National Assembly for **Wales**
Cynulliad Cenedlaethol **Cymru**

The Chancellor's Budget 2007

Abstract
On Wednesday 21 March 2007, the Chancellor of the Exchequer, Gordon Brown, issued the Budget Report for 2007.

This paper brings together a range of information, analysis and commentary on the Chancellor's Budget Report 2007, including an overview of its impact on Wales, together with a range of Stakeholders' views and media coverage.

March 2007

Members' Research Service / Gwasanaeth Ymchwil yr Aelodau

Cynulliad Cenedlaethol Cymru
National Assembly for Wales

The Chancellor's Budget 2007

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Cynulliad Cenedlaethol Cymru National Assembly for Wales

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The Chancellor's Budget 2007

On Wednesday 21 March 2007, the Chancellor of the Exchequer, Gordon Brown, issued the 2007 Budget, entitled *"Building Britain's long-term future: Prosperity and fairness for families".* This is the Chancellor's 11th Budget since 1997. This paper brings together a range of information, analysis and commentary on the Chancellor's 2007 Budget, including an overview of its impact on Wales, together with a range of Stakeholders' views and media coverage.

1 About the Chancellor's Budget

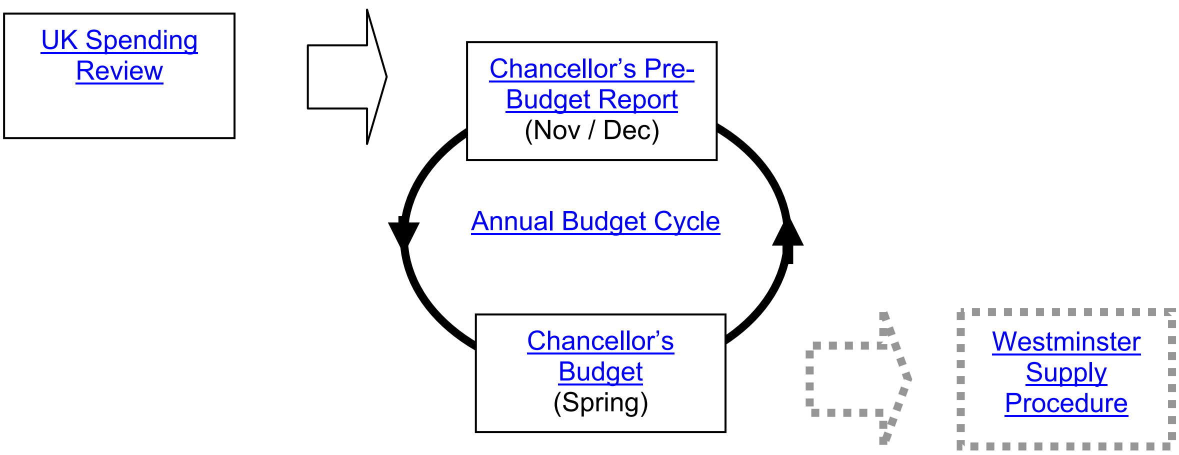
The Budget is the major financial and economic statement made each year by the Chancellor of the Exchequer to Parliament and the nation. The Budget information is published in two main sections - the Economic and Fiscal Strategy Report (EFSR) and the Financial Statement and Budget Report (FSBR).

The role of the Budget is to:

- provide an update on the state of the economy and public finances and to present new forecasts for each;
- set out the Government's economic and fiscal objectives;
- report on the progress the Government has made towards achieving its objectives;
- set out the further steps the Government is taking to meet them.

Since 1998, the Chancellor has presented the Budget in the spring.

Figure 1. The Budget process at Westminster



Within the context of the UK Spending Review cycle, the Chancellor's Budget is the key stage in the annual budget process. Following the publication of the Chancellor's Budget, the Main Estimates are prepared providing Parliamentary authority for expenditure through the Supply Procedure (including grants to fund the devolved administrations).

2 Key Points from Budget 2007

Budget Report 2007 – Chapter 1 Overview

Source: HM Treasury
Date: 21 March 2007
Reference: Publication
Link: http://www.hm-treasury.gov.uk/media/73B/4D/bud07_chapter1_314.pdf

Extract:

The Government's economic objective is to build a strong economy and a fair society, where there is opportunity and security for all. Budget 2007, Building Britain's long-term future: Prosperity and fairness for families, presents updated assessments and forecasts of the economy and public finances, and reports on how the Government's policies are helping to deliver its long-term goals. The Budget:

• shows that the economy is stable and growing and that the Government is meeting its strict fiscal rules for the public finances;
• sets out the next stage in the Government's reforms to simplify the tax system, to provide help for pensioners, support for families and make work pay, including:
• removing the 10 pence starting rate of tax and cutting the basic rate of income tax from 22 pence to 20 pence from April 2008;
• increasing the upper earnings limit for national insurance and fully aligning it with the point at which taxpayers start to pay the higher rate of income tax, and raising the aligned upper earnings limit and higher rate threshold by £800 a year above indexation in April 2009;
• raising the higher personal allowances for those aged 65 or over by £1,180 above indexation in April 2008;
• increasing further the child element of the Child Tax Credit by £150 per year above earnings indexation in April 2008; and
• increasing the threshold for Working Tax Credit by £1,200 to £6,420 and raising the withdrawal rate on tax credits by 2 per cent to 39 per cent in April 2008, and increasing the weekly rate of Child Benefit for the eldest child to £20 in April 2010.
• sets out a major package of reforms to the corporate tax system, including reducing the headline corporation tax rate from 30 per cent to 28 per cent from April 2008, simplifying capital allowances, further enhancing research and development tax credits, and increasing the small companies' rate to tackle individuals incorporating to minimise tax;
• increases investment in education and skills in England by 2.5 per cent a year in real terms (5.3 per cent in nominal terms) on average between 2008-09 to 2010-11;
• restricts tax relief available on empty commercial properties, to encourage the supply of office, retail and industrial premises;
• introduces further reforms to modernise the tax system, and a number of measures to tackle tax fraud and avoidance; and
• takes further steps to tackle the global challenges of climate change including an increase in fuel duty rates from 1 October 2007, reforms to Vehicle Excise Duty and measures to improve the energy efficiency of homes.

Budget report: Opposition response

Source: ePolitix
Date: 21 March 2007
Reference: Brown 'wasting money' on services
Link: http://www.epolitix.com/EN/News/200703/0eae3b43-ea0b-488c-939f-538f82d6762f.htm

Extract:

David Cameron has accused Gordon Brown of "wasting money on an industrial scale", saying "his great experiment in tax and spending has failed".
"He is an out-of-date politician wedded to state control, and the question everyone is asking is, 'Where has the money gone?'," the Conservative leader said in response to the chancellor's Budget on Wednesday.
Speaking in the Commons after Brown's 48-minute statement in which he cut income tax, Cameron said he had "finally given us a tax cut".
He claimed the chancellor normally does that "before the general election" but was "in such a deep hole he had to do it before the leadership election".
And he said he had proved Tory policy right, by showing: "You can increase spending and you can cut taxes. Yes, you can share the proceeds for growth."
He said Brown had increased the tax burden, and claimed the average family paid £1,300 more under Labour.
He contrasted the government's spending on education, child poverty and the NHS with actual improvements and said higher taxes had not translated into action.
Cameron said the "hole in the heart of the Budget" was the NHS, which Brown had given "barely a mention".
In reference to former civil servant Sir Andrew Turnbull's criticism of the chancellor on Tuesday, Cameron said: "Let me tell you what the chancellor's real problem is, it is not that he is a Stalinist who holds all his colleagues in contempt - although I have to say that probably doesn't help.
"It is that he has wasted money on an industrial scale."

Source: ePolitix
Date: 21 March 2007
Reference: Lib Dems rue 'missed opportunities'
Link: http://www.epolitix.com/EN/News/200703/2855a144-3047-4a2f-b6da-a4957719f98b.htm

Extract:

Sir Menzies Campbell has accused the chancellor of producing a superficial Budget full of "missed opportunities".
The Liberal Democrat leader said Gordon Brown's Budget was that of "a chancellor ready to move on".
"It's a wait-and-see Budget from a wait-for-me prime minister," he added.
Sir Menzies accused Brown of ignoring the chance to create a fairer Britain and the chance to create a greener Britain, concentrating instead on "his own political succession".
"As we've seen over the years, the chancellor's capacity as a conjuror to use slight of hand to produce proposals which on the face of it seem attractive but which examined with a little more detail are discovered to be rather less attractive," he argued.

Although it was set against the "backdrop of a strong economy", the Lib Dem leader claimed the Budget did little to remedy the growing wealth gap between rich and poor, something now "greater than it was under Thatcher".
While Sir Menzies welcomed proposals to cut the basic rate of income tax by two pence, He said the decision to abolish the 10 pence starting rate would see many paying more. "You can put it this way… we're asking the poor to subsidise the rich," he argued.

The full record of the Budget debate, including contributions from all opposition parties, is available here:
http://www.publications.parliament.uk/pa/cm200607/cmhansrd/cm070321/debtext/70321-0004.htm#07032174000001

Point-by-point: Budget

Source:	BBC News
Date:	21 March 2007
Reference:	Press Article
Link:	http://news.bbc.co.uk/2/hi/uk_news/politics/6474997.stm

Extract:

INCOME TAX
Basic rate of income tax to fall from 22p to 20p from April next year.
Lower starter rate of 10p to go, meaning all those who pay income tax will start at 20p in the pound - meaning little difference likely to take-home pay.
Top-rate income tax threshold will rise to £43,000 from April 2009.

CIGARETTES AND ALCOHOL
Beer will rise by 1p a pint from midnight Sunday, cider by 1p a litre, wine by 5p a bottle and sparkling wine by 7p. Duty on spirits will be frozen.
Cigarettes to rise by 11p a packet. VAT on nicotine patches and similar products to be cut from 17.5% to 5%.

TRANSPORT
Fuel duty up 2p per litre from October, in line with inflation.
Putting VAT on airline tickets ruled out.
Road tax on highest-polluting vehicles up to £300 and to £400 from April next year.
The least-polluting vehicles to have their duty cut to £35.

EDUCATION, FAMILIES AND HEALTH
Child benefit, for a first child, will rise from £17.45 a week to £20 a week by 2010.
Some 50,000 16 to 17-year-olds who sign activity and learning agreements to receive a training wage in return for gaining skills.
The £40-a-week in-work bonus paid to lone parents to be extended to their first 12 months in work.
Education spending in England will rise from £60bn this year to £74bn in 2010. From now to 2010 spending per pupil rise by a further 20% - 10% cent in real terms - to £6,600
Public investment in science will rise from £5bn this year to £6.3bn by 2010/11.
Investment in the NHS in England to rise by £8bn this year.

INHERITANCE/CAPITAL GAINS

Tax exemption for capital gains will rise from £8,800 to £9,200, and will be £18,400 for married couples.
Inheritance tax will threshold to rise from £285,000 now to £350,000 in 2010.

PENSIONERS
Tax-free allowance for pensioners under 75 will rise in three stages from £7,280 to £9,770 in 2011. For over-75s, the tax free allowance will rise annually from £7,420 to by £10,000 by 2011.
Grants of between £300 and £4,000 for pensioners installing insulation and central heating in their homes.
All the 125,000 people who lost their pensions because of company insolvency will get help with a financial assistance scheme increased from £2bn to £8bn.

ENVIRONMENT
Until 2012 all new zero carbon homes up to £500,000 will be exempt from stamp duty.
The landfill tax will rise by £8 each year from April 2008.

COMPANIES
Corporation tax will be cut from 30p to 28p from April next year.
Tax rate on small companies to be raised in three stages from 20p this year to 22p in 2009.

THE ECONOMY
Mr Brown said the British economy was growing faster than all the other G7 economies.
Inflation will be on target in 2008 and 2009, according to forecasts.
In the last year investment has grown by 6%, business investment by 7%, and inward investment by 10%. Business investment is forecast to rise again by more than 7% this year.
In the last year employment has risen, with 220,000 more men and women in work.
In 2008, Britain's growth will be the highest in the G7, between 2.5% and 3%.
Britain's net borrowing, which in the early 1990s went as high as 8% of national income is this year just 2.7%. It will fall to 1.4% by 2012.

GOVERNMENT SPENDING
Asset sales will rise from £18bn to £36bn, including a £6bn sale of the student loan book and further financial and corporate sales at home and overseas.
Investment in schools, hospitals, security and defence and infrastructure will rise from £43bn this year to £60bn by 2012.
Total government spending will rise to £674bn by 2010/11.
An extra £400m to be allocated to the Ministry of Defence to cover overseas commitments in Iraq, Afghanistan and elsewhere.
Below inflation spending settlements for some departments: Work and Pensions; Revenue and Customs; Cabinet Office; Treasury; Department for Constitutional Affairs; Attorney General's Office.
Efficiency savings of 3% each year to mean the government can release £26bn a year by 2010/11 for frontline services.

INTERNATIONAL DEVELOPMENT
£50m for a 10-country initiative across central Africa to prevent the destruction of the second largest rain forest in the world.
£800m to the Environmental Transformation Fund, jointly run by the international development and environment secretaries.

Q & A: What the Budget means to you

Source: BBC
Date: 21 March 2007
Reference: Press Article
Link: http://news.bbc.co.uk/2/hi/business/6474079.stm

Extract:

Chancellor Gordon Brown has just delivered what could be his last Budget. What impact will the changes have on the personal finances of millions of Britons?

I am in work, what is in the Budget for me?
The big news is that the basic rate of income tax has been cut by 2p to 20p from April 2008.
At the same time, the 10p income tax rate on the first £2,150 earned (2006/2007 tax year) above your personal allowance is being abolished.
This means in effect that you will have to pay 20% as soon as you earn more than your personal allowance rate.
In addition, the upper earnings limit for National Insurance will rise to bring it in line with the 40% income tax threshold.
As a result, high earners will pay more National Insurance.
Overall - taking all the income tax and National Insurance changes into account - many people will find they are no better-off.

I am a pensioner, what is there for me?
Many will be cheered by the news that income tax personal allowances will rise dramatically.
For those under the age of 75 the tax free allowance will rise in stages from £7,280 to £9,770 in 2011. This may offset the extra cost due to the abolition of the 10% income tax rate.
But because of complex rules where the amount you earn will affect your tax free allowance, pensioners earning more than £26,000 may find that they receive no benefit from the higher allowances announced by Gordon Brown.
The Pension credit guarantee will rise to £130 by 2010.
People who have lost their retirement savings when their company pension scheme went bust received a welcome boost.
The chancellor pledged that the amount of money being made available to the Financial Assistance Scheme - which pays money to people who have lost their pensions - would quadruple from £2bn to £8bn.
Recently, the government has faced a high-profile campaign to force it to compensate people who have lost their pensions.

We drive a gas-guzzling people carrier, will the Budget mean extra expense?
Yes it will.
The Chancellor has upped Vehicle Excise Duty (VED) on the highest polluting vehicles, including many people carriers and 4x4s.
The annual cost of VED for the most polluting vehicles will rise from £210 to £300 this year and then £400 in 2008.
Further pain could be on the way. In the past two Budgets the chancellor has raised VED on the most-polluting cars by far more than inflation.
Now may be the time to switch to a less polluting car.

As part of the government's carrot and stick approach, vehicles with smaller engines in the lowest polluting categories will pay lower VED.
Vehicles in band B will see VED cut by 30%.
A 2p increase in petrol duty has been deferred until October.

I am concerned about the environment, is anything new being done?
The environment is one of the hot political topics of the moment.
All three main political parties are keen to highlight their green credentials.
Recently, the Conservatives proposed that people who take more than their fair share of flights to pay more tax - in effect, proposing a "polluter pays" approach.
Driving a "gas guzzler" will become more expensive
The chancellor has taken a different approach, trying to offer sweeteners for people to adopt a more green lifestyle.
For example, extra grants will be available to pensioners installing insulation.

I am a saver, is there any reason for me to celebrate?
Yes the amount of money you can pay into a cash Individual Savings Account (ISA) will rise from £3,000 to £3,600.
More than 16 million Britons have an ISA.

I am on a low income, what extra is on offer?
Tax credits are the main method that the chancellor wants to "make work pay".
Working tax credit, claimed by 1.5 million Britons, will receive a £1bn boost.
The chancellor said the average working tax credit claimant would be £7.10 per week better off as a result.
Lone parents will get a weekly bonus for their first year in work.

I have children. What extra help is available to me?
Child benefit will rise 15% by 2010.
In the pre-Budget report, the chancellor announced additional child benefit that would be paid to mothers with new babies.
In April, benefit payments for the poorest children will rise to £64 a week.
Investment in education has been marked out as a priority for a possible future Brown premiership.
Gordon Brown wants education to be a priority
In addition, greater investment is being made in apprenticeship schemes. This could boost your children's prospects of finding employment when they leave school.

Is there anything else?
The Inheritance Tax (IHT) threshold will rise to £350,000 by 2010.
Previous Budgets had set in train an increase in the IHT threshold to £325,000 by 2009.
The duty on beer and wine is set to rise in line with inflation but duty on spirits is frozen again.

3 Budget Charts and Graphs

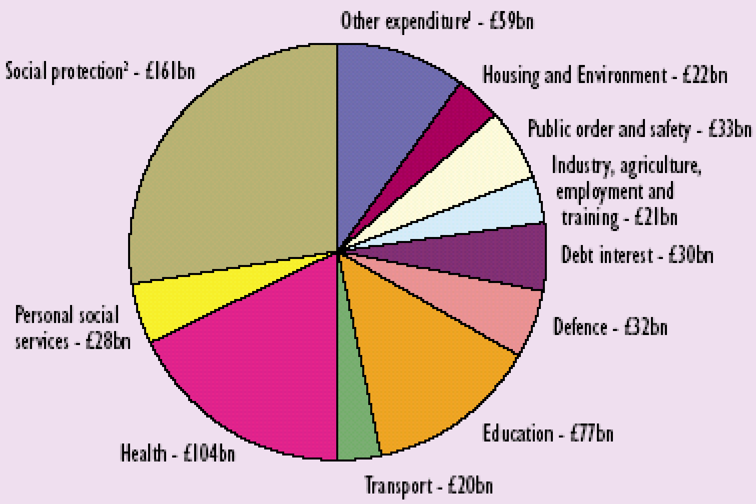
Source: HMT
Date: 21 March 2007
Reference: Summary Leaflet
Link: http://budget2007.treasury.gov.uk/bud07_leaflet.pdf

Extract:

Where taxpayers' money is spent

Total public spending is expected to be around £587 billion for the coming year, around £9,650 for every man, woman and child in the UK. It is set to rise to £615 billion in 2008-09, £644 billion in 2009-10 and £674 billion in 2010-11.

Where taxpayers' money is spent



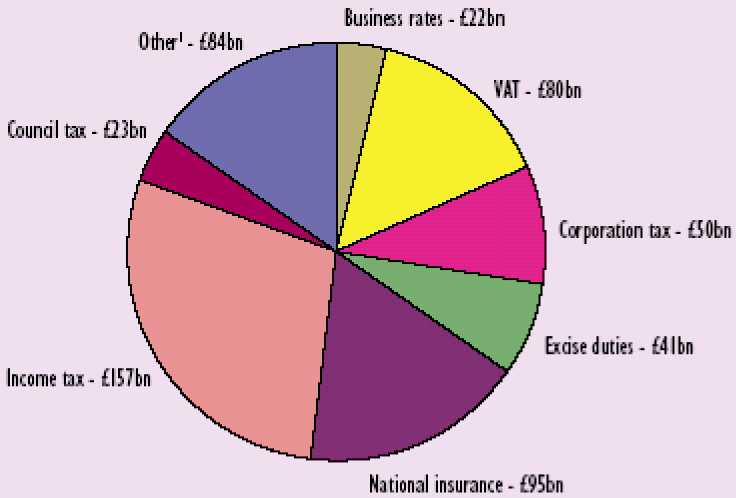
Total managed expenditure - £587 billion

[1] Other expenditure includes spending on general public services; recreation, culture, media and sport; international co-operation and development; public service pensions; plus spending yet to be allocated and some accounting adjustments.

[2] Social protection includes tax credit payments in excess of an individual's tax liability.

Source: HM Treasury, 2007-08 near cash projections. Figures may not sum to total due to rounding.

Where taxes come from



Total receipts - £553 billion

[1] Other includes capital taxes, stamp duties, vehicle excise duties, and some other tax and non-tax receipts (e.g. interest and dividends).

Source: HM Treasury, 2007-08 projections. Figures may not sum to total due to rounding.

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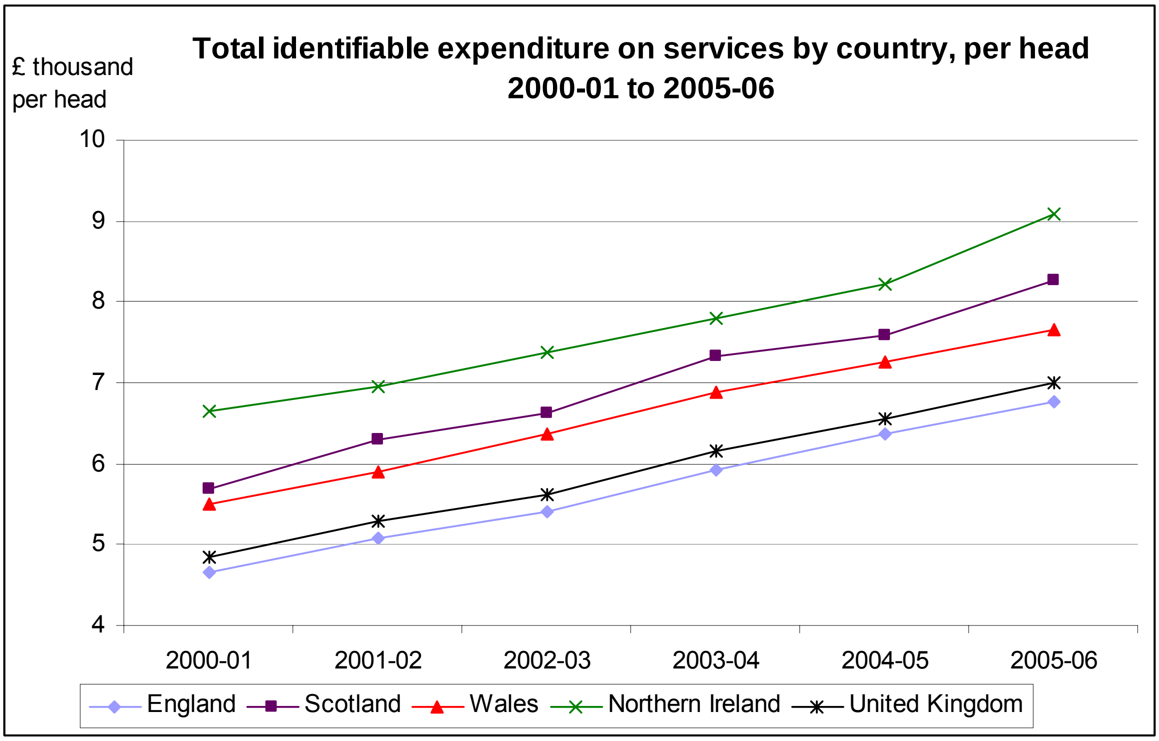
Trends in per capita public expenditure across the United Kingdom

Source: Members' Research Service
Date: 21 March 2007
Reference: Per Capita Public Expenditure Chart
Link: Members' Research Service



Source: Public Expenditure Statistical Analysis (PESA) 2006

4 Impact on Wales

Source: HMT
Date: 21 March 2007
Reference: Regional Press Notice
Link: http://www.hm-treasury.gov.uk/media/751/BB/bud07_regpn_wales.pdf

Extract:

Measures announced today which are particularly relevant to individuals and businesses in Wales include:

• An additional £1001 million for the Welsh Assembly Government as a consequence of spending increases announced in the Budget for Government Departments.

• a major package of reforms to the corporate tax system to promote growth by enhancing international competitiveness, encouraging investment and promoting innovation:
- a reduction in the headline corporate tax rate from 30 per cent to 28 per cent from April 2008, making it the most competitive rate in the G7 and other major economies;
- modernising and simplifying the capital allowance system;
- further enhancements to the SME and large company R&D tax credit schemes;
- increasing the small companies' rate to reduce the advantage of extracting labour income by way of dividends; and
- the introduction of a new Annual Investment Allowance (AIA) of £50,000 for all businesses who invest to grow.

• encouraging growth through innovation by increasing the headline SME R&D tax credit rate from 150 percent to 175 percent; and increasing the R&D tax credit rate from 125 per cent to 130 per cent from April 2008. This will build on the 140 R&D tax credit claims made in Wales last year;

• further helping lone parents stay in employment, by continuing to make In-Work Credit available to eligible lone parents in the current pilot areas until June 2008, benefiting over 5,300 parents in Wales.

• following the Low Pay Commission recommendations, the adult rate of the National Minimum Wage will rise to £5.52 per hour; the youth rate, for workers aged between 18 to 21, to £4.60; and the development rate, for 16 and 17 year olds to £3.40; all from October 2007. This will benefit around 50,000 people on the minimum wage in Wales;

• to provide further help to lone parents to stay in employment, by continuing to make In-Work Credit available to eligible lone parents in the current pilot areas until June 2008;

• removing the starting rate and cutting the basic rates of income tax from 22 pence to 20 pence in April 2008, creating a simpler structure of two rates; a 20 pence basic and a 40 pence higher rate. This will benefit around 0.8 million households in Wales;

• increasing the upper earnings limit for national insurance by £75 a week above indexation in April 2008 and, from April 2009, fully aligning it with the higher rate threshold – the point at which taxpayers start to pay the higher rate of income tax, further simplifying the system;

• raising the aligned higher rate threshold and upper earnings limit by £800 a year above indexation in April 2009;

• increasing the higher personal allowances paid to those aged 65 or over by £1,180 above indexation in April 2008, thereby taking 30,000 over-65s out of tax in Wales. By April 2011, no pensioner aged 75 or over will pay any tax until their income reaches £10,000;

• increasing the child element of the Child Tax Credit by £150 a year above earnings indexation, raising the child element to £2,080 a year. This will be of potential benefit to 132,000 families receiving Child Tax Credit in Wales;

• an increase in the weekly rate of Child Benefit for the eldest child to £20 in April 2010, providing support to all families in line with the principle of progressive universalism. This will benefit the 360,000 families in Wales who receive Child Benefit;

• further reforms to modernise the tax system and protect tax revenues, including measures to tackle avoidance;

• measures to help tackle climate change, including an announcement that from 1 October 2007 all new zero carbon homes costing up to £500,000 will pay no stamp duty, with zero carbon homes costing in excess of £500,000 receiving a reduction in their stamp duty bill of £15,000; and

• an increase in fuel duty rates of 2 pence per litre (ppl) from 1 October 2007, and increases in the next two years of 2ppl and 1.84ppl respectively, and announcing car vehicle excise duty rates for the next three years, including rates for the most polluting cars rising to £400 and rates for clean cars in band B falling to £35.

Source: Welsh Assembly Government
Date: 21 March 2007
Reference: Budget statement from Sue Essex, Finance Minister
Link: http://new.wales.gov.uk/news/presreleasearchive/210307budget/?lang=en

Extract:

Minister for Finance, Local Government and Public Services, Sue Essex, today welcomed the Chancellor's budget. Sue Essex said:

As always, the Chancellor of the Exchequer has delivered a very good budget for Wales, building on ten years growth in the economy and public services.
In announcing his budget today, the Chancellor has provided Wales with an extra one billion pounds over three years, starting in 2008/9. We will be expecting other announcements in the Comprehensive Spending review later this year. We know for example that there will be other announcements concerning health. All money that comes from the chancellor will be set against our key priorities.
It is particularly pleasing to see the further increases in compensation for workers who have lost pensions. Welsh workers such as those at Allied Steel and Wire should now receive up to 80% of their lost pensions.
Other measures announced by the Chancellor which will benefit pensioners, families and businesses in Wales:

Reforms to the tax and benefit system, including the reduction in income tax to 20p in the pound, will make 800,000 households in Wales better off and mean that 30,000 pensioners pay no tax at all;
Increases in the Basic State Pension will help almost 600,000 pensioners
Attacking Child Poverty is a major priority in Wales, and it was pleasing to see that over 130,000 families will be better off as a result of changes to the Child Tax Credit;
50,000 people in Wales on low wages will benefit from increases in the National Minimum Wage
Reducing the administrative burden on business will free up resources in some 175,000 Welsh firms
This is a progressive Budget that fully supports our own policy aims. The Budget is targeting those groups who need the most help – families, pensioner and the low waged – and as such provides direct and sustainable help.

Note
In line with the financial settlement for the devolved administrations, it is a matter for the Assembly Government to decide how the extra funding should be used. We will take these decisions in the context of Welsh policies, programmes and the Government's overall strategic vision.

Source: Plaid Cymru
Date: 21 March 2007
Reference: Budget report: Response by Plaid Cymru

Extract:

Budget: Promises, promises but the figures don't add up
Plaid Cymru today welcomed parts of what is likely to be Gordon Brown's last Budget as Chancellor, but said that they had concerns about how the promises will be achieved.
Speaking after the Chancellor's statement, Plaid's Parliamentary Leader, Elfyn Llwyd MP said:
"I welcome the cut in basic rate of income tax by 2p as it will make life easier for hard pressed working families, but my concern is whether this is affordable. The Chancellor is cutting tax everywhere, and drowning in a sea of debt, in a desperate bid to gain popularity before moving to Number 10.
"Giving £1 billion to Northern Ireland is all very well, but what the Chancellor failed to address is that Wales is below Northern Ireland in terms of GVA, and the only thing we are promised in this Budget is an extra 5000 low paid, shelf-stacking jobs at Tesco."
Plaid's Treasury spokesman, Hywel Williams MP added:
"Instead of cutting corporation tax by 2% across the board, further benefiting London and the rich South East of England, for half the cost the Chancellor could cut it by about 15% in Objective One areas such as North and West Wales and the Valleys.
"It was good to hear that the Government will help workers who have lost their pensions with a financial assistance scheme increased from £2bn to £8bn. At last the workers of ASW will receive what is rightfully theirs, but I am disappointed that the Government let this drag on for so long. I just hope that Gordon Brown will stick to his words, and that workers who have lost their pensions through no fault of their own will get their compensation. As always with Mr Brown, we need to see the small print."

Source: Welsh Conservatives

Date: 21 March 2007
Reference: Budget report: Response by Welsh Conservatives
Link:
http://www.conservatives.com/tile.do?def=wales.news.story.page&obj_id=135747

Extract:

Brown's Budget is a tax con not a tax cut
Welsh Conservatives have accused Chancellor Gordon Brown of delivering a Budget tax con to the people of Wales.
It follows Brown's Budget statement to the House of Commons.
Shadow Secretary of State for Wales Cheryl Gillan MP said: "Gordon Brown's last Budget is a tax con not a tax cut.
"After 101 stealth taxes in 10 years it's no wonder people are asking 'where has all our money gone?'
"In his stealthiest tax yet, the Chancellor has paid for his 2p cut in income tax by abolishing the 10p rate and putting up National Insurance contributions for professionals like doctors.
"He has made promises for the future which will not ease the burden on households today.
"It is the people of Wales and the people of Britain who are paying the price for the Chancellor's failures.
"Gordon Brown holds clear responsibility for the problems we now face and has offered nothing in this Budget which provides any solutions for the future.
"The Chancellor's policies have made our economy less competitive and hit family incomes hard.
"Gordon Brown has raised billions in tax, borrowed billions in tax, and wasted billions with his failed tax and spend experiment."
The leader of the Welsh Conservatives in the National Assembly Nick Bourne AM said:
"Labour wants to make its economic record a key part of the Assembly election campaign.
"Based on the evidence of today's Budget Welsh Conservatives are more than happy to challenge them on it.
"After 10 years of Labour Wales is the poorest part of the United Kingdom, economic inactivity is high, average wages are rising at a slower rate than any other part of the country, and businesses are becoming less competitive.
"While any extra money for Wales is always welcome, it is clear from the Chancellor's statement that we will have to get best value for the 'Welsh pound' and get value for money from the Assembly budget."

Source: Welsh Liberal Democrats
Date: 21 March 2007
Reference: Budget report: Response by Welsh Liberal Democrats

Link: http://www.welshlibdems.org.uk/news_e_detail.asp?newsNo=2380

Extract:

Welsh Liberal Democrat budget response - Commenting on the budget, Welsh Liberal Democrat Finance spokesperson Jenny Randerson said:
"Gordon Brown has gone for a superficially attractive budget, but it isn't one which builds a fairer or greener Wales. Neither does it tackle some of the key areas of concern for Wales - the Barnett Formula was out of date when Brown moved in to number 11 Downing Street. It will be unchanged when he moves next door.

"Cuts in Income tax and corporation tax will have to be paid for elsewhere. This is a nakedly populist move by a chancellor looking for a boost in popularity before he becomes prime minister.

"The Chancellor has talked a green budget, but it's still more Brown than green. He could have been bolder, particularly for people looking to export electricity to the national grid. We are looking to set a guaranteed level of payment as a real incentive to encourage micro-generation.

"I was intrigued to hear £6bn for those whose work pensions gone bankrupt, because Labour have opposed giving the ASW workers the help they deserve. We will have to look at the detail to see whether this will help ASW workers or not."

Source: BBC
Date: 22 March 2007
Reference: Brown's budget billion for Wales
Link: http://news.bbc.co.uk/2/hi/uk_news/wales/6476343.stm

Extract:

The next Welsh Assembly Government will have almost a billion pounds more to spend after Wednesday's budget.
Cardiff Bay ministers will decide after May how to spend the extra cash, which is less than two per cent of their total budget for the next four years.
The budget has been welcomed by the unions who represent the 800 Allied Steel and Wire (ASW) workers who lost pensions when the firm folded in 2002.
A compensation fund for workers losing their pensions has been quadrupled.
Welsh Secretary Peter Hain said increasing the fund to £8bn would provide justice.
"Workers such as those at ASW will now be able to claim back up to 80 per cent of their lost pensions to a maximum £26,000 a year, up from £12,000," he said.
In a joint statement, trade unions Community and Amicus described the move as a "major step forward to achieving pensions justice".
Increases in education spending in England, announced by Chancellor Gordon Brown, will feed into the assembly government's budget.
How much of that money will go to education will be decided by the new administration in Cardiff Bay, elected on 3 May.
The total budget for Wales, currently £14bn, will increase in the coming year by just an extra half a million pounds, then in 2008-9 by £166m, in 2009-10 by £320m more and in 2010-11 by an additional £510m.

Mr Hain said the total package of budget measures was "brilliant news for the people of Wales, with the governments in Westminster and Cardiff Bay working together for a prosperous Wales".
But Plaid Cymru parliamentary leader Elfyn Llwyd accused Mr Brown of "cutting tax everywhere" and "drowning in a sea of debt."
Mr Llwyd said the Chancellor was trying to boost his popularity before becoming Prime Minister, as is widely expected when Tony Blair stands down.
The Plaid MP said: "I welcome the cut in the basic rate of income tax by 2p as it will make life easier for hard pressed working families, but my concern is whether this is affordable."
Conservative assembly group leader Nick Bourne said he was happy to make Labour's economic record a key part of the assembly election campaign.
Mr Bourne said: "After 10 years of Labour, Wales is the poorest part of the United Kingdom - economic inactivity is high, average wages are rising at a slower rate than any other part of the country, and businesses are becoming less competitive."
The Liberal Democrat assembly finance spokeswoman Jenny Randerson said it was "a superficially attractive budget, but it isn't one which builds a fairer or greener Wales."
Ms Randerson said it had failed to deal with key areas, such as the formula by which money is transferred from Whitehall to Cardiff Bay.

Source: ePolitix
Date: 22 March 2007
Reference: Budget 'only superficially attractive'
Link: http://www.epolitix.com/EN/News/200703/33c6edec-6f88-484f-8c2f-3511a698d2ef.htm

Extract:

Welsh opposition parties have said Gordon Brown's Budget statement was only "superficially attractive".
The leader of the Conservatives in the Cardiff assembly, Nick Bourne, said any extra spending in Wales was "always welcome".
But he insisted that the Labour Party would not benefit from putting the economy at the forefront of its campaign for the Welsh assembly elections.
"Labour wants to make its economic record a key part of the assembly election campaign," said Bourne.
"Based on the evidence of today's Budget Welsh Conservatives are more than happy to challenge them on it.
"After 10 years of Labour, Wales is the poorest part of the UK, economic inactivity is high, average wages are rising at a slower rate than any other part of the country, and businesses are becoming less competitive."
And Welsh Liberal Democrat finance spokesman Jenny Randerson said the announcements were "superficially attractive".
But she added that "it isn't one which builds a fairer or greener Wales".
"I was intrigued to hear £6bn for those whose work pensions gone bankrupt, because Labour have opposed giving the ASW workers the help they deserve," Randerson said.
"We will have to look at the detail to see whether this will help ASW workers or not."

Cynulliad Cenedlaethol Cymru National Assembly for Wales

5 Chancellor's Budget 2007 – Selected Press Notices

Source: ePolitix
Date: 21 March 2007
Reference: Press Review. Budget 2007 – Fleet Street Responds
Link:
http://www.epolitix.com/EN/Bulletins/PressReview/Items/200703/8a7223c0-2b2d-4de3-b933-f58266de633f.htm

Extract:

The newspapers give their reaction to Gordon Brown's last Budget in their leader columns.

Times
Goodbye, Stalin. Hello, Tommy Cooper. Gordon Brown's eleventh and almost certainly last Budget speech did not lack parliamentary theatre or policy innovation. His announcement of a two pence in the pound cut in income tax (as of next year, alas) left friend and foe wondering how he had done it. In truth, it has been achieved by a rebalancing and reconfiguration of the tax system rather than an immense gesture of generosity - and generosity is never quite the right word: it is your money that may or may not be returned to you. At a minimum, however, this was an imaginative way for Mr Brown to end his tenure.

FT
As Mr Brown surveyed his own record he found plenty to praise. He repeated his boast that the economy would not return to boom and bust. If only he could make the same claim for public spending, which has stopped and started like a crash dieter. First we had restraint, then the government splashed out on public services, and now the purse strings are tightening again. Such stop-go spending is hardly the best way to make efficient use of public money. Nor is the overall fiscal picture especially pretty.

Telegraph
Mr Brown, as he does without fail, promised that this latest bombardment of taxpayers' money will be matched with "major reforms and modernisation to meet the challenges ahead"... All pie in the sky, of course. In truth, the chancellor's sole political purpose in the final Budget before he accedes to the premiership (which now looks inevitable) was to neuter the Tories: and what an effective job he made of it. Earlier this month, the Tories blundered into Labour's hands with their inept plan to impose punitive taxes on air travellers. That prepared the ground nicely. Now, by making the kind of tax cut that all voters can understand, Mr Brown has painted the Tories into a corner.

Guardian
The winners and losers are spread across the spectrum. The more comfortably off top fifth of families will do best from the headline income tax cut this time, though they may end up paying more through the new environmental and company levies. But this was no old-style Tory budget. The chancellor's tax credit measures ensure that low-paid workers and poorer families will continue to enjoy some of the modest bounty too. The environment loomed larger than in many recent budgets, but the approach is still laced with political caution... In time this Budget may come to be seen as a turning point, not just between Mr Brown's old career and the new one he hopes for, but also between the years of strong public service spending growth under Labour since 2000 and a more parsimonious era.

Independent
This was Mr Brown's most political Budget. In part, this was a tribute to David Cameron's ability to set the terms of political debate. In part, it was a nod towards his own likely future as Prime Minister. The Chancellor not only stole some of the Tories' traditional clothes with his headline income tax cut (whatever its actual value), but he addressed head on some of Mr Cameron's embryonic policies - a levy on domestic air tickets and tax incentives for marriage - in order to demolish them. When it came to the green battleground, Mr Brown's proposals were disappointingly timid.

Mail
Even his sternest critics have to concede that his stewardship of the economy has been remarkable... Of course there are sleights of hands... So not everyone will be cheering. Significant numbers are worse off or, at best, will fail to notice a difference. And never forget that the overall tax burden under Mr Brown has gone up from 35 to 37.2 per cent. That said, yesterday's help for pensioners can be welcomed unequivocally.

Sun
Taken together, Mr Brown's tax cuts and improved benefits will put real money in Sun readers' pockets. Families with children will be at least £200 a year better off, with up to £500 for the lower-paid. Working single parents, families with one wage-earner, old folk in draughty homes, all do well out of the Budget. The chancellor also finds more for schools and the NHS, although The Sun believes the private sector would make a far better job than the state of providing many public services. Mr Brown is accused by the Tories of taking back on the one hand what he has given away with the other. But the chancellor pulled the rug from under David Cameron's feet.

Mirror
The dramatic punchline to Gordon Brown's final Budget showed why he deserves to be our next prime minister. The powerhouse chancellor's bold two pence cut in the basic rate of income tax was as sensational as it was audacious. As always, the chancellor had done his sums, tweaking and adjusting the economic levers to ensure Great Britain PLC, the business he's run so successfully for a decade, remains on course. But as well as giving cheer to all sections of society - from big business to working families - he delivered a genuine political thunderbolt.

Express
Overall the chancellor's display was contemptible. It will only serve to strengthen the view that more and more people are reaching: This man is not fit to be prime minister.

Source: The Institute for Fiscal Studies
Date: 21 March 2007
Reference: Press Release Analysis of the Budget 2007
Link: http://www.ifs.org.uk/pr/budget07.pdf

Extract:

Brown's final Budget by Robert Chote
Gordon Brown has certainly dashed fears that his swansong Budget would be a damp squib. He has confirmed that the next few years will see the tightest squeeze on public spending for a decade, but combined this with an eye-catching package of personal and corporate tax reforms. He has already stamped his mark on the machinery of monetary

policy and planning the public finances – with a welcome simplification of income tax and national insurance he is staking his claim to be a tax reformer too.

Winners and losers by Mike Brewer (IFS)
The Budget contained a series of changes to personal taxes and tax credits, which together will cost the Treasury £2.4bn in 2009–10. This net cost represents the difference between a set of measures which give away £13.2bn, and a set of measures which raise £10.7bn. As a result, the majority of families will find that some measures make them better off and other measures make them worse off. The changes to personal taxes seem to have been carefully designed to ensure that this Budget is not a tax raid on the rich: those earning over around £42,000 a year will find their disposable income almost unaffected by the personal tax changes. However, almost 1 in 5 families in the UK will lose from, and, unusually for a Brown Budget, the losers come from across the income distribution, and include some families with children."

Child Poverty by Mike Brewer (IFS)
Pre-Budget speculation was that the Budget would be one for children, not least because the Government has challenging targets for child poverty in 2010 which will not be met on current spending plans. Increases in the child element of the child tax credit gives the most help to the poorest children, and extra spending on working tax credit will help encourage lone parents to work. Along with the changes to income tax and NI, the Treasury estimate today's changes will take 200,000 children out of poverty. Although helpful, much more needs to be done in the next three years if the Government is serious about meeting its target.

Simplification by Stuart Adam (IFS)
The wholesale removal of an income tax band - at least for earned income – and the further alignment of income tax and National Insurance thresholds are welcome simplifications. But they raise the question of whether a much greater simplification could be achieved by fully integrating income tax and National Insurance.

Corporation Tax by Helen Simpson (IFS)
The Chancellor announced a cut in the main rate of corporation tax from 30% to 28% in 2008–09. At the same time he announced a reduction in the generosity of capital allowances for investment. Taken together these imply a cut in the tax rate but a broadening of the tax base (the lower rate being applied to a larger fraction of profits). Companies investing heavily in buildings and in plant and machinery seem the least likely to benefit. The most profitable companies (where the value of tax allowances is small relative to income) are those most likely to gain, and the rate cut may make the UK a more attractive location for such firms. The Chancellor also announced a gradual increase in the small companies' rate of corporation tax from 19% to 22%. This almost takes us full circle – in his first budget the Chancellor cut the rate from 23% to 21%; further cuts followed, plus the introduction and subsequent abolition of the 10% and 0% starting rates of corporation tax. The current increase is aimed at reducing incentives to incorporate (and take income in the form of dividends rather than wages) created by the tax system. These incentives were previously greatly enhanced by the ill-fated 0% starting rate. He also introduced a new Annual Investment Allowance (AIA) which allows all firms an immediate deduction of up to £50,000 for investment in plant and machinery. For some small companies this should lessen the effect on their tax bills of the increase in the small companies' rate. While the reforms for large firms lower the tax rate and broaden the tax base, for companies paying at the small companies' rate, the reforms increase the tax rate, but for those benefiting from the AIA, narrow the tax base.

Public finances by Carl Emmerson and Christine Frayne (IFS)

Today's Budget revealed that yet again the outlook for the public finances is slightly weaker than the Chancellor had expected. Borrowing forecasts over the next few years have been raised by about £2bn in each year. This was largely due to a downwards revision to the expected output of North Sea Oil companies which reduces their tax bills. While the Budget measures were individually substantial in terms of their giveaway and takeaway from both the corporate and the personal sector the net impact on the public finances was negligible as the exchequer gains and loses largely offset each other. The Chancellor remains on course to meet both his fiscal rules over the current economic cycle and, more importantly, over the next economic cycle.

Public spending by Robert Chote (IFS)
Mr Brown confirmed that, after economy-wide inflation, total public spending will rise by just 2 percent a year on average over the three years of the Comprehensive Spending Review: 2008–09, 2009–10 and 2010–11. This is half the 4 percent annual increase Labour has delivered during its "years of plenty" since 2000. On the other hand, it is nowhere near as tight as the squeeze in Labour's early years in office and more generous than the 1.5% a year delivered by the Conservatives from 1979. At this rate spending will not keep pace with growth in the economy. You could argue that this is enough in itself to imply a "cut", for example if public sector wage increases need to keep up with private sector ones and if social security payments need to keep pace with the improving living standards of those in paid work. When the Conservatives proposed increasing spending in real terms but reducing it by 2 percent of national income over six years in the 2005 election, Mr Brown and his colleagues described it as a £35 billion cut. On the same basis, Mr Brown's plans to reduce public spending by 0.6 percent of national income over the CSR would be a £8 billion cut, rising to £10 billion if you include his tentative projection for 2011–12. Whether this is a cut or slowdown is a matter of opinion. Politicians inevitably describe these things in the way that best suits them at the time. But of one thing we can be sure: Labour's years of plenty are at an end.

Education spending by Alissa Goodman and Luke Sibieta (IFS)
Today's Budget announced the CSR settlement for total education spending. Education spending in the UK is set to grow from £77.4 billion in 2007–08 to reach £90 billion in 2010–11, in cash terms. This equates to an annualised average real terms increase of 2.4% per year. This means that total UK education spending will remain broadly constant as a share of national income between 2007–08 and 2010–11, at 5.6%. When looking at education spending in England over the same period, we see that this will grow in real-terms by 2.5% per year on an annualised average basis. This Chancellor also spelled out how much his education plans will help him in his aspiration to increase state schools spending per pupil to £8,000 in 2005–06 prices (that spent in the private sector in 2005–06). State school spending per head is set to increase from a planned value of £5,263 in 2007–08 to reach £5,800 in 2010–11, all in 2005–06 prices. Some of this increase comes from the new capital spending that was already announced before today's Budget. Some of the increase is also due to an expected fall in pupil numbers, which allows existing funding to go further. Today's announcements imply an additional £300 per pupil on top of these. What does this mean for when his aspiration might be met? If the average real growth seen in per pupil spending over the CSR period is maintained after 2010–11, then the aspiration will not be met until 2020–21. It could be met in 2016–17 if instead per pupil spending were to grow at the same rate seen between 1997–98 and 2007–08 (5.7%).

6 Budget Report – Selected Stakeholders' views by Topic

Source: ePolitix
Date: 21 March 2007
Reference: Stakeholders' Views
Link: http://www.epolitix.com/EN/Forums/

6.1 Education

Stakeholder Response : National Union of Teachers
Steve Sinnott, general secretary of the National Union of Teachers, said: "In a very tough financial climate I recognise that the chancellor has maintained his commitment to education.
"Any government worth its salt has to understand that the United Kingdom can't punch its weight in the world without the best possible standards in education.
"I am delighted that the chancellor is maintaining his commitment to narrow the gap between the amount spent on each pupil in the public and private sector.
"It is essential that there is no reduction in the rate of increase in expenditure per child.
"The chancellor must make clear the target date for the achievement of equity for children in the state sector.
"That said it is vital that the government does not take its eye of the ball in spending terms and does not make extravagant commitments which will make unrealistic demands on schools.
"The every child matters agenda can't be carried out on the cheap and school communities will oppose the allocation of additional responsibilities without the additional staff being found.
"I welcome the chancellor's emphasis on practical personalised learning. One to one tuition has been denied to children from less well off backgrounds. This is a positive step that should lift the educational achievement of many children.
"As a member of the campaign to end child poverty we recognise the significant investment that the government has made in this budget, we are pleased the chancellor has listened to our campaign and recommitted the government to keep its promise to millions of children in the UK.
"However we are concerned this budget won't be enough to reach the 2010 target of halving child poverty and are calling on the government to make further steps towards the necessary extra investment or risk missing the target altogether."

Stakeholder Response : Association of School and College Leaders
ASCL general secretary Dr John Dunford said: "I welcome the real-term increase in the national education budget up to 2010, in particular the recognition that extended schools will need extra resources to provide a comprehensive out-of-hours service.
"On the face of it, this appears to be a good deal for education. However, as with previous budgets, we will need to see the small print before we can calculate the real effect that this will have on school and college budgets."

Stakeholder Response : Association of Teachers and Lecturers
ATL general secretary Dr Mary Bousted said: "With little money to play with the chancellor's plans for education are better than expected.
"However, pay increases for grossly underpaid school support staff, must not be screwed down as a way of paying for increases in education funding.
"It would be a foolish policy in a government that claims education is its priority - penalising public sector staff has brought down labour governments in the past."

Response : University and College Union
UCU joint general secretary Sally Hunt said: "All politicians tell us that education is a priority – some repeat the mantra three times. Rhetoric alone cannot support our universities and colleges, especially if the challenging participation targets in the Leitch Report are to be realised.
"The increase in the percentage of Gross Domestic Product (GDP) spent on education to 5.6 per cent is welcome.
"However, part of that increase has come from charging university tuition fees.
"When the DfES and the devolved governments come to divvy up the overall education budget they must look to increase spending on further and higher education.
"We want public spending on higher education to rise as a proportion of GDP to the international average.
"UCU has called on the government to use the forthcoming comprehensive spending review (CSR) to bring Britain in line with countries such as America and our European neighbours.
"More money for employers to fund training is to be welcomed and hopefully the reduction in corporation tax will prompt companies into significantly increasing their outlay on training and career development.
"However, there was sadly no mention of how the government intends to address the funding and pay gap between our colleges and schools."
""This appears to be a short-term strategy as the government will ultimately lose money in the long-term from repaid debts.
"Let's not forget that few private companies have a proud record of taking over the running of systems like student loans.
"We need assurances from government that the money raised will be ploughed back into higher education and not used to replace public funding.
"Furthermore, as students are forced to borrow more to meet the cost of their university education, we need a guarantee that the interest rate on student loans will not rise."

6.2 Families and Young People

Stakeholder Response: 4Children
Anne Longfield, chief executive at 4Children, said: "The chancellor's final Budget is the culmination of a decade of investment in children and does not disappoint.
"The chancellor was the first to invest in multi-million pound package on childcare in 1997, which has been extended each year since.
"Measures to lift 200,000 children out of poverty, and extra support for education and children's centres sends a very clear message about the priority he places on improving the life chances of children in the UK.
"Today's Budget represents a welcome step forward in meeting the child poverty target. We are particularly pleased with the extra support for getting lone parents back into work.
"With childcare costs reaching as much as £250 a week, 18 per cent of lone parents have not been able to afford this. The extra support announced in today's budget will help ease the path back to work potentially for hundreds of thousands of lone parents through extra help in child benefits and the child tax credit. This will lift children out of poverty and increase their life chances.
"But there still a decade of serious reform which will need to happen to deliver the targets for children for 2010. This is a challenge that transcends party politics and sets out a clear challenge for any party which hopes to govern after the next general election."

6.3 Employment and Skills

Stakeholder Response: Working Links
Keith Faulkner, managing director, Working Links: "We welcome the announcements made by the chancellor in his Budget today that reinforce the government's support for increasing working opportunities for all.
"It is crucial for both individuals and the economy that support is delivered for the long-term unemployed to help them re-enter the workplace and it is equally important there is a focus on providing a working environment in which people can develop skills and progress a career.
"Specific announcements focusing on extending support to lone parents by continuing the in-work credit (and extending it in London) as well as increasing access to child care are to be welcomed.
"We have long advocated the importance of actively working with employers and we therefore welcome the government's plans to form partnerships with large retail employers to help the long-term unemployed into work.
"In the wider employment market, the most proactive employers can make a direct contribution to reducing unemployment but in our experience, for the majority, it is vital that there is active brokerage to ensure that jobseekers are offered jobs which are sustainable.
"We welcome the chancellor's commitment to equipping 'people with new skills for new jobs in the decade ahead' and the initiatives encouraging individuals and employers to engage with training.
"We are pleased to see the chancellor recognise the particular needs of those 16- 17 year olds who are not in Education, Employment or Training and that he will encourage them to improve their skills by offering a training grant.
"Experience shows that it is vital that this group is offered support early on to prevent longer term and more intractable disengagement with the labour market.
"Equally, we welcome the £2000-£3000 training grants to be offered to small employers.
"As Lord Leitch recently made clear, it is crucial that we improve the skills of our workforce in order to compete in a global economy.
"Government initiatives which encourage this are therefore to be supported.
"We support the government's aspirations of an 80% employment rate but know too that it is not simply sufficient to place people in employment.
"We must also offer support which enables people to progress in the workplace and move further away from benefit dependency.
Our experience as a leading provider of employment services in this field is that a difference can be made, but that it takes time and investment. We welcome the announcements today as a positive step towards achieving these goals."

Stakeholder Response : Chartered Institute of Personnel and Development
John Philpott, chief economist at the Chartered Institute of Personnel and Development, said: "Brown's final budget has proved both his least predictable and cleverest.
"Revenues lost by headline grabbing cuts in the basic rate of income tax and corporation tax are made up by numerous tax rises pasted into the Red Book, notably removing the 10p starting rate of income tax, greater alignment of income tax and national insurance contributions, more corporation tax for small firms and fewer capital allowances.
"Brown's smartest political act is to dip into the policy manuals of his conservative and liberal democrat opponents whilst also giving them a green tinge.
"And by making the overall package redistributive, benefiting in particular low income families with children and pensioners, including the victims of bankrupt occupational pension schemes, the chancellor has appealed to his own labour supporters as he prepares to enter Number 10."

"With regard to measures of specific interest to the HR community the budget contains some interesting items but is overall lacklustre.
"While the CIPD welcomes the chancellor's announcement of an additional increase in annual spending on education and training of 2.5% in real terms in the next few years, details of how the government intends to implement the recommendations of last year's Leitch review of skills will not be published until the summer.
"The CIPD also welcomes the green paper (due for publication tomorrow) on how best to raise the age of compulsory education and training to 18.
"However, it will be important to ensure that any such move does not compromise existing work based training for teenagers."
"The CIPD is most encouraged by the welfare to work provisions of the budget which echo some of the approaches the institute has been recommending as ways of helping employers make better use of the existing large groups of 'core jobless'.
"The CIPD fully endorses the idea of Local Employment Partnerships (LEPs) between large retailers and JobcentrePlus, which will experiment with just the kinds of measures we advocate – short work trials, higher recruitment subsidies, employer mentoring and reform of job application procedures. If well designed, LEPs could provide a model for non-retail employers too and promote a new form of 'diversity in action'.
"In this respect the CIPD also supports trials of improved English language training for jobless people with language difficulties and, in particular, efforts to link New Deal training with Train to Gain. Only if increased access to jobs is matched by job retention and movement up the skill and income ladder will the least advantaged in the labour market, and those who hire them, benefit most from welfare to work measures."

6.4 Pensions

Stakeholder Response: Help the Aged
Mervyn Kohler, head of public affairs, said: "There were few green shoots for pensioners in the chancellor's equinox Budget.
"Instead we have heard more self-congratulation about the economy and growth, but little about high fuel costs, soaring council tax bills and dwindling local services which older people rely on.
"The basic state pension continues to be overwhelmed by the rise in essential costs and pensioner poverty persists after a decade of Gordon Brown's tenure in Number 11 Downing Street.
"The UK's economic budget may well be sustainable, but the individual budgets of the country's older people are not.
"On the positive side, we welcome the extension of the Financial Assistance Scheme to assist those workers who lose their retirement packages as a result of business insolvency.
"It is good that the government has owned up to responsibility for those pensioners left without provision through no fault of their own.
"We also welcome the increase in tax-free allowance for pensioners which will reduce hardship for those older people on small fixed incomes and take 600,000 older people out of tax altogether.
"As the population ages, the government must make a far better job of prioritising services for older people.
"Central to this should be a commitment to a pension that allows retirement with dignity, instead of decline.
"The speech contained nothing new on tackling fuel poverty nor any increase in Winter Fuel Payments to offset rises in energy costs - this inaction will consign many older people to yet more scrimping and saving.

"Help the Aged shares the anger which will be felt by many pensioners at the chancellor's failure to reinstate the £200 rebate to help with Council Tax bills.
"It is now clear to all that the introduction of this discount two years ago was a pre-election bribe.
"This Budget was a missed opportunity to address the wider needs of our pensioner population and is a profound indictment on another year of warm words instead of action."

Stakeholder Response: Age Concern
Gordon Lishman, Age Concern's director general, said: "This is a stop-gap budget for pensioners.
"The chancellor has bowed out of his final Budget by ignoring the needs of some of the poorest older people, largely the 2.1 million who aren't claiming Pension Credit.
"Many pensioners will feel very frustrated by today's speech, particularly with yet more council tax and water bill rises around the corner."
It's good that the Pension Credit will continue to rise in line with earnings but this is nothing new and won't help the 2.1 million pensioners who are missing out on the benefit.
"It is extremely disappointing that the government has failed to announce a date for re-linking the state pension to average earnings.
"Without quick intervention, the real value of the basic state pension will fall to a pitiful £75 by 2012 and today's pensioners will fail to benefit from any of the good measures proposed in the Pensions Bill.
"Older women and carers, who have already retired with incomplete NI records, will also miss out unless pensions reform is introduced retrospectively."
"It's really positive that the chancellor plans to lift 600,000 pensioners out of income tax.
"This will make the system more simple and fairer for those with a modest level of income or a small amount of savings, who are currently caught in the income tax trap."
"Brown's plan to extend the FAS to £8bn is really welcome and should at least go some way to help the 125,000 workers who so unfairly lost their pensions."
"The government cannot assume that because energy companies have recently lowered their prices, pensioners can now afford to pay their bills.
"Steep and steady hikes in gas and electricity prices have led to inflation-busting bills that have pushed thousands more older people into fuel poverty.
"The annual Winter Fuel Allowance is a very popular payment and the chancellor's refusal to increase it will disappoint many pensioners."
"Many pensioners will be bitterly disappointed that the chancellor failed to offer any help with their spiralling council tax bills.
"Since Labour came to power, council tax bills have almost doubled whilst the basic state pension has risen by scarcely a third.
"The government must act on Lyons' recommendations that council tax benefit should be received automatically, without having to claim, and the savings limit should be increased to £50,000.
"In the short term, the government should make it much easier for people to get the help they are entitled to by introducing a single telephone claim line for all means-tested benefits."
"Ignoring the crisis in long-term care funding will not make it disappear.
"The fact is there is simply too little money in the system to improve the quality of care and the problem is set to get worse as the population ages.
"The chancellor has missed an opportunity to kick-start an open and honest public debate - as we had with pensions – to urgently deliver a long-term care settlement that is simple, fair and sustainable."

6.5 Environment

Stakeholder Response: Biffa
Biffa's Peter Jones said: "The £8 hike in the landfill tax next year is clear recognition by the Treasury that sustainable low
"Carbon emission technologies need to be made more bankable against current landfill cost profiles.
"This will act as a strong spur to the UK's waste and resource recovery sector to invest in solutions of the future for the future generations.
"This is an important milestone in the resource efficiency agenda which - in the long term - signals great opportunities for the environmental services sector, both in the UK and in terms of its capacity to meet burgeoning global demand."

Stakeholder Response: UK Timber Frame Association
A spokesman said: "We are pleased to see a continued strong emphasis on supporting investment and innovation in environmentally sustainable businesses.
"By the government taking the UK economy from stable to sustainable, it has been possible for our industry to achieve rapid growth.
"Our interim market statistics will be published next month, but we expect to see that housing starts grew by about four per cent in 2006 in total, whereas timber frame achieved over eight per cent. With more than 50,000 timber frame units built in 2006 and our UK market share now over 20 per cent, this helps the UK save at least 150,000 tonnes of carbon.
"We also support the policy of using fiscal incentives to encourage interest in zero carbon new homes.
"The timber frame industry is already developing the technology and building practices that will allow housebuilders to meet the targets for low and zero carbon housing because we know that the use of timber frame makes it both commercially and technically feasible.
"Examples of such innovative homes are starting on site right now and will be on display in June at BRE's Offsite2007 exhibition. We think housebuilders and the homebuying public will love them.
"We support the government's recognition of the need for more flexible housing that can easily be modified to meet the needs of older people and changing family living requirements.
"Timber frame homes are the most adaptable type of homes - it's easy to remodel the living space, add rooms in the roof and make other changes.
"It's good to see financial support for families who want to make use of such benefits.
"Finally, we are delighted to see the government playing its part in the international initiative to prevent the destruction of the central African rainforest.
"Rainforests are of vital importance within the global climate system.
"Although worldwide deforestation of the rainforests remains a significant issue, it is not caused by the European construction industry which mainly uses softwood.
"UK timber frame uses 99 per cent European farmed softwood.
"The UKTFA is committed to promoting the responsible procurement of timber and to the policy of planting more trees than we harvest. In this way, Europe's forests will continue to act as huge carbon sinks and help tackle global warming."

Stakeholder Response: CPRE
Neil Sinden, CPRE's policy director, said: "Alongside measures to reduce carbon emissions and an increase in the aggregates levy, the brownfield focus in the Budget enhances the chancellor's green credentials.

"Extending tax incentives for brownfield development and reducing the duration of empty property relief from business rates will both help secure the more efficient use of urban land."
"But disappointingly the Budget fails to address the anomaly of VAT being charged at the full rate of 17.5 per cent on most building repairs and conversions, whereas new build is zero-rated.
"Equalising VAT rates on new build and refurbishment would give a major incentive to efforts to promote urban regeneration."
"The government's planning policies have been hugely successful in making better use of brownfield sites for new housing.
"It is vital that forthcoming reforms reinforce these Budget measures and strengthen the role of the planning system in regenerating brownfield sites, for housing as well as economic development."

Stakeholder Response: Woodland Trust
Dr James Cooper from the Woodland Trust said: "There are some welcome developments in this Budget from an environmental standpoint, but the overall impression is that this did not live up to its billing as a green Budget.
"The commitment of £50m to the tackling of deforestation in Africa is a welcome recognition that this issue lies at the heart of tackling climate change whilst the announcement that Britain will go ahead with its first full-scale carbon capture and storage project is also good news.
"However, much of the environmental strand of the budget is characterised by caution rather than the bold approach and emphasis on public engagement which are necessary given the scale of the challenge we face as set out in the Treasury's own Stern review.
"We would have liked to see further action on aviation, which is one of the fastest growing contributors to climate change.
"The chancellor should have also turned his attention to the important role of land use in both mitigation and adaptation to climate change following the encouraging debate on this subject started recently by the environment secretary.
"More generally, some recognition of the very real concern amongst charities over the impact of the Olympics on the National Lottery – the Heritage Lottery Fund stands to lose £90m as a consequence - would have been welcome. We are also troubled by the recommendation of the Lyons review, published today, that the ending of council tax relief for charities be examined."

Stakeholder Response: NHBC
NHBC Chief Executive, Imtiaz Farookhi said: "NHBC urges that consumer protection must be at the forefront of technological advances. Consumers must not be used as 'guinea pigs' for zero carbon technologies and systems that have not undergone thorough testing and accreditation.
"Asking consumers to pay for and maintain products and systems that are not reliable or fail to deliver the claimed benefits is not the way forward.
"Our task now is to ensure the implementation of the announcements in the Budget are for the benefit of consumers.
"NHBC's independent research institution - the NHBC Foundation - and its sister organisation, the National Centre for Excellence in Housing, will lead industry research with projects identifying solutions to environmental challenges.
"The Foundation has already begun to deliver a series of research findings of particular relevance to sustainability and the zero carbon agenda and this will continue through the year.
"The Centre will be working with a range of stakeholders to stimulate the upgrading and refurbishment of the existing housing stock in a sustainable manner.

"Through this work, we aim to help the government achieve its policy objectives and to rise to the challenge of the zero carbon agenda."

Stakeholder Response: Construction Products Association
CPA told ePolitix:"Despite all the expectations that the chancellor would deliver a budget to encourage environmental efficiency, the measures outlined today fall well short of what is needed to address the climate change issues and deliver a more sustainable future.
"There is an urgent need to make existing buildings more energy efficient, but the chancellor has missed a great opportunity to provide financial incentives to achieve this.
"Whilst plans to exempt new zero-carbon homes costing up to £500,000 from stamp duty are to be welcomed, these are very modest measures given the scale of what has to be achieved with the overwhelming majority of existing homes – new homes only account for 1 % of total stock in any given year.
"An incremental improvement to the energy efficiency of existing homes of 1% each year would more than outweigh the environmental benefits produced by building all new housing to zero carbon.
"The government must develop its strategy to make the existing building stock more energy efficient if it is serious about reducing carbon emissions and improving energy efficiency.
"There are a number of ways to help all householders improve energy efficiency, but this budget has done little to encourage any improvements.
"The financial grants to help pensioners insulate their homes may be good for their quality of life, but this is a social policy, when what is needed is a strategy to reduce emissions from all the existing housing stock.
"Turning to the issues in the budget aimed at improving business competitiveness, this Budget is unlikely to deliver significant wins for UK Plc – despite the cut in Corporation Tax to 28%, but we welcome the measures in the Budget to assist industry competitiveness.
"We are pleased to see the government remains committed to reducing red tape through simplification of the tax system and, whilst we are particularly pleased that Corporation Tax has been cut, the rises in taxation for smaller firms mean the overall fiscal burden on businesses has not been significantly reduced by this budget.
"We wait to see the detailed proposals for simplification of the Climate Change Levy (CCL). The CCL does little to make companies more energy efficient and risks encouraging them to look elsewhere when it comes to making future investment decisions.
"The increase in the Aggregate Levy to £1.95 per tonne from 1 April 2008 will increase the cost of construction for infrastructure projects and major schemes like the London Olympics."

6.6 Business Issues

Stakeholder Response: Federation of Small Businesses
Carol Undy, FSB national chairman, said: "This is the chancellor's eleventh Budget and this year's offering is no different to the others – he gives with one hand and takes with the other.
"However, this year, after some welcome initiatives for our members he throws it all away with a tax hike aimed at small businesses.
"Corporation tax was cut for large firms but increased for smaller ones.
"Small businesses employ 58 per cent of the private sector workforce - over 12 million people – and the increase in their tax rate fails to acknowledge their contribution.

"A cut in income tax is welcome but does not fully offset the dismay felt by small firms despite the other allowances that he has offered.
"Investing in education is of course vital to the success of British businesses and we welcome the initiative to get Universities and business working together on innovation.

"However, we have had 10 years of investment in the school system and our members are still reporting a drastic shortage of basic literacy and numeracy skills.
"Allowances for small businesses to train their employees in basic skills are also welcome to tackle the problem in the workplace too.
"Increasing road tax on larger engine vehicles and company cars will also hit small businesses that use such a car or van for their business needs. Other green measures may also be counter-productive.
"Higher taxes will rein in the economy at precisely the time when businesses are seeking to invest in new ways of reducing their environmental impact.
"We congratulate the chancellor on accepting our proposals to reduce the business rate relief on empty commercial property.
"This will ensure the better use of commercial premises.
"The use of more risk-based regulations for Employment Tribunals is also a boost for small employers.
"On the Lyons review we are pleased that there will be no return to setting business rates at local level.
"But allowing a variation on top of the business rate and other variable service charges, including a possible bed tax, will lead to even more complexity for businesses to deal with on top of already existing initiatives.
"Councils will undoubtedly use these powers to bring in more money from businesses rather than hit voters with higher council tax.
"However, a number of our members are home-based and will welcome the initiative to tackle the problems of the council tax."

Stakeholder Response: British Retail Consultation
British Retail Consortium director general Kevin Hawkins said: "As always the devil may turn out to be in the unannounced detail but the chancellor has rightly made a worthwhile reduction in Corporation Tax and the anticipated 'green' measures seem very sensible."
"The cut in corporation tax is good news. It is being somewhat offset by cuts in a number of tax reliefs but is a welcome simplification and a decisive move in favour of jobs and investment."
"We called on the chancellor to cut VAT on energy efficient products to five per cent.
"He could have done that in the UK immediately but his pledge to push for Europe-wide agreement is welcome.
"If the EU is serious about reducing carbon emissions it will back this initiative.
"It is a pity that incentives for small scale renewable energy equipment such as wind turbines and solar panels are confined to homes but the chancellor has conceded the principle.
"We hope this will be extended to business premises next year."
Local employment partnerships
"This is an imaginative and practical scheme.
"It is not some abstract plan dreamt up by bureaucrats but builds on the help a number of major BRC members are already offering to enable people lacking the skills or self-confidence to get into the workforce more quickly.
"The BRC will be working to widen retail support for it."

Stakeholder Response: Finance & Leasing Association
Martin Hall, director general of the Finance & Leasing Association, said: "We'll have to study the fine print, but at first sight this looks like another missed opportunity.

"By excluding leased assets for SMEs from the package and re-jigging allowances the way he has, the chancellor has strengthened the current discrimination against leased assets in corporation tax, and he has damaged businesses – especially many thousands of UK SMEs – that want to use asset finance to protect their cash flows.
"I hope he will repair at least some of the damage in consulting on the new investment allowance."

Response: Ernst & Young
Paul Davies, UK head of tax at Ernst & Young, said: "The chancellor has woken up to the calls of business that have been ignored in the past, both in the tax rate and tax base.
"The result is a mixed bag of changes that may affect different taxpayers in different ways but should lead to a simplified system overall.
"The cut in the main rate of corporation tax is welcome, showing that the UK is once again on a competitive path. This will reassure those companies thinking of moving offshore.
"However, the gain from the rate reduction will be more than clawed back by the change in plant and machinery capital allowances.
"As a result it is clear that the main beneficiaries of the rate cut will be in the service sector rather than the manufacturing sector."
"For personal taxpayers it is a similar story: abolishing the 10 per cent band in 2008 will actually raise more money for the chancellor, which will be given back by the reduction of the basic rate from 22 per cent to 20 per cent.
"It is more redistributive for lower earners and those in receipt of child credit and working tax credits.
"The alignment of the National Insurance bands and higher rate tax bands mean that higher earners are more exposed to higher rates of national insurance contributions on more of their income.
"It is also worth noting that the changes in personal taxation are not due to commence until April 2008, by which time the chancellor presumably hopes to be in Number 10, with a view to an imminent general election."

7 Further Information and Press Articles

HMT – Link to 2007 Budget micro site
http://budget2007.treasury.gov.uk/

HMT – Link to Budget Report 2007 (Full report and associated documents)
http://www.hm-treasury.gov.uk/budget/budget_07/report/bud_budget07_repindex.cfm

HMT – Background information on the Budget (Including previous Budgets)
http://www.hm-treasury.gov.uk/budget/bud_index.cfm

HMT – Link to Budget 2007 Press Notices
http://www.hm-
treasury.gov.uk/budget/budget_07/press_notices/bud_bud07_pressindex.cfm

ePolitix – News articles, analysis and stakeholder views on the Budget 2007
ePolitix – Budget 2007 search results

ePolitix – Budget 2007 reaction
http://www.epolitix.com/EN/News/200703/bcb21533-9b7e-493f-916e-b379c5f6b1fc.htm

Institute for Fiscal Studies – Budget 2007 pages
http://www.ifs.org.uk/budgets/budget2007/index.php

Institute for Fiscal Studies – Green Budget 2007
http://www.ifs.org.uk/budgets/gb2007/index.php

Institute for Fiscal Studies – Public Finance Bulletins
http://www.ifs.org.uk/press.php?view=pubfin

BBC NEWS – Link to BBC articles and resources on Budget Report 2007
http://news.bbc.co.uk/2/hi/in_depth/business/2007/budget_2007/default.stm

BBC News - Lead article on Budget Report 2007
http://news.bbc.co.uk/2/hi/uk_news/politics/6472999.stm

BBC News – Gordon Brown: A decade of Budgets
http://news.bbc.co.uk/2/hi/business/6442161.stm

Members' Research Service
Research Paper on the Chancellor's Pre Budget Report 2006

Daily Post – So who are the Budget winners and losers?
http://icnorthwales.icnetwork.co.uk/dailypost/news/wales/tm_headline=so-who-are-the-budget-winners-and-losers%2D%26method=full%26objectid=18789293%26siteid=50142-name_page.html

Western Mail – Brown gets tax appeal
http://icwales.icnetwork.co.uk/0100news/0200wales/tm_headline=brown-gets-tax-appeal%26method=full%26objectid=18790312%26siteid=50082-name_page.html

Daily Post – Smoke and mirrors jibe as Gordon cuts 2p off income tax

http://icnorthwales.icnetwork.co.uk/dailypost/news/wales/tm_headline=smoke-and-mirrors-jibe-as-gordon-cuts-2p-off-income-tax%26method=full%26objectid=18789294%26siteid=50142-name_page.html

Western Mail – Wales waits for its Budget
http://icwales.icnetwork.co.uk/0100news/0200wales/tm_headline=wales-waits-for-its-budget-%26method=full%26objectid=18790268%26siteid=50082-name_page.html

Daily Post – Brown pulls one final rabbit out of his hat
http://icnorthwales.icnetwork.co.uk/dailypost/news/wales/tm_headline=brown-pulls-one-final-rabbit-out-of-his-hat%26method=full%26objectid=18789291%26siteid=50142-name_page.html

Western Mail – Billions extra for 'lost pensions' workers
http://icwales.icnetwork.co.uk/0100news/0200wales/tm_headline=billions-extra-for-workers-who-lost-their-pensions%26method=full%26objectid=18790318%26siteid=50082-name_page.html

Daily Post – Assembly gets £1bn more to spend
http://icnorthwales.icnetwork.co.uk/dailypost/news/wales/tm_headline=assembly-gets-%2Dpound%2D1bn-more-to-spend%26method=full%26objectid=18789292%26siteid=50142-name_page.html