

BUDGET 2009: MAIN PROVISIONS WHICH IMPACT ON LOCAL GOVERNMENT AND THE TEES VALLEY

Purpose of Note

The purpose is to provide a brief synopsis of the main provisions of the 2009 Budget as they affect local government and the economic development of the Tees Valley.

Impact of the Credit Crunch on the Public Sector

The Government estimates that the net cost to the public sector finances of the measures taken to deal with the bailing out of the banks and to improve liquidity will be between £20 to £50 billion, 1½ to 3½ percent of GDP. Public sector borrowing will rise from £36 billion in 2007/8, to £90 billion in 2008/9, £175 billion in 2009/10 falling to £97 billion in 2013/14. The budget will not be balanced until 20/7/18 under the normal economic cycle. This level of borrowing assumes 1½% growth next year and 3½% growth in 2011/12. If this level of growth is not achieved then borrowing will be higher or spending cuts made to meet the deficit.

The budget leaves the allocations for local government unchanged in 2010/11 but extra £600m of efficiency savings will be required.

Clearly there is very little prospect of any growth in the next CSR cycle and the spending round will be limited for 10 years. If the Government's assumptions on economic growth and the net cost of the credit crunch to the Treasury are wrong, or the cost of servicing the debt is high because of the greater risk, expect significant cuts in expenditure after the next election, or before if there is a run on the pound.

Business

A £750m Strategic Investment Fund has been set up by BERR to support advanced industrial projects of strategic importance. £250m will go on the development of the low carbon economy and £50m given to the Technology Strategy Board to fund innovation in areas of high potential for future growth in low carbon technology, advanced manufacturing, biotechnology and life sciences. This budget will be the one which the capital resources required to convert the DOW Plant to a predominantly ethylene oxide plant will come from but persuading BERR to do it will be difficult as they are interested in new industries rather than existing ones. The Centre for Process Innovation at Wilton has an excellent record at obtaining resources for innovation from the Technology Strategy Board.

In addition there is £200m from Network Rail for rail connections from port to freight terminals and container depots i.e. gauge enhancement which should benefit Teesport.

The Government is looking for local authorities/city regions to pilot a funding regime for accelerating developing by allowing investment in infrastructure to be financed from the increased property base of a development. We need to investigate how feasible this could be in the Tees Valley.

Worklessness, Education, Training

£1.7 billion has been given to DWP to ensure Job Centre Plus can offer a personalised service to individuals and deliver the Flexible New Deal programme to help the long term unemployed get back to work. It will also guarantee every person between 18 and 24 who has been unemployed for a year a job, work placement or training for 6 months. The Government will explore how this could be made mandatory. Funding will be provided for local authorities and partners to take forward the creation of 100,000 new jobs in socially useful activity. 10,000 of these jobs will be green jobs. 25% of local authority external recruitment will be targeted at individuals without a job.

To support communities most affected by rising unemployment, the Government will allocate additional funding for local authorities to provide a further 50,000 jobs in areas of high unemployment.

£800 m is brought forward from 2010/11 or 2009/10 for priority school finance. £300m additional investment for Further Education Colleges to fund new build projects – priorities to be defined by LSC and the sector. Hopefully this will solve the Hartlepool College problem.

The wave band model for Building Schools for the Future will be abandoned in favour of a rolling programme in line with resources and the Partnership of Schools being happy projects or ready to go.

Regeneration and Housing

The budget announced £600m to stimulate housing development in the short term and boost capacity in the house building industry. £400m of this is to unlock stalled housing developments, leveraging in private sector development finance through a combination of reducing up front costs with equity, gap and infrastructure funding, and supporting viability with an expansion in the provision of Homebuy Direct, and increased funding for affordable housing. £100 m is new funding for local authorities to deliver new social housing at higher energy efficiency standards.

The Government will set out its strategy in the pre Budget Report 2009 to support a timely and effective housing supply response through the recovery, in order to maximise delivery of high quality, energy efficient homes, supporting our long term housing supply and environmental objectives. This will cover measures to:

- Ensure sufficient land for development, through housing allocations in local plans and further action on public sector land, supported by a responsive and efficient planning system;
- Deliver effective and coordinated infrastructure provision;
- Promote a strong and diverse house building sector;
- Continue to ensure the increased long term supply of social and affordable housing; and
- Ensure a proportionate approach to land-value capture and cumulative regulation.

As part of this, the Government will identify, working with industry and other partners, the best regulatory and policy framework to support the Government's long term housing objectives.

Public Value Programme

The Government will:

- Implement the Chartered Institute of Public Finance and Accountancy (CIPFA) recommendations to improve the way local authorities account for highway maintenance. CIPFA's report identified the scope for at least 5 percent savings through better asset plans. Local authorities are also working with the Highways Agency to improve collaborative procurement;
- Work with the RDAs as they reprioritise their investments to maximise the impact of the Single Pot on regional economies, learning the lessons from the recent independent evaluation of RDAs, announced to Parliament on 31 March 2009. A strengthened Sponsorship Framework will drive up value for money in RDAs by embedding evaluation, strengthening public reporting and confirming a reshaped Independent Performance Assessment;
- Reprioritise regeneration investment where there are opportunities for transforming the economic prospects of areas with lower economic performance by targeting market failures, making decisions at appropriate spatial levels and better coordinating funding and delivery, as will be set out in the new Regeneration Framework which will be published today.

Building a Low Carbon Economy

The good news is that there is now £90 m being allocated to fund companies carrying out preparatory schemes for coal fired power stations to deliver both pre and post combination carbon storage and capture. Previously the government would only

support one post combustion project i.e. DRAX. Now it will support a further 3 projects. The Progressive Energy project on Teesside is a pre-combustion project and is now eligible for funding which it was not previously. Also Ed Miliband has included Teesside in 5 regions where CCS clusters can achieve the reductions most economically. The JSU will explore with Progressive Energy and ONE how we can help build the case for Teesside.

The European Investment Bank will provide £4 billion for UK renewable and energy projects.

The Government will allocate £405 million to support the development of a low carbon energy and advanced green manufacturing sector in the UK.

The Government will provide:

- An additional £45 million for small-scale renewable electricity and heat technologies, primarily through the Low-Carbon Buildings Programme. This will help to bring forward around 13,000 installations, and prepare the renewable supply chain to benefit from future opportunities when feed-in tariffs and the renewable heat incentive are introduced in 2010 and 2011 respectively; and
- £25 million in funding for low-carbon community heating schemes, allowing at least 10 communities to benefit from cleaner, locally produced energy. This will help deliver savings of 20,000 tCO₂ and support employment.

The JSU will investigate how we can access this resource.

John Lowther
Director
Tees Valley Joint Strategy Unit

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