

# 2003 Pre-Budget Report

REGIONAL PRESS NOTICE

10 December 2003

## **THE STRENGTH TO TAKE THE LONG-TERM DECISIONS FOR BRITAIN: SEIZING THE OPPORTUNITIES OF THE GLOBAL RECOVERY IN THE NORTH EAST**

A series of measures that will promote greater flexibility and fairness in the North East were announced by the Chancellor today. The policy areas that the Government is consulting on with the Regional Development Agencies ahead of Budget 2004 were also confirmed.

Highlighting the importance of regional policies, the Chancellor said:

"Having reformed the economy since 1997, this Pre-Budget Report marks the next stage - to achieve, in our time, and in each region and nation, a more flexible, more enterprising, full employment Britain: a Britain of economic strength and social justice.

Britain is closer than we have been for three decades to full employment and with, today, social security, housing benefit and employment reforms to encourage greater flexibility and fairness, this Pre-Budget Report will advance our goal of full employment in every region and every nation of the United Kingdom."

Key PBR announcements include:

- confirmation that economic growth has strengthened;
- setting out reforms which will promote business and enterprise across the UK;
- taking further steps to extend employment opportunity for all;
- tackling child and pensioner poverty;
- promoting fairness in the tax system; and
- introducing further measures to improve the environment.

One North East, along with the other Regional Development Agencies, has been asked by the Treasury to suggest policy measures for Budget 2004 on 5 key themes: barriers to business start-ups; provision of government services to small businesses; access to finance for small and medium firms; barriers to skills provision and knowledge transfer between regions and between businesses and universities.

One North East, along with the other RDAs, has also been asked to identify the top ten institutional barriers that they believe are currently hindering effective coordination of policy-decisions and service delivery in the North East. This will inform the cross-cutting review of devolution and decentralisation announced in the Budget 2003.

As a valuable contribution to improving our understanding of regional disparities and to inform policy making, Christopher Allsopp has today published an interim report on his independent review of statistics required for economic policymaking, of which a key part discusses the regional information and statistical framework needed to support the Government's key objective of promoting economic growth in all regions and reducing the persistent gap in growth rates between the regions.

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

- reforms to reduce the regulatory burden, including raising the statutory audit threshold to £5.6 million and improvements to the VAT flat-rate scheme, which could benefit 15,700 businesses in the North East;
- a package of measures to overcome barriers to raising finance for small businesses, including a pathfinder round of Enterprise Capital Funds and enhancements to Venture Capital Trusts and Enterprise Investment Schemes, to assist high-growth small and medium sized enterprises in the North East;
- encouragement for all of the 33,045 small and medium sized enterprises in the North East to seek advice about the financing options and export opportunities available to them, including business advice and support via the new [businesslink.gov.uk](http://businesslink.gov.uk) website;
- confirmation of the details of a scheme allowing local authorities to retain a proportion of increases in local business rate revenues to spend on their own priorities, to be finalised in Budget 2004;
- an independent review of the effectiveness of the Small Firms Loan Guarantee scheme to ensure that it is having maximum benefit for small firms seeking debt

finance, and building on the 98 guarantees already issued this financial year in the North East;

- a redefinition of R&D to make tax credits easier to claim, and a broadening of qualifying costs. This could potentially benefit the 308 businesses undertaking R&D in the North East;
- the publication of the Lambert Review of Business-University Collaboration which will inform Government policies to promote knowledge transfer, knowledge exploitation and business innovation;
- an extension of the Employer Training Pilot currently running in Tyne and Wear, for a third year;
- planning reform, including the creation of regional spatial strategies, to guide the pattern of development at the regional level, and flexible local development plans;
- reporting on progress on the Reviews aimed at improving public sector delivery, including the Lyons review of public sector relocation, the Gershon review of public sector efficiency and the review of devolved decision making;
- enhancing help for lone parents by increasing the number of work-focused interviews for those with a youngest child aged 14 or over, which will build on the help and support already received by 16,690 people in the North East through the New Deal for Lone Parents;
- greater local discretion for the region's 10 Action Teams to direct resources towards the most disadvantaged people from April 2004, with a new Action Team to be established in the Wear Valley and existing Action Teams to be extended to 2006;
- extending eligibility for the New Deal for Partners to those in a family in receipt of the Working Tax Credit, who are not working or are working up to 16 hours a week;
- continued reform of Housing Benefit with measures to align the rules of Housing Benefit and tax credits, with flat-rate Local Housing Allowance Pathfinders beginning in the social sector as soon as is practical;
- on top of the substantial increase in support for families with children through new Tax Credits, the child element of the Child Tax Credit is being increased by

£180 a year from £1,445 to £1,625 a year from April 2004; 203,500 working families are benefiting from CTC in the North East;

- promoting the provision of employer-supported childcare, as part of the Government's ongoing commitment to help people balance their work and family lives;
- promoting the take-up of the Pension Credit, which is already providing increased financial security for 134,025 low and modest income pensioner households in the North East; and
- consulting further on detailed proposals to simplify the taxation of pensions, potentially benefiting 15 million people in the UK.

The Treasury will be publishing a leaflet setting out more detail about the Pre-Budget Report and explaining what it means for the North East.

---

## DETAILS

### **North East statistics**

The New Deal has been successful in helping more than 72,000 people in the North East into work. This has helped employment in the North East rise by 0.9% and unemployment fall by 33.3% since 1997.

As a result of the Child Tax Credit announced in Budget 2003, 203,500 families with children in the North East are now eligible for additional targeted support.

134,025 pensioner households in the North East are eligible for the new Pension Credit, introduced in October 2003.

As a result of personal tax and benefit measures introduced since 1997, by September 2004 households in the North East will be, on average, £950 a year better off in real terms.

## **HM TREASURY PRESS OFFICE**

Press enquiries: 020 7270 5238

Non-media enquiries: 020 7270 4558

## **GOVERNMENT DEPARTMENT INTERNET SITES**

Further information and all published documents relating to the Pre-Budget Report may be found on the Internet at the following addresses:

HM Treasury [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)

Inland Revenue [www.inlandrevenue.gov.uk](http://www.inlandrevenue.gov.uk)

HM Customs and Excise [www.hmce.gov.uk](http://www.hmce.gov.uk)