



Japan Local Government Centre, London

Monthly Report for April 2009 (Britain) – Budget 2009

Chancellor of the Exchequer Alistair Darling MP presented the 2009 Budget to the House of Commons on 22 April. HM Government presents two economic forecasts per year, the Budget in the spring and the Pre-Budget Report in the autumn. Parliament discussed the measures announced in the Budget in the week following Budget Day and a Finance Bill will be legislated for by summer to enact the measures into law.

Main points

On the economy, the Chancellor forecast:

- the UK economy to shrink by 3.5% in 2009, but 1.25% growth in 2010, rising to 3.5% in 2011
- public borrowing to increase to £175bn in 2009/10
- consumer price inflation to fall to 1% by the end of 2009/10
- capital investment to continue at “historically” high levels until 2012

On public finances, he announced:

- £1bn of additional tax revenue over the next triennial period will be obtained through the closure of tax loopholes and action against avoidance
- £9bn of efficiency savings will be obtained across government
- public spending growth will be cut from 1.1% in 2010/11 to 0.7% in 2011/12

On personal taxation, from April 2010:

- an additional Income Tax rate of 50% will apply to people earning over £150,000
- the income tax personal allowance will be reduced for those with incomes over £100,000
- an increase of £20 for the child element of Child Tax Credit

On pensions and savings:

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- an increase of £100 to over-80s households and £50 to over-60s households in 2009/10, via their Winter Fuel Payment
- tax relief on pensions contributions will be restricted for those earning £150,000 and over
- grandparents of working age who care for grandchildren acknowledged in state pension entitlement

For homeowners:

- Stamp Duty land tax threshold on residential properties costing £175,000 or less will be extended until 31 December 2009
- £50bn of government guarantees of mortgage securities to promote lending
- £500m of funding to kickstart stalled housing developments, including £100m for local government to build energy-efficient homes
- an additional £80m funding for shared equity schemes
- a further £50m to modernise housing for the armed forces

For drivers:

- a temporary vehicle scrappage scheme, offering drivers £2,000 off the cost of a new vehicle to replace a vehicle more than 10 years old
- confirmation of the fuel duty increase announced in the 2008 Pre-Budget report

For jobseekers:

- 18-24 year olds who have been unemployed for 12 months will be guaranteed a job, training or a work placement
- an extra 54,500 places will be created in the next academic year for 16 and 17 year olds who wish to take them up
- state redundancy pay will rise from £350 to £380 a week
- the JobCentre Plus network will receive an additional £1.7bn funding

On the environment:

- £435m support for businesses, public buildings and households to be more energy efficient
- £525m for offshore wind projects
- £405m support for low carbon energy and advanced green manufacturing

The Chancellor also announced that Manchester and Leeds will be the first two areas to receive statutory City Region status by the government, with devolved powers over planning, housing, transport, regeneration, employment and skills. This takes forward the commitments outlined in November 2008's *Prosperous Places: Taking forward the Review of Sub-National Economic Development and Regeneration*.

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Local Government Association Chairman Cllr Margaret Eaton said in response to the Budget: *“The Government has recognised what councils have been calling for for months, which is that local authorities are key to the creation of jobs in the public and private sectors. It's good news that ministers have listened to what council leaders have been telling them. Councils must now be given freedom to use the extra money pledged in the Budget to help local people.”*

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