



Japan Local Government Centre, London

Monthly Report for April 2010 (UK) – Budget 2010

Background

The Budget is one of two annual economic forecasts provided by the Chancellor of the Exchequer to Parliament each year, the other being the Pre-Budget Report (the PBR in late autumn and the Budget usually in spring). The Budget is presented to Parliament in March, before the new financial year, and any measures necessary are passed by Parliament through a Finance Bill. The March 2010 Budget presented by Chancellor Alistair Darling will be the last of this parliament, ahead of the May 6 General Election.

The Budget updated the Treasury's forecasts for economic growth for the next few years. The Treasury forecast a range for economic growth rather than a single figure. The forecast for growth in 2010, between 1 and 1.5%, was unchanged from the Pre-Budget Report. The forecast for 2011 was revised downwards to between 3 and 3.5% and the forecast for 2012 was unchanged at 3.25 to 3.75%. The Budget also made a slight downward revision to forecasts for government borrowing and debt. Borrowing is forecast to fall from £167bn in 2009/10 (11.8% of GDP) to £74bn in 2014/15 (4.0% of GDP). The structural deficit is forecast to fall from 8.4% of GDP in 2009/10 to 2.5% in 2014/15. The Budget did not announce any further changes to income tax, VAT or national insurance.

Many of the headline measures of the Budget were enacted through a Finance Act agreed during the last days of the parliament before dissolution ahead of the election (wash-up). However, some controversial measures such as the 10% hike in alcohol duty levied against cider and powers for customers to sue financial institutions over mis-selling, were dropped in order to secure cross-party consensus for the Bill to pass.

Local and regional government

The Budget contained the following announcements related to local and regional government:

- PBR 2009 announced that £11bn savings would be delivered by 2012/13 from Operational Efficiency Programme conclusions, the Budget now outlines each department's contribution with £200m from DCLG centrally (savings from back office, procurement, consultancy and marketing) and £2.1bn by local

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government itself (through greater collaborative procurement, back office and shared services)

- the co-location of the offices of Government Offices, Regional Development Agencies and the Homes & Communities Agency in each region to further save money and avoid duplication
- an enhanced role for Regional Ministers to promote economic growth regionally
- a Regional Growth Fund to be established in each RDA from 2011/12 to promote high-value investment
- a pilot programme of Accelerated Development Zones in England during 2011/12, with £120m capital grant available to local authorities to deliver key schemes which support new infrastructure and investment
- new powers for Birmingham City Region over adult skills strategy
- 15,000 civil servants to relocate out of central London over the next five years, beginning with 1,000 at the Ministry of Justice
- Total Place to be rolled out across England, allowing for more collaborative working across the public sector, avoiding duplication, improving outcomes and generating efficiencies
- high performing local authorities to be eligible for the 'single offer', including less ring-fencing, fewer targets and less inspection
- final proposals for reform of the council house finance system to be published shortly
- a temporary increase in the level of small business rate relief

The government also published the Local Government Settlement for 2010-11, of which £76.2bn will be distributed to local authorities from various departments, an overall increase of 4% on last year's settlement. It also confirmed that the average Council Tax rise in England for 2010/11 will be 1.8%, the lowest ever increase since the tax's introduction in 1993.

Reforming Arm's Length Bodies

Published alongside Budget 2010, the Treasury document sets out the government's intention in dealing with existing and future departmental agencies ('quangos'). Acknowledging that the history of arm's-length public bodies began with the creation of Ordnance Survey in 1791, the process began in earnest with the creation of 130 Next Steps agencies in 1988. Arm's-length bodies (ALBs) range from Jobcentre Plus to the Low Pay Commission and spend £80bn of public money each year. The government now intends to save £500m from ALBs by 2012/13 through reducing their number by 120. It will also introduce restrictions on the creation of new ALBs by requiring a published justification for their creation and a timeline for their existence. The creation of new ALBs must be a last resort. There will also be new restrictions on the lobbying activities of ALBs towards government and new transparency rules regarding their operational spending, as well as the extension of legal disqualifications of company board members over financial misconduct to ALBs.

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