



Report to: Cabinet

Subject: Pre Budget Report and Local Government Settlement Update

Date: 3 December 2008

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1. PURPOSE OF REPORT

To update Members on the main issues arising from the Chancellor's pre budget statement and the confirmation of the Local Government Finance Settlement 2009/10.

2. PRE BUDGET REPORT 2008

The main points from the statement are:

- £20 bn fiscal stimulus to ensure forthcoming recession is shorter and shallower than it would be otherwise.
- Borrowing will rise to £118 bn in 2009/10
- GDP in 2008 will be +0.75% in 2009 -0.75%, -1.25%, in 2010 +1.5%-2.0%
- GDP will fall in the first two quarters of 2009 and then recover
- VAT is reduced to 15% from 1 December 2008 until 1 January 2010 when it reverts to 17.5%.
- £3bn of capital expenditure on schools, roads and affordable homes will be brought forward
- £120 temporary tax cut to be made permanent and increased to £145
- From April 2011 ½ % National Insurance increase
- From April 2011 a new tax band of 45% will be introduced on incomes above £150,000.
- Budget will be back in balance by 2015/16

- More efficiency savings of £5bn to be gained in 2010/11

There were a number of further measures surrounding climate change, help with social housing and air duty that the Chancellor also announced.

A more detailed briefing as provided by the LGA is attached at Appendix 1.

3. LOCAL GOVERNMENT FINANCE SETTLEMENT 2009/10

The settlement confirmed no changes to the grant amounts or formula for 2009/10, this is the second year of the 3 year settlement announced following the 2007 Comprehensive Spending Review.

The provisional settlement for Gedling 2009/10 is £9,106,886 representing an increase in grant of 1.94%. The provisional amount for 2010/11 is £9,253,407 representing an increase in grant of 1.60%. Both these amounts are as predicted in the Council's Medium Term Financial Plan.

A more detailed briefing as provided by the LGA is attached at Appendix 2.

4. IMPACT ON GEDLING BOROUGH COUNCIL

The Finance Settlement is in line with projections and has no impact in the assessment of the Council's financial position.

Changes announced in the pre budget report in respect of National Insurance Contributions will add some £50,000 per annum to the pay bill with no corresponding increase in grant.

Changes to the fuel duty at 2p will add a marginal cost to our transport costs but are in line with current projections.

The Council has already implemented changes to the VAT level that took effect from 1 December 2008.

There has been no further details released on the impact that an additional efficiency target of £5bn will have at a local level, this will no doubt impact on financial settlements beyond 2010/11.

RECOMMENDATION

It is recommended that members note the above report.