

Autumn Budget 2017

The Chancellor, Philip Hammond delivered his Autumn Budget on 22nd November 2017.

Implications for the Authority

The key points for the Authority are set out in summary below with a more detailed commentary provided on the wider aspects of the Budget set out further below for information.

- No general information was delivered on Public sector spending plans - this implies that the 4 Year Settlement the Authority agreed and accepted in October 2017 will be the basis of government funding for the next 2 financial years (2018/19 to 2019/20).
- More detail of the funding for the Authority will be provided in the Local Government Finance Settlement but the resources position is not anticipated to vary from the funding agreed in the 4 year settlement. We will be able to confirm this in mid December and reflect this in the draft revenue budget for 2018/19.
- There were relatively few issues that will impact on the Authority's Medium Term Financial Plan, however the following points are noted for information and will be taken into account in updating the MTFP:
 - The OBR expects that inflation will peak at 3% this quarter before falling back towards the 2% target. We may have to consider allowing for some additional inflationary cost pressure in Contingencies.
 - Limitations on the increases to Business Rates were announced and we will need to have clarity on whether the use of the lower measure of CPI rather than RPI will be fully funded by the government as they have been in previous years. This will be followed up as more information is released.
 - The National Living Wage has increased from £7.50 to £7.83. (lower than expected). We have already reflected this in the existing MTFS so no further provision is required.
 - Fuel Duty has been frozen once more and is welcomed but this position is already reflected in the Authority's 2018/19 draft budget.
 - There was no detail given relating to NI thresholds or rates; any changes will need to be built into the 2018/19 budget when they are published.

Wider Aspects of the Budget

Budget Stamp duty and housing

- Stamp duty to be abolished immediately for first-time buyers purchasing properties worth up to £300,000
- To help those in London and other expensive areas, the first £300,000 of the cost of a £500,000 purchase by all first-time buyers will be exempt from stamp duty, with the remaining £200,000 incurring 5%.

- 95% of all first-time buyers will benefit, with 80% not paying stamp duty
- Reduction will apply immediately in England, Wales and Northern Ireland although the Welsh government will have to decide whether to continue it when stamp duty is devolved in April 2018
- It will not apply in Scotland unless Scottish government decides to follow suit
- £44bn in overall government support for housing to meet target of building 300,000 new homes a year by the middle of the next decade
- Councils given powers to charge 100% council tax premium on empty properties
- Compulsory purchase of land banked by developers for financial reasons
- £400m to regenerate housing estates and £1.1bn to unlock strategic sites for development
- Review into delays in developments given planning permission being taken forward
- £28m for Kensington and Chelsea council to provide counselling services and mental health support for victims of the Grenfell fire and for regeneration of surrounding area
- New homelessness task force

Alcohol, tobacco and fuel

- Tobacco will continue to rise by 2% above Retail Price Index (RPI) inflation, equivalent to 28p on a pack of 20, while the minimum excise duty on cigarettes introduced in March will also rise
- Duty on hand-rolling tobacco will increase by additional 1%
- Duty on beer, wine, spirits and most ciders will be frozen, equating to 12p off a pint of beer and £1.15 off a bottle of whisky by next April
- But duty on high-strength "white ciders" to be increased in 2019 via new legislation
- Fuel duty rise for petrol and diesel cars scheduled for April 2018 scrapped
- Vehicle excise duty for new diesel cars not meeting latest standards to rise by one band in April 2018
- Tax hike will not apply to van owners
- Existing diesel supplement in company car tax to rise by 1%
- Proceeds to fund a new £220m clean air fund

Personal taxation and wages

- Tax-free personal allowance on income tax to rise to £11,850 in April 2018
- Higher-rate tax threshold to increase to £46,350
- Short-haul air passenger duty rates and long-haul economy rates to be frozen, paid for by an increase on premium-class tickets and on private jets

- National Living Wage to rise in April 2018 by 4.4%, from £7.50 an hour to £7.83.

The state of the economy

- Growth forecast for 2017 downgraded from 2% to 1.5%
- GDP downgraded to 1.4%, 1.3% and 1.5% in subsequent years before rising to 1.6% in 2021-22
- Productivity growth and business investment also revised down
- Annual rate of CPI inflation forecast to fall from peak of 3% towards 2% target later this year
- Another 600,000 people forecast to be in work by 2022
- £3bn to be set aside over next two years to prepare UK for every possible outcome as UK leaves EU

The state of the public finances

- Annual borrowing £49.9bn this year, £8.4bn lower than forecast in March
- Borrowing forecast to fall in every subsequent year from £39.5bn in 2018-19 to £25.6bn in 2022-23
- Public sector net borrowing forecast to fall from 3.8% of GDP last year to 2.4% this year, then 1.9%, 1.6%, 1.5% and 1.3% in subsequent years, reaching 1.1% in 2022-23.
- Debt will peak at 86.5% of GDP this year, then fall to 86.4% next year; then 86.1%, 83.1% and 79.3% in subsequent years, reaching 79.1% in 2022-23.

Welfare and pensions

- £1.5bn package to "address concerns" about the delivery of universal credit
- Seven-day initial waiting period for processing of claims to be scrapped
- Claimants to get 100% advance payments within five days of applying from January
- Typical first payment will take five weeks rather than current six
- Repayment period for advances to increase from six to 12 months.
- New universal credit claimants in receipt of housing benefit to continue to receive it for two weeks

Business and digital

- VAT threshold for small business to remain at £85,000 for two years
- £500m support for 5G mobile networks, full fibre broadband and artificial intelligence
- £540m to support the growth of electric cars, including more charging points
- A further £2.3bn allocated for investment in research and development

- Rises in business rates to be pegged to CPI measure of inflation, not higher RPI, a cut of £2.3bn
- Digital economy royalties relating to UK sales which are paid to a low-tax jurisdiction to be subject to income tax as part of tax avoidance clampdown. Expected to raise about £200m a year
- Charges on single-use plastic items to be looked at
- £30m to develop digital skills distance learning courses

Education and health (England only)

- £40m teacher training fund for underperforming schools in England. Worth £1,000 per teacher
- 8,000 new computer science teachers to be recruited at cost of £84m and new National Centre for Computing to be set up
- Secondary schools and sixth-form colleges to get £600 for each new pupil taking maths or further maths at A-level and core maths at an expected cost of £177m
- £2.8bn in extra funding for the NHS in England
- £350m immediately to address pressures this winter, £1.6bn for 2018-19 and the remainder in 2019-20
- £10bn capital investment fund for hospitals up to 2022
- No extra funding for nurses pay but a guarantee that if future pay rises are recommended by independent body, there will be new money

Nations/infrastructure/transport/regions/science

- £320m to be invested in former Redcar steelworks site
- Further devolution of powers to Greater Manchester
- New devolution deal with North of the Tyne
- £1.7bn city region transport fund, to be shared between six regions with elected mayors and other areas
- £337m investment in replacing the 40 year old rolling stock on Tyne & Wear Metro
- £30m to improve mobile and digital connectivity on TransPennine rail route.
- £2bn for Scottish government, £1.2bn for Welsh government and £650m for Northern Ireland executive
- Scottish police and fire services to get refunds on VAT from April 2018
- Young person's railcard extended to 26-30 year-olds, giving a third off rail fares
- Budget gives extra £1.2bn to Wales
- Extra £650m for Northern Ireland in the Budget