



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

The Chancellor's Pre - Budget Report 2005

On Monday 5 December 2005, the Chancellor of the Exchequer, Gordon Brown, issued the 2005 Pre-Budget Report, entitled "*Britain meeting the global challenge: Enterprise, fairness and responsibility*".

This paper brings together a range of information, analysis and commentary on the latest Pre-Budget Report.

December 2005



The Chancellor's Pre - Budget Report 2005

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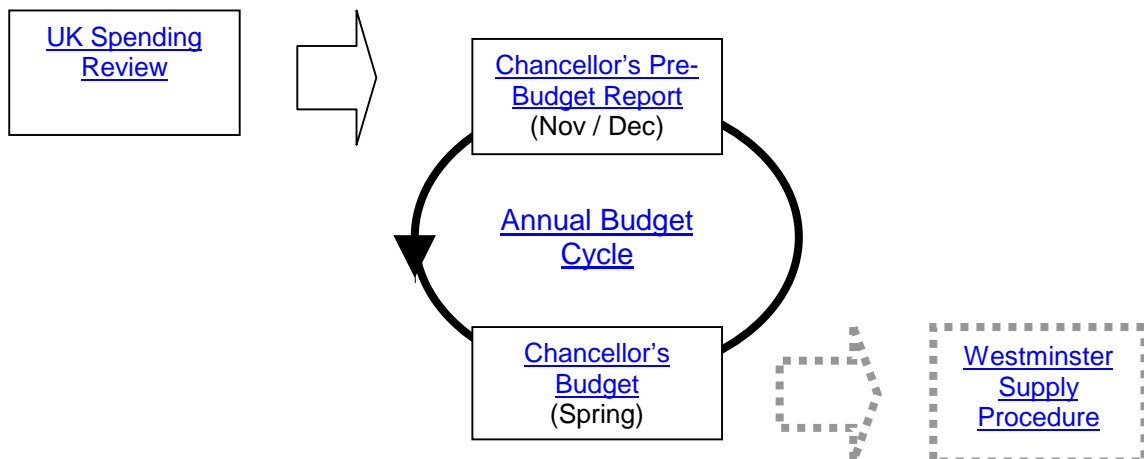
The Chancellor's Pre - Budget Report 2005

On Monday 5 December 2005, the Chancellor of the Exchequer, Gordon Brown, issued the 2005 Pre-Budget Report, entitled "*Britain meeting the global challenge: Enterprise, fairness and responsibility*".

1 About the PBR

The Pre-Budget Report (PBR) is a progress report from Government on what it has achieved, giving an update of the state of the economy and public finances, and setting out the direction of Government policy in the run up to the spring Budget. It is also a chance to highlight future policy initiatives, flag-up planned benefit and tax changes, and to provide time for consultation. It contains information on expected performance in the economy and the public finances that will be used by the Chancellor in developing Budget 2006.

Figure 1: The Budget Process at Westminster



Within the context of the UK Spending Review cycle, the PBR is the first stage in the annual budget process, to be followed by the Chancellor's budget in spring 2006.

The Chancellor launched the first Pre-Budget Report on 26 November 1997, with the aim to "help build the foundations of shared understanding and sense of national economic purpose between government, business, and individuals."¹

This paper brings together a range of information, analysis and commentary on the latest PBR.

¹ http://www.hm-treasury.gov.uk/pre_budget_report/prebud_index.cfm



2 Key Points from PBR 2005

Pre Budget Report 2005 – Chapter 1 Overview

Source: HM Treasury

Date: 5 December 2005

Reference: Publication

Link: http://www.hm-treasury.gov.uk/media/FA6/02/pbr05_chapter1_219.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. The 2005 Pre-Budget Report, *Britain meeting the global challenge: Enterprise, fairness and responsibility*, presents updated assessments and forecasts of the economy and public finances, reports on how the Government's policies are helping to deliver its long-term goals and describes the reforms the Government is considering ahead of Budget 2006 and on which it will be consulting in the months ahead. The Pre-Budget Report:

- shows that the economy is stable and growing, despite the sustained rise in oil prices and the slowdown in key UK export markets; and that the Government is meeting its strict fiscal rules for the public finances;
- sets out the Government's strategy for tackling the long-term lack of supply and responsiveness of housing, responding to Kate Barker's independent Review of Housing Supply;
- announces a tax credits package to provide more certainty around tax credit awards while maintaining the flexibility to respond to falls in income and changes in circumstances;
- increases North Sea oil taxation, striking the right balance between producers and consumers, to promote investment and ensure fairness for taxpayers;
- announces an extension of Winter Fuel Payments paid at £200 for households with someone aged 60 or over, rising to £300 for households with someone aged 80 or over, for the rest of this Parliament;
- allocates an additional £300 million over three years to enable pensioners on Pension Credit to have central heating systems installed free of charge, and to provide a £300 discount on central heating systems to all other pensioners who do not already have one in their home;
- introduces measures to make the UK a world-class environment for health research and to support a new partnership with the biomedical industry to increase private investment in medical R&D by £1 billion per year in the medium to long term;
- allocates an additional £53 million to expand Youth Opportunity Funds, enabling young people to secure the amenities and activities they want in each local authority;
- allocates an additional £580 million to the special reserve for 2005-06 for military operations in Iraq and the UK's other international obligations, and additional resources for counter-terrorism;
- promotes fairness in the tax system, including action to tackle tax fraud, avoidance and tax motivated incorporation; and
- announces the continuation of the freeze on main road fuel duties, in response to the continued volatility in oil prices.

At a Glance: Pre Budget Report

Source: BBC News

Date: 5 December 2005

Reference: News Article

Link: http://news.bbc.co.uk/1/hi/uk_politics/4500292.stm

Extract:

At a glance: Pre-Budget report

All the main points from Chancellor Gordon Brown's pre-Budget report on Monday, 5 December, 2005:

Economy

This was the "toughest and most challenging year" for the British economy, but recession had been avoided.

Growth this year would be 1.75% - despite Mr Brown's predictions earlier this year that it should be nearer 3-3.5%.

Forecast growth would be 2-2.5% in 2006 and 2.75-3.25% in 2007 and 2008.

Britain was on course to meet its inflation target of 2%.

Fuel duties

Supplementary North Sea charge on energy companies will be increased from 10% to 20%.

Petrol and road fuel taxes will be frozen for the whole of this financial year.

Capital allowances for the production of the most environmentally friendly bio-fuels will be enhanced.

There will be a new partnership with Norway for incentives to speed up this technology. Britain will become a leader in clean coal and carbon abatement policies.

Ofgem will use its powers to intervene where necessary to ensure that gas importers either use or lose their capacity to import gas as Britain faces forecasts of a cold winter.

The winter fuel allowance for pensioners will continue for every year in this Parliament and be worth £300 for over 80s.

The government's "warm front" programme will offer free installation of central heating to old people on pensioner credit. All other pensioners will receive £300 towards the cost of installing central heating.

Education and employment

Employment was now 28.8m - the highest in the country's history.

Wages should rise for NHS workers on the assumption that inflation was 2%. The total wages bill in education will rise 2.8%.

In eight areas of the country, teenagers currently getting no training will be offered training agreements - "a training wage in return for gaining skills".

Housing

Deputy Prime Minister John Prescott will be asking local authorities to bring forward more brownfield areas for development.

There will be new real estate investment trusts to increase funding for new property developments.

Three of the biggest building societies and banks have joined the government to offer shared equity schemes to help first time buyers get on the property ladder.

The first £4.7bn of efficiency savings identified by the Gershon Report into ways to cut wasteful public spending have now been made.

Business and investment

Small businesses will be able to take advantage of more flexible VAT payments. A new film tax credit will be worth 16% to big budget productions and 20% to smaller films.



Mr Brown said he would be asking European finance ministers to set up competitiveness tests for new and existing EU regulations.

Security and counter-terrorism

An extra £135m for national security and £580m for the armed forces and their work in Iraq and Afghanistan.

Children and young people

Rules on paying out child tax credits will be over hauled to make them more flexible and take more account of changes in people's income.

Unclaimed assets in bank accounts will be used to invest in youth and community facilities.

There will be a new community youth service to help fund gap year students doing voluntary work in the UK.

Each local authority will receive half a million pounds over the next two years to fund activities for young people.

Conservatives' response

Shadow chancellor George Osborne said the report showed Britain's deficit was up to £10bn and Mr Brown was borrowing £151bn over the next five years.

He said Mr Brown's golden rule was tarnished and he was "discredited". "Business investment has collapsed."

Mr Brown had "single handedly destroyed" public finances and "devastated" pensions savings. The British economy was growing slower than 18 of the 25 members of the EU.

The chancellor talked about the great challenge Britain faced from the emerging economies of China and India, yet his policies were now "holding Britain back".

He accused Mr Brown of being the "biggest roadblock to reform" of education, health, welfare reform and pensions.

The chancellor had "sabotaged" Lord Turner's report on pensions and "destroyed" savings through means-testing.

He had been "forced into the humiliation of admitting he got it wrong". He was "past his sell-by date" and was "holding Britain back".

Brown's rebuttal

Under Labour Britain had experienced the longest period of sustained growth, the lowest inflation, and lowest interest rates in 30 years, plus the highest employment rates.

Business investment in 1997 was £87bn - it is now £110bn.

He accused the Tories of wanting to abolish the New Deal and cut child tax credit.

Liberal Democrats' response

Vincent Cable, the Lib Dems treasury spokesman, asked why private investment in the economy was half what the chancellor had forecast in the budget.

He asked if Mr Brown had put "any kind of financial limit on the prime minister's expressed enthusiasm for nuclear power".

He asked Mr Brown why he could not say "I have made mistakes" and had "exaggerated" his projections.

Brown's rebuttal

He accused the Lib Dems of continuing to make public spending commitments despite dropping the tax proposals.

He said Mr Cable needed to stop the "barrage" of public spending commitments made by his colleagues.

Scottish National Party's response

SNP treasury spokesman Stewart Hosie said the announcement on oil would amount to a "25% hike in tax on the North Sea".

It could lead to "rapid and irreversible" loss of skilled people and equipment, which could have a knock on effect on jobs.

"Are you confident that in the medium and long term, the billion pound cash grab you've made today will not lead to a massive reduction in revenue in the future?" he asked.



Brown's rebuttal

The chancellor said he had given new incentives for smaller oilfields to be developed. Tax rates on new development in other areas of the world were higher than in Britain.

"The last people that can complain about taxation in relation to Scotland are the SNP," he said, citing a list of recent spending pledges from the party.

Democratic Unionist Party's response

DUP's Nigel Dodds asked if the measures for heating pensioner homes would also apply to Northern Ireland.

Mr Brown said funds had been allocated for Northern Ireland. "I hope that will mean insulation and central heating programmes will go ahead," he said.

Others

Ex-Tory chancellor Kenneth Clarke claimed the chancellor's announcements of "new taxes" on oil and land development were "dangerous".

He said oil tax slowed down development of the North Sea gas fields in 2002. Land development tax had never worked in the past and will work against government measures to restore the housing market.

The chancellor would have to show it was possible to slow public spending without sacking policemen, doctors and nurses.

Brown's rebuttal

The chancellor said measures on land development were at the stage of being a consultation document and he disagreed with Mr Clarke's analysis of the situation on oil.

"Over the last three years, \$1.2 trillion has been transferred from consumers to producers because of the escalating price of oil. I think you would be the first if you were chancellor to want to do something about that," he said.

For the full text of the House of Commons debate, see: HC Deb 05 December 2005 c605
<http://www.publications.parliament.uk/pa/cm200506/cmhansrd/cm051205/debtext/51205-06.htm> - 51205-06_head0

3 Impact on Wales

Pre Budget Report 2005 – Regional Press Notice: Wales

Source: HM Treasury

Date: 5 December 2005

Reference: Press Notice

Link: http://www.hm-treasury.gov.uk/media/FAF/F7/pbr05_wales.pdf

Extract:

'The Chancellor announced today a series of measures that promote productivity growth, flexibility and fairness, alongside high and stable levels of employment, in Wales. The Government's long-term goal is for the UK to achieve a faster rate of productivity growth than its main competitors.

Key announcements in the Pre-Budget Report include:

- an updated economic forecast, which shows that the UK economy is continuing to grow steadily and that the Government is meeting its fiscal rules for sound public finances over the economic cycle;
- taking forward the goals of the ten year Science and Innovation Investment Framework;
- publication of the interim report of the Leitch Review of Skills, highlighting the need for the UK to raise its ambition if it is to have a world-class skills base by 2020;
- new measures to raise productivity by promoting an enterprise economy, including through reducing the regulatory burden on business;
- further reforms to promote employment opportunity across the UK;
- a number of measures to promote fairness in the tax system, including action to tackle tax fraud, avoidance, and tax motivated incorporation; and
- the continuation of the freeze in all road fuel duties, in response to the continued volatility in oil prices.

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

- an additional £28 million for the Welsh Assembly Government as a consequence of English increases. It will be for the Welsh Assembly Government to decide how to allocate these sums;
- the launch of a new Small Firms Loan Guarantee representing a simplification of the scheme, with 314 firms in Wales typically benefiting each year;
- as part of the Government's response to the Barker review the Government is publishing a consultation document on the planning gain supplement to increase funding for local and regional infrastructure;
- improvements to the delivery and administration of research and development (R and D) tax credits to encourage innovation in Wales;
- extending the Lone Parent Plus New Deal pilots to Wales; and



- Winter Fuel Payments will continue to be paid £200 for households with someone aged 60-79 rising to £300 for households with someone aged 80 or over, benefiting 631,000 pensioners in Wales.'

Do Brown's sums add up for Wales?

Source: Western Mail
Date: 6 December 2005
Reference: Press Article
Link:

http://icwales.icnetwork.co.uk/0100news/0200wales/tm_objectid=16451625%26method=full%26siteid=50082%26headline=do%2dbrown%2ds%2dsums%2dadd%2dup%2dfor%2dwales%2d-name_page.html

Extract:

Do Brown's sums add up for Wales?

Tomos Livingstone, Western Mail, 6 December 2005

THE true state of the Welsh economy is revealed today in the wake of Chancellor Gordon Brown's admission that his growth forecasts were too optimistic.

The Western Mail today publishes a detailed analysis of economic indicators, ranging from house prices to the crucial GVA measure of national wealth.

Although house prices have risen and unemployment has fallen since 1997, large parts of Wales outside the M4 corridor remain poorer than Malta and Slovenia.

Our analysis also shows Wales' high levels of economic inactivity - and lack of high-earners - are holding back growth figures. A rise in exports provides one ray of hope for manufacturing.

Yesterday Mr Brown, below, was forced to concede his growth forecast did not add up, and revised his growth forecast for next year to 1.75%, rather than 3.5%. During his Pre-Budget Report, he said there would be a return to strong growth in future years.

A raft of announcements from the Chancellor will give the Assembly Government an extra £28m as it plans for the 2007-08 Welsh budget.

Mr Brown also announced that unclaimed money in so-called "dormant" bank accounts would fund new youth and community facilities, and unveiled plans for a new National Sports Foundation. He also watered down controversial plans to allow people to buy second homes to top-up their pension plans.

He also disclosed that borrowing this year would rise by another £5bn over and above his Budget forecast to reach £37bn.

Mr Brown blamed a "virtual doubling" of world oil prices for the difficulties the economy had encountered.



Welsh Secretary Peter Hain said the high levels of public spending seen in recent years would level off after 2008.

"It's very important that all government departments and the Assembly make sure their finances are in a proper place," he said.

Opposition politicians criticised Mr Brown for revising his growth forecasts, while the CBI described yesterday's Pre-Budget Report as a missed opportunity. The Government was too reliant on borrowing and more taxes on business, it said.

Assembly Finance Minister Sue Essex said the statement "reinforces the benefits that come with a stable economy and prudent financial management".

There was a welcome for the plans to change the second homes scheme - known by the acronym SIPPs - from Plaid Cymru, which has campaigned on the issue.

Plaid MP Adam Price said, "Plaid Cymru has been leading on the SIPPs issue in the House of Commons for two years, saying throughout that time that it is wrong, and we are pleased today that the Government has finally given in.

"It is an appalling scheme allowing wealthy people to buy second homes."

4 Pre Budget Report 2005 – Selected Press Notices

Source: ePolitix

Date: 6 December 2005

Reference: Press Notices

Link:

<http://www.epolitix.com/EN/Bulletins/PressReview/fullpressreview.htm?bulletindate=06-Dec-2005#Pre-Budget+Report%3a+Fleet+Street+responds>

Extract:

Pre-Budget Report: Fleet Street responds

Leader writers analyse Gordon Brown's pre-Budget report.

Times

"Gordon Brown's latest figures on borrowing look on the dark side of probability. The charitable might contend that having been improperly optimistic this year, the chancellor has learnt his lesson and has resolved to be far more careful in future. The cynical may conclude that he is preparing for a 'Britain bounces back' Budget in March."

Guardian

"Arguments about how much he falls short of his own 'golden rule' about balancing the budget on current spending and debates about fiddling the economic cycle (there was more of that yesterday) will keep plenty of specialists gainfully occupied. The real argument should be about the quality of spending, as well as quantity. If Mr Brown does not want to pass a poisoned chalice to his successor, that ought now to be his main priority."

Telegraph

"The chancellor blames the slump in growth on the rise of the oil price. Yet as his Tory shadow, George Osborne, pointed out in a considered and effective response yesterday, Britain's is an oil-exporting economy, yet we are growing more slowly than oil-importing countries such as Japan and America. The source of our woes is closer to home."

"This chancellor is as rapacious in getting money as he is profligate in spending it. We urgently hope that David Cameron - expected to become Tory leader today - has a different approach to fiscal policy."

Independent

"What was on display was a sign of the emerging order in British politics. Mr Brown, for so long impervious to criticism, demonstrated once again his political brilliance. But there were signs of fallibility. The Tories, still struggling with their inheritance, showed that they might be ready to exploit the opening cracks. Yesterday, we were given a glimpse of the new Westminster battlegrounds."

Sun

"Soaring house prices have put home ownership beyond the reach of millions of young families. Many cannot get a mortgage unless they are on big money or have wealthy parents willing to stump up a deposit. Shockingly, two-thirds of today's 10-year-olds won't be able to afford a house by the time they are 30. So we must give three cheers to Gordon Brown's leg-up for first-time buyers."



Mirror

"In difficult conditions, Mr Brown has once again kept a firm hand on the economy's tiller. But he knows the waters could get even choppier. He has brought to this country a stability which eluded former chancellors. So the UK is better placed than at any time for decades to deal with a financial crisis. A bit of belt-tightening is going to be needed but, if Gordon Brown has got it right, few will really suffer."

Mail

"Gordon Brown remains a formidable chancellor but yesterday he gave the unmistakable impression he has been kept waiting for his next job for too long. Indeed, his youthful Tory shadow George Osborne - in a despatch box performance that augurs well for a Cameron-led Opposition - gave him as rough a ride as he's had since taking office."

Express

"As our over-mighty chancellor rattled through his discredited sums yesterday, there seemed to be no corner of national life he did not wish to invade. He has remorselessly pushed up the share of national income spent by the state. Treasury figures show he plans to continue on this path despite mounting evidence his approach is crowding out resources from the wealth-producing private sector."

5 Selected Stakeholder Views

Source: ePolitix
Date: 6 December 2005
Reference: Stakeholder Briefing
Link: <http://www.epolitix.com/EN/ForumBriefs/200512/22ed8690-85ae-41b9-8c26-3d0dd26bb15e.htm>

Extract:

Pre-Budget Report

Stakeholder Response: FSB [Federation of Small Businesses]

Simon Sweetman, FSB tax spokesman, said: "We welcome the small business measures and the simplification they will offer, especially the corresponding increase in the level of capital allowances that can be claimed by small businesses.

"We are pleased that all small businesses, irrespective of legal status, will now qualify for a more generous capital allowance regime.

"It was interesting to note that the chancellor admitted this has been a tough year and acknowledged that new jobs were coming primarily from small businesses.

"Given this, we would have wanted a more significant lifting of the burden in the administration of the staff payroll."

On VAT: "We welcome the more flexible VAT payment schemes for small businesses with the new increased turnover level of £1.3 million.

"This is a step in the right direction, but more needs to be done because VAT administration is still one of the most burdensome aspects of running a small business."

On the freeze in fuel duties: "For hard-pressed businesses with a concentration on fuel costs, this freeze is some comfort."

On education and training: "The high priority given to this area is good news, as is the extension of the national employment training programme, which will benefit 50,000 businesses."

On red tape: "We believe more should have been said to emphasize the government's programme on cutting back red tape.

"However, we are pleased with the attack on EU regulations and especially the proposal to apply the competitiveness test on new and existing legislation coming from Brussels.

"We hope the chancellor's encouraging words will be converted into actions and small businesses will see less regulation and administration from the government and the EU."

Stakeholder Response: Which?

In response to Gordon Brown's announcement about the future use of assets in dormant accounts, Mick McAteer, principal policy adviser at Which?, said: "The debt and pensions crisis poses the biggest threat to the financial future of communities across the UK.

"Which? calls on the chancellor to ensure that some of the unclaimed assets in bank accounts to be invested in the community go towards the creation of a National Financial Advice Network that gives person-to-person advice from 'financial planners'.

"Such a network could offer a general financial health check that is not part of a sales process."

Stakeholder Response: ABI [Association of British Insurers]

Stephen Haddrill, ABI director general, said:

"We give two cheers to the pre-budget report.

"We strongly welcome the intention behind the better regulation proposals. We also strongly support the approach on VAT.



"To get the third cheer we need to see these words turned into action by the government and the FSA.

"We also need to be sure that in the future the government will avoid last minute about-turns such as on SIPPs and the OFR, on which a great deal has already been spent".

On VAT exemption on outsourced insurance services, Peter Vipond, ABI director for financial regulation and taxation, said: "The ABI urged the government not to be first past the post in Europe to introduce new VAT rules on outsourced insurance services.

"We are pleased that the government has taken note of that. Every quarter this change is not brought in will save the industry and its customers £50 million."

On better regulation, Peter Vipond, ABI director for financial regulation and taxation, said: "We welcome the government's focus on better regulation, in particular the reviews of the Regulated Activities Order and the Financial Promotions Order.

"We need to look carefully however at the proposals to reduce consultation.

"If the outcome is that the FSA consults more strategically and in a joined-up fashion, this will be good news.

"If the outcome is that the regulator becomes free to push through damaging proposals without proper dialogue, it will be disastrous."

On SIPPs and the OFR, Peter Vipond, ABI director of financial regulation and taxation, said:

"We will look at the detail on both housing and the OFR.

"Changing the rules for SIPPs at this stage - just as changing the regulations for the OFR after they had been settled - is damaging to the private sector.

"When the government changes direction at such a late stage, the costs to industry and its customers are significant. We need to get better at getting it right first time."

Stakeholder Response: Help the Aged

Mervyn Kohler, head of public affairs at Help the Aged, said: "Pensioners in some of the coldest homes in the country will welcome the increased funding to help meet the cost of installing central heating, home insulation and other **energy efficiency measures**.

"Help the Aged has long campaigned for a boost in resources in the Warm Front scheme to reduce the scandalous numbers of older people who die every winter as a result of cold related illnesses, and those who suffer increased ill-health and misery.

"However, pensioners will react with dismay and disbelief that Gordon Brown said absolutely nothing in his speech to ease the heavy burden of **Council Tax**.

"Unlike last year, when a general election was in the offing and the grey vote had to be appeased, it seems there will be no special payments for pensioner households, nor a particularly generous payment to local authorities to keep increases low, so many of our poorest older people will struggle to make ends meet."

"By ignoring the unfairness of Council Tax, the chancellor is subjecting some of the most vulnerable older people to yet another year of inflation-busting bills while local services face funding cuts.

"This speech should have tackled the running sore of Council Tax, but instead Gordon Brown has chosen to sweep the issue under the carpet."

Stakeholder Response: LGA [Local Government Association]

Commenting on the **local government financial settlement**, chairman of the Local Government Association (LGA) Sir Sandy Bruce-Lockhart said: "The deal worth £1.1bn is better than was expected but still leaves many councils having to face tough choices between council tax increases and cutting services.

"Local authorities across the country will now be working round the clock to make sure that council tax is kept as low as possible without having to cut services.

"Councils are making efficiency savings of £58m a month which is more than any other part of the public sector.

"The good news is that the government has agreed to a two year deal including extra money next year and in 2007/08 to take into account inflation.

"Ministers have also promised to fund new burdens on licensing, asylum seekers and other costs from new legislation."

Stakeholder Response: IoD [Institute of Directors]

Miles Templeman, director general of the IoD, said: "GDP growth has been revised down in the short term but it appears to have been revised up thereafter.



"Once again, if the growth does not materialise taxes will have to rise unless the chancellor takes an axe to **public spending**.

"The chancellor can't guarantee economic growth but he can cut public spending in order to keep the public finances under control."

Stakeholder Response: GMB [General Trade Union]

Paul Kenny, GMB acting general secretary, said, "It would have been incredibly helpful if Gordon had given the same message on pay restraint to CBI directors last week but unfortunately he didn't.

"He knows that Britain's directors have exercised no restraint and have awarded themselves on average 15 per cent pay rise to making the average director's pay sixteen times that of many low paid public sector workers.

"He may also wish to give the same message to MPs if the current rumours that they want a 22 per cent pay rise are true.

"The chancellor will also be aware that tens of thousands of low paid women in the public services are having to resort to the courts to get equal pay for work of equal value.

"GMB considers that fairness should be what guides **pay policy**.

"People should be properly paid for the jobs they do whether they work in the public or private sectors and they should be rewarded for the value they bring to our communities and our economy."

Stakeholder Response: Age Concern

Gordon Lishman, director general of Age Concern England, said: "The pre-Budget report has shown that the chancellor is capable of quick goals but it is not clear if he has a long-term game plan.

"His announcement to help older people with their winter bills is a half-hearted attempt to deal with the ageing population but is not a long term solution.

"The ageing society is one of the biggest social and political challenges of our time. We need bold political leadership to turn our ageing society into an opportunity rather than a burden."

On winter fuel payments: "With rising energy bills and a low basic state pension, the winter fuel payment is the only way some pensioners can afford to pay their heating bill.

"Around 31,000 pensioners died last winter as a result of the cold.

"Many older people will be reassured to know that the Winter Fuel Payment will be paid every year until the end of this parliament.

"However the government needs to reform the basic state pension so all pensioners know that they will have enough money in their pockets to pay their basic costs."

On, insulation and installation payments: "The extra measures to help with the installation of central heating and improve insulation are good news for many pensioners but the government must look at ways of also helping those who live in older homes without cavity walls."

Council Tax: "Inflation-busting rises in recent years have been a major headache for many pensioners and people will want to know in advance if they will be receiving additional help towards next year's Council Tax bills.

"Additional money for local authorities is welcome but what is really needed is a fairer system of taxation in place of Council Tax which is linked to people's ability to pay as well as the value of their property.

Stakeholder Response: Charities Aid Foundation

Stephen Ainger, CAF's chief executive, said: "The UK is now one of the most attractive countries for charities as far as **tax reliefs** are concerned. We very much welcome the announcement by the chancellor this afternoon that charities will be able to jointly own trading subsidiaries such as charity shops.

"For some odd reason, the existing rules prohibit such collaboration and do not allow more than one charity to share the profits of a charitable trading subsidiary such as a charity shop. This change is a sensible one which could lead to charities working together much more effectively."

In addition, the chancellor has gone a step further on identifying dormant bank accounts which could be directed towards supporting local communities."



On **unclaimed assets**, Stephen Ainger said: "Government estimates that hundreds of millions are tied up in dormant bank accounts that could be applied to worthwhile charitable causes. Having an independent commission helping to identify such funds and encouraging banks to put them into the charity arena, is obviously a useful step.

"But CAF also believes that it should be possible for the banks, having identified dormant funds, to be able to direct them to charitable causes through their own charity activities throughout the country. The Commission should not be an exclusive way to donate to charities and we would welcome further debate on this issue."

Stakeholder Response: ICAEW

Institute of Chartered Accountants in England and Wales chief executive Eric Anstee said: "Whilst we welcome the steps being proposed to **cut regulation**, we think the chancellor needs to go further in addressing some of the underlying issues that inhibit a more proportionate regulatory regime.

"The current regulatory burden has contributed to a breakdown of trust between the taxpayer and government. Rather than setting out measures to help rebuild trust, the chancellor is in danger of exacerbating the situation with changes and measures that will confuse and impose additional burdens on all businesses. In order to help rebuild trust, we believe that urgent action is needed to simplify the tax system. Not enough has been announced by Gordon Brown today to reduce complexity and we will continue to press the case for radical simplification."

6 Further Information

Attached below are some useful links on the Pre Budget Report 2005.

HMT - Link to Pre-Budget 2005 Micro site

<http://prebudget2005.treasury.gov.uk/>

HMT - Link to Pre-Budget Report 2005 (full report, National and Regional press notices, full text speech and associated documents)

http://www.hm-treasury.gov.uk/pre_budget_report/prebud_pbr05/prebud_pbr05_index.cfm

HMT - background information on the Pre-Budget Report (including previous Pre-Budget Reports)

http://www.hm-treasury.gov.uk/pre_budget_report/prebud_index.cfm

BBC News - Link to BBC articles and resources on Pre-Budget Report 2005

http://news.bbc.co.uk/1/hi/in_depth/uk_politics/2005/pre_budget_report/default.stm

BBC News - Lead article on Pre-Budget Report 2005

http://news.bbc.co.uk/1/hi/uk_politics/4500054.stm

BBC News – What the Pre Budget Report Means for You

<http://news.bbc.co.uk/1/hi/business/4499470.stm>

BBC News - Pre Budget Report Analysis by PricewaterhouseCoopers

<http://news.bbc.co.uk/1/hi/business/4500070.stm>

Institute for Fiscal Studies – Pre Budget Report Press Release

http://www.ifs.org.uk/press.php?publication_id=3486

Institute for Fiscal Studies – Pre Budget Report Analysis

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