

## **2004 PRE-BUDGET REPORT IN THE NORTH EAST**

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

To increase regional involvement in national policies, One North East has today been asked to provide policy advice to feed into Budget 2005, in a number of areas: aligning regional transport, housing and economic development strategies and associated funding; business support; establishing the concept of science cities; the role of the Voluntary and Community Sector in regeneration of deprived communities; creating a culture of enterprise for all; sustainable development; and strengthening regional partnerships in adult skills provision. This builds on their input to last year's Budget.

An initial response to the *Northern Way Growth Strategy: final report* published by the three Northern RDAs in September, which sets out a strategy to establish the North of England as an area of exceptional opportunity with a world-class economy and a superb quality of life. The Government welcomes this report and will respond in full in January. The Pre-Budget Report builds on Northern Way recommendations in a number of ways:

- rolling out Employer Training Pilots across the North, as part of a National Employer Skills Programme;
- significantly extending the successful Pathways to Work pilots in the North, meeting the Northern Way's recommendation, as part of a major expansion of the Pathways to Work pilots for incapacity benefits claimants
- ensuring the Northern Way regions can take full advantage of support from the national strategy for Enterprise in Education; and
- welcoming the commitment of the three northern Regional Development Agencies (RDAs) to promote science cities, starting with Manchester, York and Newcastle.

Government proposals are published in a consultation document today to involve the North East more in decision making on regional transport, economic development and housing. In this document, the Government proposes to provide clearer funding assumptions - including providing regional transport allocations for the first time and planning assumptions for the longer term - to provide a better basis for the North East to plan and to give it a stronger voice in the next Spending Review.

The PBR also announces that Bryan Jackson, the new chairman of the East Midlands Development Agency, will work with all RDAs to develop a framework to ensure that focused, tailored coaching is available in each region to business that will benefit most.

Measures announced today which are particularly relevant to individuals and business in the North East include:

- **business support pilot projects** – joined-up Business Support pilot projects in the North East. Leverage the benefits of devolution by joining-up the provision of business-facing services at the local level – led by SBS/RDAs. Pathfinder projects will test ideas on the ground with view to making recommendations for the Spending Round 2006;
- implementation of the changes recommended by the **Graham Review on the Small Firms Loan Guarantee** - a major deregulation and simplification of the scheme, with **159** firms in the North East typically benefiting each year;
- **new legislation effective from today to remove the tax uncertainty for researchers involved in spin-off companies** by university and public sector research establishment. Potentially benefiting the **5** Higher Education and Research Institutions in the North East;
- creation of a **national employer skills programme**, building on principles and lessons learnt from employer training pilots to ensure those without NVQ Level 2 are able to train for one through their employer. Potentially providing up to **20,000** additional NVQ Level 2 qualifications in the North East;
- details of **New Deal for Skills Pilots** including new pilots to test a learning allowance to help low skilled benefit claimants access full-time training without losing their benefit;
- **female Entrepreneurship** - Details of the new Women's Enterprise Panel to champion and support female entrepreneurs. Announcement of Isabella Moore as the Panel's chair. The Global Entrepreneurship monitor shows levels of female entrepreneurship varies across the regions, **2.9% of the female population of the North East were engaged in entrepreneurial activity in 2003**;
- the Government intends to build on the success of the New Deal, and has set out its proposals in **Building on New Deal**, to devolve more responsibility to local managers, to deliver support better tailored to individuals needs. The proposals will be tested in 11 prototype areas including districts in Gateshead & South Tyneside, from April 2006;
- the **basic state pension** will rise to £82.05 for single pensioners and £131.20 for couples from April 2005. **478,000** pensioner households in the North East are eligible;

- raising **Pension Credit Guarantee** element to £109.55 for single pensioners, £167.20 for couples from April 2005. **154,000** pensioner households in the North East are eligible;
  - from April 2005 the child element of the **Child Tax Credit** will rise to £1690, an increase of 3.8% in line with earnings. **116,600** working families in the North East will benefit;
  - from 2006-07 increase in the maximum share of childcare costs met in the childcare element of Working Tax Credit from 70% to 80% **13,300** families in the North East will benefit; and
  - **£50 Council Tax and living expenses payment** for the 70+ **578,000** pensioner households in the North East will benefit.
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## **NOTES FOR EDITORS**

Further details of 2004 Pre-Budget Report announcements can be found on the HM Treasury website: [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk). Additional detail is also included in the press notices listed below.

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