council proposal?

Yes / No – (please delete as appropriate)

If 'yes' please continue to section 8.

If 'no' please state your reason(s) why:

(please stop here and email this form to your Chief Officer who needs to email it to equalitywatch@wirral.gov.uk for publishing)

Section 8: How will consultation take place and by when?

Before you complete your consultation, please email your preliminary EIA to equalitywatch@wirral.gov.uk via your Chief Officer in order for the Council to ensure it is meeting it's legal requirements. The EIA will be published with a note saying we are awaiting outcomes from a consultation exercise.

Once you have completed your consultation, please review your actions in section 5. Then email this form to your Chief Officer who needs to email it to equalitywatch@wirral.gov.uk for re-publishing.

Section 9: Have you remembered to:

- a) **Add appropriate departmental hyperlink to where your EIA is/will be published (section 2b)**
- b) **Include any potential positive impacts as well as negative impacts? (section 5)**
- c) **Send this EIA to equalitywatch@wirral.gov.uk via your Chief Officer?**
- d) **Review section 5 once consultation has taken place and sent your completed EIA to equalitywatch@wirral.gov.uk via your Chief Officer for re-publishing?**