

Budget 2009

HM Treasury

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

April 2009

1. Introduction

In April 2009, HM Treasury published the budget for this year¹. This briefing paper summarises key points of the budget 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 the budget can be seen to directly and indirectly effect young people and VCYS organisations. Efforts to support offer more financial support to charities recognise the importance that Government places on the third sector. In particular the Hardship Fund for voluntary organisations delivering frontline services is an attempt to help third sector organisations on the whole. NCVYS will keep members up-to-date with developments around how and when these funds will be allocated. Another key area within the budget is supporting young people in gaining education, employment and skills is welcomed as more than 800,000 16 to 24 year olds are now unemployed, that is 16.1% of the total youth population. VCYS organisations can play a role in ensuring that young people are aware of opportunities and support available to them. Young people themselves then need to take-up the new opportunities and access the best possible support to reach their potential.

¹ HM Treasury's micro-site for Budget 2009 is available via:

<http://budget.treasury.gov.uk/>

² Information taken from the BBC website:

http://news.bbc.co.uk/1/hi/uk_politics/8011882.stm

And Directgov:

http://www.direct.gov.uk/en/NI1/Newsroom/Budget2009/DG_177177

3. General economic statistics

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

- economy forecast to shrink 3.5% in 2009;
- growth expected to pick up in 2010, expanding by 1.25%;
- economy to grow by 3.5% annually from 2011;
- public borrowing to increase to £175bn this year;
- borrowing levels to rise by £173bn, £140bn, £118bn and £97bn in years after; and
- consumer price inflation to fall to 1% by end of year.

4. Education, employment and skills

Given the current economic climate rising unemployment among young people is of great concern, as are issues around education and skills. The budget aims to help young people in the area of education, employment and skills by:

- guaranteeing young people, between 18 and 24 years old who have been unemployed for more than 12 months, a job, work placement or work-related skills training for at least six months. If it becomes necessary to do so, Government will work with local authorities and other delivery partners to determine how participation in one of these options could be made mandatory;
- 100,000 new jobs will be funded through local authorities and voluntary sector partners to engage 18 to 24 year olds in jobs that offer high social value. Areas of dense unemployment around the country will also be targeted, with funding for a further 50,000 jobs, including 5,000 green jobs;
- new training courses and community work placements will provide further opportunities, to help fulfil the government's guarantee to those in the relevant age bracket;
- £250m funding to help people get work experience in growth industries: and
- funding to create 54,000 new places in sixth form education.

The care sector has been targeted with Care First, a funding scheme for providers to train and employ young people, being introduced to address a surplus of vacancies in the sector. Care First will offer 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.

For paid workers, the weekly rate of statutory redundancy pay will increase to £380.

5. Homes

Housing and homelessness is a prevalent issue within the VCYS and one that might be exacerbated by the current recession. To try and encourage home buying, Government has stated that stamp duty holiday for homes up to £175,000 to be extended to end of year

6. Public spending and public value

Budget 2009 announced that public spending to be cut from 1.1% next year to 0.7% in 2011-2012.

Budget 2008 launched the Public Value Programme (PVP), to look at transformational policy options in major areas of public spending. Budget 2009 announced that the Government will ensure that, as set out in the *New Opportunities White Paper*³, five Activity Agreement pilots will

³ HM Government (2009) *New Opportunities: fair chances for the future* is available via: <http://www.hmg.gov.uk/newopportunities.aspx>

focus on the most vulnerable, hardest to reach young people not in education, employment or training and will be developed with improved cost effectiveness. The cross-government review of the rationale, design and level of financial support for young people in the context of full participation, will build on the analysis of the value for money and effectiveness of the current leaver support scheme.

Government has also put in place reforms to deliver public services that represent value for money for taxpayers and meet the needs of its citizens more effectively, including:

- cross-departmental Public Service Agreements (PSAs) introduced as part of the performance management framework, to set clear priorities for delivering better outcomes for citizens;
- demanding minimum standards and enhanced inspectorates to tackle poor performance across services;
- greater diversity of provision and increased competition between service providers, hereby shifting the balance of power to service users and giving them greater choice; and
- an increased focus on the role of the third sector, encouraging community driven responses to new needs and promoting volunteering and civic participation to help foster strong local communities and reduce social exclusion.

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. Government has committed an extra £18.75 million to the Growth Fund, which will enable lenders to make an additional 85,000 loans by 2011.

7. Supporting charities

Budget 2009 highlights *Real Help for Communities: Volunteers, Charities and Social Enterprises*⁴, Government's action plan to support the third sector during the economic downturn. In addition to the package of measures in *Real Help*, Budget 2009 announced a 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.

Government continues to explore ideas to improve Gift Aid, and has commissioned research into the effect of redirecting higher-rate relief from donors to charities.

Government will consult on the design and functions of a Social Investment Wholesale Bank and 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 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.

Government has considered its response to the consultation on the anti-avoidance rules around substantial donors to charity. Budget 2009 announced further informal consultation with the sector to develop new rules based around an effective anti-avoidance purpose test. Government aims to bring forward proposals at the 2009 Pre-Budget Report, with a view to legislating in 2010. Government recognises the importance of Common Investment Funds and Common Deposit Funds to the charitable sector and will consult shortly, in conjunction with the Charity Commission,

⁴ HM Government (2009) *Real Help for Communities: Volunteers, Charities and Social Enterprises* is available via: http://www.cabinetoffice.gov.uk/third_sector/real_help_for_communities.aspx

on ways to bring these funds more fully under the Financial Services Authority's regulation while preserving existing tax reliefs.

8. Benefits

Changes in benefits that effect children are:

- child tax credit to rise by £20 by 2010; and
- child trust funds for disabled children to rise by £100 a year, £200 a year for severely disabled children.

9. The environment

Budget 2009 provides over £1.4 billion of extra targeted support in the low-carbon sector. Measures include extra money to support businesses, public buildings and households to be more energy efficient with the aim of saving around £60 million in energy bills each year.

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