



## **HM Treasury budget 2009**

### **Briefing from Children England April 2009**

#### **Introduction**

The briefing summarises the key announcements in the HM Treasury 2009 budget.

#### **Children and Families**

Chancellor Alistair Darling announced an increase of £20 a year to the child element of the child tax credit. Child tax credits are given to every family with children earning up to £50,000 a year. In reality, this works out at about 38 pence a week, which means it is highly unlikely to impact at all on the number of children in poverty.

From April next year children with disabilities will get an extra £100 a year in their Child Trust Fund, with an extra £200 each year for those with severe disabilities.

Other measures that the Government hopes will tackle child poverty include an amendment to the law to ensure parents can still claim working tax credits four weeks after falling out of work, £270m into a Social Fund for "budgeting" and "crisis" loans for vulnerable people, and more support for those seeking employment. This will be bolstered by an additional £1.7bn investment in JobCentre Plus. The emphasis in the budget is therefore on helping people get back into work rather than prioritising the 3.9m children who need to be taken out of poverty.

Campaigners have already expressed deep disappointment at the failure of the Budget to commit enough money to halve child poverty by 2010.

#### **Young People and employment**

The Chancellor has pledged £260m in the 2009 budget to help young people acquire skills and training. He has referred to this as his 'young person's guarantee.' He told Parliament that every 18- to 24-year-old, who has been unemployed for one year or more, would be guaranteed an offer of a job or training. Funding will be available for local authorities and voluntary organisations to employ 100,000 young people in "socially useful activity", including social care, with 50,000 more jobs on offer in areas of dense unemployment. Part

of the scheme will be the offer of 50,000 traineeships in the social care sector under a scheme called CareFirst.

Youth unemployment has risen sharply in the past three months, according to the latest figures from the Office for National Statistics. More than 630,000 18- to 24-year-olds are currently unemployed, up 17,000 from the previous quarter. Youth unemployment is now at its highest rate since 1995.

Youth charity the Prince's Trust also claimed that the number of young people not in education, employment or training now stands at 1.3m, which equates to almost one in five young people in the UK. The charity warned that youth unemployment costs the economy around £10m a day in lost productivity.

### **Education Boost**

Schools and sixth forms are to receive an extra £250m to fund places for students from this September. The extra investment will mean that all 16- and 17-year-olds who want to stay on in education can, Darling said. The cash, which equates to an extra 54,000 places for students this year, will resolve the funding shortfall created by a miscalculation at the Learning and Skills Council (LSC) last month. Schools and colleges had feared that they would have to turn pupils away, because of the LSC's blunder.

The Chancellor also pledged an extra £400m for schools and colleges, to fund places for 16- and 17-year-olds in the academic year 2010/11. This is intended to cover any increased demand for places. This has been received largely as a positive move in terms of tackling youth unemployment. It is also important that Government funds 16-18 education adequately, particularly in such economically troubled times and as government prepares to extend the leaving age.

### **The Voluntary Sector**

The Chancellor has announced a £20m Hardship Fund for charities delivering services to people affected by the recession in the 2009 budget. The fund will make grants to organisations suffering "cash flow difficulties" caused by increased demand and is in addition to the £42.5m third sector action plan launched in February.

The Government's announcement of a new £20m Hardship Fund could help support the voluntary and community sector deliver front-line services to the most disadvantaged in society at a time when the sector is being forced to balance increased demand and falling resources. This should help charities to unlock vital additional resources. However, it is not clear how these funds will be allocated.

On Gift Aid, the Government said it had commissioned research on the effect of redirecting relief, currently claimed by higher-rate taxpayers on the difference between standard and higher tax on donations, to charities.

The Government promised a consultation on a new Social Investment Bank, funded by money from dormant accounts. The Office of the Third Sector has been charged with producing substantive proposals on the bank, which is intended to increase the supply of investment to the sector.

An informal consultation with the sector will also take place on anti-avoidance measures for substantial donors to charity. Legislation is promised for 2010.

## **Unemployment**

For those who are being made redundant, the budget announced an increase in the maximum statutory redundancy payment. Currently the maximum redundancy payment is £350 per week, this figure will now rise to £380. This has disappointed trade unions who have been calling for the figure to be £500 a week, arguing that the increasing numbers of people losing their jobs meant action was urgent.

Unemployment figures published this week showed that 270,000 people became redundant in the three months to February, the highest figure since comparable records began in 1995.

The Budget announced an extra additional £1.7 billion set aside for the Department for Work and Pensions to sustain the numbers of individuals currently moving off Jobseeker's Allowance in the early months of each claim and provide support for the minority who remain unemployed for longer periods.

## **Government**

The budget has announced a series of efficiency savings from 2011 which are expected to give a further £9bn of additional savings a year by 2013/14. This helps to keep current public sector spending growth in real terms at an average of 0.7 per cent a year from 2011/12 onwards.

The Chancellor announced that local authorities could save money on services such as administration, IT and personnel. This would partly be done through better collaboration at local level and could mean merging back office functions for different council services. Unions are already concerned that this could have a negative effect on children's services, with back-office support staff being important to delivering frontline children's services, many of which rely very heavily on IT and personnel support. Darling's plans would see the government cutting £6bn from council support services over the next two years. The other £9bn would be cut between 2011 and 2014.

## **Further information**

The full budget paper: <http://budget.treasury.gov.uk/>

Voluntary sector analysis: <http://www.thirdsector.co.uk/bigIssues/details/66618/>

How the budget will affect children and young people:

<http://www.cypnow.co.uk/BigIssues/Details/66613/budget-2009/>

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