



# Meeting the aspirations of the British people

October 2007

What the 2007 Pre-Budget Report and Comprehensive Spending Review means for London



HM TREASURY

Summary leaflet

# Meeting the aspirations of the British People

The Government's objective is to build a strong economy and a fair society, in which there is opportunity and security for all. This leaflet provides a summary of the key announcements in the 2007 Pre-Budget Report and Comprehensive Spending Review for London, including:

- **making inheritance tax allowances transferrable between married couples and civil partners** and a £600,000 threshold immediately, rising to £700,000 by 2010-11;
- **spending in the NHS** will increase by 4 per cent per year in real terms from £90 billion in 2007-08 to £110 billion by 2010-11, building on a 25 per cent real terms increase per head in health financing in London since 2001;
- **spending in education will increase from £77.7 billion to £99.2 billion;**
- **further steps to tackle climate change** including reforms to and increases in the taxation of air travel to better reflect environmental costs and a £1 billion environmental transformation fund;
- **steps to simplify the tax system and business support** to enable business to focus on increasing productivity, potentially benefiting 674,000 businesses in the London;
- **reforming capital gains tax by introducing a single rate of 18 per cent from 2008-09**, ensuring a more sustainable system that is straightforward for tax payers and internationally competitive; and
- **confirming the Government's public service priorities and setting all departments' budgets for the next 3 years** with total public spending set to grow at 2.1 per cent per year between 2007-08 and 2010-11.

Regional spending figures per head taken from Public Expenditure Statistical Analyses 2007, covering 2001-02 to 2005-06, available at:  
[http://www.hm-treasury.gov.uk/economic\\_data\\_and\\_tools/finance\\_spending\\_statistics/pes\\_publications/pespub\\_pesa07.cfm](http://www.hm-treasury.gov.uk/economic_data_and_tools/finance_spending_statistics/pes_publications/pespub_pesa07.cfm)

# Government's Comprehensive Spending Review 2007: Where the additional money is going

## Regional Policy

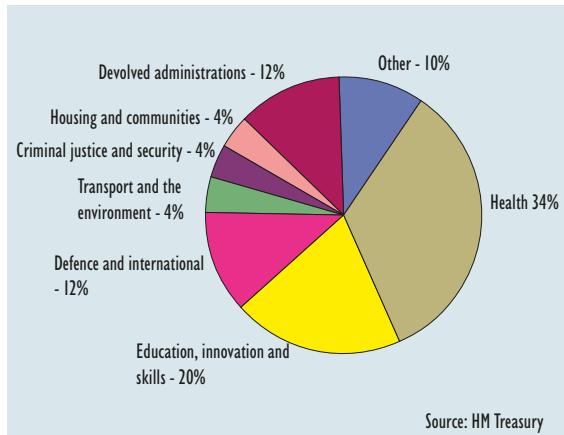
The Government's regional policy aims to improve the economic performance of all English regions and reduce the gap in growth rates between the regions. The Government believes that the best way to improve the productivity of the regions is to allow each region and locality

the freedom and flexibility to exploit local sources of growth. The Review of sub-national economic development and regeneration (SNR) set out a comprehensive package of reform aimed at enabling more effective and efficient delivery of improved economic performance at the regional, sub-regional and local levels.

The 2007 Pre-Budget Report and Comprehensive Spending Review takes forward the conclusions of the SNR, including through a new settlement and sponsorship framework for the Regional Development Agencies (RDAs) aimed at strengthening their strategic focus on economic growth, and proposals to allow local authorities to invest in economic development through levying a local business rate supplement.

Building on its role as the strategic leader of growth in the region, and increasing regional input to national decisions, the London Development Agency has been invited to contribute to the development of Budget 2008 in four areas: building regional intelligence of business priorities; implementing the SNR; responding to the long-term challenge of globalisation; and ensuring that all regions can benefit from the Olympics legacy.

The Government has also today published a new Delivery Agreement for its regional economic performance Public Service Agreement (PSA) target, setting out clear actions for progress on improving productivity and employment in every region.



## Macroeconomic stability

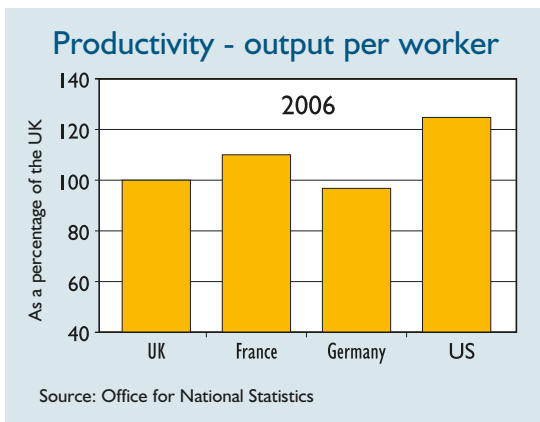
The British economy has grown for 60 consecutive quarters and inflation remains low. This stability puts Britain in a strong position to respond to global economic challenges and to take advantage of the opportunities of the coming decade. The 2007 Pre-Budget Report and Comprehensive Spending Review sets out that:

- **the economy is expected to grow** by 3 per cent in 2007, and by 2 to 2.5 per cent in 2008;
- **inflation is set to remain low and stable** at around 2 per cent; and
- **the public finances remain sound, with borrowing forecast to be £38 billion** in 2007-08 and set to fall in every year for the next 5 years of the projection, and with debt lower than in the US, Japan, and the euro area.

## Sustainable growth and prosperity

The pace of change in the global economy is intensifying, with growing movement of people, investment and goods across international borders. The Government is committed to equipping the UK to respond to these changes. Britain's relative economic performance has improved in recent years, with productivity

now higher than Germany and moving closer to France. A flexible, enterprising, and high-skilled economy will help deliver faster productivity growth and ensure that all regions of the UK are well-placed to prosper in the global economy. The Government recognises there are significant regional variations in productivity: in 2005, Gross Value Added per head in London was 36 per cent above the UK average. The 2007 Pre-Budget Report and Comprehensive Spending Review announces new measures to improve productivity in London, including:



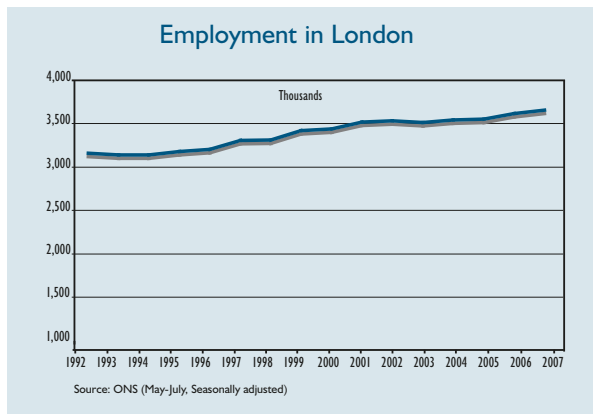
- **greater investment in science**, by increasing total public investment in science from £5.4 billion in 2007-08 to £6.3 billion by 2010-11, building on a 105 per cent real terms per head increase in London since 2001;
- **three tax simplification reviews** and a package of over 20 tax simplification measures, potentially benefiting 674,000 businesses in London;
- **increasing total spending on higher education and skills** from £14.2 billion in 2007-08 to £16.4 billion by 2010-11, building on a 20 per cent real terms per head increase in London since 2001; and
- **£15 billion of Government funding in the rail network** over five years.

## Fairness and opportunity for all

The Government is committed to promoting fairness and opportunity for all to ensure that everyone shares in rising national prosperity. The 2007 Pre-Budget Report and

Comprehensive Spending Review sets out the steps the Government is taking to promote employment opportunity for all, tackle child poverty, support families to balance their work and family lives and promote saving and ensuring security for all in old age. These include:

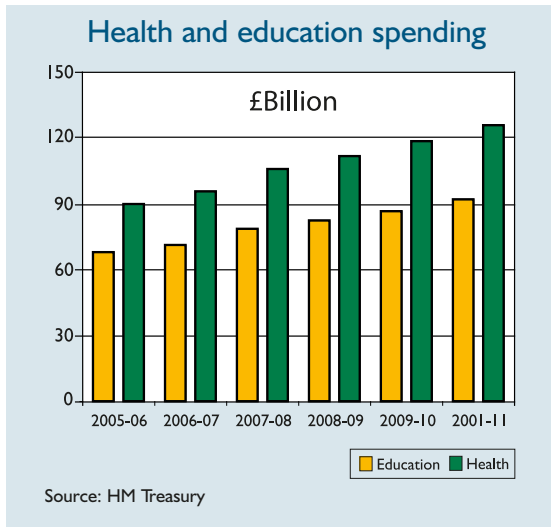
- **ensuring that all married couples and civil partners automatically benefit from double the standard inheritance tax allowance** - £600,000 immediately, rising to £700,000 by 2010-11;
- **raising the child element of the Child Tax Credit** by a further £25 in April 2008 and a further £25 in April 2010, benefiting the 486,000 families in London who receive the child element of the Child Tax Credit;
- **increasing school capital investment** from £6.4 billion in 2007-8 to £8 billion in 2010-11, potentially benefiting 2,553 maintained schools in London;



- **the national roll-out from April 2008 of the In-Work Credit at a rate of £40, retaining a rate of £60 in London**, benefiting 136,380 lone parents in London;
- **investment in education that will deliver a Sure Start centre in every community and extending one-to-one care tuition in English and maths by 2010;**
- **reforming capital gains tax by introducing a single rate of 18 per cent from 2008-09**, ensuring a more sustainable system that is straight-forward to tax-payers and internationally competitive;

- **Upgrading the Pension Credit standard minimum guarantee.**

Government will deliver the Budget 2007 commitment that the Pension Credit standard minimum guarantee will increase to £124 in 2008-09, benefiting 348,000 households in London receiving Pension Credits; and



- **reforms to the residence and domicile rules** to make the current arrangements operate fairly, while maintaining the UK's competitiveness.

## Stronger communities and a better quality of life

In an age of great choice and opportunity, the Government's aim is to deliver a higher quality of life and make Britain a better place to live - in particular meeting people's desire for more responsive public services, access to decent and affordable housing, and strong, cohesive and safe communities. The 2007 Pre-Budget Report and Comprehensive Spending Review outlines:

- **increasing spending in the NHS's budget from £90 billion in 2007-08 to £110 billion by 2010-11**, a 4 per cent annual real increase in resources and plans for reforming the NHS, building on a 25 per cent real terms per head increase in health funding in London since 2001;
- **£500 million over three years for a new Housing and Planning Delivery Grant**, to help deliver the Government's target of 2 million new homes by 2016;
- **investment in the UK's counter-terrorism capacity**, with total spending on counter-terrorism, intelligence and resilience going from £2.5 billion in 2007-08 to £3.5 billion in 2010-11 and a new single security budget for counter-terrorism; and
- **ensuring a lasting cultural and sporting legacy for the nation by fully funding the construction cost of the Olympics over the next three years.**

## **A more secure, fair and environmentally sustainable world**

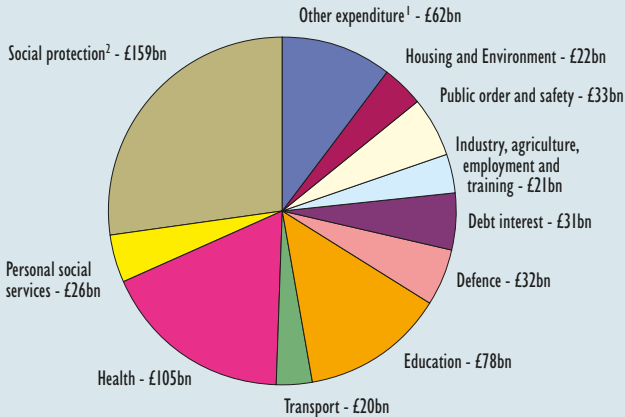
The Government is committed to delivering strong, environmentally sustainable growth in the UK and leading the international response to the long-term global challenges of climate change, promotion of peace and stability, and eliminating poverty around the world. The 2007 Pre-Budget Report and Comprehensive Spending Review announces:

- **an increase in funding for flood and coastal erosion risk management** from £600 million in 2007-08 to £800 million in 2010-11;
- **an Environmental Transformation Fund of over £1.1 billion** to support the deployment of new energy technologies in the UK and abroad;
- **reforms to and increasing the taxation of air travel** to better reflect environmental costs;
- **an increase in overseas aid as a share of national income** from 0.37 per cent in 2007-08 to 0.56 per cent in 2010-11, meeting our international commitments; and
- **an increase in defence funding, to help secure international peace and stability** including funding for two new aircraft carriers and new protected vehicles for the Army and maintenance of the UK's nuclear deterrent.

# Where taxpayers' money is spent

Total public spending is expected to be around £589 billion this year, around £9,700 for every man, woman and child in the UK. It is set to rise to £617 billion in 2008-09, £647 billion in 2009-10 and £678 billion in 2010-11, including spending by the Devolved Administrations.

## Where taxpayers' money is spent



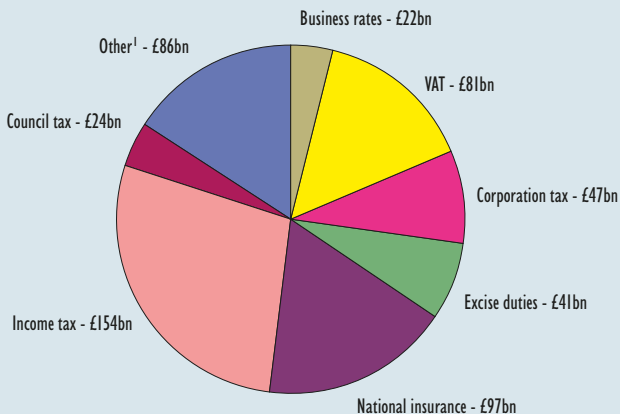
### Total managed expenditure - £589 billion

<sup>1</sup> Other expenditure includes spending on general public services; recreation, culture, media and sport; international co-operation and development; public service pensions; plus spending yet to be allocated and some accounting adjustments.

<sup>2</sup> Social protection includes tax credit payments in excess of an individual's tax liability.

Source: HM Treasury, 2007-08 projections. Spending is classified to functions using methods specified in international standards. Figures may not sum due to rounding.

## Where taxes come from



### Total receipts - £551 billion

<sup>1</sup> Other receipts include capital taxes, stamp duties, vehicle excise duties, and some other tax and non-tax receipts (e.g. interest and dividends).

Source: HM Treasury, 2007-08 projections. Figures may not sum due to rounding.

## Get in touch

The Government would like to hear your views  
in the run up to Budget 2008.

Please write your comments overleaf and return this page  
in an envelope (no stamp required) to the following address:

Freepost Plus RRGJ-ZRHG-RRRU  
HM Treasury Budget Information  
Unit 11 Crusader Industrial Estate  
167 Hermitage Road  
London  
N4 1LZ

## Further information

To order further copies of this leaflet, obtain a Welsh language  
version or an alternative format, please telephone:

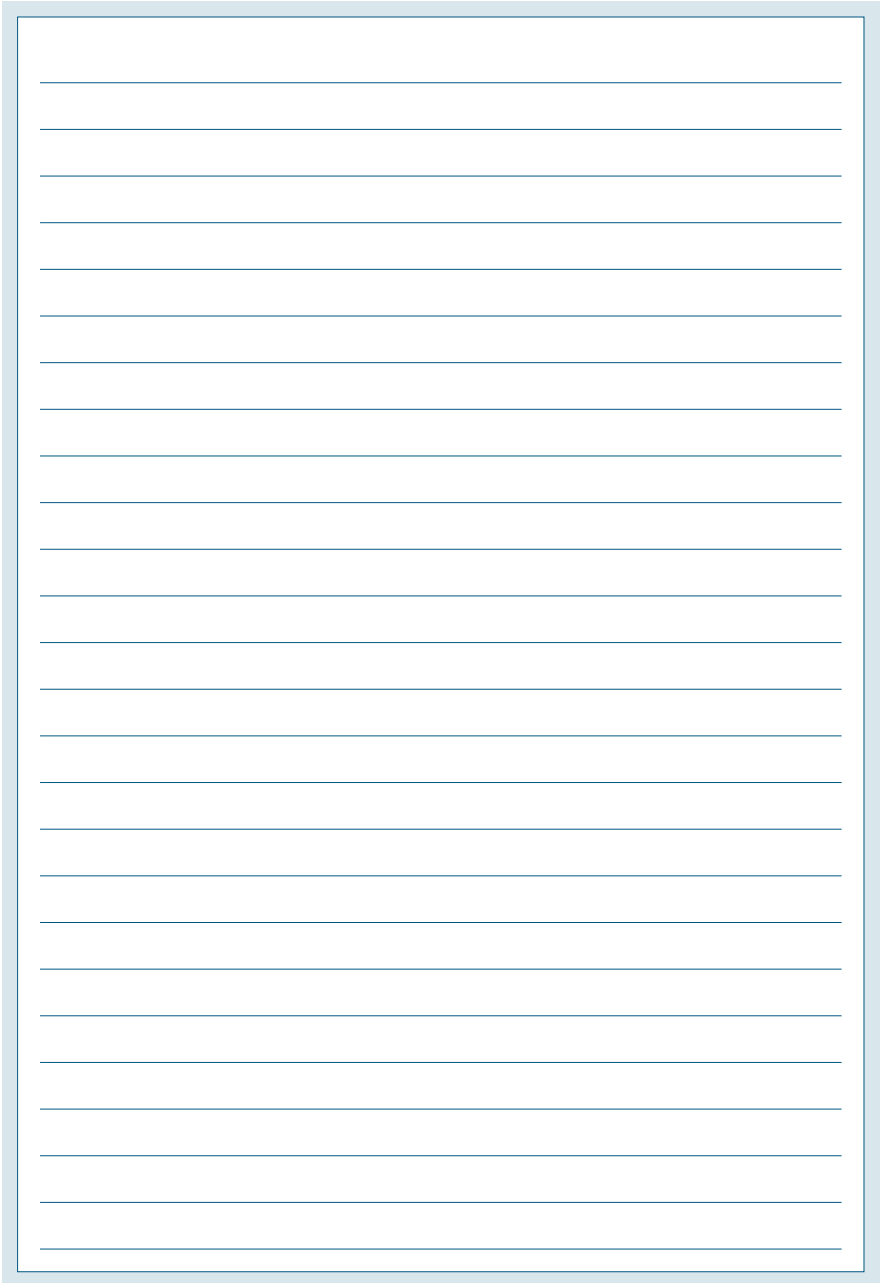
**020 7270 4558**

For more information on the Pre-Budget Report  
and the Government's spending plans visit the Treasury's website at:

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



Please write your comments here



A large rectangular box with a light blue border, containing 25 horizontal lines for writing comments. The lines are evenly spaced and extend across the width of the box.