

The Government's aim is to deliver world-class public services through sustained investment matched by far-reaching reform. A decade on from the first Comprehensive Spending Review (CSR), the Government has been conducting a second CSR, reporting in 2007, which will identify what further investments and reforms are needed to equip the UK to respond to the challenges and opportunities of the decade ahead.

A central element of preparations for the 2007 CSR is a comprehensive value for money programme which will embed efficiency into departmental planning and release the resources needed to meet new priorities. This Budget announces further details of that programme, including:

- having established the baseline savings ambition for the 2007 CSR period of 3 per cent per year across central and local government, **this Budget confirms that all of these savings will be net and cash-releasing, thereby maximising the resources available to improve frontline services and fund new priorities; and**
- **an early CSR07 settlement for the Attorney General's Departments, which sees their budgets fall by 3.5 per cent per year in real terms and provides the early certainty needed to take forward an ambitious programme of reform and improvement across the criminal justice system.**

Budget 2007 also confirms the firm overall spending limits for the CSR07 years 2008-09, 2009-10 and 2010-11, which ensure that the Government meets its strict fiscal rules while allowing it to increase total public spending by an average of 2 per cent per year in real terms with:

- **current spending increasing by an average of 1.9 per cent per year in real terms; and**
- **net investment rising to 2¼ per cent of GDP compared with ½ per cent of GDP in 1997-98, locking in the step change in investment over the past decade.**

This increase in overall resources, together with savings released by the CSR07 value for money programme, will enable the Government to sustain the pace of improvement in frontline services and focus additional investment on key priorities within a framework that entrenches the macroeconomic stability secured over the past decade.

To ensure that the UK has the skills and science base it needs to prosper in an increasingly competitive global economy, alongside **the early CSR07 settlement for the science budget** announced in Chapter 3, Budget 2007 announces:

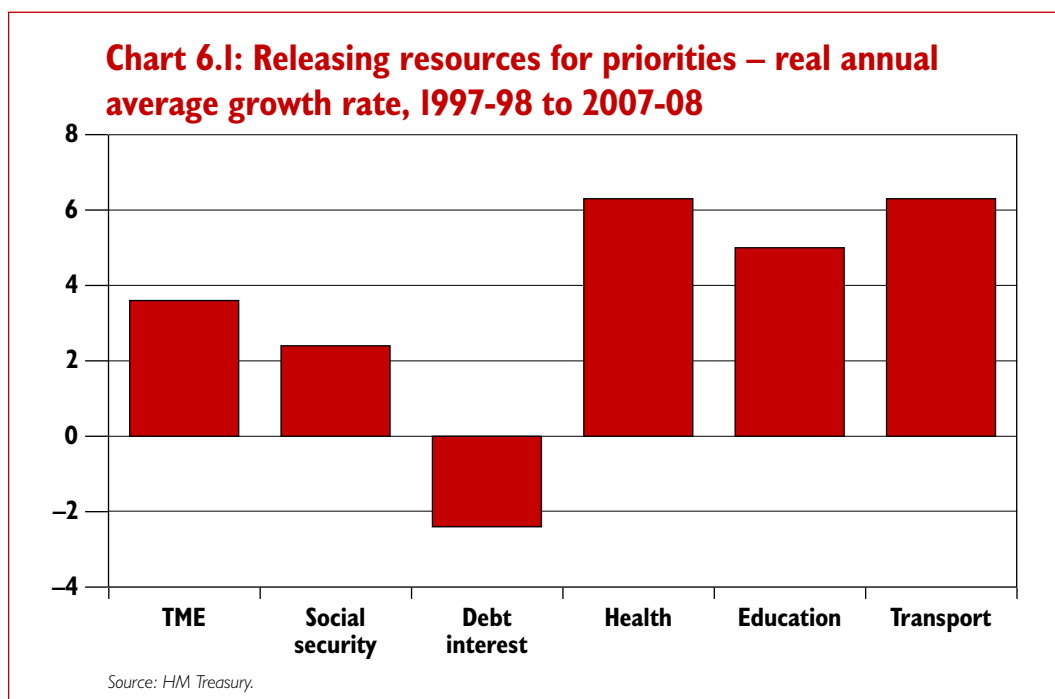
- **an early CSR07 settlement for the Department for Education and Skills which sees education spending in England rise by 2.5 per cent a year in real terms (5.3 per cent a year in nominal terms) on average over the period, increasing UK education spending from 4.7 per cent of GDP in 1996-97 to 5.6 per cent by 2010-11; and**
- **substantial additional resources to support the Government's vision for personalised education, including funding for one-to-one teacher-led tuition for over 300,000 under-attaining pupils a year in English by 2010-11 and 300,000 in Maths.**

To accelerate the ongoing development of counter-terrorism capabilities, **Budget 2007 announces a further £86.4 million for the Security and Intelligence Agencies.**

6.1 The Government's aim is to deliver world-class public services through sustained investment matched by far-reaching reform. High quality education and training, a modern and reliable transport network, an effective criminal justice system, and a modern health service provide the essential foundations for a flexible economy and a fair society, ensuring the UK can seize the opportunities and meet the challenges of the decade ahead.

Investing in 6.2 In June 1997 the incoming Government launched the first Comprehensive Spending Review (CSR), laying the foundations for a modernised public spending and performance management framework which supports prudent and efficient planning of expenditure over the medium to long term.

6.3 The 1998 CSR involved the most fundamental and in-depth examination of public spending ever attempted, enabling resources to be re-focused on the incoming Government's priorities in health, education and transport. Subsequent spending reviews in 2000, 2002 and 2004 delivered further increases in resources for these areas, made possible by stable and sustainable economic growth with falling debt interest payments and low unemployment, as illustrated in Chart 6.1.



6.4 By matching this growth in spending with an ambitious reform programme to support the efficiency, delivery and accountability of public services, the Government has been able to achieve major improvements in outcomes across front-line services. By 2007-08, compared with 1997-98:

- UK health spending will be 85 per cent higher in real terms helping to substantially reduce waiting times so that today almost no one waits for over six months, compared to a quarter of a million in 1997;
- total spending on education will have more than doubled, with over 58 per cent of pupils now achieving five or more good GCSEs, up from 45 per cent in 1997, with some of the biggest improvements seen in disadvantaged areas with a history of low achievement;
- spending on the police will have increased by 39 per cent in real terms to over £11 billion, and overall spending on crime, justice and security in the Home

Office will be 75 per cent higher in real terms, delivering 14,000 more police officers and 10,000 more Police Community Support Officers; and

- public expenditure on transport is planned to increase by over 60 per cent in real terms, with investment currently over £250 million a week, ensuring 85 per cent of trains arrive on time, six months ahead of the Government's scheduled target.

THE 2007 COMPREHENSIVE SPENDING REVIEW

Preparing for the decade ahead

6.5 In July 2005, the Chief Secretary to the Treasury announced the launch of a second Comprehensive Spending Review reporting in 2007. The 2007 CSR will set departmental spending plans and priorities for the years 2008-09, 2009-10 and 2010-11. In a rapidly changing world, the 2007 CSR will deliver the investments and reforms needed to equip the UK to prosper in the decade ahead, through:

- a robust response to the long-term challenges and opportunities that will transform both the environment in which public services operate and the UK's role in the world. A detailed understanding of future trends together with innovative cross-departmental policy responses are being developed through a series of policy reviews;
- an ambitious and far-reaching value for money programme to release the resources needed to address these challenges, which combines further development of the SR04 efficiency programme with a set of zero-based reviews of departments' baseline expenditure. Alongside departmental value for money preparations, the Government is taking forward a government-wide service transformation programme based on the recommendations of Sir David Varney to better join up service delivery, making public services more efficient and responsive to the needs of users;
- a more strategic approach to asset management and investment decisions to ensure the UK is equipped with the infrastructure needed to support both public service delivery and the productivity and flexibility of the wider economy; and
- transforming the delivery of public services by developing the performance management framework to continue driving outcome focused improvements and target resources on the Government's priorities. These reforms combine a focused and cross-cutting set of Public Service Agreements with greater emphasis on local communities' voice in the design of public services and empowering users to play an active role in service delivery and governance.

6.6 Taken together, these measures will ensure that the Government can sustain the pace of improvement in public service delivery seen in past spending rounds, and continue to make progress on its goals of sustainable growth and employment, fairness and opportunity, stronger communities and a better quality of life, and a secure and fair world.

THE LONG-TERM OPPORTUNITIES AND CHALLENGES AHEAD

6.7 While much has been achieved in the past ten years, the world is changing rapidly. There are new opportunities and challenges in the decade ahead, which will have far-reaching implications for public services. These include:

- demographic and socio-economic change, with rapid increases in the old age dependency ratio and rising consumer expectations of public services;
- the intensification of cross-border economic competition, with new opportunities for growth, as the balance of international economic activity shifts toward emerging markets such as China and India;
- the rapid pace of innovation and technological diffusion, which will continue to transform the way people live and open up new ways of delivering public services;
- continued global uncertainty with ongoing threats from international terrorism and conflict and the continued imperative to tackle global poverty; and
- increasing pressures on natural resources and the global climate, requiring action by governments, businesses and individuals to maintain prosperity and improve environmental care.

6.8 To inform the long-term decisions to be made in the 2007 CSR, the Government has engaged with businesses, voluntary organisations, think-tanks and the academic community to develop a detailed picture of these challenges and opportunities. The Government published key findings of this work in *Long-term opportunities and challenges for the UK: analysis for the 2007 CSR* in November 2006.

6.9 Meeting these challenges will require innovative cross-departmental policy responses and sustained investment in key areas. As set out in Budget 2006, the Government has been taking forward a series of cross cutting reviews whose findings will inform the plans set out in the 2007 CSR. Progress on each of these reviews is set out below.

Demographic and socio-economic change **6.10** The Government has been examining a number of areas to ensure it continues to build on its progress towards increasing fairness and social justice, as set out in Chapter 5, in the face of continuing demographic and socio-economic change over the decade ahead:

- the *Mental Health and Employment Review* is considering options for improving employment outcomes for people with mental health conditions. The consultations have identified the need for an holistic approach for individuals focusing on employers, the NHS and the employment system. The right support will help many of the adults excluded from the world of work due to mental illness to return to, and remain in, employment, benefiting their health and the wider economy. Further details are set out in Chapter 4;
- building on the Government's response to Kate Barker's *Review of Housing Supply*,¹ the *Supporting Housing Growth Review* is considering a number of reforms to ensure new housing is supported by the necessary public infrastructure such as schools, roads and hospitals, and thereby better respond to the demographic pressures on the supply of housing. Further details are set out in Chapter 3; and
- the *Children and Young People's Review* is examining how to secure further improvement in outcomes for the youngest in our society. Interim findings are set out in Box 6.1.

¹ *Review of Housing Supply*, HM Treasury and the Office of the Deputy Prime Minister, March 2004.

Box 6.1 Children and Young People Review

The Government's aim is to ensure that every child, regardless of circumstances, gets the best start in life and ongoing support they need to fulfil their potential. The Children and Young People Review was set up to examine the progress made in improving outcomes for children and young people and what further action needs to be taken as part of the 2007 CSR and beyond.

The review has received evidence from over 200 organisations and held consultation events with parents, young people, academics and practitioners from public and voluntary services. In January 2007 the review published a discussion paper setting out the evidence collected and the review's analysis.² The review has found that *Every child matters*, the Government's programme of reform of children's services, is bringing about significant improvements and identifies a number of areas where more can be done to ensure the potential of all children is fulfilled. In particular, the review identifies the need for further progress in raising educational attainment, building social and emotional skills and helping parents to support their child's development. Under the umbrella of this review, three sub-reviews have identified the following priorities:

- **a strategy for youth services:** to go further to develop high quality, accessible positive activities, ensuring young people have more say in what is provided;
- **support for disabled children:** to ensure more responsive public services, empowering disabled children and their families to influence their own provision, encouraging earlier intervention and best practice support, and better support where needs are complex; and
- **support for families caught in a cycle of low achievement:** to ensure more effective, coordinated whole-family support, helping the minority of children experiencing the poorest outcomes.

The review will complete its work with recommendations on policy priorities in spring 2007.

6.11 The number of older people, particularly those aged over 85, is expected to rise sharply over coming years with significant implications for public services, such as long-term care for the elderly. Recent reports from Derek Wanless for the King's Fund, the Joseph Rowntree Foundation, and others have made important contributions to the debate around the future of social care provision, which will also be informed by individual budgets, Partnerships for Older People Projects, direct payments and the In Control programme. In assessing proposals, as part of the long-term vision of the 2007 CSR, the Government will consider whether they are affordable, whether they are consistent with progressive universalism, and whether they promote independence, dignity, well-being and control in line with *Improving the Life Chances of Disabled People*, the White Paper *Our Health, Our Care, Our Say*, and the National Service Framework for Older People.

Changing global economy 6.12 The steps set out in Chapters 2, 3 and 4 to entrench macroeconomic stability, raise productivity growth and increase employment opportunity for all are essential in order to ensure every individual and business is able to seize the opportunities presented by an increasingly competitive and integrated global economy. To make further progress over the 2007 CSR period:

- the *Leitch Review of Skills*, published in December 2006, set out ambitions for the skills profile the UK should aim to achieve by 2020, together with a range of policy recommendations for improving the UK's skills base. Further details on the steps the Government is taking in response to the review are set out later in this chapter and in Chapter 3;

² *Policy review of children and young people: a discussion paper*, HM Treasury and the Department for Education and Skills, January 2007.

- the *Eddington Transport Study*, published in December 2006, set out criteria for securing the maximum long-term benefit from transport investment for economic productivity, stability and growth. The Government is taking forward these recommendations and will set out its proposals to deliver the major reforms to the planning, funding and delivery of transport interventions in the CSR, as set out in Chapter 3;
- in order to ensure that all regions and localities within England can share the benefits of economic growth in the decade ahead, the Government is reviewing the effectiveness of sub-national interventions on economic development and the regeneration and renewal of deprived areas. Further details are set out in Chapter 3; and
- the *Barker Review of Land Use Planning*, published in December 2006, shows how planning policy can better deliver economic growth and prosperity alongside other sustainable development goals. The Government welcomed the review, and will be bringing forward reforms this spring via a White Paper. Chapter 3 sets out further details.

Innovation and technological development **6.13** The rapid pace of technological change is set to continue over the decade ahead, creating new opportunities for both businesses and public services. To help harness these opportunities:

- the Sainsbury Review will assess the responsiveness of the science and innovation system to the challenges and opportunities of globalisation, and take a forward look at what more needs to be done to ensure the UK's continued success in wealth creation and scientific research. Chapter 3 sets out further details;
- the Office for Strategic Co-ordination of Health Research (OSCHR) has been established in response to the *Cooksey Review of Health Research Funding*, published in December 2006. OSCHR will work through the Translational Medicine Board (TMB) and the Public Health Research Board (PHRB) to develop and oversee a single, integrated strategy for translational research and public health research, delivering economic and health benefits to the UK; and
- the Government is taking forward the recommendations of the *Gowers Review of Intellectual Property*, published in December 2006, to ensure the UK's intellectual property (IP) system is fit for the digital age. Chapter 3 sets out the details of new reforms to tackle IP crime and greater support for UK businesses to help recognise, protect and maximise the value of their IP.

6.14 To ensure the UK has the skills and science base it needs to prosper in an increasingly competitive global economy, Budget 2007 announces an early CSR07 settlement for the Department of Trade and Industry's (DTI) ring-fenced science budget and the Department for Education and Skills (DfES), which together will ensure that total investment in the public science base will rise by an annual average rate of 2.5 per cent in real terms over the CSR07 period, meeting the commitment in the *Ten Year Science and Innovation Investment Framework*. These early settlements provide long-term certainty for the research community, and will deliver resources to meet a range of priorities over the CSR period, including further investment to support excellent research, increase the economic impact of the science base and implement the recommendations of the Sainsbury and Cooksey Reviews. Further details are set out in Chapter 3.

Continued global uncertainty **6.15** While the UK has faced terrorist threats in the past, the global reach, capability and sophistication of international terrorist groups places the current threat on a scale not previously encountered. Global security in the decade ahead will be shaped by a range of factors, including international responses to poverty, future conflicts and areas of instability. As part of its response to these challenges, a review of the delivery of the Government's counter-terrorism and security strategies will inform the 2007 CSR.

Environmental pressures and climate change **6.16** The *Stern Review on the Economics of Climate Change*³, published in October 2006, examined the consequences of climate change in both developed and developing countries, and the specific implications for the UK. It showed that climate change is a serious and urgent challenge, which requires an urgent global response. The costs of mitigating the effects of climate change are significant but manageable, and can be minimised through international and co-ordinated action. Chapter 7 sets out the Government's programme of action to tackle climate change and other environmental policies.

EMBEDDING A CULTURE OF VALUE FOR MONEY

6.17 To ensure that historic increases in investment are translated into better outcomes across public services, the Government has taken a series of steps to drive improvements in delivery and ensure maximum value for money for the taxpayer. The 2004 Spending Review set out the Government's ambition to achieve annual efficiency gains of over £21 billion by 2007-08. **Against this ambition departments and Local Authorities have reported annual efficiency gains worth over £15 billion to the end of December 2006.**

6.18 Table 6.1 shows the gains reported by departments and Local Authorities to date. A full breakdown of departmental progress towards efficiency and relocation targets will be available on the Office of Government Commerce (OGC) website, the day after the Budget.⁴ Further information will be available in departmental reports, due later in the year.

Table 6.1: Public sector efficiency savings

	Efficiency targets	Reported delivery
Department		
Education and Skills	4,350	1,622
Health	6,470	4,449
Transport	785	532
Communities and Local Government (previously ODPM)	620	756
Home Office	1,970	2,118
Constitutional Affairs	290	244
Crown Prosecution Service	34	70
Defence	2,830	1,869
Foreign and Commonwealth Office	120	69
International Development	310	259
Trade and Industry	380	354
Environment, Food and Rural Affairs	610	411
Culture, Media and Sport	260	183
Work and Pensions	960	1,005
Northern Ireland Office	90	69
Chancellor's Departments	550	293
Cabinet Office	25	11
Other Departments	31	35
Local Government	6,450	4,538
Total efficiency savings^{1,2} rounded to nearest £10m	21,480	15,580

¹ Total forecast is sum of targets, less overlap of £5,650m efficiencies across central and local government.

² Total reported delivery is sum of delivery, less overlap of £3,305m efficiencies across central and local government.

³ *Stern Review on the Economics of Climate Change*, Cambridge University Press, October 2006.

⁴ <http://www.ogc.gov.uk/efficiency.asp>

Measuring efficiency 6.19 The National Audit Office's (NAO) February 2006 report into the Government's efficiency programme recognised the challenges of verifying and validating efficiency data.⁵ In its recently published second report, the NAO notes the good progress made by the OGC in addressing these measurement issues.⁶ The Government expects this progress to continue, and the OGC will do further work to tackle the remaining measurement challenges during the final year of the programme, including by encouraging greater use of departmental internal auditors and through further engagement with the NAO and the Audit Commission. Building on the NAO's recommendations regarding the current programme, savings delivered by the CSR07 value for money programme will be measured net of implementation costs.

Workforce reductions 6.20 Alongside efficiency gains, departments are continuing to reform their workforces to deliver better services. The NAO report noted that workforce reductions to date were broadly robust and their analysis of the systems underpinning workforce reporting offered substantial assurance on the reductions being made. At the end of December 2006 departments had reported workforce reductions of over 50,800, strong progress towards the target of 70,600 reductions in the civil service and military posts in administrative and support roles. In addition, the Department for Work and Pensions and Her Majesty's Revenue and Customs have reallocated over 9,700 jobs to front line posts to date.

Table 6.2: Workforce reduction across departments

Department	Reductions	Reallocations to front line roles	Total reduction
Department for Work and Pensions	21,398	6,667	28,065
Ministry of Defence	12,421	0	12,421
HM Revenue & Customs	8,504	3,036	11,540
Other departments	8,565	0	8,565
Total	50,888	9,703	60,591

Lyons relocations 6.21 The 2004 Spending Review also announced the Government's ambition to relocate substantial numbers of public sector employees outside the high cost areas of London and the South East and help boost regional economies. At the end of December 2006 departments had reported 11,068 relocations, over halfway towards the target of 20,000 by 2010. Through relocation and better management of the civil estate, over 2 million square feet of office space previously used by government was released to the market in London and the South East in the first half of the 2004 Spending Review period.

Transforming government procurement 6.22 Building on the Gershon recommendations, the Government is taking further steps to maximise the value of procurement, as set out in *Transforming government procurement* published in January 2007. This sets out reforms to government procurement which will support the delivery of world class public services, improve value for money and help to reduce costs for both the public sector and private contractors.⁷ The reform programme will raise the standard and profile of a more flexible Government Procurement Service and will be led by a smaller, higher calibre, more focused Office of Government Commerce (OGC).

⁵ *Progress in Imposing Government Efficiency*, NAO, February 2006.

⁶ *The Efficiency Programme: A Second Review of Progress*, NAO, February 2007.

⁷ Details of a survey on the allocation of public sector procurement by business size are available on the DTI's website www.dti.gov.uk.

Value for money in the 2007 CSR

Releasing resources for new priorities **6.23** To continue to improve front-line service delivery and release the resources needed to respond to new long-term challenges, the 2007 CSR will go beyond the ambition set out in the 2004 Spending Review efficiency programme by:

- deepening the government-wide efficiency programme in the operational areas established by the Gershon Review, with greater engagement of frontline professionals to identify opportunities for service improvements;
- taking a fundamental look at the way that government spends money on programmes and policies ten years on from the first CSR, through a set of zero-based reviews of departments' baseline expenditure;
- delivering a step-change in the management of the public sector asset base, taking forward the recommendations of the Lyons Review of Asset Management; and
- reviewing the opportunities for transforming service delivery across government, looking at how the channels through which services are delivered can be made more efficient and responsive to the needs of users.

6.24 The 2006 Pre-Budget Report set out the baseline ambition of 3 per cent savings per year across central and local government. Since then, departments have been refining their value for money plans for the CSR07 years, and this **Budget announces that all of the savings delivered under the CSR07 value for money programme will be net of implementation costs and cash-releasing, thereby maximising resources available to improve frontline services and fund new priorities.**

Early CSR07 settlements **6.25** Strong progress in departments' value for money preparations has enabled a number of departments to agree early spending settlements for the 2007 CSR period which deliver continued service improvements at reduced cost:

- Budget 2006 announced early settlements for the Department for Work & Pensions, HM Revenue & Customs, HM Treasury and the Cabinet Office, which will see their budgets fall by 5 per cent a year in real terms over the CSR07 period; and
- the 2006 Pre-Budget Report announced a 2007 CSR settlement for the Department for Constitutional Affairs, which will reduce its budget by 3.5 per cent per year in real terms, and also announced 5 per cent annual real reductions in the spending plans for five smaller departments (National Savings & Investments, the Food Standards Agency, the Privy Council Office, the Government Actuary's Department and the Central Office of Information); and
- **this Budget announces that the Attorney General's Departments (AGDs) have already agreed to deliver ambitious value for money reforms over the CSR07 period, enabling them to continue improving services within overall budgets that will fall by 3.5 per cent per year in real terms.** Further details are set out later in the chapter. **This Budget also announces an early 2007 CSR settlement for the Office of Fair Trading which will reduce its budget by 5 per cent a year in real terms over the 2007 CSR period.** Further details are set out in Chapter 3.

- Value for money savings 6.26** These settlements embed ongoing value for money improvements into departments' medium-term expenditure planning and lay the foundations for a CSR focussed on meeting the challenges of the decade ahead. The Government has set aside over £1 billion in modernisation funding for the early settlements announced to date, enabling these departments to release a total of over £2 billion in nominal savings over the three years of the CSR 07 period and to embed ongoing efficiencies for the longer term.
- Administration budgets 6.27** Controls on departments' administration budgets help to drive efficiency in the running of government itself and maximise the resources that are delivered to the frontline. By harnessing the potential of new technologies and driving through operational efficiencies in the running of departmental business, the Government is able to make further progress in reducing the proportion of taxpayers' money that is spent on the administration of departments. Having frozen administration budgets in nominal terms over the 2004 Spending Review period to ensure that all additional expenditure goes directly to frontline services, the 2006 Pre-Budget Report announced that the Government will go further over the 2007 CSR period with 5 per cent annual real reductions in administration budgets across departments, releasing over £1 billion a year by 2010-11, and reducing the proportion of public spending spent on administration to a new record low.
- Public sector pay 6.28** The Government's sustained investment in public services has increased pay for frontline staff and widespread recruitment and retention problems are largely a thing of the past. This has supported the expansion of frontline workforces to help drive improvements in public service delivery. There are now 92,000 more teaching assistants, 36,000 more teachers and 85,000 more nurses than in 1997.
- 6.29** Over the 2007 CSR period controlling pay spending will be essential in delivering value for money from public spending and keeping inflationary pressures in check. The Government has made clear that pay settlements must be consistent with the achievement of the CPI inflation target of 2 per cent and demonstrated this commitment by announcing on 1 March 2007 that the overall headline awards for Pay Review Body groups in 2007-08 are to be less than the 2 per cent inflation target, averaging 1.9 per cent, the lowest level of awards in over 10 years. In preparation for the 2007 CSR, key departments will prepare pay and workforce plans setting out how they will achieve the Government's objectives on pay policy and service delivery throughout the period.

Varney review

6.30 Sir David Varney's review *Service Transformation: A better service for citizens and businesses, a better deal for the taxpayer* was published alongside the 2006 Pre-Budget Report. This review emphasises the Government's commitment to continually procure and make use of technology in the most effective way, to maximise benefit for citizens and businesses. The review's recommendations are being taken forward through the Service Transformation Delivery Plan, which is being developed under the leadership of Sir Gus O'Donnell and will be published alongside the 2007 CSR. As part of this, a feasibility study into a single point of contact change of circumstance service, led by the Secretary of State for Work and Pensions, was initiated in January 2007.

- E-services 6.31** To realise the full potential of the internet to provide a key means for citizens and businesses to access government services 24 hours-a-day, 7 days a week, and to achieve possible savings of £400 million by the end of 2010-11:
- the single access websites, Businesslink.gov and Directgov, will be strengthened and responsibility for the Business.gov programme will shift to HMRC from 2 April 2007, and work will be carried out to consider moving Directgov to the Department for Work and Pensions from the beginning of the 2007 CSR period; and

- the Government will aim to rationalise substantially the number of its websites, with 551 already identified for closure.

Citizen and business contact 6.32 To ensure citizens and businesses receive faster and better services when accessing government through the telephone or face-to-face:

- all publicly funded contact centres will be required to undergo formal published accreditation by December 2008, aiming to deliver £400 million savings through improvements by 2010-11;
- the implementation of the cross-government estate management strategy – High Performing Property – will now incorporate the use of local office estate across departments. Rationalisation of the local office network, establishment of one-stop-shop local offices and an increased use of mobile services within local communities could result in savings of £250 million by the end of 2010-11; and
- a department led ‘Citizen and Business Contact Council’ will promulgate benchmarks for contact performance and drive greater efficiencies.

Strengthening citizen insight 6.33 As envisaged by Sir David Varney, citizen and business insight must become central to the design and delivery of public services. The Citizen Insight Forum will be expanded and strengthened to promote and extend the skills and capability of public services to take account of citizens and businesses experience in the design and delivery of public services.

CAPITAL AND ASSETS

Capital in the CSR 6.34 In order to take full advantage of the unprecedented increase in investment over the last decade, the 2007 CSR will adopt a more strategic approach to asset management, driving better value for money and encouraging efficient management of the Government’s existing asset base. Consistent with the recommendations of the Lyons Review of Asset Management, the focus of this new approach is the development of a unique Asset Management Strategy (AMS) for each department. These will be published following the conclusion of the 2007 CSR, increasing transparency and accountability in the management of the Government’s assets.

Asset management strategy 6.35 Departments’ AMS will demonstrate that they have in place an effective management framework, which actively maximises the value of their existing assets and provides a strategic context for future investments. They will provide an account of the systems and procedures in place to ensure:

- assets are adequately maintained and efficiently utilised to deliver high performing public services;
- surplus assets no longer required for service delivery are disposed of; and
- future investment decisions are based on a more complete assessment of the condition and performance of the existing asset base.

A zero-based approach to capital budgeting 6.36 In the 2007 CSR, departments are bidding for their capital budgets from a zero base, splitting their bid into capital to maintain the capability of their existing asset stock and capital to fund new investment. As part of their AMS, departments will provide an account of both the evolution of the asset stock resulting from any proposed spending and how that evolution ensures that the capital stock at the end of the period will better meet policy objectives. This will ensure that public resources are used more effectively and directed to those areas where it is most needed.

Asset disposals

National Asset Register 6.37 A key tool for helping the government to improve asset management practice in the 2007 CSR is the updated National Asset Register (NAR), which was published in January 2007. The NAR, which provides information on over £300 billion worth of the Government's assets, held in over 370 different government bodies, constitutes the most comprehensive list of central government assets and maintains the UK's position at the forefront of international best practice in public sector asset management. This information will help the Government fulfil its commitment to retain only those assets required for public service delivery and to realise the full potential of its asset base in the 2007 CSR.

6.38 In their AMS, departments will outline plans for the disposal of surplus assets as well as the procedures in place to ensure all surplus assets have been identified. To date, disposals of over £12 billion have been achieved towards the fixed asset disposal target of £30 billion. Ongoing asset disposals will help ensure that not only will the focus on improving the management of public sector assets continue, but that the increases in public sector investment in recent years will be maintained.

Fixed assets 6.39 Strong progress is being made across government in the disposal of surplus fixed assets:

- the Ministry of Defence disposed of £231 million worth of surplus RAF sites over 2006-07, as part of its strategic programme of estate rationalisation in greater London. In addition they have disposed of Halton Hospital, the Queensgate site and land at Wainscott. This progress will continue into the CSR07 period, with plans to dispose of over £400 million worth of surplus assets in 2007-08;
- Local Authorities have secured asset sales (including housing) totalling £9.4 billion in 2004-05 and 2005-06;
- since the 2006 Budget, the Scottish Executive has disposed of surplus property worth over £100 million, including £24 million at the Scottish Agricultural Agency site and £74 million by health boards. The Welsh Assembly has disposed of £105 million of surplus assets, and with its agencies, is expected to generate up to a further £180 million from asset disposals during the next financial year, while Northern Ireland Departments' have disposed of £80 million worth and have plans for a further £200 million by 2008; and
- the British Rail (Residuary) Board disposed of over £39 million worth of surplus assets over 2006-2007 including Hudson House in York for £12 million, the former British Rail records office at Paddington for £5.2 million and a goods yard in Tunbridge Wells for £5 million.

Public corporations 6.40 The Government will continue to work with departments and local authorities to consider the potential sale options of public corporations, trading funds and financial assets where:

- they are no longer required to meet the Government's public service objectives;
- the private sector can generate operational efficiencies in the ongoing management of assets and services (through a sale or Public Private Partnership structure); and
- resources are released from a sale that can be reinvested in public services.

6.41 The Government continues to explore other asset disposals, including the potential sale of part of its stake in British Energy through a capital markets transaction, continuing to seek to realise value from its stake in Urenco and finalising the sale of the Tote. As part of the 2007 CSR, the Treasury will be working with departments to realise the disposal of other public corporations, trading funds and assets where it is economically productive and represents value for money. Additionally, the Government is working with London and Continental Railways to develop restructuring options for the company that could be implemented once section two of the Channel Tunnel Rail Link comes into service.

Financial assets 6.42 The Government is also examining the financial assets it holds to identify those where private sector ownership may represent better value for money. Following the reforms to tuition fees in 2006, this Budget announces a programme of student loan sales, resuming sales originally started in the late 1990's. These sales will raise around £6 billion by the end of 2010-11.

Intangible assets 6.43 Since the publication of Professor Cave's Independent Audit of Spectrum Holdings,⁹ the Government has undertaken an extensive work programme to identify spectrum which can be released. Alongside Budget, the Government is publishing *The Forward Look*, which sets out the progress made and the next steps towards releasing surplus public sector spectrum to the market. The MoD has begun the process of auditing all its spectrum holdings, to identify which spectrum can be released and when, and has examined the first three priority bands. Auditing of the first band will be completed this summer, the next two by the end of the year, and the remainder of the 23 priority bands identified by the Cave Review in spring 2008. By May 2008 the MoD will compile a database of spectrum use of the bands identified by the Cave Review and will publish a detailed implementation plan setting out MoD's future spectrum requirements and plans for the sale of those bands that can be released. It will start releasing spectrum in 2008 with a significant proportion to be released in 2009 and 2010. The Government is undertaking digital switchover in order to ensure optimal use of spectrum. Ofcom is consulting on a proposal that the spectrum released by switchover should be auctioned on an open basis during 2008-09. The Government supports this proposal which is consistent with its established policy.

SETTING THE ENVELOPE FOR THE 2007 CSR

6.44 The historic increases in investment in public services of the last decade have been delivered alongside a strong economy and sound public finances. The Government's fiscal rules have been central to this achievement, ensuring that the public finances are prudently managed over the economic cycle and that spending and taxation impact fairly between generations – removing the past discrimination against investment and ensuring that borrowing for investment is conducted in a sustainable way. Further details on the fiscal rules can be found in Chapter 2.

6.45 However the world is changing rapidly with new opportunities and challenges ahead, which will transform both the environment in which public services operate and UK's role in the world. To ensure the UK continues to prosper in an increasingly competitive global economy, the Government must entrench the stability secured in the UK for the decade ahead.

6.46 The Government's ambitious value for money programme, will release resources to meet these challenges, with net cash-releasing savings of at least 3 per cent per year being delivered across all of Government, real reductions in administration costs of at least 5 per cent per year across departments and pay settlements consistent with 2 per cent CPI inflation

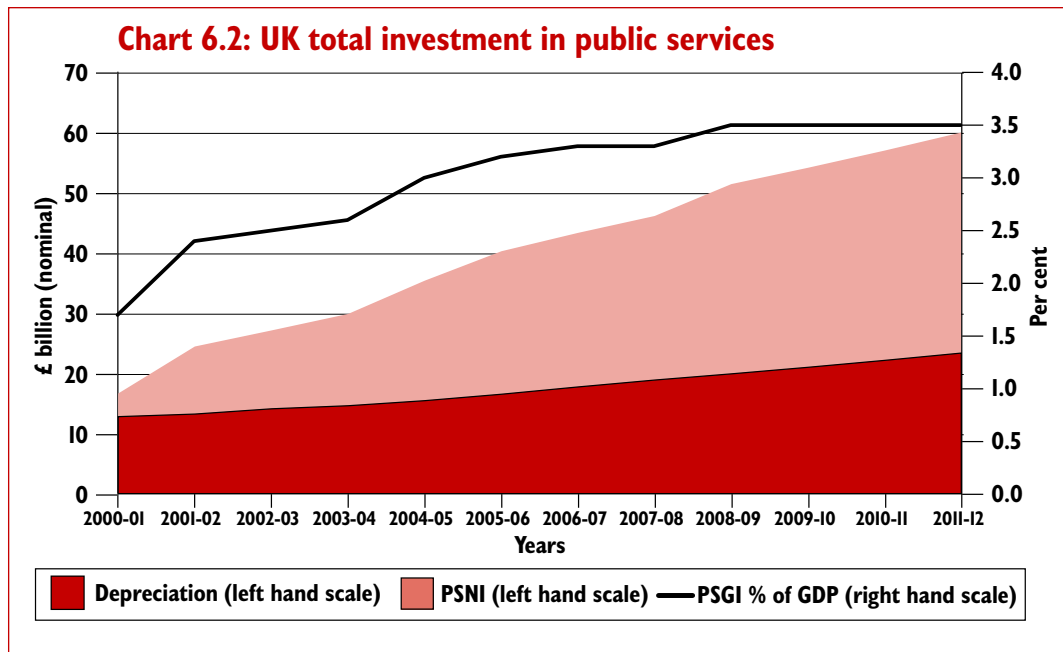
⁹Independent Audit of Spectrum Holdings. Professor Martin Cave, December 2005. Available at: www.spectrumaudit.org.uk

target. Combined with reforms to transform the delivery of public services, these savings will enable the Government to sustain the pace of improvement in frontline public services seen in previous spending rounds and focus additional investment on key priorities, within a framework that entrenches the macro-economic stability secured in the past decade.

Spending plans for the 2007 CSR 6.47 Consistent with the Government's strict fiscal rules, Budget 2007 confirms the firm overall spending envelope for the 2007 CSR period, 2008-09, 2009-10 and 2010-11, locking in historic increases in investment since 1997 while allowing total public spending to increase by an average of 2 per cent per year in real terms with:

- current spending increasing by an average of 1.9 per cent per year in real terms; and
- net investment rising to 2¼ per cent of GDP compared with ½ per cent of GDP in 1997-98, locking in the step change in investment over the past decade.

6.48 Final plans for the split between Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME) spending will be set at the time of the CSR.



TRANSFORMING THE DELIVERY OF PUBLIC SERVICES

6.49 Recognising that increased resources alone are not enough to transform the performance of public services, the sustained increases in investment of the last ten years, have been matched with ambitious reforms to support the efficiency, delivery and accountability of public services. The 2007 CSR will build on these reforms, ensuring increased resources are combined with measures to build the capacity of public services to deliver the outcomes necessary for the UK to meet the challenges and opportunities of the decade ahead.

Developing the performance management framework

Evolution of framework 6.50 The 1998 CSR laid the foundations for a modernised public spending framework and for the first time the Government set out the key objectives it expected investment and reform to deliver. Since then, Public Service Agreements (PSAs) have played a vital role in galvanising public service delivery and achieving major improvements in outcomes.

6.51 The 2007 CSR will build on this approach driving ambitious improvements in priority areas while developing the supporting performance management framework, to ensure a user-focused, devolved approach to public service delivery. The performance management framework in the CSR07 period will include:

- a comprehensive set of Strategic Objectives for each department;
- a focussed set of PSAs which articulate the Government's highest priority outcomes for the spending period and will typically span several departments;
- a single, cross-departmental Delivery Agreement for each PSA, developed in consultation with front-line workers and users, supported by a basket of national, outcome-focused indicators;
- an emphasis on central coordination working in synergy with greater bottom-up accountability, local flexibility and user responsiveness; and
- a premium on the use of high quality, timely data while freeing up the frontline by reducing low value data burdens.

Departmental Strategic Objectives 6.52 Each department will agree and publish a new, comprehensive set of Strategic Objectives at the CSR. Departments will use these objectives to manage and report on performance and to inform resourcing decisions, ensuring a more holistic, coherent and better aligned and framework for performance and financial management across the board.

PSAs – highest priority outcomes 6.53 Alongside Departmental Strategic Objectives, a new set of PSAs will set out the highest priority outcomes for the Government for the CSR 07 period, with less than a third of the number of PSAs than in the current spending review period. Recognising that delivery of the Government's highest priority outcomes requires public services to adopt collaborative approaches across organisational boundaries, both at Whitehall and the frontline, these PSAs will not be constrained by departmental boundaries but will reflect a government wide set of priorities, articulating the most important areas for collective action.

Delivery Agreements 6.54 To ensure coherent cross-departmental working as well as buy-in throughout the delivery chain, each cross-cutting PSA will be underpinned by a single, published Delivery Agreement setting out plans for delivery, the role of each organisation in the delivery chain, and how progress towards the outcome will be measured and strengthening accountability at all levels. Departments are working together to draw up Delivery Agreements involving local authorities, frontline professionals, such as teachers and nurses, and service users so that frontline expertise informs the definition, measurement and delivery of priorities.

National level indicators 6.55 Delivery Agreements will set out a small basket of national, outcome-focussed indicators that will be used to measure progress on each PSA. Indicators will be selected and developed in consultation with frontline professionals to ensure that they are appropriate and effective. Precise targets and minimum standards will continue to be key levers for improvement but will give more weight to the priorities of individual areas and communities – focusing action where there is most need for improvement.

Responsive public services 6.56 To ensure frontline deliverers genuinely take account of local and individual needs, PSA Delivery Agreements will incorporate mechanisms that enable citizens to have a real say in the decisions that affect their experience of public services and enable them to hold those services more directly to account. To further enhance accountability for service delivery the Government will take steps to provide citizens with greater access to timely data on the performance of local services. This will increase the transparency of service provision, enabling greater bottom-up pressure to improve services and giving users a more robust basis on which to make decisions.

Good quality data & reduction in unnecessary burdens 6.57 The availability of good quality, timely data at all levels in the delivery chain is critical to drive strong accountability and improved outcomes in public services. The Government has a crucial role to ensure that all data it asks for the frontline, which goes wider than just that related to PSAs, is proportionate, appropriate and collected efficiently. While data on national and local priorities must be made available on a consistent, coherent and high quality basis to citizens, this needs to be coupled with a sustained reduction in unnecessary bureaucracy and data burdens across public sector delivery systems.

6.58 The Government will therefore – working closely with the Better Regulation Executive – examine the scope for building on its intention to reduce wider administrative burdens on business by 25 per cent, by reducing wider the cost to frontline service deliveries of central data burdens by a similar amount. As part of this, it will look to establish a mechanism at the heart of Government to manage the future flow of data.

Financial Accounting from the 2007 CSR period 6.59 The Government needs to use high value performance data in combination with appropriate financial data. The annual financial statements of government departments and other entities in the public sector are currently prepared using accounting policies based on UK Generally Accepted Accounting Practice. In order to bring benefits in consistency and comparability between financial reports in the global economy and to follow private sector best practice, **this Budget announces that from the first year of the CSR period these accounts will be prepared using International Financial Reporting Standards (IFRS) adapted as necessary for the public sector.**

6.60 **This Budget also announces the Government's intention that Whole of Government Accounts will now be published for the first time for the 2008-09 financial year. This revised timetable is to allow time to complete the alignment of local and central government accounting policies and to enable WGA to be prepared on the new IFRS basis.**

Third sector

6.61 The third sector has a key role to play in delivering public services that are innovative and responsive to the needs of users and communities. The third sector's often close relationships with the users of its services enables it to promote 'co-production' of outcomes, where users are equal partners with professionals in transforming services to suit their needs. It can also promote accountability, by providing a challenge and advocacy role on behalf of citizens at the margins of society. Placing the third sector at the heart of reforms to public service delivery will require a new approach to commissioning and procurement embracing its multiple roles in shaping and delivering services. The Office of the Third Sector will work in partnership with the Improvement and Development Agency on a national programme to train 2,000 of those who commission public services on how better to involve the third sector.

6.62 The *Review of the future role of the third sector in social and economic regeneration*, launched in Budget 2006 to inform the 2007 CSR, is examining the role of the third sector in shaping public services. The 2006 Pre-Budget Review set out the Government's commitment to make three year funding the norm rather than the exception for third sector organisations over the 2007 CSR period. The review is also examining how the public sector can learn from the third sector's innovative approaches to delivering public services, and how to build a more robust evidence base on the value of the third sector contributes to improving public service outcomes, beyond narrow economic ones. Chapter 5 sets out further details

Box 6.6 Putting citizens' views at the centre of public services

The 2007 CSR needs to be informed by a wide public debate about the right policies and priorities for Government in the face of the long-term challenges and opportunities facing the UK. Therefore, in preparation for the CSR, the Government is taking steps to engage the public by:

- **seeking the public's views on the challenges and opportunities facing the UK** – in preparation for the CSR the Government has been listening to citizens' views on the challenges and opportunities of the decade ahead, consulting over 2000 third sector organisations, service users, front-line professionals, businesses, unions, think-tanks, academics and members of the public;
- **engaging the public on key policy priorities** – the Cabinet's policy review process, assessing the long-term policy choices facing the UK, has engaged citizens on key cross-cutting policy challenges through a national deliberative process; and
- **consulting service users and front line professionals on delivery planning** – the Government will ensure that the Delivery agreements for the Public Service Agreements established in the 2007 CSR are informed by the views and expertise of front line professionals and service users.

In addition, the Government plans to build on the efforts of the last ten years to achieve a step-change in the engagement of citizens in the ongoing design, delivery and governance of their local public services, making services more accountable to their users and more personalised to individual needs and preferences. The Government will therefore take steps in the 2007 CSR to:

- **ensure 'customer satisfaction' is a key priority for front line professionals** – the Government will use customer satisfaction indicators in its performance management framework, to ensure service deliverers pay proper attention to user experience;
- **restructure service delivery around the user** – the Government will implement the conclusions of Sir David Varney's review of service transformation, which highlighted the importance of providing services in a way that is more convenient for citizens and businesses;
- **strengthen citizens' voice in local services** – building on measures such as tenant management organisations and parent canals in schools, the Government will take further steps to integrate user voice in the design, delivery and governance of local services; and
- **empower services users through information** – the Government will take steps to promote greater provision of real time data, giving citizens a more robust basis on which to exercise choice and hold services to account.

Local government

6.63 Local government has an increasingly important role to play in the delivery of complex public service outcomes. The Local Government White Paper, published in October 2006, sets out how the Government intends to strengthen the role of local government, and increase local flexibility to deliver better outcomes across communities.

6.64 The Treasury, the Department for Communities and Local Government and other departments will continue working with the Local Government Association and local authorities in order to ensure that a sustainable and deliverable CSR07 settlement for local services and taxpayers is achieved.

Lyons Inquiry 6.65 Sir Michael Lyons has today published his report on the role and funding of local government *Place-shaping: a shared ambition for the future of local government*. The Government welcomes this substantial work, which contains many ideas for strengthening the role of local government to help build a stronger and fairer society.

6.66 The Government agrees with the report that more needs to be done by central and local government alike to enhance the ability of councils to deliver for their local communities. Building on the recent Local Government White Paper this provides a framework that the Government will take forward in the 2007 CSR. In particular, the Government agrees that with more freedom in the allocation of their budgets, local councils can play a much fuller role in building strong communities. **Therefore the Government will set out a clear target to reduce specific grants and ring fenced funding and examine the scope to minimise complex and time-consuming reporting and data provision as part of the CSR.**

6.67 The Government also agrees with the report's analysis on the crucially important role of local government in driving economic prosperity. The review of sub-national economic development and regeneration, which will report for the CSR, will examine this issue and further details are set out in Chapter 3. **The Government will examine how the local government grant system could give local authorities greater rewards for delivering increased economic prosperity in their areas, through reform of the Local Authority Business Growth Incentives scheme and will bring forward proposals before the summer.**

6.68 The report also makes a number of recommendations relating to council tax. It concludes that council tax should be retained as at least part of the local government finance system. However there remain a number of problems with it, including strong public feelings due to its perceived unfairness, and the fact that it has to be raised every year to increase revenue, having no automatic link to increased prosperity. The Government agrees with this analysis and is committed to ensuring that council tax payers get a fair deal. Council tax rises have been significantly below the historic average over the last few years. **The Government will continue to use capping powers over the coming years to ensure that council tax rises are affordable. The Government also remains committed not to revalue council tax for the lifetime of this Parliament given the disruption to individuals and families that such change might cause. In the absence of revaluation it is not feasible to change the banding structure of council tax. Alongside council tax, the Government will consider the analysis in Sir Michael's report on other potential financing options for the medium to long term.**

6.69 Finally, to improve the fairness of council tax relative to income, Sir Michael proposes improvements to council tax benefit (CTB) and measures aimed at increasing its take up. The Government agrees that local councils can do much more to encourage CTB take up and wants to work with the Local Government Association to boost the performance of all councils on this measure. **The Government will consider the wider proposals on CTB in light of practicalities and affordability alongside priorities for the tax and benefit systems as a whole.**

6.70 Sir Michael proposes reforms to the system of business rates. **These recommendations, which the Government will be taking forward, are set out in Chapter 3 and include modernisation of Empty Property Relief and examining the options for a supplementary business rate.**

6.71 The report also makes a number of recommendations on charging and other local taxes. The Government will consider charging for waste in its forthcoming waste strategy. The Government also agrees with the report that if national road pricing policy were to be rolled out in the future, central government would need to bring any existing schemes into the wider context of national road pricing policy. Finally, the report recommends that the Government should consult on the costs and benefits of providing a permissive power for local authorities to levy taxes on tourism. As Sir Michael points out, a robust evidence base has not been developed to support the introduction of such taxes. **Therefore, the Government does not intend to introduce a tourist tax.**

DELIVERING ON PRIORITIES

Increased funding for education **6.72** Since 1997 the Government has made children and young people's services, education and training a priority for increased investment. Spending on education in the UK has more than doubled in nominal terms in the past ten years supporting significant improvement in outcomes. In an increasingly competitive global economy, educational success is now more important than ever. The Government is committed to further improving outcomes for children and ensuring all adults have the opportunity to upskill and progress in the changing labour market.

6.73 Budget 2007 announces an early CSR07 settlement for the Department for Education and Skills which sees education spending in England rise by 2.5 per cent a year in real terms (5.3 per cent a year in nominal terms) on average between 2007-08 and 2010-11. UK education spending as a proportion of GDP is projected to increase from 4.7 per cent in 1996-97 to 5.6 per cent by 2010-11. The total DfES Departmental Expenditure Limits will increase by £3.3 billion in 2008-09, £6.6 billion in 2009-10 and £11.2 billion in 2010-11, compared to 2007-08. The settlement allows the Government to take a significant further step towards meeting its ambition that all pupils have access to the levels of support and opportunity currently available to pupils in the independent sector – with total schools resource and capital funding rising from under £2,500 per pupil in 1997-98, to £4,800 in 2005-06, £5,550 in 2007-08 and over £6,600 in 2010-11 (equivalent to £5,800 in 2005-06 prices).

6.74 The details of this settlement are set out below:

Table 6.3: 2007 CSR education spending plans

£ million	2007-08	2008-09	2009-10	2010-11
Resource DEL budget	57,050	60,088	62,912	66,378
of which near cash	56,215	59,003	61,687	65,063
Near cash additions over baseline	–	2,788	5,472	8,848
Total capital budget (Capital DEL plus PFI)	8,315	8,565	9,065	10,165
of which PFI	1,320	1,320	1,320	1,320
Capital DEL additions over baseline	–	250	750	1,850
Total DEL	64,010	67,298	70,622	75,188
Total education (England) £ billion	63.7	66.9	70.0	74.4

Table 6.4: Education spending in the UK¹

£ billion	2005-06	2006-07	2007-08	2008-9	2009-10	2010-11
Total UK education	67.4	71.1	77.4	81.1	84.8	90.0
UK education as a proportion of GDP (per cent)	5.4	5.4	5.6	5.6	5.6	5.6

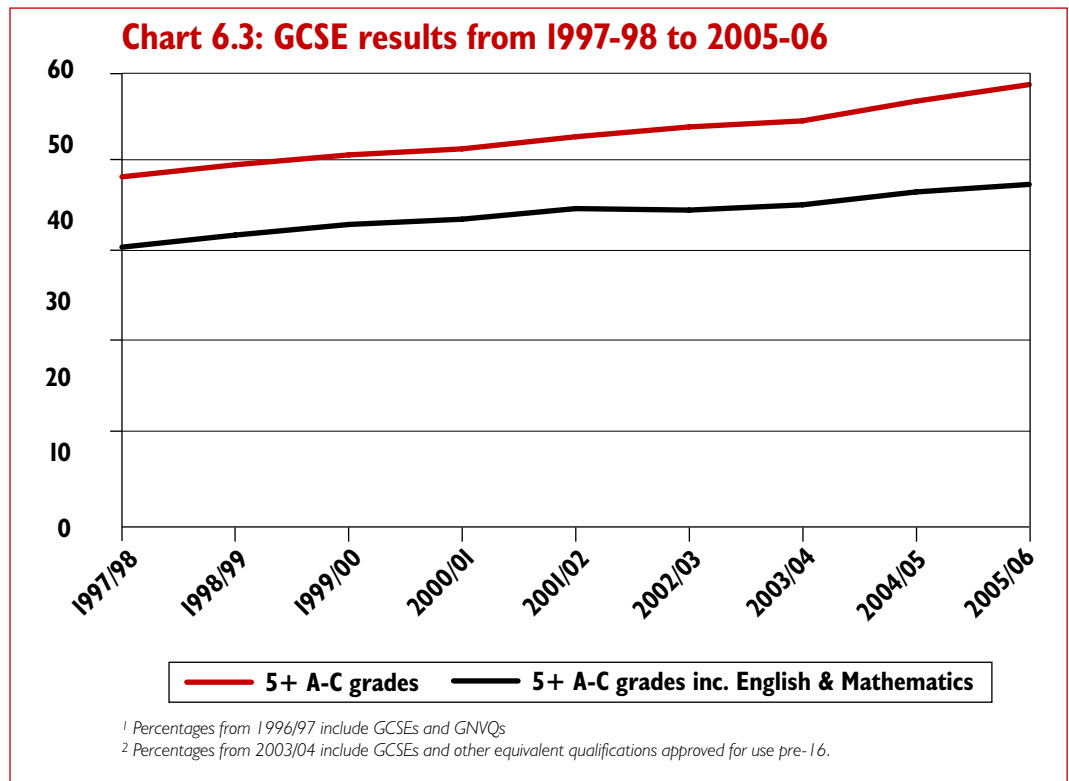
¹ UK education measured consistent with international definitions from the UK classifications of the functions of government (COFOG). Actual outturns are subject to spending decisions by local authorities and devolved administrations.

6.75 In addition to the extra resources being allocated for education over the CSR07 period, DfES is also taking significant steps to deliver better value for money in education, training and children's services, releasing resources for investing in further improving outcomes. These include:

- the DfES Centre for Procurement Performance (CPP) rolling out innovative e-Procurement systems that will both deliver savings to the taxpayer and improve choice and convenience for schools;
- schools realising savings associated with falling pupil rolls, including through a reduction in surplus places, and recycling excessive levels of school balances for more productive use across the system; and
- reducing the significant variation in the cost and effectiveness of local authority provision for looked after children by improving the way in which they are planned and commissioned.

6.76 The sustained high levels of investment in education since 1997 have been matched with far-reaching reforms that have supported a step change in the quality of provision and substantial improvements in results:

- almost all 3 and 4 year olds benefiting from free early years education;
- improved results at all Key Stages. 58.5 per cent of pupils achieved 5 GCSEs at grades A* to C in 2006, up from 45.1 per cent in 1997, and where English and Maths are included, 45.3 per cent of pupils now achieve 5 GCSEs at grades A* to C, up from 35.6 per cent in 1997;
- post-16 staying on rates have risen significantly and the proportion of 19 year olds attaining level 2 qualifications has risen by over 5 percentage points between 2004 and 2006; and
- the proportion of economically active adults with at least a level 2 qualification increased by over 9 percentage points between 1997 and 2006, with over 1.6 million people achieving a Skills for Life qualification to improve their basic literacy, numeracy and language skills since 2001.



6.77 The investment allocated to education over the 2007 CSR period will build on these significant improvements and enable the Government to pursue its ambitions across a range of programmes, as set out below.

Childcare and early years 6.78 As set out in Chapter 5, to ensure every child has the best start in life and the ongoing support they and their families need to fulfil their potential, the Government will meet and build on the commitments set out in the Ten Year Strategy for Childcare. This includes delivering a nationwide network of 3,500 Sure Start Children's Centres, one in every community, by 2010 and extending the weekly entitlement for 3 and 4 year olds to early education to 15 hours by 2010, with a long-term goal of 20 hours a week.

Schools 6.79 This settlement will allow schools to take the next steps in raising attainment for all and narrowing the persistent attainment gaps that exist across the system. This will include making a reality of personalised learning and delivering on the Government's commitment to ensure all schools provide a full offer of extended services by 2010.

Box 6.7 Personalisation for all

Personalisation is about fulfilling potential. It means every child supported to learn and achieve in the way that is most effective for them. The Government is committed to building on the recommendations of the Teaching and Learning in 2020 Review group, chaired by Christine Gilbert, to ensure all pupils benefit from an increasingly personalised approach. This CSR 07 settlement provides substantial additional resources to support this vision. The Government expects that, over the CSR, every pupil should have access to a single member of staff – for example a learning guide, a class teacher, a form tutor or a Director of Studies – who is able to co-ordinate a package of support that best helps that pupil. This should include:

- working with that pupil to identify their long term aspirations and guide them on the best choice of subjects, especially after the age of 14;
- agreeing individual targets for their learning across the curriculum, and monitoring progress on a subject by subject, and term by term basis;
- identifying and arranging any additional support that the pupil needs to develop within class and out of school hours, both in academic subjects and in the development of social and emotional skills;
- identifying and tackling any wider barriers to progress, linking in with the *Every Child Matters* agenda; and
- ensuring frequent and effective communication with parents to report on progress and advise on the best ways they can help with their child's learning.

6.80 Children who are behind in their studies can often benefit from additional support to help them catch up. The Pre-Budget Report announced that the *Every Child a Reader* programme, which provides intensive one – one support for six year old children that are the furthest behind in literacy, will be rolled out nationally, to benefit over 30,000 children a year by 2010-11. **Budget 2007 further announces funding to provide an average of 10 hours of one to one teacher-led tuition for over 300,000 under-attaining pupils a year in English by 2010-11, and 300,000 under-attaining pupils a year in Maths.**

6.81 There are now over 4,000 schools, almost 1 in 5 offering the full core offer of extended services. However, the Training and Development Agency has concerns about the workload involved in developing and maintaining extended activities – in particular building the effective links with local agencies, businesses and other educational institutions on which a full menu of activities and services depends. **To support the delivery of the Government's commitment that all schools should provide extended hours services by 2010, this Budget announces additional funding which, together with significant existing levels of resource across the system, will be sufficient to support extended service co-ordinators in secondary schools and clusters of primary schools.**

6.82 Providing access to the community is a core part of the Government's vision for extended schools. Academies aim both to raise standards for pupils and provide first class facilities for wider use in areas of particular deprivation, and the settlement allows the Department for Education and Skills to continue to make good progress in rolling out the programme. Budget 2007 announces that the Government will remove VAT constraints for current academies and all those planned for the future. These changes will further strengthen the effectiveness and value for money of the Academies programme as it continues to move forward.

14-19 year olds 6.83 The Government will make further progress in increasing the number of young people continuing in education and training after the end of the compulsory school age, building the foundation to improve the skills of young people. This CSR07 settlement will allow the Government to reform the 14-19 curriculum as set out in the 14-19 Education and Skills White Paper, providing a system where all young people can learn in ways which motivate and engage them in learning, providing the skills to participate in further and higher education and employment. The CSR settlement will provide the foundation for all young people to be entitled to study the 14 lines of specialised diplomas and participate in an apprenticeship scheme from 2013.

6.84 As set out in Chapters 3 and 5, to continue progress in re-engaging young people not in education or training back into learning, the Government will extend Activity and Learning Agreement pilots into the CSR07 period.

Adult skills 6.85 The Government is making progress in improving the skills of the UK workforce. As detailed in Chapter 3, the interim targets for improving the basic skills of the adult population and reducing the number of adults in the workforce who lack a first, full Level 2 qualification have both been recently achieved. The additional resources provided in the CSR07 settlement will allow the Government to build on this progress and make a good start towards the world-class skills ambitions set out in the Leitch Review of Skills.¹

Higher education & science 6.86 As set out in Chapter 3, Budget 2007 also announces an early settlement for the 2007 CSR years for the Department of Trade and Industry's ring-fenced science budget. Together with the early settlement for the Department for Education and Skills, this will ensure that total investment in the public science base will rise by an annual average rate of 2.5 per cent in real terms over the CSR period, meeting the commitment in the ten-year framework, further details set out in table 6.5. These early settlements provide long-term certainty for the research community and will deliver resources to meet a range of priorities over the CSR period, including further investment to support excellent research, increase the economic impact of the science base and implement the recommendations of the Sainsbury and Cooksey Reviews.

Table 6.5: Public investment in the UK science base

£ million	2007-08	2008-09	2009-10	2010-11	Average annual real growth over the CSR %
<i>DTI Science Budget</i>					
Departmental Expenditure Limits ¹	3,383	3,525	3,746	3,971	2.7
<i>DfES funding for research and knowledge transfer in English Universities</i>					
Departmental Expenditure Limits	1,655	1,710	1,775	1,926	2.4
Total UK science spending²	5,397	5,608	5,903	6,287	2.5
UK science spend as a % GDP	0.39	0.39	0.39	0.39	

¹ Full resource budgeting basis, net of depreciation.

² Actual outturns are subject to spending decisions by the devolved administrations. Excludes non cash items.

⁶ *Prosperity for all in the global economy – world-class skills*, Leitch Review, December 2006. Available at www.hm-treasury.gov.uk

Olympics budget 6.87 The 2012 Olympic and Paralympic Games will be an outstanding celebration of sport and culture inspiring a generation of children and providing a lasting legacy for some of the most deprived London communities, with benefits for the whole country. The Government has announced a robust funding package for the Olympics together with a fully funded programme contingency. The contingency will be tightly controlled to ensure that the Olympic Delivery Authority delivers value for money while being able to meet the absolute deadline. The funding package provides additional contributions from the Government, the Lottery and the Mayor of London, while safeguarding Lottery provision for the third sector and maintaining the London council tax contribution at the current level.

Strengthening the fight against crime and terrorism

6.88 The first responsibility of government is to protect its citizens and ensure their security – safeguarding the nation against terrorist attacks, cutting crime, bringing offenders to justice and managing them effectively to reduce re-offending. A range of complex and interconnected trends and risks, both at home and abroad, will shape the safety and security of UK citizens over the decade.

Meeting the terrorist challenge 6.89 Whilst the UK has faced terrorist threats in the past, the global reach, capability and sophistication of international terrorist groups places the current threat on a scale not previously encountered. Since 11 September 2001, the protection of the UK and its people from international terrorism has been a top priority for the Government. This has been reflected both by reprioritisation of existing resources and by very substantial increases in departmental budgets. In total, spending on security and intelligence across departments will be over £2¼ billion by 2007-08, more than double the amount spent before 11 September 2001.

6.90 This Budget announces a further £86.4 million for the Security and Intelligence Agencies to accelerate the ongoing development of their counter-terrorism capabilities. The review of the delivery of the Government's counter-terrorism and security strategies announced in Budget 2006 is also ongoing, and its final conclusions will be set out as part of the 2007 CSR.

CSR07 settlements for the criminal justice system departments 6.91 The Government recognises that the fight against crime and terrorism requires a sustained focus and effective co-operation across organisational boundaries. In order to provide the long-term certainty needed to drive forward improvements across the criminal justice system:

- Budget 2006 announced an early CSR07 settlement for the Home Office which maintains its 2007-08 budget in real terms up to 2010-11 – locking in the 75 per cent real terms increase in funding which the department has received since 1997-98, and enabling it to continue an ambitious programme of reform in policing, immigration, offender management and other areas of departmental business; and
- the 2006 Pre-Budget Report announced an early settlement for the DCA which provided over £100 million of modernisation funding, enabling the department to take forward a series of investments and reforms to improve the efficiency and effectiveness of the justice and legal aid systems, within an overall budget which will reduce by 3.5 per cent per year in real terms over the CSR07 period.

Attorney General's Departments 6.92 This Budget completes the early settlements for the criminal justice system by announcing that the Crown Prosecution Service (CPS) and other Attorney General's Departments (AGDs) have identified ambitious value for money reforms that enable them to maintain service improvements within an overall budget that reduces by 3.5 per cent per year in real terms over the CSR07 period. With £19 million of modernisation funding provided as part of this settlement, the AGDs will now be able to take forward a series of reforms including:

- workforce modernisation, which will deliver greater productivity and working time flexibility so that the CPS can continue to meet the 24/7 operational requirements of the police through the joint CPS/police charging scheme;
- improved CPS performance in Magistrates' courts by streamlining Magistrates' court processes to increase timeliness and encourage offenders to plead guilty at the first hearing; and
- better case management, through improved use of IT and more joined-up working with the police.

Prisons 6.93 As part of the Home Office's long-term objective to ensure that more offenders are caught, punished and prevented from re-offending, the Home Secretary announced in July 2006 plans to expand prison capacity by 8,000 places by 2012, with an extra 2,500 places on stream by the end of 2007. Resources provided to the Home Office over the SR04 and 2007 CSR periods provide the investment and long-term funding needed to drive forward this building programme.

Military operations 6.94 In addition to action to strengthen security at home, the Government believes it has both an interest and a responsibility to promote peace and stability abroad. Conflict and instability elsewhere have the potential to enhance the risk to the UK. International peace support operations continue to play a key role in global stability. The United Kingdom's continued engagement in these operations is an important component in achieving the Government's foreign, defence and development policy objectives. **Budget 2007 announces £400 million of provision for the special reserve in 2007-08 as a prudent allowance against continuing international commitments in Iraq, Afghanistan and elsewhere, and further allocates £200 million from the reserves in 2007-08 to support ongoing peacekeeping activity across the world.** Cost and provision will be reviewed at the time of the 2007 Pre-Budget Report.

