HM TREASURY

Spending Review 2010 press notices

October 2010

Welfare reform

The Spending Review today announces reforms which will tackle the fundamental drivers of welfare dependency by delivering a simplified system in which work always pays.

In the June Budget the Government announced that it would save £11billion per annum from welfare spending by 2014-15.

To put welfare on an affordable footing, the Spending Review announces further savings of £7 billion, bringing total welfare savings to £18 billion per annum by 2014-15.

Over the next two Parliaments the current complex system of means-tested working-age benefits and tax credits will gradually be replaced with the Universal Credit, an integrated payment that will sharpen work incentives and reduce fraud and error.

£2 billion has been set aside in DWP's DEL settlement over the next four years to fund the implementation of the Universal Credit. Further details will be set out in DWP's forthcoming White Paper.

These reforms to the benefits system will be complemented by the new Work Programme, which will provide personalised support for those with the greatest barriers to employment. Private and third sector providers will be paid on the basis of the additional benefit savings they secure, thereby incentivising higher performance levels and delivering net savings for the taxpayer.

The Government will use some of the savings from withdrawing Child Benefit from families with a higher rate taxpayer to fund significant above indexation increases to the Child Tax Credit. This will ensure that the overall impact of the Spending Review will have no measurable impact on child poverty in the next two years. The Government's longer-term strategy for tackling child poverty will be set out by the end of March 2011, and will take into account the conclusions of the Frank Field review.

The table below sets out further details of the package of welfare reforms announced today.

Measure	Detail	Savings
Time limiting the contributory Employment Support Allowance (ESA) to 1 year for those in Work Related	ESA is a benefit for those who are unable to work because of a disability or health condition. An individual on ESA can receive between £91 and £97 per week, depending on the severity of their disability. ESA can be paid on a contributory or an income-related basis, and there are currently no limits on how long people can receive the benefit. This new proposal will time limit claims to contributory ESA for those in the Work Related Activity Group (WRAG)	£2.0 billion per annum by 2014-15

Activity Group	to one year. The measure will not affect anyone in the Support Group which includes the terminally ill, those on certain types of chemotherapy or those with severe limitations. Around 1 million claimants will be affected.	
Cap total household welfare payments	As already announced, from 2013, household welfare payments will be capped on the basis of median earnings after tax for working households, which we estimate to be around £500 per week by 2013. All welfare payments included except one-off payments. All DLA, Working Tax Credit and War Widow Pension claimants are exempted from the cap.	£270 million per annum by 2014-15
Withdrawing Child Benefit payments from higher rate taxpayers	As already announced, the Government will withdraw Child Benefit from families with a higher rate taxpayer from January 2013. This is a fair way of reducing the deficit, ensuring that those on lower incomes are not subsidising those better off.	£2.5 billion per annum by 2014-15
Freeze the Working Tax Credit for 3 years from April 2011	From April 2011, the basic and 30 hour elements of the Working Tax Credit will be frozen for three years, after which they will be uprated by CPI. Elements of tax credits are usually uprated on an annual basis. In the June Budget 2010, these elements along with most other elements in tax credits were switched from being uprated by RPI to CPI. The 30 hour element is currently worth £790 per annum and the basic element is currently worth £1,920 per annum.	£625 million per annum by 2014-15
Changes to Working Tax Credit Eligibility from April 2012	From April 2012, couples with children must work 24 hours between them, with at least one working 16 hours, to gain entitlement to the Working Tax Credit, rather than at least one working 16 hours as now.	£390 million per annum by 2014-15
Changes to the childcare element of the Working Tax Credit	From April 2011, the proportion of costs covered by the childcare element of the Working Tax Credit will be reduced from 80% to 70% of costs. This is a reversal of the April 2006 increase, which is now unaffordable.	£385 million per annum by 2014-15
Extending Shared Room	The Shared Room Rate currently applies to single people aged under 25 years old living in the private rented sector	£215 million per

Rate in Local Housing Allowance to all single claimants under 35	who receive Housing Benefit under the Local Housing Allowance rules. These claimants are restricted to the rate for a single room in a shared house, rather than the rate for a self-contained one bedroom property. Claimants in receipt of the severe disability premium in HB are exempt. This measure will increase the age limit of the SRR to cover all single people aged less than 35 years old, subject to the same exemptions. Around 88,000 claimants will be affected, all of whom will be single, aged 25-34, living in private rented accommodation, and not in receipt of severe disability premium in Housing Benefit.	annum by 2014-15
Cease paying DLA mobility component to claimants in residential care	This will end payment of the mobility component of Disability Living Allowance (DLA) to claimants in residential care from 2012-13. Those who fully self-fund their own care would be unaffected by the change. It will affect the estimated 58,000 DLA claimants in care homes who are in receipt of the mobility component. These customers receive on average £33.40 per week.	£135 million per annum by 2014-15
Reducing spending on Council Tax Benefit (CTB) by 10% and localising it from 2013-14	Council Tax Benefit spending will be reduced by 10% from 2013-14, and localised to local authorities and devolved to Wales and Scotland. LAs will be given flexibility to tailor the scheme to meet local priorities and to manage spending within lower limits, while protecting the most vulnerable. The precise flexibilities to be given to local authorities are yet to be determined. Alongside this, the Government will consider providing greater flexibilities to local authorities to manage pressures on council tax.	£490 million per annum from 2014-15
Freezing the maximum Savings Credit award in Pension Credit for 4 years from 2011-12	This measure will freeze the maximum award paid to those aged over 65 on modest incomes who have some retirement savings in addition to their State Pension until 2015. The maximum award is £20.52 for a single pensioner and £27.09 for pensioner couples. Around 1.8m households will be affected.	£330 million per annum by 2014-15
Using real time PAYE information to inform tax credits calculations	By linking real time PAYE information of individuals' earnings to the tax credits system, the emphasis on the customer to notify HMRC of income changes will be reduced. Using the information recorded on the PAYE system will reduce error and fraud and subsequent overpayments.	£300 million in 2014-15

Measure	**Detail**	**Cost**
Increasing the child element of Child Tax Credit	The government will increase the child element of the Child Tax Credit by £30 above indexation in 2011-12, with a further £50 above indexation in 2012-13. This is in addition to the above indexation increases announced in the June Budget of £150 in 2011-12 and £60 in 2012-13.	£560 million per annum by 2014-15
Permanently increase the Cold Weather Payment award to £25	Cold Weather Payments are paid to older and disabled people on income related benefits when the average temperature falls or is forecast to fall below a certain level for 7 consecutive days. Households can receive more than one award for continued cold weather. Around 4.2 million households are currently eligible for payments	£50 million per annum from 2011-12
Extend temporary Support for Mortgage Interest measures for 1 year	Extending for a further year the temporary measures to reduce the waiting period for new working age claimants to 13 weeks and increase in the limit on eligible mortgage capital to £200,000. These were due to expire in January 2010. This offers continued support to homeowners until the housing market recovery is secured. 85,000 claimants will benefit from the waiting period remaining at 13 weeks, and about 14,000 will benefit from the increased capital limit.	£90 million over the next two years

State Pension Measures:

The Spending Review also announces that State Pension Age equalisation at 65 will be brought forward to November 2018. Both the male and female pension age will then increase to 66 by April 2020. This will affect around 5.1 million people. Over the period 2015 to 2025 this will save around £30 billion through a reduction in spending on State Pensions and pensioner benefits while raising around £13 billion through increased Income Tax receipts and National Insurance contributions. The Department for Work and Pensions will publish further details and a full impact assessment shortly.

The Government will also bring forward further proposals for future increases to the State Pension Age to help manage the ongoing challenges posed by increasing longevity.

Public Sector Pension Measures:

The Independent Public Service Pensions Commission (IPSPC) led by John Hutton published an interim report on 7 October. The report highlights the importance of providing good quality pensions to public servants, rejects the race to the bottom in pension provision, but concludes that there is a clear rationale for public servants to make a greater contribution if their pensions are to remain fair to taxpayers and employees, and affordable for the country. The Government accepts these conclusions. In response to the Commissions' interim commendations, the Government will:

- Commit to continue with a form of defined benefit pension;
- Await Lord Hutton's final recommendation before determining the nature of that benefit and the precise level of progressive contribution required;
- Carry out a public consultation on the discount rate used to set contribution rates in the public service pension schemes;
- Implement progressive changes to the level of employee contributions that lead to an additional saving of £1.8 billion a year by 2014-15, equivalent to three percentage points on average, to be phased in from April 2012;
- Exempt the armed forces from this increase in employee contributions;
- launch a consultation on the Fair Deal policy, which Lord Hutton noted can create a barrier to the plurality of public service provision and make it more difficult to achieve innovation, to report in Summer 2011; and
- Seek engagement with all stakeholders including trade unions.

Notes for Editors

For more detail on the Welfare package announced today, please contact the Treasury Press Office on 0207 270 5238. Note that for specific details relating to individual measures and in the days following the Spending Review you may be referred to the relevant lead department.

The Department for Education

The schools budget will increase in real terms in each year of the Spending Review period. But economies in other areas mean that there will be a total real reduction in Departmental resource spending of 3% by 2014-15. Following on from the decision to halt Building Schools for the Future (BSF), capital spending will be reduced by 60% in real terms by 2014-15. The average annual capital budget over the period will be higher than the average annual capital budget in the 1997-98 to 2004-05 period.

Department for Education

	£ billion				
	2010-11	2011-12	2012-13	2013-14	2014-15
Resource DEL[1]	50.8	51.2	52.1	52.9	53.9
Capital DEL	7.6	4.9	4.2	3.3	3.4
Total DEL	**58.4**	**56.1**	**56.3**	**56.2**	**57.2**

1 In this table, Resource DEL excludes depreciation

This will be supported through the following measures:

- We will increase funding for the schools budget by £3.6 billion in cash terms by the end of the Spending Review period - this is a 0.1% increase in real terms in each year. Along with greater freedoms and flexibility for teachers and schools, this will ensure schools can meet the demographic pressures they face, and deliver a £2.5 billion pupil premium. This will support the educational development of disadvantaged pupils, and provide incentives for good schools to take on pupils from poorer backgrounds.

- Because the Government recognises that a good early years education is critical to later achievement, we will be maintaining 15 hours of free childcare a week for all 3 and 4 year olds, and extending it to all disadvantaged 2 year olds. It’s also why Sure Start will be protected in cash terms including investment in Sure Start health visitors.

There will be a 60% reduction in real terms in capital spending over the Spending Review period. Following the decision to end the wasteful BSF programme there will be enough funding to meet demographic pressures and to address maintenance needs. The independent review of education capital will ensure that the Department for Education’s capital budget is allocated in the most cost-effective way and targeted where there is most need. Over the Spending Review period there will be a total of £15.8 billion of capital spending. The average annual capital budget will be higher than the average annual capital budget in the 1997-98 to 2004-05 period.

We have had to prioritise in order to ensure that funding is maintained on frontline services that are critical to helping us build a world-class education system, and we are determined to protect the most vulnerable children and young people in society. We are therefore streamlining our funding grants to generate better value for money but ensuring that targeted support remains available to those who need it most. For instance, we are:

- Ending Education Maintenance Allowances, which have deadweight costs of around 90%, saving £0.5 billion, and replacing them with targeted support for those who face genuine financial barriers to participation;

- As we move towards full participation by 2015 we will secure reduction in individual unit costs;

- Within the schools budget, procurement and back office savings will allow at least £1.0 billion to be invested directly on frontline teaching while the public sector pay freeze will free up an additional £1.1 billion;

- Ending and rationalising a range of centrally directed programmes and instead streamlining funding for the most vulnerable children and families in a new Early Intervention Grant to ensure local authorities have greater flexibility.

- To ensure funds are rightly prioritised on frontline education and children's services, we are committed to making a 33% reduction in real terms by 2014-15 from the Department's administrative budget. This will be achieved by closing NDPBs, reducing headcount, reducing the costs of the DfE estate and cutting non-essential expenditure.

In addition, the Department for Education will be adopting ideas suggested through the Spending Challenge process to improve efficiency across Whitehall. These include selling surplus Government equipment through an online e-auction site, and working with the Efficiency and Reform Group to cut costs by centralising the Department's procurement of commonly used goods and services.

The Department has a number of next steps in order to set out how the school system and children's services will be reformed and how the education spending settlement will be spent. These include a Schools' White Paper, a Special Educational Needs and Disability Green paper, further announcements about allocating voluntary sector grants, and confirmation of LA allocations for schools and early years provision. We will announce further programmes and further bureaucracy we intend to end in the next three months.

Secretary of State, Michael Gove said:

"The size of the deficit means we have had to make tough decisions. There will be many savings across the Department but the Coalition Government is committed to improving education for all. That's why we're protecting the frontline, handing power to teachers and introducing a pupil premium for the poorest."

Notes for Editors

Schools baseline includes:

- Funds allocated for one to one tuition
- Funds allocated for "every child programmes" such as Every Child a Reader
- Extended schools
- School lunch grant
- School Standards Grant
- School Development Grant
- Specialist schools grant
- Ethnic Minority Achievement grant
- The National Strategies' budgets that were allocated to schools
- Dedicated Schools Grant
- Academies running costs

Enquiries relating specifically to the Department for Education's settlement should be addressed to the Department for Education press office on 0207 925 6789.

Media enquiries relating to overall Spending Review should be directed to the Treasury Press office on 0207 270 5238

The Department of Health

In line with the Government's commitment to protect health spending, overall NHS spending will increase by 0.4% in real terms over the course of the Spending Review period. This includes a 1.3% increase in the resource budget, and a 17% decrease in capital spending. The administration budget will be reduced by 33%, and reinvested to support the delivery of NHS services.

NHS (Health)

	£ billion				
	2010-11	2011-12	2012-13	2013-14	2014-15
Resource DEL[1]	98.7	101.5	104.0	106.9	109.8
Capital DEL	5.1	4.4	4.4	4.4	4.6
Total DEL	**103.8**	**105.9**	**108.4**	**111.4**	**114.4**

1 In this table, Resource DEL excludes depreciation

The settlement will allow the NHS to maintain the quality of services to patients. The health settlement also includes:

- Additional investment to support social care, rising to £2 billion per year by 2014-15, through the NHS and local government, to break down the barriers between health and social care. This includes funding for reablement, which has shown dramatic benefits in helping people to regain their independence after a crisis and cutting emergency readmission to hospital. This will save money across the health and social care system;
- Expanding access to talking therapies;
- A new cancer drugs fund of up to £200 million a year;
- Funding for priority hospital schemes, including St. Helier, Royal Oldham and West Cumberland; and
- NHS health research spending growing in real terms over the Spending Review.

Some programmes announced by the previous Government but not yet implemented will not be taken forward at this stage, including:

- Expanding free prescription entitlements to people with long-term conditions;
- One to one nursing for cancer patients and a one-week wait for cancer diagnostics, however the Government will set out its review of the Cancer Reform Strategy this winter.

To meet the rising costs of healthcare and increasing demand on its services, the NHS will release up to £20 billion of annual efficiency savings over the next four years, all of which will be reinvested to meet rising levels of demand and to support improvements in quality and outcomes. This will include, for example:

- Continuously improving workforce productivity;
- Applying best practice throughout the NHS in the management of long term conditions;
- Driving down inconsistencies in admissions and outpatient appointments; and
- A 33% cut in the administration budget, including a reduction in the number of arm's-length bodies from 18 to a maximum of 10 by 2014.

In addition to the above, the Department will be adopting the following ideas, suggested by the public through the Spending Challenge process:

- We will no longer require Primary Care Trusts to deliver hard copies of 'Your guide to NHS services' to every household. This will generate total savings of £1.5 million to £2.5 million over four years.
- We will increase the use of highly qualified clinical scientists in the NHS to free up doctors to focus on the work that only they can do, as part of the Modernising Scientific Careers programme. This programme will save the NHS in excess of £250 million per year.
- We will encourage the NHS to train radiographers to report on more of the straightforward x-rays in line with best practice so that consultant radiologists are free to assess the more complicated images, CT and MRI scans, saving the NHS an estimated £7.9 million annually.

Alongside these efficiency improvements, the Government is seeking to introduce reforms as set out in the White Paper, "Equity and Excellence: Liberating the NHS". The proposals will create a long term sustainable NHS by cutting bureaucracy and waste, putting decision-making into the hands of patients and clinicians and building a patient-centred NHS.

Health Secretary Andrew Lansley said:

"The Spending Review reinforces our historic commitment to protect health spending and means that funding for the NHS will increase in real terms in every year of this Parliament. Due to the deficit and the increasing demands on NHS and care services we have had to make difficult decisions about where this money is spent and we have to make every penny count."

"That is why we have chosen to invest in supporting social care and reablement – honouring our commitment to protect the most vulnerable in our society. And ultimately a better integrated health and care system will mean a more efficient system that delivers savings in the longer term – as more people live independently and are discharged from hospitals sooner."

"NHS organisations have already started a wide-ranging efficiency drive to make savings that can be redirected into patient care. And we also want to see a 33 per cent real terms cut in the administration budget, saving around £1.9 billion. But that is not enough. The NHS budget will have to stretch further than ever before in these difficult times – and so reform isn't an option, it's a necessity in order to sustain and improve our NHS. The proposals I set out this summer will cut waste and bureaucracy and put patients and doctors in control to build a high quality health service."

Notes for Editors

Enquiries relating specifically to the Department of Health's settlement should be addressed to the Department of Health press office on 020 7210 5221.

Media enquiries relating to overall Spending Review should be directed to the Treasury Press office on 0207 270 5238

The Department for Transport

Over the course of the Spending Review period, The Department for Transport will reduce resource spending by 21% in real terms, and capital spending by 11% in real terms. The Department's Administration budget will be reduced by 33%.

By making tough decisions now the Department can invest in vital transport infrastructure and greener technology to boost economic recovery.

Department of Transport

	£ billion				
	2010-11	2011-12	2012-13	2013-14	2014-15
Resource DEL[1]	5.1	5.3	5.0	5.0	4.4
Capital DEL	7.7	7.7	8.1	7.5	7.5
Total DEL	**12.8**	**13.0**	**13.1**	**12.5**	**12.0**

1 In this table, Resource DEL excludes depreciation

The Department will manage these reductions and support deficit reduction while maintaining high levels of investment by taking the following difficult but necessary decisions:

- Increasing regulated rail fares from the current RPI + 1% annual increase to RPI +3% for three years from January 2012. This fare increase will mean the government can deliver priority capacity improvements on the rail network to relieve overcrowding on routes into major cities. However, because Government recognises the impact this will have on passengers, particularly at a time of high inflation, this fare rise will be delayed until January 2012.
- Continuing with the previous government's policy to link eligibility for concessionary bus fares to pension age changes and reform reimbursement, whilst maintaining the statutory entitlement for concessionary bus travel, ensuring that older people can maintain greater freedom and independence.
- Increasing charges for the Dartford Crossing. Subject to consultation, prices will increase from £1.50 to £2.00 in 2011, then to £2.50 in 2012. The Department and the Highways Agency are developing options to improve the crossing for motorists including: exploring a new additional crossing; using free flow charging to improve efficiency; and removing charges to aid flow when congestion is most severe. The increased charges will be used to fund this work.
- Reducing bus subsidies paid directly to operators by 20 percent will save over £300million by 2014/15 and Government will work with bus operators and local government to examine smarter ways of administering this subsidy to get better results for passengers and taxpayers.
- Strengthened scrutiny and transparency for Transport for London (TfL)'s investment programme, including benchmarking of London Underground costs, will help to support the efficiency and economy of these programmes. Whilst investment in the

London Underground will be maintained, TfL will need to accommodate a 28% reduction to the remainder of their GLA transport grant by 2014/15.

By taking these tough decisions now, the Government will be able to pursue vital transport schemes across all regions to support economic growth and increase the sustainability of the country's transport system. These include:

- Over £10 billion funding for the national and local road networks, and public transport schemes in Britain's major cities. This will include widening the remaining section of the A11 to provide a continuous dual carriageway link between Norwich and the M11; improving the junction between the M4 and M5; easing congestion on the M1 between junctions 28 and 31; route extension and capacity increases on the Midland Metro; investing in the Mersey Gateway Bridge; improving the A23 Handcross to Warninglid; upgrading the Tyne and Wear Metro; improving the Tees Valley bus network for passengers; introducing a managed motorway scheme between junctions 25 to 30 of the M62; and improving accessibility to Leeds rail station. Significant cost reductions will be made across the programmes.
- £14 billion funding over the spending review period to Network Rail to support maintenance and investment, including major improvements to the East Coast Mainline, station upgrades at Birmingham New Street and network improvements in Yorkshire, and major signalling replacement programme around Newport and Cardiff and increased line speeds and network capacity on the Barry to Cardiff corridor, funding for Network Rail to proceed with investment to deliver faster journeys in the North West, and Government support for investment to improve journey reliability on Great Western Main Line services to Wales.
- Crossrail will proceed in its entirety, providing an additional 10 percent capacity to London's rail network, while Government will continue to seek efficiency savings to maximise value for money.
- Spending on upgrading the London Underground network will be protected.
- A national charging infrastructure for electric vehicles and an incentive of up to £5000 for the purchase of ultra-low carbon cars, supporting both UK manufacturing and sustainable travel options.
- Subject to consultation the Government is proceeding with its plans to deliver a new high speed rail network, and will bring forward legislation during this Parliament to allow construction to proceed.
- The Government's intention is to proceed with PFI projects, which will deliver sustained improvements in highways maintenance in Sheffield, Hounslow and the Isle of Wight and extend the Nottingham tram network with two new lines. The Government will work urgently with the four local authorities to establish how the projects can be delivered affordably in order to deliver the much needed benefits.

To ensure continued efficiencies across transport spending, the DfT will drive more fundamental reforms to how money is spent, including:

- **Rail.** Network Rail has already been tasked by the Office of Rail Regulation to deliver 21 percent of efficiency savings over the current regulatory period to 2013-14. The Government will be: promoting reform based on the evidence of the McNulty Review;

making Network Rail more accountable to its customers; and enhancing competition through encouraging Network Rail to widen the pool of suppliers involved in infrastructure work.

- **Public Bodies Reform:** improving accountability, promoting efficiency and generating valuable savings to the taxpayer over the parliament by abolishing six of the department's public bodies.
- **Highways Agency:** introducing immediate reforms to the performance management regime in the HA, including the appointment of a non executive chair, a clearer output specification and expert advice on benchmarking costs. Better management of contracts across the Highways Agency (HA) will save £240million by 2014-15. A review will follow to ensure that HA structure and governance give assurance of value for money.

In addition, fundamental reforms will be implemented to give local people more power to tackle their own transport priorities including:

- **Simplifying Local Authority Grants** to give power and greater financial autonomy to local authorities through a simplification of local transport funding, moving from just under 30 grant streams to just four. Local Authority resource grants will be reduced by 28 percent.

In addition to the above, the Department will be exploring a number of ideas suggested through the HMT Spending Challenge process, including:

- Allowing the Highways Agency to charge back the cost of event traffic management; and
- Reducing the fuel costs of Traffic Officers by running vehicles on LPG or sharing fuel depots with other contractors.

Transport Secretary Philip Hammond said:

"This Government inherited a financial crisis because we were spending more money than the country could afford. That has meant that we have had to look again at every pound that we spend to ensure we get value for money.

"Whilst we have had to make some difficult choices, I am confident that our focus on the long term will ensure that we can continue to build a transport system that supports economic growth and reduces carbon. We have secured investment to allow us to go ahead with important projects such as high speed rail, support for ultra-low carbon cars and major road building and public transport programmes.

"We have taken big steps forward in improving efficiency – making genuine savings of over 21% from our resource budget. We have also radically reformed the way decisions are made, ensuring that local people have more control over their priorities."

Notes for Editors

Enquiries relating specifically to the Department for Transport's settlement should be addressed to the Department for Transport press office on 020 7944 3066 (Roads, Local Transport and Environment); 020 7944 3108 (Rail); or 020 7944 3118 (Maritime and Security).

Media enquiries relating to overall Spending Review should be directed to the Treasury Press office on 0207 270 5238.

The Department for Communities and Local Government

The Department for Communities and Local Government announced today that over the course of the Spending Review period, DCLG's overall resource will reduce by 51 per cent in real terms by 2014-15. This includes the devolution of over £1.6 billion to local government, without which the reduction would have been 33%. Capital spending will reduce by 74%.

Through radical reform, rationalisation programmes and devolution of funding and new flexibility to Local Government, the Department will make significant savings, while delivering up to 150,000 new affordable homes over the Spending Review, and protecting funding for the most vulnerable.

The settlement for Local Government is detailed in separate Spending Review documents.

Department for Communities and Local Government

	£ billion				
	2010-11	2011-12	2012-13	2013-14	2014-15
Resource DEL[1]	2.2	2.0	1.7	1.6	1.2
Capital DEL	6.8	3.3	2.3	1.8	2.0
Total DEL	**9.0**	**5.3**	**4.0**	**3.4**	**3.2**

1 In this table, Resource DEL excludes depreciation

The Department will achieve these reductions by making savings and increasing efficiency by:

- Rolling £1.6 billion of grants into mainstream local government funding, including Supporting People
- Pioneering plans to enable councils to pool budgets to better tackle social problems and freeing councils to borrow against future revenue in order to invest
- Government Offices for the Regions are being closed as part of the abolition of regional government and decentralisation of power
- Ending programmes including the Working Neighbourhoods Fund, Growth Area Funding and the Thames Gateway fund in order to rationalise funding streams, make savings and take a more disciplined approach to Government spending and introducing a new Regional Growth Fund
- reducing the Department's Arm's Length Bodies by two-thirds
- Cutting red tape and removing barriers, freeing councils to prioritise time and resources on meeting the needs of local people and delivering better value for money

By taking the tough decisions now in order to reduce the deficit and drive out waste, the Department has protected the services for the most vulnerable and announced major reforms that will better meet housing need, increase housing supply and support sustainable growth, including:

- Investing £4.5 billion in new affordable homes over the spending review period while at the same time embarking on a major reform of the system of social housing in this country. Together this should deliver up to 150,000 new affordable homes over the next four years. Part of this reform will be a new scheme that allows social landlords to charge new tenants a weekly rent at between social and market rates for as long as individual circumstances require it. Existing tenants will not be affected by these planned reforms which will be set out in detail shortly

- In addition over £2 billion investment will be available for the Decent Homes programme. Together this means Government will invest over £6.5 billion in housing over the Spending Review period

- Reforming the council housing finance system so local authorities have greater control over their own finances, and can reinvest to meet local housing need

- This reform will also build in the resources need to carry out future disabled housing adaptations required in the council stock.

- There will be continued support for elderly, disabled and vulnerable individuals through the £6 billion Supporting People programme. In addition the Homelessness Grant has been protected with investment of around £400 million by 2014-15.

- Provision for Disabled Facilities Grants will rise with inflation by 2014-15.

- Introducing strong incentives to reward councils for promoting enterprise and new businesses

- A New Homes Bonus commencing in April 2011 that will reward with match funding those local authorities that build more homes for six years. More details of this programme will be published in a consultation paper in November

- Inviting bids for a share of the £1.4 billion Regional Growth Fund that will stimulate growth and provide sustainable private sector jobs – particularly in those places that are currently too reliant on the public sector for jobs and investment. DCLG will have a key role on administering this fund. Businesses in partnership with councils will work together, without interference from Whitehall, to target investment to deliver jobs, economic growth and support enterprise

- Protecting the Fire and Rescue Service from the worst of the cuts. Over the four year period formula grant (which represents around 50% of total FRA expenditure) will be reduced by 25%. The reduction will be back-loaded into years 3 and 4 so that Fire and Rescue Authorities will have time to make the necessary changes without affecting the quality and breadth of services they provide to their communities.

DCLG will shortly publish a Localism Bill that will set out significant new freedoms, powers and responsibilities for councils and communities. This will include major reforms to the planning system which will be announced shortly. Further details of the Government's new affordable housing programme and associated reform programme will also be published in November

In addition to the above, the Department will be adopting the following ideas, suggested through the Spending Challenge process:

- Government will reform the National Register of Social Housing as part of work to disband the Tenant Services Authority. This will reduce costs to the taxpayer and reporting requirements on social landlords

Communities and Local Government Secretary Eric Pickles said:

"*Today's settlement delivers the Prime Minister's pledge to ensure those with the broadest shoulders bear the greater share of the burden when it comes to reducing the massive deficit we have inherited.*

"It is right that Whitehall absorbs the bigger proportion of the cuts so that council budgets and spending on vital frontline services on which we all rely can be protected. The settlement means we have had to make tough choices about how we allocate money and ensure that investment is matched by the necessary reform in order to make every pound go further and deliver the changes we need to see.

"We are continuing the programmes that support the elderly, the disabled and the vulnerable. We have that seen that the old system of house building simply did not work. We are making the money available and delivering the reform to build and upgrade thousands of affordable homes for people on lower incomes over the next four years.

"At the same time, this settlement and the major reforms - to housing, planning and funding of local government - will together allow us to wrest power away from Whitehall and to end the era of inefficient regional bureaucracy as we make good on our commitment to devolve power and decision making to councils and to local communities."

Notes for Editors

Enquiries relating specifically to the DCLG settlement should be addressed to the DCLG's press office on 0303 444 1201

Media enquiries relating to overall Spending Review should be directed to the Treasury Press office on 0207 270 5238

Local Government

Local Government Resource DEL to councils will reduce by 28% over the Spending Review period. Local councils also receive funding from other Government departments and council tax. When grants from other departments are included, the overall reduction in revenue grants will be 26%.

Local authorities will see forecast reductions of around 30% in overall capital expenditure, including reductions of around 45% in capital funding from Government departments, and OBR forecast of 17% reduction in self-financed capital expenditure.

Local Government

	£ billion				
	2010-11	2011-12	2012-13	2013-14	2014-15
Resource DEL[1,2]	28.5	26.1	24.4	24.2	22.9
Capital DEL	0.0	0.0	0.0	0.0	0.0
Total DEL	**28.5**	**26.1**	**24.4**	**24.2**	**22.9**

1 In this table, Resource DEL excludes depreciation
2 LG DEL includes funding for police and fire authorities. Excluding these contributions LG DEL for councils will fall by 28%

Split of LG Resource DEL

	£ billion				
	2010-11	2011-12	2012-13	2013-14	2014-15
Resource DEL[1]	28.5	26.1	24.4	24.2	22.9
o/w funding for formula grant	28.0	25.0	23.4	23.2	21.9
o/w council tax freeze	0.0	0.7	0.7	0.7	0.7
o/w other	0.5	0.5	0.4	0.4	0.4

1 In this table, Resource DEL excludes depreciation

The Spending Review delivers a challenging but fair settlement for local government. Reductions in spending are matched by a radical reform programme that gives councils unprecedented freedoms and flexibilities and far more control over their budgets. Councils will need to make tough choices to find significant savings while focusing on the key priorities of local residents.

Councils will find savings through:

- Smarter procurement, increased collaboration and economies of scale, for example 16 London boroughs have saved more than £10 million buying ICT hardware collaboratively through an e-Auction
- Improving asset management, for example Kent estimate that countywide approaches to jointly managing LA assets and other public sector assets could deliver around £40 million per annum potential revenue saving

- Streamlining and merging operations, for example Kensington & Chelsea, Hammersmith & Fulham, and Westminster councils plan to merge back office services, and are exploring options to move to a single senior management team and chief executive.

- Considering how best to deliver services - Suffolk County Council is proposing to become a 'virtual' authority that divests all but a handful of services and runs residential care homes through social enterprises, aiming to save 30% of its annual £1.1 billion budget

Local authorities will also face difficult but necessary decisions about:

- Their workforce – we expect many local authorities will have to restructure their workforce to live within this settlement, while focusing on the key priorities of their residents. We will make available £200 million of capitalisation in 2011-12, to help support local authorities that undertake organisational restructuring.

- Their borrowing plans – the key flexibility of prudential borrowing will be maintained, but to better reflect the availability of capital funding, the interest rate on loans from the Public Works Loans Board have been increased to an average 1% above UK government gilts;

- And Local Government programme spend will reduce by 33% over the Spending Review, and the priority for the remaining spend will be contractual commitments with the Valuation Office and the costs of collecting business rates

To enable this, the Government is announcing a radical package of devolution to local areas and financial control to manage reductions in line with the priorities of their residents, protect key frontline services, protect the local taxpayer, reduce burdens and drive efficiencies, including:

- Ending ringfencing of all revenue grants from 2011-12, except simplified school grants, and a new public health grant from 2013. This includes a single un-ringfenced Early Intervention Grant worth around £2 billion. The change will give councils significant financial autonomy.

- Very significantly simplify and streamline grant funding, by rolling around £4 billion of grants in 2010-11 to the unhypothecated formula grant. The number of separate core grants for local government will be radically reduced from over 90 to fewer than 10

- This means that in total, local authorities will have greater control over more than £7 billion of funding from 2011-12 which is moving into formula grant, being unringfenced or is new funding for the SR10 period, so enabling them to better meet local communities' needs.

- A fully funded council tax freeze for 2011-12 offering real help to hard working families and those on fixed incomes like pensioners.

- Reducing expenditure on council tax benefit by 10% and localising it from 2013-14, giving councils greater discretion to target benefits to local priorities, while protecting the most vulnerable. The Government will also consider giving local authorities greater discretion to manage pressures on council tax over existing discounts.

- Implementing the New Homes Bonus, to reward councils that build more homes. A consultation paper will be published shortly on the mechanics of the scheme.

- More detail on Tax Increment Financing and the future incentives and planning powers open to localities to drive growth will be provided in a white paper on sub-national growth later this year.

- Significant additional funding to support social care, providing support for the most vulnerable older people in society – an additional £1bn by 14-15 for pooled NHS/LA budgets, and £2.4bn of grants for social care rolled into formula grant.

- Reducing barriers to effective joint working by establishing the first Community Budgets in 16 local areas from April 2011. Pooled departmental budgets will help councils and their partners to work together to support families with complex needs. All places may be able to operate these approaches from 2013-14.

- Ending the previous top-down local performance framework and reducing the reporting and inspection burden on local government. Comprehensive Area Assessments have been abolished, along with the system of Local Area Agreement targets, handing control of nearly 5,000 top-down targets to local councils to amend or drop as they see fit. We will develop a single list of all of central government's data requirements from local government, to take effect from April 2011.

<u>Secretary of State for Communities and Local Government Eric Pickles said:</u>

"This is a fair settlement protecting the interests of hard working families and the most vulnerable in society. Councils can protect frontline services providing they use the significant new freedoms we are giving to them to put everything they do under the spotlight, share services and increase transparency.

"Councils need to be innovative – to change the way they deliver services to get the most for their money and get at problems before they become entrenched. We are supporting

this by putting councils in charge of their money, removing bureaucratic burdens and giving them the tools they need to meet the needs of local people.

"We are providing an additional £1bn by 14-15 for pooled NHS/LA budgets, to break down the barriers in the way health and social care needs are met. We have set aside funding for a council tax freeze in 2011-12 to enable local authorities to shield local taxpayers from further rises, without impacting on valued local services.

"Councils need to take this opportunity to re-examine the way they work that includes drawing on the enormous experience, reach and resources that the voluntary and community sector can offer."

Notes to editors / contact details:

The Government's general intention is that grants rolled into formula grant will initially do so in a way which broadly reflects the existing distribution of the grant.

The 16 Community Budget pilots will be in Greater Manchester, Leicestershire, Croydon, Blackpool, Islington, Hull, Kent, Blackburn with Darwen, Bradford, Swindon, group of Westminster, Kensington & Chelsea, Hammersmith & Fulham, and Wandsworth, Barnet, Lewisham, Essex, Lincolnshire and Birmingham

Enquiries relating specifically to the Department for Communities and Local Government's settlement should be addressed to the DCLG Press office on 0303 444 1201

Media enquiries relating to overall Spending Review should be directed to the Treasury Press office on 0207 270 5238

The Department for Business Innovation and Skills

Over the course of the Spending Review period, the Department for Business, Innovation and Skills (BIS) will reduce its resource budget by 25 per cent. Taking into account anticipated receipts, the cut to capital spending by 2014-15 will be 44 per cent. The Department's Administration budget will be reduced by 40 per cent, including savings from abolition of the RDAs.

Department for Business, Innovation and Skills

	£ billion				
	2010-11	2011-12	2012-13	2013-14	2014-15
Resource DEL[1]	16.7	16.5	15.6	14.7	13.7
Capital DEL	1.8	1.2	1.1	0.8	1.0
Total DEL	**18.6**	**17.6**	**16.7**	**15.5**	**14.6**

1 In this table, Resource DEL excludes depreciation

The Department will manage the reductions in resource spending by reforming Higher and Further Education funding which will deliver broadly 65 per cent of BIS resource savings; driving efficiencies will deliver around a further 25 per cent and the remainder of resource savings, around 10 per cent, are from cancelling lower priority activities.

In line with the Browne recommendations, the Government is changing the way that Higher Education is funded, moving away from the current model to one where those who benefit make a greater contribution to the cost.

This means the overall resource budget for Higher Education, excluding research funding, will reduce from £7.1 billion to £4.2 billion, a 40%, or £2.9 billion, reduction by 2014-15. The Department will continue to fund teaching for Science, Technology, Engineering and Mathematics (S.T.E.M) subjects.

The Government will, by 2014-15, establish a new £150m National Scholarship Fund to support students from disadvantaged backgrounds.

The Government will ensure the UK remains a world leader in science and research. To do this it will continue support for the highest value scientific research, maintaining the science budget in cash terms over the Spending Review period with resource spending of £4.6 billion a year by 2014-15. A ring fence will be maintained by the Department for Business to ensure continuity of investment in Science and Research

Key capital projects going ahead include £220 million in funding to ensure that the UK Centre for Medical Research Innovation goes ahead as planned. Funding will be provided for the Diamond Synchrotron worth £69 million.

The Further Education resource budget will be reduced by 25%, or £1.1billion, from £4.3 billion to £3.2 billion by 2014-15. We will continue to support basic skills provision so that those left behind first time around can continue to gain basic numeracy and literacy skills.

We will continue to support Adult and Community Learning and reduce the complexity and bureaucracy that hampers providers from responding to community needs.

To ensure that businesses have the highly skilled workforce needed to drive growth the Government will boost spending on adult apprenticeships by £250m a year, providing up to an additional 75,000 apprenticeship places every year by the end of the Spending Review period.

Business Secretary, Vince Cable, said:

> *"I called BIS the Department for Growth as soon as I joined the coalition government. I have been clear that growth must also be sustainable.*
>
> *"The threat to our national economy is the large financial deficit which if left unchecked will damage our capacity to grow and rebalance our economy.*
>
> *"I am not going to say that any of these cuts are going to be easy and many people are going to feel the consequences, but without action all of us, for years to come, would pay the price. These decisions have been hard but they are necessary"*

Reductions to key BIS activities include the ending of Train to Gain and replacing it with an SME focused training programme, English for Speakers of Other Languages (ESOL) funding for people not in settled communities, and the Regional Development Agencies will also be abolished in 2012.

The administration budget of BIS will reduce by 40 per cent over the spending review, including a saving of up to £228m in admin costs as a result of the abolition of the RDAs. BIS is also undertaking an ambitious programme of arms length bodies reform bringing the total number down from 57 to 33, with 9 continuing under review and back office reform across the entire BIS network, which will cover estates, ICT, HR, finance and procurement functions in many BIS partner organisations.

In order to promote economic growth the Department will, in addition to its FE, HE and science activities:

- lead the creation of a UK-wide Green Investment Bank that will be capitalised initially with a £1 billion spending allocation with additional significant proceeds from the sale of Government-owned assets, to catalyse additional investment in green infrastructure;
- play a key role in the operation of the new £1.4bn Regional Growth Fund, that will support projects with significant potential for private sector economic growth and employment, particularly in areas dependent on the public sector ; and invest up to £200 million by 2014-15 to support manufacturing and business development – with a focus on high growth businesses

Notes for Editors

Enquiries relating specifically to the Department for Business settlement should be addressed to the Department for Business Innovation and Skills press office on 020 7215 5943
Media enquiries relating to overall Spending Review should be directed to the Treasury Press office on 0207 270 5238

The Home Office

Over the course of the Spending Review period, the Home Office will reduce overall resource spending by 23% in real terms, and capital spending by 49% in real terms.

The police service must play their part in reducing the nation's deficit. Central government police funding will reduce by 20% in real terms by 2014-15. If Police Authorities were to choose to increase precept, part of council tax, at the level forecast by the Office of Budget Responsibility, the SR settlement means that on average police budgets would reduce by 14% in real terms over the next four years.

The department's central administration budget will be reduced by 33% in real terms over the same period.

Home Office

	£ billion				
	2010-11	2011-12	2012-13	2013-14	2014-15
Resource DEL[1]	9.3	8.9	8.5	8.1	7.8
Capital DEL	0.8	0.5	0.5	0.4	0.5
Total DEL	**10.1**	**9.4**	**9.0**	**8.4**	**8.3**
Police	9.7	9.3	8.8	8.7	8.5

1 In this table, Resource DEL excludes depreciation

The Home Office will manage these reductions by focusing spending where it matters most – protecting the public, and ensuring the security of our border:

- The reforms we are introducing will make police forces more efficient and more effective. We will drive out wasteful spending and increase efficiency and productivity in the back office. We will end central bureaucracy and targets, such as the Policing Pledge, reduce the reporting requirements for Stop and Search and scrap the 'stop' form in its entirety. We will also modernise pay and conditions.

- By cutting out costs and scrapping bureaucracy we are saving hundreds of millions of pounds and hundreds of thousands of man hours – so this settlement should not lead to any reduction in police officers visible and available on the streets.

- The introduction of directly elected Police and Crime Commissioners will make forces truly accountable to the communities they serve and ensure that resources are properly targeted to where they are needed most.

- We will ensure that the UK retains its capabilities to tackle the terrorist threat. Counter-terrorism specific policing will be protected with a smaller percentage cut than overall police funding of 10% in real terms and we will ensure the right funding is in place to deliver a safe and secure Olympic Games in 2012.

- The UK Border Agency's budget will be cut by up to 20% over the next four years. The agency will save around £500 million in efficiencies by reducing support costs; improving productivity and value for money from commercial suppliers. It will also invest in new technologies to secure the border and control migration at a lower cost. An increasing proportion of the costs of controlling immigration and securing our border will be met by migrants and visitors to the UK.

- We will abolish the National Policing Improvement Agency saving at least £50m. Some of its functions will be absorbed into the National Crime Agency which will lead the fight against organised crime, protect our border, and provide services best delivered at a national level.

In addition, the department will be adopting two ideas suggested by the public through the Spending Challenge process. We will make it possible for employers to share CRB checks, reducing the need for multiple checks. We will also ensure police forces can make procurement savings by acting together when buying goods and services.

The Home Secretary, Theresa May, said:

"*My absolute priority, as Home Secretary, is to ensure that the UK retains its capabilities to protect the public, secure the border and tackle the terrorist threat. We also have a responsibility to reduce the budget deficit and the Home Office must play its part in this.*

"I believe that by improving efficiency, driving out waste, and increasing productivity we can maintain a strong police service, a secure border and effective counter terrorism capabilities whilst delivering significant savings."

Notes for Editors

Enquiries relating specifically to the Home Office settlement should be addressed to the Home Office on 020 7035 3535.

Media enquiries relating to overall Spending Review should be directed to the Treasury Press office on 0207 270 5238

Ministry of Justice

Over the course of the Spending Review period, the Ministry of Justice will make a 23% reduction in the resource budget, and a 50% reduction in capital spending. The Department's administration budget will be reduced by 33%.

The Ministry of Justice will make tough decisions now in order to cut the costs of the justice system whilst bringing forward radical, reforming proposals which will punish and rehabilitate offenders more effectively and ensure that those in most need of legal assistance have the support they need.

Ministry of Justice

	£ billion				
	2010-11	2011-12	2012-13	2013-14	2014-15
Fiscal Resource DEL	8.3	8.1	7.7	7.4	7.0
Capital DEL	0.6	0.4	0.3	0.3	0.3
Total DEL	**8.9**	**8.6**	**8.0**	**7.6**	**7.3**

1 In this table, Resource DEL excludes depreciation

The Ministry of Justice is beginning a programme of radical change. By 2015 we will have fundamentally reformed the way in which we provide justice. That work has already begun and in the coming months we will:

- Launch a consultation on proposals to reform the Legal Aid system
- Publish a Green Paper on Sentencing and Rehabilitation
- Announce the outcome of the consultation on the closure of 157 under-utilised courts
- Increase our transparency by publishing data on our performance and spending

The Department will manage its reductions by undertaking a challenging reform programme; transforming the department so it is more efficient and generates significant savings in order to allow resources to be focussed on key priorities, by:

- Saving £1bn from administration and frontline efficiency, including a one third reduction in administration – our largest single saving
- The Courts and Tribunals system will be brought together in a single agency to ensure justice is delivered efficiently
- We are reducing our central London estate from eighteen buildings to four, saving £40 million
- We will reduce and reorganise our arm's length bodies to ensure services are being provided in the most efficient way
- A shared services model will be rolled out across the whole department making use of existing assets, capability and best practice
- We will reduce spending on courts and legal aid by developing and increasing awareness of access to alternative ways to resolve disputes

- Plans for a 1,500 place new-for-old prison will be deferred to the next SR period, while we develop a sustainable and cost effective prison capacity strategy. Spending on new IT and court projects will be limited to essential capacity.

By taking these tough decisions we will be able to punish and rehabilitate offenders more effectively, focus access to justice on those who need it most while cutting the costs of the justice system:

- We will continue to lock up dangerous and serious offenders
- We will reform sentencing to rehabilitate offenders more effectively. The reforms will stabilise the prison population and then start to reduce it by 2014-15. We expect that by the end of the SR period the number of prisoners will be around 3,000 lower than it is today
- We will increase the use of restorative justice and tough community penalties
- We will harness private sector expertise and innovation to make prisons places of hard work and purposeful training
- We will pay by results and use private sector investment as well as the voluntary and public sector experience to reduce re-offending
- The Government will take forward proposals to invest in mental health liaison and diversion services at police stations and courts, to divert mentally ill offenders and drug addicts into treatment
- We will consult on how to channel legal aid and related spend to the cases that most require it, saving £350m, subject to the outcome of consultation.
- Capital funding will be focused on maintaining the prison estate and funding essential new capacity and key invest to save projects.

The Ministry of Justice is also taking forward ideas suggested under the Spending Challenge, including reforms to:

- Develop proposals to align Magistrates' expenses with other judicial office holders; and
- Outline plans for changes to court business hours, including weekend and evening sessions, in the forthcoming Magistrates Courts Business Strategy. This will improve access to justice and make greater use of the Court estate.

Lord Chancellor and Secretary of State for Justice Kenneth Clarke said:

> *"We need to create a justice system that punishes the guilty, reduces re-offending, protects our liberties, and helps those most in need. Over the period of this spending settlement the Ministry of Justice will be transformed into a lean, transparent, and affordable department."*

Notes for Editors

For media enquiries relating specifically to the Ministry of Justice's settlement contact the Press Office News Desk on 020 3334 3536.

Media enquiries relating to overall Spending Review should be directed to the Treasury Press Office on 020 7270 5238

Law Officers' Departments

Over the course of the Spending Review period, the Attorney General's Office and Law Officers' Departments will reduce overall resource spending by 24% in real terms, with a 46% reduction in capital spending. The Departments' Administration budget will be reduced by 33%

Law Officers' Departments

	£ billion				
	2010-11	2011-12	2012-13	2013-14	2014-15
Resource DEL[1]	0.7	0.6	0.6	0.6	0.6
Capital DEL	0.0	0.0	0.0	0.0	0.0
Total DEL	**0.7**	**0.7**	**0.6**	**0.6**	**0.6**

1 In this table, Resource DEL excludes depreciation

This settlement covers the Attorney General's Office and the other Law Officers' Departments: The Crown Prosecution Service (CPS); Serious Fraud Office (SFO); and the Treasury Solicitors Department (TSol), including funding for Her Majesty's Crown Prosecution Service Inspectorate and the National Fraud Authority (NFA). It funds departments to continue core work but at significantly reduced cost.

The three main departments (CPS, SFO and TSol) will all deliver resource savings of 25% in real terms by 2014/15. The department will make these reductions through the following actions:

- The CPS will radically reduce its cost base while maintaining and strengthening its capability to protect the public by robust and effective prosecutions. The CPS accounts for 90% of the Law Officers' Departments budget

- The cost of CPS headquarters will reduce significantly with all functions exceeding benchmarks for corporate service delivery.

- There will be more devolution and management lines will be streamlined so local prosecutors are empowered to respond to local concerns and consistently deliver Core Quality Standards.

- The LODs will also work with the Home Office and Ministry of Justice to deliver wider reforms such as more efficient use of the courts.

The costs of the NFA did not form part of the Law Officers' Departments' baseline funding. Funding for the NFA has been ring-fenced for the Spending Review period and this additional funding reduces the resource savings to be achieved to 24% by 2014-15.

Attorney General Dominic Grieve QC MP said:

"In order to play our part in cutting the deficit, the Law Officers' Departments will reduce resource budgets by 24% over the next four years. This is a daunting challenge, but it is also an opportunity to fundamentally rethink our processes and organisational arrangements - modernising and streamlining them to radically reduce the cost of bringing cases to court."

"I am confident from what I have seen of the excellent work within my departments that we can meet this challenge and I will be working with all interested parties to make it happen."

Notes for Editors

Enquiries relating specifically to the Attorney General's Office should be directed to their press office on 020 7271 2484/2465/2440

Media enquiries relating to the overall Spending Review should be directed to the Treasury Press office on 0207 270 5238

The Ministry of Defence

Over the course of the Spending Review period, the Ministry of Defence (MOD) will reduce resource spending by 8% in real terms, and reduce capital spending by 8% in real terms. The Department's administration costs will also be reduced by 33%. The Department will make at least £4.3 billion of non-frontline savings, of which around £3 billion is planned from efficiency programmes, over the Spending Review period.

Ministry of Defence

	£ billion				
	2010-11	2011-12	2012-13	2013-14	2014-15
Resource DEL[1]	24.3	24.9	25.2	24.9	24.7
Capital DEL	8.6	8.9	9.1	9.2	8.7
Total DEL	**32.9**	**33.8**	**34.4**	**34.1**	**33.5**

1 In this table, Resource DEL excludes depreciation

The Department will manage these reductions by:

- reducing or deleting older or non-essential capabilities such as Harrier jets, Nimrod MRA4 maritime patrol aircraft and four Frigates;
- reductions of around 17,000 Service and 25,000 civilian personnel as set out in the SDSR;
- rationalising the defence estate including the sale of surplus land and buildings, likely to generate running cost savings across the estate of up to £350 million per year by 2014-15;
- selling telecommunications spectrum and corporate assets (including the Defence Support Group and the Marchwood Sea Mounting Centre), likely to raise in excess of £500 million over the Spending Review period;
- efficiencies and improvements in military training, including the use of estate for training and supporting infrastructure;
- savings from contract re-negotiations with the Defence industry;
- annual savings of over £300 million per year by 2014-15 from civilian and military allowances;
- reductions in commodity spend;
- implementing the successor deterrent Value for Money review.

In addition to the above, the Department will be adopting the following ideas, suggested through the Spending Challenge process:

- civilianise Army Non-Regular Permanent Staff posts (NRPS) that do not need to be filled by military personnel freeing up servicemen and women from frontline roles.

- saving electricity from reducing unnecessary lighting across the Defence Estate

The Department will also deliver the capability priorities as agreed in the SDSR:

- new helicopters, strategic airlift, new armoured vehicles, and enhanced Special Forces capabilities;
- fleets of new hunter-killer submarines and multi-role destroyers;
- two new Queen Elizabeth class aircraft carriers;
- new fifth generation Joint Strike Fighters to complement the already world-beating Typhoon; and
- a contribution to a cross-government programme to meet increasing cyber threats.

Defence Secretary Dr Liam Fox said:

> "*The SDSR has reshaped our Armed Forces to tackle future and emerging threats. We now also know how much money we will have to carry out the vital job of protecting Britain's national security. This will enable us to bring defence policy, plans, commitments and resources into balance so that we can emerge with a coherent and affordable defence programme for the future.*"

Notes for Editors:

Enquiries relating specifically to the Ministry of Defence settlement should be addressed to Beth Cowley, MOD Press Office on 0207 218 3255.

Media enquiries relating to overall Spending Review should be directed to the Treasury Press office on 0207 270 5238.

The Foreign and Commonwealth Office

Over the course of the Spending Review period the FCO will see a 24% real terms reduction in the resource budget, and a 55% real terms reduction in capital spending. The Department's Administration budget will be reduced by 33%.

The settlement provides for an increase in the FCO's Overseas Development Assistance (ODA) spending to help meet the Government's commitment to dedicating 0.7% of Gross National Income to ODA by 2013 - the FCO's contribution to UK ODA spending will increase from around 2% in 2010/11 to around 2.4% in 2011/12.

The settlement also continues to provide grants to both the World Service and the British Council, though at a reduced level. From 2014-15 the BBC World Service will be funded by the BBC, but the Foreign Secretary will retain his veto over any decisions to cut language services.

Once the additional resources from the BBC are taken into account the rest of the FCO budget will only fall by 10% over the period.

Foreign and Commonwealth Office

	£ billion				
	2010-11	2011-12	2012-13	2013-14	2014-15
Resource DEL[1]	1.4	1.5	1.5	1.4	1.2
Capital DEL	0.2	0.1	0.1	0.1	0.1
Total DEL	**1.6**	**1.6**	**1.6**	**1.5**	**1.3**

1 In this table, Resource DEL excludes depreciation

The FCO will manage these reductions by:

- Continuing to simplify, standardise and streamline support and corporate functions to reduce the burden on front line activities. This includes cutting the cost of management and support work through increased outsourcing, an increase in the tasks carried out by local staff, and a consolidation of financial, human resources, procurement and other activities regionally or within the UK;

- Reducing the costs of our overseas estate and looking for opportunities to reduce our estate in London. This includes looking to co-locate and rationalise the Government's different operations overseas, for example moving into single premises in countries where the FCO, DfID and other government bodies are in separate buildings;

- Looking for savings through improved procurement practice including, where appropriate, co-procuring with other Departments and greater use of central framework contracts; and,

- Reviewing the FCO's global and programme expenditure to ensure it is in line with the Foreign Secretary's three priorities of safeguarding Britain's national security, Building Britain's prosperity and Supporting British nationals around the world.

The Department is looking to rationalise different overseas functions including functions such as HR, IT, finance, transactions, and procurement with other Departments. This idea was suggested through the Governments Spending Challenge process. We will also look at other common ways of operating, including terms and conditions of service for local staff.

These reductions come after a 10% reduction in real terms spending power over recent years caused by the abolition of the overseas price mechanism (OPM) under the previous Government. To give the FCO the budgetary certainty that it needs to operate and plan effectively the settlement provides for a new foreign currency mechanism (FCM) to better manage exchange rate risk. Under this system, the Foreign Office will be compensated for falls in the pound, but will have to return money to the Treasury when the pound rises, giving the Foreign Office certainty over the value of its budget.

A proportion of FCO spending contributes to the government's Overseas Development Assistance (ODA) objectives. ODA spending includes resources to support fragile states, to prevent conflict and to promote stability in critical regions. All FCO ODA work will meet the international OECD criteria and be properly reviewed.

Foreign Secretary William Hague said:

"Reducing the huge deficit left by the last government is essential to getting Britain back to recovery. This settlement ensures the Foreign Office will play its part, while also maintaining our global reach and forging a distinctive British approach to foreign policy. The FCO's global network is key to building our prosperity and to strengthening our security, as set out in the National Security Strategy earlier this week.

"The settlement also overturns the last government's disastrous decision to end exchange rate protection for the Foreign Office budget. That change led to a 10% fall in FCO spending, with our foreign policy determined by exchange rate fluctuations, not a serious assessment of Britain's place in the world.

"The BBC World Service and British Council are and will remain fundamentally important parts of Britain's presence in the world. The transfer of BBC World Service funding to the Licence Fee in 2014-15 will enhance and safeguard the World Service's vital role, allowing the BBC as a whole maximum scope to exploit efficiencies while also maintaining clear safeguards for BBC World Service funding and impartiality."

Notes for Editors

Enquiries relating specifically to the Foreign and Commonwealth Office settlement should be addressed to the FCO press office on 0207 008 3100

Media enquiries relating to overall Spending Review should be directed to the Treasury Press office on 0207 270 5238

The Department for International Development

This Spending Review meets the government's commitment to spend 0.7% of Gross National Income (GNI) on Official Development Assistance (ODA) from 2013. This is in line with the UK's international commitments to help those living in extreme poverty in our world. The aid budget will maintain its share of GNI for 2011 and 2012, and then increase to meet the 0.7% target from 2013.

Over the course of the Spending Review period, the Department for International Development will increase resource spending by 35% in real terms, and increase capital spending by 20% in real terms. The Department's Administration budget will be reduced by 33%.

Department for International Development (DFID)

	£ billion				
	2010-11	2011-12	2012-13	2013-14	2014-15
Resource DEL[1]	6.3	6.7	7.2	9.4	9.4
Capital DEL	1.6	1.4	1.6	1.9	2.0
TOTAL DEL	**7.8**	**8.1**	**8.8**	**11.3**	**11.5**

1 In this table, Resource DEL excludes depreciation. Also Includes tri-departmental conflict pool settlement (DFID, FCO, MOD)

UK ODA

	£ billion				
	2010	2011	2012	2013	2014
Total UK ODA*	**8.4**	**8.7**	**9.1**	**12.0**	**12.6**
ODA/GNI (%)	0.56%	0.56%	0.56%	0.70%	0.70%

***ODA projections include spending by other government departments, debt relief and CDC investments, in line with OECD guidelines. ODA and the ODA/GNI ratio is reported to the OECD in calendar years.*

Development spending represents value for money in tackling global issues such as disease, migration, conflict and climate change and promoting economic stability and global prosperity. It is not only the right thing to do but also in the UK's national interest.

With this increase in funds, DFID is changing the way it delivers, to achieve maximum impact:

- A new Independent Commission for Aid Impact will assess all ODA spending to ensure best value for money and effectiveness.
- DFID is becoming a leaner organisation, by significantly reducing back-office costs. Running costs will account for only 2% of total spending by 2015, compared to a global donor average of 4%. However, funding to deliver aid on the front-line will increase – to ensure DFID has sufficient flexibility to manage resources effectively.

- DFID will redirect money from low-priority projects to programmes combating poverty. For example, DFID will phase out the low-value, UK focussed, Development Awareness Fund.
- In order to focus aid where it is needed most, DFID will end bilateral aid to China and Russia.

The Department's increase in spend will:

- Honour international aid commitments to support the Millennium Development Goals. For example, DFID will aim to halve malaria-related deaths in ten of the worst affected countries by 2014-15.
- Deliver improvements in child and maternal health – the Goals which are currently the furthest off-track. UK aid will save the lives of at least 50,000 women in pregnancy and childbirth, and save 250,000 newborn babies.
- Make British international development policy more effective in boosting economic growth and wealth creation – vital when growth in average incomes accounts for about 80% of absolute poverty reduction in the long term.
- Improve the impact of British development in conflict countries, including through more integrated working across Government, and with a particular focus on Afghanistan and Pakistan. In line with the Strategic Defence and Security Review, spending to support fragile states and conflict affected states will increase from 22% to 30% of ODA by 2014/15.
- Drive urgent action to tackle climate change by supporting low carbon growth and adaptation in developing countries. International Climate Finance will be £2.9 billon across Government over the Spending Review period.

In addition, the Department for International Development will be adopting ideas suggested through the Spending Challenge process to improve efficiency across Whitehall. These include selling surplus Government equipment through an online e-auction site, and working with the Efficiency and Reform Group to cut costs by centralising the Department's procurement of commonly used goods and services.

Secretary of State for International Development, Andrew Mitchell, said:

> *"The coalition government is motivated by a shared determination to erode the terrible inequalities of opportunity that we see around the world today. We are not prepared to stand by as a billion or more people eke out an existence on less than a dollar a day or as women and children die needlessly in their thousands. We are proud of the fact that we are keeping our promise to spend 0.7% of GNI on aid. However, in the current financial climate, we have a particular duty to show that we are achieving value for money. Results, transparency and accountability will be our watchwords and will define everything we do."*

Notes for Editors:

1. Current cross-Government spending on Official Development Assistance stands at 0.52% of GNI (2009). Several Government departments will continue to deliver the ODA budget, with DFID maintaining the majority of aid spending.

2. Enquiries relating specifically to the Department for International Development's settlement should be addressed to the DFID press office on 0207 023 0600

3. Media enquiries relating to overall Spending Review should be directed to the Treasury Press office on 0207 270 5238

The Department for Environment, Food and Rural Affairs

Over the course of the Spending Review period, the Department for Environment, Food and Rural Affairs will reduce resource spending by 29% and capital spending by 34%. The Department's Administration budget will be reduced by 33%.

Department for Environment, Food and Rural Affairs

	£ billion				
	2010-11	2011-12	2012-13	2013-14	2014-15
Resource DEL[1]	2.3	2.2	2.1	2.0	1.8
Capital DEL	0.6	0.4	0.4	0.4	0.4
Total DEL	**2.9**	**2.6**	**2.5**	**2.3**	**2.2**

1 In this table, Resource DEL excludes depreciation

DEFRA will reprioritise its spending, focusing tax payer's money on British farming and food production; enhancing the environment and biodiversity; and supporting a green economy resilient to climate change.

The Department will manage its reductions by:

- Maximising the use of matched European funding for the Rural Development Programme for England, enabling a £66 million reduction in domestic contributions. This will allow environmental stewardship schemes to remain open to all farmers. DEFRA will also prioritise schemes that will be most beneficial to the environment, increasing the Higher Level Stewardship Scheme by 80%.

- An expected 15% efficiency saving will be made in the procurement strategy for flood and coastal defences. Savings achieved from this will be reinvested into safeguarding and enhancing protection for people and properties. It is estimated that by March 2015, better levels of protection can be expected for 145,000 households in England.

- Making more efficient use of resources for animal welfare and disease prevention and control, by taking forward proposals to involve the industry in sharing the responsibility and cost of disease control.

- Abolishing British Waterways as a public corporation in England and Wales; a new waterways charity will be created.

- Funding will be stopped for 7 waste PFI projects, saving £3 million by 2014-15 and more in the longer term.

Reducing waste and bureaucracy:

- Reducing the number of quangos DEFRA funds from 92 to 39.

- Reducing red tape and unnecessary burdens on farmers and food producers, without compromising standards. The task force on Farming Regulation will report by early 2011.

Making efficiencies

- Reducing administration costs by £174 million through reductions in staff numbers, more efficient IT and procurement practices; increased use of shared services across Government; reducing the size and cost of DEFRA's corporate estate.

In addition to the above, the Department will be adopting the following idea, suggested through the Spending Challenge process:

- Reforming the Environment Agency's staff lease car scheme – saving up to £3 million per year.

Environment Secretary Caroline Spelman said:

"Our strategic aim is to deliver on the Prime Minister's pledge that the Coalition will be the greenest Government ever, whilst playing our part in tackling the economic deficit that we have inherited.

"This settlement reflects the need to make significant savings alongside meeting the priorities we have set and maintaining important frontline services in respect of flood defences, environmental protection and animal health monitoring."

Notes for Editors

1. The DEFRA settlement covers the core Department, Defra's NDPBs, Public Corporations, and the Forestry Commission in England.

2. Enquiries relating specifically to DEFRA's settlement should be addressed to the DEFRA press office on 0207 238 5599, 0207 238 6146, or 0207 238 6389. For out of hours enquiries please call the Defra duty room on 0207 270 8960.

3. Media enquiries relating to overall Spending Review should be directed to the Treasury Press office on 0207 270 5238.

The Department for Culture, Media and Sport

Over the course of the Spending Review period, the Department for Culture, Media and Sport will reduce overall resource spending by 24%. The core DCMS capital budget will reduce by 32%. The total administration budget for the Department and its arm's length bodies will be reduced by 41%.

Department for Culture, Media and Sport

	£ billion				
	2010-11	2011-12	2012-13	2013-14	2014-15
Resource DEL[1]	1.4	1.4	1.3	1.2	1.1
Capital DEL	0.2	0.2	0.2	0.1	0.1
Total DEL	**1.5**	**1.6**	**1.5**	**1.3**	**1.3**

1 In this table, Resource DEL excludes depreciation

Olympics

	£ billion				
	2010-11	2011-12	2012-13	2013-14	2014-15
Resource DEL[1]	-	0.1	0.6	0.0	-
Capital DEL	1.0	1.1	0.2	0.0	-0.1
Total DEL	**1.0**	**1.2**	**0.8**	**0.0**	**-0.1**

1 In this table, Resource DEL excludes depreciation

This settlement:

- Protects the core cultural offer by making significant administrative savings across the Department and its arm's length bodies – 41% reduction overall, and core department and Arts Council admin cut by 50%

- Maintains the planned Olympic budget to enable DCMS to deliver a safe and successful Olympic and Paralympic Games in 2012.

- Contributes to economic growth – securing investment of £530 million over the spending review period (including £300m from the TV licence fee) to boost the UK's broadband infrastructure.

- Focuses resources on frontline services that the public value – limiting cuts to museums, grant-funded arts organisations and Whole Sport plans to only 15 per cent, and retaining the much-valued free admission to our national museums and galleries.

- Provides funding for Tate Modern, British Museum and British Library (Boston Spa) capital projects.

This means making some significant savings to other areas of spend, including:

- Overall budget cuts to Sport England (around 30pc), UK Sport (around 30pc), and more than 30 per cent reductions to both English Heritage and Visit Britain.
- Cutting funding to Welsh language broadcaster S4C by 24 per cent, and to the British Film Institute by 15 per cent.
- 19 of DCMS' 55 public bodies will be abolish or reformed. Includes the abolition of the UK Film Council and Museums, Libraries and Archives Council.

In addition the Government has agreed with the BBC that the TV licence fee will fund BBC World Service, BBC Monitoring, and S4C saving the Exchequer £340m from 2014-15. BBC and HMG also agreed that the TV licence fee will be frozen until 2016-17.

Through this, the Department are adopting ideas suggested through the Spending Challenge process, including:

- Eliminating unnecessary bureaucracy in favour of supporting the front line, including through cutting and reforming many of our public bodies, and making significant cuts in the administration budgets of those that remain; and
- Exploring other suggestions including measures to encourage greater philanthropy.

Secretary of State for Culture, Olympics, Media and Sport Jeremy Hunt, said:

"To deal with an unprecedented financial deficit we have been forced to make some incredibly difficult decisions. But, in the current economic climate, this is a good settlement for DCMS's sectors. We will deliver a safe and successful Olympics in 2012 when the eyes of the whole world will be upon us. And by cutting bureaucracy and waste and prioritising the services valued by the public we will be able to protect our sporting and cultural core for the long term."

Notes for Editors

Media enquiries relating to overall Spending Review and departmental settlements should be directed to the Treasury Press office on 0207 270 5238.

Enquiries relating specifically to the Department for Culture, Media and Sport's programmes and how they operate should be addressed to the Department for Culture, Media and Sport press office on 020 7211 2210.

The Department of Energy and Climate Change

Over the course of the Spending Review period, the Department of Energy and Climate Change will reduce resource spending by 18% in real terms, and increase capital spending by 41% in real terms. The Department's Administration budget will be reduced by 33%.

Department of Energy and Climate Change

	£ billion				
	2010-11	2011-12	2012-13	2013-14	2014-15
Resource DEL[1]	1.2	1.5	1.4	1.3	1.0
Capital DEL	1.7	1.5	2.0	2.2	2.7
Total DEL	**2.9**	**3.0**	**3.4**	**3.5**	**3.7**

1 In this table, Resource DEL excludes depreciation

DECC's settlement is in the context of an increase in environment spending across Government by 21%[1]. The Spending Review ensures that the UK can meet its environmental goals, including the 2020 targets for a 34% reduction in greenhouse gas emissions and for 15% of energy to be from renewable sources, while improving efficiency, supporting growth and facilitating a private sector led transition to a green economy.

- Up to £1 billion of investment to create one of the world's first commercial-scale carbon capture and storage demonstration plants – strengthening the UK's position as a world leader in cleaner fossil fuel technology.

- £860 million funding for the Renewable Heat Incentive which will be introduced from 2011-12. This will drive a more-than-tenfold increase of renewable heat over the coming decade, shifting renewable heat from a fringe industry firmly into the mainstream. The Government will not be taking forward the previous administration's plans of funding this scheme through an overly complex Renewable Heat levy.

- 200 million for low-carbon technologies including offshore wind technology and manufacturing infrastructure at port sites.

The Department will also refocus its spending:

[1] Environment spending defined as DECC RDEL & CDEL excluding spending on energy legacy (Nuclear Decommissioning Authority, British Energy liabilities, Coal Authority and Concessionary Fuel programme), DECC AME spend on the Renewable Heat Incentive, Defra RDEL & CDEL, spending via Renewables Obligation and Feed-in Tariffs.

- DECC will fund a smaller, targeted Warm Front programme for the next two years with a budget of £110 million in 11/12 and £100 million in 12/13. From 2013, support for heating and insulation for the most vulnerable will be delivered through the Green Deal for energy efficiency and a new obligation on energy companies. At the same time, from April 2011, energy suppliers will provide greater help with the financial costs of energy bills to more of the most vulnerable fuel poor households, through Social Price Support – with total support of £250 million in 11/12 rising to £310 million in 14/15.

- To ensure the available resources are focused most effectively in tackling the problems underlying fuel poverty, the Government intends to initiate an independent review of the fuel poverty target and definition before the end of the year.

- Revenue raised from the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme will be used to support the public finances (including spending on the environment), rather than recycled to participants.

- Feed-In Tariffs will be refocused on the most cost-effective technologies saving £40 million in 2014-15. The changes will be implemented at the first scheduled review of tariffs unless higher than expected deployment requires an early review.

- The Nuclear Decommissioning Authority (NDA) will continue to improve efficiency in order to increase investment in decommissioning the highest hazards across its estate. Capital funding for the NDA will increase over the Spending Review Period.

- The Government will review the work delivered at arm's length by bodies such as the Carbon Trust, Energy Saving Trust, the Coal Authority and the delivery arm of Ofgem.

DECC will also make savings in its programme spend, including not providing Government funding for the National Nuclear Centre of Excellence, and refocusing contributions to international institutions. Administration costs will be reduced by 33% through increased use of shared services across Government, a refocusing on critical workstreams and further reductions to travel, accommodation and IT expenditure.

In addition to the above, the Department will be adopting the following idea, suggested through the Spending Challenge process:

> DECC will issue guidance to re-emphasise best practice on heating, cooling and lighting Government buildings. This guidance will encourage departments to reduce waste on energy costs, helping to reduce the Government's £95 million annual energy bill, whilst saving carbon emissions at the same time.

Energy and Climate Change Secretary Chris Huhne said:

> *"DECC is playing its part in tackling the deficit. Like the rest of the public sector we have taken some tough decisions, but we remain on course to deliver on our promise to be the greenest government ever. We will help create green jobs and green growth – and secure the low carbon investment we need to keep the lights on."*

Notes for Editors

Enquiries relating specifically to the Department of Energy and Climate Change's settlement should be addressed to the Department's press office on 0300 068 5222

Media enquiries relating to overall Spending Review should be directed to the Treasury Press office on 0207 270 5238

The Department for Work and Pensions

Over the course of the Spending Review period, The Department for Work and Pensions will increase resource spending by 2% in real terms, with a 6% real terms reduction in capital spending. The Department's Administration budget will be reduced by 35%.

Department for Work and Pensions

	£ billion				
	2010-11	2011-12	2012-13	2013-14	2014-15
Resource DEL[1]	6.8	7.6	7.4	7.4	7.6
Capital DEL	0.2	0.2	0.3	0.4	0.2
Total DEL	**7.0**	**7.8**	**7.7**	**7.8**	**7.8**
Departmental AME	**151.6**	**155.6**	**158.2**	**159.1**	**163.7**

1 In this table, Resource DEL excludes depreciation

Reform of the working age benefit system will deliver annual net savings of £6.5 billion by 2014-15, creating a fairer, simpler and more affordable welfare system. A new Universal Credit will be phased in over the next two Parliaments, replacing the current complex system of means-tested working age benefits with a single tapered payment that ensures work always pays. For further details see the press release on welfare reform.

While DWP's settlement provides substantial additional resources to fund these welfare reforms, its core budget will be reduced by 26 per cent in real terms by 2014-15, including by:

- Cutting corporate overheads by 40 per cent in real terms by 2014-15, through centralisation of support services and rationalisation of strategy and policy functions;
- Reducing the costs of benefits processing by 27 per cent in real terms by 2014-15 by shifting from paper to digital based services. Information will be shared more efficiently within and between departments, reducing fraud and error and saving time and money for both government and customers. For example, the 'Tell Us Once' project will ensure customers only have to report a birth or bereavement to one government agency;
- Replacing wasteful and ineffective welfare-to-work programmes with the new Work Programme, which will drive higher performance by paying private and third sector specialists on the basis of the additional benefit savings they secure;

Building on the ideas proposed by public servants and the wider public through the Spending Challenge process, DWP will also:

- stop issuing National Insurance cards to customers and send letters instead, saving the tax payer £1m per year;

- stop issuing a remittance advice with each weekly payment of a back to work credit or training premium, saving up to £3 million per year; and
- changing how Jobcentre Plus measures performance, cancelling at least two target management contracts, saving at least £1.2m per year;

Alongside the new Work Programme, this settlement funds Jobcentre Plus to maintain its twin regime of support and conditionality for jobseekers, which is internationally recognised as a model of best practice in getting people back to work.

The DWP settlement funds the introduction of auto-enrolment from 2012 and the establishment of the National Employment Savings Trust (NEST), to help individuals save for the retirement and encourage high-quality pension provision by employers.

Secretary of State for Work and Pensions Iain Duncan Smith said:

"This settlement allows the Department to undertake the vital reform of the welfare system that the country needs. A welfare system that does not trap people into an endless cycle of benefits but instead helps them into work that pays, alongside a pension system that is fair and sustainable for the long term."

Notes for Editors

Enquiries relating specifically to the Department for Work and Pensions settlement should be addressed to the Department for Work and Pensions press office on 0203 267 5110

Media enquiries relating to overall Spending Review should be directed to the Treasury Press office on 0207 270 5238

Scotland

Over the course of the Spending Review period the Scottish Government will reduce resource spending by 7% in real terms, and capital spending by 38% in real terms. It will be up to the Scottish Government to decide how to manage these reductions reflecting its own policies and priorities including its own programmes of greater efficiency and public sector reform.

The settlement has been determined through the Barnett formula in the normal way. The Barnett formula provides the devolved administrations with a population based share of comparable changes in the provision to UK departments.

The Scotland Office's resource budget will be cut by 25 per cent. The Department will also commence a programme of work to develop shared services with the Northern Ireland Office and Wales Office.

Scotland

	£ billion				
	2010-11	2011-12	2012-13	2013-14	2014-15
–					
Resource DEL[1]	24.8	24.8	25.1	25.3	25.4
Capital DEL	3.4	2.5	2.5	2.2	2.3
Total DEL	28.2	27.3	27.6	27.5	27.7

1 In this table, Resource DEL excludes depreciation

Like other areas of the UK, Scotland is bearing a share of the cuts that have to be made in order to reduce the record Budget deficit that the Coalition Government inherited. However, the reduction in the Scottish Government's budget is smaller than most UK Government departments and public spending per head is higher than any other part of England outside of London, reflecting historic levels of spending provision.

Scotland will benefit from the following decisions made by the Government:

- The Government's commitment to protect health spending in England which, through the Barnett formula, will have significant funding benefits for the Scottish Government.

- At least an additional £250 million through the Green Investment Bank for investment in green infrastructure in Scotland, subject to the Scottish Government agreeing to the drawdown of the Fossil Fuel Levy Surplus for spending on renewables. Together with the Renewable Heat Incentive, this should mean funding for renewables in Scotland of at least £500 million.

- The Government will introduce reforms to improve Scotland's financial accountability following the Calman Commission on Scottish Devolution.
- The Government's welfare package will benefit Scotland including through helping people in Scotland into work.
- A £5.2bn project for two new Queen Elizabeth class aircraft carriers will continue to be funded by MOD. This will benefit 7000 employees at shipyards on the Clyde and Rosyth.
- The astute submarines programme will continue. Seven submarines will be based at HM Naval Base Clyde as they enter service over the next decade.

Secretary of State for Scotland, Michael Moore, said:

> *"Good government means taking responsibility and making the right choices for our country, however difficult they may be. Scotland will play its part in helping reduce the huge deficit we inherited from the last Government. Compared to reductions in the budgets of other government departments, this is a sensible settlement for Scotland as we get to grips with the challenges we face. I also welcome the announcements made on the fossil fuel levy which is important for Scotland's future investment in renewables."*

Notes for Editors

Enquiries relating specifically to the Scotland settlement should be addressed to the Scotland Office press office on 07917 084371.

Media enquiries relating to overall Spending Review should be directed to the Treasury Press office on 0207 270 5238

Wales

Over the course of the Spending Review period, the Welsh Assembly Government will reduce resource spending by 7% in real terms, and capital spending by 41% in real terms. It will be for the Welsh Assembly Government to decide how to manage these reductions reflecting its own policies and priorities including its own programmes of greater efficiency and public sector reform.

The settlement has been determined through the Barnett formula in the normal way. The Barnett formula provides the devolved administrations with a population based share of comparable changes in the provision to UK departments.

The Wales Office's resource budget is being cut by 25 per cent. The Department will also commence a programme of work to develop shared services with the Scotland Office and Northern Ireland Office.

Wales

	£ billion				
	2010-11	2011-12	2012-13	2013-14	2014-15
-					
Resource DEL[1]	13.3	13.3	13.3	13.5	13.5
Capital DEL	1.7	1.3	1.2	1.1	1.1
Total DEL	15.0	14.5	14.5	14.5	14.6

1 In this table, Resource DEL excludes depreciation

Like other areas of the UK, Wales is playing its part in bearing a share of the cuts that have to be made in order to reduce the record Budget deficit that the Coalition Government inherited. However, the reduction in the Welsh Assembly Government's budget is smaller than most UK Government departments and public spending per head is higher than any region in England except London.

Wales will benefit from the following decisions made by the Government:

- The Government's commitment to protect the health budget in England which will have significant funding benefits for the Welsh Assembly Government.
- The Government's welfare package will help people in Wales into work.
- Wales will potentially benefit from the Green Investment Bank and from the Renewable Heat Incentive Scheme.
- Investment in the M4/M5 interchange will reduce journey times to and from Wales
- RAF base Valley on Anglesey will remain in service.

- Journey time and capacity benefits to Wales are expected under options for replacement of the intercity rail fleet.

- Funding for a package of rail capacity improvements on the Barry to Cardiff corridor.

- The £13bn PFI contract for the Future strategic Tanker Aircraft programme will continue. This includes Airbus UK in Broughton, Wales where the wings will be manufactured.

Secretary of State for Wales, Cheryl Gillan:

> *"No part of the UK can be immune from our share of the cuts made necessary by the deficit we inherited from the last Government, but this is a fair funding settlement for Wales. The Welsh Assembly Government is facing smaller cuts than most UK Government departments but, like everywhere else, tough decisions will have to be faced in Cardiff Bay. In the continued spirit of respect and partnership between our governments, I am committed to working the First Minister and Deputy First Minister to try to protect frontline services in Wales. I also welcome the reserved infrastructure projects announcement which will help support the Welsh economy and will be important for Wales's future growth."*

Notes for Editors

Enquiries relating specifically to the Wales settlement should be addressed to the Wales Office press office on 020 7270 0565

Media enquiries relating to overall Spending Review should be directed to the Treasury Press office on 0207 270 5238

Northern Ireland

Over the course of the Spending Review period, the Northern Ireland Executive will reduce resource spending by 7% in real terms, and capital spending by 37% in real terms. The Government is confident, however, that Northern Ireland is still on course to invest £18bn by 2017-18 as set out in its Investment Strategy.

It will be for the Northern Ireland Executive to decide how to manage these reductions reflecting its own policies and priorities including its own programmes of greater efficiency and public sector reform.

The Northern Ireland Executive's settlement has been determined by the Barnett formula in the normal way. The Barnett formula provides the devolved administrations with a population based share of comparable changes in the provision to UK departments.

Northern Ireland

	£ billion				
	2010-11	2011-12	2012-13	2013-14	2014-15
Resource DEL[1]	9.3	9.4	9.4	9.5	9.5
Capital DEL	1.2	0.9	0.9	0.8	0.8
Total DEL	10.5	10.3	10.3	10.3	10.3

1 In this table, Resource DEL excludes depreciation

The Northern Ireland Office's resource budget will be cut by 25 per cent. The Department will also commence a programme of work to develop shared services with the Scotland Office and Wales Office.

Like all parts of the UK, Northern Ireland is playing its part in bearing a share of the cuts that have to be made in order to reduce the record Budget deficit that the Coalition Government inherited. However, the reduction in the Northern Ireland Executive's budget is smaller than most UK Government departments and public spending per head remains higher than any other part of the UK, reflecting historic levels of spending provision.

Northern Ireland will benefit from the following decisions made by the Government:

- The Government's commitment to protect the health Budget in England which, through the Barnett formula, will have significant funding benefits for the Northern Ireland Executive.

- The Government's welfare package, which will help people in Northern Ireland into work.

- The Government will lend the Northern Ireland Executive £200 million a year to finance capital investment projects though the Reinvestment and Reform Initiative facility.
- The Government is committed to delivering political stability including through ensuring policing and justice are well resourced. While these are now devolved functions, the Government is committed to the £800 million package agreed by the previous Government and provided £12.9 million on top of that earlier this year.
- As requested by the Northern Ireland Executive, the Government will provide funding for a £175 million loan, and £25 million to help finance an Access Fund, in order to ensure a just and fair solution for the Presbyterian Mutual Society investors.
- Later this year the Government, as announced in the budget, will publish a consultation paper on rebalancing the Northern Ireland economy, in consultation with the Northern Ireland Executive.

Secretary of State for Northern Ireland, Owen Paterson said:

> *"The UK is borrowing £270,000 per minute and this is clearly unsustainable. As part of the United Kingdom, Northern Ireland should play its part in tackling the record deficit we inherited from the previous Government. Considering the very difficult economic circumstances we have negotiated a very good settlement for Northern Ireland. Northern Ireland continues to receive the highest level of public spending per head in the UK – 25 per cent above England. I am particularly pleased we have been able to honour our pledge to help secure a fair and just resolution of the PMS. The settlement will enable the Executive to help deliver the Government's deficit reduction plan in a fair and responsible way that protects the vulnerable and those who rely most heavily on public service.*
>
> *"The Coalition Government will also continue to stand by Northern Ireland through our commitment to investment through the RRI and the stage 2 devolution deal on funding for policing and justice.*
>
> *"In short we have fulfilled the Prime Minister's election pledge that Northern Ireland will continue to be funded according to its needs."*

Notes for Editors

Enquiries relating specifically to the Northern Ireland settlement should be addressed to the Northern Ireland Office press office on 028 90 527856.

Media enquiries relating to overall Spending Review should be directed to the Treasury Press office on 0207 270 5238

HM Treasury

Over the course of the Spending Review period, HM Treasury will reduce resource spending by 33% in real terms, and capital spending by 30% in real terms. The Department's administration budget will also be reduced by 33%.

HM Treasury

	£ billion				
	2010-11	2011-12	2012-13	2013-14	2014-15
Resource DEL[1]	0.2	0.2	0.2	0.2	0.1
Capital DEL	0.0	0.1	0.0	0.0	0.0
Total DEL	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**

1 In this table, Resource DEL excludes depreciation

The Treasury will continue to manage the process of deficit reduction and support the economic recovery. It is setting up an Office for Budget Responsibility, and reforming the system of financial regulation.

In order to deliver the reductions yet still manage its core responsibilities, the Treasury is reviewing its wider functions, its structure and its operation, to improve its overall efficiency and continue to provide value for money for the taxpayer. Some of the measures to be taken include:

- Better management and more efficient use of the Treasury estate, to provide the opportunity to sub-let some sections of 1 Horse Guards Road and increase revenue streams;
- The Treasury's headcount will fall, following the outcome of an internal strategic review;
- Delivering a new system to collect public spending data across all Government departments, to support more efficient management of the public finances, and improved transparency in Government reporting; and
- HMT will not be providing any further funding for The Infrastructure Finance Unit, other than to meet its contractual obligations.

The Spending Challenge process provided invaluable input from the public to support the Treasury and other departments of state in their work to deliver the Spending Review. In line with suggestions received, the Treasury itself has worked with the Cabinet Office to standardise business planning within Government, to improve efficiency, transparency and accountability to the public. As a result, information in departmental business plans will be published online so the public can hold the government to account and compare the productivity and impact of departments.

Justine Greening, Economic Secretary to the Treasury said:

"The Government is acting decisively to reduce the structural deficit. As such it is right that the Treasury lead the way. The Treasury will manage this reduced settlement by focusing on its core responsibilities and streamlining its operations, so it has more flexibility to manage and redeploy resources to the things that matter. I am confident therefore that the Treasury will remain a strong and effective economics and finance ministry that we – and the taxpayer – can be proud of."

Notes for Editors

For enquiries relating to the Treasury's settlement, please call the Treasury press office on 020 7270 5238

HM Revenue & Customs

Over the course of the Spending Review period, HM Revenue and Customs (HMRC) will make savings to reduce resource spending by 15% in real terms, and capital spending by 44% in real terms, with £900million of those savings then being recycled into additional work against tax avoidance, evasion and criminal attack. The Department's Administration budget will be reduced by 33%.

HM Revenue and Customs (HMRC) is making these tough decisions now to ensure resources are more effectively focussed on collecting revenue and providing better services for taxpayers.

HM Revenue and Customs

	£ billion				
	2010-11	2011-12	2012-13	2013-14	2014-15
Resource DEL[1]	3.5	3.5	3.4	3.4	3.2
Capital DEL	0.2	0.3	0.1	0.1	0.1
Total DEL	**3.7**	**3.8**	**3.6**	**3.5**	**3.4**

1 In this table, Resource DEL excludes depreciation

The department will manage these reductions by reducing the costs of administering tax, targeting customer services more effectively and collecting the right amount of revenue, including;

- Restructuring HMRC's Enquiry Centre network so that face to face service is provided to those that need it most
- Improving on-line support to reduce the need for manual processing.
- Applying benchmarks to reduce administration costs by 33% by 2014-15.

In addition, the department will be adopting the following ideas, suggested through the Spending Challenge process:

- Replacing National Insurance Number (NINO) cards with letters, saving up to £1million a year.
- Exploring increased use of Magistrates Courts for recovering uncollected debts, freeing up resources.

By taking these very tough decisions the department is able to focus on reducing the tax gap while modernising and improving services for customers, including:

- Investing £900million over the Spending Review period to transform HMRC's work against avoidance, evasion and criminal attack to bring in extra tax revenue of £7billion a year by 2014/15. This includes a more robust criminal deterrent against tax evasion – HMRC will increase the number of criminal prosecutions fivefold – and a crackdown on offshore evasion with the creation of a new dedicated team of investigators to catch those hiding money offshore.

- Initiating a joint HMRC and DWP strategy for fraud and error, setting out that over the Spending Review period HMRC will reduce fraud and error within the tax credit system by £2billion a year by 2014/15.
- Improving capacity and skills in key areas to offer improved services to customers and redesigning education products and processes that cause the most error and rework such as VAT registrations.
- Clearing the backlog of PAYE cases by 2012 and stabilising the PAYE service in order to recover and improve customer service;
- Undertaking the next stage of consultation on improving PAYE through the use of real time information which will bring improvements to employers and taxpayers.

Exchequer Secretary to the Treasury, David Gauke, said:

"*HMRC will play a vital role in reducing the deficit, refocusing its resources to maximize revenues. It will become a lot harder for both individuals and companies to evade or avoid tax as HMRC refocuses resources to prevent this before it happens, and to deal with it more effectively when it does*."

Notes for Editors

Enquiries relating specifically to the HMRC's settlement should be addressed to the HMRC's press office on 0207 147 0000

Media enquiries relating to overall Spending Review should be directed to the Treasury Press office on 0207 270 5238

The Cabinet Office

In line with the Government's determination to tackle Britain's deficit, the Cabinet Office has announced today that it will reduce its core resource budget by 35% in real terms, from £280m in 2010-11 to £200m by 2014-15.

Over the course of the Spending Review period Department's Administration budget will be reduced by 33% with a 28% reduction in capital spending.

On top of its existing responsibilities the Cabinet Office will also take a range of new responsibilities including electoral reform and running elections. In total this will mean that the Cabinet Office resource budget will increase by 28%.

Cabinet Office

	£ billion				
	2010-11	2011-12	2012-13	2013-14	2014-15
Resource DEL[1]	0.3	0.4	0.3	0.2	0.4
Capital DEL	0.0	0.0	0.0	0.1	0.0
Total DEL	**0.4**	**0.5**	**0.4**	**0.3**	**0.5**

1 In this table, Resource DEL excludes depreciation

The Department will manage its budget reductions by:

- reducing the use of consultants, streamline back office services, rationalise the estate and reduce its costs, reduce staff costs and the costs of running each Directorate and renegotiate supplier contracts.
- a reduction of 25% across the period in the costs of providing support to the Prime Minister, including reducing travel costs through the use of more scheduled flights where possible rather than charters, energy efficiency and wider efficiencies.

The Cabinet Office will also take forward a number of ideas suggested under the Spending Challenge through the Efficiency and Reform Group, these include:

- Implement new standard guidance on government travel policies, bringing them in line with industry best practice, to save £100m per year;
- Initiate a programme to centralise the procurement of commonly used goods and services bringing efficiency gains of over £400 million per year.

The Cabinet Office will also implement the Government's response to Sir Philip Green's review into Government efficiency by applying best business practice to procurement.

The Cabinet Office new responsibilities and funding will include:

- Around £470 million support for the Civic Society organisations sector, including a £100 million fund to help charities, voluntary groups and social enterprises make the transition to a tougher funding environment, to work with us to build a big society, and make the most of the opportunities it will bring;

- A National Citizen Service which will support young people from a mix of different backgrounds to develop skills and engage with their communities – sufficient to fund 10,000 places in 2011/12 and 30,000 in 2012/13;
- The Community First Fund which will support new and existing small organisations in the most deprived areas;
- The Coalition's Electoral and Constitutional Reform agenda - with one off costs of £95m most of which will fall in the final year of the settlement.
- It will also be allocated £120m in the last year of the settlement for the European Parliament elections.
- It will receive £85m to support the introduction of individual electoral registration (IER) in 2014 to help tackle electoral fraud by moving away from household registration and confirming identities through secondary sources.
- It will also fund the Boundary Review to reduce the number of MPs sent to the House of Commons – worth £10m over four years.

In addition to these new responsibilities and to reflect greater transparency in Government Budgets the Cabinet Office budget will now also include resources transferred to the department to fund DirectGov and the Office of Government Commerce which would previously have been allocated as Non-Departmental Government bodies.

Speaking about the settlement, Francis Maude, Minister for the Cabinet Office said:

"We have always said we will focus on cutting the deficit in a way that is fair by reducing cost in the centre to ensure essential front line services and the most vulnerable are protected. In the Cabinet Office, the work led by the Efficiency and Reform Group, has already resulted in millions in efficiency savings, which will help to protect jobs on the front line and protect the services on which we most depend.

"Our settlement shows that we are cutting the costs of government whilst driving forward an ambitious agenda. We will create the National Citizens Service and provide transition funding to help charities and voluntary groups take their place in the Big Society. As well as this, we are cutting red tape and opening up new opportunities for civil society through radical reform of the public services, driving forward the Government's transparency agenda and changing the way government does business"

Notes for Editors

- Enquiries relating specifically to the Cabinet Office's settlement should be addressed to the Samuel Heath on 020 7276 1196.
- Media enquiries relating to overall Spending Review should be directed to the Treasury Press office on 0207 270 5238

Small and Independent Bodies

Over the course of the Spending Review period most small departments will deliver at least a 25% reduction in resource spending and a 46% reduction in capital spending. Overall small departments will reduce spending on admin by 33%.

Small and Independent Bodies Programme and Administrations Spending[1]

	£ million				
	Baseline[2]	Plans			
	2010-11	2011-12	2012-13	2013-14	2014-15
Departmental Programme and Administrations Spending					
Charity Commission	29	26	26	22	21
Export Credits Guarantee Department	24	23	23	22	20
Food Standards Agency	131	124	118	113	108
Government Equalities Office	69	65	62	55	47
Independent safety and economic regulators[3]	Neg	Neg	Neg	Neg	Neg
National Archives	37	35	33	32	31
National Savings and Investments	154	175	164	153	153
Office for Standards in Education	186	176	167	160	143
Office of Fair Trading	59	56	54	51	49
Supreme Court	5	5	5	5	4
UK Statistics Authority[4]	287	317	166	154	145
UK Trade and Investment	87	83	79	75	72
Northern Ireland Office	24	23	22	21	20
Scotland Office	8	8	8	7	7
Wales Office	6	6	6	6	5
Independent Bodies[5]	700	641	625	625	620
Total	**1,806**	**1,764**	**1,557**	**1,501**	**1,442**

1 Resource DEL less depreciation

2 As at all spending reviews, baselines exclude one-off and time-limited expenditure and therefore may not sum to total 2010-11 total.

3 The independent safety and economic regulators include: Office of Communications (OfCom), Office of Gas and Electricity Markets, Office of Rail Regulation, Postal Services Commission and the Water Services Regulatory Authority. With the exception of OfCom, they are not part of the Spending Review Process and, therefore, their plans reflect forecasted values.

4 UK Statistics Authority includes budget for Census

5 Independent Bodies include the House of Commons, House of Lords, Parliamentary and Health Service Ombudsman, Electoral Commission, Local Government Boundary Commission for England, Independent Parliamentary Standards Authority, and the National Audit Office. They are not, therefore, formally subject to the Spending Review process. Their plans reflect forecasted values.

Media enquiries relating to overall Spending Review should be directed to the Treasury press office on 02072705238.