Department for Education

Table 2.1: Department for Education

<table>
<thead>
<tr>
<th></th>
<th>£ billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource DEL ¹</td>
<td>50.8</td>
</tr>
<tr>
<td>Capital DEL</td>
<td>7.6</td>
</tr>
<tr>
<td><strong>Total DEL</strong></td>
<td><strong>58.4</strong></td>
</tr>
<tr>
<td>Departmental AME</td>
<td>2.2</td>
</tr>
</tbody>
</table>

¹ In this table, Resource DEL excludes depreciation and AME excludes non cash items

2.1 The Department for Education (DfE) settlement includes:

- real terms increases of 0.1 per cent in each year of the Spending Review for the 5 to 16s school budget, including a £2.5 billion pupil premium. Underlying per pupil funding will be maintained in cash terms;

- extending 15 hours a week of early years education and care to all disadvantaged two year olds from 2012-13, and maintaining the universal entitlement to 15 hours for all three and four year olds implemented by the Coalition Government;

- Sure Start services will be maintained in cash terms, including new investment in Sure Start health visitors, and Sure Start will be refocused on its original purpose of improving the life chances of disadvantaged children;

- £15.8 billion of capital funding over the Spending Review period. The Government will rebuild or refurbish over 600 schools from the Building Schools for the Future (BSF) and Academies programme. The decision to end BSF will allow new capital to be focused on meeting demographic pressures and addressing maintenance needs; and

- overall resource savings in DfE’s non-schools budget of 12 per cent in real terms by 2014-15, contributing to overall DfE savings of 3 per cent in real terms. This will be achieved by cutting administration and back office costs, reducing 16 to 19s unit costs, focusing the support currently provided by Education Maintenance Allowances (EMAs) on the most disadvantaged children in the context of raising the participation age to 18, and rationalising and ending centrally directed programmes for children, young people and families.

Fairness

2.2 The education settlement supports a comprehensive approach to narrowing the attainment gap and improving social mobility throughout ages 2 to 19. For early years, the Spending Review will extend 15 hours a week of free early education and care to all disadvantaged two year olds – helping these children develop and be ready for school. At the same time, Sure Start services will be protected in cash terms and will be refocused on their original purpose, targeting
early intervention on families who need the most support. This builds on a continued universal entitlement to 15 hours of free early education per week for all three and four year olds. The Government will introduce a new and simplified early intervention grant. The Spending Review also announces a new national campaign to support and help turn around the lives of families with multiple problems, improving outcomes and reducing costs to welfare and public services. The campaign will be underpinned by local Community Budgets focused on family intervention – enabling a more flexible and integrated approach to delivering the help these families need.

2.3 For school age children, a new £2.5 billion pupil premium will support the educational development of the most disadvantaged, and provide incentives for good schools to take on pupils from poorer backgrounds. The premium forms a key part of the overall settlement for schools – with total funding growing at 0.1 per cent in real terms in each year of the Spending Review, and underlying per pupil funding for the schools system protected in cash terms.

2.4 For 16 to 19 learning, the Spending Review will support further increases in participation, while moving towards raising the participation age to 18 by 2015. This will reduce the proportion of young people not in education, employment or training and ensure more young people from all backgrounds have the support they need to fulfil their potential in the labour market and improve social mobility.

Reform

2.5 Reforms to the education system at each stage will ensure parents have far greater choice and schools and providers have more freedom to innovate.

2.6 In early years, reforms to Sure Start children’s centres will encourage more community providers to enter the market, including through payment by results. The independent review of the Early Years Foundation Stage will help ensure that unnecessary bureaucracy and over-regulation of early years providers are identified and removed. The introduction of an early years single funding formula will also make the market more fair and equitable.

2.7 Parents, teachers and community groups will be supported to establish Free Schools outside of local authority control to improve standards for all children, regardless of their background. In addition, teachers will be given greater freedom from bureaucratic burdens to use their professional judgement to meet the needs of their pupils. Head teachers will have increased flexibility over their budgets, including through simpler, fairer and more transparent funding streams.

2.8 The Government has made tough choices to secure overall resource savings in DfE’s non-schools budgets of 12 per cent, including through a 33 per cent reduction in central administration and from abolishing five Arms Length Bodies. In the context of raising the participation age, there will be unit cost reductions in the 16 to 19 participation budget and the support currently provided by Education Maintenance Allowances will be focused on the most disadvantaged children, saving around £0.5 billion. Further savings have been secured through efficiencies in Sure Start, as well as rationalising and ending centrally directed programmes for children, young people and families. In addition, within the schools budget, procurement and back office savings will allow at least £1 billion to be invested directly in frontline teaching while the public sector pay freeze will free up an additional £1.1 billion.

2.9 The capital settlement will allow £15.8 billion over the Spending Review period to maintain the schools estate. Although reduced by 60 per cent over the Spending Review period, the decision to end Building Schools for the Future (BSF) will allow new capital spending to be focused on providing new places in areas of severe demographic pressure and addressing essential maintenance needs. The Government will meet the commitment to rebuild or refurbish over 600 schools from the BSF and Academies programme.
Department of Health

Table 2.2: NHS (Health)

<table>
<thead>
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</thead>
<tbody>
<tr>
<td>Resource DEL¹</td>
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<td>Total DEL</td>
<td>103.8</td>
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<tr>
<td>Departmental AME</td>
<td>-2.0</td>
</tr>
</tbody>
</table>

¹ In this table, Resource DEL excludes depreciation and AME excludes non cash items

2.10 The Department of Health (DH) settlement includes:

- real terms increases in overall NHS funding in each year to meet the Government’s commitment on health spending, with total spending growing by 0.4 per cent over the Spending Review period;
- an additional £1 billion a year for social care through the NHS, as part of an overall £2 billion a year of additional funding to support social care by 2014-15;
- a new cancer drugs fund of up to £200 million a year;
- expanding access to psychological therapies;
- continued funding for priority hospital schemes, including St Helier, Royal Oldham and West Cumberland; and
- capital spending remaining higher in real terms than it has been on average over the last three Spending Review periods.

Reform

2.11 The settlement increases overall NHS funding in real terms every year, with a total increase of 0.4 per cent in real terms over the Spending Review period – meeting the Government’s commitment on health spending. The NHS will need to make efficiencies to deal with rising demand from an ageing population and the increased costs of new technology. The NHS has already committed to make up to £20 billion of annual efficiency savings by the end of the Spending Review period through the Quality, Innovation, Productivity and Prevention (QIPP) programme. To ensure spending is focused on priorities, some programmes announced by the previous government but not yet implemented will not be taken forward. This includes free prescriptions for people with long term conditions, the right to one-to-one nursing for cancer patients, and the target of a one week wait for cancer diagnostics.

2.12 Productivity in the NHS fell over the last decade. To ensure value for money, the reforms set out in *Equity and Excellence – Liberating the NHS¹* will give GPs power to commission the care their patients need and promote patient choice and provider competition to deliver a higher quality and more efficient health service. The Department will abolish Primary Care Trusts and Strategic Health Authorities by 2013, removing whole tiers of NHS management, saving money and empowering frontline professionals. The Government will also ring fence funding for public health to improve the health of the whole population, with a premium for tackling pockets of particular ill health and reducing health inequalities. Greater diversity and efficiency of providers will be encouraged, with patients able to use independent providers paid for by the NHS. The number of Arms Length Bodies will also be reduced from 18 to a maximum of 10 by 2013.

¹*Equity and Excellence – Liberating the NHS*, Department of Health, July 2010
2.13 Overall, the capital budget will remain higher in real terms in each year than the average yearly spend over the last three Spending Review periods. The budget also reflects a number of factors, including falls in IT spending in line with the extra £0.7 billion of savings identified over the Spending Review period in the NHS National Programme for IT. Spending will be prioritised on essential maintenance and equipment as well as priority hospital schemes including St Helier, Royal Oldham and West Cumberland.

Fairness

2.14 Social care plays a vital role in helping to keep people healthy and independent. It also supports some of the most vulnerable people in society. The Spending Review therefore makes available sufficient resources for local authorities so that they do not need to reduce access to services, and can fund new approaches that improve outcomes for those receiving social care:

- the current DH grant to local authorities for social care, the Personal Social Services grant, will increase by £1 billion pounds in real terms by 2014-15. To reduce administrative burdens and increase flexibility for local authorities, this grant will be merged into local government formula grant; and

- the NHS will set aside funding growing to £1 billion by 2014-15 within their settlement to fund new ways of providing services, including reablement services provided by the NHS. This will help to break down the long-standing barriers between health and social care, leading to benefits across the health and social care system.

2.15 This funding will also enable local authorities to deliver the necessary efficiency savings, reforms and service improvements that will release savings and put social care services on a stable footing for the entire Spending Review period. The table below shows the resources contained in the NHS and local government settlements.

**Table 2.3: Funds to Support Social Care**

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Additional funds in NHS RDEL</td>
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</tr>
<tr>
<td>PSS Grant being merged into LG RDEL</td>
<td>1.3</td>
</tr>
</tbody>
</table>

2.16 The Government recognises that more needs to be done to ensure that the social care system is fair and sustainable in the long term and has asked Andrew Dilnot to lead a commission on the funding of long term care, due to report in July 2011.

Department for Transport

**Table 2.4: Department for Transport**

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Resource DEL</td>
<td>5.1</td>
</tr>
<tr>
<td>Capital DEL</td>
<td>7.7</td>
</tr>
<tr>
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<td><strong>12.8</strong></td>
</tr>
<tr>
<td>Departmental AME</td>
<td>0.3</td>
</tr>
</tbody>
</table>

1 In this table, Resource DEL excludes depreciation and AME excludes non cash items

2.17 The Department for Transport (DfT) settlement includes:

- £14 billion of funding 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, around Manchester and the Barry to Cardiff corridor;

- over £10 billion for maintenance and investment in key road and local transport schemes across the country, including work on the A11, M4/M5, M1, Midland Metro, Tyne and Wear Metro and construction of the Mersey Gateway;

- funding to enable Crossrail to go ahead, and to support £6 billion of capital expenditure by Transport for London (TfL) to maintain and upgrade the London Underground network;

- increases to the cap on regulated rail fares to three per cent above RPI for three years from 2012 to support investment in new rolling stock, and, subject to consultation, increases to the charges on Dartford Crossing alongside accelerating plans to improve traffic flow;

- protection of the statutory entitlement for concessionary bus travel; and

- overall resource savings of 21 per cent by 2014-15 through a rigorous focus on efficiency, cutting waste, stopping lower value spend and improving governance and accountability. Bus subsidy will be reduced by 20 per cent and local government resource grants by 28 per cent.

Supporting long term growth

Investments of high economic value are protected across all types of transport. The capital allocation has been relatively protected; in 2014-15 DfT capital investment will be higher in real terms than in 2005-06. This includes over £10 billion over the Spending Review period for maintenance and investment in key road and local transport schemes, including 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, upgrades to the Tyne and Wear Metro and constructing a new suspension bridge over the River Mersey (the Mersey Gateway) while seeking significant cost reductions across the programme.

The settlement also includes £14 billion of 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, around Manchester and the Barry to Cardiff corridor. Funding is also confirmed for Network Rail to invest in delivering faster journey times in the North West. In addition, the Government is supporting investment to improve journey reliability on Great Western Main Line services to Wales. Final decisions will be made by DfT after the Spending Review on the replacement of the UK’s inter-city high speed trains.

Funding will be made available to enable Crossrail to go ahead, providing an additional 10 per cent capacity to London’s rail network while continuing to seek efficiency savings to maximise value for money. £6 billion over the Spending Review period will be spent on maintaining and upgrading the London Underground network, supporting growth by improving reliability and reducing travel times.

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.

Key projects that support the Government’s climate change commitment are also protected. This includes an incentive scheme offering up to £5,000 towards the cost of a new ultra-low emission vehicle from January 2011 and supporting electric car charging infrastructure.

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1 Subject to completion of the appropriate statutory processes.
2 Subject to completion of the appropriate statutory processes.
2.23 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. As resources are tight, the Government needs to ensure that every pound is spent to the maximum benefit. The Government will therefore be urgently working with the four local authorities to establish how these projects can be delivered affordably, in order to deliver the much needed benefits.

Fairness

2.24 The reforms outlined in this settlement will improve efficiency and cut wasteful spending, minimising the impact of savings on transport users as far as possible.

2.25 To protect essential investment, some fare increases will be unavoidable. This will include raising the cap on regulated rail fares to three per cent above RPI for three years from 2012, which will support investment in rolling stock, and, subject to consultation, raising the charges on the Dartford Crossing, alongside accelerating plans to improve traffic flow. The statutory entitlement for concessionary bus travel has been protected, ensuring that older people can maintain greater freedom and independence.

Reform

2.26 The Department for Transport and its Arms Length Bodies will reduce administrative costs by one third over the Spending Review period, saving over £100 million a year by 2014-15.

2.27 Network Rail has already been tasked by the Office of Rail Regulation to deliver 21 per cent efficiency savings over the current regulatory period to 2013-14. Sir Roy McNulty’s review of the value for money of the railways will examine the overall cost structure of all elements of the railway sector and identify options for improving value for money for passengers and the taxpayer, while continuing to expand capacity as necessary and drive up passenger satisfaction. The report will be presented to the Secretary of State for Transport in Spring 2011.

2.28 Greater accountability at both local and national levels will drive improvements in costs, efficiency and value for money. For example:

- better management of contracts across the Highways Agency (HA) will save over £240 million by 2014-15. In addition, an expert monitoring group, benchmarking HA performance, will support efficiency improvements with a full review to ensure that HA structure and governance give assurance of value for money;

- reducing bus subsidies paid directly to operators by 20 per cent will save over £300 million by 2014-15. The Government will also 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’s investment programme, including benchmarking of London Underground costs, will help to support the efficiency and economy of these programmes; and

- local government resource grants will be reduced by 28 per cent, while the Government will simplify the number of grants to give local authorities more control and greater flexibility in how they spend this money.
Box 2.1: Regional Growth

At the Budget the Government announced that it would set up a Regional Growth Fund. The fund will be worth £1.4 billion over three years, and will support projects with significant potential for private sector economic growth and employment, supporting in particular those areas and communities that are currently too dependent on the public sector. Lord Heseltine will chair a panel to assess funding bids made by the private sector and public-private partnerships, including from local enterprise partnerships. There will be several rounds of bids, with the results of the first round announced before the end of 2010-11. The fund will be made up as follows:

Table 2.5 Regional Growth Fund

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Resource DEL(^1)</td>
<td>–</td>
</tr>
<tr>
<td>Capital DEL</td>
<td>–</td>
</tr>
<tr>
<td>TOTAL</td>
<td>–</td>
</tr>
</tbody>
</table>

\(^1\) In this table, Resource DEL excludes depreciation and AME excludes non cash items.

The Government will also reform the way it delivers European Regional Development Funding in England, linking it wherever possible with the Regional Growth Fund to maximise impact.

Local enterprise partnerships (LEPs) will help businesses and local councils work together to grow the local private sector, tackle major barriers to growth and develop shared strategies for the local economy. The partnerships will be free from the bureaucratic burden of national targets and imposed regional planning frameworks. The local growth White Paper to be published shortly will provide more detail on LEPs, planning reform, incentives and regional economic development policy.

Department for Communities and Local Government

Table 2.6: Department for Communities and Local Government

<table>
<thead>
<tr>
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<th>£ billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource DEL(^1)</td>
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</tr>
<tr>
<td>Capital DEL</td>
<td>6.8</td>
</tr>
<tr>
<td>Total DEL</td>
<td>9.0</td>
</tr>
<tr>
<td>Departmental AME</td>
<td>0.6</td>
</tr>
</tbody>
</table>

\(^1\) In this table, Resource DEL excludes depreciation and AME excludes non cash items.

2.29 The Department for Communities and Local Government (CLG) settlement includes:

- a programme to deliver up to 150,000 new affordable homes over the Spending Review period accompanied by major reforms;
- reforming the council housing finance system so local authorities have greater control over their own finances, and can reinvest to meet local housing need;
- reforming the planning system and introducing a New Homes Bonus to support economic growth and increase housing supply;
• reducing CLG’s overall resource budget by 33 per cent in real terms by 2014-15, through reducing the size of the department and its Arms Length Bodies. Alongside this, the department is devolving over £1.6 billion to local government. This means the reduction in the department’s resource budget will be 51 per cent in real terms by 2014-15; and

• a 13 per cent real terms reduction to fire resource expenditure. This will require the Fire and Rescue Service to modernise, increase efficiency and deliver workforce reform.

Supporting long term growth

2.30 To encourage private sector enterprise and economic growth, CLG will contribute £890 million to the £1.4 billion Regional Growth Fund by 2013-14 (see Box 2.1). The fund will invest in projects and programmes with significant potential for growth and employment, and will in particular support those areas and communities that are currently too dependent on the public sector to make the transition to sustainable private sector led growth and prosperity. Alongside this, CLG will make more effective use of European Regional Development Funding and reinvest revenue from its assets.

2.31 The Government will increase housing supply by reforming the planning system so it is more efficient, effective and supportive of economic development. In addition, it will introduce a New Homes Bonus that will directly reward and incentivise local authorities and local communities to be supportive of housing growth, equivalent to matching the additional council tax from every new home for each of the following six years. It will also reduce the total regulatory burden on the house building industry over the Spending Review period.

Fairness

2.32 Funding for services that support the most vulnerable in society will be relatively protected, with provision for Disabled Facilities Grants rising with inflation and over £6 billion funding for the Supporting People programme over the Spending Review period. Also, reform of the council housing finance system will build in the resources needed to carry out future disabled housing adaptations required in the council housing stock.

Reform

2.33 Social housing will be reformed to provide a more tailored response to individual need at lower cost (see Box 2.2). Investment alongside this reform will deliver up to 150,000 new affordable homes by 2014-15. Meanwhile, investment via the Decent Homes programme will continue to improve the existing social housing stock.

2.34 CLG’s overall resource budget will reduce by 33 per cent in real terms over the period. Within this, CLG will devolve £1.6 billion to local government. This means the reduction in the department’s resource budget will be 51 per cent in real terms by 2014-15.

2.35 CLG will make reductions of 42 per cent in real terms on administration costs. This will be achieved through the closure of the Government Office network, reducing the number of Arms Length Bodies by 17 and reducing the size of the department. As a result of this settlement, programmes including the Working Neighbourhoods Fund, Growth Area Funding and the Thames Gateway programme will end, in order to rationalise funding streams, make savings and take a more disciplined approach to Government spending.

2.36 Fire resource expenditure will reduce by 13 per cent in real terms over the Spending Review period. Within this, central government grants to local authorities will be reduced by 25 per cent over the period. To achieve this level of savings, the Fire and Rescue Service will need to modernise, increase efficiency and deliver workforce reform. It will be for individual fire authorities to decide how to make these savings.
Box 2.2: Affordable Housing Reform

The Government believes social housing is an important element in fostering community cohesion and supporting households in housing need. The number of social rented properties fell between 1997 and 2009. The result has been rising housing waiting lists combined with growing numbers of workless households trapped in dependency on subsidised housing. In the 1970s, 11 per cent of households in social housing had no earner; by 2003-04, this had risen to 69 per cent.

The Government wants to make social housing more responsive, flexible and fair so that more people can access social housing in ways that better reflect their needs. In future, social landlords will be able to offer a growing proportion of new social tenants new intermediate rental contracts that are more flexible, at rent levels between current market and social rents. The terms of existing social tenancies and their rent levels remain unchanged. This is fair to households and reduces costs for taxpayers.

Taken together with continuing, but more modest, capital investment in social housing, this will allow the Government to deliver up to 150,000 new affordable homes over the Spending Review period.

Local Government

Table 2.7: Local Government

<table>
<thead>
<tr>
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<tbody>
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<tr>
<td>Total DEL</td>
<td>28.5</td>
</tr>
<tr>
<td>Departmental AME</td>
<td>0.5</td>
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</tbody>
</table>

\(^{1}\) In this table, Resource DEL excludes depreciation and AME excludes non cash items

\(^{2}\) LG DEL includes funding for police and fire authorities. Excluding these contributions LG DEL for councils will fall by 28 per cent

2.37 The Local Government settlement includes:

- significant devolution of financial control to councils, by removing ringfencing around all revenue grants except simplified schools grants and a new public health grant, the number of separate core grants simplified from over 90 to fewer than 10, and more than £4 billion of grants rolled into formula grant;

- funding in all four years of the Spending Review to enable local authorities to freeze their council tax in 2011-12;

- an additional £1 billion a year for Personal Social Services grant, which is rolled into local government formula grant as part of an overall £2 billion a year of additional funding to support social care by 2014-15;

- the first community budgets in 16 local areas, to pool departmental budgets for families with complex needs, from 2011-12;

- overall resource savings in Local Government DEL to councils of 28 per cent over the four years;
• the Spending Review settlement means that while on average, central government funding to councils decreases by around 26 per cent over the next four years, councils’ budgets decrease by around 14 per cent once the OBR’s projections for council tax are taken into account; and

• retaining the important flexibility of prudential borrowing, with a forecast that total capital expenditure by local authorities will fall by 30 per cent by 2014-15.

Supporting long term growth

2.38 Individual councils make their own capital investment decisions to support local priorities and drive growth. The Government is maintaining the important flexibility of prudential borrowing, to enable councils and their partners to invest in key local priorities. The Spending Review requires tough choices, and so that loans to local authorities better reflect the availability of capital funding, interest rates on Public Works Loan Board (PWLB) loans have been increased to 1 per cent above UK government gilts. The amount of self-financed capital expenditure is forecast to fall by 17 per cent over the four years.

2.39 Capital funding from all departments to councils will fall by around 45 per cent over the Spending Review period. The Government will prioritise capital investment on areas of greatest economic value, such as high value local transport. Further detail on Tax Increment Financing and the future incentives and planning powers open to local authorities to support growth will be provided in a White Paper on local growth later this year.

Fairness

2.40 The June Budget announced the Government’s intention to work with local authorities to freeze council tax in 2011-12. The Spending Review now announces that local authorities who freeze their council tax next year will have the resultant loss to their tax base funded at a rate of 2.5 per cent in each year of the Spending Review period.

2.41 To enable local government to support social care, providing support for some of the most vulnerable people in society, the Government is providing £1 billion of additional funding through the NHS budget to support joint working between the NHS and councils. In addition, Personal Social Services grant for social care has been increased by £1 billion to £2.4 billion a year by 2014-15, rolled into formula grant.

2.42 The Government will reduce spending on Council Tax Benefit by 10 per cent and localise it from 2013-14 while protecting the most vulnerable. In addition, the Government will consider providing greater flexibilities to local authorities to manage pressures on council tax from the same date.

Reform

2.43 Local authorities will have to make significant savings over the Spending Review period, in line with other parts of the public sector. Many councils are already fundamentally reviewing their roles and services, including using greater personalisation and increasing delivery through the voluntary and community sector. In 2011-12, £200 million will be available to councils to accelerate reforms of local services.

2.44 To support these reforms, the Government will devolve significant financial control to councils. Ring fencing of all revenue grants will end from 2011-12, except simplified school grants and a new public health grant; the number of separate core grants will be radically reduced from over 90 to less than 10, including a single non ring-fenced Early Intervention Grant worth around £2 billion by 14-15; and more than £4 billion of revenue grants will be rolled into formula grant.

2.45 The first community budgets will be run in 16 local areas from April 2011 for families with complex needs. These will pool departmental budgets for local public service partnerships
to work together more effectively, help improve outcomes, and reduce duplication and waste. All places may be able to operate these approaches from 2013-14. Councils and their partners will also have greater flexibility to work across boundaries in health, policing, worklessness and child poverty.

2.46 The Government is ending the previous top-down performance framework for councils. Local authorities and their partners will be able to cease reporting any of the 4,700 local area agreement targets, and those that are kept will not be monitored by Government. In implementing the new Transparency Framework, the Government will work with councils to reduce the amount of data local government is asked to collect by central government, and develop a single, comprehensive list, to be reviewed annually.

### Table 2.8: Split of LG Resource DEL

<table>
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<tbody>
<tr>
<td>Resource DEL(^1)</td>
<td>28.5</td>
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<tr>
<td>o/w funding for formula grant</td>
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<td>o/w council tax freeze</td>
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</tr>
<tr>
<td>o/w other</td>
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\(^1\) In this table, Resource DEL excludes depreciation

### Department for Business, Innovation and Skills

### Table 2.9: Department for Business, Innovation and Skills

<table>
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<tbody>
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<tr>
<td>Departmental AME</td>
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</table>

\(^1\) In this table, Resource DEL excludes depreciation and AME excludes non cash items

2.47 The Business, Innovation and Skills (BIS) settlement includes:

- ensuring the UK remains a world leader in science and research by continuing 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;

- £150 million from the Government over the Spending Review period to leverage significant equity investment and guaranteed lending to small businesses;

- continued commitment to maintain and modernise the Post Office Network. This will transform the network and protect community post offices, building a sustainable future Post Office Ltd;

- increasing funding by £250 million a year by 2014-15 on new adult apprenticeships, compared with the previous government’s level of spending;

- major reform of the higher education sector to shift a greater proportion of funding from the taxpayer to the individuals who benefit, with extra support for those from the poorest backgrounds; and
Overall resource savings of 25 per cent, comprising 40 per cent savings from reform of higher education and an average 16 per cent savings from the other areas of the BIS budget, with relative protection for science and key elements of adult skills funding.

Supporting long term growth

2.48 To support long term growth the Government will prioritise support for world class science, maintaining resource spending in cash terms. The Government will also increase the efficiency of the science budget, saving £324 million a year by 2014-15. These efficiency savings will be reinvested in science. The Government will also take measures to increase the focus on excellence, and will spend £4.6 billion in each of the Spending Review years. A ring-fence will be maintained by BIS to ensure continuity of investment in science and research. The cutting-edge Diamond Synchrotron facility in Oxfordshire will receive £69 million of public funding over the Spending Review period in partnership with the Wellcome Trust.

2.49 The Department of Health will increase spending on health research in real terms. Within this, additional funding will be made available to support the translation of research into practical applications, including the development of new medicines and therapies. To complement this, BIS will ensure that Medical Research Council expenditure is maintained in real terms. In addition, £220 million of capital funding from the Department of Health has been allocated for the UK Centre for Medical Research and Innovation, subject to approval of the final business case.

2.50 To develop the sector’s contribution to economic growth, the Government will reform the Higher Education Innovation Fund to incentivise universities to increase commercial interaction between the research base and business.

2.51 The Government will provide £200 million a year by 2014-15 to support manufacturing and business development, with a focus on supporting potential high growth companies and the commercialisation of technologies, including funding for an elite network of Research and Development intensive technology and innovation centres.

2.52 To ensure that small businesses have access to the finance they need for working capital and for growth, additional lending will be made available over the Spending Review period through a continuation of the Enterprise Finance Guarantee scheme. Funding will also be made available to provide equity finance for small businesses with growth potential.

2.53 In recognition of the high economic returns to adult apprenticeships, the Government will boost spending on adult apprenticeships by up to £250 million a year by the end of the Spending Review period, relative to the level of spending inherited from the previous Government.

Fairness

2.54 The Government will continue to support basic skills provision in order to ensure individuals are given the chance to gain basic numeracy and literacy skills. Spending on Adult Community Learning will be protected and reformed.

2.55 Reforms to the higher education system will include support for students from low income backgrounds. Further information is included in Box 2.3.

Reform

2.56 In order to focus spending on frontline services, BIS will reduce spending on administration by £400 million a year by 2014-15. The number of Arms Length Bodies will be reduced from 57 to 33, with 9 still under consideration. This includes abolishing Regional Development Agencies as announced in the Budget, saving £1.5 billion a year by 2014-15, some of which will be reinvested elsewhere.
2.57 Colleges will be freed from bureaucracy by simplifying the funding system, streamlining Arms Length Bodies and abolishing central targets. The Government will also improve the quality of information and advice for students, including through the development of an all-age careers service. Alongside these greater freedoms and reductions in bureaucracy, colleges will be expected to make savings including through greater efficiencies and pay restraint.

2.58 The Government will significantly lower the overall cost of the further education system by abolishing Train to Gain and by reducing spending on budgets which do not directly support learners. Meanwhile, the balance of funding will be shifted from the taxpayer towards the individuals and employers who benefit, including through the introduction of student loans, and by exploring mechanisms to increase employer contributions such as voluntary training levies.

2.59 Adopting the Wakeham Review recommendations, and applying them across research council institutes and universities, will deliver efficiencies worth £162 million a year by 2014-15.

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**Box 2.3: Reform to Higher Education and Further Education funding**

Following Lord Browne’s review of higher education funding and student finance, the Government will bring forward wide ranging reforms in order to support a world class higher education sector. This will place the funding system on a more sustainable financial footing and provide support to individuals from low income backgrounds.

Subject to Parliamentary consent, universities will be able to increase graduate contributions supported by government loans, with a broadly offsetting reduction in the teaching grant, from the 2012-13 Academic Year.

A new system of graduate contributions will ensure that students will only pay once they have graduated and can afford to do so. The graduate contribution system will be progressive and protect the lowest earning graduates.

The Government will establish a new National Scholarship fund to support students from disadvantaged backgrounds, reaching £150 million a year by 2014-15.

The Government will bring forward legislation as soon as Parliamentary time allows and publish a White Paper during the winter.

Meanwhile, in further education the Government will also introduce reforms to create a better balance of funding between the state and the individual who benefits from training and who can afford to pay. This includes taking tough choices, such as removing the entitlement to free training for a first full level 2 qualification for those over 25. Further education students aged 24 and over studying for a level 3 qualification (A-level equivalent) will be asked to pay fees. These students will be supported by the offer of a government-backed loan where repayments will be dependent on the learner’s income, protecting those with lower earnings.

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2.60 The Home Office settlement includes:

- support for major policing reforms, including democratically elected Police and Crime Commissioners;
- police resource funding reducing by 14 per cent in real terms by 2014-15, taking into account central government funding and the OBR’s council tax precept forecast. Savings will be made from efficiencies in IT, procurement and back office functions, as terms and conditions of service are reviewed, allowing the police to focus on addressing the crime and disorder concerns of local communities;
- £1.8 billion of capital investment over the Spending Review period to protect the UK’s border, tackle crime, and help protect against terrorism;
- supporting the delivery of a new National Crime Agency; and
- overall resource savings for the Home Office of 23 per cent in real terms by 2014-15, including through reducing consultancy spend, overheads and the size of the workforce; and reprioritising resources to the front line. This includes 30 per cent real terms savings to the department’s non-police funding.

Reform
2.61 Central government police funding will reduce by 20 per cent 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 Spending Review settlement means that on average police budgets would see real terms reductions of 14 per cent over the next four years.

2.62 In order to protect key priorities, police forces will need to focus on driving out wasteful spending, reducing back office costs and improving productivity. The Government will support this by ending central targets and cutting out time wasting bureaucracy that hampers police operations. It will also introduce better technology, and modernise pay and conditions. These measures will help make policing more effective while saving taxpayers’ money.

2.63 Police forces will become more accountable to the communities they serve, through the introduction of directly elected Police and Crime Commissioners. This will ensure that police forces focus their resources on tackling the crime and anti-social behaviour which matters most to local communities.

2.64 The settlement enables the UK to tackle the terrorist threat and deliver a safe and secure Olympic Games in 2012. Counter-terrorism specific policing will be prioritised within overall police funding.
2.65 A new National Crime Agency will help combat organised crime, protect the UK’s borders and provide services that are best delivered at a national level. The National Policing Improvement Agency will be abolished and some of its functions will be absorbed into the National Crime Agency, saving at least £50 million.

2.66 The UK Border Agency (UKBA) will save around £500 million by reducing the costs of support functions, estates and IT. It will raise productivity in frontline operations by investing in technology, immigration and asylum case working and border control. UKBA will also derive better value from its spending with commercial suppliers.

Fairness

2.67 Migration fees will continue to be set above the cost of processing applications, ensuring that those visiting and working in the UK pay a contribution to managing the border. The fees will strike the right balance between maintaining secure border controls and ensuring the UK continues to attract migrants and visitors who make a valued contribution to the UK economy.

Ministry of Justice

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<tr>
<th>Table 2.11: Ministry of Justice</th>
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<tbody>
<tr>
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</tr>
<tr>
<td>Capital DEL</td>
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<tr>
<td>Total DEL</td>
<td>8.9</td>
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<tr>
<td>Departmental AME</td>
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</tbody>
</table>

1 In this table, Resource DEL excludes depreciation and AME excludes non cash items

2.68 The Ministry of Justice settlement includes:

- delivering better value for money from the justice system, while punishing the guilty and reducing reoffending;
- plans to reform legal aid, targeting funding on those who need it most;
- capital funding for maintaining the prisons estate, for essential new capacity and for key invest to save projects; and
- overall resource savings of 23 per cent in real terms by 2014-15, through reforming sentencing to stem the unsustainable rise in the prison population, using innovative approaches to reduce reoffending and resolving more disputes out of court.

Reform

2.69 The Government will reform the sentencing framework so that it both punishes the guilty and rehabilitates offenders more effectively. These reforms will stem the unsustainable rise in the UK prison population. Proposals will be published in a Green Paper, and will include the use of tough community penalties where they are more effective than short prison sentences; using restorative justice; and paying private and voluntary providers by results for delivering reductions in reoffending. The Government will also take forward proposals to invest in mental health liaison services at police stations and courts to intervene at an early stage, diverting mentally ill offenders away from the justice system and into treatment. This will be rolled out nationally over the Spending Review period, subject to business case approval.

2.70 The Ministry of Justice will work with the Home Office, Law Officers’ Departments and other partners to streamline and reform the criminal justice system. The Government is already consulting on proposals to close 157 under-utilised courts, and will reform the court system to
provide a more efficient service, using mediation and alternatives to court where possible. This will provide effective access to justice, while ensuring that court is seen as a last resort, rather than the default option.

2.71 Alongside these reforms, the Ministry of Justice will reduce its back office and administration costs by 33 per cent. This will include savings from reducing the number of staff at headquarters, rationalising its London estate from 18 buildings to 4 and implementing shared corporate services across the department.

2.72 Capital savings of 50 per cent will be made over the Spending Review period, with investment focused on essential maintenance and on projects that produce sustainable savings for the department. The settlement provides sufficient capital funding to maintain the existing prison estate and to fund essential new build projects. Plans for a 1,500 place new-for-old prison will be deferred to the next Spending Review period, and spending on new IT and court projects will be limited to essential capacity.

Fairness

2.73 The Government will consult on major reforms to the legal aid system to deliver access to justice at lower cost to the taxpayer. This will involve taking tough choices about the types of case that should receive public funding, and focusing support on those who need it most. The reforms will also increase competition in the market and reform remuneration for providers to ensure the legal aid system is effective and affordable.

Law Officers’ Departments

Table 2.12: Law Officers’ Departments

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<tr>
<td>Departmental AME</td>
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</tbody>
</table>

¹ In this table, Resource DEL excludes depreciation and AME excludes non cash items.

2.74 The Law Officers’ Departments (LODs) settlement includes:

- funding for the Departments to continue their core work, but at significantly reduced cost; and

- overall resource savings of 24 per cent in real terms over the Spending Review period, including through major reforms of the Crown Prosecution Service.

2.75 The settlement covers the Crown Prosecution Service (CPS), Serious Fraud Office, and the Treasury Solicitors Department, including funding for the Attorney General’s Office, the National Fraud Authority and Her Majesty’s Inspectorate of CPS. The three main departments will all deliver 25 per cent savings in real terms by 2014-15.

2.76 The CPS accounts for over 90 per cent of the LODs’ budget. The CPS will radically reduce its cost base while maintaining and strengthening its capability to protect the public by robust and effective prosecutions. The cost of headquarters will reduce significantly, with all its 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.

2.77 The LODs will also work with the Ministry of Justice and the Home Office to deliver wider reforms such as the more efficient use of courts.
2.78 The Ministry of Defence (MOD) settlement includes:

- new helicopters, strategic airlift, new armoured vehicles, and enhanced Special Forces capabilities to make the Army more flexible and mobile;
- fleets of new hunter-killer submarines and multi role destroyers for the Navy alongside the new Queen Elizabeth class aircraft carriers;
- for the RAF, new fifth generation Joint Strike Fighters to complement the already world beating Typhoon;
- provision for proceeding with the Trident based independent nuclear deterrent, in line with the results of the Trident value for money review which has identified cost reductions of £750 million over the Spending Review period;
- reductions in older or non essential capabilities such as the Harrier jet, Nimrod maritime reconnaissance aircraft and some frigates;
- non frontline savings of at least £4.3 billion across the Spending Review period;
- provision for the doubling of the Operational Allowance for servicemen and women on operations, as announced in June;
- overall savings in resource spending of 8 per cent in real terms by 2014-15; and
- on top of this settlement, the Government will fully fund the net additional costs of Military Operations in Afghanistan from the Treasury Reserve. For the Spending Review period, the Special Reserve has been forecast at £4 billion, £3.8 billion, £3.8 billion, and £3.5 billion.

2.79 The Strategic Defence and Security Review (SDSR) published on 19 October sets out that the MOD will do everything necessary to ensure the success of the mission in Afghanistan, while also planning to provide an adaptable military capability for the long term. Under these plans, new Chinook helicopters, new armoured vehicles, enhanced communications equipment and new strategic lift aircraft will support the Army. The RAF will be based around a fleet of two of the most capable fighter jets anywhere in the world: a modernised Typhoon fleet fully capable of air-to-air and air-to-ground missions; and the Joint Strike Fighter, the world’s most advanced multi-role combat jet. This fast jet fleet will be complemented by a growing fleet of Unmanned Air Vehicles in both combat and reconnaissance roles. For the Navy there will be a fleet of the most capable, nuclear powered hunter-killer submarines anywhere in the world; and six Type 45 Destroyers, the most advanced multi role destroyer there is.

2.80 The SDSR confirms that the Government will complete the construction of two aircraft carriers and fit a catapult to the operational carrier to enable it to fly a version of the Joint Strike Fighter with a longer range and able to carry more weapons. This will allow it to operate in tandem with the United States and French navies. At the same time, in order to focus resources
on current and emerging threats, a number of older or non essential capabilities such as Harrier jets, Nimrod MRA4 maritime patrol aircraft and some frigates are being reduced or withdrawn.

2.81 The Government will maintain a continuous submarine based deterrent and begin the work of replacing its existing submarines. The Government will therefore proceed with the renewal of Trident and the submarine replacement programme, incorporating the savings and changes set out in the SDSR. The first investment decision (Initial Gate) will be approved, and the next phase of the project commenced, by the end of this year. The second investment decision (Main Gate), finalising the detailed acquisition plans, design and number of submarines, will be taken around 2016. The recommendations of the Trident value for money review are expected to result in reductions in expenditure of at least £750 million over the Spending Review period and some £3.2 billion over the next 10 years.

2.82 In order to protect the capabilities core to the ‘adaptable’ posture agreed in the SDSR, the MOD will make at least a 25 per cent reduction in civilian and military non frontline organisations by 2014-15. A major component of this will be a one third reduction in the MOD’s Administrative Costs Regime (ACR). In order to focus funding on the frontline, the MOD is revising its ACR to encompass better the running costs of the Department, which may result in changes to the figures in Annex A of the SDSR. The MOD is committed to saving at least one third of this new baseline by 2014-15, which will deliver at least £800 million of savings.

2.83 Further savings and efficiencies include:

- rationalisation of 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;
- sales of the telecommunication 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;
- savings from contract renegotiations with the defence industry;
- annual savings of over £300 million per year by 2014-15 from civilian and military allowances; and
- reductions in commodity spend.

2.84 By focusing on maintaining key operational capabilities and by cutting out waste and inefficiency in the defence budget, the MOD will make at least £4.3 billion of non frontline savings over the Spending Review period.

Foreign and Commonwealth Office

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<th>Table 2.14: Foreign and Commonwealth Office</th>
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<tr>
<td>Departmental AME</td>
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</table>

1 In this table, Resource DEL excludes depreciation and AME excludes non cash items
2.85 The Foreign and Commonwealth Office (FCO) settlement includes:

- funding to maintain a global network that works for British people and British interests abroad, including championing British companies to win exports and secure jobs at home;

- a new Foreign Currency Mechanism to enable the FCO to better manage exchange rate pressures; and

- overall resource savings of 24 per cent in real terms, including from cuts to non essential programmes, a new centralised corporate service function and reductions to the global FCO workforce.

Promoting long term growth

2.86 In line with the SDSR, the FCO will continue to promote British interests overseas: supporting UK businesses and citizens around the world; building prosperity by promoting trade and investment; and safeguarding Britain’s national security by countering terrorism and working to reduce conflict. The BBC World Service and the British Council will continue to make a major contribution to the UK’s international presence.

2.87 The FCO will increase its focus on championing British companies to win exports and secure jobs at home, working closely with UK Trade and Investment (UKTI) to increase business links and market information for UK exporters and to attract significant investment into the UK.

2.88 The settlement also provides for an increase in the FCO's Official Development Assistance (ODA) spending to help meet the Government’s commitment to dedicate 0.7 per cent of Gross National Income to ODA.

Reform

2.89 The FCO has been working with other UK Government departments with operations overseas to find ways of reducing overall costs. For example, FCO and DFID are working to co-locate in countries where they are both represented but do not share the same estate.

2.90 As part of the settlement, the British Council and BBC World Service will find savings by finding greater efficiencies and enhancing the commercialisation of their operations. However, both bodies will have the resources to retain effective global operations. From 2013-14, responsibility for funding the BBC World Service will transfer to the BBC.

2.91 A new Foreign Currency Mechanism will be introduced to enable the FCO to better manage exchange rate pressures and allow for better planning.

2.92 The FCO will continue to simplify, standardise, and streamline their back office, including: cutting the cost of management and support work through increased outsourcing; increased roles being carried out by local staff; and consolidating functions regionally or in the UK. These reforms in total should drive tens of millions of pounds in savings to refocus on the frontline.

2.93 Much of the FCO’s capital allocation will be spent on overseas security: constructing or protecting the buildings in which staff operate, the vehicles in which they travel, or other hardware to protect staff from the high terrorist threat that many face daily.

2.94 A separate settlement has been reached for the Conflict Pool, a tri-Departmental fund with DFID and the MOD to help prevent conflict and support post conflict stabilisation, which will grow from £229 million in 2010-11 to £309 million in 2014-15. The peacekeeping budget, which pays the UK contribution to multilateral actions abroad, will continue to receive funding annually from the Reserve.
### Department for International Development

#### Table 2.15: Department for International Development (DFID)

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\(^1\) In this table, Resource DEL excludes depreciation and AME excludes non cash items.

#### Table 2.16: UK ODA

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<tr>
<td></td>
<td>2010</td>
</tr>
<tr>
<td>Total UK ODA</td>
<td>8.4</td>
</tr>
<tr>
<td>ODA/GNI (%)</td>
<td>0.56%</td>
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</tbody>
</table>

2.95 The Department for International Development (DFID) settlement includes:

- an increase in Official Development Assistance (ODA) to 0.7 per cent of Gross National Income (GNI) from 2013, in line with the UK’s international commitments to help the very poorest in the world; and

- a new Independent Commission on Aid Impact to assess all ODA spending, ensuring effectiveness and best value for money in all programmes.

**Fairness**

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

2.97 The Department’s priorities will be to:

- honour international aid commitments to support the Millennium Development Goals. This includes spending up to £500 million per year on tackling malaria by 2014-15, aiming to halve malaria related deaths in ten of the worst affected countries. DFID will also deliver improvements in child and maternal health - the Goals which are currently the furthest off track;

- make British international development policy more focused on boosting economic growth and wealth creation - vital at a time when more than 80 per cent of poverty reduction is accounted for by long term growth in average incomes;

- improve the coordination and performance of British development policy in conflict countries, in line with the SDSR, with particular focus on Afghanistan and Pakistan. 30 per cent of ODA will be used to support fragile and conflict affected states by 2014-15; and

- drive urgent action to tackle climate change by supporting low carbon growth and adaptation in developing countries. International Climate Finance will be £2.9 billion over the Spending Review period, funded by DFID, DECC, and DEFRA.
2.98 DFID will change the way it delivers in order to achieve maximum impact with the aid the UK provides, and to further improve transparency and accountability. A new Independent Commission on Aid Impact will assess all ODA spending to ensure best value for money and effectiveness in all programmes. DFID will become a leaner organisation with a focus on managing aid efficiently and effectively, by significantly reducing back office costs. Running costs will account for only 2 per cent of total spending by 2015, compared to a global donor average of 4 per cent. In order to redirect money from low priority projects to programmes combating poverty, DFID will phase out the low value Development Awareness Fund. In order to focus aid where it is needed most, DFID will close programmes in China and Russia.

Department of Energy and Climate Change

Table 2.17: Department of Energy and Climate Change

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<tr>
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<th>£ billion</th>
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<tbody>
<tr>
<td>Resource DEL¹</td>
<td>1.2</td>
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<tr>
<td>Capital DEL</td>
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<tr>
<td>Total DEL</td>
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<tr>
<td>Departmental AME</td>
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</table>

¹ In this table, Resource DEL excludes depreciation and AME excludes non cash items

2.99 The Department of Energy and Climate Change (DECC) settlement includes:

- up to £1 billion of investment to create one of the world’s first commercial scale carbon capture and storage (CCS) demonstration plants;
- over £200 million for the development of low carbon technologies including offshore wind technology and manufacturing at port sites;
- increased incentives for low carbon energy generation through the Renewable Heat Incentive;
- enabling households to improve the energy efficiency of their homes at no upfront cost through a Green Deal; and
- overall savings within DECC’s core resource budget of 30 per cent in real terms by 2014-15, including through cutting lower value projects and focusing on key priorities.

Supporting long term growth

2.100 The Spending Review settlement enables DECC to prioritise spending in areas where it can have most impact. For example, new low carbon technologies have the potential to contribute to growth as well as to emissions reductions.

2.101 The Government remains committed to the Coalition Agreement policy of providing public funding for four CCS demonstration plants. Up to £1 billion will be invested in one of the world’s first commercial scale CCS demonstration projects at a power station. This funding is provided from general public spending and so does not require the introduction of a levy on electricity supplies for CCS. The Government will decide whether to introduce such a levy or to fund future demonstrations from general public spending once work has been completed in Spring 2011 on the reform of the climate change levy to provide support to the carbon price. The Government plans to publish this consultation in November.

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¹OECD Creditor Reporting System database, August 2010; refers to 2009 figures.
2.102 Over £200 million will be invested in manufacturing facilities at port sites and technology innovation to support the development of offshore wind power and energy efficiency technology for buildings.

2.103 This spending will be matched by reforms to increase the efficiency and effectiveness of public interventions. The Renewable Heat Incentive, funded from AME, will be introduced from 2011-12. This will ensure the UK meets its 2020 renewable energy targets while making efficiency savings of 20 per cent, or £105 million a year, by 2014-15 compared with the previous government’s plans.

2.104 The efficiency of Feed-In Tariffs will be improved at the next formal review, rebalancing them in favour of more cost effective carbon abatement technologies. This will save £40 million in 2014-15. Support for lower value innovation and technology projects will also be reduced, saving £70 million a year on average over the Spending Review period.

2.105 Spending on ODA is protected, helping developing countries adapt to the impacts of climate change and move onto a lower emissions growth path.

Reform

2.106 DECC will develop innovative ways of working with the private sector, acting as an enabler rather than the default provider. Households will be able to improve the energy efficiency of their house at no upfront cost, repaying through the savings they make on their energy bills, through a Green Deal. Extra support to reduce energy bills and help improve heating and insulation will be provided by energy companies to combat fuel poverty. This will allow the Warm Front public spending programme to be phased out over time, saving £345 million by 2013-14.

2.107 The Government is committed to focusing the available resources where they will be most effective in tackling the problems underlying fuel poverty. The Government therefore intends to initiate an independent review of the fuel poverty target and definition before the end of the year.

2.108 The CRC Energy Efficiency scheme will be simplified to reduce the burden on businesses, with the first allowance sales for 2011-12 emissions now taking place in 2012 rather than 2011. Revenues from allowance sales totalling £1 billion a year by 2014-15 will be used to support the public finances, including spending on the environment, rather than recycled to participants. Further decisions on allowance sales are a matter for the Budget process.

2.109 The Department will continue to manage Britain’s historic energy liabilities, including capital funding for the Nuclear Decommissioning Authority (NDA). Spending on the highest hazards at sites such as Sellafield has been protected. As the NDA’s commercial income is forecast to reduce, government spending on energy liabilities will increase over the Spending Review period. However, the NDA will undertake a significant programme of reform to achieve savings and to become more efficient and effective.
Box 2.4: Environmental Impacts of the Spending Review

The Spending Review ensures that the UK can meet environmental goals, including a 34 per cent reduction in greenhouse gas emissions by 2020 compared to 1990 levels, while cutting the costs of doing so. It moves away from a top down approach, instead freeing individuals, communities and businesses to make choices which protect the environment.

In particular, the Spending Review:

- commits to £1 billion of funding from DEL and additional significant proceeds from asset sales to capitalise a UK wide Green Investment Bank, subject to a final design which meets the tests of effectiveness, affordability, and transparency. This will aim to provide financial interventions to unlock significant new private investment in green infrastructure projects, such as offshore wind farms;

- puts the UK on track to meet statutory carbon budgets by supporting action on renewables; reducing transport emissions by increasing the uptake of electric vehicles through grants to reduce their upfront costs and the roll out of charging infrastructure; and giving households access to energy efficiency measures at no upfront cost through a Green Deal;

- supports key enablers of long term decarbonisation of the economy, including investment of up to £1 billion in a commercial scale carbon capture and storage demonstration project, investing in wind turbine research and development, and upgrading offshore wind manufacturing facilities at ports sites;

- underpins the Government’s commitment to obtain 15 per cent of energy from renewables by 2020, by supporting the roll out of large and small scale technologies, including renewable heat, and prioritising the most cost effective technologies;

- enhances UK leadership on climate change, supporting ambitious global action by providing £2.9 billion of international climate finance to help developing countries pursue low carbon growth and adapt to the impacts of climate change; and

- protects the natural environment at lower cost and supports adaptation to UK climatic conditions by continuing to invest in flood defences.

UK greenhouse gas emissions are driven by factors such as energy prices and growth, as well as environment policy. Effective monitoring of both emissions and policy implementation is therefore essential to manage uncertainty and allow the Government to reduce costs while delivering environmental objectives.

While the Spending Review sets spending totals, the exact environmental impact will depend on the decisions of individual departments. The Government will set out in full how each department’s policies will contribute to meeting emission reduction targets in a government wide carbon plan in 2011.
2.110 The Department for Environment, Food and Rural Affairs (DEFRA) settlement includes:

- continued investment in flood and coastal erosion risk management, with £2 billion being spent in total over the Spending Review period;
- overall resource savings of 29 per cent in real terms by 2014-15, through reducing the number of Arms Length Bodies from 92 to 39 and focusing spending on key priorities; and
- environmental stewardship schemes which will deliver savings of £66 million a year by 2014-15, but will remain open to all farmers in England.

Reform

2.111 DEFRA will focus spending on areas of high economic value. The settlement therefore provides for £2 billion to be spent on flood and coastal defences over the Spending Review period, better protecting 145,000 households by 2014-15. DEFRA will work with the Environment Agency and the Efficiency and Reform Group to review existing procurement strategies and maximise the money available, with expected efficiency savings of 15 per cent on capital investment by 2014-15.

2.112 DEFRA has cut the number of Arms Length Bodies it funds from 92 to 39, increasing transparency and accountability and creating savings. For example, the decision to abolish the Commission for Rural Communities is expected to save £18 million over the Spending Review period. Overall the Department will reduce its running costs by £174 million over the Spending Review period.

2.113 The Rural Development Programme for England will deliver savings of £66 million - the equivalent of about one third of spend in 2010-11. Making better use of available European Union funding will mean the scheme remains open to all farmers. In addition DEFRA will increase the proportion of the programme spent through schemes which have the most beneficial impact on the environment.

2.114 DEFRA will cease funding for seven waste PFI projects which, on reasonable assumptions, will no longer be needed to meet landfill diversion targets set by the European Union, saving £3 million by 2014-15, and more in the longer term.

2.115 DEFRA will look to reduce red tape and unnecessary burdens on farmers and food producers, without compromising standards. The task force on Farming Regulation will report by early 2011.

2.116 DEFRA will also take forward British Waterways’ proposal to turn the organisation into a new waterways charity in England and Wales.
2.117 The Department for Culture, Media and Sport (DCMS) settlement includes:

- provision for a safe and successful Olympic and Paralympic Games in 2012, by maintaining a public sector funding package of £9.3 billion;
- investing £530 million over the Spending Review period including £300 million from the TV licence fee, to improve the UK’s broadband network;
- maintaining free entry to museums and galleries;
- capital project funding for the Tate Modern, the British Museum, and the British Library Newspaper Archive in Boston Spa;
- ensuring national cultural assets are preserved for future generations including by limiting cuts to 15 per cent for core programmes like Museums, Arts Council England funding to frontline arts and Sport England’s Whole Sport plans; and
- overall resource savings of 24 per cent in real terms over the Spending Review period (excluding Olympics) through slimming down the Department and its Arms Length Bodies, and focusing on key priorities.

Reform

2.118 To protect key commitments and ensure that maximum support is directed into delivering sporting and cultural services to the public, significant savings will be made across the department and its Arms Length Bodies. Overall administrative costs will be reduced by 41 per cent over the Spending Review period, including for Non Departmental Public Bodies (NDPBs) and the Government Olympic Executive, with many NDPBs making savings of 50 per cent, including the Arts Council England. In addition, funding will end for the Creative Partnerships programme, and funding will be cut for the British Film Institute, by 15 per cent, and for the Welsh language broadcaster S4C, by 25 per cent.

2.119 To increase the efficiency, transparency and accountability of public services, 19 of DCMS’ 55 public bodies will be abolished or reformed. This includes the abolition of the UK Film Council and Museum, Libraries and Archives Council, the merger of UK Sport and Sport England, and the merger of the National Lottery Commission and Gambling Commission.
2.120 The Government has agreed with the BBC that the TV licence fee will fund BBC World Service, BBC Monitoring, and S4C, saving the Exchequer £340 million by 2014-15. The Government has also agreed with the BBC that the TV licence fee will be frozen until 2016-17.

2.121 While culture, media and sports will take their share of overall reductions to public spending, the Government is committed to supporting excellence and improving the quality of life for all through these sectors by:

- encouraging corporate investment to bring in new sources of funding and philanthropic giving, particularly in the arts;

- providing greater freedom and flexibilities for museums through easier access to reserves of privately raised funds, and taking a more strategic approach to public funding for the arts; and

- continuing to reform Lottery funding to ensure more money goes to support projects in the arts, sport and heritage, by allocating 60 per cent of Lottery funding to these causes and 40 per cent to the voluntary and community sector.

2.122 A total of £530 million will be invested over the Spending Review period to support the UK’s broadband network, benefiting around 2 million households, including in some of the most remote areas of the UK. As part of this investment, the Government will also pursue superfast broadband pilot projects in North Yorkshire, Cumbria, Herefordshire, and the Highlands and Islands.

**Box 2.5: The London 2012 Olympic and Paralympic Games**

The Spending Review maintains the public sector funding package at £9.3 billion, supporting delivery of a safe and successful Games. The Olympic Delivery Authority has now completed over 70 per cent of the venues and infrastructure programme for the Games. As 2012 approaches, the nature of the Olympic programme will change, requiring swifter responses to remaining challenges. To facilitate this, the Spending Review announces that DCMS will become sole budget holder for central government spending on the Olympics. Responsibility and funding for security will continue to sit with the Home Office.

The Government will continue to work with the Mayor of London to ensure a genuine and lasting legacy. This will ensure five major new sporting venues for elite and community use, 2,800 new homes - half of which will be affordable housing - and 250 acres of new parklands. The sporting legacy of the Games will include the launch of a new Olympic and Paralympic style schools sports competition.

**Department for Work and Pensions**

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</table>

¹ In this table, Resource DEL excludes depreciation and AME excludes non cash items
2.123 The Department for Work and Pensions (DWP) settlement includes:

- funding to implement the welfare reforms announced in the June Budget and at this Spending Review. This includes £2 billion over the next four years for the Universal Credit, which will replace the current complex system of means tested working age benefits with a single tapered payment that ensures work always pays;

- personalised back-to-work support through the Work Programme for the long term unemployed and disabled people, delivered by private and third sector specialists who will be paid on the basis of the additional benefit savings they secure;

- funding for the introduction of auto enrolment from 2012 and the establishment of the National Employment Savings Trust (NEST), to help individuals save for their retirement and encourage high quality pension provision by employers;

- overall resource savings of 26 per cent in real terms on DWP’s core budget by 2014-15, through greater use of digital services for processing benefits, and better targeting of spending on employment programmes, the Child Maintenance and Enforcement Commission, and the Health and Safety Executive; and

- uprating the basic State Pension by a triple guarantee of earnings, prices or 2.5 per cent, whichever is highest, and preserving key benefits for older people including Winter Fuel Payments. Given the challenges posed by demographic change, the Government will raise the State Pension Age for men and women to 66 by April 2020.

**Fairness**

2.124 Reform of the working age benefit system will deliver net AME savings of £7 billion a year by 2014-15, creating a fairer and more affordable welfare system, improving incentives to work and tackling dependency, while protecting those who are genuinely unable to work (see Box 2.6).

2.125 These reforms to the benefits system will be complemented by the new Work Programme, which will harness the expertise of private and third sector specialists to provide personalised support for those with the greatest barriers to employment. 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. Support for the short term unemployed will continue to be provided through Jobcentre Plus, which is internationally recognised as a model of best practice.

**Reform**

2.126 DWP will reduce its corporate overheads by 40 per cent in real terms by 2014-15, through centralisation of support services and rationalisation of strategy and policy functions. Data sharing with other departments will facilitate streamlined processes that reduce costs to government and save time for customers. For example the ‘Tell Us Once’ project will ensure customers only have to report a birth or bereavement to one government agency.
Box 2.6: Welfare Reform

In contrast to previous Spending Reviews, Spending Review 2010 explicitly includes welfare spending within its scope. This has enabled the Government to take a more strategic look at the tradeoffs across both public services and welfare payments, shifting the balance towards the former in order to protect those services that increase social mobility and enhance long term prosperity. As a result of the measures announced at this Spending Review and the June Budget, welfare spending will be falling in real terms over the next four years, in contrast to the 45 per cent real increase over the last decade. Consultation with the public and external experts has indicated a strong consensus in support of this approach, and has also highlighted the urgent need to tackle the culture of welfare dependency engendered by the current benefits system.

The June Budget took the first step towards these goals with a package of measures that will deliver net savings of £11 billion a year by 2014-15. This included a switch to CPI for the annual indexation of benefits and pensions, and steps to control costs in Housing Benefit and tax credits. A proportion of the savings were recycled to fund a new triple guarantee that the Basic State Pension will be uprated by the higher of earnings, prices or 2.5 per cent each year. Increases to the Child Tax Credit also ensured that the Budget will have no measurable impact on child poverty in the next two years.

This Spending Review builds on these measures with further radical reforms. 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 ensure work always pays, with less scope for 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.

To provide a fair and affordable platform for the introduction of the Universal Credit the Spending Review also announces a package of reforms to the existing welfare system which will deliver net AME savings of £7 billion a year by 2014-15, including by:

- capping household benefit payments from 2013 at around £500 per week for couple and lone parent households and around £350 per week for single adult households, so that no family can receive more in welfare than median after tax earnings for working households. All Disability Living Allowance claimants, War Widows, and working families claiming the working tax credits will be exempt from the cap;

- withdrawing Child Benefit from families with a higher rate taxpayer from January 2013 so that people on lower incomes are not subsidising those who are better off, saving £2.5 billion a year by 2014-15; and

- controlling the costs of tax credits by:
  - reducing the percentage of childcare costs that parents can claim through the childcare element of the Working Tax Credit (WTC) from 80 per cent to its previous 70 per cent level in April 2011, saving £385 million a year by 2014-15;
  - changing the eligibility rules so that couples with children must work 24 hours a week between them, with one partner working at least 16 hours a week in order to qualify for the WTC, saving £390 million a year by 2014-15;

\[\text{Estimated with HM Treasury’s tax and benefits micro-simulation model, based on 2007-8 Family Resources Survey data projected to 2011-12 and 2012-13.}\]

\[\text{The savings quoted for the tax credit reforms only cover the direct effects on Annually Managed Expenditure and not the negative tax implications, although these details are provided in the supplementary document ‘Spending Review 2010 Policy Costings’.}\]
• freezing the basic and 30 hour elements of the WTC for three years from 2011-12, saving £625 million a year by 2014-15; and

• increasing the child element above indexation by a further £30 in 2011-12 and £50 in 2012-13, in addition to the £150 and £60 increases provided at the June Budget. This will ensure that the overall outcome of the Spending Review will have no measurable impact on child poverty in the next two years.\(^c\)

• time limiting contributory Employment and Support Allowance for those in the Work Related Activity Group to one year, to improve work incentives while protecting the most severely disabled and those with the lowest incomes, saving £2 billion a year by 2014-15;

• increasing the age threshold for the Shared Room Rate in Housing Benefit from 25 to 35. This will ensure that Housing Benefit rules reflect the housing expectations of people of a similar age not on benefits, saving £215 million a year by 2014-15;

• reducing spending on Council Tax Benefits by 10 per cent and localising it, saving £490 million a year from 2013-14, while protecting the most vulnerable. In addition, the Government will provide greater flexibilities to local authorities to manage pressures on council tax from the same date;

• removing the mobility component of Disability Living Allowance for people in residential care, where such costs are already met from public funds, saving £135 million a year by 2014-15;

• freezing the maximum Savings Credit award in Pension Credit for four years, thereby limiting the spread of means testing up the income distribution and saving £330 million a year by 2014-15;

• helping homeowners facing difficulties by extending for a further year the temporary change to the Support for Mortgage Interest scheme, to reduce the waiting period for new working age claimants to 13 weeks and increase the limit on eligible mortgage capital to £200,000, both of which were due to expire in January 2011;

• making permanent the temporary increases to Cold Weather Payments provided in the past two winters, at a cost of £50 million a year, so that eligible households receive £25 for each seven day cold spell recorded or forecast where they live; and

• to ensure dignity in retirement, the Government will uprate the basic State Pension by a triple guarantee of earnings, prices, or 2.5 per cent, whichever is highest.

Increasing longevity and demographic change pose challenges over the longer term. In response, the Government will speed up the pace of State Pension Age equilisation for women from April 2016 so that Women’s State Pension Age reaches 65 in November 2018. The State Pension Age will then increase to 66 for both men and women from December 2018 to April 2020. Following the faster increase to 66, the Government is also considering future increases to the State Pension Age to manage the ongoing challenges posed by increasing longevity, and will bring forward proposals in due course. In addition, the Government will improve the quality and access to pensions in the Spending Review period.

\(^c\) Estimated with the HM Treasury tax and benefits micro-simulation model based on 2007-08 Family Resources Survey data projected to 2011-12 and 2012-13.
2.127 The Devolved Administrations’ (DAs) settlement includes:

- 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;

- funding for the Northern Ireland Executive for a £175 million loan and £25 million access fund to ensure a fair and just resolution of issues arising from the collapse of the Presbyterian Mutual Society;

- depending on the outcome of the forthcoming referendum, consideration of the proposals in the final Holtham report, consistent with the work being taken forward in Scotland following the Calman Commission; and

- a cumulative 7 per cent real terms reduction to the resource budgets of Scotland, Wales, and Northern Ireland.

2.128 The budgets of the DAs have been determined by the Barnett Formula in the usual way. The DAs are free to allocate their budgets in line with local needs and priorities and have their own programmes of reform and efficiency. Full details of the Barnett Formula can be found in a revised edition of the Statement of Funding policy, published alongside the Spending Review.5

2.129 In addition to the Barnett consequentials, the UK Government has agreed exceptionally to the following for the DAs:

- at least an additional £250 million through the proposed Green Investment Bank available 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;

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1 The revised Statement of Funding Policy is available on the Treasury website.
funding for the Northern Ireland Executive for a £175 million loan, and a £25 million contribution to an access fund to ensure a fair, just and affordable resolution of issues arising from the collapse of the Presbyterian Mutual Society; and

the Government recognises the concerns expressed by the Holtham Commission on the system of devolution funding. Depending on the outcome of the forthcoming referendum, the Government will consider with the Welsh Assembly Government the proposals in the final Holtham report, consistent with the work being taken forward in Scotland following the Calman Commission.

2.130 The Government is committed to the implementation of the Calman Commission Report, and will introduce a Scotland Bill in the current Parliamentary session.

2.131 The Government will continue to provide lending to the Northern Ireland Executive under the Reinvestment and Reform Initiative, at a rate of £200 million per year. In Scotland and Wales, local authorities will continue to be able to borrow under the prudential borrowing regime.

2.132 The Scotland, Wales and Northern Ireland Offices will receive a cumulative 25 per cent real terms reduction to their resource budgets and a 33 per cent reduction to their administration budgets. Their settlements have been top sliced from the respective block grant above, in the normal way.

Chancellor’s Departments

HM Revenue and Customs

Table 2.23: HM Revenue and Customs

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¹ In this table, Resource DEL excludes depreciation and AME excludes non cash items

2.133 The HM Revenue and Customs (HMRC) settlement includes:

• £900 million of investment to address the tax gap and tackle tax avoidance and evasion, bringing in an additional £7 billion per year in tax revenues by 2014-15;

• £100 million to improve the operation of Pay As You Earn (PAYE) for both employers and individuals;

• measures to deliver £8 billion of tax credit fraud and error savings by 2014-15; and

• overall resource savings of 15 per cent, including the additional investment, with efficiency savings of 25 per cent through enhanced use of new technology, rationalising the HMRC estate and maximising savings from IT contracts.

Fairness

2.134 HMRC will invest £900 million to tackle tax avoidance, evasion, fraud and debt, bringing in an additional £7 billion a year in tax revenues by 2014-15. This will include:

• a five-fold increase in criminal prosecutions to act as a deterrent to others;
• a new dedicated team of investigators to crack down on offshore evasion;
• more resources for the prevention of tobacco and alcohol fraud, an increase in registration checks, and a cyber team to address repayment fraud;
• dedicated tax experts to extend HMRC’s coverage of large businesses, focused on providing resources to tackle high risk areas; and
• improving the scope of in house debt collection and placing up to £1 billion per year of tax debt to private sector debt collection agencies.

2.135 DWP and HMRC published a joint strategy on 18 October 2010 which outlines how they will reduce fraud and error.6

2.136 HMRC will implement reforms of the tax credit system to increase fairness and improve affordability. As a result, HMRC AME will decrease accordingly. Further details of tax credits measures are included in Box 2.6 and Table 3.

Reform

2.137 In order to focus resources on frontline tax collection, HMRC will invest in new technology to improve risk assessment capability, better join up taxpayer information and streamline internal processes. Savings will be maximised from IT and other procurement contracts and administration costs will be reduced by a third with reductions in the size of corporate services and back office support functions.

2.138 HMRC will modernise tax administration and will improve and tailor services for taxpayers. All businesses will be filing their tax returns online by 2012 with at least 80 per cent of self assessments to be filed online by 2014-15. The Department will also modernise PAYE, moving towards more real time information so that people can be reassured that they have paid the right amount of tax throughout the year.

HM Treasury

Table 2.24: HM Treasury

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1 In this table, Resource DEL excludes depreciation and AME excludes non cash items

2.139 The Treasury settlement includes:
• provision to ensure the Treasury continues to manage the process of deficit reduction and support the economic recovery; and
• overall resource savings of 33 per cent in real terms by 2014-15, including through reducing staffing levels, streamlining internal processes and better utilising the Treasury’s estate.

Reform

2.140 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 fiscal regulation.

2.141 The Treasury will deliver savings by reducing its headcount, improving control of non-pay expenditure and delivering savings from its estate. Headcount will fall following a strategic review of the Department. The Treasury will also maximise the use of its building, providing the opportunity for increased income through subletting. It will aim to halve the net cost of the building, as part of a Whitehall wide strategy that seeks overall best value for money for the Exchequer.

2.142 The Treasury will not provide any further funding for the Infrastructure Finance Unit, other than to meet its contractual obligations.

Box 2.7: Equitable Life

The Government pledged in the Coalition Agreement to “implement the Parliamentary Ombudsman’s recommendation: to make fair and transparent payments to Equitable Life policyholders, through an independent payment scheme, for their relative loss as a consequence of regulatory failure.”

After considering Sir John Chadwick’s advice, which produced a calculation of losses resulting from regulatory failure of £340 million, and the views of the Parliamentary Ombudsman and interested parties, the Government has concluded that the relative loss suffered by policyholders is the difference between what policyholders actually received from their policies, and what they would have received if they had invested elsewhere. This approach encompasses all the Parliamentary Ombudsman’s findings of maladministration, which the Government fully accepts.

The Equitable Life Payments Scheme must deliver fairness both to policyholders and to taxpayers. The Parliamentary Ombudsman has said: “it is appropriate to consider the potential impact on the public purse of any payment of compensation in this case”, and the Government has carefully considered the amount of funding to be made available to the Payments Scheme in this Spending Review. When affordability is taken into consideration, it is important that the position of those who have been hardest hit by their losses is recognised. Policyholders with With Profits Annuities (WPAs) were particularly vulnerable to reductions in the value of their policies because they were unable to move their funds elsewhere, or to mitigate the impact of their losses through employment. They are also generally the eldest policy holders.

In light of these factors, the Government will cover the cost of the total relative loss suffered by WPAs, estimated at £620 million. WPAs will receive this in the form of regular payments, based on their full relative loss. £1 billion will be allocated to the Payments Scheme in this Spending Review period, which will cover both the initial costs of the first three years of WPA regular payments, and all payments to other policyholders. The Government expects the total amount of funding for the scheme to be in the region of £1.5 billion. This is over four times the loss figure that Sir John Chadwick’s methodology produces.

The Independent Commission on Equitable Life Payments will advise on the allocation of funding to policyholders other than WPAs.
Royal Household

Grant support for the Royal Household will be static in 2011-12 and 2012-13 at £30.143 million. This will call for a 14 per cent reduction in Royal Household spending in 2012-13 since the civil list reserve will be exhausted. In that Jubilee year there will also be a temporary additional facility of £1 million. After that the Royal Household will receive a new sovereign support grant linked to the revenue of the Crown Estate.

Cabinet Office

Table 2.25: Cabinet Office

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1 In this table, Resource DEL excludes depreciation and AME excludes non cash items.

2.144 The Cabinet Office settlement includes:

- arrangements to enable the implementation of key Coalition commitments including a referendum on the Alternative Vote (AV), the Boundary Review and Individual Electoral Registration;
- funding to support the Big Society including pilots for National Citizen Service;
- a transition fund of £100 million to support those voluntary and community sector organisations most affected in the short term by public spending reductions; and
- overall resource savings of 35 per cent on the Cabinet Office core budget, including further reductions in the use of consultants, rationalising its estate and back office services, renegotiating supplier contracts, and a reduction of 25 per cent across the Spending Review period in the costs of providing support to the Prime Minister.

Reform

2.145 To implement key Coalition commitments, new responsibilities have been transferred to the Cabinet Office from other departments. This includes the transfer of spending on elections and constitutional reform from the Ministry of Justice; the Office of Government Commerce from the Treasury; and DirectGov from DWP. As a result, the Cabinet Office’s overall settlement is higher. Excluding these changes, the Cabinet Office will make a saving of 35 per cent.

2.146 The Cabinet Office will continue to work with the Treasury to drive improvement, cost savings and innovation across Government through the Efficiency and Reform Group.

2.147 The Government will resource and implement the AV referendum and Boundary Review, as set out in the Coalition Agreement.

2.148 The Office for Civil Society has been funded to provide support for growing the Big Society which will include encouraging volunteering, building the capacity of the voluntary and community sector, establishing community organisers and setting up a Community First Fund to support local and community organisations. In addition, the Department has been funded to pilot National Citizen Service (NCS). The aim of NCS is to encourage young people to become engaged and involved in social action within their communities.
2.149 In recognition of the challenges faced by the voluntary and community sector, the Spending Review also announces a £100 million transition fund to provide support to those organisations delivering frontline services that stand to be affected in the short term by reductions in spending, and are able to demonstrate that the financial impact will affect their ability to deliver services. The fund will be provided for a transition period, enabling these organisations to adapt.

2.150 The Cabinet Office will make savings of 35 per cent on its core budget by cutting administration costs, including reducing its use of consultants and other external support; a significant rationalisation of its estate and back office services; and deriving benefits from the wider renegotiation of major contracts with leading suppliers to Government, being led by the Minister for the Cabinet Office.

2.151 There will be a reduction of 25 per cent 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.

**Single Intelligence Account**

**Table 2.26: Single Intelligence Account**

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\(^1\) In this table, Resource DEL excludes depreciation and AME excludes non cash items.

2.152 The security and intelligence agencies, funded through the Single Intelligence Account (SIA), do crucial work in protecting the national security of the UK from threats such as terrorism. The Spending Review protects core counter terrorism capabilities, while identifying efficiencies that will allow them to be delivered at lower cost.

2.153 A wide ranging package of efficiency measures will enable the security and intelligence agencies to continue to deliver while making a contribution to deficit reduction. Greater collaboration between the three agencies will make them more effective in their work, but also secure financial savings.

2.154 The Government’s security priorities have been set out in full in the Strategic Defence and Security Review on 19th October. The SIA settlement reflects the decisions made in the review.
Box 2.8: Cyber Security

The rapidly changing nature of cyber threats to the UK demonstrates the need for a flexible cyber security response. With this in mind the Government is implementing a major new £650 million National Cyber Security Programme to deliver a step change in our cyber security capabilities across Government, managed from within the Cabinet Office. The programme will include the following priorities:

- overhauling the UK approach to tackling cyber crime;
- addressing the deficiencies in the UK’s ability to detect and defend itself against cyber attack;
- addressing shortcomings in the critical cyber infrastructure, ensuring security is built into online public services and that additional support is given to key UK industries, including those critical networks owned and operated by the private sector; and
- fostering a more preventative approach to cyber security through investment in awareness raising, education and skill development.