

2007 Pre-Budget Report and Comprehensive Spending Review

REGIONAL PRESS NOTICE

9 October 2007

IN WALES

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 Wales. 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 Wales.

New spending plans, announced today, will provide for spending by the Welsh Assembly Government to grow by an average annual rate of 2.4 per cent in real terms over the next three years. Spending will be higher than in 2007-08 by £0.7 billion in 2008-09, £1.4 billion in 2009-10 and £2.2 billion in 2010-2011, a total increase of £4.3 billion .

The Welsh Assembly Government will make its own announcements in due course about its spending plans, reflecting its own policies and priorities.

Welcoming the Pre-Budget Report and Comprehensive Spending Review, the Secretary of State for Wales, Peter Hain, said:

“This is a very good PBR/CSR for Wales. Spending on public services by the Welsh Assembly Government has increased strongly in the last three spending reviews and is now at record levels. As a result of this PBR/CSR there will continue to be substantial growth in public spending over the next three years for the benefit of all in Wales.”

Wales is benefiting from the Government's successful macroeconomic policies. The Pre-Budget Report confirms that the Government continues to meet its fiscal rules. The Government's macroeconomic framework has continued to deliver an unprecedented period of macroeconomic stability, with low inflation, an unprecedented 60 consecutive quarters of growth, and is on course to be the fastest growing G7 economy this year.

Increases in spending have been made possible since 1997-98 by stable and sustainable economic growth, with falling debt interest and low

unemployment releasing resources for key priorities such as health, education and transport.

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

- **an additional £4.3 billion for the Welsh Assembly Government as a result of spending increases announced in the PBR for Government Departments.** It will be for the Welsh Assembly Government to decide how to allocate this increase;
- **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 175,000 businesses in Wales;
- **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;
- **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. In devolved areas it will be for the Welsh Assembly Government to make its own decisions;
- **the national roll-out from April 2008 of the In-Work Credit for lone parents at a rate of £40,** ensuring a substantial gain from moving into work. This will benefit up to 30,370 eligible lone parents in Wales;
- **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 200,400 families in Wales who receive the child element of Child Tax Credits;

- an increase in all the elements of **Working Tax Credit**, except the childcare element, in line with inflation from April 2008. This will potentially benefit 151,000 families in Wales;
- **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;
- **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;** and
- measures to promote **stronger communities and a better quality of life and a sustainable environment.** In devolved areas in Wales it will be for the Welsh Assembly Government to decide how to take these issues forward.

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