

The new spending plans at a glance

The new plans focus spending on the Government's priorities and root out waste and inefficiency. They will:

- increase sustainable growth and employment through raising standards in education and training, promoting science and innovation and the new Investing in Britain Fund which will modernise our infrastructure;
- promote opportunity and fairness by ensuring universal access to high quality, modern public services;
- provide efficient and modern public services by setting demanding quality standards and efficiency targets;
- make a difference to our priority services by providing:
 - £19 billion more for education. An increase of over 5% a year on average above inflation between 1998-99 and 2001-02;
 - over £20 billion more for health over the next three years. An increase in NHS funding in England of an average of nearly $4\frac{3}{4}\%$ a year above inflation between 1998-99 and 2001-02;
 - £1.7 billion more to improve public transport and modernise the road and rail network over the next three years;
 - £4.4 billion more to regenerate our cities and housing.

Meeting the Government's Key Election Pledges

The Government committed itself to five key pledges on coming to office;

- **class sizes will be cut to 30 or under for 5 to 7 year olds;**
- **fast-track punishment to be introduced for persistent young offenders;**
- **100,000 people off hospital waiting lists;**
- **250,000 under-25 year olds to be moved off benefit and into work;**
- **no rises in income tax rates and a cut in VAT on heating to 5%, and to keep inflation and interest rates as low as possible.**

The Government has already launched the Welfare to Work initiative, held income tax rates, introduced a new framework for macroeconomic stability and cut VAT on fuel and power. The new spending plans will ensure that other commitments will also be delivered by the end of the Parliament.

The Comprehensive Spending Review

The public sector will spend over £330 billion this year. That's equivalent to over £5,000 for every man, woman and child in the UK. The Comprehensive Spending Review (CSR) has taken a radical, root and branch look at how this money is spent to ensure that departments meet the Government's priorities during the remainder of this Parliament and beyond.

Setting the departmental plans: investing in reform

The new spending plans for the next three years, policy reforms and public service agreements covering new departmental objectives and targets will:

- **promote investment for reform – the Government will provide money for the modernisation of public services;**
- **secure the Government's key objectives of increasing the sustainable level of growth and employment, promoting fairness and opportunity and delivering efficient and modern public services.**

Investing in reform for sustainable growth and employment

The Government is committed to raising the sustainable growth rate to increase living standards and job opportunities. The new spending plans build on the steps already taken in the previous Budgets to secure macroeconomic stability, encourage work, improve productivity and promote enterprise:

- education and training reforms, underpinned by additional investment of £19 billion over the next three years, will improve the quality, flexibility and employability of the workforce;
- the Investing in Britain Fund, which will nearly double net public capital investment from £7 billion to £13 billion over the next three years, will renew and modernise the UK's infrastructure;
- a new integrated transport strategy, with £1.7 billion of additional spending for transport over the next three years, over 150 new integrated transport schemes in towns and cities, and improvements to the condition of key national roads, to ease congestion and reduce delays;
- a £1.1 billion investment in science, including a groundbreaking public-private partnership between Government and the Wellcome Trust, to modernise the UK's research capabilities.

Investing in reform for fairness and opportunity

The new spending plans will promote fairness and opportunity by ensuring universal access to high quality public services and providing targeted help to tackle poverty and social exclusion including:

- over £20 billion, coupled with reform, to rebuild a stronger, modern health service to improve health and reduce health inequalities;
- a new criminal justice strategy, which is tough on crime, ensuring fast-track justice for persistent young offenders, but for the first time also makes a significant investment in tackling the underlying causes of crime through an evidence-based crime reduction strategy;
- investment in opportunities for our youngest children, particularly the diasadvantaged, including a new £540 million 'Sure Start' programme to ensure they are ready to learn as soon as they get to school;
- additional housing investment of £3.6 billion to refurbish 1.5 million council homes, and a new Housing Inspectorate, to modernise and improve council housing management;
- investment of £800 million over three years in the New Deal for Communities to tackle the problems of the most deprived neighbourhoods and a refocused Single Regeneration Budget;
- an increase in the international development budget targeting help on the poorest people in the poorest countries.

Investing in reform for efficient and modern public services

The investment in public services in the new spending plans is matched by reforms to make public services more efficient and effective:

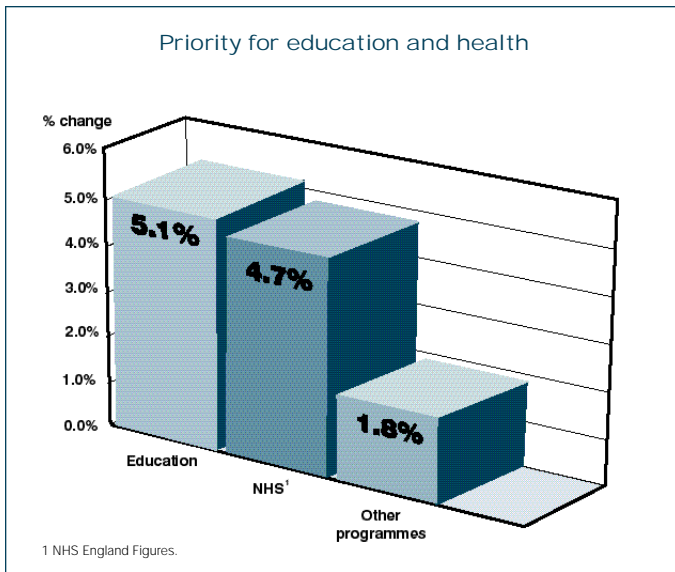
- cross-departmental budgets to deliver the Government's overarching objectives: targeted support for pre-school children and their families; and those living in the most deprived neighbourhoods;
- a new Invest to Save budget to encourage different parts of the public sector to work in innovative ways through, for example, one-stop shops, electronic service delivery and single-site offices;
- new quality standards for all departments: for example, new Departmental Investment Strategies to ensure that we get the best possible return on each pound invested in capital projects;
- challenging new efficiency targets for key public services: some 3% per year value for money improvements in the NHS, with the benefits ploughed back into patient care. A new 2% a year efficiency target for the police to focus resources on the front line against crime;
- better procurement of goods and services to secure cost savings: for example, savings in defence procurement and support services will release money to invest in front line forces;
- investment in the latest call centre technology by Inland Revenue and Customs and payroll support for new employers;
- new 'best value' performance framework to make local government services more efficient and effective.

Making a difference: the key priorities

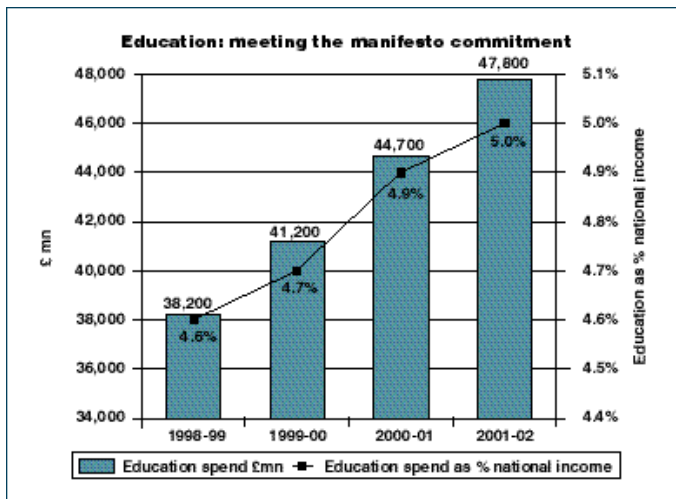
The new departmental spending plans will result in a significant boost to the Government's top priorities of **education** and **health**.

Over 50% of the increase in departmental expenditure limits and local authority spending plans will be targeted on these two services.

As the chart below shows, the annual increase in expenditure in both education and the NHS will be more than double the growth in other services.



And the chart below shows the increase in education spending as a proportion of national income to meet the manifesto commitment:



The Government's investment in educational reform will:

- double capital spending on schools over the Parliament;
- reduce class sizes to 30 or less for children aged between 5 and 7;
- increase the numbers of those from lower income households staying on in education by piloting an Education Maintenance Allowance for those aged 16-18;
- increase access to Further and Higher Education by a further 500,000 people by 2002, alongside further investment in standards and university research;
- provide extra resources for the University for Industry.

And the investment in the NHS will:

- modernise the NHS, by improving hospitals and GPs' premises, and by establishing NHS Direct, to give everyone access to a 24 hour telephone advice line;
- provide for the largest hospital building programme in NHS history;
- reduce NHS waiting lists to 100,000 below the level the Government inherited;
- finance substantial reform, based on the partnership of all local health bodies, with GPs and nurses playing an increasing role in commissioning the services people need;
- begin to reduce avoidable illness, disease and injury, which will result in time in lower death rates from heart disease, strokes and cancer;
- improve co-operation between the NHS, social and other services, which will strengthen the focus on patients' needs, and help to reduce the rate of growth in emergency admissions to an average of 3 per cent a year over the next four years for people over 75.

Other reforms at a glance

- a package of support and services for pensioners;
- more focused and higher quality social services for the elderly and disabled. A new Disability Rights Commission;
- reform of the Child Support Agency;
- section 11 funding for teaching English as a second language secured;
- a modernised defence strategy which strengthens capabilities at less cost;
- a refocused Ministry of Agriculture, Fisheries and Food with resources better targeted on consumer protection;
- extra resources for Scotland, Wales and Northern Ireland to lay the foundations for successful devolution;
- widening access to arts and museums so that more people can enjoy them;
- over £100 million to reduce rough sleeping by two-thirds;
- disposal of surplus government assets.

The overall spending plans

The three year spending plans are set within the rigorous fiscal framework and firm overall spending totals announced in the Economic and Fiscal Strategy Report for:

- **prudent spending limits** in line with the Government's two strict fiscal rules:
 - the golden rule: over the economic cycle, the Government will borrow only to invest and not to fund current spending; and
 - the sustainable investment rule: public debt as a proportion of national income will be held over the economic cycle at a stable and prudent level;
- **greater stability**: three year plans have been set with firm departmental expenditure limits enabling them to prioritise resources and plan ahead;
- **separate capital and current budgets** to help ensure that worthwhile capital investment is not squeezed out;
- **a modern and flexible role for Government**: the choice between public or private investment will be determined by what works best.

Achieving change

The new spending policies and plans set a clear and firm framework. The Government will ensure the policy reforms are delivered by: closely monitoring the new public service agreements; regularly reporting progress on the main departmental targets; monitoring progress on the growth and employment strategy; and maintaining the pressure on departments to secure further service improvements.

More details on the new public spending plans can be found in:

- **'Modern Public Services for Britain: Investing in Reform'** (Cm 4011 available from The Stationery Office and good bookshops at £18);
- **'Stability and investment for the long term - the Economic and Fiscal Strategy Report'** (Cm 3978 available from The Stationery Office and good bookshops at £9.50).

Both documents and other material can be found on the Treasury's internet site - <http://www.hm-treasury.gov.uk>.

HM Treasury's Public Enquiry Unit - Telephone 0171 270 4558.