



## Government announces £6.2bn of savings in 2010-11

### *Action to cut Whitehall waste and protect schools spending*

Today the Chancellor of the Exchequer George Osborne and Chief Secretary to the Treasury, David Laws announced:

1. The details of £6.2 billion of savings from Government spending in 2010-11 to tackle the unprecedented £156 billion deficit, while protecting the quality of key frontline services
2. Schools, Sure Start and spending on education for 16-19 year-olds will be protected from these in-year cuts
3. £500 million out of the £6.2 billion will be used to improve Britain's growth potential and create a fairer society, by reinvesting in further education, apprenticeships and social housing
4. The foundation of an Efficiency and Reform group chaired by the Chief Secretary David Laws and Cabinet Office Minister Francis Maude to oversee the implementation of many of the savings announced today.

#### **1. £6.2 billion savings in 2010-11**

Last week the Chancellor and Chief Secretary announced that they would set out plans to cut £6.2 billion of Government spending this financial year. Today they have set out the details of these savings.

The details were agreed in discussion with Secretaries of State over the last week, following advice from Treasury and the Bank of England that savings on this scale are feasible and advisable.

The savings are the first step in the Government's efforts to tackle an unprecedented £156 billion deficit and focus on driving out Whitehall waste ahead of a Spending Review later this year.

Other countries with large deficits, including France, Spain and the USA have already taken action to make savings this year, in order to restore confidence and sustain economic recovery. Today the Government has taken the decisive action necessary to start tackling the UK deficit and secure the recovery only 10 days after taking office.

Savings will be taken out of budgets, without affecting the quality of key frontline services, as set out in the coalition agreement. In addition to £6.2bn of savings in non-protected departments, savings in health, defence and international aid will be reinvested in front line services in those departments.

The savings will come from the areas set out a week ago:

Outside of Local Government and the Devolved Administrations, the savings are allocated across different areas as follows:

- £1.15bn in discretionary areas like consultancy and travel costs
- £95m through savings in IT spending
- £1.7bn from delaying and stopping contracts and projects, including immediate negotiations to achieve cost reductions from the major suppliers to government
- £170m from reductions in property costs
- at least £120m from a recruitment freeze across the civil service for the rest of 2010-11
- £600m from cutting the cost of quangos
- £520m by reducing other lower value spend.

In addition, £1.165 bn of savings will be made in Local Government by reducing grants to Local Authorities to reflect their contribution to the £6.2bn. The Government will also remove the ringfences around over £1.7bn of grants to local authorities in 2010-11, to give them greater flexibility to re-shape their budgets and find savings in the areas set out above, while maintaining the quality of services to their customers

As announced a week ago, the Devolved Administrations will have the option of making savings this year or deferring their share of the savings, which totals £704m, until the next financial year.

As well as savings from waste and efficiency, including £10m from cracking down on first class travel and £5m from restricting ministerial entitlement to a dedicated car and driver, specific low value programs included in the above list include:

- £320m from reducing and then stopping government contributions to the Child Trust Fund. The Government intends to introduce legislation to scale back payments from August this year and then stop payments from 1 Jan 2011. Payments to disabled children due this year will be made, and the Government will ensure that the funding allocated for these payments in future years will be redirected to other forms of support for disabled children.
- £150m from savings in the last Government's housing pledge, while seeking to protect social housing.
- £320m from ending ineffective elements of employment programmes, including ending further rollout of temporary jobs through the Young Person's Guarantee (the 'Future Jobs Fund') and removing recruitment subsidies from the 'Six-Month Offer'.
- £270m from ending lower value RDA spending.
- £80m from closing the British Educational Communications and Technology Agency (BECTA) and other savings in Department for Education quangos.

In addition to these savings, and as announced last Monday, the Chief Secretary to the Treasury and Secretaries of State across Whitehall are currently undertaking a re-examination of all spending approvals made since the 1<sup>st</sup> January 2010, to ensure that they are consistent with the Government's priorities of good value for money.

## **2. Protecting schools, Sure Start and 16-19 year olds from in year savings**

The Government is also announcing today that schools, Sure Start and spending on 16-19 year-olds will be protected from any in-year spending cuts.

Efficiency savings made within schools, Sure Start and 16-19 education will be recycled within their respective budgets. The Department for Education will still make savings of £670m from reducing waste and quango costs elsewhere in its budget.

### **3. Investing in Britain's growth potential**

As set out in the coalition agreement, the great majority of £6.2 billion savings will be used to reduce the deficit. A total of £500m out of the £6.2bn of savings will be used to invest in improving Britain's growth potential and building a fairer society:

- £50m of Government investment in Further Education colleges, which they will be able to leverage up to create a £150m fund to provide capital investment to those colleges most in need.
- £150m to fund 50,000 new apprenticeship places, focused on small and medium enterprises.
- £170m to safeguard delivery of around 4,000 otherwise unfunded social rented homes to start on site this year, protecting 3,500 jobs and prioritising provision for the most vulnerable.
- £50 million for action to tackle backdated business rates bills, including a freeze on payments for 2010-11.

In addition, Barnett consequentials will be paid at the same time as Devolved Administrations make their contribution to the £6.2bn, making a total of £500m.

### **4. Efficiency and Reform Group - delivering the savings**

The savings will be driven by the new Efficiency and Reform Group, whose board will be chaired jointly by the Chief Secretary to the Treasury, David Laws, and the Minister for the Cabinet Office and Paymaster General, Francis Maude. The Group will be formed by pulling together existing capabilities, drawing on expertise of officials from across Whitehall. As well as helping departments to deliver savings, the group will oversee an immediate freeze on non-critical spending on consultancy, advertising, and recruitment of non-frontline civil service staff.

The Efficiency and Reform Group will be comprised of existing civil servants from across Whitehall, and will be located within existing premises, with no additional cost to departmental budgets.

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## Notes to editors:

### 1) Departmental savings

| Department  | Departmental contributions in 2010-11 |
|---|---------------------------------------|
| Department for Education                          | 670                                   |
| Department for Transport                          | 683                                   |
| Communities and Local Government                  | 780                                   |
| CLG Local Government                              | 405                                   |
| Business Innovation and Skills                    | 836                                   |
| Home Office                                       | 367                                   |
| Ministry of Justice                               | 325                                   |
| Law Officers' Departments                         | 18                                    |
| Foreign and Commonwealth Office                   | 55                                    |
| Department for Energy and Climate Change          | 85                                    |
| Department for Environment Food and Rural Affairs | 162                                   |
| Department for Culture Media and Sport            | 88*                                   |
| Department for Work and Pensions                  | 535                                   |
| Chancellor's Departments                          | 451**                                 |
| Cabinet Office                                    | 79                                    |
| Devolved Administrations                          | 704                                   |
| TOTAL   | 6243                                  |

\* includes responsibility for £27m of savings from the Olympic Delivery Authority

\*\*includes £320m of savings in Annually Managed Expenditure from reducing the Child Trust Fund

### 2) Local Government:

- Local Government will make a contribution of £1,165m towards the overall saving of £6.2bn across Government in 2010-11 through reductions to individual grants to Local Authorities.
- There will be no reduction to formula grant (£29bn) - the main Government grant to Local Authorities.
- Government is also lifting restrictions on how local government spends its money, by de-ringfencing grants totalling over £1.7bn in 2010-11. This gives councils maximum flexibility to deliver efficiencies and focus their budgets on the services their residents value most. This will ensure frontline services can be protected.

### 3) **Protection for Schools:** Schools, 16-19 participation and Sure Start funding has been protected from reductions in 2010-11. This means that:

- frontline funding to schools will be protected, and money allocated to individual school budgets for 2010-11 will not be affected by the reductions;
  - Money allocated to all local authorities for Sure Start will be protected for 2010-11, and the ringfence maintained; and
  - 16-19 core participation funding will be maintained in 2010-11.
- 4) **Child Trust Funds:** The Government intends to introduce secondary legislation to scale back Government payments due to Child Trust Funds from 1 August 2010. From that date, payments at birth will be reduced from £250 to £50 for better off families, and £500 to £100 for lower income families; and payments at age 7 stopped. The Government intends to introduce primary legislation to stop all payments from 1 January 2011. Additional contributions for disabled children will be paid this year. From 2011-12 the money used for these additional contributions will be redirected to respite care for disabled children.
- 5) **Civil Service Recruitment Freeze:** The civil service recruitment freeze will apply across Government departments, agencies and NDPBs. The only exceptions will be for: the graduate Fast Stream which is already underway; individual business critical appointments, all of which will require authorisation from the Secretary of State; and key frontline posts, which will require the authorisation of the appropriate Chief Executive, with monthly updates provided to the appropriate Secretary of State, Permanent Secretary or Head of Department.
- 6) **Civil Service Pay:** consistent with the Government's approach to other contracts, all organisations covered by the civil service pay guidance, where a deal has not yet been agreed for 2010-11, will now need to send their pay remits to the Chief Secretary for review.
- 7) For more information on the **Efficiency and Reform Group** please see the press notice issued by the Cabinet Office today.

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