

Budget 2010

HM Treasury

A briefing paper from the National Council for Voluntary Youth Services (NCVYS)

April 2010

1. Introduction

In March 2010, HM Treasury published the budget for this year¹. This briefing paper summarises key points of Budget 2010 that relate to young people and the voluntary and community youth sector (VCYS) arising from its publication².

2. Potential issues for the voluntary and community youth sector (VCYS)

Measures in Budget 2010 can be seen to directly and indirectly affect young people and VCYS organisations. The extension of support for the Young Person's Guarantee recognises the importance of supporting young people to gain education, employment and skills. A number of issues of concern to the voluntary and community sector more widely were also considered in the Budget, these are set out below.

¹ HM Treasury's micro-site for Budget 2010 is available via:
<http://www.hm-treasury.gov.uk/budget2010.htm>

² Information taken from the BBC website and Directgov:

http://news.bbc.co.uk/1/hi/uk_politics/8584608.stm

http://www.direct.gov.uk/en/NI1/Newsroom/Budget/Budget2010/DG_186500

3. General economic statistics

General statistics for the UK economy provide a background and context to the current economic environment:

- predicted growth of economy of 1-1.25% in 2010, in line with forecasts;
- growth forecast for 2011 has been revised from 3.5% (as predicted in the Pre-Budget Report) to 3%;
- spending is to increase by 2.2% above inflation 2010/11;
- borrowing this year is forecast to be £167bn, rather than the £178bn forecast in the Pre-Budget Report;
- borrowing is to be cut from £163bn in 2010-11 to £74bn by 2014-15 in line with the Government's commitment to halving the deficit within four years;
- net debt is to reach 56% of GDP this year and peak at 78% by the end of the forecast period in 2014-15.

4. Education, employment and skills

Given the continuing concern of the high number of unemployed young people Budget 2010 aims to help young people in the area of education, employment and skills by:

- extending the 'Young Person's Guarantee' (which guarantees a job or training for every 18 to 24 year old after six months of unemployment) until March 2012. An extra £450m will be invested to extend the Future Jobs Fund;
- Investing £270m in universities to enable them to deliver efficiencies over the next four years, and fund extra undergraduate places, including the recruitment of 20,000 extra students on maths, science and engineering courses starting in 2010-2011.

5. Public spending

The Department for Children, Schools and Families has been told to deliver £1.1bn-worth of efficiency savings by 2012/3 as part of the Government's drive to make £11bn of efficiency savings.³ As set out in the schools funding document⁴, schools could potentially deliver a total of £950 million efficiencies to be recycled to improve educational outcomes. £150 million of efficiencies will also be delivered in 16-19 education and Sure Start Children's Centres.

6. Voluntary and community sector

Budget 2010 considered the following issues affecting the voluntary and community sector:

- identifying how EU rules can be used to allow UK charities to share/outsourcing services (e.g. HR and IT) to other charities without incurring VAT;
- extending to some EU charities Gift Aid tax relief on donations from UK citizens;
- pledging support for Social impact bond (SIB) pilots, which reward investors in community projects with government payouts based on their success;
- increasing by 15 per cent the volume of central government contracts carried out by small and medium-sized enterprises, a definition expected to include third sector organisations.

³ DCSF (24 March 2010) *Budget 2010: Ed Balls confirms efficiency savings coupled with real-terms increases*

http://www.dcsf.gov.uk/news/index.cfm?event=news.item&id=budget_2010_ed_balls_confirms_efficiency_savings_coupled_with_realterms_increases

⁴ DCSF (March 2010) *Investing for the future, protecting the front line: school funding 2010-13*

<http://publications.dcsf.gov.uk/default.aspx?PageFunction=productdetails&PageMode=publications&ProductId=DCSF-00250-2010>

7. Social Investment Wholesale Bank

Budget 2009 began discussion on a Social Investment Wholesale Bank⁵ and Budget 2010 committed up to £75 million for the Bank coming from dormant bank accounts. The Bank will invest money in other social investment funds, and will attempt to leverage more cash from private individuals.

8. The environment

Budget 2010 announced plans to create a Green Investment Bank. The bank will support investment in low-carbon infrastructure projects. It will bring together public and private sector capital, and operate on a commercial basis.

The government will start by investing up to £1 billion from the sale of infrastructure-related assets. It will seek to match this with at least £1 billion of private sector investment. Infrastructure UK will publish a consultation on the establishment of the Green Investment Bank in the summer.

Budget 2010 makes a commitment to reduce government departments' carbon emissions by at least 30 per cent by 2020.

9. Child poverty

As part of Budget 2010, the Government set out its expectations on how the 2020 targets in the Child Poverty Bill would be achieved.⁶ Its aims include: 75 per cent of newly employed lone parents to work 16 hours per week; 50 per cent of low-income or unemployed parents to work a combined 46 hours per week; and a 20 per cent reduction in children born to teenage parents. The government said that a national strategy on child poverty would be published within a year, and guidance for local authorities on eradicating child poverty will be in place by the summer.

10. Other measures

Budget 2010 made other commitments which may be of interest to the VCYS:

- support for an international transaction tax on banks;
- a cut, for two years, in stamp duty below £250,000 for first-time buyers but a raise in the rate for £1 million homes;
- child tax credits for parents of children aged 0-2 will rise by £4 a week from 2012;
- duty on cider will increase by 10 per cent above inflation from March 28 2010;
- the 3p fuel duty increase set for April 2010 will instead be phased in by January 2011.
- personal income tax allowances will be frozen in 2010-11.
- a £2.5 billion support package for small businesses.
- a commitment on making basic bank accounts available to everyone in the country

For more information on any element of this paper, please contact NCVYS's Policy Officer, Dom Weinberg, email dominic@ncvys.org.uk or on 020 7278 1041.

⁵ A Social Investment Wholesale Bank would be a wholesaler of social investment finance, designed to support the third sector in the long term. 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.

⁶ HM Treasury, DCSF, DWP (2010) *Ending child poverty: mapping the route to 2020*
http://www.hm-treasury.gov.uk/d/budget2010_childpoverty.pdf