

2007 Pre-Budget Report and Comprehensive Spending Review

REGIONAL PRESS NOTICE

9 October 2007

IN THE NORTH EAST

The Chancellor today announced a series of measures to invest in key priorities for the long-term, transform public services, deliver sustainable growth and prosperity, provide fairness and opportunity for all, build sustainable communities and protect the environment in the North East. The 2007 Pre-Budget Report and Comprehensive Spending Review, *Meeting the aspirations of the British people*, presents updated assessment and forecasts of the economy and public finances, describes the reforms that the Government is making to achieve its goals and sets out the Government's priorities and spending plans for the years 2008-09, 2009-10 and 2010-11.

This press notice sets out measures of particular importance to the North East and the Government's regional policy agenda.

Commenting on the Chancellor's announcement, the Regional Minister for the North East, Nick Brown, said:

"The Government has announced today its spending plans for the next three years, which guarantee sustained investment in high-quality public services, improved economic growth and building a fairer society in the North East.

"This confirms the Government's commitment to improving employment and productivity in the North East.

"I believe that the Government's long-term spending plans have benefited greatly from advice and expertise from local authorities, One NorthEast and other key delivery agencies. The Northern Way, which provides a clear strategy for further improving the North of England, has played a particularly important role in ensuring that the Government's plans are responsive to real needs and opportunities."

The 2007 Comprehensive Spending Review announces the Government's commitment to make improvements in the economic performance of all English regions and to reduce the gap in economic growth rates between the regions.

The 2007 Comprehensive Spending Review also announces a new spending settlement for One NorthEast, along with the other Regional Development Agencies (RDAs). This is framed clearly within the conclusions of the Government's *Review of sub-national economic development and*

regeneration published in July 2007. In line with the key conclusions of this review, the RDA settlement:

- enhances the strategic role of the RDAs, and announces reforms to improve their capacity, efficiency and effectiveness. This enables an RDA settlement in line with the most ambitious departmental value for money programmes. **The RDAs' single programme budget will be £2,140 million by 2010-11 from a base of £2,274 million in 2007-08;**
- **significantly reforms the RDAs' objectives**, replacing the current tasking framework with a new outcomes framework defined by a single overarching growth objective;
- **enhances RDAs' responsibility for coordinating the funding and procurement of business support**, and brings together business support and skills into a single brokerage service managed by the RDAs from April 2009;
- enables the RDAs to respond positively to the recommendations of the Sainsbury Review. **Each RDA has committed to earmarking investment to match fund Technology Strategy Board programmes on a case-by-case basis or as part of a regional prospectus. This should lead to total investment from the RDA network of £180 million over three years;** and
- **enables the Northwest Development Agency, Yorkshire Forward and One NorthEast jointly to provide funding of £45 million over three years to support the development and implementation of The Northern Way growth strategy.**

Underpinning this settlement, the RDAs have also committed to an ambitious value for money programme that will realise annual net cash-releasing savings of £349 million by 2010-11.

Building on their role as strategic leaders of growth in the each region, and increasing regional input to national decisions, the RDAs will be asked to contribute to the development of Budget 2008 in four areas: building regional intelligence of business priorities; implementing the *Review of sub-national economic development and regeneration*; responding to the long-term challenge of globalisation; and ensuring that all regions can benefit from the Olympics legacy.

The Government is also today publishing a new Delivery Agreement for its regional economic performance target, setting out clear actions for progress on improving productivity and employment in every region. The Department for Business, Enterprise and Regulatory Reform will provide the lead in a package of measures to enable all English regions to meet their full economic potential.

Measures announced today that are particularly relevant to individuals and businesses in the North East include:

- **increasing spending by the Department for Innovation, Universities and Skills on higher education and skills from £14.2 billion in 2007-08 to £16.4 billion by 2010-11** to implement the recommendations of the Leitch Review, developing a strong partnership with employers and individuals to deliver higher skills;
- **increasing public investment in the science base from £5.4 billion in 2007-08 to £6.3 billion by 2010-11** to implement the recommendations of the Sainsbury Review. **Total public support for business innovation through the Technology Strategy amounting to over £1 billion** will ensure the UK's continued success in creating new ideas and using them in wealth creation. This builds on real terms Government spending increases per head in the North East over the last five years of 126 per cent on science;
- **confirming a 2¼ per cent annual real increase in the Department for Transport's programme budget**, consistent with the Long-Term Funding Guideline which is **extended to 2018-19**. This will continue renewal of the UK's transport infrastructure. This builds on real terms Government spending increases per head in the North East over the last five years of 22 per cent on transport;
- following the report of the Lyons Inquiry and representations from stakeholders, **the Government is today publishing a White Paper setting out proposals to allow local authorities to invest in economic development through a business rates supplement**. This is backed by clear protection for business:
 - a requirement for statutory consultation on the basis of detailed proposals for specific spending on economic development;
 - a maximum level of 2p per pound of rateable value;
 - additional protection for smaller businesses through an exemption for properties worth less than £50,000; and
 - a requirement to ballot local businesses where the supplement supports more than a third of the cost of the project.

The power will be provided to the highest tier authority only in each area;

- **simplifying business support** to reduce confusion and the time businesses spend understanding what support is available and accessing it, and to improve the quality, effectiveness and efficiency of schemes;
- **simplifying the tax system to make it fairer and more efficient with the announcement of three simplification reviews and a package of simplification measures**. This will potentially benefit 109,000 businesses in the North East;

- **immediate progress towards simplification with over 20 simplification measures for business**, including improvements to Self-Assessment, payrolling and Stamp Duty Land Tax simplification. Together, these will help business across the UK economy, most notably by:
 - reducing their administration burdens by up to £100 million;
 - making improvements to Income Tax Self Assessment benefiting 1.6 million small businesses;
 - benefiting up to 0.5 million employers and 3 million self-employed; and
 - enhancing the City's competitiveness by simplifying and modernising the tax system for financial services;

- **supporting the private equity industry's moves to increase transparency and a number of measures to ensure that tax arrangements are sustainable and appropriate;**

- **education spending in England will rise on average by 2.8 per cent a year in real terms between 2007-08 and 2010-11, meaning that UK education spending as a proportion of GDP is projected to increase from 4.7 per cent in 1996-97 to 5.6 per cent in 2010-11.** This builds on real terms Government spending increases per in the North East over the last five years of 18 per cent on education;

- **announcing that, in addition to the £150 increase announced in Budget 2007, the child element of the Child Tax Credit will increase by a further £25 per year above indexation from April 2008 and by a further £25 above indexation from April 2010 and that the child maintenance disregard in the main income related benefits will increase by £20 by the end of 2008, with a further increase to £40 from April 2010, together lifting an estimated 100,000 children out of poverty in the UK.** This will benefit the 178,500 families in the North East who receive the child element of Child Tax Credits;

- **increasing the Jobseeker's Allowance and Income Support rates for 16-17 year olds from April 2008 to align with the 18-24 allowances**, to help simplify the system, and ensure a decent minimum income for this group;

- **the national roll-out from April 2008 of the In-Work Credit for lone parents at a rate of £40**, ensuring a more substantial gain from moving into work. This will benefit up to 28,720 eligible lone parents in the North East;

- **announcing the continuation of the Financial Inclusion Fund at £130 million over the 2007 CSR period and an £11.5m package of support for schools to teach children financial skills;**
- **ensuring that all married couples and civil partners can benefit from double the inheritance tax allowance - £600,000 immediately, rising to £700,000 by 2010-11, in addition to the entitlement to full spouse relief;**
- **further reforms to modernise the tax system and protect tax revenues, including work to tackle avoidance;**
- **increasing spending on the NHS by 4 per cent a year in real terms on average, taking its budget from £90 billion in 2007-08 to £110 billion by 2010-11, and delivering the vision set out by the Darzi Review for a health service which is fair, personalized, effective, safe and locally accountable. This builds on real terms Government spending increases per head in the North East over the last five years of 28 per cent on health;**
- **delivering the target of 2 million new homes by 2016, by increasing spending on housing from £8.8 billion in 2007-08 to over £10 billion by 2010-11, reforming the tax and planning systems, and laying the ground for new planning charges to support essential investment in infrastructure; and**
- **strengthening the role of local authorities to reshape local services around the individuals, families and communities that use them – underpinned by resource growth of 1 per cent a year in real terms over the 2007 CSR period, which the Government expects will enable the overall council tax increase to stay well below five per cent in each of the next three years.**

NOTES FOR EDITORS

Further details of 2007 Pre-Budget Report/Comprehensive Spending Review announcements can be found on the HM Treasury website: www.hm-treasury.gov.uk.

Regional spending figures per head taken from *Public Expenditure Statistical Analyses 2007*, covering 2001-02 to 2005-06, available at: www.hm-treasury.gov.uk/economic_data_and_tools/finance_spending_statistics/pes_publications/pespub_pesa07.cfm. To convert into real terms growth, access HMT deflator taken from www.hm-treasury.gov.uk/economic_data_and_tools

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GOVERNMENT DEPARTMENT INTERNET SITES

Further information and all published documents relating to 2006 2007 Pre-Budget Report/Comprehensive Spending Review may be found on the Internet at the following addresses:

HM Treasury www.hm-treasury.gov.uk
HM Revenue & Customs www.hmrc.gov.uk