

Briefing: Chancellor's Budget 19 March 2014

Introduction

On 19 March 2014 Chancellor George Osborne unveiled the penultimate budget of this Parliament. The Chancellor presented his Budget as the means for securing a resilient economy with 'manufacturing promoted, working rewarded and saving supported'. The economy is growing, the deficit reducing, employment is up and borrowing down; yet the Government wants to be alert to risks, which means public spending cuts will continue well into the next Parliament as planned. **Further details on a number of announcements are expected to follow in the Autumn Statement.**

Headline messages for South East Councils

- **This Budget continues to take the SE's economic success for granted.** Wales was signalled as the beneficiary of fiscal devolution despite the SE population being twice the size of Wales and its economy significantly stronger (SE GVA per head of the population was £22,369 compared to £15,696 in Wales in 2011). The SE makes the greatest contribution to the Treasury - contributing £6.3bn more in taxes than spending in 2011. **Securing Britain's economic future rests upon investment in the on-going success of the SE.**
- While additional funding to meet the costs of flood damage is welcome, **this is unlikely be sufficient for the SE where costs are estimated at over £36m in Hampshire and £25m in Surrey alone.**
- **Pension changes and a new National Pensioner Savings Bond** are good news for the SE's larger than average elderly and ageing population, with 1.7m people over the age of 65.
- **A new early years' pupil premium** will help the shift to early intervention and prevention, benefiting the 235,521 children in the SE living in income deprivation (115,127 in the North East).
- **The Chancellor acknowledged that the SE faces the greatest house building pressure, despite 19,700 homes built in 2012-13.**

The Public Finances & Welfare

Not confident to rely on running a balanced budget, the Chancellor confirmed cuts to public spending for this year, next year and into the next Parliament. Public sector pension reform, pay restraints and close management of departmental budgets will contribute to securing sustained economic recovery.

- £1bn central Government spending reductions in 2015-16 will be made permanent.
- Fiscal devolution for nations outside of England continues with a new Wales Bill to devolve new tax and borrowing powers to Wales.
- Announced in the Spending Round 2013 and subject to a parliamentary vote, a cap on all welfare payments, excluding the State Pension and cyclical unemployment benefits, will be introduced at £119.5bn in 2015-16, rising with inflation to £126.7bn in 2018-19. Any new social security or personal tax credits that impact on Public Sector Current Expenditure will be presumed to be included within the cap and any changes to the benefits in scope will be subject to a vote.
- The Government wants to support families with children to work by reducing the costs of childcare for all families eligible for universal credit. The tax-free childcare costs cap, against which eligible parents can claim 20% support, will be increased to £10,000 per year for each child from autumn 2015.
- A £50m early years' pupil premium for the most disadvantaged three and four year olds in government-funded early education and £350m to increase the per-pupil schools budgets of the least funded local areas in 2015-16.

Economy and jobs

- The Office of Budget Responsibility (OBR) has upgraded economic growth forecasts. The original 2013 estimate of 0.6% growth has been revised to 1.8%. For 2014, growth is now predicted to be 2.7% (up from 1.8%), 2.3% in 2015 and 2.6% in 2016 and 2017. Growth is faster than the US, Germany or Japan.
- Later this year, the economy is expected to be larger than it was before the crash six years ago.
- Unemployment is predicted to fall further to 6.8% in 2014 and to 5.2% by 2018. OBR predict 1m more jobs will be created by 2018, reaching 31.4m
- National minimum wage will rise by 3% to £6.50 in October 2014. The rate for apprentices will rise 2%.
- £85m grants will help smaller businesses recruit apprentices, targeting 100,000 new jobs. £20m will fund new degree level apprenticeships.

Measures to help business

Increasing exports:

- Export finance lending will double to £3bn and interest rates will be cut by one third.
- The highest rates of air passenger duty for long haul flights will be cut. However the duty will now apply to private jets at an increased rate.

- Government will provide £20m start-up support for air routes from regional airports to emerging markets.
- New centres for science, technology & engineering will be funded to increase UK competitiveness. There will be £74m for cell therapy and graphene projects and £106m for 20 additional doctoral training centres. **It is not yet clear whether any of these will be in the South East.**

Reducing energy costs:

- A £7bn package will **cut energy bills for manufacturers.**
- Carbon price support is capped at £18/ton of CO2 from 2016-17 until end of decade.
- Compensation for energy intensive industries will be extended for 4 years until 2019-20. There will also be £1bn to protect these industries from the cost of renewable obligations & feed in tariffs. Combined Heat and Power (CHP) plants will be exempt from the carbon price floor.
- **In the South East, 9 industrial installations will save on average £3.3m in 2018-19 and 31 CHP plants will save on average £408,000 in 2018-19.**

Taxes and allowances:

- The annual investment allowance for businesses will rise to £500,000 from April until the end of 2015.
- Business rate discounts and capital allowances for companies based in Enterprise Zones are extended for 3 years to March 2020, **benefitting Science Vale UK (Oxfordshire), Discovery Park (Kent) and Solent (Hampshire).**
- The R&D tax credit rate for loss making businesses rises from 11% to 14.5%.
- A new Social Investment Tax Relief at 30% will encourage investment in social enterprises.
- Film tax credits will be extended to theatre from September, with 20% tax relief or 25% for regional touring productions.

General taxes

- Personal tax allowances will rise to £10,000 in April and £10,500 in April 2015.
- The threshold for higher rate income tax will rise £415 to £41,850 in April and to £42,285 in 2015.
- The 10p rate on savings will be abolished. There will be no tax on savings income up to £5,000.
- ISAs will be simplified and extended to allow £15,000 tax free savings a year.
- A new national pensioner savings bond will offer attractive interest rates for over 65s from January 2015.
- Tax rules on defined contribution pension schemes will be radically altered from 27 March, allowing pensioners alternatives to annuities, including increased lump sum options. £20m funding will be provided to guarantee free impartial advice on this.
- There will be no increase in fuel duty, originally planned for September.
- Tobacco duty will rise 2% above inflation this year. Alcohol will rise by same amount, except Scottish Whisky and cider where duty will be frozen. Beer duty will fall by 1p a pint next week.
- Duty on fixed odds betting machines rises to 25% but halves to 10% for bingo. The horserace betting levy will be extended to offshore bookmakers.

Housing & Infrastructure

- House-building - Planning approvals and housing starts are at a 5 year high.
- The government will form an Urban Development Corporation, in consultation with local MPs, councils and residents, to deliver **a new 15,000 home garden city at Ebbsfleet in Kent** with up to £200 million of infrastructure funding to kick start development. A Garden City prospectus will be published by Easter 2014 setting out how interested local authorities could develop their own, locally-led proposals for bringing forward new garden cities.
- A £500 million Builders' Finance loan fund will be set up to unlock 15,000 homes stalled due to difficulty accessing finance. **SE councils have asked for action to ensure locally-approved development is built, calling for discretionary lose it or lose it planning powers.**
- Consultation is expected on specific change of use measures, including greater flexibilities for change to residential use.
- Government has commissioned HS2 Ltd to develop proposals for accelerating the project and opening the line to Crewe by 2027, 6 years earlier than planned, as well as exploring redevelopment of Euston station.
- A new 'Right to Build' will be consulted on, giving custom builders a right to a plot from councils. The approach will be tested with vanguard local authorities.
- Government aims to increase the Public Works Loan Board limit from £70bn to £95bn to support local authority borrowing.
- Local authorities will be able to bid for £200m 'pothole challenge fund' for road maintenance in 2014-15.
- An additional £140m between 2014-15 and 2015-16 to repair and maintain flood defences. Government will also publish a long term flood defence investment plan in autumn 2014.
- Other measures include: extending help to buy to 2020, £150m for regenerating social housing estates and plans to streamline and simplify the Nationally Significant Infrastructure Planning Regime.