

Key budget announcements for the Spring Budget – Wednesday 8 March 2017

Growth, borrowing and inflation forecasts

- The Chancellor states that the budget provides a strong stable platform for Brexit negotiations.
- The UK has the second fastest growing economy with unemployment at an 11 year low.
- The deficit is down, debt is still too high and productivity remains "stubbornly low", but the economic forecast is broadly unchanged.
- The independent Office for Budget Responsibility (OBR) forecasts level of GDP for 2021 to be the same as set out in the Autumn statement 2016, however the OBR has upgraded its growth forecast expecting the UK economy to grow by 2 per cent rather than 1.4 per cent. In 2018 growth is forecast to slow to 1.6 per cent, before picking up to 1.7 per cent, then 1.9 per cent, and back to 2 per cent in 2021.
- Real wages continue to rise in every area of the forecast.
- The OBR has substantially revised down its short-term forecast of Public Sector Net Borrowing attributing it to "one-off factors". Annual borrowing is 16.4bn lower than forecasted in 2016/17. However, by 2020 borrowing is predicted to be £100bn higher than originally forecast in March 2016.
- Chancellor stated no "unfunded spending" i.e. cuts/savings will have to pay for any extra spending.
- OBR forecast inflation to hit 2.4 per cent this year, according to the Office for Budget Responsibility. It will then fall to 2.3 per cent in 2018 and 2 per cent in 2019. That will keep it at or above the Bank of England's 2 per cent inflation target for three years.

Impact: A growing economy and high levels of employment will support the city's growth agenda and support the local economy assuming this national forecast is reflected locally.

2017 Business Rates Revaluation

The business rates revaluation takes effect in England from April 2017. There will be a consultation before the next revaluation.

- Any business leaving Small Business Rate Relief will benefit from an additional cap. No bill increase next year of more than £50 a month (from a £110m fund), and subsequent increases capped.
- £1000 discount for business rates for all Pubs with rateable value of less than £100,000 this year (from a fund of £25m).
- Local Authorities to receive £300m hardship fund to provide discretionary relief in their local areas. Allocated via a formula from the Communities Secretary. Allocations are:
 - 2017-18 - £175m
 - 2018-19 - £85m
 - 2019-20 - £35m
 - 2020-21 - £5m
- In addition to the £3.6 billion transitional relief which was announced in November 2016, the government will provide £435 million of support for businesses facing significant increases in bills from the English business rates system.
- Local government will be fully compensated for the loss of income as a result of these measures. At Budget 2016 the government announced an aim to deliver more frequent revaluations of properties – at least every 3 years. The government will set out its preferred approach for delivering this aim at Autumn Budget 2017 and will consult ahead of the next revaluation in 2022.

- Rent-a-room relief- The government will consult on proposals to redesign rent-a-room relief, to ensure it is better targeted to support longer-term lettings. This will align the relief more closely with its intended purpose, to increase supply of affordable long-term lodgings.

Impact: The £50 cap will reduce the burden on small firms. There will be a wide discretion for how Local Authorities can use this money – genuine discretionary relief to be determined at a local level. PCC will have to review its existing policies regarding reliefs and may need to review how such scheme will be administered.

Corporation Tax

Corporation Tax to fall to 19 per cent from April 2017, and 17 per cent in April 2018. This will benefit all business, but the overall benefit may be tempered by the increased bureaucratic burden of quarterly reporting under the new Digital Tax System. Businesses with turnover below the VAT threshold will receive a one-year reprieve from the compulsion to switch to quarterly tax reporting.

Impact: This will clearly have an administrative burden on the majority of Plymouth businesses which are overwhelmingly micro-businesses.

Personal Tax Allowance / Minimum Wage

- NI increase for self-employed from April 18 (increase by 1 per cent to 10 per cent then up to 11 per cent in April 19).
- No other changes to income tax.
- Personal threshold increase to £11,500 in 2017.

Impact: Overall, it is likely that a 1 per cent increase in NI is going to have a minimal impact when coupled with the reductions in corporation tax, however we have 15,600 people registered as self-employed in the city who will have a reduced wage as a result of this announcement.

Taxes and levies

- Introduction of a new minimum excise duty on cigarettes based on a pack price of £7.35 - no changes to previously planned upratings of duties on alcohol and tobacco.
- Sugar tax on soft drinks - raising less than forecast because producers are taking more sugar out of their drinks. However DfE will still receive the £1bn originally earmarked from the levy.

Skills & Education

T-levels 16-19 Technical education: The government will increase the number of programme hours of training for 16-19 year olds on technical routes by more than 50 per cent, to over 900 hours a year on average, including the completion of a high quality industry work placement during the programme.

To ensure the routes are well-designed and colleges properly prepared, they will be introduced from 2019-20, increasing funding in line with this roll out, with over £500 million of additional funding invested per year once routes are fully implemented.

Impact: There is an assumption that this will come through Institutes of Technology and it will depend what the routes are and how quickly they can be introduced into the curriculum reform. Work is underway in Plymouth to match skills gaps to provision particularly around STEM so this is welcome news.

Lifelong Learning pilots: £40m pot by 2018-19 to test different approaches to help people to retrain and upskill throughout their working lives.

Return to work support: £5m to returnships to the public and private sector, helping people back into employment after a career break.

Further Education maintenance loans: From 2019-20, the government will provide maintenance loans to students on technical education courses at levels 4 to 6 in National Colleges and Institutes of Technology. This will also support adults to retrain at these institutions.

Schools investment: The government will extend the free schools programme with investment of £320 million in this Parliament to help fund up to 140 schools, including independent-led, faith, selective, university-led and specialist maths schools.

Impact: Plymouth can start to plan the secondary places which will be needed from 2020.

School maintenance: To improve the condition of the school estate, the Budget provides a further £216 million investment in school maintenance, taking total investment in school condition to well over £10 billion over this Parliament.

School transport: The government is expanding the current 'extended rights' entitlement for children aged 11 to 16, who receive free school meals or whose parents claim Maximum Working Tax Credit. They will now get free transport to attend the nearest selective school in their area, bringing it in line with free transport provision for those travelling to their nearest school on faith or belief grounds.

Impact: There is little impact from this announcement as it is likely that there will be a minimal number of families with children at city selective schools in receipt of either free school meals or maximum working tax credits.

Universal Credit

The earnings taper has been reduced from 65 per cent to 63 per cent therefore customers claiming Universal Credit will have slightly more money in their pockets:

The taper rate sets the amount of benefits a claimant loses for each pound they earn. A reduction in the taper rate to 63 per cent was included in the chancellor's Autumn Statement. This means for every £1 a claimant earns over their work allowance (if you are eligible for one) the Universal Credit award will be reduced by 63 pence instead of 65 pence as it currently stands.

Impact: As at December 2016 there were approximately 1,800 customers claiming Universal Credit in Plymouth and Devonport Job Centres (NB. this number will include some customers who do not reside in the Plymouth area).

Childcare

Working parents with three-and-four-year-olds will get their free childcare entitlement doubled to 30 hours a week.

Transport

Allocating £690 million (from the £23bn National Productivity Investment Fund) to local authorities to get local transport networks moving with £490 million made available by early autumn 2017. The city

should be eligible to bid for this funding but details have yet to be announced by the SofS for Transport.

Impact: A successful bid could be used to help to reduce congestion, this fund offers a significant opportunity to address this issue to minimise and reduce potential negative impacts, unlock future housing sites and developments and address funding gaps in current and future strategic and local transport schemes.

Homes and Housing

No direct statement, however announcements made about skills (matching supply with demand) and also transport could help to unlock the delivery of housing in the city.

Impact The increased emphasis on training and technical skills which could help to address the skills gap shortages in the construction industry is welcomed.

Health & Adult Social Care

The Chancellor announced new funding for social care with the promise of wider reform from a green paper later in the year.

- £2bn of additional funding over the next three years with £1bn available in 17/18. The balance being allocated as follows:
 - 2018-19 : £0.674 billion
 - 2019-20 : £0.337 billion
- (Authorities should expect to have further guidance on allocation amounts by tomorrow).
- The focus of this funding is likely to be supporting increased discharge from hospital and reduce pressure on NHS ensuring that councils can take immediate action to fund care packages for more people, support social care providers, and relieve pressure on the NHS locally. This will require us to work with NHS on how this is spent. No specific information on how this will be distributed locally or specific conditions attached. Welcome additional investment to ASC however unlikely to meet the well-publicised funding gap nationally or locally.
- National Living Wage referenced as going up to £7.50 on April 1st. Locally PCC's budget has taken this into account and forms part of the existing pressures.
- Integration reiterated as important direction.
- Long term sustainable funding option for Adult Social Care will be presented in Green Paper later this year.
- Recognising the particular pressures in A&E, the government will provide an additional £100 million to the NHS in England in 2017-18 for capital investment in A&E departments. This will enable Trusts to invest in measures to help manage demand on A&E services and ensure that patients are able to access the most appropriate care as quickly as possible.
- The government also proposes to develop a GP triage in A&E by next winter to relieve pressure on hospitals.

Impact: Additional funding is welcome but awaiting details as to individual allocations for local authorities. Nationally it is expected this will allow local authorities to "stand still" but will not meet increased demands due to demographic growth and ever increasing and complex needs.

Sustainability and Transformation Plans

The government will invest £325 million over the next three years to support the local proposals for capital investment where there is the strongest case to deliver improvements for patients and to

ensure a sustainable financial position for the health service. There is an opportunity for an initial investment in STP's 'ready to go' before Autumn.

Impact: This could be an opportunity for Plymouth and potential for link up with One Public Estate. Investment decisions will also consider whether the local NHS area is playing its part in raising proceeds from unused land, to reinvest in the health service

Research and innovation

The funding designed to help the UK compete in science and innovation includes:

- £300m for research talent, including 1,000 PhD places for STEM subjects
- £270m for robots, driverless cars and biotech
- £16m for a 5G mobile technology hub
- £200m for fibre broadband.

Impact: This announcement demonstrates how the Industrial Strategy Challenge Fund will deliver the science that businesses need and signifies a commitment to longer term funding for research and innovation. Plymouth's response will be developed as part of the HotSW Productivity Plan green paper consultation and the Industrial Strategy green paper.

Devolution

The government has agreed a Memorandum of Understanding on further devolution to London. The agreement with the Greater London Authority (GLA) and London Councils includes joint working to explore opportunities around locally-delivered criminal justice services; action to tackle congestion; and a taskforce to explore piloting a new approach to funding infrastructure.

The agreement also commits to explore options for devolving greater powers and flexibilities over the administration of business rates and greater local influence over careers services and employment support services, as well as working with the GLA and London Councils to ensure that employers can take advantage of the opportunities offered by the apprenticeship levy.

The government and London partners will agree a second Memorandum of Understanding on Health and Social Care.

Other

- The chancellor is to use his budget to outline plans to help the North Sea oil and gas industry, the Treasury has confirmed.
- £5m fund to mark the centenary of female suffrage next year.
- Measures to protect people who inadvertently end up subscribing for services when signing up for free trials.