

# WLGA Briefing

## Spring Budget March 2017

Local Government Leaders, Finance Cabinet Members, Chief Executives and Directors of Finance  
08 March 2017



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## Background

This is the second major financial announcement since Brexit and the first Spring Budget from Phillip Hammond. It will be the last Spring Budget as the current arrangements will be replaced by an **Autumn Budget** and a **Spring Statement**, the latter being a lower key announcement that will respond to the OBR forecasts.

The key issues identified by commentators in the press over the weekend revolved around six themes:

- The economy has performed better than the OBR expected in the latter half of 2016
- Tax receipts for 2016-17 have proved stronger than was expected
- There is pressure to ease the burden of steep rises in business rates
- Funding pressures in social care for the elderly and the vulnerable are overwhelming
- More for the 'Just About Managing'
- Taxing the self-employed

As the Chancellor started his speech to the House, he talked about a labour market delivering record employment and a deficit down by over two-thirds. He also referred to Brexit saying that this Budget takes forward his plan to prepare Britain for a 'brighter future' and 'it continues the task of getting Britain back to living within its means.'

## Main Points

### Economic Forecasts

- OBR now expects the UK economy to grow 2%, rather than 1.4%, in 2017. In 2018 growth is forecast to slow to 1.6%, before picking up to 1.7%, then 1.9%, and back to 2% in 2021.
- Inflation is forecast to hit 2.4% this year, according to the OBR. It will then fall to 2.3% in 2018 and 2% in 2019

- The OBR has substantially revised down its short-term forecast of Public Sector Net Borrowing. Due to "one-off factors". The OBR now forecasts: £51.7bn in 2016; £53.8bn in 2017; £40.8bn in 2018; £21.4bn in 2019; £20.6bn in 2020; and, £16.8bn in 2021.
- UK debt is expected to peak at 88.8% of GDP next year - it will then start falling in 2018-19 (for the first time in almost 20 years) and will continue to drop, reaching 79.8% in 2021-22.

**Business taxes (England only, remember the Cab Sec has already announced measures here)**

- Altogether a £435m cut in business rates due to 3 measures:
  - No business losing small business rate relief will see their bill increase next year by more than £50 a month
  - £1000 discount for all pubs with an RV less than £100,000 (90% of establishments)
  - £300m for transitional relief for local councils to offer discretionary relief for hard-hit cases
- A tax avoidance clampdown totalling £820m to include action to stop businesses converting capital losses into trading losses, tackle abuse of foreign pension schemes and introduce UK VAT on roaming telecoms services outside the EU
- New permissible delays in quarterly tax reporting

**Tackling tax avoidance**

There are a number of measures to tackle non-compliance:

- Tackling abuse of foreign pension schemes
- Introducing UK VAT on roaming telecoms services
- Implementing new financial penalties for professionals who enable a tax avoidance arrangement that is later defeated by HMRC
- These raise £830m over the forecast period.

**Personal & Direct taxes/NLW**

- To make the system "fairer", NI contributions will rise for the self-employed by 1% to 10% from April next year. That will then rise again to 11% in 2019. Together with other changes, this will raise a net £145m
- There's a reduction the tax-free dividend allowance for directors/shareholders from £5,000 to £2,000 with effect from April 2018
- The personal allowance will be £11,500 in April 2017 rising to £12,500 by the end of the Parliament. The threshold for higher rate tax rises to £45,000 from April 2-17 and then to be £50,000 by 2020.
- National Living Wales up to £7.50 per hour from April 2017

## **Duties and levies**

- The sugar tax will raise less than forecast because producers are taking more sugar out of their drinks but education will still receive the £1bn originally earmarked from the levy.
- A new minimum excise duty on cigarettes based on a pack price of £7.35
- Otherwise no change in alcohol or tobacco duties
- Freeze in vehicle exercise duty for hauliers and HGVs

## **Additional measures announced on International Women's Day**

- £20m to support the campaign for Violence Against Women and Girls
- £12m from tampon tax going to women's charities
- £5m to returnships to the public and private sector, helping people back into employment after a career break.

## **Infrastructure, Localism & Devolved admins**

- On transport there are a number of announcements: £90m for the North and £23m for the Midlands from a £220m fund that addresses pinch-points on the national road network
- £690 million competition for local authorities across England to tackle urban congestion
- The Chancellor also mentioned spending plans for some of the £23bn of investment he announced in the Autumn:
  - £300m for research talent, including 1,000 PhD places for STEM subjects
  - £270m for robots, driverless cars and biotech
  - £16m for a 5G mobile technology hub
  - £200m for fibre broadband
- The Chancellor announced that as a result of announce today there was additional
  - £350 million for the Scottish Government;
  - £200 million for the Welsh Government (see final section);
  - And almost £120 million for an incoming Northern Ireland Executive.
- The main budget document contains the following quote from on page 45

**4.29 City deals in Scotland and Wales** – *The government continues to make good progress towards city deals for Edinburgh and Swansea and is working constructively with local partners and the Scottish and Welsh Governments respectively to achieve this. The government has also opened negotiations for a city deal for Stirling and looks forward to considering proposals as they are brought forward for a Tay Cities Deal and a North Wales Growth Deal.*

## Public Spending

### Education

- The Chancellor announced the introduction of T-Levels which will replace 13,000 qualifications with just 15. There will be maintenance loans for advanced level.
- The number of hours training for 16-19 year-old technical students will increase by over 50% and the new qualifications will include including a high-quality 3 month work placement for every student.
- Yesterday the prime minister pledged more funding for new schools, potentially including grammars.
- There is to be additional help to children from disadvantaged backgrounds to attend selective schools.
- All pupils on free school meals will also be able to receive free travel to selective schools, he says.

### NHS and Social Care

(There's a good piece of analysis on NHS and social care spend in Wales by WPS2025 and a link to it at the end of this briefing)

- Additional £2bn over the next 3 years. £1bn of which is available for 2017-18
- Additional measures for areas suffering high DTOC areas
- A strategic approach to long term finance. Green paper to bough forward later this year (but no consideration of death tax)
- A further £100m of capital available immediately for up to 100 new triage projects at English hospitals in time for next winter

## Implications for the Welsh Government Budget?

The Chancellor said in his speech that Wales would benefit by £200m over the next 3 years as a result of measures announced today. In the Welsh Government and Wales Office press releases there is more detail on the additional consequential (appended at **annex II** and **annex III**, we've highlighted in yellow). They states that the **resource budget will be boosted by £150 million over the three years to 2019-2020 and its capital budget by £50 million over the same period.**

The tables below, the first for revenue and the second for capital, set out how the Welsh block compares in this year's budget to last year's.

### WG Resource DEL (excluding depreciation), £bn

	15-16	16-17	17-18	18-19	19-20	20-21
Spring Budget 2016 <sup>1</sup>	12.8	13.0	13.3	13.3	13.4	n/a
Spring Budget 2017 <sup>2</sup>	n/a	13.1	13.4	13.4	13.5	n/a

<sup>1</sup> [2016 Budget Book, pages 91 & 92](#)

<sup>2</sup> [2017 Budget Book, pages 21 & 22](#)

**WG Capital DEL, £bn**

	<b>15-16</b>	<b>16-17</b>	<b>17-18</b>	<b>18-19</b>	<b>19-20</b>	<b>20-21</b>
Spring Budget 2016 <sup>2</sup>	1.5	1.5	1.5	1.6	1.7	1.7
Spring Budget 2017	n/a	1.5	1.6	1.7	1.8	1.9

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**Links:**

[The Chancellors Speech](#)

[Wales Public Services 2025 A delicate balance? Health and Social Care spending in Wales](#)

**Appended:**

Annex I: WLGA Press Statement

Annex II: Welsh Government Response

Annex III: Wales Office Press Statement

## WLGA Press Statement 2017 UK Government Spring Budget



Local services that are relied on by the most vulnerable in our communities will continue to face a precarious future. Local finances are facing a £200m black hole next year rising to £540 by 2019-20. Nearly half of that is due pressures in social care. The effects of austerity are being sorely felt in our communities, with vital services like libraries, leisure and planning experiencing reductions of between 30% and 50%. Social Care is now also creaking under pressures caused by inflation and demography, and needs a long-term solution.

Cllr Aaron Shotton (Flintshire) Spokesperson for Finance and Resources said:

“Today’s announcement could have gone further to reverse austerity its effects on the Welsh economy and public services. Most of the discretionary services provided by councils have been hollowed out. We have worked well with the Welsh Government to ensure that the English social care funding crisis is not replicated here. However, the service is now creaking and we are only 2 years away from a similar crisis. Any additional funding made available for councils in England should be passported to councils here. This will ensure that social care in Wales does not follow the same dire trajectory. What we really need is a long-term solution to the problems posed by an ageing population with more chronic conditions.

Cllr Anthony Hunt (Torfaen) Deputy Spokesperson for Finance and Resources said:

" Public expenditure reductions will continue to be a feature of national finances for a long time to come and this is not good news for local public services. This statement today presents tough choices for public services following on the Brexit vote in June, even though the economy is performing better than expected. Further detail is required to assess how this pans out for WG budgets for 2017-18 and beyond. The Welfare of Future Generations Act requires to plan and think about the long term. We will work closely with the Welsh Government regarding their planning assumptions beyond next year to ensure that preventative spend is prioritised."

**Mark Drakeford responds to the UK Government's Spring Budget**

Finance Secretary Mark Drakeford has today [8 March] responded to the UK Government's Spring Budget.

The Spring Budget included £149m of additional revenue funding between 2017-18 and 2019-20 and an extra £52m of capital funding for Wales between 2017-18 and 2020-21.

Finance Secretary Mark Drakeford:

"Ahead of the Budget, I wrote to the Chief Secretary for the Treasury to outline my concerns about the UK Government's intention to press ahead with £3.5bn cuts to public spending in 2019-20. We still have no clarity about these looming cuts, which could result in our Budget being reduced by £175m.

"The UK Government's efficiency review will not report until the autumn. I am not prepared to wait until then to find out the impact of more cuts to our Budget. I am seeking urgent assurances from the UK Government that we will discuss early findings well before the autumn.

"In these uncertain times, we have been clear about the need to end austerity and invest in our valued public services and the economy.

"Additional revenue funding is always needed against the backdrop of continued cuts to our Budget as a result of the UK Government's pursuit of the damaging policy of austerity.

"Since 2010, our Budget has been cut by 8% in real terms. Today's Spring Budget was yet another missed opportunity to end austerity.

"Despite the ongoing cuts to our funding, we have prioritised funding for social care in Wales and spending health and social care is 6% higher in Wales than in England. I'm pleased the Chancellor has followed the Welsh Government's lead and recognised the importance of social care to the health service.

"In Wales, we have also acted to support those small businesses which have been disproportionately affected by the independent Valuation Office Agency's revaluation. We have put in place £20m of targeted support for 2017-18, on top of our Small Business Rates Relief scheme.

“The Welsh Government’s Cabinet will now decide how we maximise the additional revenue funding and the very modest increase to our capital budget to support our investment priorities.”

“We have said for some time that the Swansea Bay Region city deal is ready to be signed – we fully recognise the importance of the deal and the positive long-term economic benefits it will bring across the region. It is disappointing the Chancellor didn’t use this Budget to bring the deal to its conclusion immediately.”

**ENDS**

**Dydd Mercher 8 Mawrth 2017**

**Mark Drakeford yn ymateb i Gyllideb y Gwanwyn Llywodraeth y DU**

Heddiw [8 Mawrth] mae Mark Drakeford, yr Ysgrifennydd Cyllid, wedi ymateb i Gyllideb Ddrafft y Gwanwyn Llywodraeth y DU.

Roedd Cyllideb y Gwanwyn yn cynnwys £149m o gyllid refeniw ychwanegol rhwng 2017-18 a 2019-20 a £52m o gyllid cyfalaf ychwanegol i Gymru rhwng 2017-18 a 2020-21.

Dywedodd Mark Drakeford, yr Ysgrifennydd Cyllid: "Cyn y Gyllideb, ysgrifennais at Brif Ysgrifennydd y Trysorlys i amlinellu fy mhryderon ynghylch bwriad Llywodraeth y DU i fwrw ymlaen â thoriadau o £3.5bn i wariant cyhoeddus yn 2019-20. Nid ydym yn glir eto beth fydd hyd a lled y toriadau arfaethedig hyn, a allai achosi gostyngiad o £175m yn ein Cyllideb.

"Ni fydd adolygiad effeithlonrwydd Llywodraeth y DU yn adrodd yn ôl tan yr Hydref. Nid wyf yn barod i aros tan hynny i ganfod beth fydd effaith toriadau pellach i'n cyllideb. Rwy'n ceisio sicrwydd brys gan Lywodraeth y DU y byddwn yn trafod canfyddiadau cynnar ymhell cyn yr hydref.

"Yn y cyfnod ansicr hwn, rydyn ni wedi bod yn glir bod angen rhoi diwedd ar gynydd ariannol a buddsoddi yn ein gwasanaethau cyhoeddus gwerthfawr ac yn yr economi.

"Mae'r toriadau parhaus i'n Cyllideb, gan fod Llywodraeth y DU yn mynnu mynd ar drywydd y polisi niweidiol o gynydd ariannol, yn golygu y bydd wastad angen mwy o gyllid refeniw.

"Ers 2010, mae ein Cyllideb wedi cael ei thorri o 8% mewn termau real. Roedd Cyllideb y Gwanwyn heddiw yn gyfle arall i roi diwedd ar gynydd ariannol, ond mae'r cyfle wedi'i golli.

"Er gwaetha'r toriadau parhaus i'n cyllid, rydyn ni wedi blaenoriaethu cyllid ar gyfer gofal cymdeithasol yng Nghymru ac mae'r gwariant ar iechyd a gofal cymdeithasol 6% yn uwch yng Nghymru nag yw yn Lloegr. Rwy'n falch bod y Canghellor wedi dilyn esiampl Cymru ac wedi cydnabod pwysigrwydd gofal cymdeithasol i'r gwasanaeth iechyd.

"Yng Nghymru, rydyn ni wedi cymryd camau gweithredu hefyd i gefnogi'r busnesau bach hynny y mae ailbrisiad annibynnol Asiantaeth y Swyddfa Brisio wedi effeithio'n



anghymesur arnynt. Rydyn ni wedi cyfrannu £20m o gymorth wedi'i dargedu ar gyfer 2017-18, ar ben ein cynllun Rhyddhad Ardrethi i Fusnesau Bach.

"Bydd Cabinet Llywodraeth Cymru bellach yn penderfynu sut y gallwn fanteisio i'r eithaf ar y cyllid refeniw ychwanegol a'r cynnydd bach iawn yn ein cyllideb gyfalaf er mwyn cefnogi ein blaenoriaethau buddsoddi.

"Rydyn ni wedi dweud ers tro fod borgen ddinesig Rhanbarth Bae Abertawe yn barod i gael ei llofnodi – rydyn ni'n cydnabod yn llwyr bwysigrwydd y fargen a'r manteision economaidd hirdymor cadarnhaol a ddaw yn ei sgil ar draws y rhanbarth. Mae'n siomedig bod y Canghellor wedi methu â defnyddio'r gyllideb hon i ddwyn y maen i'r wal yn achos y fargen ar unwaith."

## **DIWEDD**

## **Wales Office Press Statement**

### **Wales to benefit from a Budget that prepares the UK for the challenges ahead**

The Chancellor has today set out his plans to make the most of the opportunities ahead by laying the foundations for a stronger, fairer, better Britain outside the European Union – a country that works for everyone.

Included in his first Budget were numerous announcements to ensure that economic growth is shared across every part of the country, including investments that stand to benefit Wales specifically.

Decisions to invest in social care, skills, schools and health in England means an extra £200 million of funding for the Welsh Government, building on the new fiscal framework agreed in December; money they can reinvest in their own priorities.

The Welsh Government's resource budget will be boosted by £150 million through to 2019-2020 and its capital budget by £50 million through to 2020-2021, building on the £400 million increase to the Welsh Government's capital budget announced at Autumn Statement.

The Budget today also confirmed that that strong progress is being made towards a City Deal for Swansea and the government is working closely with local partners to achieve this. A growth deal for North Wales is also being progressed.

Researchers in Wales could benefit from a new £270 million Industrial Strategy challenge fund which brings together business and academia to focus on productivity-boosting solutions for industries of the future. The first challenges set by the Chancellor today - are artificial intelligence and robots, electric vehicle batteries and speeding up the process of making new medicines. The country will also benefit from the new UK-wide National 5G Innovation Network, as part of the digital infrastructure package.

Wales will also from recent action taken more widely including:

- The rolling out of Tax-Free Childcare for working families with children under twelve, providing up to £2,000 a year per child to help with childcare costs and up to £4,000 for disabled children under seventeen.
- The freezing of fuel duty for the seventh successive year, which will save the average driver in Wales nearly £10 every time they fill up their car.
- Raising the National Living Wage from £7.20 to £7.50 giving people in Wales a well-deserved pay rise.
- Confirmation that the personal allowance and higher rate threshold will increase to £12,500 by 2020-21, which will reduce the income tax bill for 1.4m individuals in Wales in 2017-18, and take 61,000 individuals out of income tax altogether.

Chancellor Philip Hammond said:

“Making sure that everyone benefits from our growing economy, no matter what their background and where they come from is at the heart of my first Budget.

“Investments in skills, schools, social care and health will bring direct funding boosts for Wales and we continue to work towards city and growth deals, alongside local partners.”

Welsh Secretary Alun Cairns said:

“This is a budget that works for everyone. The people of Wales benefit from the stability of a strong UK economy while the £200 million increase in funding gives the Welsh Government the freedom to invest in their priorities.

"Strong progress towards a City Deal for Swansea and a growth deal for North Wales will help ensure economic growth is shared across all parts of Wales, while the industrial strategy challenge fund and the new UK-wide 5G innovation network will equip Welsh businesses for the challenges of the future."