

National Assembly for Wales

Chancellor's Budget 2010 April 2010

On Wednesday 24 March 2010 the Chancellor of the Exchequer, Alistair Darling issued the 2010 Budget, entitled Securing the recovery.

This research paper provides a range of information on the Chancellor's Budget 2010, including an overview of its potential impact on Wales in future years and a summary of the main policy decisions contained within the Budget.



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National Assembly for Wales

Chancellor's Budget 2010
April 2010

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Summary

On Wednesday 24 March 2010 the Chancellor of the Exchequer, Alistair Darling, issued the [*Budget 2010: Securing the recovery*](#). This paper provides a range of information, analysis and commentary on the Chancellor's Budget 2010, including an overview of its impact on Wales; a summary of the main policy decisions; and how much they will cost/benefit HM Treasury.

It should be noted that this document is not intended to provide an exhaustive list of all the policy decisions announced in Budget 2010, but provides a summary of the main headlines in particular areas.

[Section 1](#) provides information on the Chancellor's 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 2010-11, as well as a summary of expenditure on services per capital across the UK.

[Section 3](#) summarises 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 2010 on the Welsh block funding for 2010-11 and beyond, including the impact of planned efficiency savings.

[Section 5](#) looks at decisions which impact on businesses.

[Section 6](#) considers decisions that will affect individuals and households.

[Section 7](#) considers decisions that will affect public services across the UK, including details of planned savings to be made in future years.

[Section 8](#) looks at decisions concerning low carbon growth and transport

[Section 9](#) considers other measures taken in Budget 2010.

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The Chancellor's Budget 2010

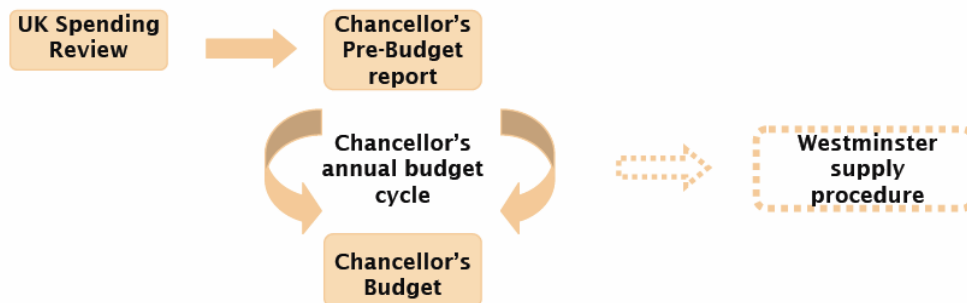
1. About the Chancellor's Budget

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 and set out further steps the Government is taking.

Since 1998, the current Labour Government has presented the annual Budget in spring. This Government has also presented a Pre-Budget Report (PBR) in autumn of each year.¹

Figure 1: The Budget process at Westminster



Following the publication of the Chancellor's Budget, the main estimates² are prepared requesting Parliamentary authority for expenditure through the supply procedure³ (including grants for the devolved administrations).

Further information on the budget process at Westminster and in the devolved administrations can be found in the Members' Research Service paper: [Budget Scrutiny in the UK Administrations](#).

¹ The last PBR was in December 2009. HM Treasury, [Pre Budget Report 2009 Securing the recovery: growth and opportunity](#), (9 December 2009). Members' Research Service produced a Quick Guide summarising the PBR 2009 and its impact on Wales: [Pre Budget Report 2009](#). [accessed 12 April 2010]

² **Main estimates** – the estimates that set out the resource budget for each government department. They are made up of a number of Requests for Resources (RfRs) and show the total gross expenditure and income for each RfR. Expenditure is authorised by the House of Commons by voting the estimates.

³ **Supply procedure** – the process by which Parliament approves government department's resource and cash provision for the year.

2. Overview of Government spending

Budget 2010 states that:

Budget 2010 is fiscally neutral and confirms the Government's plans to more than halve the deficit over four years, maintaining a credible path of fiscal consolidation.

Budget 2010 also confirms that overall spending will continue to rise during 2010-11 to help support the economy through the recovery.⁴

Figure 2 is taken from Budget 2010,⁵ and shows the projections for the amount of Government spending in 2010-11 by function. Total managed expenditure (TME)⁶ for 2010-11 is set to be **£704 billion**. This is £28 billion higher than that predicted for 2009-10 in the PBR 2009.⁷ Social protection accounts for 28 per cent of TME, health accounts for 17 per cent and education for 13 per cent. It is interesting to note that debt interest accounts for 6 per cent of the TME in 2009-10.

Figure 3 is taken from Budget 2010,⁸ and provides information on projected government receipts for 2010-11. Total government receipts for 2010-11 are set to be **£541 billion**. This is £43 billion higher than that predicted for 2009-10 in the PBR 2009.⁹ Income tax accounts for the largest proportion of receipts, 27 per cent, with National Insurance accounting for 18 per cent and council tax for 5 per cent. Thus, it can be seen that **TME exceeds government receipts by £163 billion**.

⁴ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 1 [accessed 12 April 2010]

⁵ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 11 [accessed 12 April 2010]

⁶ **Total managed expenditure (TME)** – represents the revenue and capital spending of the public sector and is made up of departmental expenditure limits (DEL) and annually managed expenditure (AME).

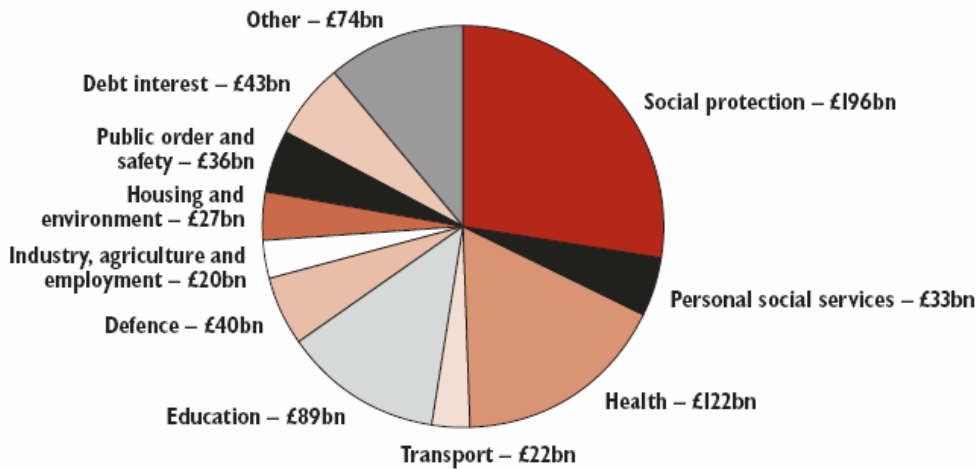
⁷ HM Treasury, [Pre Budget Report 2009 Securing the recovery: growth and opportunity](#), 9 December 2009 page 12 [accessed 12 April 2010]

⁸ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 11 [accessed 12 April 2010]

⁹ HM Treasury, [Pre Budget Report 2009 Securing the recovery: growth and opportunity](#), 9 December 2009 page 12 [accessed 12 April 2010]

Figure 2: Government spending by function, 2010-11

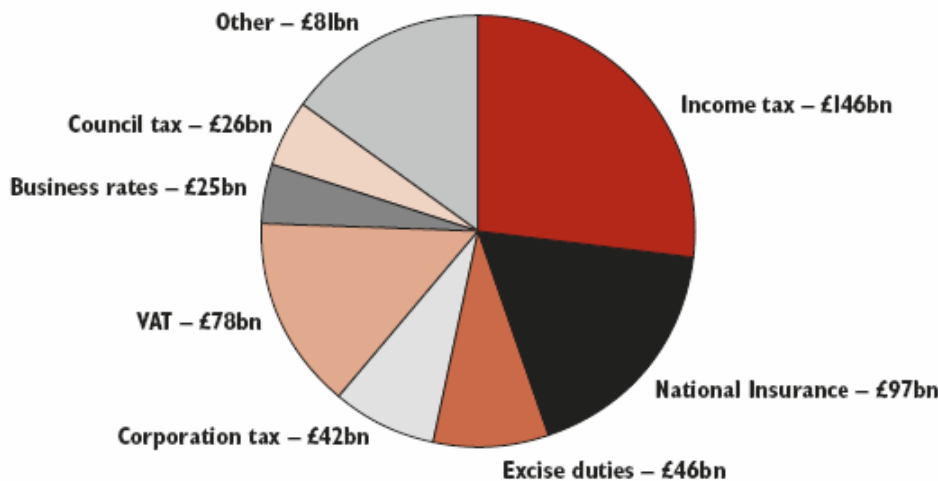
Total managed expenditure: £704 billion



Source: HM Treasury 2010-11 near-cash projections. The allocation of spending to functions is largely based on the United Nations' Classifications of the Functions of Government (COFOG). Other expenditure includes general public services (including international services); recreation, culture, and religion; 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 in AME, in line with OECD guidelines. Figures may not sum due to rounding.

Figure 3: Government receipts, 2010-11

Total receipts: £541 billion



Source: HM Treasury, 2010-11 estimates. 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.

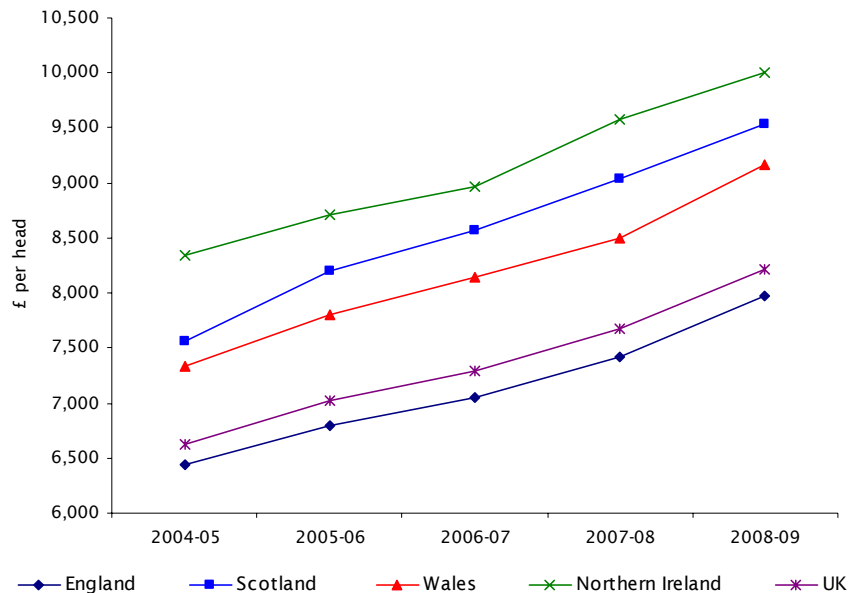
Table 1 and figure 4 show trends in per capita expenditure across the UK. This uses the measure of total identifiable expenditure on services.¹⁰ This shows that the level of spending per head is higher in the devolved administrations than in England over the last 5 years. There has been a steady increase in per capita expenditure over the last 5 years. However, the average annual increase in per capita expenditure over the last five years has been greatest in England and Scotland (an average of 5.8 and 5.6 per cent increase per year, respectively), as compared to that in Northern Ireland and Wales (an average increase of 4.9 and 5.4 per cent per year).

Table 1: Total identifiable expenditure on services per head, 2004-05 to 2008-09

	2004-05		2005-06		2006-07		2007-08		2008-09	
	£ per head	% change on previous year	£ per head	% change on previous year	£ per head	% change on previous year	£ per head	% change on previous year	£ per head	% change on previous year
England	6,443	7.06	6,795	5.46	7,054	3.81	7,426	5.27	7,971	7.34
Scotland	7,567	3.99	8,203	8.40	8,575	4.53	9,032	5.33	9,538	5.60
Wales	7,340	4.26	7,800	6.27	8,147	4.45	8,493	4.25	9,162	7.88
Northern Ireland	8,345	5.93	8,716	4.45	8,967	2.88	9,577	6.80	10,003	4.45
UK	6,629	6.44	7,018	5.87	7,291	3.89	7,675	5.27	8,219	7.09

Source: Members' Research Service calculations from [Public Expenditure and Statistical Analyses 2009](#) Table 9.2.

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



Source: Members' Research Service calculations from [Public Expenditure and Statistical Analyses 2009](#) Table 9.2.

¹⁰ 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).

3. UK economic forecast

Budget 2010 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:

The global economy is in the early stages of recovery following the most severe and synchronised downturn since the Great Depression in the 1930s. The UK economy stabilised in the second half of 2009, aided by the significant macroeconomic policy stimulus and government intervention in the financial system. In line with the judgement made in Budget 2009 and the 2009 Pre-Budget Report (PBR), UK output returned to modest growth in the final quarter of 2009.¹¹

3.1. UK gross domestic product (GDP)

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

Budget 2009 forecast that GDP would reduce by 3.5 per cent in 2009 and begin to recover towards the end of 2009. The PBR 2009 revised this forecast to a reduction of 4.75 per cent in 2009, an increase of 1 to 1.5 per cent in 2010 and growth of 3.5 per cent in 2011 and 2012. According to National Statistics, for 2009 as a whole, GDP contracted by 4.9 per cent, compared with growth of 0.5 per cent in the previous year.¹²

Budget 2010 states:

Recent downward revisions to data by the ONS suggest that GDP fell by 5 per cent in 2009. Budget 2009 and the 2009 Pre-Budget Report forecast a return to growth by the end of the year. In line with this, GDP is currently estimated to have risen by 0.3 per cent in the final quarter of 2009. Reflecting this and recent developments, the GDP growth forecast for 2010 remains unchanged from the 2009 Pre-Budget Report, with GDP forecast to rise by 1 to 1½ per cent.

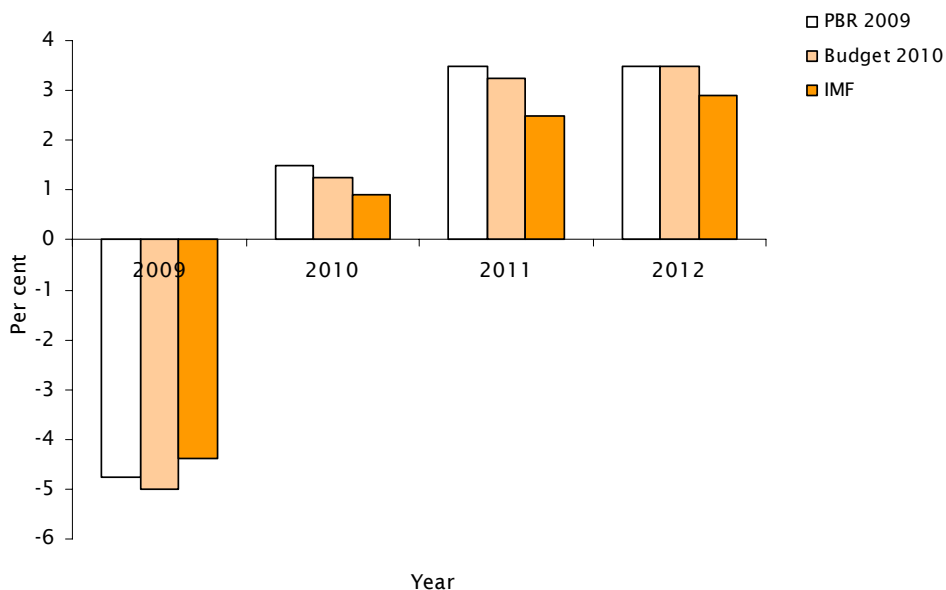
Thus, forecasts in Budget 2010 predict that GDP will increase by 1 to 1.5 per cent in 2010 (in line with PBR 2009 forecasts). However, the forecasts for 2011 are slightly lower than that predicted at PBR 2009, at 3 to 3.5 per cent. This is stated to reflect a weaker outlook for the euro area. Growth is then forecast to rise to 3.25 to 3.75 per cent in 2012.

¹¹ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 13 [accessed 12 April 2010]

¹² National Statistics, [GDP Growth](#), 30 March 2010 [accessed 12 April 2010]

As shown in figure 5, these forecasts are more optimistic than those predicted by the International Monetary Fund (IMF). The IMF predicts that GDP will grow by 0.9 per cent in 2010, 2.5 per cent in 2011 and 2.9 per cent in 2012. Other independent forecasts also predict more conservative growth; with an average of 2.1 per cent in 2011.¹³

Figure 5: Comparison of UK GDP growth forecasts by IMF and those on PBR 2009 and Budget 2010



Source: HM Treasury Pre Budget Report 2009, Budget 2010 and IMF World Economic Outlook Database

3.2. Inflation forecasts

The Economic and Fiscal Strategy Report in Budget 2010 also sets forecasts for rates of inflation. In relation to the consumer price index (CPI) it states that:

In the near term, CPI inflation is expected to remain above the target, reflecting the impact of the VAT change. Fuel prices and the pass-through of sterling's depreciation will have a positive but declining impact on inflation over the coming year, while the lagged effect of the large degree of spare capacity becomes a more dominant influence.¹⁴

According to National Statistics,¹⁵ CPI has increased from its low of 1.1 per cent in September 2009, reaching 3.5 per cent in January 2010 and dropping back to 3 per cent in February 2010. Budget 2010 states that 'an increase in CPI inflation

¹³ HM Treasury, [Forecasts for UK economy: a comparison of independent forecasts](#), March 2010 [accessed 12 April 2010]

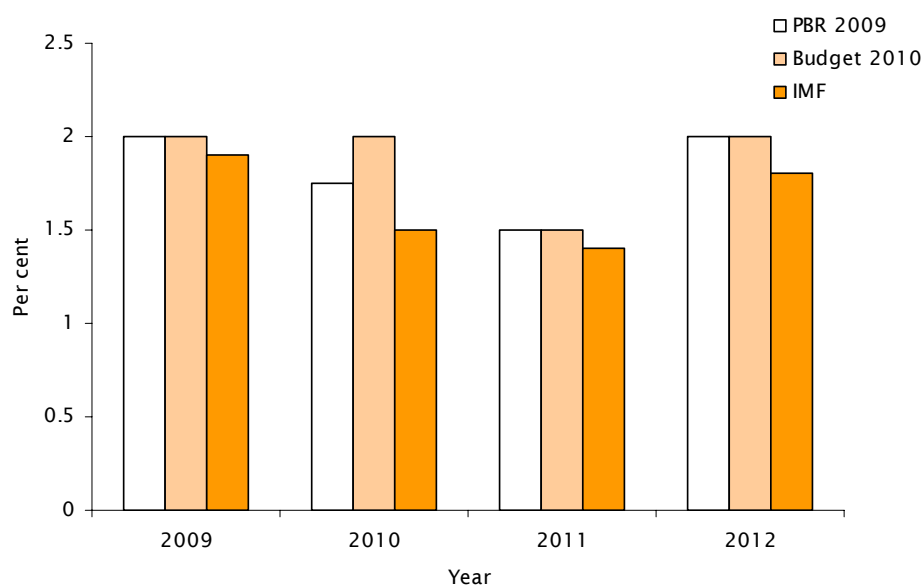
¹⁴ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 17 [accessed 12 April 2010]

¹⁵ Office for National Statistics, [Inflation](#), 23 March 2010 [accessed 12 April 2010]

due to the reversal of the pre-announced VAT rate cut in January 2010 was expected.’¹⁶

The PBR 2009 forecasts for CPI were 2 per cent in 2009, dropping to 1.75 per cent in 2010, 1.5 per cent in 2011 and rising to 2 per cent in 2012. Budget 2010 revises these forecasts to 2 per cent for both 2009 and 2010, 1.5 per cent in 2011 and 2 per cent in 2012. As shown in figure 6, the IMF forecasts a slower rise in CPI from 1.9 per cent in 2009, not reaching 2 per cent until 2013.

Figure 6: Comparison of CPI forecasts by IMF and those in PBR 2009 and Budget 2010



Source: HM Treasury PBR 2009, Budget 2010 and IMF World Economic Outlook Database

Other predictions for inflation can be found in the HM Treasury publication on comparisons of independent forecasts.¹⁷

3.3. Fiscal projections and balances

Budget 2010 sets out the forecasts and balances for the fiscal position of the UK. It states that:

The financial crisis and global downturn have had a profound and persistent impact on the public finances, resulting in a significant increase in government borrowing and debt.¹⁸

¹⁶ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 152 [accessed 12 April 2010]

¹⁷ HM Treasury, [Forecasts for UK economy: a comparison of independent forecasts](#), March 2010 [accessed 12 April 2010]

¹⁸ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 20 [accessed 12 April 2010]

Budget 2010 states that, compared to the PBR 2009 economic growth has been broadly in line with what was expected. However, the public sector net borrowing is now estimated to be **£11 billion lower** than forecast in PBR 2009. This is partly due to the expectation that tax receipts since the PBR 2009 will be £9.5 billion higher than previously forecast. It is stated that some of these higher than expected receipts are expected to be temporary, and so do not feed into future years.

Table 2 shows that changes in the fiscal projections and balances between PBR 2009 and Budget 2010.

- Public sector net borrowing is forecast to be lower in the medium term than forecast in PBR 2009, reducing from 11.8 per cent of GDP in 2009-10 to 4 per cent in 2014-15. In PBR 2009 the total public sector net borrowing from 2009-10 to 2014-15 was forecast to be £789 billion. Budget 2010 **reduces this forecast by £56 billion** to £733 billion.
- Public sector net debt is forecast to peak at 74.9 per cent of GDP (£1,406 billion) in 2014-15. This is 2.8 per cent, or **£67 billion lower** than forecast in PBR 2009.
- Public sector net investment is forecast to reduce from 3.6 per cent of GDP (£50 billion) in 2009-10 to 1.3 per cent (£22 billion) in 2013-14. In PBR 2009 the total public sector net investment from 2009-10 to 2014-15 was £189 billion, Budget 2010 does not significantly change this forecast (£190 billion).
- The current budget is in deficit throughout the forecast period, peaking at -8.4 per cent of GDP (£124 billion) in 2010-11 and falling to -2.8 per cent (£51 billion) by 2014-15. These deficits are lower than forecast in PBR 2009.

Table 2: Changes to the fiscal projections and balances between PBR 2009 and Budget 2010

	2009-10		2010-11		2011-12		2012-13		2013-14		2014-15	
	PBR 2009	Budget 2010	PBR 2009	Budget 2010	PBR 2009	Budget 2010	PBR 2009	Budget 2010	PBR 2009	Budget 2010	PBR 2009	Budget 2010
<i>Per cent of GDP</i>												
Net borrowing	12.6	11.8	12.0	11.1	9.1	8.5	7.1	6.8	5.5	5.2	4.4	4.0
Surplus on current budget	-9.1	-8.3	-9.3	-8.4	-7.2	-6.6	-5.6	-5.2	-4.3	-3.9	-3.2	-2.8
Net investment	3.5	3.6	2.7	2.7	1.9	1.9	1.6	1.6	1.3	1.3	1.3	1.3
Net debt ¹	55.6	54.1	65.4	63.6	71.7	69.5	75.4	73.0	77.1	74.5	77.7	74.9
<i>£ billions</i>												
Net borrowing	177.6	166.5	176.0	163.0	140.0	131.0	117.0	110.0	96.0	89.0	82.0	74.0
Surplus on current budget	-128.1	-116.6	-137.0	-124.0	-111.0	-102.0	-91.0	-84.0	-74.0	-67.0	-59.0	-51.0
Net investment	49.5	50.0	39.0	40.0	29.0	29.0	26.0	26.0	22.0	22.0	23.0	23.0
Net debt ¹	798.9	776.6	986.0	952.0	1,139.0	1,095.0	1,270.0	1,218.0	1,379.0	1,320.0	1,473.0	1,406.0

Source: HM Treasury, PBR 2009 and Budget 2010.

Note: All measure presented on the basis which excludes the effect of temporary financial interventions.

1. Debt at end March.

3.4. *Fiscal Responsibility Act*

The *Fiscal Responsibility Act 2010* received Royal Assent on 10th February 2010. It requires that the Government set out a legislative fiscal plan for delivering sound public finances, to be approved by Parliament, and places a binding duty on the Government to meet that plan.

Overall, the requirements that have been placed on the Government are for:

- borrowing to be reduced year-on-year and to be more than halved to 5.5 per cent of GDP or less in 2013-14;
- borrowing to be reduced as a share of GDP in each and every year from 2009-10 to 2015-16; and
- public sector net debt to be falling as a share of GDP in 2015-16.

3.5. *Compliance with EC recommendations*

The EU [Stability and Growth Pact](#) requires all Member States to keep their deficits below **3 per cent of GDP** and their debt to GDP ratio below 60 per cent. Should a Member State go beyond these limits, it enters the Excessive Deficit Procedure (EDP). Once the Member State is in EDP, it receives recommendations from the Economic and Financial Affairs Council on how to bring the deficit back below the 3 per cent threshold. Twenty Member States, including the UK, are currently in the EDP.

The most recent recommendations received from Council relating to the UK state that **a more ambitious reduction in the Government deficit is required to meet the 3 per cent of GDP reference value by 2014-15 at the latest**. It also recommends that during 2010 **detailed departmental spending limits should be published for at least the three year period beyond 2010-11**.¹⁹

¹⁹ European Commission, SEC(2010) 289, [Recommendation for a Council Opinion on the updated convergence programme of the United Kingdom, 2009/10-2014/15](#), 17 March 2010 [accessed 12 April 2010]

4. Impact of Budget 2010 on Welsh block funding

This section summarises the main announcements in Budget 2010 that will impact on the Welsh block funding.

Table 3 shows the forecasts made for revenue and capital departmental expenditure limit (DEL)²⁰ allocations to Wales as part of the block funding for the financial year 2010-11 in Budget 2010, as compared with PBR 2009.

Table 3: Revenue and capital DEL forecasts for 2010-11

	<i>£ billions</i>		
	Budget 2009	PBR 2009	Budget 2010
Revenue DEL	14.0	14.0	14.0
Capital DEL	1.7	1.8	1.7
Total DEL	15.7	15.8	15.7

Source: HM Treasury, PBR 2009 and Budget 2010

These figures would suggest an overall **reduction of £0.1 billion, or 0.6 per cent** in the DEL allocation to Wales as compared with that forecast in PBR 2009.

Members' Research Service have contacted HM Treasury with regard to this reduction and they have stated that this is at least partly due to the **drawing forward of £90.1 million of capital DEL** by the Welsh Government from 2010-11 into 2009-10.

Compared to the £15.3 billion DEL received in the Welsh block in 2009-10, **the 2010-11 allocation represents a £0.4 billion (or 2.6 per cent) increase; rather than the £0.5 billion (or 3.3 per cent) increase forecast in PBR 2009.**

A press release from HM Treasury accompanying Budget 2010 states that:

The Welsh Assembly Government will benefit from an **increase of £48 million** as a consequence of increased spending by UK Departments. It will be for the Welsh Assembly Government to allocate this spending. In addition, Wales will benefit from increased spending in reserved areas such as employment measures, support for mortgage interest and support for business.²¹

The changes to the Welsh block funding as a result of Budget 2010 have been provided by HM Treasury and can be seen in table 4. This shows that in 2010-11 an **additional £44 million DEL** is allocated as a result of decisions in Budget

²⁰ **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 Government complete 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 specific purposes

²¹ HM Treasury Press Release, [Budget Report 2010 for Wales](#), 24 March 2010 [accessed 12 April 2010]

2010. Of this, £34 million is revenue DEL and £10 million is capital DEL. HM Treasury also provided details of an **additional £3.6 million in annually managed expenditure (AME)**²² in relation to student loans. However, this would **normally not be considered to be a Barnett consequential**, as changes to AME are fully funded by HM Treasury and therefore have no impact on discretionary spend by the Welsh Ministers.

Table 4: Consequentials to Wales as a result of decisions in Budget 2010

UK budget decision	<i>£ millions</i> 2010-11
Revenue DEL	
Higher Education	17.9
Roads investment	4.9
Business rates relief	11.3
Capital DEL	
Regional transport schemes	9.9
Total DEL	44.0

Source: HM Treasury

4.1. *Impact of potential efficiency savings*

As detailed in [section 7](#), Budget 2010 provides further detail on how the public sector will achieve the **£20 billion of savings across the public sector by 2012-13** announced in PBR 2009. Budget 2010 states that any such savings will be factored into the next Spending Review, and that:

...the Devolved Administrations' budgets will be determined at the next Spending Review in line with the Barnett formula.²³

Members' Research Service have contacted HM Treasury regarding the potential impact of such savings, the response indicated that **savings announced in Budget 2010 will be subject to Barnett consequentials at the next spending review** when the affected UK departments will agree detailed figures with HM Treasury.

The measures outlined in both PBR 2009 and Budget 2010 aim for savings of over £20 billion by 2012-13. Members' Research Service has calculated that should this be realised, and assuming the distribution of these reductions is 100 per cent

²² **Annually managed expenditure (AME)** - covers expenditure whose provision cannot be reasonably subject to firm multi-year limits, and thus is reviewed and set annually by negotiation with HM Treasury. AME is demand led and can only be allocated to the programme for which it is assigned. Further AME can be drawn down from HM Treasury if required, while any unspent portion will be reclaimed by HM Treasury.

²³ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 94 [accessed 12 April 2010]

comparable in Wales, this could lead to a **maximum reduction to the Welsh block of £1.2 billion over the period to 2012-13.**

It should be noted that this reflects the maximum possible reduction to the Welsh block as a result of any such savings and as such assumes a comparability of 100 per cent. However, the actual level of reductions may be significantly lower than this suggested figure and will depend on which UK departments are required to make savings.

5. Supporting business and growth

This section summarises the main policy decisions in Budget 2010 which affect businesses across the UK, and where appropriate an estimate of how these decisions may impact upon Wales. This is not intended to be an exhaustive list of the policy decisions announced in Budget 2010, but provides a summary of the main headlines.

5.1. *Time to pay*

HMRC's [Business Payment Support Service](#) enables businesses experiencing temporary financial difficulties to spread their tax payments over an agreed time. This was launched at PBR 2008 and since then has given over 200,000 businesses more time to pay over £5.2 billion of tax. The majority of such arrangements have been with small to medium enterprises (SMEs).

Budget 2010 announces the intention to continue to offer such arrangements to businesses facing difficulty in meeting their tax obligations.²⁴ So far, **11,600 arrangements have been reached with businesses in Wales** to allow them more time to pay their tax.²⁵

5.2. *Small business rates relief*

Budget 2010 announces a temporary increase in the level of small business rate relief in order that eligible small businesses with rateable values of up to £6,000 will pay no business rates for one year from October 2010. Also, small businesses with rateable values up to £12,000 which benefit from the rates relief taper, will receive significant reductions.²⁶

Table 5 in [annex A](#) shows that this has an estimated **cost of £410 million** over the years 2010-11 to 2012-13.

²⁴ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 pages 49-50 [accessed 12 April 2010]

²⁵ HM Treasury Press Release, [Budget Report 2010 for Wales](#), 24 March 2010 [accessed 12 April 2010]

²⁶ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 53 [accessed 12 April 2010]

5.3. *UK Finance for Growth and Growth Capital Fund*

In partnership with UK banks the Government has raised £200 million of investment for the Growth Capital Fund announced in the PBR 2009.²⁷ This will act as a new channel for attracting private sector investment into UK SMEs who need £2-10 million of financing to support their growth and who struggle to access the required finance. This initial investment will enable the fund to raise additional investment to meet the £500 million target.

Budget 2010²⁸ also announces the launch of UK Finance for Growth (UKFG) which will have responsibility for overseeing the Government's stock of over £4 billion SME finance products (including the Growth Capital fund). UKFG will streamline and simplify Government finance support for business and provide a channel for private sector investment into SME-focused funds. UKFG is to work in partnership with the Department for Business Innovation and skills (BIS), the Department for Energy and Climate Change (DECC) and the Regional Development Agencies to coordinate SME finance schemes, ensuring Government-backed funds form a single coherent portfolio.

These funds will be accessible to Welsh SMEs.²⁹

5.4. *Annual Investment Allowance*

The temporary 40 per cent first year capital investment allowance announced at Budget 2009,³⁰ will end in April 2010 as planned. Businesses will continue to benefit from the Annual Investment Allowance (AIA), which allows the first £50,000 of capital expenditure in any given year to be fully offset against taxable profits. Budget 2010³¹ announces that the threshold for AIA will be increased to £100,000 for expenditure incurred from April 2010. This will benefit particularly the manufacturing, transport/storage and construction industries.³²

Table 5 in [annex A](#) shows that this has an estimated **cost of £260 million** over the years 2010-11 to 2012-13.

²⁷ HM Treasury, [Pre Budget Report 2009 Securing the Recovery: growth and opportunity](#), December 2009 page 63 [accessed 12 April 2010]

²⁸ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 52 [accessed 12 April 2010]

²⁹ HM Treasury Press Release, [Budget Report 2010 for Wales](#), 24 March 2010 [accessed 12 April 2010]

³⁰ HM Treasury, [Budget 2009: Building Britain's future](#), April 2009 page 76 [accessed 12 April 2010]

³¹ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 52 [accessed 12 April 2010]

³² HM Treasury Press Release, [Budget Report 2010 for Wales](#), 24 March 2010 [accessed 12 April 2010]

5.5. *Capital Gains Tax Entrepreneur's Relief*

Entrepreneur's Relief supports business owners and those investing in business with growth potential by providing an effective 10 per cent rate on Capital Gains Tax on qualifying disposals. Budget 2010³³ announces an extension of Entrepreneur's Relief from the first £1 million to the first £2 million of gains over a lifetime. This is to take effect from 6 April 2010.

Table 5 in [annex A](#) shows that this has an estimated **cost of £170 million** over the years 2010-11 to 2012-13.

5.6. *Creative Industries*

The creative industries, including the video games industry, make a valuable economic and cultural contribution to the UK. The Government announces that, following consultation on design, it will **introduce a tax relief for the UK's video games industry**, subject to state aid approval from the European Commission.³⁴

Table 5 in [annex A](#) shows that this has an estimated **cost of £90 million** over the years 2010-11 to 2012-13.

5.7. *Support for Higher Education and Innovation*

Budget 2010³⁵ announces a **spending package of £385 million** in 2010-11 to support university places and innovation, of which £150 million is from reprioritisation.

5.7.1. *University Enterprise Capital fund*

Budget 2010³⁶ announces that the Government is to **invest up to £25 million** in a University Enterprise Capital fund, through UKFG, to provide early stage funding for the commercialisation of promising innovations. This is to draw in private funding of at least £10 million.

³³ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 52 [accessed 12 April 2010]

³⁴ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 56 [accessed 12 April 2010]

³⁵ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 139 [accessed 12 April 2010]

³⁶ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 56 [accessed 12 April 2010]

5.7.2. Higher Education Modernisation Fund

Budget 2010³⁷ announces the **creation of a £270 million Modernisation Fund** which will be made available to universities in 2010-11 to enable them to identify and deliver efficiencies over the next four years and to fund an additional 200,000 undergraduate places on courses starting in September 2010, with priority given to key subjects such as science, technology, engineering and mathematics.

The Modernisation Fund is to include £20 million for a Shared Services Pilot Scheme to support a number of pilots between universities. To ensure efficiencies are also realised in Further Education, the Government has allocated £15 million for Shared Service pilots between FE institutions.

5.8. Green Investment Bank

Budget 2010³⁸ announces the Government's intention to create a Green Investment Bank, to operate on a commercial basis and involving both public and private sector capital. This will be managed by Infrastructure UK.³⁹ The Government will **invest up to £1 billion from asset sales** and will seek to match this from private sector investment. The purpose of the Green Investment Bank will be to invest in the low-carbon sector, where there is expected to be the risk of a gap emerging in the provision of equity capital. This will potentially benefit projects in Wales, including renewable energy.⁴⁰

5.9. Regional Growth Funds and Accelerated Development Zones

Budget 2010⁴¹ announces an enhanced role for Regional Ministers to promote growth and inclusion and champion public service reform. A regional growth fund will be established by the Regional Development Agencies (RDAs) within their capital budgets for 2011-12, to promote high-value investment in support of regional and national growth and industrial policy. To simplify the regional tier, the Government will also act to co-locate the RDAs, Homes and Communities Agency and Government Offices, saving £255 million from 2012-13.

³⁷ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 57 [accessed 12 April 2010]

³⁸ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 59 [accessed 12 April 2010]

³⁹ Infrastructure UK was established in the Pre Budget Report 2009 to be the focal point for the UK's infrastructure strategy, as well as its development and delivery.

⁴⁰ HM Treasury Press Release, [Budget Report 2010 for Wales](#), 24 March 2010 [accessed 12 April 2010]

⁴¹ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 62 [accessed 12 April 2010]

The Government announces its intention to support infrastructure investment in cities and other centres of growth via an Accelerated Development Zone (ADZ) pilot programme. Pilot schemes will be introduced across England during 2011-12. Authorities will receive **capital grant totalling £120 million** to support projects delivering key infrastructure and commercial development.

5.10. Local and national roads

Budget 2010 announces a **package of £385 million for investment in transport**, of which £80 million is from reprioritisation.⁴² For the repair of local roads following the recent cold weather there is an additional £100 million. This will be distributed to local highways authorities over the coming months based on the length and condition of roads they are responsible for. There is also an additional £285 million investment for the Managed Motorways programme and other major roads projects. This is to be part funded by reductions in the Department for Transport's marketing and communications budget and other low value spend.

5.11. VAT registration threshold

Budget 2010⁴³ announces a rise in the VAT registration threshold in line with inflation from £68,000 to £70,000 from 1 April 2010. This will mean fewer small businesses will have to join the VAT system. No further changes to VAT rates are detailed.

Further measures announced in Budget 2010 include: provision of enhanced on-line services for SMEs and the creation of a Small Business Credit Adjudicator.

⁴² HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 139 [accessed 12 April 2010]

⁴³ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 61 [accessed 12 April 2010]

6. Achieving fairness and providing opportunity

This section summarises the main policy decisions in Budget 2010 which affect individuals across the UK, and where appropriate an estimate of how these decisions may impact upon Wales. This is not intended to be an exhaustive list of the policy decisions announced in Budget 2010, but provides a summary of the main headlines.

6.1. *Income tax and National Insurance*

As announced at Budget 2009, from April 2010 a new 50 pence additional tax rate will apply to income above £150,000 and the income tax personal allowance will be gradually withdrawn for those with incomes over £100,000.

As announced in PBR 2009 the income tax personal allowance for under 65s, age-related allowances and limits and basic rate limit will be maintained at 2009-10 levels during 2010-11. Also in line with PBR 2009, the point at which individuals begin to pay the higher rate if income tax will be frozen in 2012-13.⁴⁴

There are no further changes proposed to the NIC rates, the 0.5 per cent increases announced at PBR 2009 come into effect on 6 April 2011. In addition to this the 0.5 per cent increase announced at PBR 2008 also takes effect from 6 April 2011.

Details of how the income tax and National Insurance changes announced in PBR 2009 and before, which take effect from 2010-11 can be found in tables 6 and 7 in [annexes B](#) and [C](#).

6.2. *Young Persons Guarantee*

The [Young Person's Guarantee](#) is providing a job, work experience or training for any young jobseeker unemployed for six months or more: it includes the [Future Jobs Fund](#). Budget 2010⁴⁵ announces **funding of £450 million** to extend the Young Person's Guarantee from March 2011 for an additional year until March 2012 and that participation will be mandatory for young people unemployed for 10 months.

⁴⁴ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 122 [accessed 12 April 2010]

⁴⁵ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 66-67 and page 139 [accessed 12 April 2010]

Unemployment has remained well below levels anticipated, and therefore the Government has not required the full £5 billion of additional resources set aside for the Department of Work and Pensions (DWP) to provide support for the unemployed. The funding released from this underspend will be used to extend the guarantee in 2011-12.⁴⁶

6.3. *Child Tax Credit*

Budget 2010⁴⁷ announces that from April 2012 the child elements of the Child Tax Credit will be increased by £4 per week for each child aged one and two. The estimated cost of this measure is **£180 million** from 2012-13 and it is intended to be funded by a reduction in incorrect payments in benefit processing.

6.4. *Working Tax Credit*

Budget 2010⁴⁸ announces that, from April 2011, people aged over 60 will qualify for the Working Tax Credit if they work at least 16 hours a week, rather than 30 as currently.

Table 5 in [annex A](#) shows that this has an estimated **cost of £10 million** in 2010-11.

6.5. *Winter Fuel Payments*

Winter Fuel Payments, worth £300 to households with someone over 80, or £200 if someone is over the female State Pension Age, help with energy bills. Last winter, pensioner households received an additional payment alongside their Winter Fuel Payment, worth £100 to households with someone over 80, or £50 if someone is over the female State Pension Age. Budget 2010⁴⁹ announces this additional payment will be repeated in 2010-11. It is estimated that 490,000 households in Wales receive a Winter Fuel Payment and the additional payment alongside it, of which 120,000 have someone aged 80 or over.⁵⁰

⁴⁶ HM Treasury Press Release, [Securing the Recovery](#), 24 March 2010 [accessed 12 April 2010]

⁴⁷ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 68 [accessed 12 April 2010]

⁴⁸ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 69 [accessed 12 April 2010]

⁴⁹ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 70 [accessed 12 April 2010]

⁵⁰ HM Treasury Press Release, [Budget Report 2010 for Wales](#), 24 March 2010 [accessed 12 April 2010]

Table 5 in [annex A](#) shows that this has an estimated **cost of £600 million** in 2010-11.

6.6. Support for Mortgage Interest Scheme

PBR 2008 announced a freeze in the standard interest rate for calculating SMI at 6.08 per cent. Originally intended to end in June 2009, this was extended in Budget 2009, and again in PBR 2009. Budget 2010 announces that this rate will be maintained for a further six months until the end of December 2010.⁵¹ Based on most recent regional data, the **number expected to benefit from this in Wales is 14,100.**⁵²

Table 5 in [annex A](#) shows that this has an estimated **cost of £165 million** in 2010-11.

6.7. Stamp Duty Land Tax

Budget 2010⁵³ announces a two-year stamp duty land tax (SDLT) relief for first-time buyers for residential property purchases up to £250,000, to help reduce the upfront transaction cost faced by this group. In order to offset the cost of this relief and to sustain the public finances in the longer term, Budget 2010 also announces the introduction of an additional 5 per cent rate of SDLT for residential property over £1 million from 2011-12.

Table 5 in [annex A](#) shows that the two year SDLT relief for first time buyers has an estimated **cost of £550 million**; and that the additional 5 per cent on properties over £1 million is estimated to **gain £390 million** over the years 2010-11 to 2012-13. Therefore, in order for the increase rate to pay for the reduction for first time buyers, it will have to remain increased beyond 2012-13.

6.8. Saving Gateway

The [Saving Gateway](#) offers support for working age adults on the lowest incomes to save. It offers the opportunity to receive 50 pence from the Government for

⁵¹ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 88 [accessed 12 April 2010]

⁵² HM Treasury Press Release, [Budget Report 2010 for Wales](#), 24 March 2010 [accessed 12 April 2010]

⁵³ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 71 [accessed 12 April 2010]

each £1 saved. The first accounts will be available in July 2010, with Lloyds Banking Group, the Post Office and Royal Bank of Scotland being the first to offer accounts.⁵⁴ **Around 459,000 people are expected to benefit from this in Wales.**⁵⁵

Table 5 in [annex A](#) shows that this has an estimated **cost of £10 million** in 2010-11.

6.9. Inheritance Tax

The PBR 2009 froze the inheritance tax allowance in 2010-11 at £325,000.⁵⁶ Budget 2010⁵⁷ announces that this freeze will be extended until 2014-15.

Table 5 in [annex A](#) shows that this has an estimated **yield of £145 million** over the years 2011-12 to 2012-13. Note that this is in addition to the estimated yield of **£430 million** of the inheritance tax measure announced in PBR 2009 (as detailed in table 6 in [annex B](#)).

6.10. ISA Limits

From October 2009, ISA limits for those aged 50 or over were increased to £10,200 up to £5,100 of which can be in cash. From April 2010, all savers will benefit from these higher ISA limits. Budget 2010⁵⁸ announces that from April 2011 over the course of the next Parliament, ISA limits will be indexed in line with the RPI.

Table 5 in [annex A](#) shows that this has an estimated **cost of £5 million** in 2012-13.

6.11. Tobacco duty

The Government announces that from 24 March 2010 tobacco duty rates will increase by 1 per cent above inflation each year, adding 15 pence to a packet of

⁵⁴ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 73 [accessed 12 April 2010]

⁵⁵ HM Treasury Press Release, [Budget Report 2010 for Wales](#), 24 March 2010 [accessed 12 April 2010]

⁵⁶ HM Treasury, [Pre Budget Report 2009 Securing the Recovery: growth and opportunity](#), December 2009 page 94 [accessed 12 April 2010]

⁵⁷ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 72 [accessed 12 April 2010]

⁵⁸ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 73 [accessed 12 April 2010]

cigarettes. Budget 2010 also announces that tobacco duty rates will increase by 2 per cent above inflation each year to 2014-15.⁵⁹

Table 5 in [annex A](#) shows that this has an estimated **yield of £285 million** over the years 2010-11 to 2012-13.

6.12. Alcohol Duty

Cider duty rates will increase by 10 per cent above inflation on 29 March 2010, to bring them more into line with the duty rates on other alcohol products. From 1 September 2010, the technical definition of cider will be changed to ensure products that more closely resemble made-wines are taxed appropriately. Table 5 in [annex A](#) shows that this has an estimated **yield of £45 million** over the years 2010-11 to 2012-13.

As announced at Budget 2008, alcohol duty rates on beer, wine and spirits will increase by 2 per cent above inflation on 29 March 2010. This will add 2 pence to the price of a pint of beer, 10 pence to the price of a bottle of wine, and 36 pence to the price of a bottle of spirits. In addition, alcohol duty rates on all products will increase by 2 per cent above inflation each year to 2014-15.⁶⁰ Table 5 in [annex A](#) shows that this has an estimated **yield of £105m in 2013-14, and £190m in 2014-15.**

Further measures announced in Budget 2010 include: Housing Benefit reform saving £125 million by 2014-15; a package of measure to protect tax revenues of £4 billion and which yield £1.5 billion by 2012-13; and confirms decisions on how the restriction of pensions tax relief will be applied and delivered.

⁵⁹ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 82 [accessed 12 April 2010]

⁶⁰ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 82 [accessed 12 April 2010]

7. Public services

This section summarises the main policy decisions in Budget 2010 that affect public services across the UK, and where appropriate an estimate of how these decisions may impact upon Wales. This is not intended to be an exhaustive list of the policy decisions announced in Budget 2010, but provides a summary of the main headlines.

Budget 2010⁶¹ confirms the spending growth assumptions set out in Pre Budget Report 2009, with **public sector current expenditure growing at an average of 0.8 per cent a year in real terms** from 2011-12 to 2014-15 and **public sector net investment falling to 1.25 per cent of GDP by 2013-14**, and remaining at that level in 2014-15.

Budget 2010 confirms the commitments set out in PBR 2009 that spending on frontline schools and NHS, 16 to 19 education and Sure Start will be protected in the years to 2012-13, with sufficient funding provided to maintain police officer numbers. In addition, spending on international development will continue to rise during next spending review period in order to meet the Government's Official Developmental Assistance (ODA) commitment in 2013.

Budget 2010 identifies the £11 billion of cross-cutting savings announced under Smarter Government department-by-department and provides further details on how the Government will deliver £5 billion of savings from targeting and prioritising spending.⁶²

Protecting the Government's priorities in health, education, the police and ODA will require tough choices elsewhere in order to meet the commitment to halve public sector net borrowing over the next four years. The PBR 2009 announced **over £20 billion of savings across the public sector by 2012-13** and Budget 2010⁶³ sets out further detail on how these savings will be delivered, including through:

- tough choices on public sector pay and reforming public sector pensions;
- £5 billion of cuts to lower value spending;
- reforms to the welfare system to improve work incentives and increase fairness;

⁶¹ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 89 [accessed 12 April 2010]

⁶² HM Treasury Press Release, [Securing the Recovery](#), 24 March 2010 [accessed 12 April 2010]

⁶³ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 91 [accessed 12 April 2010]

- £11 billion of efficiencies and other cross-cutting savings through streamlining government; and
- plans to manage the Government's assets and property more effectively.

7.1. Public Sector Pay

In the 2009 Pre-Budget Report, the Government announced that it will seek a one per cent cap on basic pay uplifts across the public sector for 2011-12 and 2012-13, generating **savings of £3.4 billion a year by 2012-13**.

On 10 March 2010, the Government announced that there will be no pay uplift in 2010-11 for senior public sector staff including the senior civil service, the judiciary, consultant doctors, senior managers in the NHS and self-employed GPs and dentists. At the same time, the Government announced that, excluding those on three-year deals, basic pay uplifts for other workforces will be capped at a maximum of one per cent in 2010-11.⁶⁴

7.2. Public Value Programme

The Government has continued to look for opportunities to deliver efficiencies across the public sector by cutting lower value or lower priority programmes or projects.

The [Public Value Programme](#), launched at Budget 2008, has been conducting demanding value for money reviews across at least 50 per cent of each department's budget. Based on the early findings of the programme, the PBR 2009 announced £5 billion of savings by 2012-13 through cutting lower value or lower priority spend. Budget 2010 announces further details of these savings,⁶⁵ including:

- £360 million saving by reforming the criminal justice system and legal aid;
- £340 million saving by improved targeting of housing growth and regeneration funding;
- £350 million saving by reducing a range of budgets across the Department for Children, Schools and Families (DCFSF);
- £180 million saving by improving the concessionary travel scheme;

⁶⁴ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 91-92 [accessed 12 April 2010]

⁶⁵ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 92-93 [accessed 12 April 2010]

- £13 million by reforming/eliminating allowances no longer relevant for staff posted overseas;
- £35 million saving in housing benefit costs by reducing unlawful occupation of social housing; and
- £185 million saving by ending smaller time-limited programmes in Communities and Local Government (CLG) and rationalising other smaller CLG programmes.

7.3. *Welfare reform*

The Government has introduced a new medical assessment for Incapacity Benefit, which focuses on what the individual can do, rather than what they cannot do, and has already announced that over five years this will reduce the benefits bill by £1.2 billion. This [Work Capability Assessment](#) will be extended to existing Incapacity Benefit claimants, which is expected to move more people into work, reducing the benefits bill by a further £300 million over the next five years.⁶⁶

Budget 2010 also announces that the Government is taking action to tackle excessively high Local Housing Allowance payments for a small number of tenants in the most expensive areas, saving another £50 million a year by 2014-15.⁶⁷

7.4. *Streamlining Government*

The PBR 2009 announced that in the next spending review period the Government will deliver savings of **over £11 billion a year by 2012-13**, through operational efficiencies, streamlining Arm's Length Bodies (ALBs), cutting consultancy and marketing spend, raising energy efficiency, reducing spend on IT projects, cutting the costs of staff in the public sector and improving customer channels.

Budget 2010⁶⁸ announces further details on delivering this £11 billion a year in savings from 2012-13 as set out in '[Putting the frontline first: smarter government](#)' to be achieved through delivering services in a smarter, more effective way. Departments are to publish further details of such savings.

⁶⁶ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 93 [accessed 12 April 2010]

⁶⁷ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 93 [accessed 12 April 2010]

⁶⁸ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 94-97 [accessed 12 April 2010]

These efficiency savings will be factored into the next Spending Review, and contribute to halving public sector net borrowing and protecting key frontline services. Budget 2010 states that:

the Devolved Administrations' budgets will be determined at the next Spending Review in line with the Barnett formula.⁶⁹

Of the £11 billion, **£8 billion are savings identified through the [Operational Efficiency Programme](#)** (OEP) from reductions to the costs of back office functions, IT, collaborative procurement and property running costs across central government. All departments have now signed up to delivering these savings, including:

- £650 million from greater use of collaborative procurement in schools;
- £550 million from Ministry of Defence (MoD) from greater use of collaborative procurement;
- £236 million from HM Revenue and Customs (HMRC) by reducing its estate and reducing IT costs through rationalising and decommissioning outdated systems; and
- £40 million from DWP by using benchmarking to improve workspace utilisation, extend flexible working arrangements and unlock greater commercial value from its estate.

In addition to the £8 billion operational efficiency savings, £3 billion will be delivered by 2012-13 through:

- streamlining ALBs – Government intend to save at least £500 million by 2012-13 through reforming and rationalising ALBs;
- cutting consultancy and marketing spend –to save over £650 million by 2012-13 by reducing departmental consultancy spend by 50 per cent and departmental marketing and communications spend by 25 per cent from 2008-09 spending levels;
- reducing spend on IT projects – spending on IT projects across Government to be reduced by £500 million by 2012-13;
- improving energy efficiency across the public sector - to save £300 million by 2012-13;

⁶⁹ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 94 [accessed 12 April 2010]

- cutting staff costs in public sector – the PBR 2009 announced that cutting the cost of the senior civil service by 20 per cent and reducing sickness absence would save £140 million by 2012-13;
- improving customer channels – making better use of telephony and e-channels to deliver public services to save at least £600 million a year by 2012-13; and
- preventing incorrect payments in the benefits system – to deliver savings of £175 million in social security expenditure by 2012-13.

7.5. Relationship between centre and front line

Budget 2010⁷⁰ announces that the Government will give local authorities new discretion over £1.3 billion of funding that is currently ring-fenced and reduce the number of funding streams from central to local government from 110 to 94. Alongside this the Government has reduced the set of indicators for local authorities by 18.

Budget 2010⁷¹ also announces measures to strengthen regional, sub-regional and local capability to support growth and inclusion. Enhanced regional ministers will play a key role in promoting growth and inclusion, driving through public sector reform and encouraging further devolution to sub-regional levels. The Government will also co-locate the Regional Development Agencies, Homes and Communities Agency and Government Offices. Budget 2010 announces that **these reforms will deliver savings of £255 million a year by 2012-13.**

7.6. Flexibilities for the Scottish Parliament

The UK Government continues to work towards the commitments⁷² made in response to the recommendations of the Calman Commission.⁷³ Budget 2010 states:

In future a proportion of the Scottish budget will be funded through its own decisions on taxation, which will also allow the Scottish Executive to increase borrowing, subject to HM Treasury limits. The Government envisages legislating for these changes as soon as possible during the next Parliament. In addition, as announced by the Chief Secretary to the Treasury

⁷⁰ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 97 [accessed 12 April 2010]

⁷¹ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 99 [accessed 12 April 2010]

⁷² Scotland Office, [Scotland's Future in the United Kingdom](#), November 2009. [accessed 12 April 2010]

⁷³ Commission on Scottish Devolution, [Serving Scotland Better: Scotland and the United Kingdom in the 21st Century](#), June 2009 [accessed 12 April 2010]

on 1 March 2010, HMRC will establish an advisory group of stakeholders, who it will consult on the technical and practical implications of the implementation of the changes.⁷⁴

7.7. Operational Efficiency Programme – Asset Strand

Budget 2010⁷⁵ announces an update on the progress Government has made in commercialising the assets set out in the [Operational Efficiency Programme: Asset Portfolio](#) including launching a sale processes for High Speed One and the Tote this summer. It also announces the creation of strategic property vehicles to help the Government realise **savings of £5 billion a year in property running costs and £20 billion in disposals by 2020**. They will also help deliver the Government's shorter-term targets of **£1.5 billion annual savings in property running costs and £2 billion of central government property disposals by 2013-14**.

7.8. Relocation of civil servants

In 2004 the Lyons Review laid down a target of relocating 20,000 civil servants from London and the South East. Budget 2009 extended this target by an additional 4,000 posts, to 24,000. By December 2009 over 21,500 posts had been relocated⁷⁶. Building on this progress, Ian Smith published his independent review *Relocation: Transforming where and how Government works*.⁷⁷ The report recommends mechanisms that will reduce the long term complement of civil servants in the London region, stimulating economic vibrancy in the regions, bringing government closer to the people and promoting 21st century, efficient and fit for purpose public sector campuses.

Budget 2010⁷⁸ announces that the Government accepts Ian Smith's recommendations and intends to reduce the number of civil servants in London by a third over the next 10 years, starting with a relocation of 15,000 jobs from London. It also announces⁷⁹ that as of December 2009 the Government had relocated over 21,500 Civil Service posts out of London and the South East. By December 2009, **3,629 posts had been relocated to Wales**.

⁷⁴ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 99 [accessed 12 April 2010]

⁷⁵ HM Treasury Press Release, [Securing the Recovery](#), 24 March 2010 [accessed 12 April 2010]

⁷⁶ Published by the [Office of Government Commerce](#) [accessed 12 April 2010]

⁷⁷ HM Treasury, [Relocation: Transforming where and how Government works](#), Independent Review, Ian Smith, March 2010 [accessed 12 April 2010]

⁷⁸ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 103 [accessed 12 April 2010]

⁷⁹ HM Treasury Press Release, [Budget Report 2010 for Wales](#), 24 March 2010 [accessed 12 April 2010]

8. Securing low carbon growth

This section summarises the main policy decisions in Budget 2010 that affect low carbon growth across the UK, and where appropriate an estimate of how these decisions may impact upon Wales. This is not intended to be an exhaustive list of the policy decisions announced in Budget 2010, but provides a summary of the main headlines.

8.1. Green Investment Bank

As detailed in [section 5.8](#), to address emerging equity finance gaps, the Government intends to create a Green Investment Bank, with a mandate to invest in low-carbon infrastructure. The Government will start by investing up to £1 billion from the sale of infrastructure-related assets and will seek to match this with at least £1 billion of private sector investment. **This will potentially benefit projects in Wales, including renewable energy.**⁸⁰

8.2. UK Finance for Growth

As detailed in [section 5.3](#), UK Finance for Growth will have responsibility for overseeing the Government's stock of over £4 billion SME finance products, in order to streamline and simplify support for business and provide a channel for private sector investment in SME-focused funds. **These funds will be accessible to Welsh SMEs.**⁸¹

8.3. Support for low carbon sector

Budget 2009 and PBR 2009 announced £1.8 billion in support for low carbon sectors.⁸² Budget 2010⁸³ announces **up to £60 million for the development of port sites to support offshore wind turbine manufacturers looking to locate new facilities in the UK and secure low carbon manufacturing jobs.** The Government intends to launch a competition to identify host locations for, and recipients of, this funding subject to state aid approval. **The wind energy industry employs around 3,900 people in Wales.**⁸⁴

⁸⁰ HM Treasury Press Release, [Budget Report 2010 for Wales](#), 24 March 2010 [accessed 12 April 2010]

⁸¹ HM Treasury Press Release, [Budget Report 2010 for Wales](#), 24 March 2010 [accessed 12 April 2010]

⁸² HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 111 (Box 7.3) [accessed 12 April 2010]

⁸³ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 112 [accessed 12 April 2010]

⁸⁴ HM Treasury Press Release, [Budget Report 2010 for Wales](#), 24 March 2010 [accessed 12 April 2010]

8.4. *Vehicle Excise Duty*

From 1 April 2010, the Government will introduce new first-year rates of vehicle excise duty (VED), as announced at Budget 2008. Under this system, all cars emitting up to 130 grams of carbon dioxide per kilometre (g CO₂ per km) will pay no VED in the first year. Cars emitting over 165 g CO₂ per km will pay additional VED in the first year – up to £950 for cars emitting over 255 g CO₂ per km. First-year rates will encourage the purchase of more fuel-efficient cars by providing a strong signal to the consumer at the point of purchase.

The PBR 2009 announced a package of support for zero-carbon vehicles, including a five-year exemption from company car tax. Budget 2010⁸⁵ announces that this support will be extended to ultra-low carbon cars, so that the percentage of list price subject to company car tax will be halved for cars emitting between 1 and 75 g CO₂ per km, for five years from April 2010.

Table 5 in [annex A](#) shows that this has an estimated **cost of £5 million** in 2012-13.

8.5. *Fuel Duty*

Budget 2009 announced that fuel duty would increase by one penny per litre in real terms on 1 April each year from 2010 to 2013, equivalent to 2.76 pence per litre this year. Budget 2010⁸⁶ announces that the 2010-11 fuel duty increase will be staged, so that main fuel duty will increase by one penny per litre on 1 April and one penny per litre on 1 October 2010, then by 0.76 pence per litre on 1 January 2011. Table 5 in [annex A](#) shows that this has an estimated **cost of £550 million** in 2010-11.

Budget 2010 also announces that fuel duty will increase by a further penny per litre in real terms on 1 April each year from 2011 to 2014. Table 5 in [annex A](#) shows that this has an estimated **yield of £425 million** in 2014-15.

8.6. *Landfill Tax*

Budget 2010⁸⁷ announces an increase of £8 per tonne in the standard rate of landfill tax on 1 April 2014, and a freeze in the lower rate in 2011-12. The

⁸⁵ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 116 [accessed 12 April 2010]

⁸⁶ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 115 [accessed 12 April 2010]

⁸⁷ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 117 [accessed 12 April 2010]

Government confirms that the standard rate will not fall below £80 per tonne in future, to provide certainty for business investment. The increase in the standard rate will divert an additional 600,000 tonnes of waste, and result in carbon savings.

Table 5 in [annex A](#) shows that this has an estimated **yield of £70 million** in 2014-15.

9. Other Measures

9.1. *Bank Payroll Tax*

The PBR 2009 announced that a temporary bank payroll tax of 50 per cent would apply to banks awarding discretionary bonuses from 9 December 2009 to 5 April 2010.⁸⁸ Budget 2010 states that there is evidence that bonuses have been reduced to some extent because of this tax. In his Budget Speech the Chancellor stated that '*this tax has raised £2bn, more than twice as much as was forecast.*'⁸⁹

9.2. *Lloyds and RBS lending commitments*

Budget 2010⁹⁰ announces that both Lloyds Banking Group (LBG) and the Royal Bank of Scotland (RBS) have agreed legally binding lending commitments for the year beginning March 2010. LBG have committed to lend £47 billion: £3 billion in additional mortgage lending and £44 billion in total lending to business. RBS have agreed to lend £58 billion: £8 billion in additional mortgage lending and £50 billion in total lending to business. The Government is to report to Parliament on the delivery of these commitments at the end of the year.

9.3. *Universal Service Obligation*

In October 2009 the Government announced that it had met its shared goal with the banks to reduce the number of adults without access to a current account by half.⁹¹ Budget 2010⁹² announces the Government's belief that it is possible to make further reductions in the number of adults without access to banking services, potentially by up to half over the next five years, and that one step towards achieving this would be to introduce a new right to open a basic bank account. The Government intends to introduce a new 'universal service obligation', giving people the right to a basic bank account under certain conditions and will consult on the details.⁹³

⁸⁸ HM Treasury, [Pre Budget Report 2009 Securing the Recovery: growth and opportunity](#), December 2009 page 41 [accessed 12 April 2010]

⁸⁹ HM Treasury, [Chancellor of the Exchequer's Budget Statement](#), 24 March 2010 [accessed 12 April 2010]

⁹⁰ HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 41-42 [accessed 12 April 2010]

⁹¹ HM Treasury, [Progress towards the shared goal on access to bank accounts](#), 15 October 2009 [accessed 12 April 2010]

⁹² HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010 page 46 [accessed 12 April 2010]

Annex A Budget 2010 policy decisions

Table 5 summarises Budget 2010 measures that affect government revenues and spending and also includes all measures announced since the PBR 2009. This includes tax measures, national insurance contributions (NICs) measures, measures that affect annually managed expenditure (AME), and additions to departmental expenditure limits (DEL). Measures that are financed from existing DEL provisions are not included, unless otherwise stated. Measures that impact on the next spending review period when departmental budgets have not been set will be absorbed within the Government's spending growth assumption for 2011-12 onwards. They are therefore excluded from the scorecard for this period.

Table 5 Budget 2010 policy decisions¹

	<i>£ million</i>		
	2010-11	2011-12	2012-13
Supporting business			
Capital gains tax: increase in Entrepreneur's relief to £2m from 2010-11	-5	-75	-90
Annual investment allowance: increase to £100,000 from 2010-11	-30	-120	-110
Business rates: temporary increase in relief for small businesses	-210	-205	5
Tax relief for video games industry	0	-40	-50
HRMC: enhanced online services for SMEs	-20	-	-
Small business credit adjudicator	-5	-	-
Support for university places and innovation	-385	-	-
Investment in transport	-385	-	-
Reprioritised spending from BIS and DfT	230	-	-
Reprioritised spending from DWP: Extend Young Person's Guarantee ²	475	-	-
Helping people fairly			
Fuel duty: phase increase	-550	0	0
Individual savings account: indexation from 2011-12	0	*	-5
SDLT: temporary relief for first time buyers	-230	-290	-30
SDLT: properties over £1m from 2011-12	90	70	230
Support for Mortgage Interest	-165	-	-
Housing benefit reform ³	0	-	-
Reduction in social security fraud and error	115	-	-
Child tax credit: £4 supplement for children aged 1 and 2 from 2012-13 ⁴	0	-	-
Working tax credit: extend eligibility for over 60s from 2010-11	-10	-	-
Additional age-related payment to pensioner households	-600	-	-
Saving Gateway: funding	-10	-	-
Delivering on environmental goals			
EU Emissions Trading Scheme auctions: amendments	0	-10	0
VED: HGVs	-10	-10	-15
Company car tax: ultra-low carbon cars	0	0	-5
Aggregates levy rate	0	5	5
Landfill tax: increase in 2014-15 ⁵	0	0	0
Enhanced capital allowances: amendments	5	5	5
Ensuring sustainability of the public finances			
Alcohol duty: increase in rates in 2013-14 and 2014-15 ⁶	0	0	0
Cider duty: increase in rates in 2010-11	15	15	15
Tobacco duty: increase in rates from 2010-11 to 2014-15	35	95	155
Fuel duty: increase in rates in 2014-15 ⁷	0	0	0
Inheritance tax: freeze threshold from 2011-12 to 2014-15 ⁸	0	35	110

Table 5: Budget 2010 policy decisions¹ (continued)

	<i>£ million</i>		
	2010-11	2011-12	2012-13
Protecting revenue and administrative changes			
Gifts of qualifying investments to charities	15	15	15
Liechtenstein Disclosure Facility ⁹	40	320	140
Remittance basis: avoidance	5	5	5
Loans to participators	15	15	15
Double tax relief: avoidance	0	75	80
Share Incentive Plans: avoidance	20	20	20
Transactions in securities	170	65	65
Enhanced disclosure regime	25	50	50
Partnerships: avoidance of SDLT	70	80	90
Mixed use assets: VAT treatment	15	65	60
Extend financial securities	0	*	5
Charity and trust tax reliefs: amendments	-15	-35	-60
VAT: place of supply of energy products	-125	0	0
Total policy decisions	-1,415	150	705

Source: HM Treasury, [Budget 2010: Securing the recovery](#), 24 March 2010, Table A1.

- Included within the existing spending growth assumptions for 2011-12 onwards.

* Negligible (less than £3m a year).

1. Costings reflect Budget 2010 economic forecast and assumptions.
2. The extension of the Young Person's Guarantee in 2011-12 costs £450m.
3. The estimated yield of this measure rises to £50m in steady state.
4. The estimated cost of this measure is £180m from 2012-13.
5. The estimated yield of this measure is £70m in 2014-15.
6. The estimated yield of this measure is £105m in 2013-14, and £190m in 2014-15.
7. The estimated yield of this measure is £425m in 2014-15.
8. This is in addition to the inheritance tax measure announced at PBR 2009.
9. The estimated yield for this measure is partly based on operational data since December 2009.

Annex B Pre Budget Report 2009 policy decisions

Table 6 summarises the impact on government revenues and spending of measures announced at the PBR 2009, and also includes all other measures announced since Budget 2009.

Table 6: Pre-Budget Report 2009 policy decisions^{1,2}

	<i>£ million</i>		
	2010-11	2011-12	2012-13
Ensuring sustainability of the public finances			
Freeze higher rate threshold in 2012-13	0	0	240
Increase NICs primary threshold by £570 in 2011-12 ³	0	-1,430	-1,450
Increase employer NICs rate by 0.5% from 2011-12 ³	0	2,260	2,360
Increase main employee and self-employed NICs rate by 0.5% from 2011-12 ³	0	1,920	1,990
Increase additional employee and self-employed NICs rate by 0.5% from 2011-12 ³	0	310	330
Pensions tax: updated income definition ⁴	0	0	600
Freeze inheritance tax threshold in 2010-11	70	170	190
Bank payroll tax ⁵	1,300	0	0
Salary sacrifice: workplace canteens	0	110	110
Auto-enrolment: slower introduction ⁶	0	0	100
Protecting revenues			
Insurance Premium Tax: avoidance	10	10	10
Index linked gilts	40	65	40
Financial products avoidance	100	100	50
Foreign exchange: structured arrangements ⁷	25	85	40
Substantial donors to charity: replacement of anti-avoidance legislation	*	-10	-10
Pensions tax: anti-forestalling rules	-80	0	0
Supporting business			
Rates on empty property: extension of temporary exemption	-135	10	0
Small Companies Relief of corporation tax: defer increase to 2011-12	-10	-380	-110
Patent Box from 2013-14 ⁸	0	0	0
Bingo Duty: reduce to 20%	-5	-10	-10
Seafarer's Earning deduction	0	-5	-5
Venture capital schemes: State Aid changes	0	-20	-30
Stamp Duty: exemption for company buybacks of shares of overseas branches	-5	-5	-5
Digital Britain: Landline duty	90	175	175
Strategic Investment Fund: addition ⁹	-110	0	0
Funding for <i>Building Britain's Future</i>	35	0	0
Protecting the environment			
Climate Change levy: reduction of relief from 2011-12	0	50	50
Fuel Benefit Charge: increase multiplier	50	45	45
Company Car Tax: extend bands from 2012-13	0	0	120
Biofuels Duty Differential: limited extension	-10	-10	0
Zero-carbon vehicles: tax reliefs	-5	-5	-5
Warm Front and Greener Boiler incentive ¹⁰	-85	0	0

Table 6: Pre-Budget Report 2009 policy decisions^{1,2} (continued)

	<i>£ million</i>		
	2010-11	2011-12	2012-13
Helping people fairly¹¹			
Income tax: indexation of rates and thresholds	0	0	0
National Insurance contributions: indexation of rates and limits	0	0	0
Tax relief for travel expenses	35	85	85
Childcare: employer supported childcare tax relief ¹²	0	0	0
Extension of free school meals	-140	-	-
Benefits uprating	-700	0	0
Local authority guideline rents ¹³	-115	-	-
Money Guidance rollout in 2010-11	-10	0	0
Working Tax Credits: extension to over 65s from 2010-11	-5	-	-
Tackling benefit error	95	-	-
Housing benefit: managing gains from Local Housing Allowance from 2011-12	-40	-	-
Support for Mortgage Interest ¹⁴	-70	0	0
Gurkhas: removal of 1997 cut-off	-240	-	-
Cold Weather payments	0	0	0
Total policy decisions	85	3,520	4,910
Reserve: support for military operations	-2,500	0	0
Memo: increase to Public Sector Current Expenditure	0	-7,700	-6,900
	-2,415	-4,180	-1,990

Source: HM Treasury, [Budget 2010: Securing the recovery](#), Table A2

- Included within the current spending growth assumptions for 2010-11 onwards.

* Negligible (less than £3m a year).

1. This table also includes measures announced between Budget 2009 and PBR 2009.

2. Costings reflect Budget 2010 economic forecasts and assumptions.

3. This is in addition to the 0.5 per cent NICs increase announced at the 2008 PBR.

4. This is in addition to the pensions tax relief measure announced at Budget 2009. The net yield is £3.5bn.

5. This costing shows the net yield figure of £1.3bn (with an underlying gross figure of £2bn).

6. In 2013-14 the yield is £0.7bn, in 2014-15 the yield is £1.6bn.

7. This costing has been updated in light of increased information on related avoidance schemes.

8. The costs of this measure will rise to £1.3bn in steady state.

9. Total addition to the Strategic Investment Fund at PBR 2009 was £210m in 2010-11, including Barnett consequentials for non-reprioritised funding. £100m of this is funded through reprioritisation.

10. Total funding for Warm Front and Greener Boiler Incentive is £215m in 2010-11, including Barnett consequentials for non-reprioritised funding. £130m of this is funded through reprioritisation.

11. Employment support package costing £45m in 2009-10 and £355m in 2010-11 funded by DWP underspend.

12. Employer supported childcare tax relief measure to fund expansion of free childcare to 2 year olds.

13. Total support for Local Authority Guideline rents is £170m in 2010-11. £55m of this is funded through reprioritisation.

14. Total Support for Mortgage Interest in 2009-10 was £70m, including Barnett consequentials for non-reprioritised funding. £45m of this was funded through reprioritisation.

Annex C Measures in Budget 2009 or earlier

Table 7: Measures announced in Budget 2009 or earlier¹ which take effect in April 2010 or later

	<i>£ million</i>		
	2010-11	2011-12	2012-13
Child Trust Fund: extra payments for disabled children	-15	-	-
Increase Child Element of Child Tax Credit	-170	-	-
Housing Benefit/Council Tax Benefit overpayments: remove double subsidy provision	10	-	-
Housing Benefit/Council Tax Benefit: earnings disregard	-5	-	-
Housing Benefit: managing gains from Local Housing Allowance	145	-	-
Reassessment of work capability of incapacity benefit claimants	-10	-	-
Removal of Enterprise Zone Allowances	-25	15	*
Publishing names of serious tax defaulters	20	30	30
Repeal furnished holiday letting rules	-10	25	15
Freeze basic rate limit in 2011-12	0	280	680
Income Tax: full withdrawal of personal allowance from £100,000 from 2010-112	900	1,470	1,470
Income Tax: increase additional rate to 50% from £150,000 and increase trust rate to 50% from 2010-113	1,300	3,050	2,660
Align the NICs primary threshold with personal allowance in 2011-124	0	-1,640	-1,660
Increase main employee NICs rate by 0.5% from 2011-124	0	1,860	1,950
Increase additional employee NICs rate by 0.5% from 2011-124	0	290	300
Increase employer NICs rate by 0.5% from 2011-124	0	2,260	2,360
Increase main self-employed rate of NICs by 0.5% from 2011-124	0	120	130
Increase additional self-employed rate of NICs by 0.5% from 2011-124	0	20	20
Pensions Tax: restrict tax relief to 20% above £150,000 from 2011-125	0	200	2,900
Freeze pension lifetime and annual allowance from 2011-12 for five years	200	400	450
Company car tax (Budget 2008)	85	75	70
Copany car tax (Budget 2009)	0	85	75
Vehicle excise duty	-5	-5	-5
Biofuels: removal of the duty differential	350	375	400
Total policy decisions	2,770	8,910	11,845

Source: HM Treasury, [Budget 2010: Securing the recovery](#), Table A11

- Included within the current spending growth assumptions for 2010-11 onwards.

* Negligible (less than £3m a year).

1. Costings reflect Budget 2010 economic forecast and assumptions.

2. This costing includes the 2008 Pre Budget Report announcement to restrict the personal allowance by half from £100,000 and to zero from £140,000 from 2010-11.

3. This costing includes the 2008 Pre Budget Report announcement to increase additional rate to 45% from £100,000.

4. This is in addition to the NICs announcements at the PBR 2009.

5. This is in addition to the pensions tax relief announcement at the PBR 2009.

