Second Budget focus is on growth

DELIVERING his second Budget in less than a year, the Chancellor of the Exchequer, George Osborne admitted UK economic growth is likely to be somewhat weaker than expected.

Nevertheless, he described his Budget as being "for growth" and focused on measures to boost UK businesses and entrepreneurship.

The opposition party have raised their objections to the recent cost cutting, which they blame for the reduction in growth expectations, while conveniently forgetting they were in charge of the nation's finances, when we got into this current situation, and do not appear to have any real alternatives of how to tackle the huge deficit we have as a country.

During the budget he announced he would be taking £2bn in additional tax from North Sea oil companies and increasing the levy on banks.

The oil company tax will finance measures aimed at alleviating the effects of soaring petrol prices, with the rise in fuel duty – originally scheduled for April 2011 – being delayed until 2012.

Fuel duty has also been cut by a further 1p per litre and the Chancellor introduced a fuel price stabiliser to control the cost of fuel at the pumps.

Money matters

Andrew Elson

If you have a financial topic you would like covered, write to Honister Partners Ltd, Boston House, 214 High Street, Boston Spa, Leeds, West Yorkshire, LS23 6AD. Email Andrew at andrew.elson@honisterpartners.com, or ring him on 0845 0134500

However since the budget announcement, it appears some petrol forecourts have been slow to pass on this cut, and hopefully pressure will be brought to bear to ensure any cuts are passed on to the consumer quickly.

The personal income tax allowance for individuals was increased by £630 to £8,105 from April 2012, a measure that will also benefit those paying the higher 40 per cent tax rate, though not those pensioners benefiting from the higher age allowances which will remain unchanged.

The top tax rate of 50 per cent also remains intact for now, although Osborne warned it would cause "lasting damage to our economy if it were to become permanent."

Interestingly, the Chancellor announced a consultation about possible measures to merge income tax and National Insurance – a move that would ultimately increase transparency.

This is something that I personally have voiced on a number of occasions for over a decade, and whilst there will always be a few losers when you make a change, I believe the cost savings in administration, along with the increased transparency in the amount of tax (by any name it is called) that we pay will be a welcome boost.

Elsewhere, 10,000 first-time buyers are to be helped onto the housing ladder and given assistance to buy newly built properties.

The Office for Budget Responsibility believes the measures contained in the Budget are unlikely to have any material impact on the UK's long-term potential for growth. The Chancellor was forced to downgrade expectations for UK economic expansion, announcing a cut in the government's growth forecasts from 2.1 per cent to 1.7 per cent in 2011, and from 2.6 per cent to 2.5 per cent in 2012.

Inflation is forecast to remain high during 2011 – at between four and five per cent – but is expected to decline towards 2.5 per cent during 2012. The forecast for government borrowing to fund the UK's budget deficit during 2011 was reduced by £2.5bn to £146bn. Borrowing is expected to decline to £122bn during 2012, and eventually to fall to £29bn by 2015/16.

Notwithstanding the higher income tax allowances, any gains to households are likely to be impacted by the effects of higher VAT and National Insurance contributions coupled, where applicable, with reductions in some benefits, details of which have already been announced. Nevertheless, the Chancellor shrugged off any anticipated criticism, stating, "Britain has to stay the course", which is a view shared by many of the leading economic commentators.

- **Andrew Elson is an Independent Financial Adviser with Honister Partners Ltd.**
- **The views expressed by Andrew Elson are summaries of what may be complex issues and should not be regarded as specific advice to any one reader. The views are based on our understanding of current law and HM Revenue & Customs practice, which are subject to change.**
- **Honister Partners Ltd is an appointed representative of Sage Financial Services Ltd which is authorized and regulated by the financial services authority.**

A new type of business

Young people to learn trading skills

YOUNG people are learning how to do business in an ethical way.

A new group in Leeds is encouraging its young members to run a business and deal directly with their suppliers.

It is following in the footsteps of a project in Huddersfield which has seen young people raising awareness of the fairtrade ethic.

The Lorna Young Foundation is behind the Leeds scheme which is being co-ordinated by Laura Smith.

The 17-23 year olds from Beeston, Middleton, Harehills and Belle isle are being encouraged to set up their own enterprise which they run, making all the essential decisions to keep it operating.

The Not Just us programme works on the principle of community to community trading. The young people in Leeds deal directly with the farmers growing the products they sell.

This, says Laura, will increase the global awareness of young people.

Following in the footsteps of the successful Huddersfield project, the Leeds group only started recently but already members are committed to the cause, especially since finding out how poor Third World farmers are ripped off by big business.

Laura said: "When the young people found out the issues about it they really care."

She said that the Leeds group had been inspired by a film called Black Gold which highlighted the poor deal that coffee growers often get and the fact that big corporations rule their markets.

Laura said: "The Leeds group were quite shocked. It really shocked them."

The farmers send their produce to the Leeds youngsters who package it and sell it to customers. The farmers get a fair price with a social premium added which can be spent on equipment or improving communities.

The Leeds youngsters are learning about marketing and selling techniques as part of the project and decide for themselves how the profit will be distributed.

The Lorna Young Foundation is named after a Scottish woman who pioneered fairtrade.

She died in the 1990s but Cafe Direct offered money to pay for a lasting testament to her name, hence the Foundation.

Laura said: "We want to carry on in Lorna's name supporting smallholders."

FAIRER TRADE: Laura Smith

Seminar focus on pensions

EMPLOYERS keen to learn about new auto-enrolment pension scheme rules and the NEST pension scheme can find out more at a seminar organised by Harrogate chartered accountants Haywood and Co.

It will take place from 8am on April 19 at the Yorkshire Hotel in Prospect Place, Harrogate, and is free.

Booking is essential by contacting Kerry Webster on 01423 521554 or at kerrywebster@haywoodandco.com.

NEST is the pension scheme established to comply with new legal duties for employers in 2012.

Investment column

Markets sail into a headwind

INVESTORS turned into 2011 with a fair wind: the market was on a run and most brokers predicted an FTSE 100 gain of around eight per cent. But the market struggled to make headway during the early weeks as investors began to show concern over Libya and the Middle East, the sharp rise in oil and commodity prices together with an increase in the pace of inflation, and renewed worries over sovereign debt in the EuroZone.

Terrible events in Japan triggered a fall in shares as initial analysis suggested disruption to production could derail the recovery in the global economy.

Once facts began to emerge however, objective reasoning took over and the market regained its poise. Indeed, the correction was significantly less than the Euro sovereign debt-inspired fall seen in share prices last April.

REDMAYNE BENTLEY STOCKBROKERS

by Allan Collins, investment consultant

Investors responded to lower values and underlying bullish factors, pointing out that central banks, led by the Fed in the US, are still pumping money into the financial system and encouraging investors to stay with equities.

Economic data is also encouraging: the US economy grew faster than first thought in the end of 2010 thanks to more companies re-stocking and buying more equipment. In the UK figures show factory orders rose to their highest rate in three years in March, suggesting a manufacturing rebound.

The resilience is also due to continuing good news on profit growth and healthy cash balances; dividend payments and share buy-back programmes are on the rise and so too is takeover activity. Analysts expect aggregate earnings of FTSE 100 companies to increase by 20 per cent this year. That would leave the index on a prospective price/earnings ratio of around 11 – hardly an expensive rating.

The market still faces challenges: concerns that the US government is unwilling to tackle its large deficit, that China will slow its economy to a point where there could be a 'hard landing' for the world as a whole, that disruption in the Middle East leads to another oil price spike, inflation gathers pace, and interest rates rise faster and sooner than expected.

This two-year old bull market has climbed a 'wall of worry' and recent resilience has been impressive. With the global economic recovery still on track, there could still be enough good news for the bull phase to resume and make some decent progress in 2011.