Comprehensive Spending Review 2013

The Chancellor claimed today in his statement to the house that Britain is moving out of intensive care and moving towards recovery. He added that the Government was acting on behalf of everyone to get more from every pound that the Government spends, secure growth and ensure fairness.

The Chancellor announced that £11.5 billion of savings would be required in 2015-16 from a total managed expenditure of £745 billion. £5 billion of this figure will be generated through efficiency savings and cuts of bureaucracy. The rest will be achieved through cuts to Government spending.

Key Points (by departments)

Department for Education (DfE):

- Real terms protection of the schools budget.
- Real terms protection of the Pupil Premium and a consultation on how to introduce a fair national funding formula for schools in 2015-16.
- Support for the next stage of schools reform to free up the system and increase choice, including continued rollout of academies and funding for up to 180 new Free Schools, 20 new Studio Schools and 20 new University Technical Colleges a year.
- Savings through reductions to the Department’s centrally held programme budgets and administration budget.

Department of Health (DH):

- Real terms growth in overall NHS funding, continuing the Government’s commitment to protect health spending.
- Building on support for social care in the current Spending Review period, an additional £2 billion a year through the NHS to join up local health and social care services, an extra £200 million will be made available in 2014-15 to accelerate this.
- Greater resources for frontline services as a result of 10% real-term cuts to administration budgets and plans for up to £1 billion savings from an overhaul of NHS procurement.

Department for Transport (DfT):

- 5.5% real terms increase in capital provision for critical transport infrastructure.
- 9.3% reduction in resource expenditure through an increased focus on efficiency savings.

Department for Communities and Local Government (DCLG):

- £45 million capital fund for the Fire and Rescue Service alongside a £30 million resource fund from the local government settlement.
£126 million savings from reductions in the Department’s resource budget and further efficiencies through a 10% reduction in the administration budget, including a move to share accommodation with the Home Office in 2015-16.

- Making funding available in 2014-15 and 2015-16 for local authorities who choose to freeze their council tax.
- £330 million to support transformation of local services including a £200 million extension of the Troubled Families programme and a £100 million collaboration and efficiency fund.
- A reduction in overall local government spending of 2.3%.

**Department for Business, Innovation and Skills (BIS):**

- £2.5 billion of capital funding, including £2.2 billion for capital spending and £300 million for financial transactions in 2015-16. To help provide long-term certainty, the Government has agreed a capital budget of £2.2 billion in 2016-17, excluding financial transactions.
- £4.6 billion to maintain resource funding on science in cash terms and £1.1 billion to maintain capital spending on science in real terms.
- £185 million of additional resource funding for the Technology Strategy Board to support innovation, including Catapult Centres and the Biomedical Catalyst.

**Home Office:**

- Maintaining funding for the police counter-terrorism budget, to protect the UK from the ongoing threat posed by terrorism.
- Increasing efficiency through greater collaboration across and beyond the police which will enable police forces to focus on cutting crime and protecting the public.
- Total reductions of 50% to administration budgets compared to 2010-11 levels.

**Ministry of Justice (MoJ):**

- Funding to enable the transformation of rehabilitation services to drive down persistently high reoffending rates.
- £200 million saving in the cost of the courts to the taxpayer by 2015-16.
- £180 million reduction in the cost of prisons run by the public sector by 2015-16.
- Proposals to reform the legal aid system, which would deliver savings rising to £220 million a year.

**Ministry of Defence (MoD):**

- Funding for the Strategic Defence and Security Review commitments in 2015-16, which includes maintaining levels of armed forces personnel.
- A commitment to 1% real terms annual growth in the Equipment Plan.
- A continued commitment to UK-wide infrastructure investment, including a major programme of investment to support the rebasing of army personnel.
- Overall savings of approximately £1 billion from MOD plans, which includes around £750 million of contract renegotiations.
- Further support for the Armed Forces Covenant through the provision of funding from LIBOR fines.
Foreign and Commonwealth Office (FCO):

- Funding to maintain the size and shape of the diplomatic network of embassies.
- Implementation of the One HMG Team overseas project, driving efficiencies of up to £5million.
- Review of the operating model of the British Council to encourage greater self-funding.
- Increased funding of £70million for work with UKTI to support economic growth, and exploit commercial opportunities. The FCO will work with UKTI and other partners towards the aim of doubling UK exports by 2020.

Department for International Development (DFID):

- The DFID contribution to £12.22billion of total UK Official Development Assistance, ensuring the UK Government maintains funding at 0.7% of gross national income in 2015.
- £809million increase in the overall DFID budget from 2014-15 and an increase in the DFID ODA budget to £10.6billion.

Department of Energy and Climate Change (DECC):

- Capital investment in innovative energy projects and £5.3billion funded through energy bills, to enable investment in renewable energy and other projects, and to address fuel poverty.
- Funding of up to £430million for the Renewable Heat Incentive, with proposed new tariffs and a higher budget cap to encourage increased take up.

Department for Environment, Food and Rural Affairs (DEFRA):

- Support for flood defences, with resource spending maintained in cash terms.
- A focus on greater efficiency through coordination across the Department’s ALBs, reducing fines payable to the EU for disallowance, and prioritising spending on economically high-value areas.

Department for Culture, Media and Sport (DCMS):

- New operational freedoms for national museums and funding reductions limited to 5% for museums, the arts and community sport.
- Work with English Heritage to consult on establishing a charity to care for the historic properties in the National Heritage Collection on a self-financing basis, supported by government investment of £80million.
- Continued funding for elite athletes at planned levels in the run up to Rio 2016, building on the success of the 2012 Olympic and Paralympic Games.

Department for Work and Pensions (DWP):

- £530million in 2015-16 to fund the implementation of key welfare reforms including the Personal Independence Payment, The Welfare Cap, Universal Credit and the State Pension.
- Funding to maintain the Jobcentre Plus regime and increase significantly the support and requirements placed on claimants of out-of-work benefits.
• Funding for measures to reduce fraud and error within the benefit system and improve DWP’s debt recovery operations.
• Substantial efficiency savings amounting to £420 million.

Scotland, Wales and Northern Ireland:

• Real terms increase in capital spending power for the Scottish Government, Welsh Government and Northern Ireland Executive.
• Work to finalise the Government’s response to the Silk Commission report on fiscal devolution and to explore with the Welsh Government how this can help to support a funding solution for the M4 improvement scheme in south Wales.
• £31 million for the Police Service of Northern Ireland.
• An additional £100 million of capital borrowing for the Northern Ireland Executive over two years in 2014-15 and 2015-16 to fund shared future projects in housing and education.
• £296 million of capital borrowing powers for the Scottish Government in 2015-16 through the ongoing implementation of the Scotland Act 2012.

HM Revenue & Customs (HMRC):

• Further increase in HMRC’s target for additional revenues, including from tackling avoidance and evasion, to a total of £24.5 billion in 2015-16, £1 billion more than in 2014-15 and £10 billion more than in 2010-11.
• A contribution to deficit reduction through the collection of an additional £95 million in tax credit debt on an innovative payment by results funding basis.

Cabinet Office:

• Continued funding of £56 million to support Government programmes which encourage social action and help Voluntary, Community and Social Enterprise (VCSE) organisations play a bigger role in communities and public services.
• Funding to support the continued growth of the National Citizen Service from 90,000 places in 2014, with targets of 120,000 places in 2015 and 150,000 places in 2016.
• £148 million to fund the 2015 General Election, the Parliamentary Boundary Review and continued support for Individual Electoral Registration arrangements.
• Efficiency savings within the core department, including through pay restraint, a reduction in IT running costs and completion of the Department’s estate consolidation programme.
Key point to consider

Cap on overall welfare spending (page 26-27 of the CSR) – to be set each year at the budget for four years. The cap based in cash terms. If the Office for Budget Responsibility forecast the Government to breach the cap, then a warning will be issued. This would put the Government in a position of taking action to address the breach or to explain the breach to Parliament. The cap does not take into account state pensions. It would come into effect as of the April 2015 Budget statement.

- Heather Stewart of the Guardian said: “Capping Britain’s welfare budget each year in cash terms was also presented by Osborne as part of his economic vision: he said slapping a ceiling on benefits spending would act as a “limit on the nation’s credit card”. However, he has excluded some of the benefits, including Jobseekers Allowance, which rise rapidly when growth slows down: economists call such payments “automatic stabilisers”, because they help in hard times to limit the speed of a slowdown.”

- Jeremy Warner of the Telegraph said: “As to what the Chancellor did announce, including the commitment to cap welfare spending for four years, you have to ask yourself why in two years time and not now? What’s to stop the welfare cap coming in straight away? Presumably, it's the Prime Minister's commitment not to cut pensioner benefits this Parliament, for it is hard to see where else effective cuts to the welfare budget are going to come from. In any case, the Government continues to be far too cautious in its approach.

- Stephanie Flanders of the BBC tweeted: Excluding state pension from welfare cap continues habit of maintaining spending on over-65s. 75% of that spending is not means tested.

- Robert Peston of the BBC tweeted: Odd perhaps that pension not included in welfare cap, given that age-related benefits are arguably biggest looming fiscal problem in west.

- Campbell Robb of Shelter said: ‘It’s absolutely vital that a cap on welfare spending doesn’t result in further cuts to housing benefit, which would be a disaster for families already battling to stay in their homes. Housing benefit is a safety net that helps people who lose their jobs or suddenly become ill to stay in their home until they can get back on their feet. When so many families are seeing their hours cut back and are struggling to pay their rent, it’s the very last thing we can afford to undermine. If the Government is serious about cutting the welfare bill, we need more affordable homes to bring down rents so that fewer people need housing support. So far, we haven’t seen the big and radical action that’s needed to tackle a housing shortage that’s been decades in the making.”