



## The Pre-Budget Report: A fiscal stimulus to support families and businesses in the North East now

This week's Pre-Budget Report set out the next steps the Government is taking to support the economy, business and households through these difficult times and to maintain macroeconomic stability in the long-term. As part of the Pre-Budget Report, the Government announced **a major fiscal stimulus package worth £20bn in 2008-09 and 2009-10**, which will support families and businesses in the North East right now.

The PBR announced targeted help for families and pensioners in the North East:

- As part of a fiscal stimulus package, there will be a temporary reduction in the standard rate of VAT to 15% from 1 December 2008 until 31 December 2009. This is the equivalent, for the average UK household, of £275 a year for extra spending and will have a positive impact on 1,120,073 households in the North East. The total benefit to households in the region is estimated at around £275 million.
- The Government announces that it will make a payment in the New Year of £60 for each pensioner, equivalent to bringing forward uprating of the basic State Pension from April to January. A £60 payment will also be made to 2.5m individuals who are in receipt of certain other benefits. Eligibility will be the same as for the annual Christmas Bonus. Around 700,000 individuals will benefit in the North East.
- The Government will bring forward its commitment to increase the child element of the Child Tax Credit by £25 above indexation in April 2010 to April 2009. The child element will therefore increase by £75 above indexation to £2,235. Benefiting 179,000 families and 324,000 children.
- The Government will bring forward its commitment to increase Child Benefit from £18.80 to £20 per week for the first child, and £12.55 to £13.20 per week for subsequent children to January 2009. This will benefit 317,000 families and 541,000 children.

The Government will bring forward £3bn of capital spending from 2010-11 to 2008-09 and 2009-10, the years when the impact of the shock is likely to be the strongest. Examples of spending brought forward in this region include:

- Department for Children, Schools and Families: Bringing forward £800 million of education capital spending across England will provide opportunities for businesses locally and allow schools and children to benefit early from important projects to improve school buildings. The Government will now invest a total of £7.2 billion capital in schools and children's services in England in 2009-10. In the North East, this builds on almost £1.8 billion of investment committed to schools over the last 11 years.
- Department for Transport: The Department for Transport will bring forward £700m to increase capacity on the motorways and other critical highways, and to accelerate the delivery of up to 200 new carriages on the rail network including approximately £5m that will be spent on purchasing rolling stock that will be used in the North East region.
- Warm front: £150m of new and accelerated spending on the Warm Front programme, which provides free/subsidised heating and energy efficiency measures for low income households. Around 4,500 households could receive free/subsidised heating or energy efficiency.
- Department for Communities and Local Government: Bringing forward of investment in new social housing stock will help impact on the 3,600 households deemed in priority need of housing in North East

The Chief Secretary to the Treasury, Yvette Cooper, said:

"Families and businesses in the North East need real help now to deal with the pressures and problems from the global credit crunch. I think it is really important that Government steps in to help people and boost the economy at a difficult time. Too often in the past previous Governments turned their backs on people in North East when recessions hit. Instead we want to help people so we get through this sooner and stronger, together."

Welcoming the benefits of the fiscal stimulus for the North East, regional minister Nick Brown said:

"In the North East, 179 thousand families will benefit from rises in the child element of Child Tax Credit and 700 thousand pensioners and other vulnerable people will benefit from £60 payment in the New Year"

For other measures announced in the PBR can be found on the Treasury's website, <http://prebudget.treasury.gov.uk/prebudget2008/regions.htm>

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## Notes for Editors

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