

CABINET – 18 DECEMBER 2012

ADDENDA

SERVICE & RESOURCE PLANNING 2013/14 – 2016/17

Report by Assistant Chief Executive & Chief Finance Officer

Introduction

1. As set out in the main report, the Chancellor made his Autumn Statement on 5 December 2012 as expected. This addenda summarises the key announcements in the Statement and sets out the implications for the County Council.

Key announcements

The Economy

2. The Office of Budget Responsibility's (OBR's) forecasts of economic growth have been revised downwards. Growth is projected to be 1.2% in 2013, rising to 2.8% in 2017.
3. The OBR has estimated that unemployment will peak at 8.3%.
4. The date at which debt is predicted to begin falling is delayed by a year to 2016/17. The deficit is forecast to fall this year (to 6.9% of GDP), as is cash borrowing.

Taxes

5. £450m will be set aside to fund a 2-year Council Tax Freeze Grant and the Council Tax referendum threshold will be lowered to 2%. There will be no new tax on property value.
6. The Small Business Rate relief scheme is extended by a further year to April 2014.
7. The main rate of Corporation Tax will be cut by an extra 1% to 21% from April 2014. In addition, capital allowances for investment will be increased from £0.025m to £0.250m for 2013 and 2014.
8. The basic income tax threshold will be raised by a further £235 to £9,440 in 2013/14.
9. The 3p rise in fuel duty planned for January 2013 has been cancelled.

Welfare Benefits and Pensions

10. Increases for many working-age benefits have been reduced to 1% each year for 3 years, saving £3.7bn by 2015/16.
11. The basic State Pension will increase by 2.5% next year. From 2014/15 the tax free pension savings cap will be reduced from £50,000 to £40,000 and the lifetime pension relief allowance reduced from £1.5m to £1.25m.

Public Spending

12. Government departments' budgets will be reduced by 1% in 2013/14 and 2% in 2014/15, though health, education and international development spending is protected. These savings and the savings from the welfare budget, will be used to fund £5.5bn of new capital investment.
13. Local government budgets will not be affected by the 1% savings in 2013/14, because they are already being held down next year to deliver the freeze in Council Tax, but will face 2% savings (a reduction of £445m) in 2014/15.
14. A Spending Review, providing detailed spending plans for 2015/16, will be published in the first half of 2013.
15. Reductions in public spending will be extended for a further year to 2017/18.
16. The government has accepted the independent Pay Review Bodies recommendation for no new centrally determined local pay rates and will consult on schools being able to set pay in line with performance.

Capital Investment

17. £1bn funding will be provided for 100 new academies and free schools, as well as investment to expand 'good' schools.
18. An extra £1bn funding for the road programme, though mainly for upgrading the A1, A30 and M25. This funding includes £270m for priority national and local improvements, £333m for road maintenance and £42m for cycling infrastructure.
19. An ultra-fast broadband expansion is to go ahead in 12 cities including Oxford.
20. £600m funding is to be invested in science research infrastructure.
21. An additional £120m will be invested in new flood defences over the current spending review period.

Local Enterprise Partnerships (LEPs) and Local Growth

22. A further £350m will be provided for The Regional Growth Fund by May 2015.
23. Each LEP will be able to nominate one strategic priority project to benefit from borrowing from the public works loans board at a concessionary rate, with the total borrowing capped at £1.5bn.

24. Funding for growth-related projects will be devolved to LEPs on the basis of their strategic plans, through a single funding pot for local areas from April 2015. In bidding for these fund LEPs will be expected to leverage funding, including from local authorities and the wider public and private sector.
25. The Government will give LEPs a new strategic role in skills policy in line with the recommendations of the Heseltine Review.
26. A new 'Business Bank' will be created, providing £1bn extra capital for companies, expected to lever in private lending to help small and medium sized firms.

Implications for the County Council

27. The implications of the Council Tax referendum threshold and the Council Tax Freeze Grant are set out in the main report.
28. Preliminary modelling suggests that the County Council's Revenue Support Grant will reduce by approximately £3m in 2014/15 as a result of the further 2% savings announced. In addition there may be an equivalent reduction in specific grants of the order of £1m.
29. The role of LEPs is being expanded and funding to support growth will increasingly be channelled through the Oxfordshire Enterprise Partnership rather than the County Council.

RECOMMENDATION

30. **The Cabinet is RECOMMENDED to:**

Note the implications set out in the addenda in forming their budget proposals in January 2013.

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Background papers: Nil

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