

WIRRAL COUNCIL

CABINET

28 MAY 2009

REPORT OF THE DIRECTOR OF FINANCE

HM TREASURY BUDGET 22 APRIL 2009

1. EXECUTIVE SUMMARY

1.1. The Chancellor of the Exchequer presented his Budget 2009 on 22 April 2009 and this report presents a brief summary of the major implications for Local Authorities.

2. THE MACRO ECONOMIC FORECAST

2.1. In the budget statement, the Chancellor of the Exchequer announced the following economic overview and forecasts: -

- (a) The UK economy is forecast to shrink by 3.5% in 2009 with a forecast return to growth of 1.25% in 2010 and 3.5% in 2011. The general economic situation has continued to deteriorate since the pre-budget statement in November 2008 when the forecast for 2009 was of a reduction of only 1% for 2009.
- (b) Consumer Price Inflation is forecast to drop to 1% by the end of 2009 and the Retail Price Index to drop to -3% by September 2009. The inflation target remains unchanged at 2%.
- (c) The growth in real spending within the public sector will be reduced from the pre budget statement forecast of 1.2% to 0.7% between 2011/12 and 2013/14. An additional £9 billion of efficiency savings for the public sector by 2013/14 was also announced. Spending on capital investment will fall from £44 billion in 2009/10 to £22 billion in 2013/14.
- (d) Borrowing is forecast to increase to £175 billion for 2009/10 which is an increase from the £118 billion forecast in the pre-budget statement.

2.2 The global economic outlook remains poor. The high level of public debt is likely to curtail Government manoeuvrability in the future. This may be further restricted if the date of recovery and subsequent growth forecasts are not realised. This is likely to impact on future financial settlements for the public sector.

- 2.3 The current allocation to local government finance was set out in the 2007 Comprehensive Spending Review. The Budget has not made any significant changes to the three year settlement which runs to 2010/11.
- 2.4 Following the Budget it has now been possible to estimate the three year budgets for 2011-14 which are included elsewhere on this agenda.
- 2.5 The efficiency target for Local Authorities will be increased from 3% to 4% from 2010-11. For Wirral this represents an increase from £9.5m to £12.7m.
- 2.6 The Chancellor's budget statement did include a number of specific measures affecting Local Government which are in the following sections.

3. EDUCATION AND CHILDREN

- 3.1 Specific measures announced include: -
 - (a) An additional £250 million for education and training and the creation of 54,000 more places in sixth forms and colleges for the next academic year. An additional £404 million will be invested in 2010/11.
 - (b) An additional £300 million of capital funding in Further Education colleges in 2009/10 and 2010/11 under the Building Schools for the Future initiative.

4. ENTERPRISE AND WORK

- 4.1 A number of measures to help the general economy which include:-
 - (a) Spreading the inflation rise for business rates over a 3 year period.
 - (b) £750 million Strategic Investment Fund to support advanced industrial projects of strategic importance and £70 million for decentralised small-scale and community low-carbon energy saving projects
 - (c) Introduction of a scrappage scheme co-funded with the car industry in providing a £2,000 discount if cars scrapped are over 10 years.
 - (d) A guaranteed job, training or work placement for all 18-24 year olds who have been claiming Jobseekers Allowance for 12 months.
 - (e) Offering 50,000 traineeships for young people in the care sector.
 - (f) Providing funding for local authorities and partners to create 100,000 new jobs in socially useful activities.
 - (g) Allocation of additional funding for local authorities to provide a further 50,000 jobs in areas of high unemployment.

5. HOUSING AND ENVIRONMENT

5.1 Measures to contribute to tackling the housing crisis, climate change and energy efficiency.

- (a) £400 million in 2009/10 to unblock private house-building projects which have stalled because of the recession.
- (b) £100 million in 2009/10 and 2010/11 for councils to build new energy efficient housing.
- (c) £135 million for cavity wall insulation and combined heat and power in existing council housing.
- (d) Expansion of the existing mortgage rescue scheme including £20 million for councils to help people with multiple debts.
- (e) The standard rate of Landfill Tax will increase by £8 a year in April 2011, 2012 and 2013 with the tax increasing from £48 to £72 per tonne.
- (f) £375 million to support energy and resource efficiency in businesses, public buildings and households over the next two years.
- (g) The introduction of carbon budgets to reduce CO2 emissions by 34% by 2020 from the 1990 baseline.

6. FINANCIAL AND STAFFING IMPLICATIONS

6.1. There are no immediate significant financial or staffing implications arising directly from the budget announcement. Further detail is awaited as to the availability and distribution of any additional funding programmes.

7. EQUAL OPPORTUNITY IMPLICATIONS

7.1 There are none arising directly from this report.

8. COMMUNITY SAFETY IMPLICATIONS

8.1 There are none arising directly from this report.

9. HUMAN RIGHTS IMPLICATIONS

9.1. There are none arising directly from this report.

10. LOCAL AGENDA 21 IMPLICATIONS

10.1. The Chancellor's 2009 budget contains a number of measures to reduce carbon emissions.

11. PLANNING IMPLICATIONS

11.1. There are none arising directly from this report.

12. MEMBER SUPPORT IMPLICATIONS

12.1. There are none arising directly from this report.

13. BACKGROUND PAPERS

13.1. Budget 2009 – HM Treasury – April 2009.

14. RECOMMENDATION

14.1. That the report be noted.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/89/09