



## ACRE briefing on the 2009 April Budget

This briefing covers selected extracts from the Treasury's Budget report that have relevance for rural communities and for those that support their sustainability. Some measures have been included since they may have specific rural impact, good or bad. Many focus on economic resilience and measures to help those who are most disadvantaged through low incomes or worklessness.

Where appropriate, initiatives included in previous announcements have been mentioned whilst new budget announcements are highlighted in bold italics. Some announcements are duplicated in this briefing where they have multiple relevance.

The Treasury's budget report is at [http://www.hm-treasury.gov.uk/bud\\_bud09\\_repindex.htm](http://www.hm-treasury.gov.uk/bud_bud09_repindex.htm). The topics chosen for this briefing have been grouped as follows, and references made in the text to the appropriate section of the budget report.

- VAT, Tax and Duties
- Small & Medium Enterprises, Skills & Training
- Broadband
- Regional investment
- Worklessness
- Housing Benefit, Social Fund, Credit Unions and Savings
- Pensions
- Housing regeneration and community infrastructure levy
- The Third Sector
- Pilots on partnership & collaboration in public service delivery
- Climate Change, Landfill Tax and Aggregates Levy

**ACRE website: [www.acre.org.uk](http://www.acre.org.uk)**

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## VAT, Tax and Duties

- To simplify the Gambling Duty regime, **participation fees for bingo will no longer be subject to VAT** and **bingo duty will rise to 22 per cent** on 27 April 2009 (5.112).
- The Government will assist the building industry by **delaying the introduction of the community infrastructure levy until 6 April 2010** (5.80).
- The Government **will increase from 1 May 2009 the VAT registration threshold in line with inflation** from £67,000 to £68,000 (4.10).

## Small and Medium-sized Enterprises, Skills and Training

Over the last six months the Government has introduced four new schemes to help businesses that are experiencing problems accessing finance: the Enterprise Finance Guarantee, the Working Capital Scheme, the Capital for Enterprise Fund and RDA transition loan funds. New budget announcements not covered in detail in this briefing include extending the **enhanced loss relief**, expanding the **HMRC business support service**, a **'top-up' trade credit insurance scheme**, an increase in **capital allowances for new investment** and a **£750 million Strategic Investment Fund** of which a third of the funding will be earmarked specifically for low carbon projects (Chapter 4 introduction).

Since October 2008 the Government has also announced a package of measures that are particularly relevant to SMEs:

- the Government has enhanced its offer to SMEs, making them the focus of the £350 million increase in Train to Gain resources between now and 2010-11. From January 2009, SMEs have been able to access a more flexible offer, including funding for units of qualifications in business-critical areas;
- in January 2009 the Government committed to delivering 35,000 additional apprenticeships this year; 21,000 of these will be in the public sector. The new National Apprenticeship Service launched this month is fully functional and working to expand apprenticeships and provide a single point of contact for employers and apprentices;
- The 2008 Pre-Budget Report announced that the small companies' rate of corporation tax would remain at 21 per cent for 2009-10. This will help around 800,000 payers of the small companies' rate in the UK. In addition, **the Government will increase from 1 May 2009 the VAT registration threshold in line with inflation from £67,000 to £68,000**, keeping around 6,000 small businesses out of the VAT system (4.10).

## Broadband

The Government will pursue **Universal Service in broadband, at a speed of 2 Megabits per second**, by no later than 2012. This target will allow virtually everyone to experience the benefits of broadband, including the increasing delivery of public services online. Universal Service will be complemented with **further support to improve basic digital skills and promote broadband take-up**, in order to ensure that adoption of broadband continues to grow in line with the expanding opportunities available. The Government will consult with the BBC Trust on how the emerging underspend from the Digital Switchover Help Scheme can be drawn on to fund Universal Service and take-up. If necessary, the cost would also be met through additional funding mechanisms, as set out in the Digital Britain Interim Report. Details will be set out in the Final Digital Britain Report (4.40).

The Government also recognises the important role that next-generation broadband can play in developing the UK's digital communications infrastructure. In advance of the Digital Britain final report, **the Government will review the powers and duties of Ofcom** to ensure it can strike the right balance between delivering competition and encouraging investment in the

communications infrastructure. In addition, the temporary increase in capital allowances for new investment, outlined above, will support businesses investing in the communications infrastructure.

To stimulate economic activity, the Government has also **approved 'Digital Region', a £100 million project led by Yorkshire Forward**, which will roll out next-generation broadband to South Yorkshire (4.41).

## Regional & local investment

Recognising the importance of city-regions to future growth, **the Government announces new pilot city-regions in Greater Manchester and Leeds**. The pilots will be overseen at ministerial level, and will draw on recent work from the Manchester Independent Economic Review and on innovation in the Leeds city-region in order to agree joint priorities with the Government that will support economic growth. The Government will work with the pilots to develop proposals for new strategy-setting powers over adult skills funding, expected to be in place within three to six months, new joint investment boards with RDAs, the Home and Communities Agency (HCA) and other partners to coordinate and align investment and pilot new employment programmes (4.48).

The Government is also interested in developing new opportunities for innovative financing mechanisms to support locally driven investment in growth and regeneration. The Government will work with interested local authorities and city-regions to assess the scope for accelerating development by **allowing investment in infrastructure to be financed from the increased property tax base** that could be enabled by the existence of improved infrastructure (4.49).

## Tackling worklessness

The most effective way of limiting the impacts of unemployment on individuals, their families and communities is to ensure that the existing regime continues to deliver a rapid return to work. Therefore, the Government is setting aside **an additional £1.7 billion for the Department for Work and Pensions to ensure that Jobcentre Plus** has the capacity to deliver a personalised service to individuals and the Flexible New Deal (FND) employment programme will provide individuals who become long-term unemployed with dedicated support from an employment specialist to help them move back into work (5.25).

The Government announces (Box 5.4) a range of measures that will help support the long-term unemployed including:

- **guaranteeing everyone aged between 18 and 24 who has been claiming JSA for 12 months a job, work placement or work-related skills training for at least six months**. If it becomes necessary to do so, the Government will work with local authorities and other delivery partners to determine how participation in one of these options could be made mandatory;
- **funding for Care First, offering 50,000 traineeships for young people in the care sector**. Social care providers will receive a subsidy for offering sustained employment and training to young people who have been out of work for 12 months. This will give them the skills and experience they need for a career in this growing sector;
- **funding for local authorities and partners to take forward the creation of 100,000 new jobs in socially useful activity**. 10,000 of these will be green jobs. The public sector will ensure that 25 per cent of their external recruitment is targeted at individuals without a job.

To support communities most affected by rising unemployment, the Government will allocate additional funding for local authorities **to provide a further 50,000 jobs in areas of high unemployment across the country**.

To help provide adequate support for individuals who have been made redundant the Government announces a **one-off increase in the level of statutory redundancy pay**, making the weekly rate £380. The Government is also considering whether to introduce a new 'floor' which would set a minimum level for statutory redundancy payment rates, and would legislate on this in the next Parliament (5.27).

## **Housing Benefit, Credit Unions & Savings**

The joint Department for Work and Pensions and HM Treasury internal review of Housing Benefit was announced at Budget 2008. Indications from this internal work are that some claimants may be able to afford accommodation that is out of reach of working families on low incomes. Furthermore, costs of Housing Benefit have been rising above inflation despite static caseloads. **The Government intends to launch a consultation** shortly on the measures it can take to improve the incentives for those returning to work and reduce total spending on Housing Benefit in the medium term, while maintaining access to suitable housing for those who cannot work (5.32).

The Local Housing Allowance (LHA) was introduced in April 2008. To bring the cost into line with what is affordable, whilst still ensuring all recipients can afford their rent, the Budget announces that **from April 2010 there will no longer be scope for anyone to receive more LHA than they have to pay in rent**. Existing claimants will move onto the new arrangements on the anniversary of their claim (5.33).

As the labour market becomes more difficult and access to affordable credit reduces, some people can find managing their budgets difficult. Social Fund loans provide interest free credit to vulnerable people, allowing them to meet, and spread the payment of, unexpected costs. The Government will **allocate the Social Fund an additional £125 million in 2009-10 and £145 million in 2010-11**. This provides additional support to the Social Fund, as it makes around an additional two million loans over the next two years (5.35).

Since 2005, the Government has committed £80 million to a financial inclusion Growth Fund. This has enabled third sector lenders, such as credit unions and Community Development Financial Institutions, to make over 160,000 affordable loans to financially excluded customers. The Government believes it is vital to enable these lenders to continue to grow. **The Government is therefore committing an extra £18.75 million to the Growth Fund**, which will enable lenders to make an additional 85,000 loans by 2011(5.36).

The Saving Gateway uses matching (a government contribution for each pound saved) to encourage saving for working-age people on lower incomes and to promote engagement with mainstream financial services. The Saving Gateway will be introduced nationally, with the first accounts available in 2010. To provide a strong and easily understood incentive to save, the Government will contribute 50 pence for each pound saved in the scheme. The Saving Gateway Accounts Bill is currently before Parliament. The Government has sponsored an amendment to the Bill, to provide that **recipients of Carer's Allowance will be eligible to open Saving Gateway accounts**, meaning that around half a million claimants of Carer's Allowance will now be eligible. Overall, around eight million people will be eligible for the scheme (5.47).

The Government recognises that disabled children are likely to have greater financial needs when they make the transition to adulthood. **The Government will contribute an additional £100 a year to the Child Trust Fund accounts of all disabled children**, with severely disabled children receiving £200 a year (5.50).

## Pensioners

*There will be an additional payment this winter, worth £100 for households with someone aged over 80 and £50 for households with someone aged over 60.* This will increase this winter's payments to £400 for households with someone aged over 80 and £250 for households with someone aged over 60 (5.57).

Historically low interest rates have particularly impacted on pensioners, who are more likely than people of working age to draw income from savings. There will be an **increase in the annual investment limit for Individual Saving Accounts to £10,200, up to £5,100 of which can be saved in cash** (5.42). These higher limits will be available to people aged 50 and over from 6 October 2009 and available to all from 6 April 2010.

To provide additional support to lower-income pensioners who receive income from savings the Government will:

- **raise the capital disregard in Pension Credit, and pensioner-related Housing and Council Tax Benefit**, from £6,000 to £10,000 in November 2009. This will increase the income of 540,000 pensioner households by £4 per week on average; and
- **launch a new tax back campaign**, contacting all 2.7 million Pension Credit recipients to encourage them to claim back tax they may have overpaid on their savings income and, where possible, register to receive interest on their savings tax-free in future. This will be worth £200 on average to those pensioners who have overpaid tax in the past (5.58).

Grandparents and other adult family members who care for their grandchildren or other members of their family aged 12 or younger for 20 hours or more a week **will be able to gain National Insurance credits toward the basic State Pension from April 2011** (5.61).

Demographic trends will result in a substantial increase in the number of people in need of care and support. Delivering a care and support system that meets the aspirations of everyone who needs care, while coping with increased demand for support, requires more than incremental increases in social care funding – it requires a radical rethink of the way the state helps people with care needs. Following extensive public engagement, **the Government will in June consult in a Green Paper on a range of options to reform the existing social care system and other forms of support**, to create a new offer for people who need care and support (5.60).

## Housing

The Mortgage Rescue Scheme and Homeowner Mortgage Support Scheme, together with changes to Support for Mortgage Interest (SMI) will help to ensure that homeowners who experience a temporary fall in income, lose employment, or are otherwise vulnerable, are able to remain in their homes. In light of house price falls over the past year, the Government is extending its support for vulnerable homeowners in financial difficulty **through widening the eligibility criteria for the Mortgage Rescue Scheme so that households in negative equity are not excluded**. As part of this the Government **is announcing a £20 million fund** to enable local authorities to extend small loans to families at risk of homelessness through repossession or eviction (5.69).

To provide further support for first time buyers, the Budget announces the government is **extending the stamp duty holiday** for all houses costing up to £175,000 for four months, until 31 December 2009 (5.74).

**Budget 2009 announces a £600 million fund to stimulate housing development** in the short-term and boost capacity in the house building industry. In England this will deliver up to an additional 10,000 new homes through:

- **£400 million to unlock currently stalled housing developments**, leveraging in private development finance through a combination of reducing up-front costs with equity, gap and infrastructure funding, and supporting viability with an expansion in the provision of HomeBuy Direct, and increased funding for affordable housing; and
- **£100 million of new funding** for local authorities to deliver new social housing at higher energy efficiency standards (5.76).

[Nb See also £100 million extra to improve the insulation for 150,000 homes in the social sector through the Decent Homes programme in England, covered in the climate change section.]

The result of this and other announcements made recently is that a total of £775 million of housing and regeneration investment is being brought forward from 2010-11 into 2008-09 and 2009-10. In 2008-09, £130 million allowed the refurbishment of an additional 13,000 homes through the Decent Homes programme and £20 million funded nine community infrastructure projects. In 2009-10, the housing fiscal stimulus will include a further £120 million to bring an estimated 12,000 properties up to the Decent Homes standard; £180 million to be spent on critical regeneration through the Homes and Communities Agency and the Regional Development Agencies (RDAs); and £150 million to fund additional investment in homes for social rent which, combined with £400 million brought forward in the September housing package for 2008-09 and 2009-10, will deliver 7,500 new social rented homes earlier than planned (6.12).

The Government will report at the 2009 Pre-Budget Report on progress and set out its strategy to support a timely and effective housing supply response through the recovery, in order to maximise delivery of high quality, energy efficient homes, supporting our long term housing supply and environmental objectives (5.78). This will cover measures to:

- ensure sufficient land for development, through housing allocations in local plans and further action on public sector land, supported by a responsive and efficient planning system;
- deliver effective and coordinated infrastructure provision;
- promote a strong and diverse house building sector;
- continue to ensure the increased long-term supply of social and affordable housing; and
- ensure a proportionate approach to land-value capture and cumulative regulation.

As part of this, the Government will identify, working with industry and other partners, the best regulatory and policy framework to support the Government's long-term housing objectives (5.79).

As a first step, the Government will assist industry by **delaying the introduction of the community infrastructure levy until 6 April 2010** (5.80).

### The Third Sector

In recognition of the immediate challenges this poses for the sector, building on the Government's £42.5 million action plan launched in February to support the third sector during the economic downturn. The government now **announces the launch of new £20 million Hardship Fund** to provide grant support to third sector organisations delivering front-line services to the most vulnerable and disadvantaged in society, that have been affected by the recession, with demonstrable resource constraints due to cash-flow difficulties of increased demand (5.82).

To support the long-term growth of a thriving third sector, the Government will **consult on the design and functions of a Social Investment Wholesale Bank** the Office of the Third

Sector will report back with substantive proposals. As previously announced, funding available in England as a result of the implementation of the Dormant Banks and Building Societies Account Act 2008, will focus on youth facilities, financial inclusion and capability, and, if recourses permit, a Social Investment Wholesale Bank. A Social Investment Wholesale Bank would be a wholesaler of social investment finance, designed to support the long-term of a thriving third sector. By working with existing investors and lenders at the retail level, a Social Investment Wholesale Bank would aim to increase the supply of investment in the third sector, and strengthen demand for finance and develop the social investment market (5.84).

### **Partnership & collaboration in public services – pilot areas**

The local incentives and empowerment workstrand, led by Sir Michael Bichard, Executive Director of the Institute for Government, has examined how to provide the incentives for greater collaboration and innovation on the front line, with systematic front-line engagement alongside a reduction in burdens to create the space for progress. As a first step, the Government will **launch the 'Total Place' initiative**, looking at public spending and local leadership in 13 local areas to identify how collaboration and prioritisation can lead to greater efficiency and value for money.

The areas taking part in 'Total Place' are: Birmingham; Bradford (with appropriate links to the city-region pilot); Coventry; Croydon; **Dorset**, Poole and Bournemouth; **Durham**; **Leicester and Leicestershire**; Lewisham; Luton and Central Bedfordshire; **Kent**; Manchester city-region; South Tyneside, Gateshead and Sunderland; and **Worcestershire**. The Government will report on the interim findings of this work in the 2009 Pre-Budget Report (6.35).

### **Climate Change, Landfill Tax and Aggregates Levy**

Government announces:

- **£100 million extra to improve the insulation for 150,000 homes in the social sector through the Decent Homes programme in England**, saving each household on average £120 a year, and 120,000 tonnes of carbon dioxide (tCO<sub>2</sub>) per year;
- **£100 million, as part of the new housing package**, for the construction of new homes at higher energy efficiency standards (nb previously mentioned under housing);
- **£100 million of new funding for low-cost loans**, delivered through the Carbon Trust in England, helping around 3,500 small and medium-sized businesses to make £23 million savings on bills, and leading to savings of up to 140,000 tCO<sub>2</sub> per year; and
- **£65 million of new funding for loans to install energy efficiency measures in public buildings**, delivered through the Carbon Trust Salix Scheme in England, supporting around 3,000 projects in schools, hospitals and other public sector institutions. This will help save £18 million a year and 100,000 tCO<sub>2</sub> per year (7.17).

The UK target to generate 15 per cent of energy from renewable sources by 2020 will need more energy to be generated and supplied by small-scale renewable energy technologies (such as solar power and heat pumps) and community heating schemes, where heat is generated centrally and transmitted via pipes. These can be a cost-effective way of generating low-carbon energy. Budget 2009 announces further measures to support decentralised smallscale renewable and community energy:

- **an additional £45 million for small-scale renewable electricity and heat technologies**, primarily through the Low-Carbon Buildings Programme. This will help to bring forward around 13,000 installations, and prepare the renewable supply chain to benefit from future opportunities when feedin tariffs and the renewable heat incentive are introduced in 2010 and 2011 respectively; and

- **£25 million in funding for low-carbon community heating schemes**, allowing at least 10 communities to benefit from cleaner, locally produced energy. This will help deliver savings of 20,000 tCO<sub>2</sub> and support employment (7.18).

### Transport

To give a boost to the car industry during the current downturn, the Government announces **the introduction of a vehicle scrappage scheme**. A discount of £2,000 will be offered to consumers buying a new vehicle to replace a vehicle more than ten years old which they have owned for more than twelve months. The Government will set aside £300 million for this scheme with funding matched by manufacturers participating in the scheme. The Government will work with industry to introduce the scheme next month. The scheme will end by the start of March 2010, or when funding for the scheme has been used if earlier (4.16).

The Government is committed to supporting the shift to ultra-low carbon vehicles, including early electric and plug-in hybrid cars (7.45). A network of charging infrastructure is also necessary to ensure that drivers can recharge their vehicles. This is already emerging, with charging points starting to be installed around the country: 100 charging points are expected in London by the end of May 2009 alone. Although around 60 per cent of journeys by car are under 25 miles, charging points will be needed for longer journeys and for those drivers who cannot recharge at home. **The Government is committed to supporting the targeted roll-out of this charging infrastructure** to support the growth of ultra low carbon vehicles (Box 7.4).

### Landfill Tax

The standard rate of **landfill tax will continue to increase by £8 per tonne** on 1 April each year from 2011 to 2013, so that the tax continues to incentivise investment in more sustainable alternatives to reduce reliance on landfill, delivering emissions savings equivalent to 0.7 MtCO<sub>2</sub> per year. The lower rate applying to **inactive wastes will be frozen at £2.50 per tonne** for 2010-11.

The Government is also **launching a consultation on reforms to modernise landfill tax legislation** in the longer term.

The landfill communities fund invests in projects that aim to improve communities around a landfill site. Earlier this year, contributions from landfill site operators to the fund reached £1 billion, benefiting over 24,000 projects over the past 12 years. To ensure the fund continues to benefit local communities affected by the disamenities of landfill, the Government today announces that **the maximum amount that operators can claim against their annual landfill tax liability will remain unchanged at six per cent**. This should result in a £2 million increase to bring the value of the fund to £72 million of credit claimable for 2009-10 (7.65).

### Aggregates Levy

The aggregates levy was established to make the price of aggregates better reflect the environmental costs of quarrying, encouraging the use of recycled aggregates and alternative materials. The levy has been a significant factor in reducing sales of virgin aggregates in England by around 18 million tonnes between 2001 and 2005, with an estimated increase in the use of recycled aggregate of nearly six million tonnes. As announced in Budget 2008, the levy was increased from £1.95 per tonne to £2.00 per tonne from 1 April 2009 to maintain its environmental effectiveness. **The aggregates levy will be frozen at £2.00 per tonne in 2010-11** to ease pressure on the sector facing difficulties under the downturn of the construction market (7.67).

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