

Budget Briefing 2012: Headline announcements

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On Wednesday 21 March the Chancellor of the Exchequer presented his [Budget for 2012](#), setting out the Government's plans for the economy and public finances in the year ahead.

Budget Overview

- Increasing income tax personal allowance by a further £1,100 in April 2013, taking it to £9,205 in total;
- Reducing the top rate of income tax from 50 per cent to 45 per cent in April 2013;
- Child Benefit will be withdrawn through an income tax charge from households where someone has an income over £50,000 a year. The withdrawal will be gradual for households where someone has an income between £50,000 and £60,000;
- Reducing the main rate of corporation tax by an additional one per cent, so that the rate will reduce from 26 per cent to 24 per cent in April 2012, to 23 per cent in April 2013 and will come down to 22 per cent by April 2014.

Local Government

Local authority borrowing

The Government will introduce in 2012-13, a 20 basis points (bps) discount on loans from the Public Works Loan Board (PWLB) under the prudential borrowing regime for those principal local authorities providing improved information and transparency on their locally-determined long-term borrowing and associated capital spending plans. The Government will also work with the local authority sector to consider the potential for an independent body to facilitate the provision of PWLB lending at a further reduced rate, to authorities demonstrating best quality and value for money.

Growing Places Fund

The Government will increase the Growing Places fund by £270 million to empower local communities and businesses to lead development in their own areas, including £70 million for the Greater London Authority.

Manchester Earn Back Model (EBM)

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The Government will provide up to £30 million a year of funding from 2015–16, to support Manchester's EBM, a new pilot for infrastructure investment.

Tax Increment Financing (TIF)

The Government will make up to £150 million available from 2013–14, including through additional funding, to support TIF 2 in core cities. Further details on a competition for allocating funding will be announced later in 2012.

Transport for London

The Government intends that Transport for London (TfL) should receive funding from a locally-retained share of London's business rates that will allow the Mayor of London to continue sustainable investment in transport and is considering options for how this might be achieved.

Local council tax support schemes

The Government will provide £30 million to local authorities in England towards the transitional costs to new local support schemes for council tax

Planning

The new National Planning Policy Framework is to be announced next week.

Overview

Lord Heseltine will undertake an independent review of how spending departments and other relevant public sector bodies interact with the private sector, and assess their capacity to deliver pro-growth policies. This will include a benchmarking exercise comparing how other competing economies implement their industrial strategies. The review should conclude in early autumn 2012.

Developing a national roads strategy. The Government will also consider whether to go further and carry out a feasibility study into new ownership and financing models for the national road network;

Belfast, Birmingham, Bradford, Bristol, Cardiff, Edinburgh, Leeds, London, Manchester and Newcastle to become **broadband super-connected cities**, as part of the £100 million investment announced at 2011 Autumn Statement.

£50m will be used to fund a second wave of smaller cities.

The establishment of a **new Pension Infrastructure Platform** owned and run by UK pension funds, which will begin its initial £2 billion investment in UK infrastructure by early 2013.

Relax **Sunday trading laws** during the Olympics and Paralympics;

Energy and Transport

Consult on simplifying the Carbon Reduction Commitment (CRC) energy efficiency scheme to reduce administrative burdens on business. Should very significant administrative savings not be deliverable, the Government will bring forward proposals in autumn 2012 to replace CRC revenues with an alternative environmental tax, and will engage with business before then to identify potential options.

Publish a **strategy for gas generation** in the autumn, recognising that by gas-fired electricity generation will continue to play a major role in UK energy supplies for the next decade and beyond.

Introduce a package of tax measures to secure billions of pounds of additional **oil and gas investment** in the UK Continental Shelf;

invest £60 million to establish a UK centre for aerodynamics which will open in 2012–13 and support innovation in aerospace technology, commercialise new ideas and spin-off technologies with wider applications in other sectors;

support Network Rail to invest a further £130 million in the **Northern Hub rail scheme**, subject to value for money, to improve transport links between Manchester and Sheffield, Rochdale, Halifax, Bradford, Bolton, Preston and Blackpool, and to increase capacity on the Hope Valley line between Manchester and Sheffield, which will enable the number of fast trains to double.

Comment from Andy Sawford, Chief Executive, LGiU

In response to today's Budget, Andy Sawford, chief executive of the Local Government Information Unit has said:

"Budget contains some good news for cities but when will the rest of local government be invited to the party?"

The budget had a noticeable emphasis on the role of cities in driving economic growth, with announcements of a new ultrafast broadband deal for cities, new infrastructure focussed around cities, and emphasis on the 24 largely city based enterprise zones. It is good to hear about the City Deal for Greater Manchester, which could open the door for many more localised deals with the Treasury that help councils to innovate. Inevitably though the rest of local government will be left wondering when it will be invited to the party to agree local deals, develop further enterprise zones, and get support for ultrafast broadband.

The LGiU through our work with the Royal British Legion have encouraged councils to look at what more they can do to help support men and women in the armed services. Today's announcement of full council tax relief is something all councils will want to support, but we do need to know where the money is coming from, particularly as councils are being forced to cut council tax benefit by 10%.

Planning was a key theme of the Budget and the Chancellor confirmed that there will be a presumption of growth in the new National Planning Policy Framework to be announced next week. This will be a powerful way of making sure that local areas go for growth but it will need to be thoughtfully implemented if it is not to simply undermined the spirit of the Neighbourhood Planning approaches emphasised in the Localism Bill.

Councils will welcome increased money for housebuilding through the 'Get Britain Building Fund' and the Chancellors mention of more support for Tax Increment Financing, although they will want to see the detail.

Councils will also want to see the details on the announcement of Regionalised Pay for central government departments. Will this lead to localised pay in local government?"

A detailed briefing looking at the specific details of the Budget will follow.