

Budget 2011

HM Treasury

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

March 2011

1. Introduction

On 23 March 2011, HM Treasury published the budget for this year.¹ This briefing paper summarises key points of Budget 2011 that relate to young people and the voluntary and community youth sector (VCYS) arising from its publication.

2. Potential issues for the voluntary and community youth sector (VCYS)

The budget sets out the action the Government will take in three areas: a strong and stable economy; growth; and fairness. It aims to: ensure that the UK has the most competitive tax system in the G20; make the UK the best place in EU to start and grow a business; encourage exports and investment to balance the budget; and develop an educated workforce that is the most competitive in Europe.

Measures in Budget 2011 can be seen to directly and indirectly affect young people and VCYS organisations. The budget announced £180 million funding for up to 50,000 additional apprenticeship places over the next four years, with 40,000 of these opportunities focused on young people not in employment, education or training (NEETs). There is also further funding for an additional 80,000 work experience places for young people, costing £20 million a year for the next 2 years.

The Chancellor of the Exchequer George Osborne also announced a number of measures of relevance to the voluntary sector. These included proposals to: simplify Gift Aid; encourage wealthy people to give more to charity – in particular through legacies; promote the take-up of Community Interest Tax Relief; and extend the allowance for passenger payments to include volunteers.

Further information on these measures and other issues of concern to the VCYS are set out below.

¹ HM Treasury's micro-site for Budget 2011 is available via:
http://www.hm-treasury.gov.uk/2011budget_documents.htm

3. General economic statistics

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

- forecasted growth of economy of 1.7% in 2011, lower than forecast in the June 2010 Budget;
- public sector net borrowing will decline from its peak of 11.1% of GDP in 2009-10 to 1.5% of GDP in 2015-16;
- public sector net debt will peak at 70.9% of GDP in 2013-14, before declining to 70.5% of GDP in 2014-15 and 69.1% of GDP in 2015-16.

The Budget stated that its policy decisions will have “a neutral impact on the public finances”.

4. Education, employment and skills

Given the continuing concern of the high number of unemployed young people Budget 2011 aims to help young people in the area of education, employment and skills by:

- funding an additional 80,000 work experience places for young people, ensuring up to 100,000 places will be available over the next two years – at a cost of £20 million a year for the next 2 years;
- announcing £180 million for up to 50,000 additional apprenticeship places over the next four years. 40,000 of these opportunities will be focused on young people not in employment, education or training (NEETs) with an expectation that many of them will access an apprenticeship by progressing from the expanded work experience programme. The remaining 10,000 new opportunities are for higher level apprenticeships in small and medium enterprises (SMEs);
- providing £150 million of new capital funding to support improved technical and vocational education, including an expansion of the University Technical Colleges programme, to establish at least 24 new colleges by 2014, 12 more than previously promised.

5. Voluntary and community sector

In Budget 2011 the Government considered the following issues affecting the voluntary and community sector:

- introducing a Gift Aid small donations scheme: from April 2013 charities will be allowed to claim Gift Aid on up to £5,000 of small donations without the need for Gift Aid declarations;²
- introducing a new system of online filing for Gift Aid;
- increasing the Gift Aid benefit limit from £500 to £2,500 from April 2011 to enable charities to give ‘thank you’ gifts. New guidance will be published to help clarify what constitutes a benefit. The new limit is likely to apply to donations of more than £50,000, and below that level, a limit of 5% of the donation would apply;³

² “HMRC has confirmed that only those charities that have been registered with it for three years will be eligible to claim automatic gift aid on small donations totalling £5,000 without signed declarations, as announced in the Budget.” *Sector to lose £400,000 from scrapping of tax return tick-box*, Civil Society (25 Mar 2011)
http://www.civilsociety.co.uk/fundraising/news/content/8658/sector_to_lose_400000_from_scrapping_of_tax_return_tick-box

³ *Benefits limit increased for major donors*, Third Sector Online (23 March 2011)

<http://www.thirdsector.co.uk/Channels/Policy/Article/1061657/Benefits-limit-increased-major-donors/>

- reducing the rate of inheritance tax by 10% for those estates leaving 10% or more to charity, from a rate of 40% to 36%.⁴ Chancellor of the Exchequer George Osborne said during his budget speech that this would benefit charities by £300 million;⁵
- extending the passenger allowance of 5p per mile, which is already available to business, to volunteers and increasing the Approved Mileage Allowance Payments rate to 45p per mile (25p after the first 10,000 miles). NCVYS member Volunteering England has welcomed this announcement that volunteer drivers will be able to claim a higher level of expenses to cover their costs;⁶
- retaining the Community Investment Tax Relief (CITR). CITR “encourages investment in disadvantaged communities by giving tax relief to investors who back businesses and other enterprises in less advantaged areas by investing in accredited Community Development Finance Institutions (CDFIs). It is relevant to many social enterprises and regeneration groups”;⁷
- examining ways to promote the take-up of payroll giving, which allows individuals to give through their pay and reduce their income tax bills;
- withdrawing Self Assessment Donate for tax returns for 2011-12 onwards – the mechanism for giving income tax repayments to charity via the tax return;
- consulting on proposals to encourage donations of pre-eminent works of art or historical objects to the nation in return for a tax reduction.

6. Child poverty

The Budget confirms that “the Government’s modelled tax and welfare reforms, including the measures announced today, could reduce child poverty by up to 50,000 over the next two years. However, such estimates are uncertain and may be on the edge of statistical significance.” The Government is developing improved ways to measure poverty which better capture the reality of living in poverty and reflect the Government’s commitment to increase social mobility. This will draw on “the recommendations in Frank Field MP’s Independent Review on Poverty and Life Chances and the first report of Graham Allen MP’s review of early intervention.”

NCVYS is a member of the End Child Poverty campaign, which has said that while the Budget document suggested 50,000 may be taken out of poverty in 2011-12 and 2012-13, it was not clear if this estimate was for each year, or for both years together. It said that if it was for each year, the relative low income target for 2020 in the Child Poverty Act (which the Coalition Government has also committed itself to)⁸ “would not be reached until 2035” and if it was a total across both years, the target would not be reached until 2059.⁹

Alison Garnham, chief executive of Child Poverty Action Group, said: “This poverty-complacent Budget puts at risk the Government’s ability to meet its legally binding targets and its pre-election promises to end child poverty by 2020. Despite the Chancellor’s repeated recognition of the pressures facing families, the Budget contains nothing specifically targeted to help families with children. We’re hugely disappointed there’s no compensation package in the Budget to rescue families facing crippling poverty and debt. That’s really bad news because the pressure on family

⁴ NCVYS member Urban Forum has suggested that community groups may not benefit much from this, arguing that 90% of legacy income goes to charities with a turnover of more than £1m. Conversely, community groups with annual incomes of less than £10,000 (which are estimated to be more than half of the voluntary and community sector) receive less than 1% of the money people leave to charity in their wills. <http://tobyblume.posterous.com/dont-be-fooled-by-the-scrap-from-the-table-t>

⁵ http://www.hm-treasury.gov.uk/2011budget_speech.htm

⁶ *Budget result for volunteer drivers*, Volunteering England (23 March 2011)

<http://www.volunteering.org.uk/News/mediacentre/News+2011/Budget+result+for+volunteer+drivers>

⁷ *Budget 2011*, Directory of Social Change (March 2011)

<http://www.dsc.org.uk/NewsandInformation/News/Budget2011theCoalitionweddingstorycontinues>

⁸ *The Coalition: our programme for government*, Cabinet Office (May 2010)

http://www.cabinetoffice.gov.uk/sites/default/files/resources/coalition_programme_for_government.pdf

⁹ *Family charities disappointed with budget*, Community Newswire (23 March 2011)

<http://www.mediatrust.org/newswirefeed/2011/03/23/family-charities-disappointed-with-budget>

budgets is going to get worse very soon as cuts to benefits and tax credits hit April pay-packets and benefit payments."¹⁰

7. Other measures

Budget 2011 made other commitments which may be of interest to the VCYS:

- raising the personal income tax allowance by £630 in April 2012, to £8,105.¹¹
- consulting this year on the options for integrating the operation of income tax and National Insurance Contributions;¹²
- dropping existing proposals for specific regulations "which would have cost business over £350 million a year to implement. This includes not extending the right to request time to train to businesses with less than 250 employees and not bringing forward the dual discrimination rules";¹³
- cutting fuel duty by 1 pence per litre on Budget day and introducing a fair fuel stabiliser that increases tax on North Sea oil production when oil prices are high;
- making the default indexation for direct taxes the consumer prices index (CPI) rather than the retail prices index (RPI) from April 2012;
- providing equity loans, jointly funded with house-builders, through a FirstBuy programme assisting over 10,000 first time buyers to purchase a new-build property;
- reducing the main rate of corporation tax by a further 1%. From April 2011, the rate will be reduced to 26% and, by 2014, it will be reduced to 23%;
- creating a 'powerful presumption' in the planning system in favour of sustainable development;
- providing £2bn of extra funding for Green Investment Bank - to launch in 2012-13. The Government hopes that alongside private investment there will be in the region of an additional £18 billion of investment in green infrastructure by 2014-15 as a result;
- announcing that the value of the Landfill Communities Fund, which provides grants to environmental groups from charges for waste disposal, "will rise in line with inflation in 2011-12 to £78.1 million";
- bringing forward a Green Paper on state pension reform, including an option for a single-tier pension of around £140 per week for future pensioners;
- creating 21 new Enterprise Zones with business rate cuts and new broadband to promote growth across the country.

8. NCVYS comment

NCVYS recognises that the additional work experience placements and apprenticeship places, will contribute to improving the life chances of some unemployed young people in this country. However, with almost one million of our young people now unemployed, stronger and more committed government intervention is required to alleviate the damaging effects that this will have

¹⁰ Family charities disappointed with budget, Community Newswire (23 March 2011)

<http://www.mediatrust.org/newswirefeed/2011/03/23/family-charities-disappointed-with-budget>

¹¹ According to the Joseph Rowntree Foundation, "This will be worth £126 a year to people paying 20% tax. It will not help all those who are already below the tax threshold. The change also benefits anyone who earns up to £115,000 (with those paying 40% tax gaining £48 a year)."

<http://www.jrf.org.uk/blog/2011/03/poverty-and-2011-budget>

¹² Caron Bradshaw, chief executive of the Charity Finance Directors' Group said, "This could be an opportunity to really inject some funds into the [charity] sector. We have to make sure we engage with this process closely to get the maximum output for charities." If national insurance was merged into income tax to produce a single tax at current levels, the amount of Gift Aid that could be claimed would rise from 25p on each £1 donated to 47p on each £1 given.

Proposal to merge national insurance and income tax 'could boost Gift Aid', Third Sector Online (23 March 2011) <http://www.thirdsector.co.uk/news/Article/1061656/Proposal-merge-national-insurance-income-tax-could-boost-Gift-Aid/>

¹³ Dual discrimination rules would have allowed employees at companies of any size to bring two discrimination claims simultaneously, such as age and gender. Charities campaigned for the introduction of dual discrimination rules to ensure equality legislation could protect individuals who suffered multiple discrimination – e.g. <http://www.fawcettsociety.org.uk/index.asp?PageID=1046>

on today's youth. We are disappointed by the lack of additional investment in the Discretionary Learner Fund, which will replace the Education Maintenance Allowance (EMA), which has been vital to engaging the most vulnerable young people in post-16 education. Those vulnerable young people, including young carers, disabled children and homeless young people, are also likely to be unable to access the new apprenticeship opportunities.

NCVYS members will welcome efforts to simplify and modernise gift aid and to incentivise philanthropy among wealthy donors, as these are important source of income for charities. However, with the vast majority of legacy income going to large charities many of our members may not derive significant benefit from these changes, at a time when the voluntary and community youth sector continues to struggle with the effect of the government's cuts. NCVYS is extremely concerned that the voluntary and community youth sector, which provides vital services for young people, is facing serious challenges owing to the reduced investment in the sector. Our members need support to fulfil the needs of the young people in our communities; investment in these services delivering significant cost savings to other areas.

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