



National Assembly for **Wales**
Cynulliad Cenedlaethol **Cymru**

The Chancellor's Budget 2009

On Wednesday 22 April 2009, the Chancellor of the Exchequer, Alistair Darling, issued the 2009 Budget, entitled *Building Britain's Future*.

This paper provides a range of information, on the Chancellor's 2009 Budget, including an overview of its impact on Wales, a summary of the main policy decisions contained within the budget, how much such decisions will cost/benefit HM Treasury and a range of stakeholders' views and press coverage.

April 2009



The Chancellor's Budget 2009

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Executive Summary

On Wednesday 22 April 2009, the Chancellor of the Exchequer, Alistair Darling, issued the 2009 Budget, entitled *Building Britain's Future*.¹ This paper provides a range of information, analysis and commentary on the Chancellor's 2009 Budget, including an overview of its impact on Wales, a summary of the main policy decisions contained within the budget, how much such decisions will cost/benefit HM Treasury and a range of stakeholders' views and press coverage. **It should be noted that this paper is not intended to provide an exhaustive list of all the relevant policy decisions announced in Budget 2009, but provides a summary of the main headlines in particular areas.**

[Section 1](#) provides information on the Chancellors' Budget, what it contains and how it fits into the annual budget cycle at Westminster.

[Section 2](#) provides an **overview of Government spending and receipts for 2009-10**, as well as a summary expenditure on services per capita across the UK.

[Section 3](#) summarises the **UK economic forecasts** including information on gross domestic product (GDP), inflation, fiscal projections and fiscal balances.

[Section 4](#) examines the potential impact of decisions announced in Budget 2009 on the **Welsh block funding for 2010-11 and beyond**, including the impact of efficiency savings. Whilst there is a lack of clarity around the precise financial impact of the Budget, compared to the departmental expenditure limit (DEL) received in the Welsh block for 2009-10 (£15.3bn), **the 2010-11 allocation stated in the Budget 2009 represents a £0.4bn (or 2.6 per cent) increase, rather than the £0.7bn (4.5 per cent) increase forecast in Budget 2008.**

Sections 5 to 10 summarise the main policy decisions announced in Budget 2009, and looks at how much these policies will cost or benefit HM Treasury.

[Section 5](#) looks at decisions which will impact upon **individuals and households**.

[Section 6](#) considers decisions which will impact upon **business**.

[Section 7](#) considers decisions which will impact upon the **environment and transport**.

[Section 8](#) examines the **efficiency savings** announced in Budget 2009.

[Section 9](#) considers **other policy decisions** announced in Budget 2009.

[Section 10](#) looks at the **overall cost or benefit to HM Treasury** of the policy decisions contained within Budget 2009.

[Section 11](#) provides links to relevant documents, responses and media coverage of Budget 2009.

¹ [HM Treasury. Budget 2009: Building Britain's future. \(22 April 2009\)](#) [26 April 2009]

Members' Research Service: Research Paper
Gwasanaeth Ymchwil yr Aelodau: Papur Ymchwil



Cynulliad National
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The Chancellor's Budget 2009

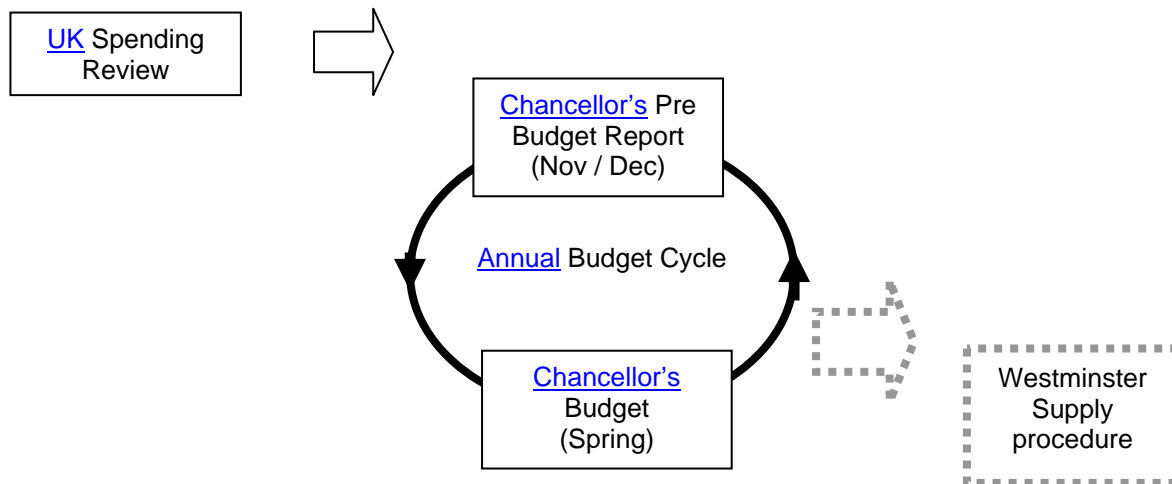
1. About the Chancellor's Budget

The budget is the major financial and economic statement made each year by the Chancellor of the Exchequer to Parliament and the nation. The budget information is published in two main sections – the Economic and Fiscal Strategy Report (EFSR) and the Financial Statement and Budget Report (FSBR – often referred to as the 'Red Book'). The role of the Budget is to:

- provide an update on the state of the economy and public finances and to present new forecasts for each;
- set out the Government's economic and fiscal objectives;
- report on the progress the Government has made towards achieving its objectives;
- set out the further steps the Government is taking to meet its objectives.

Since 1998 the current Labour government has presented the annual Budget in spring. This government has also presented a Pre-Budget Report in autumn of each year. The Pre Budget Report 2008² can be accessed via the HM Treasury website.

Figure 1: The Budget process at Westminster



Within the context of the UK spending review cycle, the Chancellor's Budget is the key stage in the annual budget process. Following the publication of the Chancellor's Budget, the main estimates³ are prepared requesting Parliamentary authority for expenditure through the supply procedure⁴ (including grants for the devolved administrations).

² [HM Treasury Pre Budget Report 2008 \(November 2008\)](#) [26 April 2009]

³ Main estimates - the estimates set out the resource budgets for each government department. They are made up of a number of 'Requests for Resources' (RfR) and show the total gross expenditure and appropriations-in-aid (income) for each RfR. Expenditure is authorised by the Commons by voting the Estimates.

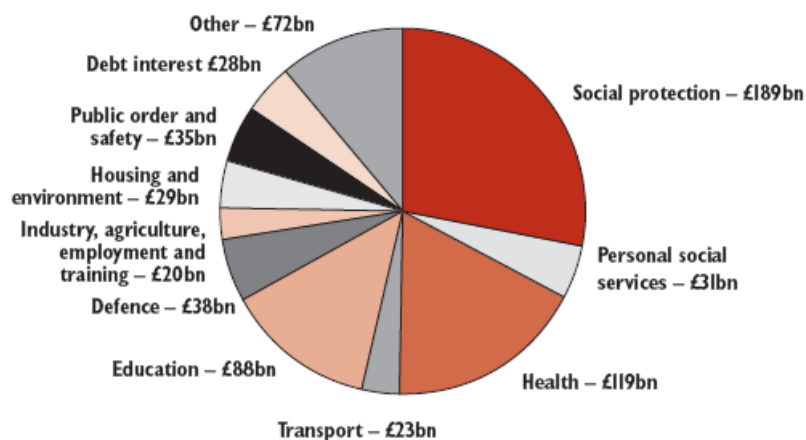
⁴ The supply procedure is the process by which Parliament approves government departments resources and cash provision for the year.

2. Overview of Government Spending

Total managed expenditure, (TME)⁵ for 2009-10 is set to be **£671bn**. Social protection accounts for 28 per cent of TME, health accounts for 18 per cent and education for 13 per cent. It is interesting to note that debt financing accounts for 4 per cent of the TME in 2009-10. Figure 2 is taken from Budget 2009⁶ and shows the projections for the amount of government spending in 2009-10 by function.

Figure 2: Government spending by function, 2009-10

Total managed expenditure: £671 billion



Source: HM Treasury 2009-10 near-cash projections. Spending re-classified to functions compared to previous presentations and is now using methods specified in international standards. Other expenditure includes spending on general public services: recreation, culture, media and sport; international cooperation and development; public service pensions; plus spending yet to be allocated and some accounting adjustments. Social protection includes tax credit payments in excess of an individual's tax liability, which are now counted on AME, in line with OECD guidelines. Figures may not sum to total due to rounding.

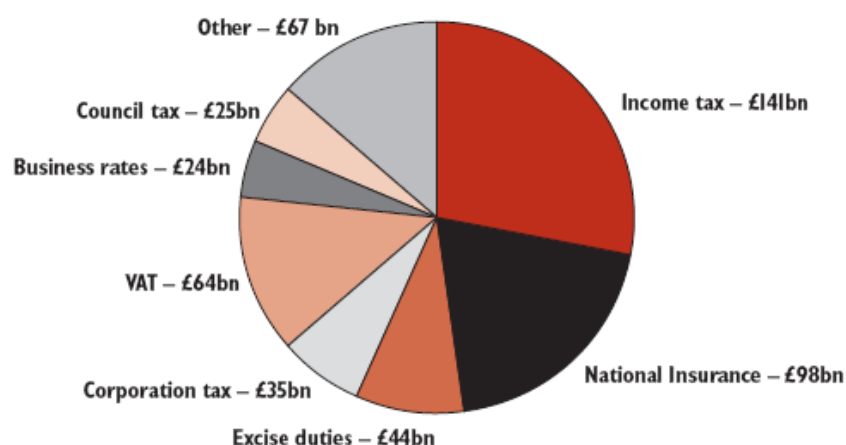
⁵ **Total managed expenditure (TME):** represents the revenue and capital spending of the public sector and is made up of Department Expenditure Limits (DEL) and Annually Managed Expenditure (AME).

⁶ [HM Treasury. Budget 2009: Building Britain's future. \(22 April 2009\)](#) page 12 [26 April 2009]

Figure 3 is taken from Budget 2009⁷ and provides information on projected government receipts for 2009-10. Total government receipts for 2009-10 are set to be **£496bn**. Income tax accounts for the largest proportion of receipts, 28 per cent, with National Insurance accounting for 20 per cent and council tax for 5 per cent. Thus, it can be seen that **TME exceeds government receipts by £175bn**.

Figure 3: Government receipts, 2009-10

Total receipts: £496 billion



Source: HM Treasury, 2009-10 projections. Other receipts include capital taxes, stamp duties, vehicle excise duties and some other tax and non-tax receipts – for example, interest and dividends. Figures may not sum to total due to rounding.

Table 1 and figure 4 show trends in per capita expenditure across the UK. This uses the measure of total identifiable expenditure on services.⁸ This shows that the level of spending per head is higher in the devolved administrations than in England over the last 5 years. There has been a steady increase in per capita expenditure over the last 5 years. However, the average increase in per capita expenditure each year over the last five years has been greatest in England and Scotland (an average of 6.4 and 6.5 per cent increase per year, respectively), as compared to that in Northern Ireland and Wales (an average increase of 5.7 per cent per year).

Table 1: Total identifiable expenditure on services per head, 2003-04 to 2007-08

	2003-04		2004-05		2005-06		2006-07		2007-08	
	£000 per head	% change on previous year	£000 per head	% change on previous year	£000 per head	% change on previous year	£000 per head	% change on previous year	£000 per head	% change on previous year
England	6.03	9.13	6.44	6.90	6.80	5.59	7.08	4.03	7.54	6.49
Scotland	7.21	7.72	7.46	3.40	8.08	8.30	8.54	5.78	9.18	7.43
Wales	6.95	6.60	7.32	5.33	7.80	6.58	8.17	4.82	8.58	4.96
Northern Ireland	7.87	5.99	8.29	5.41	8.67	4.56	8.99	3.67	9.79	8.89
UK	6.23	8.71	6.62	6.41	7.01	5.86	7.31	4.22	7.79	6.60

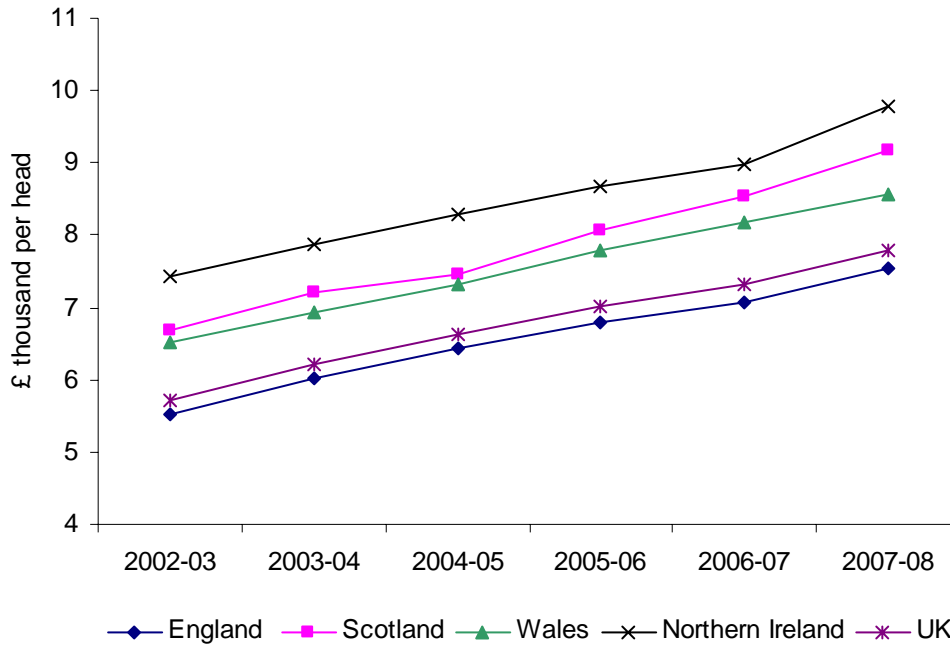
Source: Members' Research Service calculations from [Public Expenditure and Statistical Analysis \(PESA\) 2008](#) Table 9.2.

⁷ [HM Treasury. Budget 2009: Building Britain's future. \(22 April 2009\)](#) page 12 [26 April 2009]

⁸ Total expenditure on services broadly represents the current and capital expenditure of the public sector, with some differences from the National Accounts measure of Total Managed Expenditure (TME).



Figure 4: Total identifiable expenditure on services by country, per head



Source: Members' Research Service from [Public Expenditure and Statistical Analysis \(PESA\) 2008](#) Table 9.2

3. UK Economic Forecast

The Economic and Fiscal Strategy Report (EFSR) of Budget 2009⁹ provides the Government's forecasts for the UK economy and the fiscal projections, as well as setting out policy decisions. The budget report states that:

In the UK, prospects for 2009 have been revised down substantially since the 2008 Pre-Budget Report. Like many advanced economies the UK will experience a sharp recession in 2009 with a forecast contraction of 3½ per cent. GDP is forecast to contract sharply in the first half of 2009, to stabilise in the second half of the year, and to pick up progressively through 2010 and 2011.¹⁰

The accompanying press notice *Building Britain's Future*¹¹ states that:

The Government is delivering fiscal support worth 4 per cent of GDP in 2009-10 from the measure announced in this Budget, the 2008 Pre-Budget Report and the operation of the automatic stabilisers. The Bank of England has cut Bank Rate to ½ a per cent and announced a £75 billion programme of asset purchases. With substantial macroeconomic stimulus already in the system, this Budget focuses on further targeted support for those most affected by the downturn, and on ensuring a sustained and sustainable recovery, including support for employment and investment.¹²

In the following sections, the predictions and outlook for the UK economy as set out in Budget 2009 are summarised.

3.1 UK Gross Domestic Product (GDP)

GDP is a measure of national income and output for the country's economy. It is the total value of all final goods and services produced in a particular economy; it represents the value of all goods and services produced within the country in a given year.

Overall GDP and growth slowed from 3 per cent in 2007 to 0.75 per cent in 2008. Budget 2009 states:

UK GDP has fallen more sharply than forecast in the 2008 Pre-Budget Report, reflecting the cumulative impact of the succession of shocks that hit the global economy during 2007 and 2008. As credit conditions tightened and global commodity prices squeezed real incomes, growth slowed progressively, with the economy contracting by 0.7 per cent in the third quarter of 2008. In the final quarter of the year, the intensification of the global financial crisis caused a loss of confidence and a further reduction in the availability of credit that led to a sharp 1.6 per cent drop in GDP, in line with falls in activity across advanced economies. Overall, GDP growth slowed from 3 per cent in 2007 to ¾ per cent in 2008.¹³

GDP contracted by 1.6 per cent during the final quarter of 2008. Forecasts in Budget 2009¹⁴ predict that GDP will **reduce by 3.5 per cent in 2009**, beginning to recover towards the end of the year. Growth is forecast to pick up in 2010, with strong growth in 2011. This is in contrast to those

⁹ [HM Treasury. Budget 2009: Building Britain's future. \(22 April 2009\)](#) Chapters 1 to 7 [26 April 2009]

¹⁰ [HM Treasury. Budget 2009: Building Britain's future. \(22 April 2009\)](#) page 3 [26 April 2009]

¹¹ [HM Treasury. Press Notice 01: Building Britain's future \(22 April 2009\)](#) [26 April 2009]

¹² [HM Treasury. Press Notice 01: Building Britain's future \(22 April 2009\)](#) [26 April 2009]

¹³ [HM Treasury. Budget 2009: Building Britain's future. \(22 April 2009\)](#) page 16 [26 April 2009]

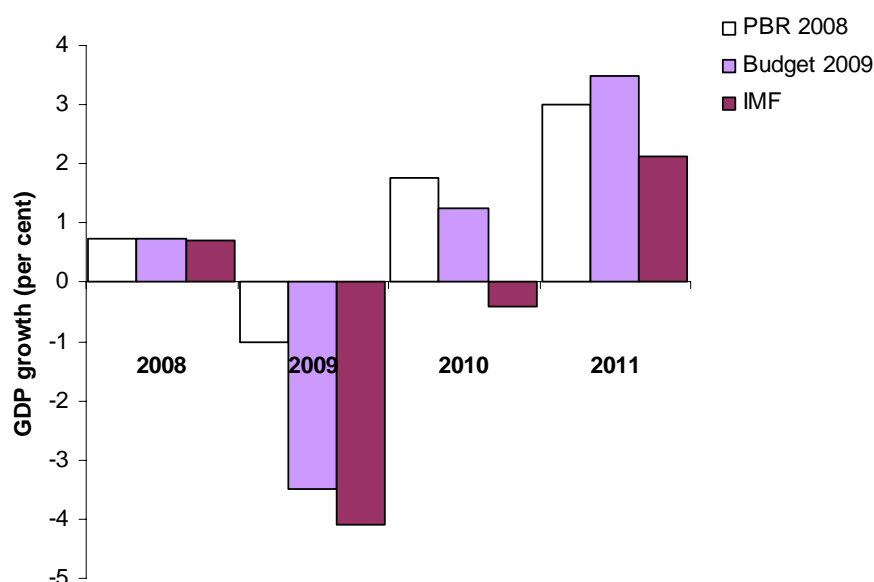
¹⁴ [HM Treasury. Budget 2009: Building Britain's future. \(22 April 2009\)](#) Table 2.1 page 18 [26 April 2009]

forecasts conducted by the International Monetary Fund (IMF)¹⁵, which predict GDP will **reduce by 4.1 per cent in 2009**, will reduce by a further 0.4 per cent in 2010, and will begin to recover in 2011, reaching 2.1 per cent.

However, figures produced by the Office for National Statistics (ONS)¹⁶ two days after the Chancellor's Budget state that GDP has **contracted by 1.9 per cent in the first quarter of 2009**, due to weaker services and production output. This represents the greatest three month decline in 30 years.¹⁷ The ONS release also showed that GDP for the year to the end of March was down by 4.1 per cent.

Figure 5 compares the GDP forecasts made by the IMF with those made by HM Treasury in the Pre Budget Report 2008 and those in Budget 2009.

Figure 5: Comparison of UK GDP growth forecasts by IMF and those in Pre Budget Report 2008 and Budget 2009



Source: HM Treasury Pre Budget Report 2008, Budget 2009 and IMF World Economic Outlook Database

3.2 Inflation Forecasts

The Economic and Fiscal Strategy Report in Budget 2009 also sets forecasts for rates of inflation. It states that:

Consumer price inflation peaked at 5.2 per cent in September 2008. As commodity price pressures have reversed, inflation has eased in line with the Pre-Budget Report forecast. CPI inflation was 2.9 per cent in March, while RPI inflation was -0.4 per cent.¹⁸

The forecasts for the Consumer Price Index (CPI) in Budget 2009¹⁹ are as follows: 4 per cent in 2008; dropping to 1 per cent in 2009, 1 per cent in 2010 and rising to 2.25 per cent in 2011. In contrast to

¹⁵ [IMF World Economic Outlook Database \(April 2009\)](#) [26 April 2009]

¹⁶ [National Statistics. GDP Growth: UK output decreases by 1.9%. 24 April 2009.](#) [26 April 2009]

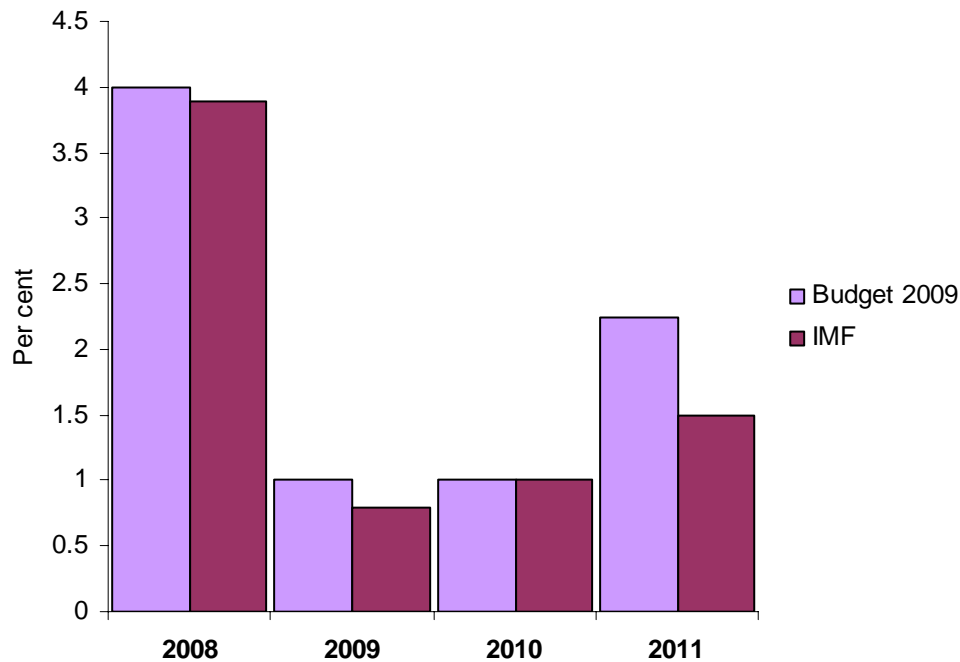
¹⁷ [BBC News. UK economy 'weakest in 30 years'. 24 April 2009.](#) [26 April 2009]

¹⁸ [HM Treasury. Budget 2009: Building Britain's future. \(22 April 2009\)](#) page 16 [26 April 2009]

¹⁹ [HM Treasury. Budget 2009: Building Britain's future. \(22 April 2009\)](#) Table 2.1 page 18 [26 April 2009]

this, the IMF forecasts that CPI will drop to 0.8 per cent in 2009, rising to 1 per cent in 2010, 1.5 per cent in 2011 and 1.6 per cent in 2012. Thus, predicting a much slower rise. Figure 6 compares these CPI forecasts.

Figure 6: Comparison of CPI forecasts set by IMF and those in Budget 2009



Source: HM Treasury Budget 2009 and IMF World Economic Outlook Database

Budget 2009 predicts that the Retail Price Index (RPI) which was 2.75% in 2008; will fall to -1.25 per cent in 2009; rising to 2.5 per cent per cent in 2010 and 4% in 2011.²⁰

3.3 Fiscal Projections & Balances

Budget 2009 also sets out the forecasts and balances for the fiscal position of the UK. It states that since the Pre-Budget Report in 2008 the forecasts have changed significantly:

Since the 2008 Pre-Budget Report, the impact of the financial crisis on the UK and world economies has been more severe than forecast. Despite the decisive interventions of governments in the UK and around the world containing the crisis, its effects on confidence and demand have been far worse than expected.²¹

The HM Treasury press notice accompanying Budget 2009 explains the fiscal forecasts:

²⁰ [HM Treasury. Budget 2009: Building Britain's future. \(22 April 2009\)](#) Table 2.1 page 18 [26 April 2009]

²¹ [HM Treasury. Budget 2009: Building Britain's future. \(22 April 2009\)](#) page 191 [26 April 2009]

Reflecting the principle of transparency, the fiscal forecasts include a provisional estimate for the high end of a range for the net impact of unrealised losses on financial sector interventions, equal to 3½ per cent of GDP.

The Budget 2009 fiscal projections are consistent with the temporary fiscal operating rule introduced in the 2008 Pre-Budget Report, entailing a return to cyclically-adjusted current balance and debt falling as a share of the economy by 2017-18, when the global shocks will have worked their way through the economy in full.²²

However, Budget 2009 goes on to state that:

...the judgements on which the Budget 2009 forecast are based are subject to exceptional uncertainty.²³

Table 2 provides a comparison of the fiscal projections and balances set out in the Pre Budget Report 2008 and Budget 2009.

- Public sector net borrowing is forecast to peak at 12.4 per cent GDP (£175bn) in 2009-10, reducing to 5.5% GDP (£97bn) by 2013-14, Over the period 2009-10 to 2013-14 the total public sector net borrowing is forecast to be **£703bn**.
- Public sector net debt (including unrealised losses on financial sector intervention) is forecast to increase to 2013-14 and then stabilize at **79 per cent of GDP** by the end of the forecast period. It is then forecast to begin to decline in 2015-16. This is in comparison to the end of 2006-07, when the economy was last 'on trend', when public sector net debt was 36 per cent of GDP.
- Public sector net investment is forecast to reduce from 3.1 per cent GDP (£44bn) in 2009-10, to 1.3 per cent GDP (£22bn) in 2013-14.

²² [HM Treasury. Press Notice 01: Building Britain's future \(22 April 2009\)](#) page 13 [26 April 2009]

²³ [HM Treasury. Budget 2009: Building Britain's future. \(22 April 2009\)](#) page 190[26 April 2009]

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Table 2: Comparison of fiscal projections and balances between Pre Budget Report 2008 and Budget 2009

	2008-09 Budget			2009-10 Budget			2010-11 Budget			2011-12 Budget			2012-13 Budget			2013-14 Budget		
	PBR 2008	2009	Change	PBR 2008	2009	Change	PBR 2008	2009	Change	PBR 2008	2009	Change	PBR 2008	2009	Change	PBR 2008	2009	Change
<i>Per cent GDP</i>																		
Public sector net borrowing	5.3	6.3	1.0	8.0	12.4	4.4	6.8	11.9	5.1	5.3	9.1	3.8	4.1	7.2	3.1	2.9	5.5	2.6
Public sector net investment	2.5	2.6	0.1	2.7	3.1	0.4	2.1	2.5	0.4	2.0	1.9	-0.1	1.9	1.6	-0.3	1.8	1.3	-0.5
Public sector net debt ¹	41.2	43.0	1.8	48.2	55.4	7.2	52.9	65.0	12.1	55.6	70.9	15.3	57.1	74.5	17.4	57.4	76.2	18.8
Public sector net debt ²	..	46.5	..	..	59.0	..	..	68.4	..	..	74.0	..	..	77.5	..	..	79.0	..
<i>£ billions</i>																		
Net borrowing	77.6	90	12.4	118	175	57	105	173	68	87	140	53	70	118	48	54	97	43
Surplus on current budget	-41.2	-52.3	-11.1	-78	-132	-54	-73	-137	-64	-54	-111	-57	-37	-91	-54	-21	-74	-53
Net investment	36.5	37.7	1.2	40	44	4	33	36	3	33	29	-4	33	26	-7	33	22	-11

Source: Members' Research Service calculations from HM Treasury Pre Budget Report 2008 and Budget 2009.

.. data not available

1. Excluding financial sector interventions

2. Including unrealised losses on financial sector intervention.

4. Impact of Budget 2009 on Welsh Block Funding

This section summarises the main announcements in Budget 2009 which will impact on the Welsh block funding.

Table 3 shows the forecasts made for revenue and capital departmental expenditure limit (DEL)²⁴ allocations to Wales as part of the block funding for the financial year 2010-11 in Budget 2009 in comparison with Budget 2008.

Table 3: Revenue and capital DEL forecasts for allocation to Wales in 2010-11

	<i>£ billion</i>	
	Budget 2008	Budget 2009
Revenue DEL	14.2	14.0
Capital DEL	1.8	1.7
Total DEL	16.0	15.7

Source: HM Treasury [Budget 2008](#) and [Budget 2009](#) Table C.11

These figures would **suggest an overall reduction of £300 million, or 1.9 per cent** in DEL allocation to Wales in the financial year 2010-11, compared to that forecast in Budget 2008. However, it should be noted that these figures are rounded to 1 decimal place in billions, and therefore **cannot be taken to be entirely accurate**.

Compared to the DEL received in the Welsh block for 2009-10 (£15.3bn), **the 2010-11 allocation represents a £0.4bn (or 2.6 per cent) increase, rather than the £0.7bn (4.5 per cent) increase forecast in Budget 2008**.

In fact, the changes to the Welsh block funding as a result of the 2009 Budget²⁵ can be summarised as follows:

- **There is a reduction in revenue funding of £216 million** – this is the consequential of the additional £5bn of efficiency savings announced in the Pre Budget Report 2008. It should be noted that this figure had been predicted to be a maximum of £292 million, assuming 100 per cent comparability; however Budget 2009 confirms the £216 million consequential.
- ◆ **There is a reduction in capital funding of £200 million** - this is due to £120 million of capital budgets brought forward into 2008-09 and 2009-10, and also the reprioritisation of NHS capital spending announced in the Pre Budget Report 2008.
- **Overall this is a reduction of £416 million (or 2.6 per cent) in the Welsh block funding for the financial year 2010-11.**

²⁴ Departmental expenditure limits (DEL) – normally set over three years as part of the spending review process. Most of the DEL is unhypothecated and allows the Welsh Assembly Government full discretion over its spending priorities (known as the 'assigned budget'). Changes in provision for these items are determined through the Barnett formula. Some elements of DEL are ring-fenced and can only be used for specified purposes.

²⁵ [HM Treasury. Budget 2009 microsite. What the Budget means for Wales. 22 April 2009.](#) [26 April 2009]

There are also additional consequentials arising from allocations to UK departments made in Budget 2009, such as allocations to further education and housing supply. These amount to a **total additional allocation to the Welsh block funding of £60 million²⁶ over the next two financial years**. Of this £60 million, £46 million is to be allocated this year and £14 million is for 2010-11.

Members' Research Service has contacted HM Treasury seeking clarification of these figures impacting on the Welsh block, and is awaiting a response.

It should also be noted that in Budget 2009 there was the announcement that the Operational Efficiency Programme (see [section 8](#)) has identified greater scope for efficiency savings in 2011-12 and beyond; thus over the next spending review period **efficiencies are set to increase to £9bn per year in 2013-14**.²⁷ Such efficiencies are suggested to be found from back office operations, procurement, IT and property running costs.

Members' Research Service has calculated that if this £9bn per year target is realised, and assuming that the distribution of these reductions is 100 per cent comparable in Wales, this could lead to a **maximum reduction of up to £526m per year in the Wales block funding over the next spending review period**. This has been calculated by applying the principles of the Barnett formula (i.e. assuming 100 per cent comparability and 5.84 per cent population proportion²⁸ for Wales).

It should be noted that the maximum reduction calculation assumes a comparability of 100 per cent. However, the actual level of reductions may be lower than this figure and will depend on which UK departments are required to make these savings.

²⁶ [HM Treasury. Budget 2009 microsite. What the Budget means for Wales. 22 April 2009.](#) [26 April 2009]

²⁷ [HM Treasury. Budget 2009: Building Britain's future. \(22 April 2009\)](#) page 127 [26 April 2009]

²⁸ As applied in Pre Budget Report 2007, based on 2007 mid year estimates of population.



5. Impact of Budget 2009 on Individuals and Households

This section summarises some of the main policy decisions contained in Budget 2009 which will affect individuals and households across the UK, and where appropriate an estimate of how these decisions may impact upon Wales. It should be noted that this summary is not intended to be an exhaustive list of all the relevant policy decisions announced in Budget 2009, but provides a summary of the main headlines.

Table 4 provides information on how much each of these policy decisions will cost or benefit HM Treasury.

Table 4: Costs/benefits to HM Treasury of policy decisions affecting individuals and households in Budget 2009

Policy Decision	£ million							
	2009-10		2010-11		2011-12		Total	
	Cost	Benefit	Cost	Benefit	Cost	Benefit	Cost	Benefit
Additional rate of income tax of 50% on income over £150,000 ¹	0	0	0	1,130	0	1,810	0	2,940
Value of personal allowance to be restricted for those with incomes over £100,000 ²	0	0	0	100	0	180	0	280
Tax relief on pension contributions reduced for those earning over £150,000 ³	0	0	0	0	0	200	0	200
Increase in capital disregard on Pension Credit and pensioner related housing and council tax benefits	-60	0	-130	0	-	0	-190	0
Increase annual ISA limit	-5	0	-20	0	-60	0	-85	0
Winter Fuel Payment	-600	0	0	0	0	0	-600	0
Child Trust Fund disabled children	0	0	-15	0	-	0	-15	0
Child Tax Credit	0	0	-140	0	-	0	-140	0
JobCentre Plus Funding	-590	0	-1,080	0	0	0	-1,670	0
Supporting youth employment ⁴	-300	0	-900	0	-	0	-1,200	0
Statutory redundancy pay	-15	0	-25	0	-	0	-40	0
Social Fund	-125	0	-145	0	0	0	-270	0
Package to support housing supply	-420	0	-180	0	0	0	-600	0
Stamp Duty holiday	-90	0	0	0	0	0	-90	0
Alcohol duty rates ⁵	..	..	..	..	..	..	..	..
Tobacco duty rates	0	60	0	60	0	60	0	180
Other policy decisions ⁶	-220	0	-45	180	-5	20	-270	200
Total	-2,425	60	-2,680	1,470	-65	2,270	-5,170	3,800

Source: Members' Research Service calculations from [HM Treasury, Budget 2009: Building Britain's future](#), Table 1.2

- included within the current spending growth assumption for 2011-12 onwards.

.. data not available

1. This measure is in addition to the yield published at Pre Budget Report 2008 for the 45% additional rate commencing from 2011-12. Total yield in 2013-14 of £2.4bn.

2. This modifies the yield published at Pre Budget Report 2008 for the staged reduction of the personal allowance. Total yield for 2013-14 from removal of personal allowance will be £1.5bn.

3. The yield increases due to lagged effect of self-assessment, for 2012-13 the yield is £3.1bn.

4. Gross costs are £14bn over 2009-10 and 2011-12. Figures shown are net of associated savings.

5. No information is provided in Budget Report 2009 on the estimated benefit of this increase.

6. Including: extension to Working Tax Credit run-ons; changes to housing and council tax benefits; support for mortgage Interest; local authority guideline rent changes; repeal furnished holiday lettings rules; reduced VAT for child car seat bases; financial assistance for charities; and armed forces accommodation.

5.1 Personal Tax

- **Additional rate of income tax of 50% on income over £150,000 from April 2010:** this replaces the 45 per cent rate announced in the Pre Budget Report 2008 and brings it forwards

by one year. In doing so this breaks the 2005 Labour manifesto pledge not to increase income tax.²⁹

- ***Value of personal allowance to be restricted for those with incomes over £100,000, tapering down to zero from April 2010:*** the personal allowance for those earning over £100,000 is to be withdrawn at a rate of £1 for every £2 over £100,000 until it is completely withdrawn. This replaces the 2 stage withdrawal announced in the Pre Budget Report 2008.

5.2 Pension Tax Relief

Tax relief on pension contributions is to be reduced for those earning over £150,000 from April 2011: from that level of income it will be tapered down until it reaches 20 per cent.

5.3 Pensioner Savers

Increase in the capital disregard on Pension Credit and pensioner related housing and council tax benefits: to be increased from £6,000 to £10,000 from November 2009. This means the first £10,000 of savings held by a pensioner will not be taken into account for assessment of their entitlement to Pensions Credit, housing benefit and council tax benefit. **This is estimated to benefit eligible pensioners by £202 per year.**³⁰

5.4 Support for Savers

Increase in the annual ISA limit: to £10,200, of which £5,100 can be in cash. This will be available to those over 50 years in October 2009, and to all from April 2010.

5.5 Support for Pensioners

Winter Fuel Payment – Budget 2009 confirmed that the Winter Fuel Payment is to be maintained at the higher level announced in the Pre Budget Report 2008. An additional payment is also to be made alongside the 2009-10 Winter Fuel Payment; £50 to those over 60 years, and £100 to those over 80 years. **This is estimated to benefit 480,000 households in Wales, of which 120,000 have someone over 80 years.**³¹

5.6 Child Trust Fund

Additional payment for disabled children: The Government are to contribute an additional £100 per year to Child Trust Funds of disabled children; £200 per year for severely disabled children. Children who receive Disability Living Allowance at any point in a tax year will receive these contributions. **This is estimated to benefit around 5,000 children in Wales.**³²

5.7 Child Tax Credit

Increase in the child element of Child Tax Credit: an additional £20 per year above indexation from April 2010.

²⁹ [BBC News. Blair makes manifesto tax pledge. 13 April 2005.](#) [26 April 2009]

³⁰ [HM Treasury. Budget 2009 microsite. What the Budget means for Wales. 22 April 2009.](#) [26 April 2009]

³¹ [HM Treasury. Budget 2009 microsite. What the Budget means for Wales. 22 April 2009.](#) [26 April 2009]

³² [HM Treasury. Budget 2009 microsite. What the Budget means for Wales. 22 April 2009.](#) [26 April 2009]

5.8 Job Centre Plus Funding

Additional £1.7bn for the Department of Work and Pensions over next 2 years: to ensure that there is sufficient capacity within Job Centre Plus and Flexible New Deal to respond to rising unemployment. **In February 2009 13,200 people moved off claiming Job Seekers Allowance in Wales.**³³

5.9 Youth Employment

Guarantee of 6 months work or training for everyone under 25: those aged 18-24 years who have been claiming Job Seekers Allowance for 12 months will be guaranteed a job/work placement/ work-related skills training, with an additional £1.2bn funding to support new places. Jobs will be coming online from October 2009. The Government state that they intend to work with delivery partners to determine whether participation should be mandatory. **In February 2009 there were over 26,900 18-24 year olds claiming Job Seekers Allowance in Wales.**³⁴

5.10 Social Fund

Additional investment in social fund of £125m in 2009-10 and £145m in 2010-11: Social Fund provides 'Budgeting' and 'Crisis' loans to vulnerable people allowing them to deal with unexpected costs. This additional funding aims to ensure that Social Fund is able to respond to increased demand.

5.11 Statutory Redundancy Pay

Statutory redundancy pay to increase to £380 per week: subject to an affirmative order being approved by Parliament.

5.12 Housing Supply

An additional £600m is to be provided in 2009-10 and 2010-11 for housing supply: this is intended to unlock stalled housing sites. **This figure includes Barnett consequentials for the devolved administrations.** The additional funding includes £100m for local authorities to build new social housing at higher energy efficiency standards and an extension of £60m to the Home Buy Direct scheme.

5.13 Stamp Duty Holiday

Stamp duty holiday for residential properties costing over £175,000 extended until 31 December 2009: this represents an extension of 4 months.

5.14 Alcohol and Tobacco Duty

- ***Alcohol duty rates to increase by 2 per cent on 23 April 2009:*** adding 1p to a pint of beer, 13p to a bottle of spirits and 4p to a bottle of wine.

³³ [HM Treasury. Budget 2009 microsite. What the Budget means for Wales. 22 April 2009.](#) [26 April 2009]

³⁴ [HM Treasury. Budget 2009 microsite. What the Budget means for Wales. 22 April 2009.](#) [26 April 2009]

- **Tobacco duty rates to increase by 2 per cent on 22 April 2009:** adding 7p per pack of 20 cigarettes.

5.15 National Insurance Credits for Families

From April 2011 grandparents, or other family members, will be able to claim National Insurance credits towards the State Pension for caring for children under the age of 12 for 20 hours a week or more.

5.16 Support for Mortgage Interest (SMI)

The Pre Budget Report 2008 announced that the standard interest rate for calculating SMI would be maintained at 6.08 per cent for 6 months until June 2009. Budget 2009 announces that this will be maintained for a further six months. **In August 2008, there were 13,749 SMI claimants in Wales.**³⁵

Further measures announced in Budget 2009 include: extension to Working Tax Credit run-ons; changes to housing and council tax benefits; local authority guideline rent changes; repealing furnished holiday lettings rules; reduced VAT for child car seat bases; financial assistance for charities; and armed forces accommodation.

³⁵ [HM Treasury. Budget 2009 microsite. What the Budget means for Wales. 22 April 2009.](#) [26 April 2009]

6. Impact of Budget 2009 on Business

This section summarises some of the main policy decisions contained in Budget 2009 which will affect businesses across the UK, and where appropriate an estimate of how these decisions may impact upon Wales. It should be noted that this summary is not intended to be an exhaustive list of all the relevant policy decisions announced in Budget 2009, but provides a summary of the main headlines.

Table 5 provides information on how much each of these policy decisions will cost or benefit HM Treasury.

Table 5: Costs/benefits to HM Treasury of policy decisions affecting business in Budget 2009

Policy Decision	£ million							
	2009-10		2010-11		2011-12		Total	
	Cost	Benefit	Cost	Benefit	Cost	Benefit	Cost	Benefit
Enhanced First Year Capital Allowance	-1,640	0	-190	0	0	380	-1,830	380
Extension of loss carry-back scheme	-55	0	-195	0	-45	0	-295	
Business rates	-700	0	0	335	0	320	-700	655
Strategic Investment Fund	-400	0	-350	0	0	0	-750	0
Vehicle scrappage scheme	-300	0	0	0	0	0	-300	0
North Sea fiscal regime	0	0	-5	0	-10	0	-15	0
Building Colleges for the Future	-200	0	0	0	0	0	-200	0
Other policy decisions ¹	-25	0	-40	0	-30	0	-95	0
Total	-3,320	0	-780	335	-85	700	-4,185	1,035

Source: Members' Research Service calculations from [HM Treasury. Budget 2009: Building Britain's future.](#) Table 1.2

1. Including: Lloyd's UK dividend exemption; loan relationships late interest; changes to residence and domicile; VAT package refund scheme; and extension of agricultural property and woodland relief.

6.1 First Year Capital Allowance

Budget 2009 announced that the first year capital investment would be increased to 40 per cent for one year from April 2009. This will double the rate of relief available to businesses. Firms investing over £50,000 in qualifying plant and machinery in 2009-10 will benefit from the higher rate of tax relief on investment. All regions where businesses invest in plant and machinery will be able to benefit from this measure.

6.2 Support for Loss-making Businesses

- **Extension to trading loss carry-back for losses of up to £50,000:** Budget 2009 extends the temporary extension announced in the Pre Budget Report 2008 to two years rather than one – from November 2008 for companies and for the tax years 2008-09 and 2009-10 for unincorporated businesses. **In Wales this is estimated to help 5,600 businesses.**³⁶
- **Expand HMRC Business Payment Support:** launched in the Pre Budget Report 2008, this scheme offers help to businesses facing temporary financial difficulties to spread tax payments. Budget 2009 announces that this scheme will continue for as long as it is required and expands it to businesses expecting to make a loss, allowing them to offset tax bills due on

³⁶ [HM Treasury. Budget 2009 microsite. What the Budget means for Wales. 22 April 2009.](#) [26 April 2009]

profits from the previous year. **In Wales, 4,540 agreements have been made under this scheme so far, receiving support worth £63m.**³⁷

6.3 Business Rates

As introduced in March 2009 businesses are able to spread payment of this year's inflation up-rating of business rates over three years. This area is devolved the **Welsh Assembly Government have similar policy.**

6.4 Strategic Investment Fund

£750m provided over 2009-10 and 2010-11 to establish a Strategic Investment Fund to support advanced industrial projects of strategic importance. This includes £50m additional funding for the Technology Strategy Board and £10m additional funding for UK Trade and Investment. £250m of the fund will be earmarked for low carbon projects. **This will help support industries in all areas of the UK, including Wales.**

6.5 Vehicle Scrappage Scheme

Budget 2009 announces the introduction of a temporary vehicle scrappage scheme. Those replacing vehicles older than 10 years (which they must have owned for twelve months) with new vehicles will receive a £2,000 discount. This scheme is to be co-funded with industry: the Government have set aside £300m for the scheme with funding matched from participating manufacturers. The scheme is to be introduced in May 2009 and will run until the end of March 2010, or when the funding has been used, if earlier.

6.6 Trade Credit Insurance

'Top up' trade credit insurance scheme. The Government will offer to top up private sector trade credit insurance provisions if insurers reduce cover from any business operating in the UK. Cover provided will be time limited and capped at £5bn.

6.7 North Sea Fiscal Regime

Following consultation, Budget 2009 announces a package of measures to encourage the economic recovery of the UK's gas and oil reserves. This aims to encourage investment in small and challenging fields.

- From April 2009 a new Field Allowance will reduce the initial tax paid by qualifying new developments;
- From April 2009 chargeable gains will be removed from North Sea asset swaps and disposals where gains are reinvested in the North Sea; and
- From June 2009 reforms will be made to petroleum revenue tax to ensure companies can still receive decommissioning relief even when licences have expired.

³⁷ [HM Treasury. Budget 2009: Building Britain's future.](#) Page 73 [26 April 2009]



6.8 Digital Britain

Budget 2009 announces that the Government will pursue universal service in broadband at 2 Megabits per second alongside further support to promote broadband take up and digital skills.

6.9 Further Education Capital Funding

An additional £300m of capital funding has been allocated to fund investment in further education colleges. £100m of this is funded through end year flexibility. The remaining £200m is shown as Building Colleges for the Future.

Further measures announced in Budget 2009 include: exploring the tax treatment of intellectual property; water competition; pilot city regions in Leeds and Greater Manchester, exploring an insolvency package for companies in difficulty and tax simplification.

7. Impact of Budget 2009 on Environment and Transport

This section summarises some of the main policy decisions contained in Budget 2009 which are related to environmental and transport issues, and where appropriate an estimate of how these decisions may impact upon Wales. It should be noted that this summary is not intended to be an exhaustive list of all the relevant policy decisions announced in Budget 2009, but provides a summary of the main headlines.

Table 6 provides information on how much each of these policy decisions will cost or benefit HM Treasury.

Table 6: Costs/benefits to HM Treasury of environment and transport policy decisions in Budget 2009

Policy Decision	£ million							
	2009-10		2010-11		2011-12		Total	
	Cost	Benefit	Cost	Benefit	Cost	Benefit	Cost	Benefit
Fuel duty	0	600	0	1,250	0	1,750	0	3,600
Company Car Tax	0	0	0	0	0	85	0	85
Landfill tax rates	-5	0	-25	0	0	80	-30	80
Landfill tax reform	0	30	0	70	0	70	0	170
Support for Energy and Resource Efficiency ¹	-220	0	-55	0	0	0	-275	0
Support for low carbon technologies	-160	0	-65	0	0	0	-225	0
Other policy decisions ²	0	10	-5	15	-5	15	-10	40
Total	-385	640	-150	1,335	-5	2,000	-540	3,975

Source: Members' Research Service calculations from [HM Treasury. Budget 2009: Building Britain's future](#). Table 1.2

1. Figures show £275m rather than £375m as £100m is included in the housing supply allocation, allocated to local authorities to deliver energy efficient housing.

2. Including: enhanced capital allowances vehicle excise duty; and VAT revalorisation of fuel scale charges.

The HM Treasury press notice accompanying the Budget states that Budget 2009 provides:

...over £1.4 billion of extra targeted support in the low-carbon sector.³⁸

7.1 UK Carbon Budgets

Budget 2009 announced the Government's intention to produce the first three carbon budgets covering the period from 2008 to 2011, at levels requiring a legally binding 34 per cent reduction in greenhouse gas emissions by 2020 (with respect to 1990). More detail on carbon budgets can be found in The HM Treasury publication [Building a low carbon economy: Implementing the Climate Change Act](#).

7.2 Energy and Resource Efficiency

Budget 2009 announced £375m over the next 2 years for energy and resource efficiency in business, public buildings and households:

- £100m to improve insulation of 150,000 homes in the social sector;
- £100m of funding for low cost loans helping medium and small businesses to become more energy efficient;

³⁸ [HM Treasury. Press Notice 01: Building Britain's future \(22 April 2009\)](#) [26 April 2009]

- ◆ £65 m of new funding for loans to install energy efficiency measure in public buildings; and
- £10m of new grants for businesses for waste infrastructure.

It should be noted that this figure of £375m **includes** the £100m of new funding to local authorities to deliver energy efficient housing, as detailed in [section 5.12](#) earlier. **This figure also includes the consequential funding for the devolved administrations.**

7.3 Renewable Energy Projects

Budget 2009 announces new measures for low carbon energy investment, including:

- An uplift in support for offshore wind projects under the Renewables Obligation. £525m of increased support over 2011-14 for offshore wind investment projects which reach financial close between now and 2010-11.
- £4bn new capital from the European Investment Bank (EIB) to benefit UK energy projects and ease blockages in project financing. **Wales has 4 per cent of the 3.8 GW of onshore wind projects currently in the pipeline, which stand to benefit from this finance.**³⁹

7.4 Low Carbon Energy Infrastructure

Budget 2009 announces £405m to support the development of a low carbon energy and advanced green technology manufacturing sector in the UK. This is to be delivered via existing schemes such as the Environmental Transformation Fund and the Strategic Investment Fund.

7.5 Carbon Capture and Storage

Carbon capture and storage is the process of capturing carbon dioxide from fossil fuels and storing it instead of releasing it into the atmosphere. Budget 2009 announces that it will introduce a levy mechanism for up to four new carbon capture and storage demonstration projects. The Budget also announces £90m to fund post-combustion coal engineering and design studies. These will inform preparations for a full scale carbon capture and storage demonstration.

7.6 Combined Heat and Power

Budget 2009 announces the extension of the climate change levy exemption for indirect sales of electricity from combined heat and power beyond 2013 to 2023, subject to State Aid approval. This aims to bring forward £2.5bn investment and 3 GW capacity by 2015. **For Wales this could help bring forward £0.5bn of investment.**⁴⁰

7.7 Fuel Duty

Main fuel duty is to increase 2p/litre from September 2009 and 1p/litre (real terms) each year 2010 to 2013.

³⁹ [HM Treasury. Budget 2009 microsite. What the Budget means for Wales. 22 April 2009.](#) [26 April 2009]

⁴⁰ [HM Treasury. Budget 2009 microsite. What the Budget means for Wales. 22 April 2009.](#) [26 April 2009]

7.8 Company Car Tax

Budget 2009 announces that:

- The CO2 emissions for Company Car Tax bands will be shifted down by 5g CO2 per km;
- The abolishment of the £80,000 cap on company car list prices for the purpose of calculating company car benefit; and
- ◆ Outdated discounts for early-uptake Euro 4 standard diesel cars, higher-emitting hybrids, gas-powered and biofuel cars will be abolished, to be replaced by a system which rewards lower CO2 emissions.

7.9 Landfill Tax

The standard rate of landfill tax will continue to increase by £8 per tonne each year from April 2010 to April 2013. The lower rate of landfill tax is to remain frozen at £2.50 per tonne for 2010-11. Budget 2009 also announces reform of landfill tax, in that from September 2009 use of waste on a landfill site for specified purposes will be treated as being subject to taxable disposal.

Further measures announced in Budget 2009 include: enhanced capital allowances vehicle excise duty; and VAT revalorisation of fuel scale charges

8. Efficiency Savings

Budget 2009 confirms the additional £5bn of recoverable value for money savings in 2010-11 announced in the Pre Budget Report 2008. This raises the 2007 Comprehensive Spending Review (CSR) target from £30bn to £35bn. A full departmental breakdown of this £35bn value for money target can be found in Budget 2009.⁴¹ As set out in [section 4](#), this results in a **reduction of £216m in revenue funding** from the Welsh block.

Budget 2009 also announces that in the next spending review period, additional efficiencies have been identified by the Operational Efficiency Programme (see [annex A](#)); these are drawn from areas such as procurement, back office, IT and property running costs, rising to £9bn of additional efficiency savings by 2013-14.⁴²

As detailed in [section 4](#), Members' Research Service has calculated that if this £9bn per year target is realised, and assuming that the distribution of these reductions is 100 per cent comparable in Wales, this could lead to a **maximum reduction of up to £526m per year in the Wales block funding over the next spending review period**. This has been calculated by applying the principles of the Barnett formula (i.e. assuming 100 per cent comparability and 5.84 per cent population proportion⁴³ for Wales).

Also, Budget 2009 announces new incentives and mechanisms, aiming to realise up to £16bn of property and asset sales in the three years from 2011-12, with proceeds used to supplement capital budgets.⁴⁴

In relation to these efficiency savings, Budget 2009 states:⁴⁵

...the devolved administrations budgets have been adjusted in line with the application of the Barnett formula, as set out in 2008 PBR.'

⁴¹ [HM Treasury. Budget 2009: Building Britain's future.](#) Page 129 Table 6.1 [26 April 2009]

⁴² [HM Treasury. Budget 2009: Building Britain's future.](#) Page 127 [26 April 2009]

⁴³ As applied in Pre Budget Report 2007, based on 2007 mid year estimates of population.

⁴⁴ [HM Treasury. Budget 2009: Building Britain's future.](#) Page 127 [26 April 2009]

⁴⁵ [HM Treasury. Budget 2009: Building Britain's future.](#) Page p126 [26 April 2009]

9. Other Policy Decisions in Budget 2009

This section summarises some of the other policy decisions contained in Budget 2009, and where appropriate an estimate of how these decisions may impact upon Wales. It should be noted that this summary is not intended to be an exhaustive list of all the relevant policy decisions announced in Budget 2009, but provides a summary of the main headlines.

Table 7 provides information on how much each of these policy decisions will cost or benefit HM Treasury.

Table 7: Costs/benefits to HM Treasury of other policy decisions in Budget 2009

Policy Decision	<i>£ million</i>							
	2009-10		2010-11		2011-12		Total	
	Cost	Benefit	Cost	Benefit	Cost	Benefit	Cost	Benefit
Changes to gambling duties								
Gambling participation fees: removal of VAT	-50	0	-55	0	-60	0	-165	0
Gaming duty on casino card rooms	0	5	0	5	0	5	0	15
Bingo duty: increase rate to 22%	0	35	0	35	0	35	0	105
Amusement machine licence duty: increase rates	0	20	0	15	0	15	0	50
Protecting revenue								
Foreign exchange: targeted anti-avoidance rule	0	20	0	20	0	20	0	60
Corporate intangible assets regime: countering abuse	0	70	0	130	0	110	0	310
Review of Alcohol Fraud Strategy	0	20	0	10	0	10	0	40
Manufactured overseas dividends: avoidance	0	0	0	0	0	50	0	50
Double tax relief: avoidance	0	100	0	100	0	200	0	400
Living accommodation benefit charge: avoidance	0	45	0	45	0	55	0	145
Publishing names of serious tax defaulters	0	0	0	20	0	60	0	80
Accountability of senior accounting officers	0	0	0	40	0	50	0	90
Review of powers: debt management	0	5	0	5	-135	0	-135	10
Total	-50	320	-55	425	-195	610	-300	1,355

Source: Members' Research Service calculations from [HM Treasury. Budget 2009: Building Britain's future.](#) Table 1.2

9.1 Measures to Protect Tax Revenue

Also announced in Budget 2009 are a range of measures to combat tax evasion and avoidance. These include:

- **Offshore disclosure** – a New Disclosure Opportunity will run until March 2010, giving holders of offshore accounts the opportunity to disclose if they have unpaid duty or taxes of their own accord. HMRC will also seek to issue notices requiring financial institutions to provide information about offshore account holders.

- **Ensuring compliance** – the Government will legislate for the publication by HMRC of the names of corporate and individual taxpayers who incur a penalty due to deliberate understatement of over £25,000 of tax. The Government will also establish a statutory requirement for senior accounting officers to certify personally that there are adequate controls in place for accurate tax computations. HMRC are also to issue a draft code of practice on taxation for the banking sector.
- **Tax avoidance** – measure to be taken to address tax avoidance include: the introduction of a foreign exchange targeted anti-avoidance rule; legislation to prevent abuse of manufactured overseas dividend rules and clarification of the double tax relief rules legislation to clarify the rules of the corporate intangible fixed asset regime; legislation to target avoidance involving financial products; and changes to the North Sea fiscal regime.

9.2 Financial Sector Reform

In Budget 2009 the Government recognises the need for reforms within the financial sector. It states:

The recent failures of financial markets require a systematic approach to prevent such difficulties happening again. It is also important that reforms tackle the decline in trust and confidence in financial markets, among consumers and wider market participants. The changing nature of financial markets, including the consolidation of the banking sector and the significant increase in state intervention, pose further questions.

The Government will, in a document to be published before the summer, describe its approach to the future of financial markets and set out the actions necessary to achieve it.⁴⁶

The Budget goes on to announce that the Government intends to propose action, covering five areas. These are stated to be:

- renewing financial regulation – including legislative changes where needed to support changes recommended in the Turner Review and to deliver the G20 conclusions;
- reducing the impact of the failure of financial firms – including implementing actions under the Banking Act 2009 and securing action internationally to improve cross-border arrangements for dealing with failures;
- protecting and supporting consumers – including practical measures to boost financial capability and tighten up consumer-focused regulation;
- improving efficiency and competition in financial markets – including considering ways to make it easier for new entrants to join the banking market and to strengthen the diversity of market participants, as well as action to maintain the competitive position of the UK as the leading global financial centre; and
- strengthening regulators and the international regulatory framework – including action in the UK to ensure that the FSA has sufficient powers and internationally to improve cross-border cooperation.⁴⁷

⁴⁶ [HM Treasury. Budget 2009: Building Britain's future.](#) Page 57 [26 April 2009]

⁴⁷ [HM Treasury. Budget 2009: Building Britain's future.](#) Page 59 [26 April 2009]

10. Overall Cost/Benefit of Budget 2009 Policy Decisions

This section summarises the costs and benefits to HM Treasury of the policy decisions contained within Budget 2009.

Table 8 summarises the overall cost/benefit of the policy decisions contained within Budget 2009 to HM Treasury.

Table 8: Costs/benefits to HM Treasury of policy decisions in Budget 2009

£ million

Policy Decision	2009-10		2010-11		2011-12		Total	
	Cost	Benefit	Cost	Benefit	Cost	Benefit	Cost	Benefit
Individuals and households	-2,425	60	-2,680	1,470	-65	2,270	-5,170	3,800
Business	-3,320	0	-780	335	-85	700	-4,185	1,035
Environment and transport	-385	640	-150	1,335	-5	2,000	-540	3,975
Other	-50	320	-55	425	-195	610	-300	1,355
Total	-6,180	1,020	-3,665	3,565	-350	5,580	-10,195	10,165

Source: Members' Research Service calculations from [HM Treasury. Budget 2009: Building Britain's future.](#) Table 1.2

Therefore, it can be seen that overall, the policy decisions taken in Budget 2009 will result in:

- a net cost of £5,160m in 2009;
- a net cost of £100m in 2010;
- a net benefit of £5,230m in 2011; and
- over the three years from 2009 to 2011, a net cost of £30m.

11. Budget 2009 - Selected Responses and Media Coverage

This section provides links to relevant documents, responses and media coverage of Budget 2009.

11.1 Budget 2009 and Responses

Budget Report 2009 – Chapter 1 Overview

Source: HM Treasury

Date: 22 April 2009

Reference: Publication

Link: http://www.hm-treasury.gov.uk/d/Budget2009/bud09_chapter1_338.pdf

The Chancellor's speech:

http://www.hm-treasury.gov.uk/bud_bud09_speech.htm

The full budget report:

http://www.hm-treasury.gov.uk/bud_bud09_repindex.htm

The Hansard records of the first two days of the Budget debate are available here:

Wednesday 22 April 2009:

<http://www.publications.parliament.uk/pa/cm200809/cmhansrd/cm090422/debtext/90422-0003.htm#09042264000796>

Thursday 23 April 2009:

<http://www.publications.parliament.uk/pa/cm200809/cmhansrd/cm090423/debtext/90423-0008.htm#09042347000011>

Budget Report: Opposition response

Source: ePolitix

Date: 22 April 2009

Reference: Budget 2008: Conservative response

Link: <http://www.epolitix.com/latestnews/article-detail/newsarticle/labour-economy-utter-mess-says-cameron/>

Extract:

David Cameron has accused Labour of making an "utter mess" of the economy.

Responding to the Budget, the Conservative leader said that any government claim of economic competence was now "dead, over, finished".

"Today everyone can see what an utter mess this Labour government and this Labour prime minister have made of the British economy," he told MPs.

"The fastest rise in unemployment in our history, the worst recession since World War Two, and the worst peacetime public finances ever known.

"As of today, any claim they have ever made to economic incompetence is dead, over, finished."

Cameron accused the prime minister of presiding over "Labour's decade of debt".

And he said that borrowing of £606bn over the next four years would mean that "our children are going to be in poverty for decades".

"It is a staggering amount and the price will be paid not by the incompetent ministers who put us into this mess but by families and businesses up and down this country," he said.

"I have to say they will never forgive the people that have done this. Britain simply cannot afford another five years of Labour."

On suggestions of a new fiscal stimulus, Cameron said: "Are we missing something? There isn't a fiscal stimulus here. There is a couple of extra billion added to what had been already announced. This is less than the cut in next year's capital budget.

"This isn't a stimulus, it is a delayed tax rise, and a delayed spending cut. He couldn't do a proper stimulus because he had run out of money."

The Tory leader also said the borrowing was typical of a Labour government.

"The fundamental truth is that all Labour governments run out of money," he told the Commons.

"The last Labour government gave us the winter of discontent, this Labour government has given us the decade of debt.

"The last Labour government left the dead unburied, this one leaves the debts unpaid.

"They sit there running out of money, running out of moral authority, running out of time and you ask yourself what is the point of another 14 months of this government of the living dead?

"If they don't have the courage to deal with the debt and take the difficult decisions why not make way for the team that can?"

Source: ePolitix

Date: 22 April 2009

Reference: Budget 2008: Lib Dem response

Link: <http://www.epolitix.com/latestnews/article-detail/newsarticle/clegg-hits-out-at-mish-mash-budget/>

Extract:

The Liberal Democrat leader has blasted the chancellor's Budget announcement as "a mish-mash of recycled announcements".

Nick Clegg told the Commons on Wednesday that "the worst of times demands the best of Budgets".

But he stated that Labour's 2009 Budget was "incompetent in delivering practical help".

Clegg said that chancellor Alistair Darling had missed an opportunity to deliver "a people's Budget for the 21st century".

"Instead we got just another politician's Budget," Clegg argued.

The Lib Dem MP called for action on "risky casino investment banking".

"Just because it is off the front pages today, doesn't mean that the problems are solved," he cautioned.

But Clegg said that his "biggest disappointment" from the chancellor's announcement was the failure to fix Britain's "unfair" tax system.

He claimed that tax restrictions were "too easy to avoid for those that know how".

"We are now the only party that will do things differently and get practical help to those people that are really struggling," Clegg told the House.

Darling's announcement will leave "really big loopholes" like capital gains tax unresolved, the MP for Sheffield Hallam said.

And he called for the chancellor to stop the "pointless VAT tax", which could have been used for jobs, insulating homes and building new council houses instead.

"For every minute that goes by £22,000 is wasted on that VAT cut," Clegg said.

Turning to the government's announcement of £15bn in efficiency savings, he expressed doubt that the chancellor could make the move without anybody noticing, describing the move as a "joke".

The Conservatives are "just plain wrong" to propose slashing budgets immediately, Clegg argued.

But the government is also wrong to cut capital investment when they have no idea what the economy will look like, he added.

"It isn't too late to turn things around" despite the "mish-mash Budget", he added.

"This Budget could have been a great Budget," Clegg said. "It could have set a new direction."

Instead, he claimed: "People will be asking what kind of a fantasy world the Labour Party is living in these days."

"The chancellor may fancy himself as the new Mystic Meg but he should get out of the predictions game.

"Today was an opportunity to deliver practical help but Labour is out of help and out of steam."

Source: BBC News

Date 22 April 2009

Reference: Press Article

Link: <http://news.bbc.co.uk/2/hi/business/8012825.stm>

The big hole in the 2009 Budget – Anne Redston, Visiting Professor in Tax Law, King's College, London

Extract:

The unanswered question from today's Budget is where is the money to come from.

The big taxes - VAT, income tax, national insurance and corporation tax - were largely untouched.

Instead of the radical Budget required by the huge and growing government deficit, the chancellor has tinkered with the tax system.

He did squeeze the rich, by increasing taxes, withdrawing allowances and cutting pension reliefs.

But government revenues from these changes will be but a drop in the fiscal ocean.

The pensions change, in particular, is likely simply to mean that the rich choose other methods of saving for their retirement, such as farmland, where the tax reliefs remain intact.

This is particularly the case as - in order to comply with EU rules - this Budget has also extended these generous tax exemptions to farmland anywhere in the European Economic Area (EEA).

The chancellor has thus given the mobile rich an enormous new tax shelter which more than compensates for the loss of their pension reliefs.

Protecting revenue

The one area where there is truly radical change is in tax avoidance.

For the first time, HM Revenue and Customs will publicise the names of those who deliberately understate their taxes.

In the UK, tax avoidance is not a national sport, and public vilification of those who wrongly underpay their taxes may provide an extra weapon in the government's armoury.

However, care will be needed: those who are simply confused by the complexity of the tax system must not be pilloried by this new power.

Holiday home owners have also been treated unexpectedly harshly.

Currently holiday properties benefit from a range of valuable tax reliefs, all of which are to be withdrawn from April 2010.

Thereafter holiday lets will be taxed like other let property. This is also likely further to depress the market value of these properties.

There is a small silver lining for those with overseas holiday homes elsewhere in the European Union or EEA.

They can claim these reliefs until 2011; there is also some scope to claim back tax refunds for earlier years.

Encouraging saving

There are crumbs of tax relief scattered through the Budget's pages.

An increased Individual Savings Allowance (Isa) of up to £10,200 is available for the over-50s this year - but they cannot pay in the extra amount before October 2009, as the banking industry is being allowed time to sort out its systems.

The Saving Gateway - whereby the government tops up savings for those on low incomes - has now been extended to cover people who receive the carer's allowance.

The Saving Gateway is a very generous scheme, so this extension of the eligibility criteria is also welcome.

A number of the changes also make the tax system more complicated: the tapering of allowances and reliefs is difficult to administer, and likely to put further strain on the creaking PAYE system. The announcement that the government will consult widely on the implementation of the pensions change is thus very welcome. But the most important part of this Budget is what is missing. The absence of any major increase in taxes will simply defer the pain, perhaps until after the next General Election.

Source: BBC News

Date 22 April 2009

Reference: Press Article

Link: <http://news.bbc.co.uk/2/hi/business/8012840.stm>

Extract:

Pound hit as debt burden to soar

The pound has fallen against the dollar and the euro after Chancellor Alistair Darling forecast a massive increase in UK public debt.

In his Budget speech, Mr Darling said that debt would increase to 68% of the UK's economic output next year.

Analysts said the rise had triggered concerns about whether investors would be as willing to buy UK bonds.

Sterling fell to \$1.4440, its lowest level since early April. It also fell against the euro to 1.1127 euros. Government bond prices also fell.

Sales of government debt this year are forecast to be £220bn, above all market forecasts, and analysts questioned whether investor appetite for the bonds would be strong enough.

"The foreign exchange market is worried about the debt market's ability to absorb the amount of issuance for the next year," said Russell Bloom, an analyst at Action Economics.

"A lack of interest could see speculation of IMF aid rear its head again. I think this is the fear that is being priced into the market," he added.

Geoffrey Yu, a currency strategist at financial services firm UBS, said that he would pay close attention to what credit rating agencies say about the UK's increased debt burden.

"Any whiff that they will have to review the UK's ratings because of this, then you're going to see a wave of sterling selling. That's the risk right now," he told the Reuters news agency.

News of a higher tax rate for high earners also undermined the pound amid fears it would trigger a "brain drain" of talent and funds abroad.

Last week, the pound rose above \$1.50 for the first time since mid-January on hopes that the UK housing market could be recovering.

Source: BBC News

Date 22 April 2009

Reference: Press Article

Link: <http://news.bbc.co.uk/2/hi/business/8011907.stm>

Extract:

'Deeper' recession ahead says IMF

The global economy is set to decline by 1.3% in 2009, in the first global recession since World War II, the International Monetary Fund (IMF) says.

In January, the IMF had predicted world output would increase by 0.5% in 2009.

It now projects that the UK will see its economy shrink by 4.1% in 2009, and by a further 0.4% in 2010.

But other major economies are predicted to shrink even more, with Germany declining by 5.6%, Japan by 6.2%, and Italy by 4.4% in 2009.

The prospects for the advanced economies are not much brighter in 2010, with an overall forecast of zero growth.

IMF chief economist Olivier Blanchard on the bleak economic outlook

The IMF says this represents "by far the deepest post-World War II recession" with an actual decline in output in countries making up 75% of the world economy.

Currently, output is falling by an "unprecedented" 7.5% annual rate in the rich countries in the last quarter of 2008, and the IMF expects the same rate of decline in the first quarter of this year.

Only a recovery in developing and emerging market countries will propel the world economy back into positive growth in 2010, albeit at a relatively weak level of 1.9%.

The prospects for world trade are even gloomier, with the IMF now forecasting world trade volumes to decline by 11% in 2009, and barely grow at all in 2010.

After 60 years as the engine of world growth, the sharp fall in trade is now hitting many of the leading exporting nations, particularly in Asia.

Gloomy UK

The IMF says that "the recession is expected to be... quite severe in the United Kingdom, which is being hit by the end of the boom in real estate and financial services".

It is predicting that UK unemployment will rise to 9.2% by the end of 2010, compared to 6.7% at the moment.

And it is warning that the UK budget deficit will rise to 11% of GDP, "reflecting mainly automatic stabilisers and asset-price related revenue shortfalls rather than discretionary stimulus".

The UK is also facing the cost of paying for the banking bail-outs, which the IMF estimated in an earlier report at 9.4% of GDP, or £130bn, after correcting an earlier figure of £200bn.

Financial problems

At the heart of the crisis is the continuing overhang of losses in the financial sector, which the IMF now estimates at \$4tn, four times higher than it projected just one year ago.

And it warns that the current outlook is "exceptionally uncertain, with risks still weighting on the downside."

It says the main risk is that "policies may be insufficient to arrest the negative feedback between deteriorating financial conditions and weakening economies in the face of limited public support for policy actions."

Among the risks are that rising household and corporate debt cause further falls in asset prices and losses by financial institutions.

And it says that any recovery will be slower than in the past.



There will be a smaller financial sector, with financing harder to come by than in the past, especially for developing countries, which will cramp their growth.

And rich countries will face the burden of reducing their budget deficits which have soared during the crisis, at a time when their ageing populations means they will have lower tax revenues.

In addition, households may be reluctant to resume their previous spending habits, as saving rates have risen sharply in the US and the UK.

The IMF says it is important to take urgent action to shore up the banks, and to continue with short-term fiscal stimulus plans, in order to shorten the length of the recession.

11.2 Impact on Wales

Source: HM Treasury

Date: 22 April 2009

Reference: Regional Press Notice

Link: http://www.hm-treasury.gov.uk/d/Budget2009/bud09_pn_wales_24.pdf

Extract:

Budget 2009 for Wales

Today the Chancellor has announced a package of measures to help business, families, and pensioners in these unprecedented economic times. These include:

- A package of measures for business, including the introduction of an enhanced first-year capital allowance of 40% for one year, introduced with effect from April 2009.
- An additional £1.7 billion set aside for the Department for Work and Pensions to sustain the high numbers of individuals currently moving off Jobseeker's Allowance in the early months of each claim and provide support for the minority who remain unemployed for longer periods; and a guaranteed job, training or work placement for all 18-24 year olds who reach 12 months unemployed to ensure no young people are left behind due to long-term unemployment. In February, there were over 26,000 people aged 18-24 claiming Jobseeker's Allowance in Wales.
- An additional payment alongside the Winter Fuel Payment, worth £100 for households with someone aged over 80 and £50 for households with someone aged over 60. In Wales, this will benefit 480,000 households, of which 120,000 contain someone aged 80 or over.
- Support for homeowners and homebuyers, including an extension of the stamp duty holiday for all houses costing up to £175,000 until the end of the year.
- Support for the environment, including setting the world's first carbon budgets and measures to encourage energy efficiency and low-carbon growth.
- £5 billion recoverable value for money savings in 2011-11 raising the 2007 Comprehensive Spending Review target from £30 billion to £35 billion, and in the next Spending Review period, additional efficiencies to help support the economy and front-line services, rising to £9 billion by 2013-14. The Budget sets assumptions for spending growth from 2011-12 onwards, with current spending growing by an average 0.7 per cent in real terms and public sector net investment moving to 1¼ per cent of GDP by 2013-14.
- Additional provision of £60 million for the Welsh Assembly Government as a consequence of additional provision for UK Government departments.

This April a number of important changes for families and individuals came into effect:

- o 1 million basic rate tax payers in Wales will be £145 better off; o increases in the child element of Child Tax Credit of £75 above indexation will benefit around 200,000 families in Wales are now better off;
- o The introduction of the new £190 health in pregnancy grant will benefit the estimated 35,000 mothers to be in Wales this year; and
- o The 5% increase in the basic rate State Pension, along with £60 payment made at the beginning of the year, mean that Wales's 0.6 million pensioner households will be better off.

The Pre Budget report also announced changes to help the economy. And these are now delivering. For Wales, over 4,540 businesses have benefited from being able to spread payments of tax, and the enterprise finance guarantee scheme has ensured that viable SME's continue to access finance they require in Wales.

Source: Wales Office

Date: 22 April 2009

Reference: Budget report: Response by the Secretary of State for Wales

Link: <http://www.walesoffice.gov.uk/2009/04/22/budget-gets-wales-ready-for-economic-recovery/>

Extract:

Budget Gets Wales Ready for Economic Recovery

Today's Budget puts Wales in the best possible place to prepare for economic recovery, said Secretary of State for Wales Paul Murphy.

Welcoming Chancellor Alistair Darling's second Budget, Mr Murphy said the package of measures would provide help now - when it is most needed - for jobs, businesses and households in Wales as the UK prepares for economic growth predicted for the end of the year.

The measures will also help to support investment in the growth and green industries of the future and ensure public finances are sustainable as the recovery in Welsh economy takes hold. The Budget will help speed this recovery and help restore jobs across the UK following the most serious global economic turmoil in 60 years.

Mr Murphy said: "It is only right that at this time the Government tightens its belt alongside families and businesses, but we cannot cut our way out of recession, as many of our opponents would propose, particularly on spending on frontline services.

"This year the Welsh Assembly Government will receive additional spending of £46 million as a consequence of increased spending for UK Government departments. Over the next two years the Assembly Government will also be asked to make net efficiency savings of £156 million, which can be achieved without impacting on frontline services for the people of Wales."

Mr Murphy said an additional £1.7 billion package for Jobcentre Plus across the UK would assist jobseekers in Wales back into employment or training. He said: "Employment in Wales last month increased by 1,000 and there are 113,000 more people in work than in April 1997. Today's Budget will enable more people in Wales made jobless during the recession to return to the workplace as soon as possible.

Mr Murphy added: "There is further support for businesses in Wales. There will be an increase in the enhanced capital allowance rate to 40 per cent for one year. Trading loss carry-back for viable businesses will be extended from one to three years - this should help 5,600 businesses across Wales.

"A new £750 million strategic Investment Fund will support advanced industrial projects of strategic importance across the UK, including Wales.

"Further support for the automotive industry, which is such a significant employer in Wales, will come from the car scrappage scheme being introduced next month. There is currently around 385,000 vehicles in Wales over 10 years old which may qualify for the £2,000 payment."

Mr Murphy pointed to additional support for pensioners and families in Wales. He said: "Additional payments alongside Winter Fuel Payment, worth £100 for households over 80 or £50 for the over 60s, will help 480,000 households in Wales while a £20 increase in Child Tax Credits will help 380,000 children in Wales."

Source: Welsh Assembly Government

Date: 22 April 2009

Reference: Welsh Assembly Government statement on the UK Budget

Link: <http://new.wales.gov.uk/news/topic/business/2009/090422budget/?lang=en>

Extract:

The Chancellor's budget has been framed as a response to the economic shockwaves and difficulties which are apparent right across the globe. The budget reductions we face in Wales – of some £216 million revenue in 2010/11 – will pose a significant challenge for us and our stakeholder partners, as we look to make services as efficient as possible. The effects of this will be partially alleviated, however, by £60 million of new money, coming to Wales over this financial year, and next.

There is a modicum of comfort for Wales that the representations we have made to UK Government Ministers, have avoided potentially unfair and disproportionate larger revenue cuts of almost £300 million for 2010/11. This is what the First Minister and Finance Minister had sought to achieve in their discussions with the UK Government.

We have been using our own budget to good effect to support people, communities and business in Wales through the global downturn – for example, we are recognised as being at the forefront of developing innovative new approaches to the impact of the recession such as ProAct.

It is right to use our budget to provide a counter-cyclical economic stimulus. However, as well as benefiting from UK-wide measures, Wales will inevitably be called upon to play its part in helping to balance the books in years to come - we cannot be immune from the UK spending squeeze to get the National Debt back down to sustainable levels. We are already committed to driving efficiencies across public services in Wales, and are recognised by the UK Government and other devolved administrations as being ahead of the game in this respect.

We welcome those measures in the Budget which will benefit business and the community – for example, support for young people unemployed for more than a year, the Capital Strategic Investment fund, support for low carbon industries and the car scrappage scheme.

We are also pleased that UK Government funding will support key new technology sectors we have identified in Wales, such as advanced manufacturing, digital and bio-technology.

The tightening budgets we face emphasise the importance of using our resources effectively and efficiently. We will continue to drive efficiencies, focus on outcomes and ensure that we stretch the Welsh pound to deliver the maximum benefits for people across Wales.

Source: Plaid Cymru

Date: 22 April 2009

Reference: Budget report: Response by Plaid Cymru

Link: <http://www.plaidcymru.org/content.php?nID=14;ID=1273;IID=1>

Extract:

Today's Budget confirms Plaid Cymru's concerns about the long-term funding of Welsh public services and the effect of a billion-pound cut upon Wales.

Public services in Wales will be facing intense pressure after the cuts announced in this Budget filter through.

Worse though, the Government has admitted in the Budget that Welsh public services will be facing huge cuts as a result of a £15bn reduction in public service spending that was confirmed today.

When taking these and other already announced cuts into account, public services in Wales will be around one billion pounds per year worse off by 2013-14.

The consequences of this upon the Welsh economy are frightening and are directly attributable to Labour's mis-management of the UK economy.

Source: Liberal Democrats

Date: 23 April 2009

Reference: Press Article

Link: <http://www.walesonline.co.uk/news/welsh-politics/welsh-politics-news/2009/04/23/every-man-woman-and-child-will-pay-for-years-to-come-91466-23451508/>

Extract:

Roger Williams, MP for Brecon and Radnorshire, and Liberal Democrat spokesman for Wales

LET'S be clear: it's not pretty. The Government has finally admitted that we are in the most severe recession since the Second World War, but even now they are keeping quiet about their own record. Welsh voters wanted Alistair Darling to give it to them straight, but instead we were calmly told that while the Government's borrowing will stand at £175bn this year, a record 12% of GDP, we were assured that the economy would soon be growing, and even by some 3.5% in two years time, despite the fact that all the independent predictions suggest he was being wildly optimistic.

The Government desperately wants to avoid the announcement of massive cuts in public spending and, true to form, Labour have decided to spin their way out of this dilemma. In order to fund the recovery, Alistair Darling has relied on a prediction of vast "efficiency savings".

He didn't tell us what those savings will be, and we don't know whether they will be genuine efficiencies or if they amount to cuts in services. What we do know is that the real knock-on effect for the Assembly and for the Welsh people is likely to be drastic budget cuts, more than £400m according to the Welsh Assembly Government, and real reductions in vital services.

People on lower and middle incomes still bear the greatest tax burdens and the gap between poor and rich continues to widen.

Source: Conservatives

Date: 23 April 2009

Reference: Press Article

Link: <http://www.walesonline.co.uk/news/welsh-politics/welsh-politics-news/2009/04/23/every-man-woman-and-child-will-pay-for-years-to-come-91466-23451508/>

Extract:

Cheryl Gillan, Shadow Secretary of State for Wales, gives her verdict on the Budget

ON THE day the unemployment rate in Wales rose higher than any other UK nation, Welsh people were looking to Gordon Brown and Alistair Darling for help.

This Budget should have been about supporting businesses, workers and families. Instead, because of the mess Labour has made of the economy, Gordon Brown and Alistair Darling's efficiency savings in Whitehall will be passed on in £416m of spending cuts for Rhodri Morgan's budget in the Assembly.

What the Chancellor outlined was a Budget which will see every man, woman and child in the country paying for Labour's economic incompetence for years to come.

Millions of pounds will be slashed from the Assembly's finances at exactly the time we need every penny to safeguard jobs, support businesses, and help families.

The Labour-Plaid Cymru Assembly Government has failed to prepare for this, even though we warned them months ago.

The increase in fuel duty will have a particularly hard impact on farmers, hauliers and those living in rural Wales. The increase in alcohol will also make life difficult for pubs and pubs across Wales struggling to survive in the face of cheap supermarket drink prices and the impact of higher business rates.

If Conservatives had been delivering this budget we would have got a grip on government spending and used savings to give tax breaks to families and pensioners.

Like all previous Labour Governments, Gordon Brown and New Labour have run out of money. And in Wales, we now know the consequences of a Government that has presided over the biggest boom and bust in history.

Source: Western Mail

Date: 23 April 2009

Reference: Press Article

Link: <http://www.walesonline.co.uk/news/welsh-politics/welsh-politics-news/2009/04/23/modicum-of-comfort-in-wag-s-spending-cut-91466-23451488/>

Extract:

Modicum of comfort in WAG's spending cut (Tomos Livingstone)

MINISTERS in Cardiff Bay said last night they had drawn a "modicum of comfort" that their budget was being cut by less than expected.

Chancellor Alistair Darling confirmed plans to make £6bn in annual efficiency savings by 2011, rising to £9bn a year by 2014.

The Assembly Government has expected to lose some £292m in 2010-11 as a result, but it emerged yesterday the figure will be a slightly lower £216m.

WAG has already lost £200m due to changes in other Whitehall budgets, and details of the trimming between 2011-14 have yet to be worked out. Estimates of the total cut-back by 2014 range from £874m to £1.1bn.

Welsh Secretary Paul Murphy said last night the higher figure was "scaremongering", and pointed out other measures in the Budget had resulted in an extra £60m for the WAG budget.

"Our view is that this is very much an opportunity for government to show it can tighten its belt in the same way private companies and families have to do," said Mr Murphy.

Andrew Davies, the Finance Minister in Cardiff Bay, said: "There is a modicum of comfort for Wales that the representations we have made to UK Government Ministers have avoided potentially unfair and disproportionate larger revenue cuts of almost £300m for 2010-11.

"Wales will inevitably be called upon to play its part in helping to balance the books in years to come – we cannot be immune from the UK spending squeeze to get the National Debt back down to sustainable levels."

But Plaid Cymru said the efficiency drive confirmed their view WAG would lose out to the tune of £1.1bn.

Plaid MP Adam Price said: "The consequences of this upon the Welsh economy are frightening and are directly attributable to Labour's mismanagement of the UK economy."

Roger Williams, the Liberal Democrats' Wales spokesman, said: "Wales is underfunded and it's hard to see how these cuts can be applied in a way that doesn't affect frontline services."

Source: BBC News

Date: 22 April 2009

Reference: Press Article

Link: http://news.bbc.co.uk/2/hi/uk_news/wales/8012500.stm

Extract:

Wales faces £416m funding squeeze

Opposition parties have warned Mr Darling's funding plans will hit services in Wales

The Welsh Assembly Government admits it faces a "significant challenge" of a £416m funding squeeze as a result of Chancellor Alistair Darling's Budget.

Opposition parties have called it "a huge blow" and warned of the impact on services such as health and education.

Revenue spending is down £216m for 2010/11 and as expected capital spending will be down £200m.

An assembly government spokesman said Wales had to "play its part" in balancing the books.

First Minister Rhodri Morgan said cuts could not be ruled out but he said significant savings had been managed in the past.

Ministers in Cardiff Bay have been warning that the economic downturn, and its severe effect on the public finances, would have a knock on effect on the assembly government's budget next year.

Their worst case scenario was a £500m drop in the money they were expecting - and the announcement was not far off that.

'No guarantees'

First Minister Rhodri Morgan has told BBC Wales that he cannot guarantee that there will not be cuts to services and job losses in the public sector as a result of the announcement.

But he stressed that the assembly government has shown itself to have been able to make significant efficiency savings in the past.

The opposition parties say there will have to be cuts and are warning that future years could be even worse.

Shadow Welsh Secretary Cheryl Gillan said the budget was "was all about playing politics and not about saving jobs".

BBC Wales' political editor Betsan Powys on what the budget means for Wales

"With the unemployment rate higher in Wales than any other UK nation this budget should have been about supporting businesses, workers and families," she said.

"Instead, every man, woman and child in Wales will be paying for Labour's economic incompetence for years to come."

She added: "Today's Budget demands a rethink in assembly government spending, addressing the concerns of public services, businesses, and the people of Wales, and a shift away from expensive gimmicks and giveaways."

The Liberal Democrat spokesman for Wales in the Commons, Roger Williams MP branded Mr Darling's Budget statement as a "stark assessment of Labour's economic mismanagement".

Mr Williams said: ""The Welsh Assembly Government will have to make huge cuts to their budget because Labour in Westminster have failed to keep a lid on exuberant credit and banking excesses.

'Mistakes'

"Wales is underfunded and it's hard to see how these cuts can be applied in a way that doesn't affect frontline services."

Plaid Cymru said it confirmed their worst fears of the effect of a "billion pound cut" upon Wales by 2013/14.

"The consequences of this upon the Welsh economy are frightening and are directly attributable to Labour's mismanagement of the UK economy," said Adam Price, MP, Plaid's spokesman on treasury affairs.

A Welsh Assembly Government spokesman said the budget reductions faced in Wales posed a "significant challenge" as it looked to make services as efficient as possible.

He said the £60m of new money over the next two years would "partially alleviate" the effect.

"There is a modicum of comfort for Wales that the representations we have made to UK government ministers, have avoided potentially unfair and disproportionate larger revenue cuts of almost £300m for 2010/11.

'Balance the books'

But the spokesman added: "Wales will inevitably be called upon to play its part in helping to balance the books in years to come - we cannot be immune from the UK spending squeeze to get the national debt back down to sustainable levels.

"We are already committed to driving efficiencies across public services in Wales, and are recognised by the UK Government and other devolved administrations as being ahead of the game in this respect."

The spokesman welcomed measures to benefit business, the young unemployed, the car scrappage scheme and support for new technology sectors.

"The tightening budgets we face emphasise the importance of using our resources effectively and efficiently. We will continue to drive efficiencies, focus on outcomes and ensure that we stretch the Welsh pound to deliver the maximum benefits for people across Wales."

David Rosser, CBI Wales director said the shortfall in spending "needs to concentrate minds in the assembly government".

He added: "Front line cuts in services may not be necessary if the assembly government now redoubles its efforts to work with the private sector to deliver innovative solutions that combine the best that the public, private and third sectors have to offer."

Mr Rosser said the £750m investment fund announced for emerging technologies and the £450m for low-carbon manufacturing "must be replicated" in Wales.

The Treasury said a million basic rate tax payers in Wales will be £145 better off after Alistair Darling's announcement.

A spokesman said the 5% increase in the basic rate state pension, along with £60 payment made at the beginning of the year, mean that Wales' 0.6m pensioner households will be better off.

He also said that more than 4,540 businesses in Wales had benefited from being able to spread payments of tax.

Source: BBC News

Date: 22 April 2009

Reference: Press Article

Link: http://news.bbc.co.uk/2/hi/uk_news/wales/8012236.stm

Extract:

Did Wales lose out in Budget? (Phil Parry, BBC Wales Political Unit)

It was a budget feared by ministers in Wales as none before had. There would be less money than expected for Welsh services in future, the only question was how much less.

The Chancellor tried to emphasise the Government's green credentials and increase in tax-free savings limits but it was the effect of "efficiency savings" that most worried assembly government ministers.

In fact on that, the impact was bearable.

Just £156m less to spend on public services here than had been thought.

These are the efficiency savings in UK government departments and the effect of that in Wales.

But if you factor in the reduction in predicted funding for Wales from Westminster (the block grant from the UK government) things tell a very different story.

Revenue funding is down by £216m next year and capital funding by £200m on what had been predicted. That is £416m in total, according to the Welsh Assembly Government.

However, the fall in capital funding is largely because they were given £120m from next year's budget to spend this year - and obviously it won't be repeated.

It is not quite the worst case scenario of a £500m cut to the Welsh budget that some had feared, but the figures will cause a few headaches for ministers and their civil servants over the next weeks and months. So it wasn't the impact of the "efficiency savings" in Government departments we needed to be worried about - it turned out to be the overall reduction in the block grant.

'frightening'

As a result of extra funding for services like further education in the UK, more money has been earmarked for Wales (£46m this year £14m next).

But that now has been overshadowed by the reduction in the block grant forecast for Wales.

We understood public sector organisations had been asked to "war game" the implications of a cut to their planned budget. They may still have to put those plans into action.

The Chancellor described this as a Budget to "speed the recovery" and take Britain through most serious economic turmoil in 60 years. The mistakes of the past would not be repeated, he said.

Whether "front-line" services in Wales would now be hit and by how much becomes the focus of attention now.

Former Welsh Secretary Peter Hain has already warned that frontline services like schools and hospitals must not be hit by efficiency savings.

Mr Hain said he believed there was still scope for savings from the "Welsh administrative bureaucracy".

Mr Hain said: 'I've long thought and in fact assembly members agree that there's room for efficiency savings within the assembly's budget.

He said he did not believe "sufficient has been done in the first 10 years of devolution to really tackle that and that's why the problems have now mounted up".

And it all came on a day when unemployment figures showed just how serious things had become.

In Wales 108,000 out of work, an increase of 10,000 over the last three months and at a rate of 7.5%.

The budget effects will really all come to bite after next year when, of course, there must be a general election.

And it will be whether those jobless figures are heading down once more which could be the real test of whether the Government's economic policy is working.

No amount of car scrappage schemes - money to trade in cars over 10 years old - will take the focus away from that.

11.3 Stakeholders Views

Source: Welsh Local Government Association (WLGA)

Date: 22 April 2009

Reference: Councils' call on WAG to review 'One Wales' priorities

Link: <http://www.wlga.gov.uk/english/press-releases/councils-call-on-wag-to-review-one-wales-priorities/>

Extract:

Wales' council leaders are urging the Welsh Assembly Government to lead Wales' Budget response by reviewing the 200 plus commitments contained in 'One Wales' and sharing the burden of the Budget reductions across the public sector to ensure that essential front-line services are protected.

The detailed settlement for Wales has yet to be announced, but the Budget Report indicates a cut of £400 million in 2010-11, with worse to come in 2011-12 and beyond.

Cllr John Davies (Pembrokeshire), WLGA Leader said:

"Today, the Chancellor said that front line services in England will be protected with the cuts being heralded as efficiency savings based on evidence from long term research. However, similar research has not been done in Wales. Therefore, can the Welsh Assembly Government say with the same confidence that it can deliver the same commitment to protect services here in Wales?"

Despite poor budget settlements in recent years, local government has consistently exceeded the annual £45 million efficiency target set for it by the Assembly Government and continues to do so. We recognise that there is scope for further efficiencies, as there is across all parts of the public sector, but the Assembly Government should not to assume that further efficiencies will be easy to achieve or deliverable in the short term.

Given that minimising the impact of the current economic downturn is already becoming exceptionally difficult for councils in the wake of low financial settlements in recent years, it begs the question of how long councils can protect local services? Tough choices will be faced by councils, the NHS and the Assembly Government itself in terms of its 'One Wales' commitments, many of which have become unrealistic and unaffordable in the current climate. We call on the Welsh Assembly Government to meet urgently with all of its public sector partners to discuss the way forward."

Cllr Rodney Berman (Cardiff), WLGA Finance Spokesperson said:

"Councils are committed to providing their local communities with better public services and providing value for money. Indeed, local government has embraced the efficiency agenda more than any other sector, with councils achieving millions of pounds of recurrent efficiency savings in recent years. However, councils are already squeezing everything they can out of the system, making savings wherever they can and being forced into taking some very difficult and unpopular decisions to make ends meet, including job losses.

We urge the Assembly Government to ensure that adequate funding is made available to local government to protect essential frontline services. There has already been a significant downsizing of local government services and staff levels over the last year and with budgets like these, we can unfortunately expect an even greater downsizing over the next few years.

However, we do welcome the funding announced for education and training, home building and energy efficiency measures, which will bring an additional £60 million to Wales. We urge the Welsh Assembly Government to use that funding to invest in the same priorities here."

Source: fforwm

Date: 22 April 2009

Reference: Hopes of £38 million for learners in Wales' colleges

Link: <http://www.fforwm.ac.uk/6256.html>

Extract:

fforwm, the association of colleges in Wales, welcomes the UK Government's commitment to investing in further education colleges in England in today's Budget and urges the Welsh Assembly Government (WAG) to invest the estimated £38 million consequential funding in Wales' colleges to cater for the growing demand for post-16 education and training in these difficult times.

The UK Government has announced in today's Budget that there will be £250 million this year and £400 million in 2010/11 for an additional 54,000 places in sixth forms and further education colleges, with consequential provisions for Scotland, Wales and Northern Ireland.

The consequential provision for Wales of the UK Government's spend on further education and sixth forms in England is expected to be near £38 million.

Chief Executive of fforwm, Dr John Graystone, said: "Overall, today's Budget has announced that an additional £60 million will come to the Welsh Assembly Government. Much of that additional funding comes to Wales courtesy of the UK Government's commitment to invest in further education.

"In Wales, further education colleges suffer under-investment compared to the rest of the UK, as reported in a WAG-commissioned independent review of further education. Indeed, WAG Ministers have themselves acknowledged that allocations to colleges in Wales have been 'tight and challenging' over the last couple of years. An injection of £38 million into post-16 education and training in Wales could make a real difference to colleges and their learners, communities, companies and the workforce.

"fforwm very much hopes that the Welsh Assembly Government will use this money to build on the additional funding to colleges announced last week to ensure that it leads Wales out of recession by developing the skills of its people."

Source: Save the Children

Date: 22 April 2009

Reference: Budget 'deeply disappointing' on UK child poverty, but international aid commitments honoured

Link: http://www.savethechildren.org.uk/en/41_7914.htm

Extract:

For the children of low-income families in the UK, this Budget is deeply disappointing — just £140 million in child tax credits has been set aside for families living in poverty. Despite Alistair Darling's words today renewing the government's commitment to eradicating child poverty, the government will now miss the target of halving child poverty by 2010. This budget missed the opportunity to give some hope to the 3.9 million children who will go to bed in poverty tonight.

However, we welcome the government's commitment in this budget to its international aid pledges. Maintaining real aid levels in the next two years will help to protect the world's poorest through these incredibly difficult economic times.

Source: Help the Aged

Date: 22 April 2009

Reference: A sweet and sour budget for older people.

Link: http://www.helptheaged.org.uk/en-gb/Campaigns/News/news_bud2009_220409.htm

Extract:

The 2009 Budget may be designed to get people back into work and help business but it has not done enough to help older people says Age Concern and Help the Aged.

Michelle Mitchell, Charity Director for Age Concern and Help the Aged said:

'In a Budget for jobs, workers over 50 have once again slipped under the Government's radar. With today's figures showing unemployment among the over 50s rising at a higher rate than among any other age group[1], without targeted help for over 50s, ministers risk creating a lost generation of older people shut out of the job market and walking into a retirement blighted by pensioner poverty.

'Maintaining the Winter Fuel Payment, measures to help grandparents and help for low-income savers will provide cheer to pensioners in an otherwise gloomy Budget. But the failure to do more to tackle fuel poverty will continue to leave many pensioners out in the cold.

'In a Budget for jobs, workers over 50 have once again slipped under the Government's radar. '

'More traineeships are welcome but the failure to provide emergency funding for our creaking social care system will exacerbate the current crisis. In an era of difficult financial choices, ministers must not use the recession as an excuse to starve the care system of funds it urgently needs or be distracted from much needed long-term reform.'

Source: Renewable Energy Association

Date: 22 April 2009

Reference: Renewables Industry responds to budget

Link: <http://www.r-e-a.net/info/rea-news/090422BudgetREAResponse>

Extract:

Philip Wolfe, Director General of the REA said,

"The economic storm clouds are clearly thundering through this budget, but at least they have a green lining. We are glad the government has sought to respond to areas we identified as critical and these measures should help prevent contraction in the renewables industry."

Main measures for renewables

The budget contained the three main measures the REA had highlighted for renewables:

Up to £4bn of finance for new renewable energy projects in the UK will be provided by the European Investment Bank responding to serious difficulties in access to finance.

The number of Renewables Obligation Certificates allocated to new offshore wind projects will be increased to 2 per MWh for 2010/11 and 1.75 in 2011/12 before reverting to the 1.5 ROC/MWh level. The government valued this at £525m. *Projects eligibility is subject to specified criteria.*

The decentralised renewables sector will receive £70m of new grant support to bridge the period to the introduction of the new renewable energy tariffs; £45m for the Low Carbon Buildings Programme and £25m for community heating.

This matches the key proposals made in the REA's pre-budget submission to the Treasury, but provides less hard cash.

In addition the budget offers

£10 million in new grants for anaerobic digestion to turn organic waste into green energy

Authorising £4bn of networks investment by the private sector to improve access for renewable energy (a 50% increase on 5 years ago)

£405m to support the Low Carbon Industrial Vision including £250m for 'advanced industrial projects of strategic importance'.

£50m for the Technology Strategy Board for future growth industries including low carbon technology.

Many of the provisions are caveated with pre-conditions and eligibility criteria that need to be spelt out before industry can be sure these measures will bite.

A green budget?

The Association had also supported Lord Stern's call for 20% of stimulus packages to be devoted to green investment.

"Although the new announcements in this budget move towards the 20% level, the UK is still failing the 'Stern test' overall," said Mr Wolfe. "We are allocating substantially less to sustainable energy during the global downturn than other countries and this will leave our world class renewables businesses at a competitive disadvantage. The additional £405m support for the Low Carbon Industrial Strategy may help bridge this gap, but there are so few details it is hard to know."

Source: Confederation of British Industry (CBI)

Date: 22 April 2009

Reference: Full CBI reaction to Chancellor's budget speech.

Link:

<http://www.cbi.org.uk/ndbs/press.nsf/0363c1f07c6ca12a8025671c00381cc7/1f7ef4c499b5db23802575a000560ec1?OpenDocument>

Extract:

Reacting to the Chancellor's Budget speech, Richard Lambert, CBI Director-General, said:

"The key question for this Budget was whether it set out a credible and rigorous path for restoring the public finances to health. The CBI's preliminary judgement must be that it does not.

"The Chancellor's economic forecasts, with a rapid end to the recession and well above trend growth from 2011-2014, look optimistic. Even so, the horizon for balancing the books has been extended to 2018, two years later than previously targeted. With annual government bond issue expected to exceed £200bn in the coming years and debt doubling by 2013, the Government is running too much of a risk with the willingness of investors to finance UK debt.

"If these projections are to be realised, a lot will depend on how far the Government can deliver on its plans to reduce public expenditure growth. We need to take a serious look at the size and role of the state and embark on radical reform of the way we deliver public services through greater private sector involvement and contracting out of services. We should also look at the public sector pay and pensions bill.

"This is the only realistic way of getting back to fiscal balance without having to resort to further hefty tax rises."

Measures of immediate impact on business

Mr Lambert said:

On business investment:

"Doubling investment allowances for this year is valuable given the vital role which business investment will need to play in the UK's economic recovery.

"Incentives to encourage the exploration and extraction of gas and oil in the North Sea are vital to making best use of the UK's natural resources, which would otherwise remain untapped."

On trade credit insurance:

"The sudden and often unexpected withdrawal of trade credit insurance has been causing real headaches for firms who depend on this cover to go about their day-to-day to business.

"Much of the pain could have been avoided by earlier intervention, but this targeted "top up" scheme will provide welcome relief for some companies facing short-term working capital constraints and help restore confidence in supply chains."

On the scrappage scheme:

"This time-limited scheme will give the car industry a long-awaited boost at a difficult time and help support skilled jobs."

On other business taxes:

"We are disappointed that the Chancellor had nothing to say on next year's increase in National Insurance Contributions for employers which is a tax on jobs, and he has not reversed the policy on empty properties.

"Rates on empty property have forced companies to cut staff, and can make the difference between surviving the downturn and going to the wall.

"The government should also look at postponing the reintroduction of the 17.5% VAT rate by a month to

cover the New Year sales period.”

On the measures to support the unemployed:

“With unemployment rising sharply, the extra funding put in place for Jobcentre Plus will be vital in ensuring the recently unemployed do not slip into the ranks of long-term unemployed.”

Measures to promote the longer-term competitiveness of the economy

Mr Lambert said:

On the taxation of foreign profits:

“News that the Dividend Exemption will be included in the Finance Bill 2009 is welcome and delaying the implementation of the Worldwide Debt Cap implementation until 2010 will allow for further consultation.”

On measures to promote the shift to a low-carbon economy:

“With many big energy projects, especially in renewables, being shelved or delayed because of funding problems, the provision of EIB loans will help get these schemes moving again.”

“Coal is an important part of the UK’s energy mix and we welcome the agreement to support up to four Carbon Capture and Storage demonstration plants. Developing CCS technology is the key to reducing the impact of coal-fired power stations on the environment.”

On public capital spending:

“Cutting levels of capital spending in cash terms is short-sighted. The government should not reduce net public investment to 1.25% of GDP from 2013/14.”

On pensions:

“Changing the higher-rate tax relief on pensions weakens incentives to save for retirement and is yet another change to a system which really needs stability.”

Source: Federation of Small Businesses (FSB)

Date: 22 April 2009

Reference: FSB reaction to the Chancellor's 2009 Budget

Link: <http://www.fsb.org.uk/News.aspx?loc=pressroom&rec=5231>

Extract:

The Federation of Small Businesses (FSB) today warned that the Chancellor's budget largely ignored the small businesses that are at the heart of job creation and economic recovery.

Cautiously welcoming the Chancellor's focus on jobs in the Budget, the FSB reminded Alistair Darling that small businesses must not be forgotten if jobs are to be protected.

Small firms are the economy's job-creators, the FSB said, and will be at the heart of creating the lion's share of jobs under the Chancellor's £250m boost for job programmes and its new scheme to target under-25s. Employers in the small and medium sector are quick to create jobs, taking advantage of opportunities and incentives.

Cash continues to be king for small firms and the Government's action to set up a trade credit insurance scheme is welcomed as an indication that it is listening to FSB lobbying. However, the Government should have gone far further to tackle late payments to small firms by giving Companies House the necessary clout to use powers within the Companies Act to name, shame and fine companies which fail to pay on time.

The FSB was disappointed the Government failed to announce automatic rate relief for small firms. Around £400m has already been allocated by the Treasury to give relief to those firms which are eligible, but the Chancellor missed the opportunity to give those firms the immediate financial boost they need at this time.

The FSB also welcomed moves to bring reform to the banking industry, but wanted to see an independent corporate mediator put in place to facilitate dialogue between the banks and small businesses

John Wright, FSB National Chairman, said:

"In what has been the most crucial budget in decades, the FSB is disappointed that small businesses have been largely ignored.

"We welcome moves to focus on jobs and job creation for young people, but we are very disappointed that this budget will do nothing for those firms which are doing their best to hold on to their valued employees. A Government funded wage subsidy for short-time working would have been a real help but was totally ignored.

"Small firms will also be disappointed not to have received the benefit of automatic rate relief. This will have boosted small businesses to the tune of £400m.

"With a quarter of business failures due to late payment and around £38,000 owed to small businesses at any one time, Companies House should have been given more powers to name, shame and fine companies which fail to pay on time. The Government has missed an opportunity to save thousands of businesses and the jobs they create.

"We welcome the fact that Capital Allowances for firms investing more than £50,000 will double to 40 per cent.

"Small firms will be sorely disappointed with the 2p rise in fuel duty from September which is just another tax at a difficult time."

Source: British Retail Consortium

Date: 22 April 2009

Reference: British Retail Consortium budget reaction

Link: <http://www.brc.org.uk/details04.asp?id=1554>

Extract:

This 'Budget for jobs' has done little to help under-pressure retailers keep people in work, said the British Retail Consortium (BRC).

Jane Milne, British Retail Consortium Business Director, said: "The Budget left retailers still facing most of the people and property costs that will prevent new investment and threaten the viability of retailers and their ability to create and sustain jobs.

"Few share the Chancellor's optimism that the economy will be growing again by the end of this year. It's crucial retailers are spared new burdens and support for the sector isn't ended prematurely."

Trade Credit Insurance

Just last week, half of large retailers and over 40 per cent of small and medium-sized ones responding to the BRC's Credit Conditions Survey said the reduction or withdrawal of trade credit insurance has undermined their ability to trade. The BRC says the Chancellor's plan for 'top-up' insurance is too little too late.

Jane Milne, BRC Business Director, said: "A 'top-up' scheme is much needed but this is too little too late. Matching the trade credit insurance that private insurers are willing to provide is vital to helping fundamentally sound businesses weather the recession. But the unannounced detail confirms this safety net will be denied to companies whose cover was cut before 1 April, meaning the plight of many is being ignored.

"For retailers to survive and keep people in work they need to keep shelves stocked with the goods customers want. Insurers began removing cover as the downturn started to bite this time last year. The Government's scheme should apply from then."

Business Rates

The Chancellor's re-announcement that retailers will be given the option of postponing part of this April's five per cent annual increase in business rates is welcome, but is not enough on its own.

Independent analysis for the BRC shows planned business rates increases could destroy an extra 19,300 jobs and kill off an additional 582 retail businesses – on top of losses resulting from other causes.

The BRC has calculated that £1.6 billion will be added to the £5.45 billion retailers paid in business rates in 2007/2008 – pushing the retail sector's total rates bill up to £7 billion by 2010/11. This 30 per cent increase is the combined effect of annual increases, next April's business rates revaluation, last year's loss of empty property relief and business rates supplements.

Jane Milne, BRC Business Director, said: "Offering extra time to pay part of this year's five per cent annual business rates increase is welcome help.

"The usual formula means the Chancellor's prediction that RPI inflation will be minus three per cent in September should reduce next April's annual increase and so make it easier for businesses to decide whether to spread their payments. But retailers still face large increases next April thanks to business rates revaluation and Business Rates Supplements and the Chancellor has done nothing to reduce the tax bills from empty property.

"The need to have lots of shops means retail businesses and jobs are more at risk from property cost increases than other sectors. The Chancellor should have announced an immediate freeze on all new business rate burdens."

Empty Property Business Rates Relief

The BRC has called on the Government to reintroduce the 50 per cent business rates relief for empty retail property, which it scrapped in April 2008, or extend the period when no rates are due, to better reflect the time taken to fill vacant property.

Jane Milne, BRC Business Director, said: "Because of a desperate need to plug holes in its finances, the Government is ignoring the mechanics of the property market at a time when recession means more shops are falling vacant.

"No-one gains by keeping property empty. It's unoccupied because there isn't the demand for it at that time and place. Higher taxes don't conjure up new tenants. But they do pile extra pressure on vulnerable retailers and reduce landlords' scope for offering flexibility to existing tenants – the exact opposite of the Government's intention."

"In the current recession the Government should be easing the tax burden on businesses, not making them less competitive.

National Insurance

The BRC has called for cancellation of the 0.5 per cent increases in employee and employer National Insurance contributions, already planned for 2011, with a view to maintaining and encouraging employment.

Jane Milne, BRC Business Director, said: "So much for a 'Budget for jobs'. We assume the Chancellor's silence means he is going ahead with this tax on jobs. With unemployment mounting, the Government shouldn't be undermining work opportunities by making it more expensive for retailers to take people on."

Car Scrappage

Jane Milne, BRC Business Director, said: "While the Chancellor announced some encouraging support for energy efficiency and renewables, he hasn't addressed the help businesses and households need to adopt more energy efficient appliances. This would have delivered far bigger savings than the 'scrappage' scheme.

"For example a new fridge uses a third of the electricity of a typical 1980 model and the average fridge in use today is nearly 13 years old, with many far older. Encouraging the replacement of old appliances would make a big difference.

"Even if a new car has a better fuel and emissions performance than an old one, once the environmental impact of making it is factored in, there are severe doubts about whether this scheme will produce the environmental gains claimed."

VAT

The BRC said the Chancellor should have announced a delay of at least a month in the date for ending the current temporary VAT reduction.

Jane Milne, BRC Business Director, said: "The Budget was the ideal opportunity to announce a delay in the planned VAT reversal date. Achieving this huge repricing exercise for 31 December will soak up resources at retailers' busiest and most important time of year.

"Instead the Chancellor appears to have confirmed VAT will rise on that date. The change should be postponed until at least the end of January with retailers given the notice of that they need."

National Minimum Wage

Jane Milne, BRC Business Director, said:

"This year's revised timetable for deciding the annual increase in the National Minimum Wage means it was not announced in the Budget. The Government and Low Pay Commission must keep this year's increase below 1.5 per cent to enable retailers to maintain, and where possible, increase job opportunities."

Training

Jane Milne BRC Business Director said: "In these difficult trading conditions, we welcome the work in hand to link people losing jobs in retail to retailers recruiting. It's important that the sector keeps their skills but we also need to add to them, through apprenticeships for new employees (including school leavers) and by supporting retailers' own schemes for raising the industry's skill levels.

"Retailing has created half a million jobs since the last recession. It is one of the sectors with strong future demand. Retailers should have access to the additional support promised."

Source: Society of Motor Manufacturers and Traders

Date: 22 April 2009

Reference: Vehicle scrappage scheme good news for buyers

Link: <http://www.smmt.co.uk/articles/article.cfm?articleid=19462>

Extract:

The Society of Motor Manufacturers and Traders (SMMT) has welcomed government's introduction of a scrappage incentive scheme to kick-start demand in the car and van market.

The scheme, due to start in May 2009, will see government offer a £1,000 incentive to be matched by participating vehicle manufacturers when scrapping a taxed, insured and MOT'd car or van over ten years old which they have owned for at least one year.

Commenting on the announcement made within chancellor Darling's Budget speech, SMMT chief executive Paul Everitt said, "This is good news for consumers and will get people back into showrooms, kick-starting demand in the market. The scheme recognises the economic value of the motor industry and we are determined to make it a success. There is clearly a great deal to do and we look forward to discussing the finer detail of the proposal with government in the coming days."

Source: British Beer and Pub Association

Date: 22 April 2009

Reference: Chancellor betrays Britain's struggling pubs

Link: http://www.beerandpub.com/newsList_detail.aspx?newsId=285

Extract:

"Today's Budget signs the death warrant for thousands of Britain's pubs and for tens of thousands of British jobs.

"Pubs play a vital role in the economy and in local communities. Yet six are closing every day and more than 2,000 have gone in the last 12 months alone. The Chancellor's unfair and unjustified announcement today condemns thousands more to shut for good.

"In imposing these additional beer taxes, the Government has wilfully ignored the views of the public, landlords, consumer groups, industry representatives and MPs from all parties who have been calling for action to save the British pub.

"At a time when the rest of the economy is getting a supporting hand, the beer and pub industry is being singled out for punitive action. Last year the Chancellor raised beer tax by an eye-watering 18 per cent. Today's rise is a further body blow. The result will be more pubs closing, more jobs being lost and more people consuming alcohol outside supervised, licensed premises.

"Our campaign with CAMRA to save pubs as a vital part of British life now becomes a matter of the highest priority. It has widespread public support, cross-party political support plus the support of trade unions such as Unite. The only person who doesn't seem to be listening is the Chancellor. We will be mobilising public, consumer, and industry support to force the Government to scrap the duty escalator as part of a co-ordinated plan to save the Great British pub."

Source: Wine and Spirit Trade Association

Date: 22 April 2009

Reference: WSTA condemns Budget decision on tax

Link: <http://www.wsta.co.uk/Press/WSTA-condemns-Budget-decision-on-tax.html>

Extract:

The Wine and Spirit Trade Association condemns today's announcement by the Chancellor that he intends to proceed with plans to raise taxes on alcohol this year. The news brings further misery to hard-pressed consumers and threatens more job losses in a sector already facing record numbers of business failures, pub closures and worsening trading conditions.

Today's Budget set in train a 2% above inflation tax escalator on alcohol which, combined with last year's 17% leap in excise duty, will raise duty on alcohol by around 40% by the time of the London Olympics.

In its first ever joint budget submission the major drinks industry trade associations warned a total of 75,000 jobs would be at risk if the plans to increase taxes further went ahead.

The impact of today's announcement will be more severe than anticipated because the Treasury based its calculations on a notional zero inflation rate rather than the current forecast for inflation of minus 2.25%.

The WSTA will continue to seek an end to the four year tax escalator.

WSTA Chief Executive Jeremy Beadles said: "At a time when the Government is offering other industries a helping hand it is extraordinary that it wishes to hurt the drinks industry with further tax increases.

"Thousands of jobs have already been lost in the industry and the decision to go ahead with a further tax increase puts thousands more at risk. It's a bitter irony that with falling sales, these tax hikes are unlikely to deliver the revenues forecast by the Treasury."

Source: Oxfam

Date: 22 April 2009

Reference: Oxfam reaction to Budget on climate change, overseas aid and UK poverty

Link: <http://www.oxfam.org.uk/applications/blogs/pressoffice/?p=4334&media>

Extract:

A step forward on climate change, good news on aid but a missed opportunity on UK poverty

Climate change

Oxfam welcomed the Chancellor's announcement of a UK carbon budget but warned the UK needs to do more to help poor people already suffering as a result of climate change.

Phil Bloomer said: "Carbon budgets are a world-first; a much-needed step towards meeting the UK's targets for cutting greenhouse gas emissions and ensuring that economic recovery is sustainable. They could make a real contribution both to ensuring the UK's long-term prosperity and limiting the negative impact of climate change on the world's poorest and most vulnerable people.

"Now we need money to help poor people across the world who are already losing their lives and livelihoods as a result of climate change. Oxfam estimates that by 2015 almost 400 million a year may be affected by climate-related disasters, and this number will continue to grow as already unavoidable climate change sets in."

Oxfam welcomed the Government's commitment to investing in energy saving measures and clean and renewable energy - including up to four demonstration projects for carbon capture storage (CCS). But the Government needs to give assurances that up to six new coal power stations awaiting approval will not be given the go-ahead without full CCS.

"Counting carbon while building a new generation of coal-fired power stations would be like measuring water levels while opening the floodgates."

Overseas aid

Oxfam welcomed the Chancellor's announcement that he would honour the Government's commitment to increase overseas aid to £9.1bn in 2010-11.

Phil Bloomer, Oxfam Campaigns and Policy Director, said: "Oxfam is delighted the Chancellor has resisted those who called for aid to be cut forcing the world's poorest people to pay the price of the economic recession and bankers' bailouts.

"By proving as good as the Government's word, Alistair Darling has ensured thousands more children will have the chance to go to school and millions of poor people will benefit from improved healthcare.

"But the £155 million efficiency savings announced today for the Department for International Development should not become aid cuts under another name."

Bill Nighy, actor and Oxfam ambassador, said: "I am delighted the Government has decided to honour its commitment to help the world's poorest who are suffering even more in the global recession.

"Thousands of mothers and babies will now survive thanks to new clinics and many more children will get the chance to go to school. Gordon Brown must now push hard for other governments follow this lead and increase aid budgets. The Gleneagles promise must become a reality."

UK poverty

Oxfam welcomed announcements aimed at getting unemployed people back to work but warned that the Government was not doing enough to help poor people through the recession.



Kate Wareing, Director of Oxfam's UK Poverty Programme, said: "We welcome the additional help to get people back to work, through extra funding for Job Centre Plus and a guarantee of work or training for long-term unemployed under 25s.

"But this Budget represents a missed opportunity to help poor people in the UK through the economic downturn.

"Thousands more people are losing their jobs through no fault of their own, yet Jobseekers' Allowance is worth just £64 per week. An increase of £15 per week would have cost just £1.5 billion and would have made a real difference to millions of people in the UK who are struggling to get by."

The Government has earmarked £14.5 billion for ID cards, enough to raise benefits by £15-a-week for almost a decade.

An Oxfam report published earlier this month found that life will get much harder for the 12 million people, a fifth of the UK population, already, living in poverty. A poll commissioned by Oxfam found three-quarters of the public do not believe Job Seekers' Allowance is enough to live on.

Annex A Operational Efficiency Programme

The HM Treasury press notice accompanying Budget 2009 states of the operational Efficiency Programme:⁴⁸

The Operational Efficiency Programme (OEP), led by five senior private and public sector advisors, published its final report on 21 April 2009. Budget 2009 announces the Government's acceptance of the recommendations in Operational Efficiency Programme: final report and will work with all departments to implement and deliver the additional value for money savings identified by the Programme.

The OEP has identified opportunities for a total of £15 billion of annual efficiency savings. Around £6 billion of this can be delivered as part of the Government's £35 billion value for money target in 2010-11 and the additional £9 billion by 2013-14. The delivery of the full £15 billion will take time to achieve, due to the nature of the areas being considered, but include savings in five cross-cutting areas:

- Back office operations and IT, led by Dr Martin Read, has found that £4 billion of savings a year are possible by improving the efficiency of back office operations, and £3.2 billion of savings a year on IT spending;
- Collaborative procurement, led Martin Jay, has found that £6.1 billion of savings a year are possible by harnessing the public sector's collective buying power;
- Asset management and sales, led by Gerry Grimstone, has concluded that there is potential to realise greater value from its asset base, and reports progress on studies into specific assets (including British Waterways, the Dartford Crossing, Land Registry and the QEII conference centre) launched at the 2008 Pre-Budget Report. He has also identified a number of further assets that will be the subject of a second wave of studies;
- Property, led by Lord Carter of Coles, has found that up to £1.5 billion of annual running cost efficiencies could be delivered by 2013-14, rising to £5 billion a year over a ten year period. Furthermore, £20 billion of disposal proceeds from property sales (excluding council housing) may be possible over ten years. To achieve this, he has recommended the creation of a small, strategic central property function to drive the efficiency and rationalisation agenda across the public sector;
- Local incentives and empowerment, led by Sir Michael Bichard, has made a series of recommendations aimed at empowering professionals to collaborate and innovate and creating the space for progress by reducing burdens on the frontline. This includes taking forward the new 'Total Place' initiative that will map flows of public spending in local areas to identify where public money can be spent more effectively.

The full report is available online on the [Operational Efficiency Programme webpage](#) and background reports on the back office and IT, collaborative procurement and property workstrands will be made available online shortly after Budget 2009.

⁴⁸ [HM Treasury. Press Notice 01: Building Britain's future \(22 April 2009\)](#) [26 April 2009]