



Prudent for a Purpose: Building Opportunity and Security for All

2000 Spending Review:
New Public Spending Plans 2001-2004

July 2000

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FOREWORD BY THE PRIME MINISTER

In 1998, this Government conducted a comprehensive review of public services and allocated money to the priorities of the British people. The 2000 Spending Review builds on the progress we have made in modernising public services by setting challenging targets for the next three years and allocating resources to achieve these targets directed at our priorities - improving education, health, transport and fighting crime.

On a platform of economic stability we are building the public services which Britain wants and needs. We are investing money and setting clear goals to provide opportunity and security for all in a world of change. The plans set in this Review will:

- give all our children the best start in life;
- provide for a first class health service available to everyone;
- give everyone the chance of a job and the opportunity to succeed at work;
- provide for a transport system that is fast and reliable;
- protect our communities from crime and drugs;
- widen opportunities for everyone to enjoy sport, music and the arts of the highest quality;
- improve quality of life and help everyone play a part in creating and sharing in the growing wealth of the country;
- increase access at school, work and home to the newest information technology; and
- enable Britain to contribute more to reducing world poverty and armed conflict.

We will do this by allocating money to priorities and controlling social security spending, spending less on paying for the national debt, and reducing inefficiency and unnecessary bureaucracy.

This Review sets targets and allocates resources to deliver opportunity and security for all. We are working across government to tackle the problems people care about at their roots - raising standards in deprived areas, fighting crime and delivering justice, taking action against drugs, widening the opportunity to get a job. In this way we are building strong and responsible communities with a better standard of living available to everyone.



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1

Overview

From a platform of economic stability, the Government aims to build a Britain where there is opportunity and security for all. The 2000 Spending Review allocates spending and sets out in Public Service Agreements (PSAs) the outcomes that every part of government will deliver to the public in return. This White Paper reports the spending plans set in the Spending Review, covering the period from 2001-02 to 2003-04, and some of the key PSA targets. It sets out the improvements in public services which the public can expect over the next three years and describes how the Government will allocate its funds to achieve these improvements. These public spending plans are based on the firm and prudent limits announced in the March 2000 Budget, consistent with the fiscal rules.

In allocating its funds, the Government has been guided by four key objectives:

- increasing opportunity for all;
- building responsible and secure communities;
- raising productivity and sustainable growth; and
- securing a modern international role for Britain.

1.1 This Spending Review builds from the Government's platform of economic stability which has made a sustainable expansion of public services possible. Through the application of a clear framework for monetary and fiscal policy - underpinned by two strict fiscal rules - and as a result of tough choices made to improve the position of the public finances, it is possible to increase public spending in line with the envelope set out in Budget 2000.

1.2 The Review is **delivering stability and strong public services** - by setting public spending at a sustainable level so that the strict fiscal rules are met, and investing in strong public services accountable to the public, with clear targets for delivery in Public Service Agreements. The Review sets spending plans to meet the Government's key objectives:

- **increasing opportunity for all** - by tackling poverty, deprivation and disadvantage at its roots, so that all children

have the best possible start in life and people in all parts of the community have the chance to fulfil their potential through education and employment;

- **building responsible and secure communities** which are strong, healthy and protect the environment - by tackling crime and the causes of crime, by investing in a modern National Health Service, by encouraging voluntary activity and by improving access to sport, music and the arts;
- **raising productivity and sustainable growth** - by increasing skills, research and development, enterprise and competition, by delivering a fast and reliable transport system and by improving efficiency throughout Britain's public services; and
- **securing a modern international role for Britain** - by investing in a modern defence capability helping to secure democracy, stability and security around the world, by investing in overseas aid to help combat disease, famine and illiteracy in the poorest countries and by working to prevent conflict in Sub-Saharan Africa and elsewhere.

1.3 To deliver these objectives the Government is investing more in key public services while continuing to modernise and improve efficiency throughout the public sector. In particular this Review:

to increase opportunity for all

- builds on substantial improvements in literacy and numeracy, higher GCSE attainment and smaller infant classes to deliver an average 5.4 per cent a year real increase in funding for UK **education** over the next three years. Together with the extra boost for education in 2000-01 announced in the Budget in March, this represents an average growth rate of 6.6 per cent over four years from 1999-2000 to modernise schools and deliver demanding new targets for literacy, numeracy, science and Information and Communications Technology (ICT), the highest growth rate over a four year period for 20 years;
- extends policies that have delivered the lowest rates of unemployment for over 20 years and the highest ever number of people in **employment** extending the ONE service, to be delivered by the new working age agency, providing a 'one-stop shop' for employment and benefits advice and enhancing the New Deal to improve employment opportunities for the long-term unemployed, matching rights with responsibilities;
- supports **children in deprived areas** from birth to adulthood with the introduction of a Children's Fund and the expansion of Sure Start and other services; and building on the £7 billion a year support for children through taxes and benefits from 2001 as confirmed in the Budget, by making substantial new investment in these services;
- attacks **deprivation** by investing in raising standards among those who are being left behind in education, in the job market, in health, in getting decent housing, or who live in unsafe communities, with specific targets to start narrowing the gap between the most deprived areas and the rest of the country;

to build responsible and secure communities

- increases spending on the **police** by an average of 3.8 per cent a year in real terms over the next three years to cut vehicle crime by nearly a third and burglaries by a quarter;
- provides for the UK the longest period of sustained funding growth for **the NHS** in its history - an average of 6.1 per cent real growth a year over the four years from 1999-00, compared with 2.9 per cent between 1978-79 and 1996-97, combined with reform to tackle variations in efficiency, performance and health outcomes;

to raise productivity and sustainable growth

- delivers the first stage of the **Ten Year Plan for Transport** to deliver by 2010 better and more reliable trains, a renaissance in local public transport, a step improvement in transport for London, reduced congestion on our busiest roads, and to tackle the maintenance backlog on local roads with public investment doubling in real terms over the next three years to over £6 billion;
- enhances the UK's world-leading position in **science**, with increased spending, including a new £1 billion capital programme over two years (2002-03 and 2003-04) to tackle the investment backlog in laboratories and equipment, in partnership with the Wellcome Trust. Overall there will be a 5.4 per cent a year real terms growth in spending on science and engineering over the next three years including new money to boost key research areas like the human genome, and for creating jobs and wealth from the science base;

to secure a modern international role for Britain

- delivers better equipped armed forces, able to play a full role in the post-Cold War world by providing a real terms increase in the **defence** budget over three years, the first for more than a decade; and

- helps tackle **poverty in the developing world** by providing a 6.2 per cent a year real terms increase over three years in funds for international development.

1.4 This chapter sets out the objectives of the Review and some of the highlights, and gives an overview of where the new money goes. The next chapter explains the economic background to the Review, showing how the spending plans are fully consistent with meeting the Government's fiscal rules, and the framework within which the Review has been conducted. Section II of the White Paper shows how the Review delivers the Government's key objectives set out in paragraph 1.2 above. Section III provides more details of the outcomes and spending allocations for each department, matching money with modernisation. Section IV sets out the implications of the Review for the devolved administrations. Section V describes the detailed outcomes of each of the 15 cross-departmental reviews which have been one of the major innovations of this Review.

Box 1.1: Meeting the Government's long-term economic goals

The 2000 Spending Review moves the Government closer to fulfilling its key goals of:

- **abolishing child poverty:** that by the end of the decade, child poverty will be halved, and abolished within 20 years. The outcome of the Review includes a major expansion of the Sure Start programme;
- **providing educational opportunity for all:** that by the end of the decade, and for the first time, the majority of the UK's young people can expect to go on from school or college into higher education. There is extra money to modernise schools and deliver demanding new targets for literacy, numeracy, science and ICT, and funding for more places in higher education;
- **increasing employment opportunity for all:** that by the end of the decade there will be a higher percentage of people in employment than ever before. Extending the ONE service, to be delivered by the new working age agency, will provide an integrated work-focused service for employment and benefits advice;
- **raising prosperity:** that over the next decade Britain will have a faster rise in productivity than its main competitors as it closes the productivity gap. There is a boost for Britain's science infrastructure, and extra funding for the Small Business Service and for Regional Development Agencies; and
- **delivering strong and dependable public services.**

DELIVERING CHANGE

1.5 This Review is delivering change through reform and innovation by setting out in Public Service Agreements what the public can expect from the money spent on services, with clear and specific targets to be met and by improving departmental co-operation and co-ordination through 15 cross-departmental reviews. These features of the Review are discussed in more detail in Chapter 2.

ALLOCATING SPENDING TO PRIORITIES

1.6 Over the next three years, as announced in the Budget in March, current spending will increase by $2\frac{1}{2}$ per cent a year in real terms, in line with the Government's neutral view of the economy's trend rate of growth; and net investment will more than double, rising to 1.8 per cent of GDP by 2003-04 and thereafter remaining within this ceiling as a share of GDP, consistent with the debt to GDP ratio will be set well below 40 per cent in the medium term. Taken together this gives an average real increase in total spending of $3\frac{1}{4}$ per cent a year over the next three years. On a consistent basis £43 billion of additional funding has been allocated to Departmental Expenditure Limits (DELs) by 2003-04 over the DEL allocations for 2001-02 set out in Budget 2000, (see Table 2.3 in Chapter 2).

1.7 Table 1.1 sets out the figures for total spending, Total Managed Expenditure (TME), and its component parts: the new departmental spending plans (DEL) which are set for three years, and Annually Managed Expenditure (AME) which includes items which cannot reasonably be subject to multi-year limits.

Table 1.1: Departmental Expenditure Limits and Total Managed Expenditure

| | £ million | | | | |
|---|----------------------|----------------------|---------------|---------------|---------------|
| | 1999-00 ² | 2000-01 ² | 2001-02 | 2002-03 | 2003-04 |
| Departmental Expenditure Limits: | | | | | |
| Education and Employment (DfEE) | 15,460 | 18,900 | 21,310 | 23,480 | 25,670 |
| Health | 40,930 | 45,290 | 49,460 | 54,440 | 59,010 |
| <i>of which: NHS (England)</i> | <i>40,230</i> | <i>44,490</i> | <i>48,190</i> | <i>52,260</i> | <i>56,650</i> |
| Environment, Transport and Regions | 9,780 | 10,740 | 13,190 | 15,510 | 17,850 |
| Local Government | 34,200 | 35,350 | 36,800 | 39,240 | 41,860 |
| Home Office | 7,510 | 8,170 | 9,600 | 10,280 | 10,610 |
| Legal Departments | 2,770 | 2,990 | 3,140 | 3,200 | 3,230 |
| Defence | 21,890 | 22,980 | 23,570 | 24,200 | 24,980 |
| Foreign and Commonwealth Office | 1,160 | 1,130 | 1,200 | 1,270 | 1,320 |
| International Development | 2,510 | 2,760 | 3,120 | 3,350 | 3,560 |
| Trade and Industry | 2,980 | 3,750 | 4,630 | 4,320 | 4,260 |
| Agriculture, Fisheries and Food | 1,080 | 1,040 | 1,260 | 1,330 | 1,350 |
| Culture, Media and Sport | 990 | 1,020 | 1,120 | 1,170 | 1,240 |
| Department of Social Security | 3,190 | 3,230 | 3,850 | 4,250 | 4,180 |
| Scotland | 13,870 | 15,050 | 16,230 | 17,370 | 18,430 |
| Wales | 7,140 | 7,760 | 8,450 | 9,140 | 9,790 |
| Northern Ireland Executive | 4,900 | 5,310 | 5,670 | 5,970 | 6,290 |
| Northern Ireland Office | 1,030 | 1,020 | 1,090 | 1,140 | 1,030 |
| Chancellor's Departments | 3,520 | 3,740 | 4,080 | 4,280 | 4,310 |
| Cabinet Office | 1,380 | 1,380 | 1,450 | 1,450 | 1,520 |
| Employment Opportunities Fund | 480 | 870 | 880 | 850 | 1,370 |
| Capital Modernisation Fund (CMF) | 0 | 120 | 400 | 900 | 1,200 |
| Invest to Save Budget (ISB) | 0 | 0 | 70 | 70 | 80 |
| Policy Innovation Fund | 0 | 0 | 50 | 50 | 50 |
| Reserve | 0 | 2,660 | 1,500 | 2,000 | 2,500 |

| | | | | | |
|--|----------------|----------------------------|----------------|----------------|----------------|
| Total Departmental Expenditure Limits¹ | 176,800 | 195,200⁴ | 212,100 | 229,300 | 245,700 |
| Annually Managed Expenditure¹ | 163,900 | 176,400 | 180,800 | 186,200 | 193,900 |
| Total Managed Expenditure^{1,3} | 340,700 | 371,600 | 392,900 | 415,400 | 439,600 |
| Education spending in UK | 40,580 | 45,820 | 49,460 | 53,400 | 57,700 |

¹ Figures rounded to nearest £100 million.

² Existing plans for 1999-2000 and 2000-01 have been restated in resource budgeting terms.

³ Total Managed Expenditure is equal to the sum of Departmental Expenditure Limits and Annually Managed Expenditure.

⁴ Includes previously unallocated Budget 2000 addition of £5.9 billion and a further 2000 Spending Review additional allocation of £3 billion - see Table 2.3.

1.8 The Spending Review has set spending plans to deliver significant improvements in key public services. The Government can afford to spend more on these priority services because of prudent management of the public finances, its success in reducing unemployment and by dealing with fraud and unnecessary bureaucracy:

- by 2003-04 the cost of paying interest on government debt will be £5 billion a year lower than in 1997-98;
- social security spending and tax credits will grow on average by only 1.2 per cent a year in real terms over the period 1997-98 to 2001-02 compared to 4 per cent a year over the period 1992-93 to 1996-97 as the Government cuts the cost of worklessness and fraud;
- fraud and errors in Income Support and Jobseekers' Allowance will be cut by 25 per cent by 2004, rising to 50 per cent by 2006; and
- spending on the administration costs of government will fall as a share of government spending over the next three years, providing a greater share for frontline public services.

1.9 As a result, social security benefits and debt interest payments account for 17 per cent of the change in TME in the period 2000-01 to 2003-04. This compares to 20 per cent in the period 1996-97 to 2003-04 and 42 per cent in the period 1978-79 to 1996-97, as shown in Table 1.2. This means greater resources are available for public services.

Table 1.2: Changes in Total Managed Expenditure accounted for by social security benefits and debt interest payments

| | £ million | | |
|---|---------------------------|---------------------------|---------------------------|
| | 1978-79 to 1996-97 | 1996-97 to 2003-04 | 2000-01 to 2003-04 |
| Social security benefits ¹ | 33% | 23% | 20% |
| Central Government Debt interest payments | 9% | -3% | -3% |

¹For the purpose of comparison, social security includes the Working Families' Tax Credit and Disabled Persons Tax Credit.

1.20 Of the rise in spending on public services between 2000-01 and 2003-04 over half will be allocated to education and health and a further 20 per cent will go to transport, housing and law and order as shown in Chart 1.1. Together these priority areas will account for more than 75 per cent of the rise in spending.

Chart 1.1: Shares in the rise in departmental and locally financed expenditure from 2000-01 to 2003-04

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2

Delivering Stability and Strong Public Services

Economic stability is an essential pre-condition for high and stable levels of growth and employment and strong and sustainable public services. The Government is delivering a strong and stable economy. The transparent monetary policy framework is locking in historically low inflation, while the fiscal policy framework - underpinned by two tough fiscal rules - is delivering sound public finances.

The outcome of the 2000 Spending Review maintains the Government's commitment to stability and prudence:

- the Government has adhered to the firm spending envelope for the next three years set in Budget 2000, consistent with meeting its fiscal rules. Current spending will increase by $2\frac{1}{2}$ per cent a year in real terms and net investment will more than double to 1.8 per cent of GDP by 2003-04 and thereafter will be set within this ceiling as a share of GDP; and
- within these limits, as a result of savings on debt interest payments and social security spending, the Government has been able to increase resources for frontline public services.

With spending in line with the Budget 2000 envelope, and taking account of recent developments on government receipts, including proceeds from the spectrum auction, the fiscal stance over the next three years is on track to be at least as tight as set out in Budget 2000.

At the same time as providing additional resources for priority public services, the Government is focusing on ensuring that the money is spent effectively and that it delivers the outcomes which the public want to see. The Spending Review has allocated resources in return for clear agreements to achieve quantified improvements in services, through new Public Service Agreements.

DELIVERING MACROECONOMIC STABILITY

2.1 The Government has put in place clear frameworks for both monetary and fiscal policy to secure long-term economic stability, reducing the volatility in output and inflation from which Britain has suffered in the past. The monetary policy framework focuses on price stability and has allowed interest rates to be lower and more stable than in the past, while the Government's fiscal framework - enshrined in the Code for Fiscal Stability - is designed to deliver sound public finances and to support monetary policy over the economic cycle.

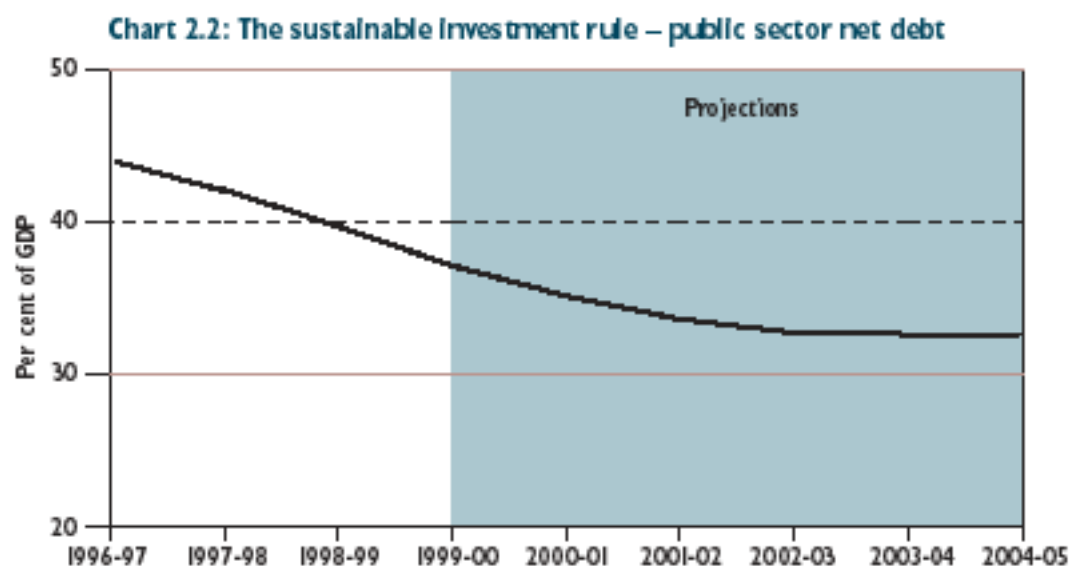
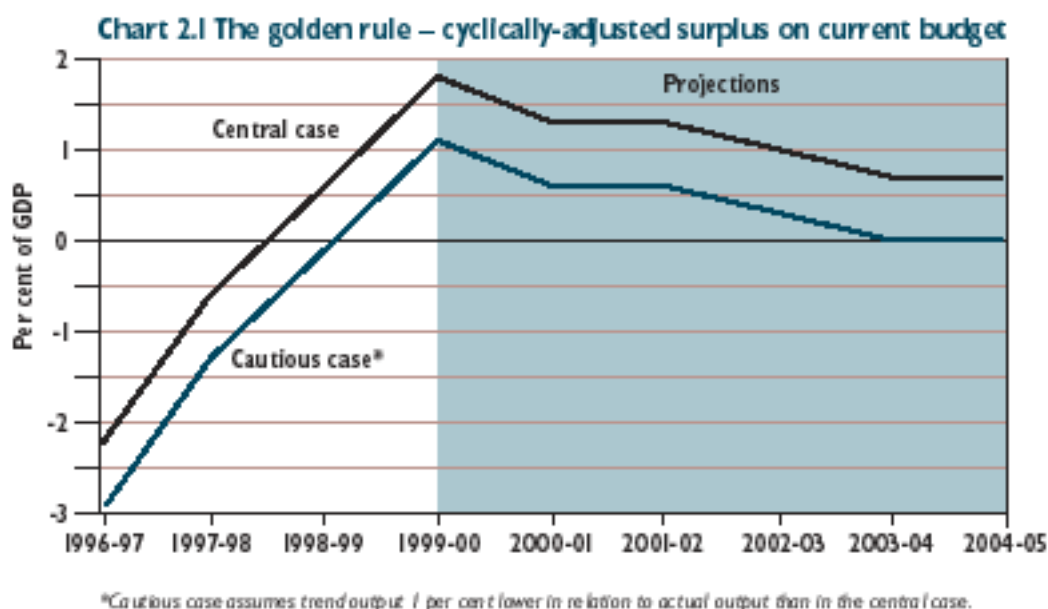
2.2 The Government has set two firm rules for fiscal policy:

- **the golden rule:** over the economic cycle, the Government will borrow only to invest and not to fund current spending; and

- **the sustainable investment rule:** public sector net debt as a proportion of GDP will be held over the economic cycle at a stable and prudent level.

2.3 To help ensure that these fiscal rules are met, the Government has adopted prudent assumptions in its projections of the public finances. These assumptions, which include a cautious view of the economy's trend rate of growth, independent forecasts of unemployment and market expectations of interest rates, have been audited and confirmed as reasonable and prudent by the National Audit Office (NAO). Furthermore, because there is always uncertainty about where the economy is in relation to trend output, the fiscal rules are also considered against a more cautious case in which trend output is assumed to be 1 per cent lower than in the main projection.

2.4 The March 2000 Economic and Fiscal Strategy Report (EFSR)¹ explained how the Government's commitment to stability and prudence would be maintained over the coming years. Budget 2000 locked in the fiscal tightening over the next two years to an even greater extent than projected in Budget 99. As illustrated in Charts 2.1 and 2.2, the Budget 2000 projections show the Government remaining on track to meet its fiscal rules over the economic cycle, including in the more cautious case.



Fiscal developments since the Budget

2.5 The budgetary outturn for 1999-2000, published since March, has shown a larger surplus than expected at the time of the Budget, allowing the Government to make a greater than expected debt repayment. As shown in Table 2.1, the surplus on current budget in 1999-2000 was £20.4 billion, compared with the Budget estimate of £17.1 billion. Public sector net

borrowing was -£18.1 billion, a £6.2 billion larger surplus than expected at the time of the Budget. These larger than expected surpluses reflect both higher than expected receipts and lower than expected spending. Spending within Departmental Expenditure Limits (DEL) was £2 billion lower in 1999-2000 than expected at the time of the Budget.

Table 2.1: Changes in the surplus on current budget and net borrowing

| | £ billion Outturn 1999-2000 |
|--|--------------------------------|
| Surplus on current budget^{1,2} | |
| Budget 2000 | 17.1 |
| Contribution due to higher receipts | 1.8 |
| Contribution due to lower spending | 2.1 |
| Contribution due to higher depreciation | -0.5 |
| 2000 Spending Review | 20.4 |
| Net borrowing^{1,2} | |
| Budget 2000 | -11.9 |
| Contribution due to higher receipts | -1.8 |
| Contribution due to lower spending | -4.4 |
| 2000 Spending Review | -18.1 |

¹ Excluding windfall tax receipts and associated spending.

² Figures may not sum due to rounding.

2.6 Economic developments since Budget 2000 have been broadly in line with expectations. A full updated assessment of economic and fiscal prospects will be published as usual in the Pre-Budget Report in the autumn. However, NAO audited assumptions and other assumptions which are relevant to projections of AME have been updated in this White Paper to incorporate the latest available information.

SUSTAINABLE PUBLIC SPENDING

Firm spending plans

2.7 Budget 2000 set a firm overall spending envelope for the next three years, 2001-02 to 2003-04. This envelope is consistent with meeting the Government's fiscal rules, including in the more cautious case, while providing scope for substantial new money for the Government's spending priorities as set out in detail in this White Paper. Consistent with the Budget envelope, over the next three years:

- current spending will increase by $2\frac{1}{2}$ per cent a year in real terms, in line with the Government's neutral view of the economy's trend rate of growth; and
- net investment will more than double, rising to 1.8 per cent of GDP in 2003-04 and thereafter will be set within this ceiling as a share of GDP, consistent with the net debt to GDP ratio remaining below 40 per cent in the medium term.

2.8 The spending figures published in this White Paper incorporate the following new information:

- adjustments to move from cash to resource accounting, as the Spending Review is the first to be conducted on a resource basis;
- an underspend on DEL in 1999-2000, with part spent on repaying debt and part carried forward to DEL in 2000-01 and 2001-02; and
- an underspend in AME in 1999-2000 and lower projections of AME compared with Budget 2000 for future years, leaving more spending available within DEL for a given level of TME.

Resource accounting

2.9 This Review is one of the major milestones in a long-planned programme of reform to modernise the system of planning,

controlling and accounting for government expenditure by moving it onto a full accruals basis, in line with accounting and budgeting in the rest of the economy. The spending plans are presented in resource terms, in contrast to the Budget 2000 figures which were in cash terms. Table 2.3 includes lines which show the Budget 2000 profiles for DEL and AME adjusted onto a resource basis. These adjustments are off-setting - Total Managed Expenditure (TME) is unaffected. This allows the Budget and Spending Review figures to be compared on an equivalent basis. Details of the impact of resource accounting and budgeting (RAB) on DEL and AME are described in Annex B.

DEL underspend in 1999-2000

2.10 The Review sets firm three-year spending plans for the years 2001-02 to 2003-04 for all the main government departments. DELs for the first year of this Spending Review period, 2001-02, have been rolled over from the final year of the 1998 Comprehensive Spending Review, with some upward adjustments directed to priority programmes reflecting the Government's prudent handling of the economy and some changes reflecting end-year flexibility, discussed below.

2.11 The Government's spending framework allows departments to carry forward a DEL underspend against plans into future years - full end-year flexibility. This increases value for money for the taxpayer by helping to improve the planning of spending and avoiding end-year spending surges.

2.12 The Budget 2000 forecast allowed for a cautious £1 billion DEL underspend in 1999-2000 to be carried forward into 2000-01. But as shown in Table 2.3, the DEL outturn for 1999-2000 was actually a further £2 billion below the Budget estimate, accounting for a little under half of the estimated £4½ billion lower TME outturn than expected at the time of the Budget.

2.13 Normal practice would be to carry forward this DEL underspend into the current year's spending plans. The Government has decided not to carry forward the full additional £2 billion underspend. The Government has instead decided to use £½ billion of the underspend to repay debt, thereby reducing future debt interest payments, and to carry forward £1½ billion. Furthermore, rather than add all of this £1½ billion to spending plans for 2000-01, the Government will, for prudent and efficient management reasons, spread the amount over this year and next, helping to smooth the path of public spending. As a result, £¾ billion has been added to DEL in both 2000-01 and 2001-02.

Lower AME

2.14 The Government's prudent approach to managing the public finances and its success in reducing unemployment and tackling benefit fraud has led to further savings in AME. Revised AME projections, incorporating the expenditure effects of updated NAO-audited and other assumptions, are published to 2003-04 as part of the outcome of this Review in Table A1 in Annex A. These include updated figures for 1999-2000 to 2001-02, the years for which AME figures were published in Budget 2000. The fiscal projections are based on prudent assumptions, audited by the NAO. The significant changes, as set out in Table 2.2, are as follows:

- UK claimant unemployment is held constant at recent levels, unless the consensus of independent forecasters is for an increase. Independent forecasters expect unemployment to continue to fall, and the AME projections are based on the cautious updated assumption of claimant unemployment constant at recent levels of 1.12 million, slightly below the Budget assumption. Together with prudent and cautious estimates of the effects of spend to save projects and other measures detailed in Chapter 18, this leads to AME savings building up to £0.8 billion by 2003-04; and
- assumptions on market interest rates are also audited by the NAO. A softening in short-term market interest rate expectations (based on the market yield curve at 12 July) has lowered the path for debt interest payments within AME. The reduction in the level of government debt following higher than expected receipts from the sale of spectrum licences for third generation mobile phones, together with a revised DMO remit, has yielded further additional savings. Taking these changes together produces savings in debt interest payments of over £1 billion in 2001-02, rising to £1½ billion a year by 2003-04 as the effects of reduced borrowing and lower debt accumulate. No account is taken in AME of the accrued receipts of around £1 billion from the sale of the spectrum licences themselves. In the autumn, the first of a number of additional parts of the spectrum which will be used for local broadband fixed wireless access will be auctioned. As with the proceeds from the auction of spectrum licences for third generation mobile phones, these receipts will be used to repay debt, thereby reducing future debt interest payments.

Table 2.2: Changes in AME since the Budget due to unemployment, social security and debt interest payment assumptions

| | £billion | | | |
|---|----------------|----------------|----------------|----------------|
| Changes from Budget 2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
| Due to updated assumptions on: | | | | |
| unemployment and spend to save ¹ | -0.2 | -0.4 | -0.4 | -0.8 |
| market interest rates | -0.2 | -0.4 | -0.2 | -0.1 |
| DMO remit | -0.2 | -0.4 | -0.4 | -0.4 |
| spectrum auction | -0.4 | -0.3 | -0.7 | -1.0 |

¹ Includes social security benefits and Housing Revenue Account Subsidy spend to save and other service modernisation measures.

2.15 Forecast reductions in the components of AME in the current year have been added to the AME margin, as is the normal practice between Budgets. The AME margin has been set at £1 billion, £2 billion and £3 billion over the next three years - the same level as set in the 1998 Comprehensive Spending Review (see Table A1 in Annex A for a detailed breakdown of AME).

2.16 The overall effect of these and other changes is to reduce projections of AME by £2.2 billion in 2001-02 compared with the Budget 2000 projections (see Table 2.3), with the savings increasing in later years. These savings have been added to DEL, providing additional resources for public services.

DEPARTMENTAL EXPENDITURE LIMITS

2.17 Table 2.3 shows changes to TME and its components - DEL and AME - since Budget 2000. This allows changes to the aggregates to be shown on a consistent basis by first adjusting the Budget numbers to allow for the move to resource budgeting and TME-neutral switches between DEL and AME, and then showing the new information available for the Spending Review. Further details at a departmental level are included in Table A8 of Annex A. The only change to TME is the 1999-2000 outturn of a £4.5 billion greater underspend and the subsequent DEL carry forward of £³/₄ billion into each of the subsequent two years.

2.18 The Budget 2000 DEL figure for 2001-02 included the additional £3.1 billion allocation for health in that year announced in the Budget. The figure is increased by the £5.9 billion 'Budget 2000 addition' that remained unallocated in the Budget. After adjusting for the move to resource budgeting and DEL and AME switches, £³/₄ billion is added to DEL in 2001-02 from the 1999-2000 carry forward and a further £2.2 billion addition is made to DEL from savings in AME. On a consistent basis, £43 billion of additional funding has been allocated to DELs by 2003-04 over the DEL allocations for 2001-02 set out in Budget 2000.

Table 2.3: Public expenditure aggregates¹

| | £ billion | | | | |
|--|------------------|-----------------|--------------------|----------------|----------------|
| | Outturn | Estimate | Projections | | |
| | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
| Total Managed Expenditure (TME) | | | | | |
| Budget 2000 ⁵ | 345.2 | 370.9 | 392.1 | 415 | 440 |
| <i>Change since Budget 2000</i> | -4.5 | 0.75 | 0.75 | 0 | 0 |
| 2000 Spending Review | 340.7 | 371.6 | 392.9 | 415 | 440 |
| of which: | | | | | |
| Departmental Expenditure Limits (DEL)² | | | | | |
| Budget 2000 - cash allocations ³ | 178.9 | 193.7 | 202.6 | - | - |
| Budget 2000 - resource based allocation ⁴ | 178.8 | 194.5 | 203.2 | - | - |

| | | | | | |
|--|--------------|--------------|-------------------|------------|------------|
| plus Budget 2000 unallocated addition ⁵ | 178.8 | 194.5 | 209.1 | - | - |
| <i>Change since Budget 2000</i> | -2.0 | 0.8 | 3.0 | - | - |
| 2000 Spending Review | 176.8 | 195.2 | 212.1 | 229 | 246 |
| Annually Managed Expenditure (AME)² | | | | | |
| Budget 2000 - cash estimates | 166.3 | 177.2 | 183.6 | - | - |
| Budget 2000 - resource based estimates ⁴ | 166.4 | 176.4 | 183.0 | - | - |
| <i>Change since Budget 2000</i> | -2.5 | 0.0 | ⁶ -2.2 | - | - |
| 2000 Spending Review | 163.9 | 176.4 | 180.8 | 186 | 194 |
| <i>Memo: 2000 Spending Review TME as a percentage of money GDP</i> | 37.7 | 39.3 | 39.7 | 40.1 | 40.5 |

1 Figures may not sum due to rounding.

2 Figures for DEL and AME beyond 2001-02 were not published in Budget 2000.

3 Includes £3.1 billion allocated to UK health in 2001-02.

4 On a resource basis and including DEL/AME transfers, to allow comparison with Spending Review figures which are on a resource basis.

5 Includes unallocated Budget addition of £5.9 billion in 2001-02 (see Table C11 of the March 2000 Financial Statement and Budget Report).

6 £0.5 billion has been added to the AME margin for 2000-01.

2.19 Over the three years covered by the Spending Review, TME is set to grow at an average rate of $3\frac{1}{4}$ per cent a year in real terms, in line with the Budget 2000 envelope for current and capital spending. Within this, current spending will rise by an average of $2\frac{1}{2}$ per cent a year in real terms and net investment will increase to 1.8 per cent of GDP by 2003-04 as announced in Budget 2000. Over the same period, AME spending will grow at an average rate of just $\frac{3}{4}$ per cent a year. This firm control of AME spending, including as a result of savings on social security and debt interest payments, allows DEL spending to increase at an average rate of $5\frac{1}{4}$ per cent a year over the next three years.

2.20 With spending in line with the Budget 2000 envelope, and taking account of recent developments on government receipts, including proceeds from the spectrum auction, the fiscal stance over the next three years is on track to be at least as tight as set out in Budget 2000. A full updated assessment of economic and fiscal prospects will be published as usual in the Pre-Budget Report.

STRONG PUBLIC SERVICES

Focusing on outcomes

2.21 The Government's fiscal prudence has allowed it to free resources for Britain's public services while continuing to ensure that its tough fiscal rules are met and economic stability is maintained. However, at the same time as providing new funding for priority areas, the Government is making sure that both existing and new spending is targeted to deliver value for money and achieve the outcomes which the public want to see.

2.22 The quality of public services depends not just on how much the Government spends but also on how effectively it spends it. As Box 2.1 sets out, the Government's public spending framework has been designed to ensure greater efficiency and flexibility than in the past. As well as allocating money to departments, the 2000 Spending Review sets clear objectives and targets on which the Government will deliver. What matters to people are the outcomes which are delivered. Money has been allocated in return for agreements to achieve quantified improvements in public services.

Box 2.1: The public spending framework

In the 1998 Comprehensive Spending Review, the Government introduced a framework for public spending which complements the wider fiscal framework and is helping to deliver better value for money in public services:

- by replacing the annual Public Expenditure Survey with firm plans set for three years, departments have greater certainty in planning expenditure and the Government has been able to take a more strategic look at the effectiveness of public spending without getting caught up in the process of annual bidding rounds;

- **separating spending into a capital budget and a resource budget (formerly the current budget under cash budgeting) with limited flexibility for transferring from capital to resource spending, together with the continuation of separate administration cost controls, ensures that essential capital investment is not squeezed out by short-term pressures and maintains tight control on the costs of administration;**
- **any planned funding within departments' plans which is not spent in one year can be carried over to the following year, helping departments to manage their budgets and avoiding wasteful end of year spending surges. End-Year Flexibility has been progressively broadened from capital spending to include all DEL spending, including administration costs, across all departments;**
- **strategic planning of new capital investment and better utilisation of the existing asset base in Departmental Investment Strategies, alongside the National Asset Register, ensures that the public sector does not continue to hold on to assets which are surplus to requirements;**
- **Public Service Agreements (PSAs) detail the outcomes departments will deliver with the money provided; and**
- **by focusing on key objectives and outcomes, the new system has allowed the Government to look across the work of departments to find cross-departmental solutions to achieving its objectives and to encourage joint working. The 15 cross-departmental reviews conducted in the 2000 Spending Review have produced bold and innovative outcomes covering problems such as drugs, crime and social exclusion.**

2.23 To ensure that departments focus on priorities, in December 1998 the Government published for the first time measurable targets for the full range of public services in the form of Public Service Agreements (PSAs). These targets set out the end results that taxpayers' money is intended to deliver and the service standards which the public can expect, and marked a fundamental change in the accountability of government to Parliament and the public. The PSA targets set in the Comprehensive Spending Review have been a strong motivation to deliver the Government's priorities from literacy and numeracy to restructuring of the Armed Forces. A full and detailed report on progress was published in the March 2000 Departmental Reports.

2.24 Building on these early successes, as part of the 2000 Spending Review departments have prepared new PSAs detailing the outcomes which they will deliver with the money they are being allocated. The new PSA targets focus on key strategic objectives. These new PSAs set out for every major government department an aim, objectives and the targets against which success will be measured - including tough targets on improving value for money and efficiency across the public sector. They will provide a clear commitment to the public on the improvements in services they can expect to receive for their money. Each agreement makes clear which Minister is accountable for delivering on the targets that underlie that commitment. Progress in delivering the targets will be monitored closely and will be reported in departments' annual Departmental Reports.

2.25 A separate White Paper on PSAs will be published shortly. The PSAs will be followed in the autumn by Service Delivery Agreements (SDAs) for every government department. The SDAs will set out in greater detail how the PSAs will be delivered, including operational plans and modernisation commitments. The Government will also be publishing Technical Notes later in the year to clarify terms and data definitions in the published PSA targets.

2.26 Public investment is set to double in the next three years. To ensure investment decisions are based on sound strategy and proper planning and management, each department will be required to have a Departmental Investment Strategy (DIS) which will set out its long-term strategic plans for investment, the condition and suitability of its existing asset base and the systems that will ensure value for money in delivery. A central aim is to improve the use of the Government's existing assets. This means working existing assets harder, looking at Public Private Partnership and commercial opportunities and disposing of those assets which are no longer required. Draft strategies have informed allocations in this Review and will be published for each department later this year.

Resource budgeting

2.27 The 2000 Spending Review is the first to be conducted on a resource basis. Box 2.2 explains the impact of this change. Resource budgeting provides better measures of the Government's spending and creates stronger incentives for efficiency and value for money. Further information on resource budgeting in this Review, including its effect on the departmental spending numbers, is provided in Annex B.

Box 2.2: Resource accounting and budgeting

The aim of resource accounting and budgeting (RAB) is to improve the management and measurement of government resources by scoring costs as they are incurred, not when they are paid for, and measuring the full economic costs of government activity, including non-cash items such as depreciation.

Under RAB departments will produce the equivalent of the main financial statements from commercial accounts, in particular a balance sheet and the equivalent of a profit and loss statement, and use this information as the basis for planning and controlling expenditure. RAB also reinforces the distinction between current and capital spending by spreading the cost and consumption of capital over its useful life. Investment decisions are now informed by better information on the cost of holding assets, and there are new incentives for departments to manage their working capital - creditors, debtors and stocks.

As the beginning of RAB going "live", the 2000 Spending Review marks the successful completion of a project first started in 1994. But it is only part of the story. Departments have already produced "dry run" resource accounts, and "live" resource accounts for 1999-2000 are in preparation. The relevant Select Committees of the House of Commons have also received a set of "shadow" resource-based Estimates from government departments. Legislation providing a statutory basis for the new system is expected to be in place in time to allow the new resource-based spending plans for 2001-02 to be presented to Parliament next year in resource-based Estimates.

Cross-departmental reviews

2.28 Many of the improvements which the public most want to see cannot be delivered by a single government department or agency. For example, reducing crime and tackling deprivation require coordinated action across government, with different parts of the public sector working together to achieve common goals. To ensure that such issues are tackled effectively, the 2000 Spending Review has included 15 cross-departmental reviews focusing on key issues from crime reduction and intervention in deprived areas to science and research and the knowledge economy.

2.29 These cross-cutting reviews are designed to help tackle issues at their roots. Key outcomes of these reviews include a radical new strategy for tackling the problems of deprived areas, underpinned by targets to close the gap between the most deprived areas and the rest of the country; a new Children's Fund to tackle child poverty and its causes; and a National Treatment Agency for drug abusers, underpinned by a new treatment budget. Details of the outcomes of each review are set out in Section V.

¹ Economic and Fiscal Strategy Report and Financial Statement and Budget Report (HC 346), HM Treasury, March 2000.
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Spending Review 2000: New Public Spending Plans 2001-2004

Prudent for a Purpose: Building Opportunity and Security for All

Spending Review Index

Statement

3

Increasing Opportunity for all

The central objective of the new spending plans is to build a fairer, more inclusive society that increases opportunity for all. In particular the Government is investing to provide education and employment opportunity for all and to tackle the causes of poverty, especially child poverty, as it takes forward its long term ambition to halve child poverty by 2010 on the way to eradicating it in twenty years. The Review also invests funds to narrow the gap between the most deprived communities and the rest of the country. The plans:

- increase spending on education by 5.4 per cent a year in real terms over the next three years to give everyone the opportunity to get the skills and education necessary to succeed through:
 - raising standards further in primary schools, and extending particular help to young children at risk of falling behind;
 - a major drive to raise standards in secondary schools notably at Key Stage 3, through an extension of literacy and numeracy programmes; and
 - investing in lifelong learning to give more people the opportunity to gain new basic skills.
- build on the success of the New Deal to provide employment opportunity for all by creating a new Employment Opportunities Fund to:
 - make the New Deal permanent;
 - extend the ONE service so benefit recipients receive a more integrated work-focused service; and
 - extend the New Deal for Disabled People nationally
- fund special interventions targeted at the areas of greatest need and helping children at risk at crucial stages in life. This includes harnessing the power and expertise of the voluntary and community sector. The Review:
 - provides £100 million in 2001-02, £300 million in 2002-03 and £400 million in 2003-04 for the Neighbourhood Renewal Fund to deliver specific targets for key services to start narrowing the gap between the most deprived communities and the rest of the country;
 - more than doubles Sure Start funding to £500 million in 2003-04, compared to £184 million this year, so the programme reaches one third of poor children;
 - progressively introduces the Connexions personal adviser service for teenagers; and
 - creates a Children's Fund worth £100 million in 2001-02, £150 million in 2002-03 and £200 million in 2003-04 to invest in preventive services for vulnerable children and to build partnerships with the voluntary sector through a network of local children's funds.

A BETTER START FOR CHILDREN

3.1 The Government's objective is to create a society in which all children have opportunities to realise their full potential.

3.2 In moving towards this goal, Budgets since 1997 have increased financial support for all families with children, spending an extra £7 billion a year on support for children by 2001, through increases in the Working Families' Tax Credit, Income Support, Child Benefit and the new Children's Tax Credit.

Box 3.1: Key PSA targets - increasing opportunity for all

Raising standards in education

- **Increase the percentage of 14 year olds at or above the standard of literacy, numeracy, Information and Communications Technology (ICT) and science for their age. Subject to consultations, by 2007, 85 per cent to achieve level 5 or above in each of the key Stage 3 tests in English, maths and ICT, and 80 per cent in science.**
- **Increase the percentage of pupils obtaining five or more GCSEs at grades A* to C (or equivalent):**
 - **increase the proportion achieving the standard by four percentage points between 2002 and 2004; and**
 - **at least 38 per cent to achieve this standard in every LEA by 2004.**
- **By 2004, increase the percentage of pupils obtaining 5 or more GCSEs at grades A* to G (or equivalent), including English and maths. By 2004, 92 per cent of 16 year olds should reach this standard.**

Lifelong learning

- **By 2004, increase by 3 per cent the percentage of 19 year olds achieving a qualification equivalent to National Vocational Qualification level 2 compared to 2002.**
- **Make significant year on year progress towards fair access to higher education.**
- **Reduce the number of adults who have literacy or numeracy problems by 2004.**

Employment opportunity for all

- **Increase employment over the economic cycle.**
- **A continued reduction in the number of unemployed people over the age of 18 over the 3 years to 2004, taking account of the economic cycle.**

Tackling child poverty

- **Make substantial progress towards eradicating child poverty by reducing the number of children in poverty by at least a quarter by 2004.**
- **Reduce the number of children in households with no-one in work over the three years to 2004.**

3.3 These changes will lift 1.2 million children out of poverty. However, the Government recognises that child poverty is about more than just low incomes. Eradicating child poverty over the next twenty years therefore requires a policy response that includes:

- new investment in education;
- providing employment opportunity for all and making work pay;
- targeting special help in the poorest communities; and
- helping children and young people at risk and building partnerships with the voluntary and community sectors.

3.4 This approach recognises that children from disadvantaged homes face greater barriers to achieving their potential. This lack of opportunities creates a cycle of disadvantage as those who leave school with poor qualifications face a higher chance of becoming unemployed. Equally, children in deprived areas face higher chances of experiencing problems such as teenage pregnancy, drug abuse and ill health. They are also more likely to commit crime and to suffer from its effects.

3.5 The Government is committed to helping people break out of these cycles of deprivation and failure. This cannot be done only by compensating the deprived and the poor through higher incomes. It means providing opportunities to learn and work throughout people's lives, giving them the chance to counter disadvantage, both in this generation and those to come.

3.6 In the past, spending on children - covering as it does so many departments' responsibilities - was fragmented and often uncoordinated. As a result, issues related to child poverty often fell between or cut across traditional departmental boundaries. This Review has looked at how the programmes of different departments and services could be combined and coordinated to have the maximum impact towards reducing child poverty and social exclusion.

EDUCATION OPPORTUNITY FOR ALL

3.7 Education is critical both to employment and to wider well being. This Review provides an average 5.4 per cent a year real increase in funding for UK education over the next three years. Together with the extra boost for education in 2000-01 announced in the Budget in March this represents an average growth rate of 6.6 per cent over four years from 1999-2000 across the UK to modernise schools and deliver demanding new targets for literacy, numeracy, science and ICT. This is the highest growth rate over a four year period for 20 years.

3.8 Ensuring that people in deprived areas have access to educational opportunities enhances the likelihood that they will gain employment and avoid low pay, and as a result keep their children out of poverty. Equally, education is the best route for children to break out of poverty as those who do better at school are more likely to earn higher wages later in life.

3.9 Building on recent reforms, new measures will help ensure that everybody has access to the education opportunities that will help them in later life. The new Neighbourhood Renewal Fund will provide £800 million over the next three years, targeted at local authorities covering the most deprived areas to help meet the Government's aim to reduce the attainment gap at Key Stage 2 in English and maths between the most deprived areas and the rest of the country. A target will be announced in due course.

Investing in schools

3.10 The Government is both adding to the funding available to schools and modernising the way it is delivered and used. The Standards Fund has made a major contribution to raising standards, but is now being radically reformed to enable schools to have greater freedom over how the money is spent and to reduce bureaucracy.

3.11 Opportunities in primary schools are already being transformed by the literacy and numeracy strategies. These will be complemented by new spending on catch-up programmes for primary pupils of all ages who are at risk of falling behind, a new focus on literacy and numeracy in the first year at secondary school, more training for head teachers and other initiatives.

3.12 The specialist schools programme has been at the forefront of the Government's drive to modernise the comprehensive system since 1997. They show significant gains in attainment: accordingly the programme will now be extended.

Lifelong learning

3.13 The Government aims to ensure that everybody has the opportunity to acquire the skills necessary to get jobs in the modern economy. In this Review the Government will ensure progress towards its ambition that by 2010, 50 per cent of young people will be able to participate in higher education, in part by widening participation among people from lower socio-economic groups, who are currently under-represented. The Government has set a target to make year on year progress towards fair access to higher education, as measured by Funding Council benchmarks. These benchmarks measure the levels of participation in higher education which would properly reflect existing levels of attainment of those from the maintained and private sector, different social classes and different areas of the country.

3.14 Around 20 per cent of the adult population continues to face major numeracy and literacy problems. The Government will also invest more in helping adults with low or no skills to gain proficiency in literacy and numeracy, contributing both to increasing their job opportunities and to their lives outside work.

3.15 To help adults gain essential new skills, around 300 Information and Communications Technology (ICT) learning centres will be open by spring 2001 and up to 1,000 by 2002. In addition, up to 100,000 poorer families will be able to lease low cost recycled personal computers under the Government's pilot project 'Computers Within Reach'. For adults wishing to update or build on existing skills, the University for Industry will be fully operational in the autumn.

3.16 More details on the outcome of the Review for education are in Chapter 7.

EMPLOYMENT OPPORTUNITY FOR ALL

3.17 Employment opportunity for all is the modern definition of full employment. The Government's ambition is that by the end of the decade there will be a higher percentage of people in employment than ever before. Achieving this requires macroeconomic stability underpinned by measures to ensure that individuals throughout the country are able to compete effectively for jobs, that there is a secure transition from welfare into work and that people are able to progress once in work.

3.18 Research shows that work is the best route out of poverty. The Government's aim of employment opportunity for all is therefore a key part of its strategy for reducing poverty. It is determined to ensure that there are employment opportunities across the country.

3.19 Employment currently stands at a record high level, with over 1 million more people in work than in spring 1997. The ILO measure of unemployment is at 5.6 per cent, its lowest level since the series began in 1984, while the claimant count currently stands at 1.1 million, its lowest level for more than twenty years.

3.20 Although unemployment is low, the UK continues to have a high proportion of workless households. Around 6.7 million people below pensionable age, including 2.2 million children, live in households where no-one is in work.

3.21 As well as 1.1 million unemployed people claiming Jobseeker's Allowance (JSA), a further 3.8 million people of working age are receiving other out of work benefits, including lone parents, people with disabilities and those with long-term illness. Over 50 per cent of lone parent households have no-one in work, compared to only 7 per cent of couples with children.

The Welfare to Work strategy

3.22 The Government's strategy for ensuring employment opportunity for all who can work, matching rights with responsibilities, comprises the following key elements:

- helping people to move from welfare to work, through the New Deal and ONE - the Government's integrated, work-focused service providing benefits and employment advice;
- easing the transition into work, by removing barriers to working and ensuring that people are financially secure when moving from welfare to work;
- making work pay, through reform of the tax and benefit system; and
- securing progression in work, through lifelong learning.

3.23 Working age people without work do not constitute a single group facing identical barriers to work. The New Deal has therefore been developed as a set of programmes designed to help address the different barriers faced by different groups of people. The programmes have been continually developed and improved in the light of emerging evidence.

3.24 The cross-departmental review of Welfare to Work and ONE continued this process of development, expansion and enhancement. It builds on the success of programmes such as the New Deal 18-24, which independent evaluation by the National Institute for Economic and Social Research suggests largely pays for itself through reduced benefit payments and increased tax receipts. Details of the outcome of this review are in Chapter 26.

3.25 A new Employment Opportunities Fund worth £875 million in 2001-02, increasing to £1.4 billion in 2003-04, is being established to:

- **make the New Deal permanent**, by providing money to maintain and extend New Deal employment programmes;
- **extend the ONE service** so that benefit recipients will receive a more integrated work-focused service delivered by a new working age agency;
- confirm the Government's intentions, as set out in Budget 2000, to **enhance the New Deal 25 plus from April 2001**, aligning the rights and responsibilities of jobseekers over 25 more closely with those aged 18 to 24; and
- **support disabled people seeking work** through the national extension of the New Deal for Disabled People and Rehabilitation and Retention pilots.

National Childcare Strategy

3.26 Expanding childcare provision is a key part of the Government's employment strategy. As well as helping parents to find jobs, gain skills and study, the Government is increasing the availability of affordable high quality childcare through the National Childcare Strategy. The new childcare tax credit in the Working Families' Tax Credit introduced in October 1999 is already helping over 100,000 parents to pay for childcare.

3.27 This Review increases the funding available to support the expansion of childcare. This will increase support for childcare providers - both private and voluntary sector - in the most deprived areas where the childcare market faces barriers to development. The new resources also allow for the provision of grants and support for new childminders.

3.28 Flexible, accessible and affordable childcare is particularly important for groups such as lone parents. Budget 2000 announced a further package to help lone parents, extending the New Deal for lone parents. From April 2001, all lone parents with children over the age of five on Income Support will be required to attend a work-focused interview to guide them

through their choices. This was accompanied by further help with training and childcare.

TARGETING THOSE MOST IN NEED

3.29 Over the last twenty years poverty has become more concentrated in certain neighbourhoods and estates. Compared to the rest of the country, deprived areas suffer from 30 per cent higher mortality rates; 25 per cent more people with low skills; unemployment rates six times as high; and burglary rates many times the national average. The Government is committed to building a fairer and more inclusive society in which everyone can contribute to and benefit from rising economic prosperity.

Tackling deprivation

3.30 The cross-departmental review of Government Intervention in Deprived Areas examined what needed to be done to begin to close the gap between the most deprived areas and the rest of the country, and so give both adults and children in these areas the opportunity to break out of poverty and deprivation. As a result, for the first time, departments are setting specific targets - in the areas of education, employment, health, crime and social housing - to start narrowing the gap between the most deprived areas and the rest of the country. To deliver the targets, departments will ensure that sufficient extra funds reach deprived areas. As a first step, local authorities covering the most deprived areas will benefit from a new Neighbourhood Renewal Fund, worth £800 million over the next three years.

Box 3.2: Key PSA targets - tackling deprivation

To raise standards in the most deprived areas, targets have been set in the PSAs of key public services:

- In education, the Government will increase the percentage of pupils obtaining 5 or more GCSEs at grades A* to C (or equivalent) to at least 38 per cent in every LEA by 2004. A target to reduce the attainment gap at Key Stage 2 (age 11) in English and maths will be announced in due course.
- Over the three years to 2004, taking account of the economic cycle, the Government will ensure an increase in the employment rates of the 30 local authority districts with the poorest initial labour market position. It will ensure a reduction in the difference between employment rates in these areas and the overall rate.
- The Government will reduce the level of crime in deprived areas so that by 2005, no local authority area has a domestic burglary rate more than three times the national average - while at the same time reducing the national rate by 25 per cent.
- In the light of the cross-departmental review of Government Intervention in Deprived Areas, a health inequalities target will be announced in the National Plan for the NHS.
- The Government will ensure that all social housing is of a decent standard by 2010 with the number of families living in non-decent social housing falling by one third by 2004, and with most of the improvement taking place in the most deprived local authority areas.

3.31 Research by the Social Exclusion Unit¹ and others shows that main services need to work together at local level to tackle the problems facing deprived neighbourhoods to improve outcomes. Service providers across the country will be encouraged to establish Local Strategic Partnerships (LSPs) bringing together the public, private and community sectors to ensure all the initiatives and streams of funding in an area are brought together to best effect. LSPs in the most deprived areas will receive start-up funding through the New Deal for Communities. This will ensure local people and communities are empowered to play their full part in setting local priorities and determining local action to turn around their neighbourhoods. Further details are in Chapter 23.

Sure Start

3.32 Particular challenges and difficulties may be faced by some families and children, either those in particular areas, or at particular points in their lives. The Government's strategy involves investing additional money in those most at risk, investing in the prevention of future problems.

3.33 Sure Start was established following the 1998 Comprehensive Spending Review to improve the life chances of very young children in deprived areas by making sure they are ready to learn when they get to school. By 2001-02 there will be 250 programmes running at a neighbourhood level, supporting 18 per cent of poor children under four. To help meet the Government's target on reducing child poverty, the cross-departmental review of Sure Start examined this programme. More details of that review are in Chapter 24. The Spending Review:

- provides for a major geographical expansion of Sure Start, by more than doubling its funding to £500 million in 2003-04, so that it reaches one third of all poor children under four by 2004. The programmes will continue to focus on young children in deprived areas. To target particular pockets of deprivation, for example in rural areas, some of the new programmes will be geographically small; and
- provides new approaches including extra help for first-time mothers and better training and support for Sure Start programme staff.

Young People at Risk

3.34 Providing targeted support for vulnerable young people who experience problems such as drug abuse, youth crime, school failure, mental health problems and homelessness, is a vital part of the Government's strategy to reduce child poverty. Alongside Sure Start, the Government has launched programmes like Quality Protects, Connexions and the reform of the youth justice system to help such children. The cross-departmental review of Young People at Risk, detailed in Chapter 25, builds on those initiatives.

3.35 The new plans also provide for:

- progressively introducing the Connexions personal adviser service to support children aged 13-19 to stay in education or undertake training. Alongside Connexions there will be an expansion of other services for vulnerable young people, such as mental health services and drug treatment;
- establishing a Children's Fund worth £450 million over the next three years to help vulnerable children and young people, and prevent them from falling into poverty and disadvantage. As announced in the Budget, a part of this fund will be distributed to local community groups through a network of local funds; and
- broadening and strengthening coordination of services to support children through local Children and Young People's Partnerships.

Box 3.3: Tackling discrimination

The Government is committed to creating a country where every member of society is able to fulfil their potential. The new plans take account of the needs and experiences of all groups in society. Further key commitments for developing policy and delivering outcomes supporting equality of opportunity will be set out in the Service Delivery Agreements.

- **The Government is committed to making Britain a successful multicultural society. The plans build on the Home Office publication *Race Equality in Public Services: driving up standards and accounting for progress*,¹ issued in March 2000, by specifying new targets for the promotion of race equality within the provision of services to the public. These include increasing employment of disadvantaged groups, including those from ethnic minorities, and raising ethnic minority confidence in the criminal justice system.**
- **The new plans will improve the choices for women to gain and remain in employment. The National Childcare Strategy will help overcome one of the main barriers to employment and education for many parents, particularly women. This builds on the childcare element of the Working Families Tax Credit. The Government also recognises the valuable role played by carers, many of whom are women, in our communities. The plans provide a package of enhanced respite care and financial support, including an increase in the carers premium in income support.**
- **The Government is committed to improving the prospects of all disabled people, and ensuring comprehensive, enforceable civil rights for them against discrimination in society or at work. There will be additional support for disabled people seeking work, including a national extension of the New Deal for Disabled People.**

1. Policy Action Team 17 Report, *Joining it up Locally*. Available at www.cabinet-office.gsi.gov.uk. [back]

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4

Building Responsible and Secure Communities

This Government is committed to secure and healthy communities in which everyone takes responsibility for their actions, has the opportunity to participate in their community and has a chance to enjoy quality of life.

To build responsible and secure communities this Review:

- tackles crime with increases in police spending of 3.8 per cent a year in real terms over the next three years to cut vehicle crime by 30 per cent, burglaries by 25 per cent, and robberies in our principal cities by 14 per cent;
- tackles the problem of drug abuse at its roots through more treatment and prevention, with total funding increasing by an average of 10 per cent a year in real terms;
- provides the longest period of sustained funding growth for the NHS in its history - 6.1 per cent real growth per year over four years from 1999-2000, as announced in Budget 2000, in return for modernisation and reform;
- promotes independence, rehabilitation and care close to home for the elderly as part of a strategy for better social services to be announced in the National Plan for the NHS;
- initiates a strategy to move towards one million more people getting involved in their communities;
- enriches education through extending cultural, sporting and creative opportunities for children; and
- improves the environment by delivering cleaner air, fewer greenhouse gas emissions and increased recycling of household waste.

FIGHTING CRIME AND BUILDING SAFER COMMUNITIES

4.1 Reducing the level of crime and protecting the public from its harmful effects are central to creating a decent society. Everyone should be able to live in safety and security without fear of crime. The Government has therefore set targets to reduce the crimes which affect people most - having their homes or cars broken into.

4.2 Crime targets will be delivered by the police who are working together with local authorities in a network of 376 Crime and Disorder Partnerships tackling crime across England and Wales:

- police spending will rise by an average of 3.8 per cent a year in real terms over the next three years; and

- the work of the Crime and Disorder Partnerships will be supported by funds for better information systems to assist in identifying crime problems and in drawing up plans to deal with them.

Box 4.1: Key PSA targets - building responsible and secure communities

Fighting crime and illegal drugs

- **Reduce the key recorded crime categories of:**
 - vehicle crime by 30 per cent by 2004;
 - domestic burglary by 25 per cent, with no local authority area having a rate more than three times the national average, by 2005; and
 - robbery in our principal cities by 14 per cent by 2005.
- **Ensure by 2004 that the levels of fear of crime in the key categories of violent crime, burglary and car crime reported in the British Crime Survey (BCS), are lower than the levels reported in the 2001 BCS.**
- **By 2005 reduce by 25 per cent (and by 50 per cent by 2008): the availability of class A drugs; the proportion of under-25s reporting the use of these drugs; and the levels of repeat offending amongst drug-abusing offenders.**
- **Increase the participation of problem drug abusers in drug treatment programmes by 55 per cent by 2004, by 66 per cent by 2005 and by 100 per cent by 2008.**

Active communities

- **Make substantial progress by 2004 towards one million more people being actively involved in their communities.**

Improving access for all to sport and culture

- **Increase by 500,000 by 2004 the number of people experiencing the arts.**
- **Raise significantly, year on year, the average time spent on sport and physical activity by those aged 5 to 16.**
- **Increase the numbers of children attending museums and galleries by a third by 2004.**

A better environment

- **Improve air quality by meeting our National Air Quality Strategy targets for carbon monoxide, lead, nitrogen dioxide, particles, sulphur dioxide, benzene and 1-3 butadiene.**
- **Improve the environment and the sustainable use of natural resources, including by reducing greenhouse gas emissions by 12¹/₂ per cent from 1990 levels, and by moving towards a 20 per cent reduction in carbon dioxide emissions, by 2010.**
- **Enable 17 per cent of household waste to be recycled or composted by 2004.**
- **Open up public access to all mountain, moor, heath and down and registered common land by the end of 2005.**

4.3 There will be further support for reducing crime from programmes tackling truancy, raising standards of literacy and numeracy amongst the bottom 20 per cent of attainers, investing in mental health services, and improving education and health services in prisons. More details on the cross-departmental reviews of the Criminal Justice System and of Crime Reduction are in Chapters 27 and 28.

4.4 Illegal drugs - particularly the most dangerous ones such as heroin and cocaine - pose a major threat to the well-being of our communities. Each year 1,000 to 3,000 people die as a result of drug abuse. And drug abusers account for up to a third of all crime, in particular property crime. The Government is taking action to tackle the problem at source through:

- increased investment totalling 10 per cent a year on average in real terms in drug treatment and other anti-drug programmes centred around interventions that work: treatment and prevention. The evidence¹ shows that effective treatment yields a social benefit of between 3 to 7 times the initial spend;
- more effective partnership working, centred on a new National Treatment Agency and an expanded central anti-drugs unit equipped to drive forward an integrated strategy with partners in Government departments, Local Authorities, Customs, the Police and other agencies.

4.5 Taken together these measures will help secure effective delivery of the Government's ten year Strategy on Illegal Drugs, focused on:

- reducing the prevalence of drug use amongst young people;
- cutting both drugs-related crime in our communities and the availability on our streets of the most serious drugs by a quarter by 2005 and by a half by 2008; and
- doubling the number of problem addicts receiving treatment over the same timescale.

4.6 More details are in Chapter 29 on the cross-departmental review on Illegal Drugs.

BUILDING A HEALTHY SOCIETY

4.7 The NHS is a key service for all communities across Britain. It is unique in that it is the one service that almost everyone will use at some point in their lives, and essential in that it ensures that every UK citizen has access to healthcare based on need and not ability to pay.

4.8 In Budget 2000 the Chancellor announced substantial additional resources for the NHS in the current financial year, and brought forward the announcement of new spending plans for the following three years giving by far the biggest, most sustained growth of any four year period in NHS history. The package provides for 6.1 per cent average annual real terms growth in the UK over four years from 1999-2000, as announced in Budget 2000, compared to an average 3.3 per cent since the foundation of the NHS and 2.9 per cent annual real growth between 1978-79 and 1996-97.

4.9 The Government made clear at the time of Budget 2000 that the new investment in the NHS needed to be accompanied by reform to deal with unacceptable variations in performance between different parts of the NHS. On 22 March, the Prime Minister made a statement to the House of Commons setting out the challenges facing the NHS and proposing a review of how best to tackle poor performance in NHS and drive up standards. The Prime Minister and the Secretary of State for Health will shortly announce the results of work on each of these challenges, and a National Plan which will reform and modernise the NHS, tackling poor performance and driving up standards. It will support a process of change which will improve fairness between communities which at present have different quality health care because of differences in the way services are organised and managed.

4.10 The Plan will map out the ways in which variations in quality and types of service will be overcome, and will set out the priorities for investment.

Better Social Services

4.11 The National Plan for the NHS will also include priorities for investment in social services and will set out the targets for delivering high quality social services care, in particular for the elderly and children in care. Good joint working with the NHS is crucial to ensure effective health and social care to communities throughout the UK.

4.12 This Review provides a significant increase in social care and related services funding in order to:

- promote higher quality care, rehabilitation and care close to home for the elderly, as part of the Government's response to the Royal Commission on Long Term Care;
- improve life chances for children in care; and
- improve mental health care by implementing nationally the best practice standards in the National Service Framework on Mental Health.

4.13 As a result of the cross-departmental review of Care and Support for Older People the Government will pilot a 'Care Direct' phone line to provide help and advice on all aspects of their care to the elderly, their relatives and carers. This will explore ways to address the complexity and poor coordination of services which the elderly often face. More details of the review are in Chapter 31.

STRONGER COMMUNITIES

4.14 Volunteering and helping each other out are central to healthy, democratic, and socially-inclusive communities. The Government wants to see substantial progress by 2004 towards one million more people being involved in their communities. A cross-departmental review on the Active Community was set up to look at how to deliver this and details are set out in

Chapter 30. New arrangements will be established for training and accrediting mentors. There will be greater use of volunteers to support the delivery of quality services in health, education and other areas important to our communities. There will be particular emphasis where appropriate on mobilising older volunteers to act as an 'Experience Corps'.

GETTING THE MOST OUT OF LIFE

Sport and culture

4.15 The Government is committed to helping people get more out of life. This Spending Review provides for enhanced opportunities to participate in sporting and cultural activities in particular in schools. It builds on the recent investment in sports facilities with a step change in high quality sports teaching, coaching and competitive sport in schools. There will also be a greater emphasis on enriching education, through extending cultural and creative opportunities for children. The Review continues the theme of engaging wider audiences in the arts and in museums and galleries. Allocations of resources from the New Opportunities Fund for sport and culture will also be announced in due course.

Improving the environment

4.16 The state of the environment is crucial for the good quality of life that we expect for both current and future generations. Air and water quality affect everyone's daily lives and without concerted action the effects of climate change over the next century could be far-reaching. In addition, we need to deal with the growing amount of waste generated each year.

4.17 Protecting the environment and making prudent use of natural resources are central to achieving sustainable development (see Box 4.2). The new spending plans increase funding in key areas:

- the Ten Year Plan for Transport will reduce transport emissions of the main greenhouse gas, carbon dioxide, and improve local air quality by reducing emissions of pollutants such as nitrogen dioxide and particulates. Public investment in transport will more than double in real terms by 2003-04 to over £6 billion a year;
- greenhouse gas emissions will be further reduced by increased funding for renewable energy; a Carbon Trust to give energy efficiency advice to business and encourage low carbon technologies; and incentives for business to join a domestic emissions trading scheme;
- new money on top of additional funds for local councils will ensure that at least 17 per cent of household waste is recycled or composted by 2004;
- there will be better protection of the countryside through a shift from production subsidies to deliver environmental improvements in agriculture;
- greater access to open country and better services in rural areas will enable everyone to enjoy the countryside (further details are in Chapter 32 on the cross-departmental review of Rural and Countryside Programmes); and
- threats to our environment will be reduced through our contribution to international efforts to support nuclear clean-up in the Former Soviet Union. Details of the cross-departmental review of Nuclear Safety in the Former Soviet Union are in Chapter 37.

Box 4.2: Sustainable development

Rising productivity and economic growth must not be at the expense of the environment. Sustainable development is therefore an important theme throughout this Spending Review. This means ensuring a better quality of life for everyone, both now and for generations to come. The Government's sustainable development strategy sets out four key objectives:

- **social progress which recognises the needs of everyone;**
- **effective protection of the environment;**
- **prudent use of natural resources; and**
- **maintenance of high and stable levels of economic growth and employment.**

Major investments in health and education will promote opportunity and security for all. There is a range of measures in place to tackle child poverty, crime and unemployment and to provide higher investment in health and education.

Environmental protection will be strengthened by significant new investment in public transport, reduced greenhouse gas emissions, more sustainable agricultural practices and better countryside protection. Targets have been set to

reduce greenhouse gas emissions and improve air quality.

Improved use of natural resources will be delivered by measures to boost business energy efficiency; new housing will increasingly move to recycled land or will re-use existing buildings; and there will be higher levels of household waste recycling.

The Government has developed a set of 15 'headline' indicators of sustainable development, to give an overview of progress. The new spending plans and PSA targets provide the funding and commitment to deliver improvement across the whole range of headline indicators. A baseline assessment of the indicators, *Quality of Life Counts*, identified a number of areas which had moved in an unsustainable direction since 1990. The Spending Review has addressed these areas. In particular this chapter has set out the plans for improvements in tackling crime, better protection of the countryside and recycling a higher proportion of household waste.

¹ NTORs National Treatment Outcome Study Annual Bulletins 1-4; Rydell & Everingham *Controlling Cocaine: Supply Versus Demand Programmes* Rand (1994). [back]

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5

Raising Productivity and Sustainable Growth

This Government is committed to closing the productivity gap with our major competitors. Building on a platform of economic stability this Review:

- **more than doubles net public investment in our infrastructure over the next three years to £19 billion, delivering integrated transport and modern schools and hospitals;**
- **delivers a major boost for the science base including a £1 billion Science Research Investment Fund over two years (2002-04);**
- **increases funding for the Regional Development Agencies to £1.7 billion by 2003-04 with new flexibilities to pursue regional economic development;**
- **provides for a more skilled, healthy and motivated workforce; and**
- **introduces measures to improve competition, enhance enterprise and make it accessible to all.**

RAISING PRODUCTIVITY

5.1 Since 1997, the Government has been developing a strategy to increase productivity in the UK to help meet its central economic objective of achieving high and stable levels of growth and employment. The prerequisite for this strategy is the macroeconomic stability which the Government has put in place. The strategy starts from a recognition of the UK's productivity gap compared to other major economies, and an understanding of its weaknesses: a lack of domestic competition, insufficient incentives and opportunities for enterprise and innovation, poor skills and a history of under-investment. At the same time, the Government has made clear through its strategy for sustainable development that economic progress should take account of the needs of everyone while ensuring effective protection of the environment and prudent use of natural resources.

The role of public expenditure in raising productivity

5.2 Individual spending programmes also have a considerable contribution to the Government's productivity goal. Government spending has important effects on productivity and sustainable economic growth by enabling markets to function effectively in the public interest.

5.3 The contribution of spending programmes takes place at four levels:

- improving the basic resources of the economy: the infrastructure and the skills of the labour force;
- improving the way technology brings together those resources to create products and services;

- enhancing the enterprise and competition that drives the markets in which those products and services are sold; and
- in addition, public services themselves account for about a fifth of the real resources of the economy. Programmes for more efficient public services therefore also have a direct and significant impact on the productivity of the economy as a whole.

Box 5.1: Key PSA Targets - Raising productivity and sustainable growth Raising productivity

- **Improve UK competitiveness by narrowing the productivity gap with the US, Germany, France and Japan over the economic cycle.**

Enhancing science and technology

- **Increase the level of exploitation of technological knowledge derived from the science and engineering base, as demonstrated by a significant rise in the proportion of innovating businesses citing such sources.**

Enterprise and competition

- **Help build an enterprise society in which small firms of all kinds thrive and achieve their potential, with an increase in the number of people considering going into business, an improvement in the overall productivity of small firms, and more enterprise in disadvantaged communities.**
- **Have the most effective competition regime in the OECD, as measured by peer review, and achieve a fairer deal for consumers, as measured by the level of consumer knowledge and understanding of rights and sources of information.**
- **Improve the economic performance of all regions, measured by the trend growth of each region's GDP per capita.**

Efficient public services

- **Ensure key public services have set in place strategies and targets for measuring and responding to users' views.**
- **Ensure departments meet the Prime Minister's targets for electronic service delivery by government: 25 per cent capability by 2002 and 100 per cent capability by 2005.**

5.4 Many spending programmes will operate at a number of these levels - for example, Government support for science builds the skills of the labour force, enhances the technology which creates products and services and also helps markets work more efficiently by encouraging innovation and hence competition. Spending programmes also help ensure that economic development is sustainable.

INVESTING IN OUR INFRASTRUCTURE

5.5 Public investment complements and enhances private sector investment. In addition, high quality public services, many of which help raise productivity, require capital investment as well as resource spending.

5.6 The Government is committed to the renewal and modernisation of the capital stock, reversing years of under-investment by delivering rapid growth in public investment over the next three years. The Government's prudent approach to management of the public finances means that a falling debt ratio can be combined with rising public sector investment. Public sector net investment will more than double over the next three years to £19 billion a year by 2003-04.

5.7 This will be accompanied by continued use of Public Private Partnerships and the Private Finance Initiative (PFI) to deliver significantly improved public services by increasing the quality of investment and by releasing the full potential of public sector assets. It is anticipated that PFI deals to the value of around £12 billion will be signed over the three years from 2000-01, as well as two major Public Private Partnerships for the National Air Traffic Service (NATS) and London Underground, totalling £9 billion.

5.8 The Ten Year Plan for Transport, to be announced shortly, will set out a balanced package of investment in high quality public transport and targeted improvements to the road network. Public capital investment in transport will rise to over £6 billion per year by 2003-04, more than doubling in real terms over the next three years. This will bring improvements in the quality and capacity of public transport and tackle congestion on the busiest roads and in large urban areas. Journey time

savings and increased reliability directly reduce costs for business, while by expanding catchment areas and market size, investment in transport can also stimulate competition and productivity and facilitate a more efficient use of resources.

5.9 Other important areas of investment include:

- the Department for Education and Employment where capital spend will increase by over £1.5 billion by 2003-04 enabling, amongst other things, several thousand extra schools a year to have major renovation; and
- for regeneration, a step change in Regional Development Agencies' (RDA) funding to raise regional productivity, with over 17 per cent of derelict and contaminated land reclaimed by 2010. The National Strategy for Neighbourhood Renewal will be supported by the New Deal for Communities and the Neighbourhood Renewal Fund.

5.10 Table A6 in Annex A shows the breakdown of the capital budget and Table A3 shows allocations made to each department. In addition a £2.5 billion Capital Modernisation Fund (CMF) over the next three years will be overseen by HM Treasury and allocated to departments on a competitive basis.

5.11 Departments will produce Departmental Investment Strategies in the autumn to show how they will use the extra finance most effectively. Resource accounting and budgeting and the National Asset Register create new incentives for good management of assets by charging departments for their value.

A SKILLED LABOUR FORCE

5.12 The Government has undertaken an ambitious set of active labour market measures to reattach people to the labour market. This has been combined with reforms to taxes and benefits to help improve the rewards to work.

5.13 The education system is the main route through which the Government can help to boost the skills of the future workforce. It is vitally important that all school leavers are provided with the bedrock of knowledge and basic skills on which to build a lifetime of learning. The extra funds committed to education in this Review will raise attainment in all areas and age groups, will increase the proportion of teenagers continuing with learning after they leave school and will fund a major programme to improve the basic skills of the adult workforce. More details are in Chapters 3 and 7.

ENHANCING SCIENCE AND TECHNOLOGY

5.14 The quantity and the quality of resources in the economy is only part of the productivity story. The way in which technology combines these resources to create products and services is increasingly important in a knowledge-based economy.

5.15 Government-funded research has an important role to play. The conclusions of the cross-departmental review on Science Research (details in Chapter 34) will ensure that the technology available in the UK is both world-class and relevant to the needs of business. Total spending on science and engineering will increase by an average of 5.4 per cent a year in real terms over the next three years, with measures including:

- modernising UK science laboratories, and tackling a major investment backlog, with a £1 billion Science Research Investment Fund over two years, including £225 million from the Wellcome Trust;
- new money to boost key research areas like the human genome; and
- increasing funding to help universities to transfer expertise and technology to business to help create jobs and wealth from the science base.

5.16 The new technologies which underlie the development of the knowledge economy are driving revolutionary changes in industries and organisations. Government must adapt to these changes if it is to realise the potential efficiency gains on offer, deliver high quality services, and enable all citizens and businesses to benefit from this IT revolution. The cross-departmental review of the Knowledge Economy, details of which are in Chapter 35, was set up in order to address these challenges and has put in place a major programme of reform to be overseen by the Government's e-Envoy to ensure that all Government services are on-line by 2005.

ENTERPRISE AND COMPETITION

5.17 Continued innovation, of which new technology is one part, is driven by dynamic and enterprising firms operating in

competitive and well-functioning markets. Government spending has a role to play in promoting enterprise and competition.

5.18 At the regional level, the Government is ensuring that there is a coherent business-led strategy for economic development and growth in every region of England, with the Regional Development Agencies (RDAs) as the main means of creating and implementing these strategies (see Box 5.2).

5.19 To advance the Government's goal of full employment and enterprise for all regions, RDAs will receive new funds with new flexibilities so that local people can promote local priorities and meet local needs they have themselves identified in their strategies.

5.20 The Government will guarantee funding for the European share of Objective 1, 2 and 3 projects within departmental allocations. This is estimated to total £4.2 billion for European Union Structural Funds in the UK over three years, including an estimated total of £600 million for new Objective 1 programmes in English regions and an extra allocation of £80 million in 2001-02, £90 million in 2002-03 and £100 million in 2003-04 to Wales to ensure funding of the European share of its Objective 1 needs, with resources for matching funds provided for within the total spending settlements.

Box 5.2: An enhanced role for the Regional Development Agencies

The Regional Development Agencies (RDAs) have a key strategic leadership role in raising all regions' economic performance, promoting social renewal of their regions through harnessing business-led growth. The Government is undertaking major enhancements to the role of the business-led RDAs. The RDAs will have an increase above their 2000-01 budgets of £250 million in 2001-02, £350 million in 2002-03 and £500 million in 2003-04 rising to a total of £1.7 billion by 2003-04. This is a major boost to the economic development of all the regions of England.

The RDAs will have increased regional economic development and regeneration funding, to help to bring derelict and contaminated land back into productive use, supporting jobs, and promoting enterprise and business-led growth as a means of tackling deprivation and disadvantage.

As a key contribution to strengthening the work of the RDAs, the Government will be significantly increasing the RDAs' flexibility - enabling the RDAs to better exploit their potential for innovative business-led working, and devolving decision-making to the regions. The RDAs' funding will be brought together in a single cross-departmental funding framework. Departments will be working together with the shared objective of releasing the energies of the RDAs to maximise the impact of their efforts. In return for greater flexibility, the RDAs will be required to deliver challenging outcome targets set collectively by Departments.

The RDAs also have a leading strategic role across a range of Government interventions.

- **They are working in strategic partnership with the Small Business Service to deliver the £1 billion Regional Venture Capital Funds.**
- **They are taking on the lead strategic role in ensuring that the regional plans for the European Structural Funds are delivered.**
- **They will be represented on the boards of the new national and all the local Learning and Skills Councils (LSCs); all LSCs will be required to consult their RDA in drawing up their plans.**
- **They have an important role in transport decision-making to ensure regional factors are adequately reflected.**
- **In drawing up local deprivation strategies for using the new Neighbourhood Renewal Fund, local authorities will work with new Local Strategic Partnerships. The RDAs should be key members of the partnerships in the areas in which they are investing.**

5.21 Small businesses are a key engine of the process of economic development. They need targeted support and advocacy. The new spending plans allocate new funding of £54 million in 2001-02, £73 million in 2002-03 and £63 million in 2003-04 for the Small Business Service (SBS), to provide high quality information and advice to all businesses, both on-line and through a call centre. There are also measures to extend enterprise to all through free advice packages from the SBS, support for social venturing and encouragement for enterprise in schools.

5.22 Other areas of government activity can also have an important impact on the functioning of markets. Improving transport links, as the Government is doing through its Ten Year Plan for Transport, expands catchment areas and market size, cuts costs for business and encourages entry into new markets, stimulating competition and innovation.

EFFECTIVE PUBLIC SERVICES

5.23 With the public sector accounting for around a fifth of the economy's real resources, effective and efficient public services are essential to economic growth. This Government is committed to delivering the modern public services that meet the needs of the public and rooting out under-performance wherever it exists in the public services, as set out in Chapter 2. Each department has been set testing targets for improving efficiency and value for money in the next three years. The plans allow for a heavy investment in information technology which will bring greater efficiency and higher quality of service for the customer in most public services.

5.24 To support departments in their drive to deliver better public services, the Government is also renewing the Public Services Productivity Panel for a minimum of a further two years. This small team of business and public sector leaders acts as a resource for the whole of Government, working with individual departments to identify key areas for improvement and to develop innovative solutions that will increase productivity. Details of the Panel's work with individual departments are published to provide a source of practical ideas and techniques to stimulate productivity improvement right across the public sector.

5.25 The Invest to Save Budget has provided funding for innovative projects bringing together two or more public bodies to improve service delivery. The two bidding rounds held to date have supported 136 imaginative projects. A further £210 million for the next three years is being allocated to extend the programme.

5.26 The Modernising Government principles have been applied in the Spending Review, and the new spending plans and Public Service Agreements advance its five commitments.

- **Policy making** - the 15 cross-departmental reviews were a radical innovation in policy making and brought outside expertise into the heart of the spending process. Many of their conclusions - for example on conflict prevention, deprived areas, drug abuse and crime - require new cross-departmental and open ways of making policy.
- **Responsive public services** - NHS Direct, the new service to pensioners from DSS, and the new Care Direct pilots are three ways of improving access and responsiveness to public service customers. Departments are being set specific targets to improve customer satisfaction; for example, the Criminal Justice Service is committed to improving the treatment of witnesses and victims.
- **Quality public services** - across departments there will be a concerted drive to spread best practice. To achieve the targets for the main public services all departments will have to ensure that the gap in health, education and crime between rich and poor areas is narrowed. As a result of the cross-departmental review of Local Government Finance (Chapter 33), the Public Service Agreement approach is being extended to local services, to strengthen the links between central and local government.
- **Information age government** - additional funding has been provided to put all Government services on line by 2005 and to make the UK the best place to trade electronically, demonstrated by the percentage of business transactions carried out over e-commerce networks.
- **Valuing public service** - targets have been set to ensure the creation of a more open, diverse and professional Civil Service. By 2004-05, at least 35 per cent of the Senior Civil Service should be women and at least 3.2 per cent should be from ethnic minority backgrounds.

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6

Securing a modern international role for Britain

This Government is establishing a modern role for Britain in the world helping to secure democracy, stability and security and combatting disease, famine and illiteracy. This Review delivers:

- a strong Britain in Europe, with the UK spearheading efforts to create a European Defence capability;
- an increase in international development funding of 6.2 per cent a year in real terms over the next three years to tackle poverty in the developing world;
- UK leadership of the effort to tackle the debt burden of the poorest countries;
- a real terms increase in the defence budget, the first for more than a decade, which will deliver better equipped armed forces, able to play a full role in the post-Cold War world;
- new arrangements for co-ordinating, managing and financing conflict prevention, including new budgets for conflict prevention in sub-Saharan Africa and the wider world;
- enhanced trade promotion and development; and
- a BBC World Service and British Council better able to operate in the wider world through the use of modern technology.

6.1 The UK's responsibilities do not stop at home. Building a fairer society with opportunity for all involves effort to tackle poverty and build security and stability in the wider world. The UK's own interests and exports need to be promoted vigorously in an increasingly competitive global marketplace if the UK is to retain and increase its share of global influence and prosperity. The outcome of this Spending Review will place the UK in a strong position to do that.

6.2 The UK is well placed to influence world events - through membership of the UN Security Council, NATO, the European Union, the Commonwealth and the G7/G8. Since the 1998 Comprehensive Spending Review the Government has used this position to set in train reforms of the European Union and NATO, improved the ability of British missions overseas to offer improved services to British citizens abroad and travellers wishing to visit the UK, and established British Trade International to provide improved services for British business and inward investors in the UK. At the same time the operations of the Foreign and Commonwealth Office have been modernised to provide an efficient and secure platform from which to promote British interests. The new spending plans provide the Foreign and Commonwealth Office with a real terms increase of 1.9 per cent a year over the next three years to continue this modernisation.

TACKLING POVERTY IN THE DEVELOPING WORLD

6.3 This Government has established Britain as a leader in the fight against world poverty; it has used its growing influence to

help mobilise the international political will necessary to achieve real progress towards the International Development Targets - chief among them the aim to lift one billion people out of abject poverty by 2015.

Box 6.1: Key PSA targets - securing a modern international role for Britain A modern approach to defence

- **Where British interests are affected, secure timely, proportionate and effective international action to promote stability, including strengthened European security through a modernised NATO and a European Union military crisis management capacity operational by the end of 2002.**
- **By 2005 ensure that a minimum of 90 per cent of rapidly available military units are at required states of readiness.**

Preventing conflict

- **Improved effectiveness of the UK contribution to conflict prevention and management as demonstrated by a reduction in the number of people whose lives are affected by violent conflict and by a reduction in potential sources of future conflict, where the UK can make a significant contribution.**

Tackling poverty in the developing world

- **An increase in the percentage of DFID's bilateral programme going to poor countries, particularly those with favourable policy environments.**
- **Improved education systems in the top ten recipients of DFID education support demonstrated by an average increase in primary school enrolment from a baseline of 75 per cent in 2000 to 81 per cent in 2004.**
- **Improvements in child, maternal and reproductive health in the top ten recipients of DFID healthcare assistance demonstrated by a decrease in average under 5 mortality rate from 132 per 1000 live births in 1997 to 103 in 2004.**
- **By 2004 relieve the unsustainable debts of all heavily-indebted poor countries (HIPC) committed to poverty reduction, building on the internationally agreed target that three quarters of eligible HIPCs reach decision point by the end of 2000.**

Promoting Britain abroad

- **Increased UK influence overseas so that the UK's views and interests are taken into account in international decision-making. Measures include a 25 per cent increase in UK share of the international higher education student market by 2005, and an increase in the global audience of the BBC World Service to 153 million by 2002.**

6.4 The 1997 White Paper Eliminating World Poverty¹ set out the ideas which would underpin the Government's international development policy: promoting poverty reduction in developing countries; aid focussed on the poorest people in the poorest countries; partnerships established with developing countries and with other donors; and a more integrated and consistent approach to international development across Government. The Government has worked effectively to deliver these promises. The spending plans set in this Review provide a real terms increase in international development funding over the next three years of 6.2 per cent a year.

6.5 DFID has made good use of its increased funds, achieving real progress towards poverty reduction. In the fields of education and health the Government is:

- focusing educational money on basic and primary education, for example in Uganda, where a five-year, £67 million programme to help the Government of Uganda fund good quality, universal primary education and more equitable access to secondary education is the UK's largest single commitment in Africa;
- reducing gender discrimination in education, and seeking to understand its causes;
- creating strong, effective health systems which provide for the needs of all;
- focusing on those communicable diseases which are the biggest threat to the very poorest people; and in particular
- supporting the fight against the HIV/AIDS pandemic at national and international levels.

The Government's actions have been reinforced by an integrated policy framework of strategy papers covering the UK's approach to individual countries, to the multilateral agencies, and to problems such as malaria and HIV.

6.6 The success of the Government's policy reforms has been widely recognised and the UK is now seen as one of the pace-

setters on international development issues. Over the next three years, the Government will exploit that position of influence to persuade other donors to adopt an output-based approach that will deliver real progress towards the International Development Targets.

International debt relief

6.7 The Government has been particularly successful in delivering progress on debt relief. It has argued strongly and consistently that as much relief as possible should be granted as soon as possible to poor countries which have demonstrated a commitment to reform and to poverty alleviation. DFID has worked closely with HM Treasury to push debt relief up the international agenda, and the Chancellor's 'Mauritius Mandate' speech in 1998 gave momentum to the Heavily Indebted Poor Countries (HIPC) initiative. As of mid-July, nine countries have qualified for enhanced debt relief totalling \$16 billion under the multilateral HIPC initiative agreed at the IMF annual meetings in 1999 and a further 11 should qualify before the end of the year. Countries like Uganda and Bolivia will be receiving an extra \$1.3 billion to spend on reducing poverty, building schools, providing clean water and other development priorities.

6.8 Building on the success of the enhanced HIPC initiative, which offered qualifying countries 90 per cent debt relief, the Government announced in autumn 1999 that the UK would unilaterally extend their debt relief to 100 per cent. The nine countries that have already reached their decision point are benefiting from not having to make further debt repayments to the UK. Many other creditor countries are now also offering 100 per cent relief: a clear case where the UK has led by example and delivered real benefits to poor countries.

MODERNISING THE UK'S ARMED FORCES AND PREVENTING CONFLICT

Better equipped, more deployable Armed Forces

6.9 The successful deployment, at very short notice, of the UK's spearhead battalion and an Amphibious Ready Group to Sierra Leone in May 2000 demonstrated that the UK already has the capability to deploy well-equipped, highly trained forces rapidly to a distant theatre. But more needs to be done and the MOD continues to restructure the armed forces in line with the outcome of the Strategic Defence Review to meet the new challenges. The 2000 Spending Review provides for the highest increase in spending over three years for over a decade (see Chapter 12) with a real increase in the Defence budget of 0.3 per cent a year over the next three years. The money will provide new and improved equipment to fill gaps identified in recent operations; improved accommodation for service personnel to encourage retention; funds for the completion of the relocation of forces from Germany and to buy the A400M Strategic Airlifter.

6.10 The UK has been particularly active in promoting the European Defence agenda. The Helsinki summit in December 1999 agreed that the Member States of the European Union should acquire the capability to deploy a corps-sized force of 50,000 - 60,000 troops by 2003, so as to undertake military missions where NATO as a whole was not involved. The UK is encouraging its European partners to develop their military capabilities as it is doing to meet its share of this demanding goal.

New arrangements for conflict prevention

6.11 Promoting international peace and stability is a key element of British foreign policy. It is central to our security, and essential for our objectives of promoting democracy, good governance and human rights. It is necessary for the sustainability of the global economy and for tackling poverty and social exclusion.

6.12 The Government is now introducing management and financing arrangements for its conflict prevention activities which will maximise the effectiveness of the contribution the UK is able to make over the next three years (details on the cross-departmental review of Conflict Prevention are in Chapter 36). The new arrangements will enable swifter, better coordinated and focussed action where Ministers decide that a conflict requires UK intervention.

Nuclear Safety in the FSU

6.13 Tackling the nuclear problems of the Former Soviet Union (FSU) is also vital to international peace and security. To ensure that the UK plays a full part in such efforts, a new budget has been established. Further details of the cross-departmental review of Nuclear Safety in the Former Soviet Union are in Chapter 37.

PROMOTING THE UK ABROAD

Enhanced trade promotion

6.14 The 2000 Spending Review provides scope for the FCO to invest in additional posts to promote trade and inward investment into the UK through the newly formed Trade Partners UK (for details see Chapter 13). In addition, British Trade International is to implement a series of structural reforms designed to improve the performance of the DTI and FCO in providing coordinated trade-related help to UK business. This will be through:

- improved handling of information enquiries from businesses;
- improved information flows and teamworking; and
- single branding of trade promotion services to reduce fragmentation and costs.

The settlement allows for further investment in a 'gateway' website (launched in May), enabling customers to obtain information and knowledge on markets and sector opportunities for trade. This will build on the current service, which is already used by nearly 14,000 customers.

BBC World Service

6.15 The BBC World Service (BBCWS) (see Chapter 13) is the most respected voice in international broadcasting and enhances the UK's political, economic and cultural reputation in the world. Kofi Annan, Secretary General of the United Nations, has described it as "a service to the world as a whole, and perhaps the greatest gift to the world during the [last] century". Increased investment will now go a long way to preserving the World Service's pre-eminence into the 21st century.

6.16 The Spending Review provides a real increase of 3.9 per cent a year for the BBCWS over the next three years which will enable it to expand its global audience to 153 million by 2002. The real challenge will be to expand its strength in the digital age. This will be brought about by a number of key initiatives. The BBCWS will be funded to become the world's reference not only on radio but on the Internet with expansion into more languages. The World Service will continue to spread its FM presence around the world and plans to broadcast in 135 world capitals by 2004. The BBCWS will be increasing the amount of customised and regionally focused material in its broadcasts. Increased investment will also enable the BBCWS to maintain its traditional audience on short and medium wave bands through the renewal of key transmitters.

6.17 The BBCWS brings overall value to the FCO and the UK where broadcasting and diplomatic objectives coincide. Through improved targeting of audiences, the BBCWS will enhance Britain's international role and help to present it in a positive and modern way.

British Council

6.18 As the principal agency for cultural relations with other countries, the British Council (for details see Chapter 13) is committed to its role of presenting the UK abroad and encouraging cultural, scientific and technical cooperation. Increased funds of 3 per cent a year in real terms for the next three years will enable the Council to expand its reach and exploit the use of IT through the development of knowledge and learning centres, capitalising on the UK's particular strengths in education, English language teaching and the arts.

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7

Department for Education and Employment

This Government is improving opportunity for all by building a world class education service:

- the 2000 Spending Review adds over £10 billion to spending on education and training in England by 2003-04; and
- a 33 per cent real increase in spending is projected for UK education between 1996-97 and 2003-04. The UK annual average growth between 2000-01 and 2003-04 is 5.4 per cent.

These funds will enable schools, colleges and universities to achieve even higher standards, by:

- expanding Sure Start to reach one third of all poor children;
- raising standards further in primary schools by expanding catch-up programmes for those young children who are falling behind;
- extending the literacy and numeracy strategy to secondary schools and so boosting attainment at Key Stage 3 (age 14);
- extending the renewal of the schools estate and boosting pupils' access to computers;
- encouraging more young people to stay on in post-compulsory education;
- increasing participation, broadening access and maintaining high rates of retention in higher education; and
- introducing a major drive to help adults overcome poor literacy and numeracy.

7.1 Education is central to achieving opportunity for all, and through this a productive economy and a cohesive society. This requires investment in human capital to improve attainment, to break the cycle of deprivation and provide employment opportunities for all.

7.2 The three central objectives of the Department for Education and Employment (DfEE) are:

- to ensure that all young people reach 16 with the skills, attitudes and personal qualities that will give them a secure foundation for lifelong learning, work and citizenship in a rapidly changing world;
- to develop in everyone a commitment to lifelong learning, so as to enhance their lives, improve their employability in a changing labour market and create the skills that our economy and employers need; and
- to help those without a job into work.

7.3 The Government has already made progress towards these objectives. Class sizes have been cut for 300,000 infants. The percentage of children meeting the required standard of literacy at age 11 has risen from 57 per cent in 1996 to 70 per cent in 1999; the percentage achieving the standard for numeracy has risen from 54 per cent to 69 per cent. Attainment of five or more A* to C grades at General Certificate of Secondary Education (GCSE) has risen from 44.5 per cent in 1996 to 48 per cent in 1999.

7.4 The Government's employment policies have helped to bring about the lowest level of claimant count unemployment for over 20 years, and highest ever number of people in employment.

Box 7.1: Key PSA targets - Department of Education and Employment

- **Increase the percentage of children aged 11 who meet the required standards in English and maths beyond the 2002 targets of 80 per cent and 75 per cent respectively.**
- **Increase the percentage of 14 year olds at or above the standard of literacy, numeracy, Information and Communications Technology (ICT) and science for their age. Subject to consultations, by 2007, 85 per cent to achieve level 5 or above in each of the Key Stage 3 tests in English, maths and ICT, and 80 per cent in science.**
- **Increase the percentage of pupils obtaining 5 or more GCSEs at grades A* to C (or equivalent) by four percentage points between 2002 and 2004.**
- **Reduce the number of adults who have literacy or numeracy problems by 2004.**
- **Make significant year on year progress towards fair access to higher education.**

IMPROVING ATTAINMENT AND REALISING POTENTIAL

Giving every child the best start in life

7.5 All children deserve the best possible start in life. At every stage of their schooling they deserve access to an education service which compares with the best in the world, which will equip them with the capacity to build a lifetime of learning and thus fulfil their potential.

7.6 Chapter 24 sets out the Government's plans for expanding Sure Start, a cross-departmental programme which supports the development of local projects for children under four years of age and their families in many of the most disadvantaged areas of the country. This will help improve the health and social development of many more children from families with low incomes and so enable them to start school ready to learn.

7.7 All children aged four already have access to a nursery place. There will also be nursery provision for 66 per cent of children aged three by 2002. This proportion will increase further in 2002-03 and 2003-04.

7.8 The Government will build on the successful reforms that have seen a transformation in our primary schools. The targets for standards in literacy and numeracy for 2004 at age 11 will be higher still than those set for 2002; and a new target will be set to focus efforts in and on those Local Education Authorities (LEAs) whose children are least likely to meet the national average.

7.9 Having made significant headway in primary schools to boost standards and attainment, attention needs to turn to those aged between 11 and 14 where evidence suggests that many children are failing to progress. In 1999, attainment of the required standards at Key Stage 3 was only 64 per cent in English and 62 per cent in maths.

7.10 To ensure that all children continue to learn, the Government proposes to consult the education service on a target for the next Parliament of raising attainment at age 14 to 85 per cent in English, maths and Information and Communications Technology (ICT); and to 80 per cent in science.

7.11 To transform the education service, the Government must continue to transform the school estate. Despite the huge programme of repairs and refurbishment funded through the New Deal for Schools, many children still have to study in buildings which are ill-suited to a modern curriculum and costly to maintain. Schools will be the main beneficiaries of the increase in capital spending on education and training between 2000-01 and 2003-04.

7.12 The new target for attainment in ICT at age 14 is a vital step in enabling all children to get the most out of new technology both for the rest of their learning; and for their future employability.

Breaking the cycle of deprivation

7.13 To create a truly inclusive society, the standards of the worst performing schools and LEAs must rise towards those of the

best. Sustained support should also be offered to those who have dropped out or are at risk of dropping out of learning. The Connexions Service has been developed to provide individually tailored support for those aged between 13 and 19 by delivering advice and support which meets their individual needs. The service will be introduced progressively over the next three years.

7.14 Young people who live in poor households are much less likely to stay on in learning; and those who lack qualifications are more likely to face a future which will involve sustained spells of unemployment and poverty. Education Maintenance Allowances (EMAs) have been piloted since September 1999 as a means of rewarding participation, progression and achievement for those from lower income groups. Resources are being made available to extend this scheme to cover 30 per cent of the country. As set out in the 1998 Comprehensive Spending Review White Paper, "if successful, the EMA would replace Child Benefit after 16 for those staying in education beyond their GCSEs."

A more productive workforce

7.15 About 35 per cent of young people in the UK were graduates from higher education in 1998, compared to an average of 23 per cent across countries belonging to the Organisation for Economic Cooperation and Development (OECD). The Spending Review will fund more places in higher education. In particular, new funding will focus on vocationally-oriented foundation degrees. Many leading universities recruit disproportionately from independent schools and more privileged backgrounds. The Government is setting a new PSA target to widen access to higher education and will provide new resources to support approaches such as summer schools and the creation of links between schools and universities, in partnership with those leading universities who have difficulty in attracting and admitting the most able of students from the maintained sector and from poorer households.

7.16 The Government's increased investment over the next three years in the science and engineering base (see Chapter 34) - an average of 5.4 per cent annual real growth - will be a major boost for universities, enhancing the UK's world-leading strengths in science research, removing a major backlog of investment in laboratories and equipment and roughly tripling the funds which help universities use their know-how to build regional business competitiveness.

7.17 Lifelong learning must also be at the forefront of education policy: 20 per cent of the adult population lack basic skills in literacy and numeracy, to the detriment of their individual learning and employment opportunities and the economy as a whole. The Government will therefore increase investment in a range of initiatives, such as family learning in schools, to achieve a marked increase in numbers of adults who gain these vital skills.

7.18 Many more people also need help to gain ICT skills. Around 300 ICT learning centres will be open by spring 2001 and up to 1,000 by 2002. From this autumn, the University for Industry will be fully operational, offering a new avenue through which to add to basic skills or build on higher skills.

SPENDING PLANS

7.19 The new spending plans provide for an increase in expenditure on education and training in England of an average of 5.6 per cent a year in real terms between 2000-01 and 2003-04. English local authority expenditure will grow by an average 3 per cent a year in real terms over the period. Capital expenditure on education and training in England will rise by an average 17 per cent per year in real terms.

7.20 The new spending plans provide funding for an average annual real increase in expenditure on education in the UK of 5.4 per cent.

7.21 Employment programmes were considered as part of the cross-departmental review of Welfare to Work and ONE, the conclusions of which are set out in Chapter 26 of this White Paper. The review concluded that an interdepartmental fund should be established, to be called the Employment Opportunities Fund. This will continue to fund the New Deal, associated employment programmes, the ONE service and the establishment costs of the new working age agency after the Windfall Tax receipts have been exhausted.

Table 7.1: Key figures

| | £ million | | | |
|----------------------------------|---------------|---------------|---------------|---------------|
| | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
| DfEE - Education and Training* | 17,455 | 19,600 | 21,753 | 23,928 |
| <i>of which: Resource Budget</i> | <i>15,223</i> | <i>17,088</i> | <i>18,741</i> | <i>20,116</i> |
| <i>Capital Budget</i> | <i>2,232</i> | <i>2,512</i> | <i>3,012</i> | <i>3,812</i> |
| Local Authority Education SSA** | 21,332 | 22,513 | 23,863 | 25,261 |
| Total Education (England) | 38,787 | 42,113 | 45,616 | 49,189 |

* expenditure within the Departmental Expenditure Limit (DEL), including Sure Start, the New Deal for Schools, additional funding in the 2000 Budget, allocations from the Capital Modernisation Fund and administration costs. Excludes spending on employment.

** Standard Spending Assessment: 2000-01 figure adjusted to place it on a comparable basis to 2001-02. The figure for 2001-02 allows for transfers of £147 million to the DEL.

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8

Department of Health

In Budget 2000 the Government announced an unprecedented increase in NHS UK funding of 6.1 per cent average annual real terms growth over the four years to 2003-04. This is the longest period of sustained high growth in the history of the NHS. It compares to an average of 3.3 per cent annual real growth since the foundation of the NHS and 2.9 per cent annual real growth between 1978-79 and 1996-97. In the 2000 Spending Review:

- social services funding has been increased significantly in real terms to provide for the elderly, children and other vulnerable groups; and
- funding for the Food Standards Agency will increase by an average annual 6 per cent in real terms to help protect the consumer from food-related illness.

The National Plan for the NHS will be announced shortly, setting out a strategy for investment and reform in the NHS, including the Public Service Agreement targets for the NHS and social services.

THE NATIONAL PLAN TO REFORM THE NHS

8.1 The Government began its programme to rebuild the NHS in the White Paper *The New NHS*¹ in 1997 and demonstrated its commitment to modernised health and social services through substantial investment in the 1998 Comprehensive Spending Review.

8.2 The new investment is delivering significant improvements. The Manifesto commitment for reducing numbers waiting for planned inpatient hospital treatment by 100,000 below the March 1997 level has been achieved. Many patients are now able to make hospital appointments at a time that suits them, cutting out the uncertainty of waiting on a list. Three quarters of accident and emergency departments are being modernised, expanded or updated; of these nearly half are already completed. The national nurse recruitment campaign was launched in February 1999. By February 2000 over 9,000 nurses had contacted the NHS about returning to work. The latest figures show that in the last year the number of nurses working in the NHS increased by 5,600.

8.3 The Government has also set tough targets to reduce avoidable deaths from the major killers of heart disease and stroke, cancer, suicide and accidents, backed with policy frameworks for national and local action and investment. The national service framework for coronary heart disease was published in March 2000; it sets a long-term structure for developing and improving services for patients at risk of heart disease. Cancer referral guidelines for General Practitioners (GPs) have been developed to support the implementation of the two week standards for urgent referrals. An impressive start has been made, with 96 per cent of all women with suspected breast cancer now being seen by a specialist within two weeks of an urgent referral by their GP.

8.4 Although the NHS retains worldwide respect for its fairness and efficiency, there are still unacceptable variations in performance between the best and the rest. Budget 2000 announced the biggest, sustained increase in funding of any four year period in the history of the NHS, set to grow in the UK at an average of 6.1 per cent annually after inflation.

8.5 On 22 March, the Prime Minister set out five challenges for the NHS to address:

- **Partnership:** working together across all parts of the health system to ensure the best possible care, for example reducing unnecessary hospital admissions and providing the right level of beds and services for each level of care, particularly for the elderly;
- **Performance:** ensuring that, using information, incentives and inspection, all parts of the health system come up to the standard of the best; that there is the right support and intervention for those struggling to perform well, and that the systems are in place to root out poor clinical performance;
- **Professions** and the wider NHS workforce: stripping out unnecessary demarcations and breaking down traditional barriers between health care professionals so the right people deliver the right care;
- **Patient care:** improving patient access by delivering fast and convenient care for patients, and empowering patients by listening to their needs and letting them know their rights; hospitals and primary care groups should ensure they all adopt best practice and introduce convenient booking systems so that patients with the most serious conditions are treated quickly; and
- **Prevention:** balancing spending on tackling the causes of ill health with treating illness, tackling variations in care, and promoting healthy living.

8.6 The Secretary of State for Health established a series of modernisation action teams, involving experts from across the NHS and other stakeholders, to respond to these challenges. A National Plan to reform and modernise the NHS, tackle poor performance and drive up standards will be published shortly, alongside the Public Service Agreement for the Department of Health.

8.7 The National Plan will map out the ways in which variations in quality and types of service will be overcome and will set out the priorities for investment and reform. Health services nationally and locally will be required to change in a way that makes them more responsive to the needs of patients.

SUPPORTING COMMUNITIES AND FAMILIES BY INVESTING IN SOCIAL SERVICES

8.8 Since the reforms of the 1998 Comprehensive Spending Review, services for the elderly and for children have improved. The rate of growth of emergency admissions for the elderly is slowing, as initiatives for better joint working between health and social services take hold. The *Quality Protects* programme has begun to transform children's services, improving the educational attainment of children in care and significantly reducing the proportion of children re-registered on the child protection register.

8.9 The 2000 Spending Review builds on the investment of the Comprehensive Spending Review. High quality social care and good joint working between the NHS and social services are essential to deliver effective care, particularly for the elderly. Too few older people are given the opportunity to regain their independence following a stay in hospital or a minor accident. As a result they can face unnecessarily long stays in hospital, or unnecessary placement in a care home. Policies and investment to provide better care and rehabilitation services for the elderly will be integrated into the National Plan. The Government's response to the report of the Royal Commission on Long Term Care, chaired by Professor Sir Stewart Sutherland, will also be set out by the Secretary of State for Health as part of the National Plan.

Box 8.1: Personal Social Services

The investment in social services will, by 2004:

- **promote higher quality care, rehabilitation and care close to home as part of a strategy for better service for the elderly, to be announced in the National Plan for the NHS;**
- **continue the drive to give children in care the same life chances as their peers; and**
- **improve social care support for people with mental health problems, in line with the social care standards in the National Service Framework on mental health.**

IMPROVING FOOD SAFETY AND STANDARDS

8.10 The Government established the Food Standards Agency on 1 April 2000. The Agency combines food safety functions previously carried out by the Department of Health, Ministry of Agriculture, Fisheries and Food (MAFF) and the devolved administrations; and incorporates the Meat Hygiene Service.

8.11 Reflecting the importance the Government attaches to improving food safety, the 2000 Spending Review provides substantial sustained increases in spending for the Food Standards Agency. Its funding will grow in real terms by an average of 6 per cent a year over the next three years. This will help the Food Standards Agency in reducing food related illness and improving enforcement.

Box 8.2: The Food Standards Agency

The Food Standards Agency aims to:

- measurably improve public confidence in national food safety and standards;
- reduce food borne illness by 20 per cent, including reducing levels of Salmonella in UK produced chickens on retail sale by at least 50 per cent, by 2006; and
- protect consumers through improved local authority enforcement on food safety and standards.

SPENDING PLANS

8.12 The new spending plans for the NHS in England announced in Budget 2000 provided for 6.3 per cent average annual real terms growth over the four years to 2003-04. Funding for social services has also grown significantly in real terms, allowing growth in spending on services for the elderly, children and other vulnerable groups.

Table 8.1: Key figures¹

| | £ million | | | |
|--|------------------|----------------|----------------|----------------|
| | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
| Total Department of Health² | 45,285 | 49,461 | 54,437 | 59,011 |
| Total NHS (net)³ | 44,485 | 48,193 | 52,264 | 56,653 |
| <i>of which: Resource Budget</i> | <i>42,852</i> | <i>45,696</i> | <i>49,103</i> | <i>53,471</i> |
| <i>Capital Budget</i> | <i>1,633</i> | <i>2,497</i> | <i>3,161</i> | <i>3,182</i> |
| Personal Social Services | 9,407 | 10,032 | 11,405 | 12,208 |
| <i>of which: Funded by Department⁴</i> | <i>713</i> | <i>1,164</i> | <i>2,062</i> | <i>2,247</i> |
| <i>Standard Spending Assessments⁵</i> | <i>8,693</i> | <i>8,869</i> | <i>9,344</i> | <i>9,962</i> |
| <i>including: net transfers into PSS⁶</i> | <i>0</i> | <i>-10</i> | <i>705</i> | <i>784</i> |
| Food Standards Agency | 87 | 104 | 111 | 111 |

¹ Numbers may not sum due to rounding

² Sum of total NHS (net), Personal Social Services funded by Department of Health and Food Standards Agency

³ Net of receipts

⁴ Shows spending funded by the Department of Health on social care and related services, which comprises mainly special, specific and capital grants to local authorities and credit approvals; includes effect of transfers detailed in note 6 and an additional transfer from PSS SSA to PSS funded by the Department.

⁵ Includes effect of transfers detailed in note 6 and an additional transfer from PSS SSA to PSS funded by the department for each year from 2001-02; this means the SSA figures for 2000-01 contain £231 million which has been transferred out for 2001-02 onwards reflecting these changes in responsibilities.

⁶ *Includes transfers into PSS from Department of Social Security and out of PSS to Home Office and Department for Education and Employment*

¹ *The New NHS: Modern, Dependable* - December 1997, Cm 3807. [back]

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9

Department of Environment, Transport and the Regions

This Government is improving the quality of life of current and future generations through thriving regions and communities; better transport; better housing; a better environment; safer, healthier surroundings; and prudent use of natural resources. This Review provides for the following major investments and reforms:

- the transformation of the country's transport system with public investment rising to over £6 billion a year by 2004, a doubling in real terms. The Ten Year Plan for Transport will deliver reduced congestion on our busiest roads, better and more reliable trains, a renaissance in local public transport, a step improvement in transport for London, and will tackle the maintenance backlog on local roads;
- half a million homes will be brought up to a decent standard by 2004 - tackling over a third of the social housing units in a poor condition, with all social housing reaching a decent standard by 2010;
- a major strengthening in the role of the Regional Development Agencies will ensure that every region shares in rising prosperity and high employment. By 2010, over 17 per cent of current brownfield land will have been reclaimed;
- a cleaner environment with help to improve energy efficiency in business and to reduce fuel poverty, and support for local authorities to promote sustainable waste management and raise levels of household waste recycled or composted to 17 per cent by 2004; and
- improved access to the countryside through the implementation of the Countryside and Rights of Way Bill, and support for rural communities with a new initiative to help market towns.

9.1 The DETR plays a central role in delivering the Government's objectives for society, the environment and the economy. It makes a real difference to everyone's daily life - improving the air we breathe and the water we drink, the homes and communities we live in, our health and the transport services we depend on. The Department is at the heart of this Government's commitment to improving quality of life and delivering sustainable development.

9.2 The new fiscal framework shows clearly this Government's commitment to investing in the future. In the 1998 Comprehensive Spending Review the Government began to put right years of underinvestment - ending the decline in the condition of the trunk road network, restoring cuts in maintenance of local authority roads and bridges, and investing in over 1.5 million council houses to start to reduce the huge backlog of repairs built up over the last twenty years. This Spending Review builds on those foundations bringing a total increase of over 60 per cent in net investment in the DETR programmes over the next three years.

INVESTING IN SUSTAINABLE DEVELOPMENT

9.3 The Government is committed to getting maximum benefit from this increased investment. The extra funds are therefore backed up by a series of reforms to ensure that spending programmes deliver value for money for the taxpayer and real benefits for all members of the community. Work across Government to deliver sustainable development is summarised in Chapter 4. The rest of this chapter gives a brief summary of the most important changes introduced by this Review for those policies and programmes contributing to sustainable development that fall to DETR.

Box 8.1: Key PSA targets - Department of Environment, Transport and the Regions

- **Ensure that all social housing is of a decent standard by 2010 with the number of families living in non-decent social housing falling by one third by 2004, and with most of the improvement taking place in the most deprived local authority areas as part of a comprehensive regeneration strategy.**
- **Targets for transport will be announced in the Ten Year Plan for Transport, to be published by the DETR shortly, to tackle congestion on our busiest roads and to increase use of public transport.**
- **Improve air quality by meeting the National Air Quality Strategy targets, reducing greenhouse gas emissions, enabling 17 per cent of household waste to be recycled or composted by April 2004, and reducing fuel poverty among vulnerable households.**
- **Open up public access to mountain, moor, heath and down and registered common land by the end of 2005, and bring 95 per cent of all nationally important wildlife sites into favourable condition by 2010.**

Investing in transport

9.4 The Spending Review funds the first three years of the Ten Year Plan for Transport, *Transport 2010*, which will be published by the Department shortly. This will set the agenda for modernising the country's transport infrastructure. The Review has delivered very significant increases in public resources for transport - total spending on transport will rise from £4.9 billion in 2000-01 to £9.1 billion in 2003-04. Congestion imposes billions of pounds of costs to businesses and individuals in wasted time. The Ten Year Plan sets out a balanced package of investment in public transport and roads to reduce congestion, particularly in large urban areas and on the trunk road network. The Plan will support the long-term growth of the economy by expanding businesses' catchment areas and market size, facilitating a more efficient use of resources and stimulating competition and productivity.

9.5 The Ten Year Plan contributes to further improvements in local air quality and to meeting international commitments to reduce greenhouse gas emissions. Overall carbon savings from the Plan are estimated at 1.6 million tonnes, in addition to the 4 million tonnes already expected from voluntary agreements with the car manufacturers. Investment in roads will be carefully targeted to reduce congestion while respecting the environment.

Protecting the environment

9.6 The Government will provide new money over the next three years to deliver a step change in recycling, on top of additional funds for local councils. This will help local authorities improve waste management so that at least 17 per cent of household waste is recycled or composted by 2004, which will reduce the costs of meeting the UK's European Union obligations to reduce reliance on landfill. Fuel poverty will be further reduced through Home Energy Efficiency Scheme grants to vulnerable households to improve the heating and insulation of their homes, reducing the amount of money they need to spend to keep warm. There is extra help for business over the next three years to further improve energy efficiency, including energy efficiency advice and audits for small and medium sized enterprises, support for developing new more efficient low carbon technologies, the promotion of renewable energy and incentives for firms to join a domestic emissions trading scheme.

A sustainable countryside

9.7 The new spending plans increase Government funding for DETR's countryside and rural programmes by an average of 10 per cent a year in real terms over the next three years, building on the conclusions of the cross-departmental review of Rural and Countryside Programmes, described in Chapter 32. This will improve access to the open countryside for all, and provide additional support for rural communities by helping to develop market towns and the vital role they play in the economic and social life of the countryside.

A decent home for all

9.8 The Government will provide extra investment of £1.6 billion a year by 2003-04 compared to 2000-01 to take another

major step forward in tackling the backlog of investment in council housing and to provide more housing for those in need. By 2004 there will be a net reduction of one third in the number of houses in the social housing sector that are not of a decent standard - well on the way to meeting the target set in the Housing Green Paper of ensuring that all social housing is of a decent standard within 10 years. As well as tackling past under-investment in social housing, the Government is also taking action to improve the performance of social landlords through Best Value and the work of the new Housing Inspectorate. A new Community Housing Taskforce will also be set up to drive forward a reformed transfer process and ensure that the new social landlords created by transfer empower tenants and regenerate communities. The Government will spend additional resources on helping low earners - including key workers - move into home ownership, while providing new social rented units to help families and individuals for whom home ownership would not be sustainable. The spending plans include additional supported housing provision for victims of domestic violence.

Strengthening communities

9.9 Everyone should benefit from the better public services these spending plans will deliver. The Regional Development Agencies (RDAs) have a key role in enabling every region of the country to realise its full potential. The RDAs' budgets will rise by £250 million in 2001-02, £350 million in 2002-03 and £500 million in 2003-04 compared to 2000-01, helping improve the economic performance of all regions and raising the trend in growth of each region's GDP. RDAs will be given the flexibility to encourage more business-led innovative working as more decision-making is devolved to the individual regions.

9.10 The Government will guarantee funding for the European share of Objective 1, 2 and 3 projects within departmental allocations. This is estimated to total £4.2 billion for European Union Structural Funds in the UK over three years, including an estimated total of £600 million for new Objective 1 programmes in English regions, with resources for matching funds provided for within the total spending settlements.

9.11 The Government is committed to narrowing the gap between the most deprived communities and the rest of the country, and the Spending Review provides for the first steps in implementing the National Strategy for Neighbourhood Renewal. Further details on the cross-departmental review of Government Intervention in Deprived Areas are in Chapter 23.

SPENDING PLANS

9.12 The new spending plans for DETR provide an average annual increase of over 15 per cent in real terms over the next three years, including a 20 per cent a year real increase in capital spending. The figures exclude over £3 billion which will be spent annually on housing through the Housing Revenue Account Subsidy. This is included in Annually Managed Expenditure.

Table 9.1: Key figures

| | £ million | | | |
|------------------------------------|---------------|---------------|---------------|---------------|
| | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
| Transport | 4,895 | 6,019 | 7,369 | 9,120 |
| Housing and Regeneration | 4,462 | 5,664 | 6,361 | 7,000 |
| Environment, Countryside & Other | 1,384 | 1,510 | 1,785 | 1,730 |
| Total DETR Main Programmes* | 10,742 | 13,193 | 15,514 | 17,850 |
| <i>of which: Resource Budget</i> | <i>4,305</i> | <i>5,124</i> | <i>5,573</i> | <i>5,663</i> |
| <i>Capital Budget</i> | <i>6,437</i> | <i>8,070</i> | <i>9,941</i> | <i>12,187</i> |

**Departmental Expenditure Limit*

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10

Home Office

The Government is tackling crime and strengthening communities in this Review by:

- raising police spending to record levels;
- targeting vehicle crime to be cut by 30 per cent, burglaries by 25 per cent and robberies in our principal cities by 14 per cent;
- making major investment in local crime prevention;
- increasing the effectiveness of punishment with prison and probation programmes based on 'what works' principles to cut reoffending;
- regularly publishing information to promote race equality in public services and increasing the representativeness of police, prison, probation and fire services; and
- giving refugees more help to settle in the UK while enforcing refusals of asylum more rigorously with at least 30,000 people removed each year.

10.1 The aim of the Home Office is to build a safe, just and tolerant society, in which the rights and responsibilities of individuals, families and communities are properly balanced, and the protection and security of the public are maintained. These objectives were reflected in the range of Public Service Agreement targets to which the Home Office committed itself after the 1998 Comprehensive Spending Review. They are central to the Government's commitment to establish healthy and secure communities.

10.2 Car crime has fallen by 17 per cent since March 1997. Police forces are recycling 2 per cent annual efficiency gains into front-line policing. A Crime Reduction Programme is gathering evidence of effective new strategies. The average time taken to deal with persistent young offenders has fallen from 142 days to 96 days. New legislation has been brought in on terrorism and on human rights.

SPENDING ON OUR KEY SERVICES

10.3 Crime reduction is the overriding priority for Home Office services. The Government rejects the idea that crime is inevitable. It has set targets to reduce the crimes which people are most concerned about: having their homes or cars broken into. These reductions require effective prevention, detection and punishment of crime. The Home Office will therefore:

- provide substantial investment for programmes for crime reduction;
- increase police spending plans so that by 2003-04 they are £1.6 billion higher than they are today; and
- invest an extra £310 million rising to £540 million each year in prison and community punishments.

Box 10.1: Key PSA targets - Home Office

- **Reduce the key recorded crime categories of:**
 - vehicle crime by 30 per cent by 2004;
 - domestic burglary by 25 per cent, with no local authority area having a rate more than three times the national average, by 2005; and
 - robbery in our principal cities by 14 per cent by 2005.
- **Increase the number and proportion of recorded crimes for which an offender is brought to justice.**
- **Reduce the rate of reconviction:**
 - of offenders punished by imprisonment or by community supervision by 5 per cent by 2004, compared to the predicted rate; and
 - of all young offenders by 5 per cent by 2004, compared to the predicted rate.
- **Make substantial progress by 2004 towards achieving one million more people actively involved in their communities.**
- **Ensure that by 2004, 75 per cent of substantive asylum applications are decided within two months.**

Reducing crime

10.4 The Home Office will be investing in crime reduction including through:

- action on vehicle crime to deliver the 30 per cent reduction target;
- help for local Crime and Disorder Partnerships to develop their infrastructure so that their members can work together better, sharing data and identifying cross-cutting problems and their solutions; and
- a Crime Reduction programme of research to identify the most effective new strategies.

10.5 The Government's strategy is covered more fully in Chapter 28 dealing with the outcome of the Crime Reduction cross-departmental review, Chapter 27 on the Criminal Justice System and Chapter 29 on Illegal Drugs. As a result of all these measures the Government expects to achieve significant reductions in burglary, vehicle crime and robbery.

Strengthening the police

10.6 The police are central to reducing crime. The 43 police forces in England and Wales deliver vital services in preventing crime and catching offenders. The increase in police spending agreed in this Review will be £1.6 billion per year by 2003-04, an average annual real terms increase of 3.8 per cent.

10.7 The new resources provided by this Review will modernise:

- the prevention of crime by funding information systems to enable the police to analyse crime data and share it with health, education and social services as necessary to reduce crime;
- the detection of offenders by new investment in forensic science, IT and secure communication systems to enable officers to spend more time out on patrol and to be more effective while doing so; and
- the approach to efficiency, with police forces set individual targets in order to move towards operating at the levels of the best.

A sharper focus on prisons and probation

10.8 Nearly 100,000 people are sent to prison each year, which stops them committing an estimated half a million offences. These gains can be preserved if, while they are in custody, prisoners are made to confront their offending behaviour and develop skills to live law-abiding lives after release. Over 60 per cent of prisoners do not have the literacy skills needed for 96 per cent of jobs. The Government is therefore investing in prison programmes which provide these basic life skills.

10.9 Community punishments on probation have an even bigger part to play. Over 160,000 offenders receive community punishments each year. But far too many of them break these court orders and more than half of them re-offend. Probation programmes will therefore be delivered on 'what works' principles, getting offenders to confront their own behaviour, and equipping them with the skills for successful law-abiding lives.

10.10 As a result the rates of reconvictions of offenders punished by imprisonment or on probation are targeted to fall.

Improving the immigration system

10.11 The Government is determined to prevent abuse of immigration controls while ensuring free movement in and out of the UK for those who have a genuine entitlement. The Government is also committed to honouring its international obligations to refugees, and the spending plans provide more resources to help them settle in the UK. Additional spending of over £400 million each year for the next three years will ensure that substantive asylum claims are decided within two months, while the number of those with unfounded claims who are removed from the UK will rise to at least 30,000 per year.

Strengthening community life

10.12 To promote a healthy, democratic, socially inclusive society, the Government wants to see a step increase in people's involvement in their communities. The Government wants communities to help themselves whether that involves children having difficulties in learning to read, young people being drawn into crime or older people finding it difficult to recover from medical treatment. Volunteers, and particularly mentors, can make the difference between success and failure.

10.13 The Government's Active Community Unit based in the Home Office will make substantial new investment to encourage this kind of community involvement. Chapter 30 sets out in more detail the outcomes of the cross-departmental review on the Active Community.

10.14 The promotion of race equality within the provision of public services is a priority for the Government. Improvements in key areas will be measured through the annual publication of a set of race equality indicators. The first report, Race Equality in Public Services,¹ was published in March covering law and order, health, education, economic activity and housing. The Home Office will also ensure that its own workforce and those of the bodies it sponsors - including the police, prison, probation and fire services - are fully representative.

SPENDING PLANS

10.15 Home Office spending in will grow by an average of 6.4 per cent a year over the next three years in real terms.

Table 9.1: Key figures

| | £ million | | | |
|----------------------------------|--------------|--------------|---------------|---------------|
| | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
| Home Office | 8,149 | 9,574 | 10,249 | 10,586 |
| Charity Commission | 22 | 22 | 26 | 27 |
| Total* | 8,171 | 9,596 | 10,275 | 10,613 |
| <i>of which: Resource Budget</i> | 7,598 | 8,739 | 9,308 | 9,760 |
| <i>Capital Budget</i> | 573 | 857 | 967 | 853 |

**Departmental Expenditure Limit*

¹Available at www.homeoffice.gov.uk [back]

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11

The Legal Departments

The Government is committed to delivering better justice by:

- improving the service provided by courts in England, Wales and Northern Ireland by installing modern IT systems and improving facilities. Information will be more readily available at courts and steps will be taken to ensure that civil judgements will be more enforceable;
- continuing to improve the effectiveness of the Criminal Justice System by reducing delays in the processing of cases through more integrated information exchange, better management of cases, and electronic handling of evidence;
- increasing the satisfaction of the users of the justice system, including that of jurors, victims and witnesses involved in the Criminal Justice System;
- increasing the number of people who are able to obtain legal assistance in priority areas of law in England and Wales; and
- taking steps to control the cost of Legal Aid in Northern Ireland, and ensuring that it is targeted on those who need public provision the most.

11.1 The Lord Chancellor's Department's (LCD) strategic objectives are to:

- provide a fair, swift and effective system of justice;
- improve people's knowledge and understanding of their rights and responsibilities;
- improve the availability of affordable and good quality legal services;
- make civil and family law clearer and more easily enforceable;
- improve the lives of children and help build and sustain strong families; and
- uphold the independence of the judiciary.

11.2 The Government has made real progress on delivering these objectives since the 1998 Comprehensive Spending Review. LCD introduced a number of reforms recommended by Lord Woolf in July 1996 in his report on access to civil justice. These include streamlining civil court case handling to improve the efficiency with which cases are heard. In addition, LCD has launched the Community Legal Service which provides civil and family legal help and representation through quality-assured suppliers. As part of the 1998 Comprehensive Spending Review, the Government undertook a review of the performance and management of the Criminal Justice System (CJS) as a whole. One outcome of this process was the Government pledge to halve the time taken to deal with persistent young offenders from 142 to 71 days by March 2002. As a result of more effective inter-agency working in the CJS, the average time taken had fallen to 96 days in the first quarter of this year. Over the next three years, the Government will achieve its target of 71 days and will then maintain that level thereafter.

INVESTING IN THE MORE EFFECTIVE DELIVERY OF JUSTICE

Box 11.1: Key PSA targets - The Legal Departments

- **Secure a minimum 5 percentage point improvement in the level of satisfaction of users of the justice system by 2004, including that of victims and witnesses, with their treatment in the CJS.**
- **Improve the level of public confidence in the CJS by 2004 including that of ethnic minority communities.**
- **Reduce by 2004 the time from arrest to sentence or other disposal by:**
 - **reducing the time for all defendants, with a target to be specified by March 2001;**
 - **dealing with 80 per cent of youth court cases within their time targets; and**
 - **halving from 142 to 71 days by 2002 the time taken from arrest to sentence for persistent young offenders, maintaining that level thereafter.**
- **Increase the number of people who receive a suitable level of assistance in priority areas of law involving fundamental rights or social exclusion by 5 per cent by 2004 and secure year on year increases of at least 5 per cent in the number of international legal disputes resolved in the UK.**

Improving court services in England and Wales

11.3 The Government will improve the service provided by the courts: the magistrates' courts, the civil courts and the Crown Court. As a result of these spending plans, LCD will develop and install a major programme of integrated IT systems to reduce waiting times and improve the level of information provided at court sites. This will also ensure that the courts play a full part in the commitment of the CJS as a whole to reduce the time taken between arrest and sentence or other disposal for defendants.

11.4 A programme of refurbishment and maintenance of the court estate will deal with the problems caused by a long term deterioration in the condition of courts in England and Wales and provide proper access for disabled people. This will require a fresh look to be taken at the way in which the court estate is used to improve efficiency and to direct investment where it is most needed. The result will be better equipped courts, providing improved services to the public.

Extending Legal Aid reforms

11.5 The Government will continue to improve value for money in Legal Aid spending by focusing the work of the Community Legal Service on those with priority need and encouraging the use of the most appropriate source of advice in each case. These reforms will be extended to Criminal Legal Aid through the launch of the Criminal Defence Service (CDS).

A better service for children and families in the courts

11.6 The new Children and Family Court Advisory and Support Service (CAFCASS) will become operational on 1 April 2001. Through money provided in the Spending Review, the Government is ensuring that CAFCASS is equipped to play an important part in improving the lives of vulnerable children and involving children in making and communicating decisions affecting them in the courts.

Modernising the Crown Prosecution Service

11.7 The Government will spend an additional average of 5.4 per cent a year in real terms over the next three years modernising the Crown Prosecution Service. IT investment will improve the integration of the service with other parts of the CJS, allowing it to play its full part in improving CJS performance. In particular, the modernisation programme will facilitate improved communication within the CJS and ensure that there is more effective and timely case handling and management throughout the system.

11.8 One of the key priorities for strengthening the performance of the CJS is to improve communication with victims and witnesses once their case has begun. The Crown Prosecution Service will take responsibility for communicating prosecution decisions directly to victims and witnesses, to help improve confidence in the system and encourage greater involvement in the criminal justice process.

Increasing access to public records

11.9 The Public Record Office (PRO) is already at the forefront of the electronic delivery of services to the public. These spending plans provide additional funding over the next three years to enable individuals and schools to access all the nation's records on-line.

Investment in the Northern Ireland Court Service

11.10 The service that the courts in Northern Ireland provide will play a key role in the improvements to civil and criminal justice over the coming years. The Northern Ireland Court Service (NICtS) will improve its service through the construction of a purpose built unified courts building and the improvement of IT in the courts. This will allow for the provision of modern, efficient, swift and accessible court services. NICtS will also take steps to reform the administration of Legal Aid in Northern Ireland to ensure that there is effective control over the Legal Aid bill, so that value for money is obtained and public money is targeted on those who need it.

SPENDING PLANS

11.11 The Lord Chancellor is responsible for the Lord Chancellor's Department, the Northern Ireland Court Service, the Public Record Office and HM Land Registry. The Attorney General is responsible for the three Law Officers' Departments: the Crown Prosecution Service, the Serious Fraud Office and the Treasury Solicitor's Department.

Table 11.1: Key Figures

| | £ million | | | |
|---|------------------|----------------|----------------|----------------|
| | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
| Legal Aid | 1,672 | 1,627 | 1,632 | 1,639 |
| Lord Chancellor's Departments (Other) | 963 | 1,092 | 1,140 | 1,143 |
| Total Lord Chancellor's Departments* | 2,635 | 2,719 | 2,772 | 2,782 |
| <i>of which: Resource Budget</i> | 2,557 | 2,653 | 2,699 | 2,709 |
| <i>Capital Budget</i> | 78 | 66 | 73 | 73 |
| Total Law Officers' Departments* | 352 | 422 | 432 | 444 |
| <i>of which: Resource Budget</i> | 339 | 408 | 426 | 439 |
| <i>Capital Budget</i> | 13 | 14 | 6 | 5 |

* *Departmental Expenditure Limit*

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12

Ministry of Defence

This Government is delivering a modern, flexible and battle-winning defence capability able to meet today's challenges and to promote international peace and security by:

- **providing the first real terms budgeted increase in defence spending for more than a decade, enabling the Ministry of Defence to implement the Strategic Defence Review (SDR) to provide balanced, better focused and flexible Armed Forces, ready for today's operational priorities in a modern world;**
- **making an effective contribution to conflict prevention;**
- **continuing to invest in new equipment for the Armed Forces;**
- **bringing the Royal Navy and Royal Air Force up to full Manning, and placing the Army well on the way to that goal;**
- **tackling overstretch in the Armed Forces, as the 'Policy for People' is implemented; and**
- **redirecting resources for new investment in defence priorities by continuing the high level of disposals from the defence estate, spares, stocks and other assets, through rationalisation and improved asset use.**

12.1 The 1998 Strategic Defence Review (SDR) set out a radical modernisation programme of the UK's Armed Forces. The objective was to provide more capable, more flexible and better equipped forces to fulfil the Government's commitment to strong defence and to support foreign policy objectives. The Government is already well underway in implementing the Review, restructuring the Armed Forces so they can respond to the wide range of crises and theatres of action they will face in the modern world, providing substantial fighting forces if necessary.

12.2 The SDR's conclusions have been reinforced by the successful operations in Kosovo, East Timor and Sierra Leone. In line with the outcome of the SDR, which focused on rapid deployment and sustainability, work has begun to procure new roll-on, roll-off container ferries and transport aircraft, to improve our forces' ability to move quickly by sea and air. Further lessons have been learned from those operations, particularly in Kosovo, and improvements to the Armed Forces are now in hand to plug the gaps.

12.3 The 2000 Spending Review provides real growth in the defence budget for the first time in over a decade, rising by an average 0.3 per cent a year in real terms over the next three years. The Ministry of Defence will be funded to continue to play a leading role in managing international crises, and in NATO and European defence initiatives. The Government will continue to implement the SDR, bringing the Armed Forces towards full Manning; continuing with the acquisition of equipment; and creating new joint military units to provide the balance of capabilities we now require.

INVESTING IN DEFENCE FOR THE 21ST CENTURY

Box 12.1: Key PSA targets - Ministry of Defence

- **Recruit, retain and motivate the personnel needed to meet the manning requirement of the Armed Forces, so that by March 2004, the Royal Navy and the Royal Air Force achieve full manning and the Army meets 97 per cent of its manning requirement.**
- **Work with partners so that the European Union can, by 2003, deploy forces of up to Corps level (50-60,000 personnel) within 60 days, capable of undertaking the full range of Petersberg tasks in and around Europe.**
- **Improve effectiveness of the UK contribution to conflict prevention and management as demonstrated by a reduction in the number of people whose lives are affected by violent conflict and by a reduction in potential sources of future conflict, where the UK can make a significant contribution (joint target with the Foreign and Commonwealth Office and Department for International Development).**
- **Ensure that by 2005 a minimum of 90 per cent of rapidly available military units are at required states of readiness.**

Improving flexibility and mobility

12.4 The spending plans set out in Table 12.1 enable the MOD to continue its modernisation programme, so that the Armed Forces can deploy quickly and effectively around the world in support of UK interests. The MOD is working with the FCO and DFID to introduce new arrangements designed to improve the effectiveness of the UK's contribution to conflict prevention. Developments in this area are set out in Chapters 6 and 36.

12.5 The programme to provide better, more balanced Armed Forces includes:

- taking forward the modernisation of the Armed Forces, providing them with the equipment (including air and sea heavy lift) and training they require to deploy and perform effectively;
- tackling overstretch in the Armed Forces ; and
- continuing with the defence estate rationalisation to make best use of existing assets and maximise the potential for disposal receipts.

Getting better value from defence spending

12.6 The Ministry of Defence continues to look at ways of making defence spending more cost-effective. Procurement techniques have been dramatically overhauled and levels of efficiency achievement have been very good. Resources freed up have been reinvested in further modernisation and reform. The Defence Logistics Organisation (DLO), which replaced the three single service logistics organisations after the SDR, is bedding down and improving support to the front line. Together the Defence Procurement Agency and the DLO will take forward Smart Procurement, to provide equipment on time, to budget and to meet capability requirements far more effectively than in the past.

DEFENCE SPENDING PLANS

12.7 The new spending plans provide the first real terms budgeted increase for defence for over a decade. The defence budget will rise by £2 billion between 2000-01 and 2003-04, an average real terms increase of 0.3 per cent a year over the next three years.

Table 12.1: Key figures

| | £ million | | | |
|----------------------------------|---------------|---------------|---------------|---------------|
| | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
| Total Defence* | 22,975 | 23,570 | 24,198 | 24,978 |
| <i>of which: Resource Budget</i> | <i>17,750</i> | <i>18,076</i> | <i>18,485</i> | <i>18,731</i> |
| <i>Capital Budget**</i> | <i>5,225</i> | <i>5,494</i> | <i>5,713</i> | <i>6,247</i> |

**Departmental Expenditure Limit 2000-01 is provisional*

***Capital spending shown here includes expenditure on fighting equipment*

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13

Foreign and Commonwealth Office

The Government is securing a stronger position for Britain in the world. One aspect of this is modernising the Foreign and Commonwealth Office (FCO), increasing its ability to respond to the needs of Britain and increase its impact abroad. A modern FCO will:

- develop the UK's leading role in a modern, reformed and enlarged European Union;
- help retain Britain's place as first choice for inward investment in Europe and improve the competitiveness of British industry by exploiting more trade opportunities in targeted markets;
- provide improved delivery of services to British nationals abroad with access in the UK to travel advice 24 hours a day;
- secure the ratification of the main UN human rights treaties by 60 additional states, agreement by 18 more countries to sign up to the Drug Conventions, and international agreement to combat climate change by ratification of the Kyoto Protocol;
- provide for the BBC World Service to extend its on-line transmission and modernise its existing transmitters, reaching a global weekly audience of 153 million; and
- enable the British Council to establish a network of technology-based knowledge and learning centres and reach 50,000 new young professionals.

13.1 Since the 1998 Comprehensive Spending Review, the Foreign and Commonwealth Office (FCO) has made significant progress in modernising its role in Government. The establishment of British Trade International, which brings together the work of the FCO and the Department of Trade and Industry, has improved the support for British exporters and inward investors. The FCO has strengthened its posts in the Caucasus and Central Asia to increase the opportunities for business in the region. Britain has played a central role in NATO's enlargement and helped to set in train the organisation's modernisation. There has been a ten-fold increase in the use of FCO Internet websites worldwide. The FCO is on target to deliver its target of £90 million in overseas estates recycling.

13.2 The 2000 Spending Review will ensure that the modernisation programme continues and that the FCO can play a full and pivotal role in Europe and engage with the wider global community.

INVESTING IN A MODERN INTERNATIONAL ROLE FOR BRITAIN

Box 13.1: Key PSA targets - Foreign and Commonwealth Office

- A modern, reformed and enlarged European Union, in which the UK plays a leading role and whose policies reflect UK political, social and economic priorities and win public support for Europe.
- Improved effectiveness of the UK contribution to conflict prevention and management as demonstrated by a reduction in the number of people whose lives are affected by violent conflict and a reduction in the potential sources of future conflict, where the UK can make a significant contribution to conflict prevention and management.
- Maintain (with DTI through British Trade International) the UK as the prime location in the EU for foreign direct investment.
- Improve delivery of effective and efficient consular services to British nationals abroad including the issue of 95 per cent of passports within five days, and access in the UK to overseas travel advice 24 hours a day.

13.3 As a key member of the International Community (a member of the UN Security Council, the European Union, the Commonwealth, NATO, and the Group of Eight), Britain will continue to play an important role in conflict prevention and resolution (see Chapter 36). The Government is investing in countering global threats such as drugs and international crime, working for the reform of international organisations and supporting efforts to bring war criminals to justice.

Investing in communications

13.4 The FCO will continue to modernise its operations to deliver services more efficiently for the UK. It will upgrade its information technology (IT) and communication systems, involving the provision of voice and data services over an integrated worldwide telecommunications network. This will provide the fast, secure communications needed to manage global foreign policy issues.

13.5 The FCO has set itself ambitious new efficiency targets. It will develop its internal market, compare performance between posts and identify best practice, and continue to implement a programme to rationalise its capital assets and dispose of under-performing or surplus properties. The FCO will be allowed to recycle assets worth £100 million over the next three years, producing significant savings for reinvestment in modernisation.

13.6 To complement the presence of British Missions overseas, the FCO, the BBC World Service and the British Council will all be making fuller use of the Internet.

13.7 Additional funding has been allocated by the FCO to the BBC World Service to invest in on-line transmission and to upgrade the transmitter sites in the UK, Singapore and Cyprus. The British Council will be funded to strengthen its activities in Russia and China, and to introduce knowledge and learning centres in its overseas offices.

13.8 The Government is also investing in the FCO's direct services to business and the public through trade and investment promotion services, consular services to British nationals overseas and through entry clearance. To this end the FCO is planning to convert its consular and visa issuing activities into self-financing operations. The FCO will exploit the Internet to provide faster and more timely information for UK travellers overseas.

SPENDING PLANS

13.9 The new spending plans provides annual average real growth in FCO spending over the three years of 1.9 per cent, and average real growth of 3.9 per cent a year in BBC World Service resources over the same period (excluding the effect of the global conflict prevention budget which is also shown in Table 13.1).

Table 13.1: Key Figures

£ million

| | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|---------------------------------|---------|---------|---------|---------|
| Foreign and Commonwealth Office | 777 | 820 | 847 | 869 |
| BBC World Service | 174 | 180 | 199 | 210 |
| British Council | 136 | 143 | 152 | 159 |

| | | | | |
|----------------------------|--------------|--------------|--------------|--------------|
| Global Conflict Prevention | 42** | 60 | 68 | 78 |
| Total FCO* | 1,129 | 1,203 | 1,266 | 1,316 |
| of which: Resource Budget | 1,007 | 1,066 | 1,104 | 1,143 |
| Capital Budget | 122 | 137 | 162 | 173 |

* *Departmental Expenditure Limit, including global conflict prevention budget*

** *Planned expenditure on Global Conflict Prevention by FCO, MOD and DFID*

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Department for International Development

This Government is committed to helping the world's poorest people.

- **Over the next three years the Government will increase spending on international development by 6.2 per cent a year in real terms, taking it to almost £3.6 billion by 2003-04. This will be the largest ever UK aid budget in real terms and implements the Government's Manifesto commitment to reverse the decline in aid spending. The Government will ensure that the ratio of official development assistance to GNP will rise to 0.33 per cent by 2003-04.**
- **The International Development Targets remain the centrepiece of the Government's development strategy. These include halving the proportion of people in extreme poverty by 2015, and delivering real improvements in health and education opportunities for the world's poorest people.**
- **The Government will continue to focus resources on the world's poorest countries and on concentrations of very poor people in middle income countries. We will invest our resources where we believe they will be used effectively by governments which are committed to poverty reduction.**

Achieving the International Development Targets will be a task for the entire international community. Under this Government the UK will remain a leading player on international development matters. The Government will use our increasing influence to improve the effectiveness of development assistance worldwide and to ensure that it delivers real help to the world's poorest people.

14.1 In the 1998 Comprehensive Spending Review, DFID received the largest percentage increase in funds of any major department. Those extra funds were deployed primarily in the UK's bilateral programme and focussed on countries committed to poverty reduction. They enabled, among other things, an expansion of UK health and education aid programmes. The Government worked to combat diseases such as malaria and to tackle the HIV/AIDS pandemic; and to improve education for the poorest, reducing gender discrimination and giving as many children as possible the opportunity to develop their potential.

14.2 DFID have developed a comprehensive policy structure designed to deliver real improvements in the lives of the world's poorest. Country, Institutional and Target Strategy Papers set out the Government's international development policies and plans from country to global level. The emphasis throughout is on outcomes, and enabling real progress towards the International Development Targets.

A CONTINUING COMMITMENT TO HELPING THE WORLD'S POOREST

Box 14.1: Key PSA targets - Department for International Development

- **Improved education systems in the top ten recipients of DFID education support demonstrated by an average increase in primary school enrolment from a baseline of 75 per cent in 2000 to 81 per cent in 2004.**
- **Improvements in child, maternal and reproductive health in the top ten recipients of DFID health care assistance demonstrated by a decrease in average under-five mortality rates from 132 per 1000 live births in 1997 to 103 in 2004.**
- **An increase in the percentage of DFID's bilateral programme going to poor countries, particularly those with favourable policy environments.**
- **By 2004, relieving the unsustainable debts of all heavily-indebted poor countries (HIPC) committed to poverty reduction, building on the internationally agreed target that three-quarters of eligible HIPCs reach decision point by end-2000.**

Raising a billion people out of poverty

14.3 The UK's international development programme has made great strides in the last three years. Ranging from larger scale commitments like the five year, £67 million programme of support for the Ugandan education sector, to establishing micro-credit facilities across India, DFID is focused on delivering real improvements in the lives of the world's poorest people. But the challenge of delivering the International Development Targets is also great. To meet the chief target - halving the proportion of people living in extreme poverty by 2015 - will require one billion people to be lifted out of that poverty in a sustainable way. Britain will play its full part. But these targets cannot be reached without coordinated action across the range of bilateral and multilateral donors, and by developing countries themselves. The UK will seek to use its increased influence to deliver reform internationally.

14.4 A key element in enabling poor countries to develop faster has been the UK's unilateral debt cancellation initiative designed to remove unsustainable debt burdens from heavily-indebted poor countries (HIPCs) committed to poverty reduction. DFID and HM Treasury, working in close cooperation, have played a leading role both in pressing for enhancements to the HIPC initiative itself, and in persuading other countries to follow the UK's lead of committing to provide 100 per cent debt forgiveness. In the next three years the Government will seek to widen and quicken the debt relief process and provision for this has been included in the spending plans set out below.

14.5 DFID bilateral aid programmes are some of the most respected in the world for their effectiveness. This is partly because DFID allow recipients to use the money in the most efficient possible way for them, rather than making the resources conditional on purchasing goods and services from the donor country, as some do. Over the next three years, more and more DFID aid will be 'untied' in this way, and the Government will continue its campaign to get other members of the international donor community to do the same.

14.6 The cross-departmental review on Conflict Prevention detailed in Chapter 36 will provide a more effective mechanism for the UK to help reduce the number of people whose lives are affected by violent conflict. The funds which the UK spends on conflict prevention in sub-Saharan Africa will be brought together into one shared pool, and managed jointly by the relevant departments.

SPENDING PLANS

14.7 The commitment the Government demonstrated to international development two years ago in the Comprehensive Spending Review continues now. DFID's budget will grow by 6.2 per cent each year in real terms over the next three years, as set out in Table 14.1 below. This will take planned spending to almost £3.6 billion in 2003-04. This includes provision for relieving the unsustainable debt burden of HIPCs which have demonstrated a commitment to poverty reduction.

14.8 DFID is responsible for the CDC plc (formerly The Commonwealth Development Corporation), a public limited company wholly owned by the Government. The Government has decided to create a Public Private Partnership (PPP) for CDC, bringing an injection of private capital and allowing it to access private capital markets. The proceeds of the PPP will be recycled into aid spending.

Table 14.1: Key figures

£ million

| | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|--|--------------|--------------|--------------|--------------|
| Department for International Development | 2,736 | 3,065 | 3,298 | 3,510 |
| African Conflict Prevention | 30** | 50 | 50 | 50 |
| Total DFID* | 2,760 | 3,115 | 3,348 | 3,560 |
| <i>of which: Resource Budget</i> | <i>2,459</i> | <i>2,736</i> | <i>2,939</i> | <i>3,147</i> |
| <i>Capital Budget</i> | <i>301</i> | <i>379</i> | <i>409</i> | <i>413</i> |

**Departmental Expenditure Limit, including sub-Saharan African conflict prevention budget*

** *Planned expenditure on conflict prevention in sub-Saharan Africa by FCO, MOD and DFID, of which DFID £24 million*

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15

Department of Trade and Industry

The Government is committed to increasing competitiveness and scientific excellence in order to generate higher levels of sustainable growth and productivity in a modern economy, by:

- building on our excellence in science, engineering and technology with a significant increase to fund science and its exploitation over the next three years, contributing to a £1 billion Science Research Investment Fund in partnership with the Wellcome Trust to ensure world class facilities;
- expanding universities' potential as drivers of growth in the knowledge economy, with an extra £20 million in 2001-02, rising to £50 million in 2003-04 to commercialise research and engage with business;
- helping forge an enterprise society, across the regions and in disadvantaged communities - including a significant real terms increase in funding for the Small Business Service;
- working with SMEs to optimise their use of the Internet, with the UK becoming the best place in the world for e-commerce by 2002; and
- building a competitive environment - with better regulation, modern company law and effective enforcement of competition policy.

15.1 The DTI's overarching aim is to increase competitiveness and scientific excellence, and it has a shared target with HM Treasury of narrowing the productivity gap relative to the US, Germany, France and Japan, over the economic cycle. This goal will be achieved through the DTI's three principal objectives: making the most of the UK's science, engineering and technology base; promoting enterprise, innovation and increased productivity; and developing strong, competitive markets within a regulatory framework which promotes fairness and sustainability.

15.2 The 2000 Spending Review builds upon the achievements of the Comprehensive Spending Review in 1998 which provided both a focus and funding for the DTI's activities in stimulating productivity, enterprise and innovation. Since then, the Government has:

- started the process of renewing the science infrastructure, through the Joint Infrastructure Fund (JIF) with the Wellcome Trust for new laboratories, equipment and infrastructure;
- launched the Small Business Service in April 2000, to bring greater coherence to support for start-ups and small firms, nationally and locally, and a stronger voice for small firms in Government;
- introduced the Regional Development Agencies in April 1999, with pilot funding to stimulate business competitiveness in the regions; and
- brought together the DTI's and FCO's export promotion activities under one organisation, British Trade International (BTI), now incorporating the Invest in Britain Bureau, to produce a unified agency for trade and investment promotion.

PROMOTING ENTERPRISE AND OPPORTUNITY

A world class science base

15.3 The UK has a world class science, engineering and technology base, but this is threatened by 20 years of under-investment in basic infrastructure.

Box 15.1: Key PSA targets - Department of Trade and Industry

- **Improve UK competitiveness by narrowing the productivity gap with the US, Germany, France and Japan over the economic cycle.**
- **Build an enterprise society in which small firms thrive and achieve their potential, with an increase in the number of people considering going into business, an improvement in the overall productivity of small firms, and more enterprise in disadvantaged areas.**
- **Improve the overall international ranking of the UK's science and engineering base, as measured by international measures of quality, cost-effectiveness and relevance.**

15.4 The Government is committed to establishing an infrastructure for British science which is internationally competitive, and is launching a new two year £1 billion Science Research Investment Fund when JIF finishes, running from 2002 to 2004. This includes £775 million of Government money and £225 million from the Wellcome Trust and will allow a substantial renewal of outdated buildings, laboratories and equipment.

15.5 Alongside improvements in physical capital, the Government is committed to investing in the human capital that underpins the science base. To secure the vital flow of science and engineering PhD students in an increasingly competitive labour market, the Government is raising the basic grant from the current £6,620 outside London to £9,000 a year by 2003.

15.6 The Government is also providing extra resources of £20 million next year, rising to £50 million by 2003-04, to build on universities' potential as drivers of economic growth through knowledge transfer. This includes: more seed venture funding to commercialise research; more science enterprise centres to help train the next generation of entrepreneurs; and trebling the reach-out funding for higher education to develop closer relations with businesses by 2003-04.

15.7 As part of the 2000 Spending Review, DTI participated in a cross-departmental review of Science Research. Further details are in Chapter 34.

Boosting e-commerce

15.8 The Government's aim is that the UK will be the best place in the world for e-commerce by 2002, measured by business-to-business and business-to-consumer transactions. The number of small and medium sized firms wired up to the digital marketplace has almost doubled between 1997 and 1999, to 600,000 businesses. The spending plans will provide an extra £10 million in 2001-02 and £5 million in 2002-03, on top of the existing funding, not only to encourage more small businesses to get on-line, but also to help them make best use of e-business opportunities.

Promoting enterprise and opportunity in all regions

15.9 The Government is committed to building an enterprise culture throughout society, and encouraging innovation and growth as the route to higher productivity. The 2000 Spending Review adds to the extra funding for venture capital promised in Budget 2000, and also provides £54 million in 2001-02, £73 million in 2002-03, and £63 million in 2003-04 in new funding for the Small Business Service (SBS), maximising opportunities for start-ups and small business growth across the country. This funding will enable the Department to provide high quality information and advice on-line and via call centres to three million businesses, coordinate the delivery of support programmes to SMEs, improve service quality and help business to comply with regulation. It also confirms the trebling in the size of the Phoenix Fund, the fund launched in November 1999 to make enterprise open to all by supporting access to finance and innovative business assistance in disadvantaged communities.

15.10 The DTI is committed to help improve the economic performance of all regions. The work of the SBS nationwide will be underpinned by a strengthened role for the new Regional Development Agencies (RDAs) in enterprise development, with a flexible funding package to deliver regional leadership in economic development and regeneration.

15.11 The Government is also providing a significant real terms increase for BTI including extra funding for capital spending to modernise BTI systems, and funding in full over the Spending Review period for launch investment in the Airbus A3XX, worth £530 million, and which will bring major benefits to the manufacturing base particularly in the South West and Wales.

15.12 The 2000 Spending Review also provides a major package for modernising the Post Office network. The plans to modernise the Post Office arise from a detailed review by the Government's Performance and Innovation Unit (PIU), and were first announced by the Secretary of State for Trade and Industry on 28 June 2000. The investment is to enable the Post Office to embark on a programme of modernisation across the organisation to maintain the rural network, to improve support to local offices in urban deprived areas, and to encourage the development of new initiatives. Funding will be ring-fenced and subject to business plans produced by the Post Office for harnessing the range of new opportunities highlighted by the PIU's report.

SPENDING PLANS

15.13 The new spending plans for the Department of Trade and Industry are shown in the following table. A major element of the funding over the three years is expenditure on DTI's management of liabilities from the nuclear and coal sectors, which is set to decline in aggregate over the period. Excluding liabilities, spending is set to grow in real terms by an annual average of 6.6 per cent over the three years.

Table 15.1: Key figures

| | £ million | | | |
|---|--------------|--------------|--------------|--------------|
| | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
| Department of Trade and Industry ¹ | 3,728 | 4,595 | 4,280 | 4,222 |
| Others ² | 24 | 33 | 33 | 33 |
| Total Trade and Industry* | 3,752 | 4,628 | 4,313 | 4,255 |
| <i>of which: Resource Budget</i> | 3,288 | 3,907 | 3,549 | 3,217 |
| <i>Capital Budget</i> | 464 | 721 | 764 | 1,038 |

**Departmental Expenditure Limit.*

¹ *Figures include funding of British Trade International (which also receives £6 million in 2001-02, £6 million in 2002-03, and £3 million in 2003-04 from the FCO) and provision for management of liabilities, which decline over the Spending Review period.*

² *Includes Office of Fair Trading, OFGEM, OFTEL and ECGD.*

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Ministry of Agriculture, Fisheries and Food (including the Intervention Board and Forestry Commission)

The Government is committed to protecting public health, to sustainable development and aiding agricultural restructuring and reform, and to delivering service modernisation by:

- fulfilling its pledge to introduce a significant programme of measures to help the environment, modernisation of the farming industry and the wider rural economy;
- setting up a new agency so that Common Agricultural Policy (CAP) payments to farmers can be dealt with electronically; and
- reducing the annual incidence of Bovine Spongiform Encephalopathy (BSE) to very low levels.

16.1 MAFF plays a key role in facilitating the development of modern, sustainable and competitive farming and fisheries businesses which can successfully adapt to change, and in achieving reform of the CAP which gives a better deal to consumers and taxpayers, while paying regard to the needs of the environment. The Department also fosters the protection of the rural and marine environments and promotes thriving rural economies and communities. Responsibility for food safety transferred to the Food Standards Agency (FSA) on 1 April 2000, but MAFF continues to have an important role in ensuring that there is good quality, safe food which meets consumers' requirements.

16.2 In March last year, reforms of the CAP were agreed as part of the Agenda 2000 reform package. A reduction in price support for cereals, beef and dairy products over a period was agreed, with farmers partially compensated through increases in direct payments. The Agenda 2000 Rural Development Regulation (RDR) was introduced, integrating structural and rural development and agri-environment instruments, together with horizontal rules allowing the modulation or reduction of direct payments. These reforms will produce overall benefits of £100 million in 2001 rising to £250 million in 2005 in the UK. The seven-year England Rural Development Plan (ERDP) for implementing the RDR in England was submitted to the European Commission for approval early this year.

16.3 By the end of 1999-2000 a greater area of farmland than ever before was being enhanced and protected by the Environmentally Sensitive Areas and Countryside Stewardship Scheme (CSS) and approved for conversion to organic farming.

INVESTING TO IMPROVE QUALITY OF LIFE

Box 16.1: Key PSA targets - Ministry of Agriculture, Fisheries and Food

- **Deliver the environmental and economic benefits envisaged in the England Rural Development Plan by 2004 including an increase in the area farmed organically and development of the rural economy under the new Rural Enterprise Scheme.**
- **Care for our living heritage and preserve natural diversity by reversing the long term decline in the number of farmland birds by 2020, as measured annually against underlying trends.**
- **Achieve the agriculture strategy, the modernisation of agriculture, and an increase in the competitiveness and consumer focus of the food chain as measured by the real food price index and sustainable competitiveness indicators to be developed by March 2001.**

16.4 In the next three years, the Government will deliver substantive reforms which will protect public health, serve the wider interests of the public, and help the agriculture industry to modernise. MAFF, working with DETR, will meet key targets to improve public enjoyment of countryside and rural life.

Rural development

16.5 The Government will fulfil its commitment in the ERDP to introduce a significant programme of measures to implement the rural aspects of the CAP under the Agenda 2000 RDR.

16.6 The Government will spend over £600 million in total in the next three years as envisaged by the ERDP to deliver environmental and economic outputs. This will allow more conversion to organic production, an increase in the area protected and enhanced under the CSS, more for marketing and training and help for projects under the Rural Enterprise Scheme. The Government will also carry forward measures announced earlier this year as part of its Action Plan for Farming.¹ The Government's scheme to encourage the restructuring of the pig industry to help its long-term viability will continue for another two years. Business advice for farmers will be provided through the Farm Business Consultancy scheme.

16.7 There will be a shift away from production-related payments to farmers to measures which will aid industry restructuring and diversification, and benefit rural economies and the environment. Direct payments will be modulated (or reduced) from 2001-02 initially at a rate of 2.5 per cent. Every pound resulting from modulation will be recycled into co-financed rural measures - up to amounts envisaged under the ERDP - and matched by domestic money.

Modernising administration and reforming the CAP

16.8 The Government will set up a new CAP Payments Agency (CAPPA) which will bring together the CAP payments functions of MAFF and the Intervention Board. This project will make a major contribution to the Modernising Government programme, delivering significant benefits to farmers and traders and savings for taxpayers. By March 2004, CAPPA will have 95 per cent electronic service delivery capability. The more rapid and efficient processing of payments will offer the farmers and traders who receive them real economic benefits. In parallel MAFF will restructure its regional organisation to enhance its contribution to regional policy-making and to facilitate effective implementation of the ERDP.

16.9 Agriculture receives more support than any other industry and the Government will work with its European Union partners to secure agreement by March 2004 to reforms which reduce the cost of the CAP to consumers and taxpayers.

Protecting public health and the environment

16.10 The protection of public and animal health continues to be a top priority. MAFF will continue its work on the eradication of BSE and testing for cattle tuberculosis (TB). The annual incidence of BSE is set to fall to below 650 cases by 2001, with MAFF on track by 2004 for fewer than 30 cases by 2006. Additional funding will be provided for more testing of cattle for TB and associated compensation.

16.11 MAFF will introduce a ram genotyping programme as a precautionary measure aimed at the long term eradication of scrapie. This work will run in parallel with a new testing and control programme, the Department's ongoing programme of scrapie controls and research work on Transmissible Spongiform Encephalopathies (TSEs) in sheep.

16.12 There will be investment in new and improved scientific facilities at MAFF's Veterinary Laboratories Agency (VLA) which will contribute to MAFF's work on research on TSEs in sheep and research, diagnosis and surveillance for other major animal diseases, including those transmissible to humans.

16.13 MAFF will complete the procurement of a new marine research vessel which will be used by the Centre for Environment, Fisheries and Aquaculture (CEFAS) to contribute to the Government's objectives on fisheries and the

environment through the delivery of annual fishing and environmental monitoring surveys and research voyages. These voyages will provide better information about the state of commercial fish stocks and the presence of chemical and biological contaminants in the seas around the UK, and results which should provide a better scientific basis for fisheries management and actions to protect the marine environment.

16.14 The spending plans provide for an increase in grants to local flood and coastal defence operating authorities to replace existing defences. An in-depth review of the current arrangements for the funding of flood and coastal defences will be completed in 2001.

Forestry Commission

16.15 The welfare of farmed animals will be improved through a 5 per cent reduction in the time taken to clear up cases of poor welfare by March 2004.

16.16 The provision available to the Forestry Commission for its England and core Great Britain functions will be increased to assist sustainable forest management, community forests, new woods in priority areas and restoration of native woodland, as well as to reflect the loss of income associated with reductions in timber prices.

SPENDING PLANS

16.17 The 6.3 per cent annual average real terms increase in spending on MAFF and the Intervention Board is shown in Table 16.1 below. This reflects the Government's determination to protect public health, modernise service delivery and radically redirect agricultural spending to aid industry restructuring and to serve the wider interests of the public, the environment and the rural economy.

Table 16.1: Key figures

| | £ million | | | |
|----------------------------------|------------|--------------|--------------|--------------|
| | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
| MAFF (Domestic Programme) | 804 | 963 | 1,049 | 1,081 |
| Intervention Board | 179 | 222 | 201 | 189 |
| Total* | 983 | 1,185 | 1,250 | 1,270 |
| <i>of which: Resource Budget</i> | <i>813</i> | <i>997</i> | <i>992</i> | <i>1,030</i> |
| <i>Capital Budget</i> | <i>170</i> | <i>188</i> | <i>258</i> | <i>240</i> |
| Forestry Commission** | 59 | 73 | 78 | 78 |

* *Departmental Expenditure Limit*

** *Includes Wales baseline. Responsibility is due to transfer to the National Assembly for Wales in 2000-01.*

1. Available at www.number-10.gov.uk - *An Action Plan for Farming* (30 March 2000). [back]

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Department for Culture, Media and Sport

The Government is working with Britain's culture, media and sport sectors to widen the opportunity for everyone to get more out of life by:

- building on the two year investment of £150 million in sports facilities announced in March 2000, with a step change in high quality sports teaching, coaching and competitive sport in schools;
- putting a greater emphasis on enriching education, through extending cultural and creative opportunities for children;
- investing in the nation's many world-leading arts organisations to encourage high quality and innovation and to bring more work to a wider audience; and
- continuing initiatives to broaden access to museums and galleries.

17.1 The Government has two clear over-arching goals for the Department of Culture, Media and Sport (DCMS): excellence and access. That is why the Government is committed to investing in making the nation's culture and sport sectors world-class as well as breaking down barriers to access.

17.2 Important steps were taken in the 1998 Comprehensive Spending Review when funding was targeted on extending and improving access - children and pensioners now get into museums free, and others will pay £1 from September 2001. Much has been done to streamline delivery mechanisms (for example the creation of the Film Council and 'Re:source', the new museums and libraries body). The Government has stripped out unnecessary bureaucracy to ensure that money gets where it is needed (£2 million annual savings are being made in the arts funding system). The Government has also taken positive steps to ensure that the distribution of Lottery funding now considers revenue rather than just capital schemes and strikes the right balance between different regions of the country.

EXTENDING CULTURAL AND SPORTING OPPORTUNITY TO ALL

17.3 This Spending Review builds on that progress on excellence and access, and introduces a new focus on realising the potential of culture, sport and the creative industries to enrich education, particularly in schools. As a result of the Spending Review, additional funds have been provided to help schools encourage children to play sports, laying the foundations for a healthy lifestyle and developing our future champions. There is also funding to introduce a programme of Creative Partnerships in areas of educational need and to take forward a number of initiatives to improve access to arts, museums, libraries and galleries.

Box 17.1: Key PSA targets - Department for Culture, Media and Sport

- **Raise significantly, year on year, the average time spent on sport and physical activity by those aged 5 to 16.**
- **Introduce at least 12 Creative Partnerships by March 2004, targeted on deprived areas, ensuring that every school child in the Partnership area has access to an innovative programme of cultural and creative opportunities.**
- **Increase by 500,000 by 2004 the number of people experiencing the arts.**

17.4 The new spending plans provide for:

- **increasing children's participation in sport** through high quality sports teaching and coaching and an expansion of competitive sports in schools, building on the valuable contribution of the Lottery and the Capital Modernisation Fund in developing facilities for school and community use. This will bring long-term health benefits and improve performance in international competition;
- **encouraging links between arts organisations, museums, the creative industries and schools.** The Government is introducing a programme of Creative Partnerships to give every child in each Partnership area access to a range of cultural and creative opportunities tailored to their individual interests and talents;
- **building and maintaining a sustainable infrastructure of arts organisations** to enable them to develop the quality of their work, fostering high standards and innovation;
- **broadening access to the arts.** The New Audiences Fund has already produced over one million additional attendees in its first year. The Government will help arts organisations to make fuller use of their capacity, so that the new money translates directly into more work on stage and in galleries, to bring the best in the arts to more people than ever before; and
- **widening access to museums and galleries.** The next three years will see increasing visitor numbers as the Government takes forward and develops recently announced access initiatives. These will allow free entry to the national museums and galleries for children, pensioners and those on benefits, while others pay a flat £1 admission charge. The access initiative has already produced a 19 per cent increase in the number of children visiting.

SPENDING PLANS

17.5 New spending plans provide an annual average real terms increase of 4.3 per cent over three years. This will ensure that the DCMS sectors are able to create and maintain a sustainable infrastructure. This is particularly important in:

- **sport** where, although the Lottery has been able to fund facilities, investment in skills and in school sport has been inadequate;
- **arts organisations** which carry the burden of fixed overheads while capacity goes unexploited; and
- **museums and galleries** where a backlog of repairs and maintenance work undermines the quality of service.

Table 17.1: Key figures

£ million

| | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|----------------------------------|----------------|----------------|----------------|----------------|
| Total DCMS* | 1,015 | 1,120 | 1,170 | 1,240 |
| <i>of which: Resource Budget</i> | <i>941</i> | <i>998</i> | <i>1,100</i> | <i>1,160</i> |
| <i>Capital Budget</i> | <i>74</i> | <i>122</i> | <i>70</i> | <i>80</i> |

**Departmental Expenditure Limit, includes £15 million in 2000-01 and £60 million in 2001-02 from the Capital Modernisation Fund for 'Space for Sport and Arts'.*

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Department of Social Security

This Government is improving the delivery of social security services to the public with a ring-fenced investment of £404 million, £786 million and £680 million over the next three years to:

- **create the infrastructure to deliver a new service to those of working age so that staff can focus more on helping claimants find work, not simply processing benefits;**
- **overhaul the service provided to pensioners so that pensioners no longer need to visit benefit offices but can make their claims over the telephone, making it easier for them to claim the Minimum Income Guarantee; and**
- **protect the system against fraud and error.**

This money will be ring-fenced in a Welfare Modernisation Fund to ensure it is genuinely spent on IT projects and other modernisation, not more bureaucracy.

Outside the Welfare Modernisation Fund, there will be no growth in real terms in the cost of social security administration over the next three years.

18.1 The Government spends over £100 billion on social security every year. Yet the technology and systems that are used to deliver these services are antiquated and unreliable, unable to deliver modern services and vulnerable to fraud and error. Too often they hinder the Government in delivering its commitment to 'work for those who can and security for those who cannot'. The Spending Review responds to this legacy of under-investment with new investment in IT to modernise the way social security services are delivered.

18.2 Welfare expenditure has been brought under control. Social security spending and tax credits will grow on average by only 1.2 per cent a year in real terms over the period 1997-98 to 2001-02 compared to 4 per cent a year over the period 1992-93 to 1996-97. Within this level of expenditure, the Government has been able to put in place measures lifting 1.2 million children out of poverty.

18.3 Key achievements include:

- the introduction of the Working Families' Tax Credit and Disabled Person's Tax Credit boosting the incomes of over 1 million families;
- record increases in Child Benefit;
- national roll-out of the New Deal for lone parents which has helped over 50,000 lone parents into work and 15,000 into education or training; and
- spending an extra £2.8 billion a year on pensioners by next year through initiatives such as the Minimum Income Guarantee, Winter Fuel Payment of £150 and free television licences for over 75s.

MODERNISING SOCIAL SECURITY SYSTEMS

Box 18.1: Key PSA targets - Department of Social Security

- **Introduce the reformed child support scheme for new cases by April 2002 so that, by April 2003 for such cases:**
 - **the accuracy rate for assessments and reviews is not less than 90 per cent;**
 - **payment arrangements will have been established on average within six weeks; and**
 - **the level of compliance will be at least 75 per cent.**
- **Reform second tier pension provision, working with pension providers and employers, so that by 2004:**
 - **stakeholder pensions have given more people access to good value funded second pensions;**
 - **2 million carers and 2 million disabled people with broken work records have, for the first time, started to build up a state second pension; and**
 - **14 million low and moderate earners have started to build up a better state second pension than would be possible under SERPS.**
- **Reduce by 50 per cent losses from fraud and errors in Income Support and Jobseeker's Allowance by March 2006, with a 25 per cent reduction by March 2004.**

Opportunity and support for working age people

18.4 For those of working age the investment in modern social security systems means:

- new systems to collect information from claimants electronically - reducing the number of paper forms they need to complete, and facilitating the roll-out of ONE and the new working age agency, which brings together the Employment Service and those parts of the Benefits Agency dealing with people of working age;
- providing Benefits Agency and Child Support Agency offices with a modern office infrastructure of personal computers to replace outdated terminals - enabling staff to manage cases properly, send individualised letters, arrange work-focused interviews and, in due course, have all the information at their fingertips to provide a better service to claimants;
- linking up the various DSS systems and the new electronic claiming system - freeing up staff from clerical benefit processing to advising claimants on getting back to work and reducing fraud and error;
- making 85 per cent of payments directly into bank accounts by 2005, while ensuring that people can still draw their cash at the post office if they prefer;
- preparing DSS systems for the new Integrated Child Credit; and
- delivering a new computer system to support the new, fairer system for child support - so staff can spend less time working out how much fathers should pay and concentrate on chasing them so they pay what they owe.

18.5 This will pave the way for a more efficient social security system, reducing the cost of administration and fraud.

A better service for pensioners

18.6 Current DSS services to pensioners need to be modernised. The Spending Review includes £200 million investment over three years to deliver a new centralised, largely telephone-based, service to pensioners. This will mean pensioners can sort out their claims over the telephone without needing to visit the Benefits Agency office, encouraging the take-up of the Minimum Income Guarantee amongst the poorest pensioners.

18.7 This service will:

- reduce the average cost of processing retirement pension claims and maintaining the caseload by 20 per cent by 2004;
- reduce the average cost of processing Minimum Income Guarantee (MIG) claims and maintaining the caseload by 15 per cent by 2004;
- ensure that 90 per cent of MIG claims are processed within 13 days once evidence requirements are met; and
- reduce by 20 per cent the amount of MIG that is incorrectly paid.

Reducing fraud and error

18.8 Fraud and error in the social security system is partly due to the legacy of under-investment in the system over past decades. This Government is determined to tackle the problem. Modernisation of the DSS computer systems will contribute by facilitating the collection of information from claimants and linking up the various computer systems. In addition, the Spending Review provides new investment for better checking of claims before they are put into payment and for improved

administration of housing benefit. In order to measure progress in tackling fraud and error, the Spending Review sets a new target of reducing losses from fraud and error in Income Support and Jobseeker's Allowance by 25 per cent by March 2004, and by 50 per cent by March 2006.

18.9 In total, the extra funding provided through the 2000 Spending Review will reduce losses through fraud and error by over £1 billion per year by 2005-06.

SPENDING PLANS

18.10 DSS benefit spending is in Annually Managed Expenditure (AME), not in Departmental Expenditure Limits (DEL).

18.11 Money for modernising the delivery of the social security system will be held within a ring-fenced Welfare Modernisation Fund within the DSS DEL. Outside the ring-fenced Welfare Modernisation Fund, there will be no growth in real terms in the cost of social security administration.

Table 18.1: Key figures

| | £ million | | | |
|----------------------------------|--------------|--------------|--------------|--------------|
| | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
| Department of Social Security | 3,225 | 3,450 | 3,466 | 3,495 |
| Welfare Modernisation Fund | - | 404 | 786 | 680 |
| Total DSS* | 3,225 | 3,854 | 4,252 | 4,175 |
| <i>of which: Resource Budget</i> | <i>3,193</i> | <i>3,751</i> | <i>4,144</i> | <i>4,141</i> |
| <i>Capital Budget</i> | <i>32</i> | <i>103</i> | <i>108</i> | <i>34</i> |

**Departmental Expenditure Limit*

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The Chancellor's Departments and The Cabinet Office

Government is committed to raising the rate of sustainable growth, and achieving rising prosperity, through creating economic and employment opportunities for all by:

- maintaining a stable macroeconomic framework with low inflation;
- ensuring that taxpayers understand and comply with their obligations;
- introducing the new integrated child credit from 2003, contributing to halving child poverty in the next ten years;
- increasing the gains to work, and clearly demonstrating the benefits of work over welfare through the new employment tax credit; and
- reducing the level of crime associated with smuggling and drugs.

THE CHANCELLOR'S DEPARTMENTS

19.1 The Chancellor's departments have a key role to play in delivering rising prosperity through creating economic and employment opportunities for all. Building on the stable macroeconomic framework, the Government is taking steps to increase the productivity of the economy, employment opportunity and build a fairer and more inclusive society.

19.2 Successive Budgets have taken radical and wide-ranging steps to reform Britain's labour, capital and product markets and boost competition and enterprise. Over the past three years, the number of people in work has increased by 1 million, helped by measures which the Government has already introduced to help people move from welfare and make work pay, including the Working Families' Tax Credit.

ECONOMIC AND EMPLOYMENT OPPORTUNITIES FOR ALL

Box 19.1: Key PSA targets - The Chancellor's Departments

HM Treasury

- By 2004, raise the trend rate of growth from the current estimate of 2.5 per cent.
- Over the economic cycle, maintain (a) public sector net debt below 40 per cent of GDP and (b) the current budget in balance or surplus.

Customs & Excise

- Reverse the current trend in tobacco smuggling so that by 2004-05 smuggled cigarettes represent no more than 18 per cent of the market.
- Reduce the availability of class A drugs by 25 per cent by 2005, and by 50 per cent by 2008.

Inland Revenue

- Deliver year on year reductions in compliance costs that act as a barrier to the establishment and growth of small businesses.

Inland Revenue and Customs & Excise (shared)

- Ensure by 2005 that 100 per cent of Customs & Excise and Inland Revenue services are offered electronically, wherever possible through a common government portal, and a take up rate for these services of at least 50 per cent.

Improving compliance and value for money

19.3 Further modernisation of IT systems by the two revenue departments will enable individuals and businesses to understand and comply more readily with their obligations. The introduction of contact centres will allow clients to deal with their tax affairs faster and more conveniently over the telephone or by e-mail.

Preventing smuggling of illegal drugs and tobacco

19.4 Customs and Excise will contribute to ensuring that the availability of class A drugs is reduced by 25 per cent by 2005, and that the upward trend in tobacco smuggling is reversed. Both of these initiatives are integral to the Government's strategy to crack down on crime. Investment in X-ray scanner technology will form part of this strategy.

Improving the quality and integrity of national statistics

19.5 As part of the new framework to enhance the integrity of official statistics, the Office for National Statistics will deliver a step change in the quality and range of economic and social statistics. It includes funding to develop improved statistics at ward level to help inform and improve Government policies for neighbourhood renewal.

SPENDING PLANS

19.6 The spending plans for the Chancellor's Departments are set out below. The current year's provision takes account of the potential transfer of the revenue departments' accommodation to the private sector.

Table 19.1: Key figures

| | £ million | | | |
|---|--------------|--------------|--------------|--------------|
| | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
| Inland Revenue ¹ | 2,271 | 2,461 | 2,646 | 2,664 |
| Customs & Excise ¹ | 906 | 1,045 | 1,125 | 1,147 |
| HM Treasury | 246 | 212 | 212 | 217 |
| Office for National Statistics ² | 136 | 186 | 139 | 126 |
| National Savings | 177 | 176 | 157 | 155 |
| Small Departments ³ | 4 | 4 | 1 | 1 |
| Total Chancellor's Departments* | 3,740 | 4,084 | 4,280 | 4,310 |
| <i>of which: Resource Budget</i> | <i>3,804</i> | <i>3,922</i> | <i>4,058</i> | <i>4,078</i> |
| <i>Capital Budget</i> | <i>-64</i> | <i>162</i> | <i>222</i> | <i>232</i> |

*Departmental Expenditure Limit

¹ The 2000-01 figures for the Inland Revenue and Customs & Excise are reduced by the expected proceeds from disposal of their office estates.

² Expenditure in 2001-02 includes the cost of the 2001 Census.

³ Small Departments are the Government Actuary's Department, the National Investment and Loans Office and the Registrar of Friendly Societies.

CABINET OFFICE

19.7 The Cabinet Office will assume responsibility for developing the strategy for information age government. Funding has also been provided for the Cabinet Office's key units, such as the UK Anti-Drugs Coordination Unit, as well as to continue Civil Service reform.

19.8 Provision is also made for the House of Commons, the House of Lords, the Parliamentary Commissioner, the Privy Council, the Central Office of Information, the National Audit Office and the Civil Superannuation Vote.

Security and Intelligence Agencies

19.9 The spending of the Security and Intelligence Agencies (Secret Intelligence Service, Security Service and the Government Communications Headquarters) has been examined as part of the Spending Review. Funding has been provided which will ensure that the Agencies are able to continue their work. In the next three years the figures include provision associated with GCHQ's new accommodation project in Cheltenham.

Box 19.2: Key PSA targets - Cabinet Office

- Ensure key public services have set in place strategies and targets for measuring and responding to users' views.
- Ensure departments meet the Prime Minister's targets for electronic service delivery by government: 25 per cent capability by 2002 and 100 per cent capability by 2005.

SPENDING PLANS

Table 19.2: Key figures

| | £ million | | | |
|----------------------------------|--------------|--------------|--------------|--------------|
| | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
| Cabinet Office | 144 | 155 | 145 | 148 |
| Single Intelligence Vote | 803 | 876 | 886 | 941 |
| Other bodies** | 431 | 423 | 423 | 431 |
| Total* | 1,378 | 1,454 | 1,454 | 1,519 |
| <i>of which: Resource Budget</i> | <i>1,173</i> | <i>1,285</i> | <i>1,299</i> | <i>1,354</i> |
| <i>Capital Budget</i> | <i>205</i> | <i>169</i> | <i>155</i> | <i>166</i> |

*Departmental Expenditure Limit

**These figures cover the House of Commons, the House of Lords, the Parliamentary Commissioner, the Privy Council, the Central Office of Information, the National Audit Office and the Civil Superannuation Vote.

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Northern Ireland Office

The Government is committed to lasting and secure peace in Northern Ireland by:

- implementing fully its commitments under the Good Friday Agreement;
- setting firm foundations for a modern, efficient, responsive and fully accountable police service properly representative of the two main traditions in Northern Ireland and which secures their growing respect, trust and support;
- bringing about key reforms in the system of justice in Northern Ireland, both civil and criminal, which will secure the respect, trust and support of both traditions in Northern Ireland;
- providing for a properly financed independent Police Ombudsman, Northern Ireland Human Rights Commission, Equality Commission, support for Victims of the Troubles and the Bloody Sunday Inquiry;
- improving criminal injury compensation arrangements; and
- financing the Northern Ireland Office's other ongoing law, order and protective services commitments.

20.1 The aim of the Northern Ireland Office is to secure a lasting peace in Northern Ireland, based on the Good Friday Agreement, in which the rights and identities of all traditions are fully respected and safeguarded and in which a safe, stable, open and tolerant society can thrive and prosper. The Department will also seek to maintain positive and constructive relations with the Northern Ireland Executive and the Irish Government, and to contribute effectively to the work of the British-Irish bodies.

20.2 In the 1998 Comprehensive Spending Review, the Northern Ireland Office received additional funds to take forward the Government's commitments under the Good Friday Agreement. The political structures set out in the Agreement, namely the Northern Ireland Assembly and the British-Irish bodies, are now in place. The independent Patten Commission on policing and the Criminal Justice Review reported in September 1999 and March 2000 respectively. A new Human Rights Commission, an Equality Commission and a fund for Victims of the Troubles were established. The Bloody Sunday Inquiry has also been fully funded.

20.3 Looking ahead, the Northern Ireland Office will have a range of challenging outcome targets to deliver its aim and objectives.

OPPORTUNITY AND SECURITY FOR ALL IN NORTHERN IRELAND

Box 20.1: Key PSA targets - Northern Ireland Office

- A progressive narrowing of the gap in confidence in policing and policing arrangements between the two main communities in Northern Ireland, measured annually, while maintaining the high overall level of public service.
- A progressive increase in the Catholic representation in the police service towards a target of 30 per cent Catholic representation by 2011 as proposed by Patten, with an interim target of 13.5 per cent by March 2004.
- Increase overall confidence in the criminal justice system in Northern Ireland throughout all parts of the community, to be measured annually and separately for both main parts of the community by public survey.
- Progress towards a normal peaceful society, increased respect for law and order and an improvement in public order with significant reductions between 2001 and 2004 in the number of major security incidents, breaches of public order, occasions of serious violence against the person and instances of major criminal damage, to be measured over three year rolling periods.
- Reductions in the rates of particular types of crime, and in the rate of increase of overall crime. Relevant areas of crime and quantified targets covering them will be set out in a strategy for tackling crime to be published by March 2001.

A new start for policing

20.4 The Northern Ireland Office will receive substantial new resources over the next three years to finance a modern, efficient and fully inclusive police service which secures widespread popular support. As recommended in the Patten Report, the reforms include a major recruitment programme, a new training college, the latest communications and information technology, refurbishment of existing and building of new police stations and a new fleet of vehicles. The extra money will also provide a generous voluntary severance scheme for existing officers reflecting their outstanding service and sacrifice.

Justice and fairness for all

20.5 The Government is currently studying carefully the Review of the Criminal Justice System in Northern Ireland¹ which is out to public consultation until the autumn of 2000. It will announce its response to the report with details of an action plan and will ensure that the reforms are properly implemented and financed. Funding will also be made available for the new Police Ombudsman, the Northern Ireland Human Rights Commission and the Equality Commission for Northern Ireland and for reform and modernisation of the current criminal injury compensation arrangements. The Government will also make a further contribution to the fund for Victims of the Troubles and their families.

Investing in modern prisons

20.6 With the closure of the Maze prison in the second half of 2000, a major capital works programme at Maghaberry and Magilligan prisons will be undertaken to ensure that they have adequate and appropriate accommodation to house the whole of the Northern Ireland adult prison population. A similar capital modernisation programme will take place in the Juvenile Justice Centres.

Other commitments

20.7 The spending plans also provide the Northern Ireland Office with sufficient funds to enable it to meet its other commitments including the cost of the Bloody Sunday Inquiry, criminal injury and damage compensation and core departmental modernisation initiatives.

SPENDING PLANS

20.8 The Northern Ireland Office is being provided with substantial extra funds to implement the reforms arising from the Good Friday Agreement as well as other initiatives to foster reconciliation, promote equality and safeguard human rights. The new spending plans for the Northern Ireland Office are set out below.

Table 20.1: Key figures

| | £ million | | | |
|---------------------------------------|--------------|--------------|--------------|--------------|
| | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
| Total Northern Ireland Office* | 1,021 | 1,087 | 1,136 | 1,031 |

| | | | | |
|----------------------------------|-----|-------|-------|-----|
| <i>of which: Resource Budget</i> | 987 | 1,028 | 1,079 | 982 |
| <i>Capital Budget</i> | 34 | 58 | 57 | 48 |

**Departmental Expenditure Limit*

1 Review of the Criminal Justice System in Northern Ireland report is available at www.nio.gov.uk [back]

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Devolved Administrations

The Spending Review provides a major boost to the public services in Scotland, Wales and Northern Ireland:

- by 2003-04 provision in Scotland to invest in modern public services will be £3.4 billion higher than in 2000-01;
- provision will be £2.0 billion higher in Wales including resources to fund Wales' Objective 1 needs; and
- £1.0 billion higher in Northern Ireland.

Decisions on the use of this provision will be made by the Scotland, Wales and Northern Ireland administrations.

The extra money will allow the devolved administrations to improve public services and determine their own particular public expenditure outcomes in line with the needs and priorities of the people of Scotland, Wales and Northern Ireland.

DETERMINING THE BUDGETS OF THE DEVOLVED ADMINISTRATIONS

21.1 The devolved administrations' budgets continue to be determined within the United Kingdom framework of public expenditure control. The devolved administrations have freedom to make their own spending decisions within the overall totals on functions under their control in response to local priorities. The devolved administrations will make their own announcements in due course about their detailed spending plans.

21.2 UK funding for the devolved administrations' budgets has been determined in the Spending Review alongside departments of the UK Government and in accordance with the established devolution funding arrangements. In general the changes in the devolved administrations' budgets have been linked to changes in spending plans of UK Government departments by the Barnett formula. The formula gives Scotland, Wales and Northern Ireland a population-based share of planned changes in comparable spending in England.

21.3 The Government will guarantee funding for the European share of Objective 1, 2 and 3 projects within departmental allocations. This is estimated to sum to a UK total of £4.2 billion for EU Structural Funds over the three years. This includes an extra allocation of £80 million in 2001-02, £90 million in 2002-03 and £102 million in 2003-04 to Wales to ensure funding of the European share of its Objective 1 needs, with resources for match funding provided for within the total spending settlement. The Government is also transferring management of the European Social Fund in Wales to the National Assembly for Wales. The costs of the Scotland and Wales Offices are met from within the total funds voted by the UK Parliament. The budget of the Northern Ireland Office has been determined separately; details are in Chapter 20.

SPENDING PLANS

21.4 Table 20.1 shows each devolved administration's Departmental Expenditure Limit (DEL). Other budgetary items, defined as Annually Managed Expenditure (AME), are set annually. As the devolved administrations have freedom to reallocate spending between capital and resource budgets, the split between these budgets is indicative and reflects the consequential of the application of the Barnett formula to planned changes in UK departments' spending.

Table 20.1: Key figures

£ million

| | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|--|----------------|----------------|----------------|----------------|
| Total Scotland* | 15,047 | 16,231 | 17,369 | 18,428 |
| <i>of which: Resource Budget</i> | <i>12,727</i> | <i>13,546</i> | <i>14,385</i> | <i>15,187</i> |
| <i>Capital Budget</i> | <i>2,320</i> | <i>2,686</i> | <i>2,984</i> | <i>3,241</i> |
| Total Wales* | 7,758 | 8,447 | 9,140 | 9,788 |
| <i>of which: Resource Budget</i> | <i>6,910</i> | <i>7,432</i> | <i>7,960</i> | <i>8,464</i> |
| <i>Capital Budget</i> | <i>848</i> | <i>1,015</i> | <i>1,179</i> | <i>1,324</i> |
| Total Northern Ireland Executive* | 5,306 | 5,667 | 5,973 | 6,294 |
| <i>of which: Resource Budget</i> | <i>4,529</i> | <i>4,804</i> | <i>5,009</i> | <i>5,234</i> |
| <i>Capital Budget</i> | <i>777</i> | <i>863</i> | <i>964</i> | <i>1,061</i> |

* *Departmental Expenditure Limit*

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Cross-Departmental Reviews: Overview

Summary

Many of the biggest challenges facing Government do not fit neatly within traditional departmental structures. Tackling problems like drugs, crime and social exclusion requires better coordination and teamwork across a wide range of departments and agencies.

15 cross-departmental reviews were established as an integral part of the 2000 Spending Review. These have produced bold and innovative outcomes that will make a real difference to the quality of public services in Britain.

BACKGROUND

22.1 As a key part of this Spending Review, the Government established 15 cross-departmental reviews to look systematically at issues that cut across departmental boundaries. The 15 reviews were as follows:

- Government Intervention in Deprived Areas (Chapter 23);
- Sure Start and Services for Under Fives (Chapter 24);
- Young People at Risk (Chapter 25);
- Welfare to Work and ONE (Chapter 26);
- The Criminal Justice System (Chapter 27);
- Crime Reduction (Chapter 28);
- Illegal Drugs (Chapter 29);
- The Active Community (Chapter 30);
- Care and Support for Older People (Chapter 31);
- Rural and Countryside Programmes (Chapter 32);
- Local Government Finance (Chapter 33);
- Science Research (Chapter 34);
- The Knowledge Economy (Chapter 35);
- Conflict Prevention (Chapter 36); and
- Nuclear Safety in the Former Soviet Union (Chapter 37).

22.2 These cross-departmental reviews were established building on a recommendation of *Wiring It Up*, the Government's report on Whitehall's management of cross-departmental policies and services. Further details are in Box 22.1.

Box 22.1: Whitehall's management of cross-departmental policies and services

Wiring It Up, a report on Whitehall's management of cross-departmental policies and services, was published by the Government's Performance and Innovation Unit (www.cabinet-office.gov.uk/innovation) in January this year. The

report made a number of recommendations designed to tackle weaknesses in the handling of issues which straddle the responsibilities of more than one department.

The recommendations included:

- emphasising the importance of strong leadership from Ministers and senior civil servants to create a culture in which cross-departmental policies and objectives are valued as highly as purely departmental ones;
- improving the process of cross-departmental policy-making by involving outside experts and practitioners more fully and at an earlier stage, and focusing on what users of public services actually need, not what it is convenient to provide;
- equipping civil servants with the skills and capacity to handle the more complex relationships involved in partnership working;
- making greater use of budgetary flexibilities, with development of cross-departmental budgets and pooling of funds where appropriate;
- appreciating the role of audit in encouraging the greater risk-taking inevitable in cross-departmental work; and
- creating a strategic framework in which cross-departmental working can thrive.

The 15 cross-departmental reviews have played an important role in driving these reforms forward.

OUTCOMES

22.3 For each of these reviews, cross-departmental groups were set up, often including frontline service providers and outside experts. This section of the White Paper sets out the key outcomes of each review. These include the following:

- a radical new strategy for tackling the problems of deprived areas, underpinned by new targets to close the gap between the most deprived areas and the rest of the country; and a **Neighbourhood Renewal Fund** worth £800 million over three years to ensure that these targets are delivered on the ground;
- the establishment of **Local Strategic Partnerships** (LSPs) as part of Community Planning, to bring together service providers at local level; underpinned by a **Market Towns Initiative** for rural towns;
- a major expansion of the **Sure Start** programme - doubling the number of programmes from 250 to at least 500 by 2004, to reach one third of all poor children under four years old;
- a **Children's Fund** to tackle child poverty, worth £450 million over three years, with a strong emphasis on voluntary sector delivery, along with an integrated delivery strategy for the new Connexions service, to ensure that young people at risk make the transition safely and successfully from childhood to adulthood;
- an **Employment Opportunities Fund**, worth £875 million in 2001-02 and increasing to £1.4 billion by 2003-04, to enhance the New Deal and extend the ONE service, helping people move from welfare to work;
- new investment in local **Crime and Disorder Partnerships**; with a new, better integrated strategy to reduce delays and inefficiencies across the Criminal Justice System;
- a **National Treatment Agency** for drug abusers, underpinned by a pooled treatment budget;
- a strategy to bring about a step change in **volunteering**, with involvement of the new Experience Corps in pilots for Care Direct, a new gateway to care and support for older people;
- new **PSA Contracts** with individual local authorities, supported by a new Performance Fund, to create stronger partnership between local and central government and to underpin the drive to improve performance;
- a £1 billion **Science Research Investment Fund** over 2002-02 and 2003-04 to tackle the backlog of investment in university research capital, in partnership with the Wellcome Trust;
- a new strategic role for the e-Envoy, overseeing new investment in **electronic service delivery** in Government; and
- new cross-departmental budgets for **conflict prevention** and **nuclear safety**, underpinned by joint working arrangements, to ensure that the UK meets its international obligations in an efficient and effective way.

SPENDING PLANS

22.4 Additional funds to address cross-departmental issues have been included in the departmental spending plans set out in Section III. In some cases, these funds have been drawn together into 'pooled budgets', looked after by a single department but

managed by a cross-departmental group of Ministers. In other cases, departments have used other mechanisms to better coordinate their policies and programmes - for example, shared or coordinated targets in the Public Service Agreements.

22.5 In addition to the funds included in main departmental settlements, the Government has created a Policy Innovation Fund worth £150 million over three years. Ministers will allocate this fund over this period, allowing major new policy innovations to be piloted and implemented.

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Cross-Departmental Review of Government Intervention in Deprived Areas

Scope

The cross-departmental review of Government Intervention in Deprived Areas considered how best to achieve the Government's objective of narrowing the gap between the most deprived areas and the rest of the country by dramatically improving outcomes in the most deprived areas - with more jobs, better educational attainment, less crime and better health. In particular, it sought to identify ways in which lessons from the New Deal for Communities and other area-based initiatives could be rolled out through main social, economic and environmental programmes.

BACKGROUND

23.1 Compared with the rest of England, the 44 most deprived local authority areas have nearly two thirds more unemployment; 30 per cent higher mortality rates; and a quarter more children who do not get a single GCSE. Burglary rates in deprived areas are often many times the national average. One of the reasons for this is that public services are often poor in deprived areas, where they are needed most. Another is that they often fail to work with each other, the community, and the voluntary and private sectors.

23.2 Only by tackling these problems can the Government deliver opportunity for all. In the 1998 Comprehensive Spending Review, the Government introduced the New Deal for Communities, to pilot new approaches to Government intervention in the most deprived neighbourhoods. Other area-based initiatives - notably Education Action Zones, Employment Zones and Health Action Zones - have been established on a pilot basis. In parallel, the Social Exclusion Unit has drawn together a **National Strategy for Neighbourhood Renewal**, which has been the subject of a major consultation exercise.

OUTCOMES

23.3 The review concluded that, in future, core public services like schools and the police should be equipped to become the main weapons against deprivation. This means refocusing main programmes to ensure that improving life in deprived neighbourhoods is one of their key objectives; creating new and stronger coordinating mechanisms at the local level to enable services to work together more effectively; and ensuring that area-targeted initiatives play a role that is genuinely additional to main services rather than attempting to compensate for their failings.

Refocusing main programmes

23.4 As part of the 2000 Spending Review, for the first time, departments are setting specific targets to start narrowing the gap between the most deprived areas and the rest of the country. Deprived area targets for each of the four key outcomes of the National Strategy for Neighbourhood Renewal - education, employment, health and crime - are set out in Box 23.1 along with a target for social housing.

Box 23.1: Key PSA targets - tackling deprivation

- In education, the Government will increase the percentage of pupils obtaining 5 or more GCSEs at grades A* to C (or equivalent) to at least 38 per cent in every LEA by 2004. A target to reduce the attainment gap at Key Stage 2 (age 11) in English and maths will be announced in due course.
- Over the three years to 2004, taking account of the economic cycle, the Government will ensure an increase in the employment rates of the 30 local authority districts with the poorest initial labour market position. It will ensure a reduction in the difference between employment rates in these areas and the overall rate.
- The Government will reduce the level of crime in deprived areas so that by 2005, no local authority area has a domestic burglary rate more than three times the national average - while at the same time reducing the national rate by 25 per cent.
- In the light of the cross-departmental review of Government Intervention in Deprived Areas, a health inequalities target will be announced in the National Plan for the NHS.
- The Government will ensure that all social housing is of a decent standard by 2010 with the number of families living in non-decent social housing falling by one third by 2004, and with most of the improvement taking place in the most deprived local authority areas.

23.5 To ensure that these targets are delivered, each department will review its funding allocation processes to ensure that sufficient extra funds reach deprived areas. As a first step, authorities covering the most deprived areas will benefit from a new **Neighbourhood Renewal Fund**, worth £100 million in 2001-02, £300 million in 2002-03 and £400 million in 2003-04, to allow them to start improving services in poorer communities.

Encouraging local partnership and bringing services together

23.6 Research by the Social Exclusion Unit, the Performance and Innovation Unit and others shows that main services need to work together at local level to improve outcomes - in particular to tackle the joined-up problems facing deprived neighbourhoods. Building on the new Community Planning duty and the wide range of existing cross-sectoral partnerships, service providers across the country will be encouraged to establish **Local Strategic Partnerships** (LSPs) bringing together the public, private and community sectors, matching investment with reform. This will also form part of a wider drive to encourage the rationalisation of existing partnerships into simpler and less bureaucratic structures.

23.7 LSPs in the most deprived areas will receive start-up funding through the New Deal for Communities. This will ensure local people and communities are empowered to play their full part in setting local priorities and determining local action to turn around their neighbourhoods. The role of LSPs will be set out in more detailed guidance in the autumn.

Reforming area-targeted initiatives

23.8 Government initiatives targeted at specific areas will be reviewed to ensure their role is complementary to the refocused main services. The next phase of the New Deal for Communities will focus on supporting more, smaller schemes. It will provide additional support for helping local people influence public services, promoting community involvement at local and neighbourhood level, establishing a **National Centre for Neighbourhood Renewal** to improve access to information on 'what works' in deprived areas, and providing better neighbourhood-level data.

23.9 An Action Plan for the implementation of the National Strategy for Neighbourhood Renewal - including further details on the initiatives set out in this chapter - will be published in the autumn.

SPENDING PLANS

23.10 Spending plans for the New Deal for Communities and the Neighbourhood Renewal Fund are set out in Table 23.1. In addition, deprived areas will benefit from the significant increases in main services set out in earlier chapters.

Table 23.1: Key figures

| £million | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|----------------------------|----------------|----------------|----------------|----------------|
| New Deal for Communities | 120 | 290 | 420 | 490 |
| Neighbourhood Renewal Fund | 0 | 100 | 300 | 400 |

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Cross-Departmental Review of Sure Start and Services for Under Fives

Scope

The cross-departmental review of Sure Start and Services for Under Fives considered the Sure Start programme in the light of developments since its launch - in particular, the experience of the first local programmes. The review considered options for expanding Sure Start and for improving other services for children under five.

BACKGROUND

24.1 One third of all UK children are born in poverty, the largest proportion in Europe. The Government's target is to halve the number of poor children by 2010 and to eliminate child poverty by 2020. The tax and benefit measures being introduced by the Government will lift 1.2 million children out of poverty. However, evidence shows that children and families who have lived in poverty need opportunities for development as well as improved income. The biggest gains are in interventions for young children, particularly in terms of health, educational and social development, and in the support of families and communities.

24.2 In the 1998 Comprehensive Spending Review, the Government established the Sure Start programme, to work in the community with very young children and their families. The programme improves the life chances of children by improving their health and social development and ensuring that they are ready to learn when they get to school, so breaking the cycle of disadvantage. Sure Start programmes operate at neighbourhood level, and are based upon strong evidence - from the UK and elsewhere - of what works. There will be 250 local programmes up and running by 2001-02, supporting about 187,000 children, or 18 per cent of all poor children under four.

OUTCOMES

24.3 The review concluded that the Government's new focus on ending child poverty strengthened the case for the expansion of services for under fives and, in particular, strengthened the case for expansion of services that are both child and poverty focused.

Geographical expansion

24.4 The 2000 Spending Review includes provision for a major geographical expansion of Sure Start - doubling the number of programmes from 250 to at least 500 by 2004 and more than doubling planned expenditure to almost £500 million by 2003-

04. The expanded Sure Start programme will reach one third of poor children under four years old. In order to target pockets of deprivation, for example in rural areas, some of these new programmes will be geographically small. In return for this investment, each programme will deliver quantified improvements in local children's social and emotional development, health and ability to learn, as well as a strengthening of families and communities.

24.5 The new programmes will continue the Sure Start approach of targeting programmes in deprived areas to reach poor children; focusing on young children, because evidence shows that the biggest gains are here; and community ownership, so that communities themselves decide their priorities. Key PSA targets to be delivered over the next three years are set out in Box 24.1.

Box 24.1: Key PSA targets - Sure Start

- **Reduce the proportion of children aged 0-3 in the 500 Sure Start areas who are re-registered within the space of 12 months on the child protection register by 20 per cent by 2004.**
- **Achieve by 2004 in the 500 Sure Start areas, a 10 per cent reduction in mothers who smoke in pregnancy.**
- **Achieve by 2004, for children aged 0-3 in the 500 Sure Start areas, a reduction of five percentage points in the number of children with speech and language problems requiring specialist intervention by the age of four.**
- **Reduce the number of 0-3 year old children in Sure Start areas living in households where no-one is working by 2004.**

New approaches

24.6 In addition, the review recommended a new approach to bring help to first time mothers, often the most at risk of poor health for themselves and their child, and better training and support for Sure Start programme staff.

24.7 The review also considered services for under fives outside Sure Start areas. For the longer term, building on the lessons from Sure Start programmes, the Government is committed to developing targets and measures for services for children aged 0-5 across the range of mainstream Government services.

24.8 The Government has also decided to rationalise services for young children by merging Early Excellence Centres with Sure Start. The high standards achieved by both services will be maintained and shared within the Sure Start programme.

SPENDING PLANS

24.9 As Table 24.1 details, funds for Sure Start will increase from £184 million in 2000-01 to £499 million by 2003-04 - an average growth in real terms of over 36 per cent a year.

Table 24.1: Key figures

£ million

**Includes £100 million carried over from previous years through End Year Flexibility*

| | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|-------------------|----------------|----------------|----------------|----------------|
| Sure Start | 184 | 284* | 449 | 499 |

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25

Cross-Departmental Review of Young People at Risk

Scope

This review sought to identify cost effective policies for helping young people between the ages of 5 and 19 to make the transition safely and successfully from childhood to adulthood.

BACKGROUND

25.1 Support for vulnerable young people is a vital component of the Government's strategy to tackle child poverty and ensure opportunity for all. A minority of young people experience a wide range of problems such as drug abuse, youth crime, school failure, mental health problems and homelessness. The Social Exclusion Unit's Policy Action Team report on Young People made clear that the UK's record has in many ways deteriorated over recent decades and compares poorly with other EU and OECD countries.

25.2 The Government has launched programmes such as Sure Start, Quality Protects, Connexions and the reform of youth justice in order to address these problems. This review aimed to build on those initiatives.

OUTCOMES

25.3 The review concluded that money needs to be targeted on those most in need. In addition to effective support in times of crisis, more needs to be done to prevent problems occurring in the first place. To achieve this, a new way of working is required across traditional institutional boundaries, involving the voluntary sector, community organisations and statutory services.

25.4 As a result of this work, over the next three years the Government will take the following steps:

- the **Connexions** personal adviser service will be progressively introduced, encouraging all those aged 13-19 to stay in education or undertake training. This will deliver a universal service while focusing the most intense and sustainable support on those who most need help. Connexions will be coordinated with other services for vulnerable young people, including mental health services, supported housing and drug treatment. There will be increasing co-location of these services, better systems of referral between them and greater sharing of data;
- a **Children's Fund** will be established as a new part of the Government's strategy to tackle child poverty and social exclusion. The Fund will support services to identify children and young people who are showing early signs of disturbance and provide them and their families with the support they need to get back on track. Its aim is to prevent

children falling into drug abuse, truancy, exclusion, unemployment and crime. The Fund will be worth a total of £450 million over three years and will support two programmes:

- a £380 million programme of **preventive work** with children primarily in the 5-13 age group to bridge the gap between Sure Start and Connexions, helping children before they hit a crisis. The fund will work in partnership with local authorities and others, including the voluntary sector delivery, dove-tailing with other initiatives such as Excellence in Cities; and
- a £70 million network of **local children's funds**, as announced in the Budget and developed in consultation with the voluntary sector. This will be administered by the voluntary sector itself, for children of all ages, and will focus on helping local and community groups to provide local solutions to the problem of child poverty. It will include a strong emphasis on children and young people's own aspirations and views.

25.5 These programmes will be overseen at a strategic level by a new Cabinet Committee on Children and Young People's Services, and will be administered by a new Unit. There will be improved local coordination through local authority level partnerships that bring together the main public services and the voluntary and community sectors.

25.6 Targets will be set in departmental Public Service Agreements for reducing crime committed by young offenders; improving the service for children in care; and raising minimum educational attainment. Better coordination arrangements will be set in place with a view to reducing the incidence of multiple disadvantage; and tracking children and young people's opinions of public services.

Box 25.1: Key PSA targets - Young People at Risk

- The Home Office PSA will include a target to deal with 80 per cent of youth court cases within their time targets; halving from 142 to 71 days the time taken from arrest to sentence for persistent young offenders; and reducing the rate of reconvictions for young offenders by 5 per cent by 2004.
- The Department of Health will set a target for narrowing the gap between the life chances of children in care and their peers.
- The Department of Education and Employment will set targets for raising minimum educational attainment, including increasing the percentage of 11 year olds and 14 year olds at or above the expected standards of literacy and numeracy for their age; and narrowing the attainment gap between poorer performers and the average.

SPENDING PLANS

25.7 Spending plans for the new Children's Fund are set out in Table 25.1.

Table 25.1: Key figures

| | £ million | | | |
|-----------------|-----------|---------|---------|---------|
| | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
| Children's Fund | n/a | 100 | 150 | 200 |

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26

Cross-Departmental Review of Welfare to Work and ONE

Scope

The cross-departmental review of the Welfare to Work programme sought to find ways of increasing the labour supply by moving as many unemployed people and inactive welfare recipients who can work into jobs and active competition for jobs. It explored options for countering poverty and social exclusion by helping out-of-work benefit recipients facing the most severe disadvantages to compete effectively for jobs.

BACKGROUND

26.1 Since spring 1997, the number of people in work in the UK has risen by over 1 million and employment is currently at record levels. Despite these successes, there are still 1.1 million unemployed people claiming Jobseeker's Allowance, and a further 3.8 million people of working age receiving other out of work benefits, including sick and disabled people and lone parents.

26.2 Worklessness is the most common cause of poverty among working age people and their children. Moving into employment is the surest route out of poverty. Chapter 3 describes the framework underpinning the Government's approach to delivering employment opportunity for all. The Spending Review provides for a continuation and enhancement of policies to help people move from welfare to work.

OUTCOMES

26.3 The Government's long term economic ambition is that by the end of the decade there will be a higher percentage of people in employment than ever before. A target for the next three years is therefore to secure growth in the number of people in employment taking account of the economic cycle.

26.4 The Government is determined to build on the success of the New Deal, which has already helped 216,000 young people into work, well on the way to the target of 250,000. To help achieve the Government's objective of securing employment opportunities for all, the New Deal will become a permanent deal. A new **Employment Opportunities Fund** will be created to fund the New Deal, associated employment programmes, the ONE service and the establishment costs of the working age agency after the Windfall Tax receipts are spent.

The ONE service

26.5 The ONE service is the Government's integrated approach to benefits and employment advice for people of working age. The ONE service includes work-focused interviews for new benefit claimants, backed up by a personal adviser service to help

people into work. ONE is currently operating in 12 pilot areas and, learning from the experience of the pilots, the Government intends a substantial expansion of the ONE service. This will represent a fundamental change, creating a new culture which puts work first.

26.6 The ONE service will be delivered by the new working age agency, building upon the current partnership approach to working with the private and voluntary sectors. The new agency will be established during 2001, bringing together the Employment Service and those elements of the Benefit Agency which support people of working age.

Enhanced New Deal 25 plus

26.7 The Budget set out plans to intensify and extend the New Deal for 25 plus on a national basis from April 2001 - along the lines of the New Deal for 18-24s - incorporating lessons learned from the New Deal 25 plus pilots. The enhanced New Deal 25 plus will provide a step change in provision for those people over 25 who have been unemployed for 18 months, heralding a strong emphasis on rights and responsibilities. This is part of a wider package of provision for people aged over 25. From six months of unemployment, there will be a staged increase in provision and support culminating in the enhanced New Deal 25 plus.

Helping disabled people into work

26.8 The national extension of the **New Deal for Disabled People** will be exploratory, continuing to test different ways of helping disabled people into work. The service will be fully evaluated to ensure that the Government continues to develop policies that are most effective in helping disabled people.

26.9 The Government will also take action to help people when they first become sick at work, before they lose touch with their jobs and with the labour market. Job retention and rehabilitation pilots will compare the effectiveness of different types of assistance to people who are off work because of sickness. The pilots will evaluate what assistance is most effective across a range of measures, including jobs, earnings and future health.

Employment Opportunities Fund

26.10 The Employment Opportunities Fund will fund New Deal employment programmes, the ONE service, the costs of establishing working age agency and associated programmes. There remains an unallocated element within the Fund. This will allow the Government to provide additional funds for those areas where policy is still developing as evidence emerges over the next three years, and allow for continuous improvement of existing programmes.

Childcare

26.11 Childcare is an essential element of the Government's employment strategy, ensuring that parents have genuine opportunities to work. Building on the success of the **National Childcare Strategy**, the Government will provide additional support in areas where the childcare market faces barriers to development. This will be achieved by focusing significant new funds on helping childcare providers - both private and voluntary sector - to set up in these areas.

26.12 This review provides additional funding to support the expansion in childcare provision. This includes new funds to kick-start provision in disadvantaged areas and provide grants and support for new childminders. In addition, there is a business support package, to encourage the emergence and development of childcare businesses.

Box 26.1: Key PSA targets - Welfare to Work

- **Increase employment over the economic cycle.**
- **A continued reduction in the number of unemployed people over the age of 18 over the three years to 2004, taking account of the economic cycle.**
- **Reduce the number of children in households with no one in work over the three years to 2004.**
- **Over the three years to 2004, increase the employment rates of disadvantaged areas and groups, taking account of the economic cycle - people with disabilities, lone parents, ethnic minorities and the over 50s, the 30 local authority districts with the poorest initial labour market position - and reduce the difference between their employment rates and the overall rate.**

SPENDING PLANS

26.13 Spending plans for the Employment Opportunities Fund are set out in Table 26.1. This is additional to resources allocated to Welfare to Work within the Department for Education and Employment and Department for Social Security DELs.

Table 26.1: Key figures

| | £ million | | | |
|--|------------------|----------------|----------------|----------------|
| | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
| Employment Opportunities Fund DEL* | 873 | 875 | 854 | 1,371 |
| Expected Windfall Tax carry over from previous years** | 0 | 175 | 545 | 0 |
| Expected total resources available to the Employment Opportunities Fund | 873 | 1,050 | 1,399 | 1,371 |
| <i>Of which</i> | | | | |
| <i>Expected to be funded by the Windfall Tax**</i> | <i>873</i> | <i>1,050</i> | <i>670</i> | <i>0</i> |
| <i>Non-Windfall Tax**</i> | <i>0</i> | <i>0</i> | <i>729</i> | <i>1,371</i> |

* *Departmental Expenditure Limit. This includes programmes funded from the Windfall Tax including non-Welfare to Work programmes (of £24m in 2000-01, and £6m in 2001-02 and 2002-03) but excludes New Deal for Schools.*

** *These are based on current estimates of expenditure on programmes financed by the Windfall Tax.*

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27

Cross-Departmental Review of the Criminal Justice System

Scope

This year's cross-departmental review of the Criminal Justice System (CJS) built on the work begun in 1998 to integrate the operation of the system and set objectives designed to improve the overall performance. The cross-departmental review took stock of what has been achieved and what more needs to be done to ensure that the CJS departments tackle crime and deliver justice effectively.

BACKGROUND

27.1 Policy responsibility for the agencies and services which form the Criminal Justice System is shared by three Ministers: the Home Secretary, the Lord Chancellor and the Attorney General. In the 1998 Comprehensive Spending Review (CSR), the Government undertook the first ever review of the performance and management of the CJS as a whole. The CSR improved the performance of the CJS by setting clear objectives and targets for the system and initiated new arrangements for joint strategic planning and performance management across the system.

27.2 The Government is pledged to halve the time taken to deal with persistent young offenders from 142 days to 71 days by 2002. As a result of more effective inter-agency working in the CJS, the average time taken had fallen to 96 days by the first quarter of this year. Over the next three years the Government will achieve its target of 71 days and will then maintain that level thereafter.

27.3 Effective local partnerships among the criminal justice agencies are also being forged through 42 Area Criminal Justice Strategy Committees working with other local groups such as Trial Issues Groups and Crime and Disorder Partnerships. Together, these will transform performance at the local level. Progress is already being made in bearing down on vehicle crime, domestic burglary and robbery.

OUTCOMES

27.4 This year's cross-departmental review concluded that further measures were required to boost the CJS departments' contribution to reducing crime, delivering justice and securing public confidence in the system. For the first time, the CJS departments looked at resource needs of the system as a whole, and the interconnections between the three CJS programmes, to establish where funds could best be allocated.

27.5 To this end, the Review provides extra funding to tackle crime and improve performance. This extra investment will be linked to the achievement of designated targets in the CJS Public Service Agreement. Key targets for the CJS over the next three years are set out in Box 27.1.

Box 27.1: Key PSA targets - Criminal Justice System (CJS)

- Reduce the key recorded crime categories of:
 - vehicle crime by 30 per cent by 2004;
 - domestic burglary by 25 per cent, with no local authority area having a rate more than three times the national average, by 2005; and
 - robbery in our principal cities by 14 per cent by 2005.
- Reduce by 2004 the time from arrest to sentence or other disposal by:
 - reducing the time from charge to disposal for all defendants, with a target to be specified by March 2001;
 - dealing with 80 per cent of youth court cases within their time targets; and
 - halving from 142 to 71 days by 2002 the time taken from arrest to sentence for persistent young offenders and maintaining that level thereafter.
- Improve by 5 percentage points the satisfaction level of victims and witnesses with their treatment in the CJS by 2002 and thereafter at least maintain that level of performance.
- Increase the number and proportion of recorded crimes for which an offender is brought to justice.

27.6 To deliver these and other targets, the CJS departments will take the following steps:

- an Information and Communications Technology (ICT) strategy for the CJS as a whole will be implemented. This will streamline case management, reduce bureaucracy and contribute to reductions in the time taken to deal with cases. More funding will be underpinned by the appointment of a high-level programme director to lead ICT for the CJS; by a thorough review of the current ICT programme; and by a comprehensive study of the longer-term strategic ICT requirements for the CJS;
- building on the recommendations of the Stephen Lawrence Inquiry, there will be extra provision for **victims and witnesses**, supported by a strengthened and integrated strategy for improving services for victims and witnesses across the CJS;
- flexible funding will be piloted at local level to facilitate more effective joint working. These will incorporate pilots to test the benefits of shared facilities and co-location; and pilots to test new joint arrangements for victims and witnesses.

27.7 To promote further joint working between the three CJS departments, there will be a **joint unallocated reserve** which the three CJS Ministers will manage collectively. This reserve will give the CJS ministers the flexibility to allocate funds to those parts of the system where returns will be the greatest and to respond effectively to new pressures on the system as they arise over the next three years.

27.8 The initiatives instigated by the cross-departmental review will continue the process of bringing together the various elements of the CJS; will improve upon the advances that have been made in tackling crime and dispensing justice fairly; and will ensure the best return on the money invested in the CJS.

SPENDING PLANS

27.9 Spending plans for the CJS over the next three years are summarised in Table 27.1. Details of CJS spending within each of the three departments are set out in the relevant departmental chapters.

Table 27.1: Key figures

| | £ million | | | |
|-------------------------------|-----------|---------|---------|---------|
| | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
| Total Criminal Justice System | 12,545 | 13,969 | 14,840 | 15,263 |

| | | | | |
|---|---|-----|-----|-----|
| <i>Of which joint unallocated reserve</i> | - | 100 | 200 | 225 |
|---|---|-----|-----|-----|

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28

Cross-Departmental Review of Crime Reduction

Scope

The cross-departmental review of Crime Reduction considered the scope for reducing crime by more effective action locally and by using social, environmental and other programmes outside the Criminal Justice System to tackle factors associated with the onset or continuance of offending. The review was led by a Steering Group whose members were drawn from the police, local government and academia as well as from Whitehall Departments. The Group considered papers submitted by those departments and visited schools, estates, clinics, crime prevention projects and the police.

BACKGROUND

28.1 Reducing crime is one of the Government's top priorities. The cost of crime to the UK economy has been estimated at up to £50 billion per year. Retailers suffer losses of around £2 billion a year. This raises costs and prices and discourages businesses from starting up and expanding. Crime imposes direct costs on other public services from schools to libraries. The NHS faces the cost of treating 700,000 victims of assault each year. Crime accentuates inequalities in wealth and opportunity, by depressing house prices, raising insurance premiums and encouraging people to leave high crime communities.

28.2 The Government pledged to be **tough on crime** and is delivering on this pledge with extra resources for police, courts and prisons. The evidence is that further action must be concentrated:

- in the 10 per cent of areas which suffer 40 per cent of crime;
- on the 2 per cent of people who suffer 41 per cent of property crime;
- on the 1 per cent of people who suffer 59 per cent of all violent crime; and
- on the 43 per cent of all violence against women which occurs in the home.

28.3 The Government also pledged to be **tough on the causes of crime**. Evidence suggests that social and environmental programmes have an important part to play here. For example:

- 30 per cent of prisoners truanted when they were at school;
- 63 per cent of young offenders aged 15-20 have reading skills below NVQ Level 1;
- 40 per cent of young prisoners have been in care;
- 42 per cent of young remand prisoners need mental health treatment; and
- 40 per cent of violent crimes, 78 per cent of assaults and 88 per cent of criminal damage offences involve misuse of alcohol.

28.4 Many offenders abuse drugs. This problem was considered by the cross-departmental review of Illegal Drugs (see

OUTCOMES

28.5 The cross-departmental review of crime reduction concluded that extra impetus should be given to the work of local **Crime and Disorder Partnerships** and that social and environmental programmes should take more account of their potential for also delivering crime reduction benefits.

28.6 As a result of this cross-departmental review:

- there will be significant new investment in local crime reduction activity. For example, the Home Office will help the 376 local Crime and Disorder Partnerships to develop their infrastructure, so that they can identify local problems crossing the crime, health, education and environment boundaries. The partnerships will be able to oversee solutions based on contributions from all local agencies;
- the Home Office will continue its Crime Reduction Programme collecting further evidence of effective crime reduction measures;
- the Department for Education and Employment (DfEE) will ensure that initiatives to reduce truancy take account of their crime reduction potential and involve partnership working with the police who have new powers to pick up truants;
- the Department of Health will fund implementation of the National Strategy on Alcohol Misuse over the three year period. It will make new investments in child, adolescent and adult mental health services. It will also ensure that local health services participate in the Crime and Disorder Partnerships;
- the Children's Fund will build on the On Track and Youth Inclusion programmes of support respectively for families and teenagers at risk of becoming involved in crime;
- the Department of the Environment, Transport and the Regions (DETR) will make additional supported housing provision for victims of domestic violence;
- the DETR will also ensure that local authorities screen planning applications for their crime implications with the help of the police. Where necessary, they may either insist on appropriate crime prevention measures or refuse the application; and
- Public Service Agreement targets, as summarised in Box 28.1, will be incorporated in departmental PSAs.

Box 28.1: Key PSA targets - Crime Reduction

- **The Department for Education and Employment (DfEE) will set targets to increase the percentage of 14 year olds at or above the required standards of literacy, numeracy, ICT and science. It will also set a minimum performance target to result in higher standards for the bottom 20 per cent of pupils and narrow the attainment gap.**
- **In addition, DfEE will set a target to increase pupil inclusion by reducing school truancies by a further 10 per cent from the level achieved by 2002 and ensuring that all pupils who are permanently excluded obtain an appropriate full-time education.**
- **The Department of Health will set a target to reduce the difference between the proportion of looked after children who have been cautioned or convicted and the proportion of children in the general population who have been cautioned or convicted.**
- **The Home Office will set a target to reduce the key recorded crime categories of vehicle crime by 30 per cent by 2004; domestic burglary by 25 per cent by 2005, with no local authority area having a rate more than three times the national average; and robbery in our principal cities by 14 per cent by 2005.**

SPENDING PLANS

28.7 Planned Home Office spending on crime reduction programmes is set out in Table 28.1. Additional sums for crime-reducing activities will flow through other departments' programmes.

Table 28.1 Key figures

| | £ million | | | |
|--|------------------|----------------|----------------|----------------|
| | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
| Home Office programmes for Crime Reduction | 100 | 164 | 165 | 160 |

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29

Cross-Departmental Review of Illegal Drugs

Scope

The cross-departmental review of Illegal Drugs assessed the effectiveness of existing anti-drugs programmes. A particular concern was to focus efforts on tackling the root causes of drug abuse proactively, rather than reactively subsidising failure. As well as considering the outputs and funding required to underpin the existing Anti-Drugs Strategy, it considered mechanisms for improving coordination and delivery of the strategy, both at national and local level.

BACKGROUND

29.1 Action against illegal drug abuse is essential if we are to build responsible and secure communities. Drugs remain a major contributor to crime: it is estimated that up to one third of all crime is drugs-related. There are an estimated 200,000 problem addicts in the UK. Drug abuse damages health, causing between 1,000 and 3,000 deaths a year. The addicted are often excluded from the world of work and opportunity.

29.2 The UK Anti-Drugs Coordinator has launched a ten-year strategy for tackling illegal drugs, and implementation is underway. In the White Paper *Tackling Drugs to Build a Better Britain*, the Government announced that it would channel a proportion of assets seized from drug barons into the fight against drugs.

OUTCOMES

29.3 The review concluded that there needed to be stronger central coordination mechanisms to underpin effective delivery. As a result of this cross-departmental review, the Government will ensure:

- extra provision for drugs treatment over the next three years. There will be a new National Treatment Agency, to ensure that addicts get the help they need. To improve coordination, the Home Office and the Department of Health have agreed to create a new pooled budget for the agency. The treatment budget will sit on the Department of Health budget, but will be managed jointly. In addition, there will also be more effective coordination of community-based prevention work;
- more effective arrangements for making the best use of intelligence in assessing the drugs threat - bringing together the key players to enhance the operations of Customs & Excise, the Police and other agencies;
- improved management systems to support delivery of the Drugs strategy at national and regional level. At local level, Drug Action Teams will be strengthened and better coordinated with local authorities; and
- additional funds for other proactive anti-drugs initiatives where there is the strongest evidence of effectiveness and

unmet need.

29.4 These measures will underpin the Government's goal to create a healthy and confident society, increasingly free from the harm caused by abuse of drugs. Coordinated by the Minister for the Cabinet Office, the relevant Ministers will together deliver the Key PSA targets set out in Box 29.1

Box 29.1: Key PSA targets - Illegal Drugs

- Reduce the proportion of people under the age of 25 reporting the use of Class A drugs by 25 per cent by 2005 (and by 50 per cent by 2008).
- Reduce the levels of repeat offending amongst drug abusing offenders by 25 per cent by 2005 (and by 50 per cent by 2008).
- Increase the participation of problem drug abusers in drug treatment programmes by 55 per cent by 2004 (by 66 per cent by 2005 and by 100 per cent by 2008).
- Reduce the availability of Class A drugs by 25 per cent by 2005 (and by 50 per cent by 2008).

SPENDING PLANS

29.5 Total spending plans for the new Drug Treatment Budget and other anti-drug programmes are set out in Table 29.1 - an average real growth rate of over 10 per cent per year.

Table 29.1: Key figures

| | £ million | | | |
|--------------------------|------------|------------|------------|------------|
| | 2000-01* | 2001-02 | 2002-03 | 2003-04 |
| Drug treatment | 234 | 328 | 377 | 401 |
| Protecting young people | 63 | 90 | 97 | 120 |
| Safeguarding communities | 45 | 79 | 81 | 95 |
| Reducing availability** | 353 | 373 | 376 | 380 |
| Total | 695 | 870 | 931 | 996 |

**Funds in Departmental Expenditure Limits (proactive spending identified by the Review; existing spending totals are indicative)*

***2001-02 to 2003-04 based on projected anti-drugs allocation from anti Organised Crime shared funding*

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30

Cross-Departmental Review of the Active Community

Scope

The cross-departmental review of the Active Community sought to establish targets and funding requirements for achieving the Government's stated aim of achieving a step increase in public involvement in the community. Drawing on expertise from across Government, as well as from the voluntary and community sector, the review looked at how to support the delivery of quality services such as better education and health, and lower crime, by mobilising greater voluntary activity; and how to achieve more active, engaged communities.

BACKGROUND

30.1 Volunteering plays an important role in our communities by providing additional services, binding communities together and nurturing democratic participation. Recent studies involving the statutory sector have shown the added value provided by volunteers in improving literacy and numeracy rates, in reducing crime levels, and in improving health services to the public.

30.2 Many people already volunteer. The most recent major survey (the 1997 National Survey on Volunteering) showed that 48 per cent of adults had taken part in voluntary activity at least once during the past year and 29 per cent had volunteered in the last month. The weekly average time spent by current volunteers was four hours.

30.3 However, certain groups are less likely to volunteer than others. In particular, formal volunteering varies by age (people under 25 and over 55 are less likely to volunteer than those aged 25 - 55), socio-economic group (a low proportion of unskilled workers and those on low incomes are actively involved), and ethnicity (ethnic minorities are less likely to be engaged in formal volunteering).

OUTCOMES

30.4 The Government wants to see a step change in people's involvement in their communities. As a result of the 2000 Spending Review, the Home Office Public Service Agreement will include a national target for volunteering. To ensure that this target is delivered, the spending review outcome also includes the following:

- there will be extra investment by the Home Office in developing the national volunteering infrastructure. This will include new arrangements for training and accrediting mentors; better marketing of volunteering opportunities; and better advice for potential volunteers;
- there will be additional funding to deploy more volunteers in the public sector. Where appropriate, emphasis will be given to mobilising older volunteers to form a new Experience Corps. As a first step, the Government will involve older volunteers in piloting a new gateway to care and support for older people (further details are in Chapter 31 on

the cross-departmental review of Care and Support for Older People);

- there will be continued assistance for small community organisations as part of the New Deal for Communities. This will enable volunteers and community organisations to play a full part in neighbourhood renewal;
- voluntary groups and community organisations will be amongst the beneficiaries of a further £450 million over the next three years made available through the Children's Fund, established as a result of the cross-departmental review of Young People at Risk (see Chapter 25); and
- Service Delivery Agreements to be published in the autumn, and departments' volunteering strategies, will ensure that departments place appropriate emphasis on mobilising and managing volunteers.

30.5 Together, this package of measures should result in a step increase in the number of people giving time and getting involved.

Box 30.1: Key PSA targets - Active Community

- **Make substantial progress by 2004 towards one million more people being actively involved in their communities.**

SPENDING PLANS

30.6 Spending plans associated with the cross-departmental review of the Active Community are taken into account in DELs for the Home Office, Department of Health and Department of Environment, Transport and the Regions. Significant additional funds will flow through other main programmes and the new Children's Fund.

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31

Cross-Departmental Review of Care and Support for Older People

Scope

The cross-departmental review of Care and Support for Older People examined the scope for improving the 'gateway' to ongoing care and support for older people and some disabled people who cannot work. It reviewed existing arrangements for information provision and needs assessment, and explored the possibility of a single point of access to care and support. It considered the scope for more rational, effective and efficient systems of service delivery across the boundaries of social services, the NHS, government bodies and private and voluntary sectors.

BACKGROUND

31.1 Since 1997, new measures have been introduced which directly benefit older people, including:

- free sight tests for the over 60s;
- free flu jabs for all the over 75s, which will be extended to everyone over 65 this coming winter;
- funding to tackle unacceptable waits for cataract operations;
- action to promote independence for older people and other groups, including enhanced prevention services, better home care support to allow older people to maintain their independence for as long as possible, and better respite support for those caring for elderly relatives; and
- additional funds for the NHS, which have benefited older people as the major users of the NHS.

31.2 The Government is building on these policies by further enhancing support for the elderly at home and by expanding rehabilitation care to help older people recover after a stay in hospital or a minor accident. The details will be set out in the Government's National Plan for the NHS. The Government also intends to put measures in place to ensure older people are able to access information about the services that are available.

31.3 The current pattern of assessment and service provision for the elderly needs to be modernised. In addition, older people are not always aware of their eligibility for benefits or local services. The cross-departmental review of Care and Support for Older People was set up to consider how to tackle such problems.

OUTCOMES

31.4 The review confirmed that there were problems with the coordination of services for older people. Extensive consultation with external groups concluded that older people needed easy access to a source of information and advice to help with day to

day problems (for example, advice on the benefit system) as well as more major concerns about how to access services.

31.5 As a result of the cross-departmental review, the Government will pilot new approaches including:

- local pilots of a '**Care Direct**' **phone line** to provide help and advice on care and support services as well as benefits. Where appropriate, the Care Direct phone line will refer callers on to:
- **local help desks** to answer more detailed queries and to provide outreach teams to those potentially in need of such services; where appropriate, providing:
- '**befrienders**' - older volunteers to help steer the elderly through the care system; and
- **named advisers** to ensure that all services are delivered properly.

31.6 The aim is to improve access to information and services, and to support joint working between the NHS and social services.

SPENDING PLANS

31.7 The Care Direct idea needs to be tested before the Government commits to full national roll-out. As a result of this cross-departmental review, additional funds totalling £30 million over the next three years have been included in the Department of Health's Personal Social Services programme for Care Direct pilots.

31.8 These additional funds will allow for piloting of the new approach and should make a significant contribution to understanding how best to deliver services for the elderly in a way that is easy to access. By involving older volunteers, the Care Direct pilots also support the volunteering strategy developed by the cross-departmental review of the Active Community (see Chapter 30).

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32

Cross-Departmental Review of Rural and Countryside Programmes

Scope

The cross-departmental review of Rural and Countryside Programmes built on the recent recommendations to Government by the Performance and Innovation Unit and ongoing work on the Rural White Paper. It considered objectives and targets for Government rural policy; mechanisms for ensuring the rural dimension is taken into account in policy making; and the possibility of a Market Towns Initiative. It complemented consideration of rural issues which took place within departmental programmes.

BACKGROUND

32.1 The countryside matters to people who live there, people who work there and people who visit it. So whilst many government policies - including creating economic stability, and more investment in education and health - matter as much in rural areas as elsewhere, it is important that the impact of policies on countryside and rural areas are properly taken into account. The Government has done this through specific initiatives, for example through the rural bus grant which led to 1,800 new or enhanced rural bus services in England, and the special assistance provided for agriculture and rural policing. But in setting up the cross-departmental review the Government wished to ensure that the rural dimension is always taken into account.

OUTCOMES

32.2 This review is a part of a process that will culminate in the publication of the Rural White Paper later in the year. As part of this, the Government is publishing for the first time both an overall aim for rural and countryside policy and a set of objectives. Linked to these aims and objectives the government is also publishing rural Public Service Agreement targets which comprise specific targets relating to rural development, protection of biodiversity and access to the countryside. The aim, objectives and targets are set out in Box 32.1. These targets will be backed up by commitments to rural access for key services which will be developed in the Rural White Paper.

32.3 The Government will also be introducing new arrangements for ensuring that the rural dimension is fully taken into account in the development and implementation of policies. This will involve a clear role for the Countryside Agency in advising on the rural impact of policies, providing a rural checklist for policy makers and assessing the success of rural proofing; annual reporting from Departments to the Cabinet Committee on Countryside and Rural Affairs; and a National Sounding Board on Rural Matters.

32.4 As part of its commitment to the countryside, the Government recognises the vital role played by market towns in the economic and social life of rural areas. To help ensure that they play that role as effectively as possible the Government will be providing 'pump priming' and practical support through a new **Market Towns Initiative**. This will help ensure that the Countryside Agency, Regional Development Agencies, local authorities and others can work together to assist the towns which are identified as having the greatest need and potential for reinvigoration.

Box 32.1. Rural and Countryside Programmes - Aim, objectives and PSA targets

The overall aim is to sustain and enhance the distinctive environment, economy and social fabric of the English countryside for the benefit of all.

Objective 1: To facilitate the development of dynamic, competitive and sustainable economies in the countryside, tackling poverty in rural areas.

- **Deliver the environmental and economic benefits envisaged in the Rural Development Plan by 2004 including an increase in the area farmed organically and development of the rural economy under the new Rural Enterprise Scheme (Ministry of Agriculture, Fisheries and Food).**

Objective 2: To maintain and stimulate communities, and secure access to services which is equitable in all the circumstances, for those who live or work in the countryside.

Objective 3: To conserve and enhance rural landscapes and the diversity and abundance of wildlife (including the habitats on which it depends).

- **Care for our living heritage and preserve natural diversity by reversing the long term decline in the number of farmland birds by 2020, as measured annually against underlying trends (Ministry of Agriculture, Fisheries and Food).**
- **Bring into favourable condition by 2010 95 per cent of all nationally important wildlife sites, compared to 60 per cent of sites currently estimated to be in such condition (Department of Environment, Transport and the Regions).**

Objective 4: To increase opportunities for people to enjoy the countryside.

- **Open up public access to mountain, moor, heath and down and registered common land by the end of 2005 (Department of Environment, Transport and the Regions).**

Objective 5: To promote Government responsiveness to rural communities through better working together between central departments, local government, and government agencies and better cooperation with non-government bodies.

SPENDING PLANS

32.5 In parallel to the work of the cross-departmental review, other elements of the Spending Review will have significant benefits for rural areas. They include:

- pushing forward electronic delivery of services ranging from prescriptions through to claims for Common Agricultural Policy payments;
- a commitment to maintain the rural Post Office network and prevent any avoidable closure of rural Post Offices; and
- providing new funding which makes good the government's commitments in the England Rural Development Plan and the Strategy for Agriculture - a major boost to agri-environment schemes and business development.

32.6 Specific expenditure in rural areas is contained in main departmental programmes (covered in Section III).

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33

Cross-Departmental Review of Local Government Finance

Scope

The cross-departmental review of Local Government Finance provided an assessment of the spending needs and objectives of local government in England, including a local authority investment overview which will be published with Departmental Investment Strategies. The review informed decisions on local government support in the 2000 Spending Review. It also considered the scope for extending the Public Service Agreement approach to local government, with the aim of ensuring further improvements in the delivery of local services.

BACKGROUND

33.1 Local government provides key public services such as schools and care for the elderly which play a vital role in improving the lives of local communities. It spends more than £55 billion, financed by government grant, non-domestic rates and council taxes. The Government is committed to modernising local government to ensure high quality, cost effective services are provided throughout the country. Some key steps have already been taken. Best Value now provides a performance framework to help give local people high quality services. Crude and universal capping has been ended and new reserve powers put in place to protect people from excessive council tax increases. Local authorities have benefited from stable and predictable grant levels.

33.2 The next steps take forward the partnership between central and local government: setting clear goals and responsibilities; providing greater certainty over funding streams to promote longer term planning; developing systems that help local government to deliver while giving central government security that national priorities are being met; and giving real incentives to improve delivery.

OUTCOMES

33.3 As a result of this review, the Government will work in partnership with local government to provide effective local services which meet national and local priorities by:

- giving local government its best settlement for many years - an average real increase of 3.1 per cent a year over the three years (allowing for changes in responsibility);
- extending the Public Service Agreement (PSA) approach to local services. A national level Local Government PSA will pull together the key targets agreed with Departments that local authorities will help to deliver. The Government will also work with local authorities and the Local Government Association to pilot **Local Public Service**

Agreements (Local PSAs), which will help to achieve key Government and local priorities: rules and regulations that get in the way of better performance will be removed and improved performance rewarded;

- channelling an additional £800 million over the next three years to the most deprived areas through a **Neighbourhood Renewal Fund** (NRF): this will help to tackle deprivation more effectively, deliver improved performance and encourage closer partnership working;
- providing new investment for a new local government on-line initiative to help deliver a step change in the electronic delivery of local services;
- giving a significant boost to local authority investment through capital spending and PFI; and
- increasing certainty and predictability over future funding allocations for local authorities.

The Government's priorities

33.4 Government departments have agreed new Public Service Agreements setting out their key goals. The PSA White Paper will include a Local Government PSA which will draw together targets - covering schools, social care, housing, transport and other local services - from departmental PSAs to be delivered through local authorities and their local partners. It will also include some council-wide PSA targets (summarised in Box 33.1).

Box 33.1: Key council-wide PSA targets

- **Ensure continuous improvement in the economy, efficiency and effectiveness of local services through:**
 - overall annual improvements in cost effectiveness of 2 per cent or more;
 - ensuring that local government achieves 100 per cent capability in electronic service delivery by 2005.
- **Ensure that by December 2002 each council has adopted and put into operation a new constitution which is transparent, accountable and efficient.**

Local Public Service Agreements

33.5 Local PSAs, which will strengthen links between central and local government, have been developed in close partnership with the Local Government Association and local authorities and are based in part on their *Local Challenge* proposals. Building on the foundation provided by Best Value, local authorities will be able to sign up to challenging targets to deliver key national and local priorities in return for agreed operational flexibilities and incentives. Authorities that meet the more stretching performance targets agreed in local PSAs will gain access to a new **Performance Reward Fund** and increased freedoms. A pilot with around 20 authorities will be run for 2001-02, ahead of a planned wider rollout in 2002-03. Details of the scheme will be published shortly.

Neighbourhood Renewal Fund

33.6 As part of the local government settlement, the new Neighbourhood Renewal Fund (NRF) will channel an extra £100 million in 2001-02, £300 million in 2002-03 and £400 million in 2003-04 to the most deprived areas. It will make a key contribution to the delivery of the National Strategy for Neighbourhood Renewal - including new targets for education, crime, employment, health and housing in deprived areas - and help to get money to where it is most needed. Authorities will work with new Local Strategic Partnerships to draw up local deprivation strategies which will spell out how the additional funding will help to renew the most deprived communities and promote closer cooperation with the police, health and other local services.

Local Government On-line

33.7 The Government is committed to making public services more accessible and convenient. Additional resources are being provided over the next three years to ensure that local government will make its contribution to the Government's target of 100 per cent electronic service delivery by 2005. This, along with over £1 billion already spent annually by local authorities on IT, will allow local government to develop on-line delivery of priority local services.

SPENDING PLANS

Improved revenue funding

33.8 New spending plans provide for real increases in Standard Spending Assessments of 3.0 per cent in 2001-02, 3.1 per cent

in 2002-03 and 3.4 per cent in 2003-04 (after allowing for changes in responsibility). Standard Spending Assessments are spending by local government which the Government is prepared to support through grants. Further support will be provided through departmental programmes, in the form of specific grants, credit approvals to fund capital spending and capital grants. In addition, the Government will support local authority PFI investment of £1.0 billion in 2001-02, £1.4 billion in 2002-03 and £1.6 billion in 2003-04.

A boost to local government investment

33.9 Over the next three years, local government investment will increase substantially to modernise key local services such as schools and public transport. Private finance support will double over three years, building on the successful programme to procure cost effective services for local authorities.

Greater certainty and predictability

33.10 Stability and predictability of funding improve planning and performance. Earlier information will be provided on capital programmes and specific grants. On capital, three year plans for at least 85 per cent of total capital resources provided to local authorities will be announced in Departmental Investment Strategies to be published in the autumn, with details of how this will be distributed to individual local authorities to follow by December 2000. For specific grants, the aim will also be to announce in the autumn the majority of grants on a three year basis, together with information on how they will be distributed.

Table 33.1: Standard Spending Assessments

£ million

| | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|---|----------------|----------------|----------------|----------------|
| Education | 21,332 | 22,513 | 23,863 | 25,261 |
| Personal Social Services | 8,462 | 8,869 | 9,344 | 9,962 |
| Police | 3,350 | 3,650 | 3,839 | 3,995 |
| Fire | 1,393 | 1,463 | 1,521 | 1,583 |
| Highway Maintenance | 1,859 | 1,905 | 1,955 | 2,005 |
| Environmental, Protective and Cultural Services | 8,175 | 8,533 | 8,905 | 9,302 |
| Capital Financing | 1,735 | 1,948 | 2,223 | 2,623 |
| Total Standard Spending Assessments | 46,305 | 48,881 | 51,650 | 54,731 |

Note 1: All Standard Spending Assessments are for local authorities' revenue spending.

Note 2: Figures for 2000-01 have been placed on a comparable basis to 2001-02 by adjusting for transfers made during the 2000 Spending Review reflecting changes of responsibility in 2001-02. Total transfers out of SSAs sum to £473 million.

Note 3: Capital Financing figures for 2000-01 include the PFI Special Grant.

Table 33.2: DETR - Local Government

£ million

| | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|---------------------------------------|----------------|----------------|----------------|----------------|
| Total DETR - Local Government* | 35,353 | 36,801 | 39,241 | 41,855 |
| <i>of which: Resource Budget</i> | <i>35,306</i> | <i>36,745</i> | <i>38,965</i> | <i>41,529</i> |
| <i>Capital Budget</i> | <i>47</i> | <i>57</i> | <i>277</i> | <i>327</i> |

** Departmental Expenditure Limit. Total DEL and Resource Budget for 2000-01 contain £473 million which has been transferred out for 2001-02 reflecting changes of responsibility in 2001-02.*

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34

Cross-Departmental Review of Science Research

Scope

This review examined whether science supported by public funds is being conducted and exploited to the benefit of the economy at large. The focus was on how best to deploy DTI and DfEE funds to secure a viable knowledge base - particularly in the universities - and to forge university/business links. The review also looked at science commissioned by various Government departments to support policy and service delivery.

BACKGROUND

34.1 Science and technology are the vital underpinning of a successful economy. Comparative advantage will increasingly lie in the generation of knowledge and its exploitation to create innovation. The level of research in the economy is a crucial determinant of innovation and the Government recognised this in its major settlement for science in the 1998 Comprehensive Spending Review. The Government has since taken steps to improve the commercialisation of science research and boost firms' investment in research and development.

OUTCOMES

34.2 The Government has produced a major new package to enhance the UK's world-leading position in science. Over the next three years, this package will deliver the following outcomes:

- modernise UK science laboratories, and restore a major investment backlog, with a two year £1 billion **Science Research Investment Fund** over 2002-03 and 2003-04, including £225 million from the Wellcome Trust;
- enhance research in key areas that will shape life and the economy in the 21st century - like understanding the human genome and developing the next generation of e-science;
- enhance universities' role as drivers of growth in the knowledge economy with extra resources to commercialise research, transfer knowledge and expertise, and train scientific entrepreneurs;
- secure the vital flow of science and engineering PhD students in an increasingly competitive labour market by raising the basic grant to £9,000 per annum by 2003; and
- underline the importance of research in modernising public service delivery, with anticipated real terms rises in the biggest civil R&D programmes - those of the Ministry of Agriculture, Fisheries and Food, the Department of Health and the Department of Environment, Transport and the Regions.

34.3 The Government will also pursue modernising reforms including:

- removing any biases against the funding of applied and patented research; and
- incentivising universities to forge closer links with business and the community by requiring them to find £1 for every £3 of taxpayers' money invested in research infrastructure, and encouraging them to provide incubators for new enterprises.

34.4 Key PSA targets associated with this package are set out in Box 34.1.

Box 34.1: Key PSA targets - Science Research

- **Improve the overall international ranking of the UK's science and engineering base, as measured by international measures of quality, cost-effectiveness and relevance.**
- **Increase the level of exploitation of technological knowledge derived from the science and engineering base, as demonstrated by a significant rise in the proportion of innovating businesses citing such sources.**

SPENDING PLANS

34.5 To fund these plans, combined DTI and DfEE spending on science research will increase at a real average annual rate of 5.4 per cent over the next three years. The Government's spending plans for science and research are summarised in Table 34.1 below. These increases are taken into account in the departmental spending totals for DTI and DfEE set out in Section III.

Table 34.1: Key figures

| | £ million | | | |
|--|--------------|--------------|--------------|--------------|
| | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
| Spending on science and research | 2,620 | 2,846 | 3,033 | 3,306 |
| <i>of which: DTI Science budget</i> | <i>1,638</i> | <i>1,776</i> | <i>1,920</i> | <i>2,165</i> |
| <i>DfEE: Higher Education Funding Council for England*</i> | <i>982</i> | <i>1,070</i> | <i>1,113</i> | <i>1,141</i> |

**HEFCE figures for 2002-03 and 2003-04 are estimates*

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35

Cross-Departmental Review of the Knowledge Economy

Scope

This review considered how best to develop Britain's knowledge economy and move towards the Government's goals of making Britain the best country for e-commerce by 2002; putting all government services on-line by 2005; and achieving universal access to the Internet by 2005. The main focus was on information age government, promoting Information Communication Technology (ICT) skills throughout the economy, and the promotion of the knowledge economy.

BACKGROUND

35.1 New technologies offer unprecedented opportunities for modernisation throughout government. Industries and organisations are being revolutionised in response to the challenges of the digital age. Government must do the same if it is to realise the potential efficiency gains on offer, and provide the higher quality services that are now possible. The Prime Minister has set a target for all government services to be on-line by 2005.

35.2 The Government must also ensure that its own behaviour supports and promotes the knowledge economy. Moving towards greater electronic procurement and tendering offers significant potential efficiency gains, but will also have a profound effect on the behaviour of firms - both large and small. Government also has a key role to play by allowing its large information resource to be fully exploited. Information is the fuel of the knowledge economy; and the ability of new technologies to create synergies between different kinds of information is at the heart of the Internet revolution.

35.3 The Government is already doing a great deal to promote access to the Internet. The Government is implementing the national IT strategy, putting schools and libraries on-line, and is investing in ICT learning centres. Together with market developments, in particular Internet access through mobile appliances and digital TV, this should go a long way towards delivering universal access to the Internet. However, further steps are required to avoid a digital divide emerging.

OUTCOMES

Information age government

35.4 As the largest agent in the economy, Government has a unique role to play in promoting the knowledge economy. To ensure the Government plays its part in making the UK the best place for businesses and citizens to be on-line:

- there will be substantial investment to ensure all government services are on-line by 2005, initially focused on priority projects such as tax returns and driving licence applications. There will be a central funding stream to support selected priority services when plans to go on-line are fully developed, as well as innovative opportunities which arise outside standard departmental remits;
- there will be new targets for electronic tendering. By 2001, 50 per cent of central government civil tenders will be sent and received electronically; by 2002 all such tenders will be sent and received electronically. This builds on the existing electronic procurement target that 90 per cent of low value purchases will be undertaken electronically by April 2001; and
- there will be a simplified system of pricing and licensing for government information. Government Trading Funds which trade information will improve their pricing and dissemination policies.

Universal access

35.5 Everyone must be in a position to benefit from the new opportunities arising in the knowledge economy. The Government is giving people the chance to access these new technologies through ICT learning centres and putting schools and libraries on-line. Building on this, new resources have been allocated to encourage the development of new initiatives for post offices to provide people with new opportunities to use and learn about the Internet, in particular the most vulnerable in society.

35.6 Key to the future competitiveness of the UK, and preventing the emergence of a digital divide, is ensuring that everyone has the opportunity to gain the ICT skills they need. As a cornerstone of this goal, the Department for Education and Employment (DfEE) has set a target on ICT test results at age 14 (this and other key PSA targets arising from this cross-departmental review are set out in Box 35.1).

35.7 In order to achieve this goal, and promote ICT skills throughout the economy, DfEE will be committing a sizeable element of its capital provision to promote ICT skills through a range of projects (such as decreasing the number of pupils per PC and extending the Wiring Up Communities pilots. In addition, the Department of Trade and Industry has been allocated new resources over the next two years to promote ICT skills and e-commerce amongst Small and Medium Enterprises (SMEs).

Box 35.1: Key PSA targets - Knowledge Economy

- **The Cabinet Office PSA will have a high level target to ensure departments meet the Prime Minister's targets for electronic service delivery: 25 per cent capability by 2002 and 100 per cent capability by 2005.**
- **The PSAs for Customs & Excise and Inland Revenue will contain targets to ensure that by 2005 100 per cent of services are offered electronically, wherever possible through a common Government portal, and a take-up for these services of at least 50 per cent.**
- **The DfEE PSA includes a target subject to consultation that the percentage of 14 year olds at or above the standard of ICT skills for their age should increase so that, by 2007, 85 per cent will achieve level 5 in the Key Stage 3 test; as a milestone towards that target, 75 per cent should achieve that level by 2004.**

SPENDING PLANS

35.8 Departmental settlements include significant additional provision over the next three years to put Government services on-line and to support universal access.

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36

Cross-Departmental Review of Conflict Prevention

Scope

The cross-departmental review of conflict prevention looked at the Government's objectives, priorities and machinery for responding to conflict in sub-Saharan Africa and the rest of the world. The review considered Government activities in peacekeeping and peace enforcement operations as well as activities designed to prevent the occurrence of conflict in the first place. The review made proposals on how policy instruments and resources can be deployed more effectively and achieve greater impact.

BACKGROUND

36.1 Promoting international peace and stability is a key element of British foreign policy. It is central to our security, and essential for our objectives of promoting democracy, good governance and human rights. It is necessary for the sustainability of the global economy and for tackling poverty and social exclusion.

OUTCOMES

36.2 The cross-departmental review examined coordination between departments and concluded that - whilst arrangements for dealing with crises worked well - there was scope to strengthen arrangements for collective priority setting. Revised arrangements are now in place.

36.3 In addition, the Ministry of Defence (MOD), the Foreign Office (FCO) and the Department for International Development (DFID) have all adopted a shared target for conflict prevention, to be included in each of their Public Service Agreements, as set out in Box 36.1.

Box 36.1: Key PSA targets - Conflict Prevention

- Improved effectiveness of the UK contribution to conflict prevention and management as demonstrated by a reduction in the number of people whose lives are affected by violent conflict and by a reduction in potential sources of future conflict, where the UK can make a significant contribution.

36.4 As a result of the review, the Government has concluded that conflict prevention expenditure should, in future, be brought together in two pooled budgets - one for Africa (where almost half of all war-related deaths occur) and one for the rest of the world. These budgets will be managed jointly by the departments concerned.

36.5 The pooled budgets will include sums for programmed conflict prevention expenditure, plus an amount to cover forecast operational and peacekeeping expenditure. Expenditure on military operations and peacekeeping is hard to forecast. The amounts shown in the table for these items are therefore indicative, and will be reviewed annually before this element of the budget is disbursed to departments.

36.6 These new arrangements will facilitate proactive spending on conflict prevention. In many situations effective international action at this stage can prevent the human suffering and greater expenditure that arises from conflicts and their aftermath.

36.7 The pooled budgets will ensure that FCO, MOD and DFID spend the funds according to shared objectives and priorities. In addition, the pooled budgets should enable swifter and more effective interventions.

SPENDING PLANS

36.8 Planned expenditure on conflict prevention is summarised in Table 36.1. Programme funds for conflict prevention in Sub-Saharan Africa are included as a ring-fenced element in DFID's Departmental Expenditure Limit. Programme funds for conflict prevention in the rest of the world are included, similarly ring-fenced, in FCO's Departmental Expenditure Limit. However, both these funds will be managed jointly by the MOD, FCO and DFID.

Table 36.1: Key figures

| | £ million | | |
|--|------------|------------|------------|
| | 2001-02 | 2002-03 | 2003-04 |
| Sub-Saharan Africa (indicative) | 115 | 110 | 110 |
| of which: Programme | 50 | 50 | 50 |
| Peacekeeping/enforcement (indicative) | 65 | 60 | 60 |
| Rest of World (indicative) | 400 | 448 | 458 |
| of which: Programme | 60 | 68 | 78 |
| Peacekeeping/enforcement (indicative) | 340 | 380 | 380 |
| Total (indicative) | 515 | 558 | 568 |

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37

Cross-Departmental Review of Nuclear Safety in the Former Soviet Union

Scope

The cross departmental review of nuclear problems in the Former Soviet Union (FSU) examined the nuclear problems faced by FSU states, and the priorities of both the states themselves and aid donors in efforts to tackle them. Against this background it assessed how best the UK could contribute to international efforts to address the FSU's nuclear problems and to deliver that assistance in a focused and effective manner.

BACKGROUND

37.1 The countries of the Former Soviet Union (FSU) face enormous nuclear problems. These are amongst the most important challenges facing the international community, and the environmental, security and proliferation threats they pose do not respect international boundaries. These issues can only be properly addressed by the international community working together.

OUTCOMES

37.2 As a result of this cross-departmental review, a new pooled budget worth a total of more than £80 million over three years will be established within DTI's programme. The UK is already playing its part in addressing these problems, but the new pooled budget will enable the UK to contribute in a more joined up and effective way. This new programme will enable the UK to participate in international efforts to rebuild the Chernobyl shelter; improve operational safety of nuclear plant, regulatory systems and nuclear safety cultures across the FSU; de-fuel disused submarines in North West Russia; deal with surplus Russian weapons grade plutonium; retrain and generate employment opportunities for Russian nuclear weapons scientists; and improve security, materials accountancy, and international verification arrangements at FSU nuclear sites.

37.3 This new budget is specifically dedicated to assistance with the FSU's nuclear problems. DTI will have responsibility for ensuring that this money is spent properly, and for day to day management of the new programme. But to ensure a focused approach overall priorities for the programme will be set on the advice of an interdepartmental committee.

SPENDING PLANS

37.4 Annual provision for assistance with the FSU's nuclear problems will be trebled in 2001-2002 and more than quadrupled by 2003-2004. Details are set out in Table 37.1.

Table 37.1: Key figures

| | £ million | | | |
|-------------------------|------------------|----------------|----------------|----------------|
| | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
| FSU Nuclear Safety Fund | 8* | 24 | 27 | 33 |

**Spending on existing programmes by DTI, MOD, FCO, DFID and DETR that will be subsumed within the new pooled fund from 2001-02.*

37.5 The cross-departmental review also highlighted the problems FSU states face in dealing with chemical and biological weapons stocks and facilities and an additional £4 million per year has been allocated to the MOD's budget to help deal with these problems.

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A

Statistical Annex

Introduction and summary

A1 This Annex:

- sets out new public expenditure plans for the years 2001-02 to 2003-04 for Total Managed Expenditure, Departmental Expenditure Limits and Annually Managed Expenditure, alongside comparable data for the 1999-2000 outturn and the current year 2000-01;
- shows individual Departmental Expenditure Limits in nominal and real terms and split between resource and capital budgets;
- sets out, for the first time, the full resource budget using new resource accounting and budgeting information reconciled to national accounts public sector current expenditure, and the capital budget reconciled to public sector net investment;
- presents a reconciliation between departmental cash and resource budgets for the years when cash budgets remain (1999-2000 to 2001-02);
- presents a reconciliation from Budget 2000 plans for DEL by department from 1999-2000 to 2001-2002; and
- presents historical series for the key public spending aggregates.

The framework

A2 The framework for planning and controlling spending remains as set out in the Economic and Fiscal Strategy Report of June 1998.

A3 Departments are given firm three year spending limits called Departmental Expenditure Limits (DELs) within which they can prioritise resources and plan ahead. In accordance with the fiscal rules, a clear distinction is made between current (now 'resource' spending under resource budgeting) and capital spending, which are budgeted for separately to ensure worthwhile capital investment is not crowded out by short-term pressures.

A4 Spending that cannot reasonably be subject to firm multi-year limits is included in Annually Managed Expenditure (AME). The composition is set out in Table A1. It includes social security benefits, local authority self-financed expenditure, payments under the Common Agricultural Policy, net payments to EC institutions and debt interest. AME is based on cautious estimates which are updated twice yearly at the Budget and Pre-Budget Reports. DEL and AME together make up Total Managed Expenditure (TME).

Spending plans

A5 Budget 2000 set a firm fiscal envelope for 2001-02 to 2003-04 for growth in current and current spending. Total Managed Expenditure is as announced in Budget 2000 except for the allowance for the underspend in 1999-2000. The Budget allowed for a £1 billion DEL underspend to be carried forward into 2000-01. Final outturn numbers for 1999-2000 now show a £3 billion underspend in DEL and a total underspend of £4.5 billion. £1.5 billion of the underspend in DEL will be carried forward, £750 million into 2000-01 and £750 million into 2001-02. Table A1 sets out the path for TME, DEL and AME and its

components over the period.

A6 Within TME, total DEL by department is shown in nominal terms in Table A2, split into resource and capital budgets in Table A3 and shown in real terms in Table A4. The move to resource budgeting allows the measurement of the total costs of departmental activities in each year, including the annual cost of owning the assets used to deliver public services. This is shown in Table A5 reconciled to the national accounts measure of public sector current expenditure. New capital spending continues to be controlled separately. In Table A6 the capital budget is reconciled to the national accounts measure of public sector net investment. Table A7 provides a reconciliation between resource and cash budgets for the three years where cash budgets currently exist.

A7 A number of transfers between budgets have been made in this Review. These are:

- an £800 million and £900 million transfer in 2002-03 and 2003-04 from social security benefits in AME to the Department of Health and Scotland, Wales & Northern Ireland budgets to reflect the new arrangements for long-term care services;
- some £250 million a year has moved from DEL to the Common Agricultural Policy payments line in AME to reflect the movement of the Intervention Board's Over Thirty Months Scheme for cattle into AME; and
- non self-financing public corporations capital expenditure now scores in departmental budgets in DEL not in accounting adjustments in AME - this has a net effect of increasing DEL by £0.5 billion (see Table A7).

A8 The AME forecast in table A1 has been updated since the Budget where relevant to show the outturn level for 1999-2000, policy changes and reclassifications in the Spending Review. Where they are relevant to the spending aggregates, National Audit Office (NAO) audited assumptions on unemployment, spend to save and market expectations of interest rates have been updated to incorporate the latest information available. The effect of these changes is set out in Table 2.2 in Chapter 2. The move to accruals budgeting better attributes social security benefit spending to the years it applies. This increases forecasts by some £300 million a year until 2001-02 compared to cash. The self-financing public corporations line in AME now records the capital expenditure of these bodies, previously in accounting adjustments in AME, rather than their external finance. It is therefore not comparable with the cash line.

Table A1: Total Managed Expenditure

£ billion

| | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|--|--------------|--------------|--------------|--------------|--------------|
| <i>Departmental Expenditure Limits</i> | | | | | |
| Resource Budget | 158.5 | 172.8 | 185.1 | 197.3 | 209.1 |
| Capital Budget | 18.2 | 22.4 | 27.0 | 31.9 | 36.6 |
| Total Departmental Expenditure Limits | 176.8 | 195.2 | 212.1 | 229.3 | 245.7 |
| <i>Annually Managed Expenditure</i> | | | | | |
| <i>Departmental AME:</i> | | | | | |
| Social security benefits | 97.1 | 99.5 | 104.4 | 107.3 | 111.9 |
| Housing Revenue Account subsidies | 3.2 | 3.3 | 3.3 | 3.2 | 3.1 |
| Common Agricultural Policy | 2.7 | 2.7 | 2.9 | 2.8 | 2.8 |
| Export Credits Guarantee Department | 0.9 | 0.8 | 0.4 | 0.2 | 0.0 |
| Self-financing public corporations capital spending | 0.9 | 1.6 | 1.2 | 1.2 | 1.3 |
| Net public service pensions | 5.1 | 5.7 | 5.5 | 5.7 | 6.0 |
| National Lottery | 1.9 | 2.3 | 2.0 | 2.1 | 2.1 |
| Other programme expenditure | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| <i>Non-cash items:</i> | | | | | |
| Depreciation | 7.3 | 7.3 | 7.9 | 8.3 | 8.7 |
| Cost of capital charges | 12.7 | 13.0 | 13.2 | 13.5 | 13.8 |
| Provisions and other charges | 0.3 | -0.4 | -0.3 | 0.0 | 0.2 |
| Total departmental AME (incl. non-cash items) | 132.0 | 135.8 | 140.5 | 144.3 | 149.9 |

Other AME:

| | | | | | |
|---|--------------------|--------------|-------------------|--------------|-------------------|
| Net payments to EC institutions | 2.9 | 2.7 | 2.5 | 2.6 | 2.9 |
| Locally financed expenditure | 17.2 | 18.0 | 18.9 | 19.8 | 20.6 |
| CG debt interest | 25.6 | 27.0 | 26.1 | 25.3 | 24.7 |
| Accounting and other adjustments ¹ | -13.8 ² | -8.6 | -8.1 ¹ | -7.8 | -7.1 ¹ |
| Total other AME | 31.9 | 39.1 | 39.3 | 39.9 | 41.1 |
| AME margin | | 1.5 | 1.0 | 2.0 | 3.0 |
| Annually Managed Expenditure | 163.9 | 176.4 | 180.8 | 186.2 | 193.9 |
| Total Managed Expenditure | 340.7 | 371.6 | 392.9 | 415.4 | 439.6 |
| <i>of which:</i> | | | | | |
| Current expenditure | 323.5 | 349.4 | 366.8 | 384.5 | 404.3 |
| Net investment | 2.6 | 7.2 | 10.6 | 15.0 | 19.0 |
| Depreciation | 14.6 | 15.0 | 15.4 | 15.9 | 16.3 |

1. Includes adjustments to deduct non-cash items in DEL and departmental AME which do not score in TME

2. Includes a reconciliation adjustment to national accounts estimate of TME.

Table A2: Departmental Expenditure Limits

£ billion

| | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|--|----------------|----------------|----------------|----------------|----------------|
| <i>Departmental Expenditure Limits:</i> | | | | | |
| Education and Employment | 15.5 | 18.9 | 21.3 | 23.5 | 25.7 |
| Health | 40.9 | 45.3 | 49.5 | 54.4 | 59.0 |
| <i>of which: NHS</i> | <i>40.2</i> | <i>44.5</i> | <i>48.2</i> | <i>52.3</i> | <i>56.7</i> |
| Environment, Transport and Regions | 9.8 | 10.7 | 13.2 | 15.5 | 17.9 |
| Local Government | 34.2 | 35.4 | 36.8 | 39.2 | 41.9 |
| Home Office | 7.5 | 8.2 | 9.6 | 10.3 | 10.6 |
| Legal Departments | 2.8 | 3.0 | 3.1 | 3.2 | 3.2 |
| Defence ¹ | 21.9 | 23.0 | 23.6 | 24.2 | 25.0 |
| Foreign and Commonwealth Office | 1.2 | 1.1 | 1.2 | 1.3 | 1.3 |
| International Development | 2.5 | 2.8 | 3.1 | 3.3 | 3.6 |
| Trade and Industry | 3.0 | 3.8 | 4.6 | 4.3 | 4.3 |
| Agriculture, Fisheries and Food | 1.1 | 1.0 | 1.3 | 1.3 | 1.4 |
| Culture, Media and Sport | 1.0 | 1.0 | 1.1 | 1.2 | 1.2 |
| Department of Social Security | 3.2 | 3.2 | 3.9 | 4.3 | 4.2 |
| Scotland | 13.9 | 15.0 | 16.2 | 17.4 | 18.4 |
| Wales | 7.1 | 7.8 | 8.4 | 9.1 | 9.8 |
| Northern Ireland Executive | 4.9 | 5.3 | 5.7 | 6.0 | 6.3 |
| Northern Ireland Office | 1.0 | 1.0 | 1.1 | 1.1 | 1.0 |
| Chancellor's Departments | 3.5 | 3.7 | 4.1 | 4.3 | 4.3 |
| Cabinet Office | 1.4 | 1.4 | 1.5 | 1.5 | 1.5 |
| Employment Opportunities Fund ² | 0.5 | 0.9 | 0.9 | 0.9 | 1.4 |
| Invest to Save Budget | | | 0.1 | 0.1 | 0.1 |
| Capital Modernisation Fund | | 0.1 | 0.4 | 0.9 | 1.2 |

| | | | | | |
|--|--------------|------------------|--------------------------|--------------|--------------|
| Policy Innovation Fund | | | 0.1 | 0.1 | 0.1 |
| Reserve | | 2.7 ³ | 1.5 | 2.0 | 2.5 |
| Total Departmental Expenditure Limits | 176.8 | 195.2 | 212.1⁴ | 229.3 | 245.7 |
| Education Spending in UK | 40.6 | 45.8 | 49.5 | 53.4 | 57.7 |

1 Figures remain provisional in 1999-2000 and 2000-01.

2 Formerly Welfare to Work

3 Includes carry forward of underspend of £0.75 billion from 1999-2000.

4 Includes previously unallocated Budget 2000 addition of £5.9 billion and a further 2000 Spending Review additional allocation of £3 billion - see Table 2.3 in Chapter 2.

Table A3: Departmental Expenditure Limits - Resource and Capital Budgets

£ billion

| | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|--|----------------|----------------|----------------|----------------|----------------|
| Resource Budget: | | | | | |
| Education and Employment | 14.2 | 16.6 | 18.8 | 20.4 | 21.8 |
| Health | 40.0 | 43.6 | 46.9 | 51.2 | 55.7 |
| <i>of which: NHS</i> | <i>39.4</i> | <i>42.9</i> | <i>45.7</i> | <i>49.1</i> | <i>53.5</i> |
| Environment, Transport and Regions | 3.9 | 4.3 | 5.1 | 5.6 | 5.7 |
| Local Government | 33.9 | 35.3 | 36.7 | 39.0 | 41.5 |
| Home Office | 7.0 | 7.6 | 8.7 | 9.3 | 9.8 |
| Legal Departments | 2.7 | 2.9 | 3.1 | 3.1 | 3.1 |
| Defence ¹ | 16.9 | 17.8 | 18.1 | 18.5 | 18.7 |
| Foreign and Commonwealth Office | 1.0 | 1.0 | 1.1 | 1.1 | 1.1 |
| International Development | 2.2 | 2.5 | 2.7 | 2.9 | 3.1 |
| Trade and Industry | 2.8 | 3.3 | 3.9 | 3.5 | 3.2 |
| Agriculture, Fisheries and Food | 1.0 | 0.9 | 1.1 | 1.1 | 1.1 |
| Culture, Media and Sport | 0.9 | 0.9 | 1.0 | 1.1 | 1.2 |
| Department of Social Security | 3.2 | 3.2 | 3.8 | 4.1 | 4.1 |
| Scotland | 12.0 | 12.7 | 13.5 | 14.4 | 15.2 |
| Wales | 6.3 | 6.9 | 7.4 | 8.0 | 8.5 |
| Northern Ireland Executive | 4.2 | 4.5 | 4.8 | 5.0 | 5.2 |
| Northern Ireland Office | 1.0 | 1.0 | 1.0 | 1.1 | 1.0 |
| Chancellor's Departments | 3.4 | 3.8 | 3.9 | 4.1 | 4.1 |
| Cabinet Office | 1.1 | 1.2 | 1.3 | 1.3 | 1.4 |
| Employment Opportunities Fund ² | 0.5 | 0.9 | 0.9 | 0.8 | 1.4 |
| Invest to Save Budget | | | 0.1 | 0.1 | 0.1 |
| Capital Modernisation Fund | | | | | |
| Policy Innovation Fund | | | 0.0 | 0.0 | 0.0 |
| Reserve | | 2.0 | 1.2 | 1.6 | 2.0 |
| Total Resource Budget DEL | 158.5 | 172.8 | 185.1 | 197.3 | 209.1 |
| Capital Budget : | | | | | |

| | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|
| Education and Employment | 1.2 | 2.3 | 2.5 | 3.0 | 3.8 |
| Health | 0.9 | 1.7 | 2.6 | 3.2 | 3.3 |
| <i>of which: NHS</i> | <i>0.9</i> | <i>1.6</i> | <i>2.5</i> | <i>3.2</i> | <i>3.2</i> |
| Environment, Transport and Regions | 5.8 | 6.4 | 8.1 | 9.9 | 12.2 |
| Local Government | 0.3 | 0.0 | 0.1 | 0.3 | 0.3 |
| Home Office | 0.5 | 0.6 | 0.9 | 1.0 | 0.9 |
| Legal Departments | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Defence ¹ | 5.0 | 5.2 | 5.5 | 5.7 | 6.2 |
| Foreign and Commonwealth Office | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 |
| International Development | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 |
| Trade and Industry | 0.2 | 0.5 | 0.7 | 0.8 | 1.0 |
| Agriculture, Fisheries and Food | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 |
| Culture, Media and Sport | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Department of Social Security | 0.0 | 0.0 | 0.1 | 0.1 | 0.0 |
| Scotland | 1.8 | 2.3 | 2.7 | 3.0 | 3.2 |
| Wales | 0.9 | 0.8 | 1.0 | 1.2 | 1.3 |
| Northern Ireland Executive | 0.7 | 0.8 | 0.9 | 1.0 | 1.1 |
| Northern Ireland Office | 0.0 | 0.0 | 0.1 | 0.1 | 0.0 |
| Chancellor's Departments | 0.1 | -0.1 | 0.2 | 0.2 | 0.2 |
| Cabinet Office | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Employment Opportunities Fund ² | | | 0.0 | 0.0 | 0.0 |
| Invest to Save Budget | | | 0.0 | 0.0 | 0.0 |
| Capital Modernisation Fund | | 0.1 | 0.4 | 0.9 | 1.2 |
| Policy Innovation Fund Reserve | | 0.7 | 0.3 | 0.4 | 0.5 |
| Total Capital Budget DEL | 18.2 | 22.4 | 27.0 | 31.9 | 36.6 |
| Total Departmental Expenditure Limits | 176.8 | 195.2 | 212.1 | 229.3 | 245.7 |

1 Provisional figures for 1999-2000 to 2000-01.

2 Formerly Welfare to Work

Table A4: Departmental Expenditure Limits in real terms

£ billion, 1999-2000 prices

| | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|--|----------------|----------------|----------------|----------------|----------------|
| <i>Departmental Expenditure Limits:</i> | | | | | |
| Education and Employment | 15.4 | 18.5 | 20.3 | 21.9 | 23.3 |
| Health | 40.9 | 44.3 | 47.2 | 50.7 | 53.6 |
| <i>of which: NHS</i> | <i>40.2</i> | <i>43.5</i> | <i>46.0</i> | <i>48.7</i> | <i>51.5</i> |
| Environment, Transport and Regions | 9.8 | 10.5 | 12.6 | 14.4 | 16.2 |
| Local government | 34.2 | 34.6 | 35.1 | 36.5 | 38.0 |
| Home Office | 7.5 | 8.0 | 9.2 | 9.6 | 9.6 |
| Legal Departments | 2.8 | 2.9 | 3.0 | 3.0 | 2.9 |
| Defence | 21.9 | 22.5 | 22.5 | 22.5 | 22.7 |
| Foreign and Commonwealth Office | 1.2 | 1.1 | 1.1 | 1.2 | 1.2 |

| | | | | | |
|--|--------------|------------------|--------------|--------------|--------------|
| International Development | 2.5 | 2.7 | 3.0 | 3.1 | 3.2 |
| Trade and Industry | 3.0 | 3.7 | 4.4 | 4.0 | 3.9 |
| Agriculture, Fisheries and Food | 1.1 | 1.0 | 1.2 | 1.2 | 1.2 |
| Culture, Media and Sport | 1.0 | 1.0 | 1.1 | 1.1 | 1.1 |
| Department of Social Security | 3.2 | 3.2 | 3.7 | 4.0 | 3.8 |
| Scotland | 13.9 | 14.7 | 15.5 | 16.2 | 16.7 |
| Wales | 7.1 | 7.6 | 8.1 | 8.5 | 8.9 |
| Northern Ireland Executive | 4.9 | 5.2 | 5.4 | 5.6 | 5.7 |
| Northern Ireland Office | 1.0 | 1.0 | 1.0 | 1.1 | 0.9 |
| Chancellor's Departments | 3.5 | 3.7 | 3.9 | 4.0 | 3.9 |
| Cabinet Office | 1.4 | 1.3 | 1.4 | 1.4 | 1.4 |
| Employment Opportunities Fund ¹ | 0.5 | 0.9 | 0.8 | 0.8 | 1.2 |
| Invest to Save Budget | | | 0.1 | 0.1 | 0.1 |
| Capital Modernisation Fund | | 0.1 | 0.4 | 0.8 | 1.1 |
| Policy Innovation Fund | | | 0.0 | 0.0 | 0.0 |
| Reserve | | 2.6 ² | 1.4 | 1.9 | 2.3 |
| Total Departmental Expenditure Limits | 176.8 | 190.9 | 202.4 | 213.4 | 223.1 |

1 Formerly Welfare to Work.

2 Includes carry forward of underspend of £0.75 billion from 1999-2000

Table A5: Resource Budget and Public Sector Current Expenditure

£ billion

| | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|--|--------------------|----------------|----------------|----------------|----------------|
| Resource Budget: | | | | | |
| in Departmental Expenditure Limits | 158.5 | 172.8 | 185.1 | 197.3 | 209.1 |
| <i>of which:</i> | | | | | |
| Departmental DEL | 158.0 | 170.0 | 183.0 | 194.8 | 205.6 |
| Non-departmental DEL | 0.5 | 2.8 | 2.1 | 2.5 | 3.4 |
| in Departmental AME | 128.7 | 132.5 | 137.6 | 141.6 | 147.2 |
| <i>of which:</i> | | | | | |
| Departmental AME (excluding non-cash items) | 108.5 | 112.6 | 116.8 | 118.9 | 124.6 |
| <i>Non-cash items in Departmental AME:</i> | | | | | |
| Depreciation | 7.3 | 7.3 | 7.9 | 8.3 | 8.7 |
| Cost of capital charges | 12.7 | 13.0 | 13.2 | 13.5 | 13.8 |
| Provisions and other charges | 0.3 | -0.4 | -0.3 | 0.0 | 0.2 |
| Total Resource Budget | 287.2 | 305.3 | 322.7 | 338.9 | 356.3 |
| <i>Other current spending in AME:</i> | | | | | |
| Net payments to EC institutions | 2.9 | 2.7 | 2.5 | 2.6 | 2.9 |
| Locally financed current expenditure | 16.4 | 17.3 | 18.2 | 19.0 | 19.8 |
| CG debt interest | 25.6 | 27.0 | 26.1 | 25.3 | 24.7 |
| AME margin (current) | 0.0 | 1.4 | 1.0 | 1.9 | 2.9 |
| Accounting and other adjustments ¹ | -12.3 ² | -7.7 | -7.5 | -7.0 | -6.4 |
| Classification changes to national accounts ³ | 3.6 | 3.4 | 3.9 | 3.8 | 4.1 |

| | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|
| Public sector current expenditure | 323.5 | 349.4 | 366.8 | 384.5 | 404.3 |
|--|--------------|--------------|--------------|--------------|--------------|

1 Includes adjustments to deduct non-cash items in DEL and departmental AME, which do not score in TME

2 Includes a reconciliation adjustment to national accounts estimate of TME.

3. Adjusts for classification differences between resource budgeting and national accounts

Table A6: Capital Budget and Public Sector Net Investment

| | £ billion | | | | |
|---|-------------------|-------------|-------------|-------------|-------------|
| | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
| Capital budget: | | | | | |
| in Departmental Expenditure Limits | 18.2 | 22.4 | 27.0 | 31.9 | 36.6 |
| <i>of which:</i> | | | | | |
| Departmental DEL (excl. public corporations) | 14.6 | 18.0 | 22.9 | 27.2 | 31.5 |
| Public corporations capital expenditure | 3.7 | 3.6 | 3.3 | 3.3 | 3.3 |
| Non-departmental DEL | 0.0 | 0.8 | 0.7 | 1.3 | 1.8 |
| in Departmental AME (excl. non-cash items) | 3.3 | 3.3 | 2.8 | 2.7 | 2.7 |
| <i>of which:</i> | | | | | |
| Departmental AME (excl. self-financed PCs) | 2.4 | 1.7 | 1.6 | 1.4 | 1.2 |
| Self-financed public corporations capital expenditure | 0.9 | 1.6 | 1.3 | 1.3 | 1.5 |
| Non-departmental AME | | | | | |
| Total Capital Budget | 21.7 | 25.8 | 29.8 | 34.7 | 39.3 |
| <i>Other capital spending in AME:</i> | | | | | |
| Locally financed capital expenditure | 0.8 | 0.7 | 0.7 | 0.8 | 0.8 |
| AME margin (capital) | | 0.1 | 0.0 | 0.1 | 0.1 |
| Accounting and other adjustments | -1.5 ¹ | -0.9 | -0.6 | -0.8 | -0.7 |
| Classification changes to national accounts | -3.6 | -3.4 | -3.9 | -3.8 | -4.1 |
| Public sector gross investment | 17.2 | 22.3 | 26.1 | 30.9 | 35.4 |
| less Depreciation (national accounts) | 14.6 | 15.0 | 15.4 | 15.9 | 16.3 |
| Public sector net investment | 2.6 | 7.3 | 10.6 | 15.0 | 19.0 |

¹ Includes a reconciliation adjustment to national accounts estimate of TME.

Table A7: Departmental Expenditure Limits - reconciliation of cash budgets with resource budgets

| | £ million | | |
|---|----------------|----------------------------|----------------------------|
| | 1999-00 | 2000-01 | 2001-02 |
| DEL Current budget (cash) to resource budget DEL: | | | |
| DEL current budget (cash) - plans at Budget 2000¹ | 166,094 | 176,252¹ | 181,752² |
| Underspend on 1999-2000 plans and carry forward ² | -1,904 | 1,250 ³ | 750 |
| Other changes since Budget | | 131 | 0 |
| DEL current budget (cash) - July 2000 | 164,190 | 177,633 | 182,502 |
| <i>Resource Budgeting changes:</i> | | | |
| Timing adjustments | -600 | 33 | 416 |
| Switches from current to capital budget - | | | |
| defence fighting equipment | -3,622 | -3,267 | -3,457 |
| Switches from current to capital budget - other | -12 | -145 | -201 |

| | | | |
|---|----------------|----------------|----------------|
| Switches from capital to resource budget | 135 | 137 | 214 |
| Capital charges on the civil estate | 229 | 244 | 246 |
| Public corporations scoring adjustments | -326 | -463 | -281 |
| Non-departmental public bodies - scoring adjustments | 50 | 85 | 85 |
| NHS trust adjustment | -1,293 | -1,248 | -1,479 |
| Other adjustments | 19 | 8 | 22 |
| Other budgeting changes | -248 | -218 | -269 |
| Resource budget - DEL (before Spending Review) | 158,522 | 172,799 | 177,798 |
| Changes announced in Spending Review | 0 | 0 | 7,298 |
| Resource budget - DEL (after Spending Review) | 158,522 | 172,799 | 185,096 |

DEL Capital Budget (cash) to Capital Budget DEL:

| | | | |
|---|---------------|---------------|---------------|
| DEL capital budget (cash) - plans at Budget 2000 | 13,794 | 16,452 | 17,777 |
| Underspend on 1999-2000 plans and carry forward | -1,086 | 500 | |
| Other changes since Budget | | -131 | 0 |
| DEL capital budget (cash) - July 2000 | 12,708 | 16,821 | 17,777 |

Budgeting changes:

| | | | |
|---|---------------|---------------|---------------|
| Timing adjustments | 13 | 348 | 13 |
| Switches from current to capital budget - defence fighting equipment | 3,622 | 3,267 | 3,457 |
| Switches from current to capital budget - other | 12 | 145 | 201 |
| Switches from capital to resource budget | -135 | -137 | -214 |
| Public corporations - scoring adjustments | 2,026 | 2,002 | 2,217 |
| Non-departmental public bodies - scoring adjustments | -4 | -1 | 6 |
| Capital budget - DEL (before Spending Review) | 18,242 | 22,445 | 23,457 |
| Changes announced in Spending Review | 0 | 0 | 3,555 |
| Capital budget - DEL (after Spending Review) | 18,242 | 22,445 | 27,012 |

¹ Excluding carry forward of underspend announced in Budget 2000.

² Excludes extra money for NHS announced in Budget 2000.

³ Includes carry forward announced in Budget 2000.

Table A8: Departmental Expenditure Limits - Changes from Budget 2000 Plans

Table A9: Public Expenditure Aggregates, 1963-64 to 2003-04

Table A10: Accounting and other adjustments

| | £ billion | | | | |
|--|------------------|----------------|----------------|----------------|----------------|
| | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
| Non-trading capital consumption | 7.6 | 7.8 | 8.1 | 8.4 | 8.7 |
| VAT refunded on general government expenditure | 5.8 | 5.7 | 6.0 | 6.2 | 6.4 |
| EC contributions | -5.5 | -5.4 | -5.1 | -4.7 | -4.2 |
| Income tax credits | 2.8 | 5.3 | 5.7 | 5.9 | 6.1 |
| Adjustments for public corporations | 3.9 | 3.8 | 3.8 | 3.7 | 3.9 |
| Intra general government debt interest | -3.3 | -2.8 | -3.3 | -2.9 | -2.9 |

| | | | | | |
|--|--------------|-------------|-------------|-------------|-------------|
| Financial transactions in departmental budgets | -1.9 | -2.2 | -1.8 | -1.8 | -1.8 |
| Adjustments for expenditure financed by receipts | 0.0 | -0.1 | 0.0 | 0.0 | 0.0 |
| Other accounting adjustments | -0.3 | -0.5 | -0.5 | -0.5 | -0.5 |
| Reconciliation to national accounts | -2.4 | | | | |
| <i>less:</i> | | | | | |
| Non-cash items in DEL | -0.3 | -0.3 | -0.3 | -0.3 | -0.3 |
| Non-cash items in AME | -20.2 | -19.9 | -20.8 | -21.8 | -22.6 |
| Total accounting and other adjustments | -13.8 | -8.6 | -8.1 | -7.8 | -7.1 |

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Spending Review 2000: New Public Spending Plans 2001-2004

Prudent for a Purpose: Building Opportunity and Security for All

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B

Resource accounting and budgeting

B1 The 2000 Spending Review is the first Review to be conducted on a resource basis. This introduces significant enhancements to the way government plans and controls public spending. The move to resource accounting and budgeting (RAB) fulfils a long standing Government commitment to move central government accounts, Estimates and budgets from a cash to an accruals basis.

B2 Changes from resource budgeting do not change the fiscal aggregates. Total Managed Expenditure (TME), public sector current expenditure, and net investment will continue to be measured on a basis consistent with the internationally recognised national accounts. The measurement of the fiscal rules will continue to be made against these Office for National Statistics aggregates.

The resource budgeting concept

B3 Under the present system, public spending is generally planned and controlled in cash terms. Cash payments and receipts score in the year they are made or received. Under resource budgeting what counts is when resources are consumed, not when they are paid for. Spending is scored as it is incurred, and income as it is earned. So resource budgets include costs such as stocks consumed (rather than bought and sold), provisions to meet future payments, and the cost of using capital assets (depreciation and a cost of capital charge).

Benefits of Resource Budgeting

B4 Budgeting in resource terms will lead to better measurement of costs, better incentives for departments, and better management of assets. The benefits can be seen at both the macro and microeconomic levels. At a macroeconomic level it should deliver:

- **greater consistency with the principles of fiscal management** through improved transparency and new information that allows the Government to deliver its policies to increase stability, responsibility, fairness and efficiency;
- **a clearer view of the real cost of providing individual services** which takes account of the full cost of holding assets;
- **a more transparent split of capital and current spending** (with public corporations' investment presented more clearly); and
- a better measure of the **total value of central government assets** which can be tracked over time. This reinforces the steps to identify assets through the National Asset Register.

B5 At the microeconomic level resource budgeting offers:

- **better incentives to manage capital assets** and dispose of those no longer needed. Assets will have to be recorded on the department's balance sheet and incur a capital charge. Those written off earlier than expected appear as a cost against the resource budget;
- **better incentives in planning investment**, as new investments will incur a continuing capital charge;
- **incentives to better manage cash and working capital** (debtors and creditors); and

- a clearer distinction between loans and grants.

The public spending framework

B6 The move to resource budgeting builds upon the existing public spending framework which remains largely unchanged. First, three year plans for departmental spending will continue to be set as Departmental Expenditure Limits - (DELs) - and non-discretionary items will continue to be reviewed each year within Annually Managed Expenditure (AME).

B7 Capital and current budgets continue to be managed separately in accordance with the fiscal rules. The 'current DEL' has been renamed the 'resource DEL', a title which better reflects the fact that it measures total resources consumed by departments in any one year. The resource budget, split into DEL and AME, includes for the first time the annual cost to the department of the assets it uses to deliver its public services. This cost is in the form of charges for capital consumed in that year (depreciation) and the opportunity cost of tying-up resources in these assets (cost of capital). Both these charges are non-cash budgetary control measures. The aggregate resource budget reconciled to public sector current expenditure is set out in Table A5 of Annex A.

B8 While the resource budget includes the cost of consuming capital services over the year it is important to continue to monitor aggregate capital spending and investment in new assets. Hence there is a separate capital budget, also split into DEL and AME components. Capital DELs now include a better measure of the total public spending effect at departmental level by including for the first time all the capital spending of public corporations such as NHS trusts and non-departmental public bodies rather than just the grants paid to these bodies. The aggregate capital budget, reconciled to total net investment, is set out in Table A6 of Annex A.

B9 Resource budgeting will be introduced in two stages. In Stage 1, in the 2000 Spending Review, the big non-cash items of resource budgets - depreciation, cost of capital charges and provisions - will be managed annually in AME rather than in three year DELs. Over the next three years departments will build up experience and expertise in analysing and forecasting these new non-cash items. It is the intention that, in the light of experience, these non-cash items will be moved into DEL in the next Spending Review - Stage 2. This is a sensible approach, allowing many of the benefits of resource budgeting to be gained in this Review while providing for a smooth transition.

Changes

B10 Under resource budgeting new elements are added to budgets for each department. Both resource and capital budgets will include:

- **timing differences** - budgets score costs as they are incurred. They do not include prepayments for goods and services not consumed that year but will include accrued costs for resources consumed but paid for later. **Stock consumption** scores in the resource budget while spending on adding to stocks does not.

B11 The main changes to the resource budget are:

- a charge for **depreciation** on the assets being used by each department measuring capital consumption in each year. Resource budgeting will measure depreciation more accurately and attribute the cost transparently to individual programmes;
- a **cost of capital charge** calculated at a rate of 6 per cent on the net assets employed by each department measuring the opportunity cost of holding assets. (Depreciation and the cost of capital charge together are referred to as 'capital charges'. Both are non-cash items);
- **capital charges on civil estate holdings** - these are charges on departments' administrative buildings. Unlike other capital charges, these are being applied in DEL as departments already have experience in controlling these as part of running cost controls;
- the inclusion of **provisions** for bad debts and future liabilities;
- a better measure of the total public spending effect at departmental level by including in budgets the full resource implications of **Non-Departmental Public Bodies** (NDPBs), including depreciation and a cost of capital charge (at present we score grants to the NDPB); and the full resource implications of **public corporations**, including profit, loss and subsidy.

The main changes to capital budgets are:

- the inclusion of **capital spending of public corporations** such as NHS trusts rather than departments' external finance of these bodies. Under cash, capital spending of public corporations is included in the accounting adjustments

in AME. This effectively switches this spend into DEL;

- some items which score as current spending under national accounts score as **capital under resource accounting and budgeting**, notably MOD fighting equipment.

How resource budgeting affects the 2000 Spending Review numbers

B12 To allow comparison between departmental spending in the Comprehensive Spending Review (CSR) period (1999-2000 to 2001-02) and the plans set out in the 2000 Spending Review for 2001-02 to 2003-04, the numbers for 1999-2000 to 2001-02 have been converted into resource terms. A full reconciliation is included in Table A7 of Annex A. A reconciliation of changes from numbers published in Budget 2000 are included in Table A8 of Annex A.

B13 The numbers published for public spending in resource terms will differ from those previously set out in cash. However, because the large non-cash items are in AME, the differences between the old and new expenditure limits (DELs) will generally be small. Changes in DEL come about largely through timing adjustments, changes in the split between current and capital spending, and better measurement of the consumption and investment of arms length bodies and public corporations within departments' budgeting boundaries.

B14 Aggregate lines for depreciation, cost of capital charges and provisions are included in Annually Managed Expenditure.

B15 Total Managed Expenditure will continue to be measured on a basis consistent with the internationally recognised national accounts and thus fully consistent with measurement of the fiscal rules. The fiscal rules already incorporate some resource concepts such as the inclusion of depreciation in measuring adherence to the golden rule. The budgeting items of depreciation, cost of capital (including on the civil estate) and provisions do not feed through into TME but are taken out in accounting adjustments in AME.

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Departmental Groupings

A number of the tables in this publication present analyses grouped broadly by Ministerial responsibilities, as outlined below:

| Title | Departments included |
|---------------------------------|--|
| Agriculture, Fisheries and Food | Ministry of Agriculture, Fisheries and Food The Intervention Board The Forestry Commission |
| Cabinet Office | Cabinet Office Central Office of Information Privy Council Office Security and Intelligence Services House of Commons House of Lords National Audit Office Electoral Commission The Office of the Parliamentary Commissioner for Administration and Health Service Commissioner for England |
| Chancellor's Departments | HM Treasury Office for National Statistics Crown Estates National Savings Government Actuary's Department HM Customs and Excise Inland Revenue National Investment and Loans Office Registry of Friendly Societies Office of Government Commerce |

Royal Mint (AME only)

Culture, Media and Sport Department of Culture, Media and Sport

Defence Ministry of Defence

Education and Employment Department for Education and Employment
Office for Standards in Education

Environment, Transport and Regions Department of the Environment, Transport and the Regions (except local government)

Office of Passenger Rail Franchising
Office of the Rail Regulator
Office of Water Services

Local government Mainly block and transitional grants from the
DETR to English local authorities, and the
Greater London Authority.

Foreign and Commonwealth Office Foreign and Commonwealth Office

Health Department of Health
Food Standards Agency

Home Office Home Office
Charity Commission

International Development Department for International Development

Legal Departments Lord Chancellor's Department
Crown Prosecution Service
Northern Ireland Court Service
Public Records Office
Serious Fraud Office
Treasury Solicitor's Department

Northern Ireland Northern Ireland Office
Northern Ireland Executive

Social Security Department of Social Security

Scotland

Scotland Office
Scottish Executive and its departments
Crown Office
General Register Office for Scotland
Registers of Scotland
National Archives of Scotland

Trade and Industry

Department of Trade and Industry
British Trade International
Office of Fair Trading
Office of Gas and Electricity Markets
Office of Telecommunications
Postal Services Commission
Export Credit Guarantee Department (capital expenditure only)

Wales

Wales Office
National Assembly for Wales

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LIST OF ABBREVIATIONS

AME - Annually Managed Expenditure

BBCWS - British Broadcasting Corporation World Service

BRU - Better Regulation Unit

BSE - Bovine Spongiform Encephalopathy

CAFCASS - Children and Family Court Advisory and Support Service

CAP - Common Agricultural Policy

CAPPA - Common Agricultural Policy Payments Agency

CDC - Commonwealth Development Corporation

CDS - Criminal Defence Service

CEFAS - Centre for Environment, Fisheries and Aquaculture

CJS - Criminal Justice System

CPS - Crown Prosecution Service

CSR - Comprehensive Spending Review

DCMS - Department for Culture, Media and Sport

DEL - Departmental Expenditure Limit

DERA - Defence Evaluation and Research Agency

DETR - Department of the Environment, Transport and the Regions

DfEE - Department for Education and Employment

DFID - Department for International Development

DH - Department of Health

DIS - Departmental Investment Strategy

DLO - Defence Logistic Organisation

DMO - Debt Management Office

DNA - Deoxyribonucleic acid

DPAS - Drugs Prevention Advisory Service

DSS - Department of Social Security

DTI - Department of Trade and Industry

EC - European Communities

ECGD - Export Credits Guarantee Department

EFSR - Economic and Fiscal Strategy Report

EMA - Education Maintenance Allowance

ERDP - England Rural Development Plan

FCO - Foreign and Commonwealth Office

FSBR - Financial Statement and Budget Report

FSU - Former Soviet Union

G7 - Group of Seven (Canada, France, Germany, Italy, Japan, UK, USA)

G8 - Group of Eight (the above countries plus Russia)

GCSE - General Certificate of Secondary Education

GDP - Gross Domestic Product

GIDA - Government Intervention in Deprived Areas

GNVQ - General National Vocational Qualification

GP - General Practitioner

HEFCE - Higher Education Funding Council for England

HIPC - Heavily Indebted Poor Countries

HRAS - Housing Revenue Account Subsidy

ICT - Information and Communication Technology

IT - Information Technology

JIF - Joint Infrastructure Fund

JSA - Jobseeker's Allowance

KFOR - Kosovo Force

LA - Local Authority

LEA - Local Education Authority

LSC - Learning Skills Council

LSP - Local Strategic Partnership

MAFF - Ministry of Agriculture, Fisheries and Food

MOD - Ministry of Defence

NAO - National Audit Office

NATO - North Atlantic Treaty Organisation

NATS - National Air Traffic Services

NDC - New Deal for Communities

NDPBs - Non-Departmental Public Bodies

NGOs - non-governmental organisations

NHS - National Health Service

NICS - Northern Ireland Court Service

NIESR - National Institute of Economic and Social Research

NIO - Northern Ireland Office

NRF - Neighbourhood Renewal Fund

NVQ - National Vocational Qualification

OECD - Organisation for Economic Cooperation and Development

OFGEM - Office of Gas and Electricity Markets

OFSTED - Office for Standards in Education

OFTEL - Office of Telecommunications

ONE - The Government's integrated work-focused service providing benefit and employment advice for people of working age

PAYE - Pay as You Earn

PFI - Private Finance Initiative

PhD - *Philosophiae Doctor* (Doctor of Philosophy)

PIU - Performance and Innovation Unit

PPP - Public - Private Partnership

PSA - Public Service Agreement

PSS - Personal Social Services

PSX - A Ministerial Committee on Public Expenditure

RAB - Resource accounting and budgeting

R&D - Research and Development

RDA - Regional Development Agency

RDR - Rural Development Regulation

SBS - Small Business Service

SDA - Service Delivery Agreement

SDF - Service Development Fund

SDR - Strategic Defence Review

SERPS - State Earnings Related Pension Scheme

SFO - Serious Fraud Office

SFOR - Stabilisation Force

SIP - Shipbuilding Investment Programme

SMEs - Small and Medium-Sized Enterprises

SRB - Single Regeneration Budget

SSA - Standard Spending Assessment

TME - Total Managed Expenditure

TSE - Transmissible Spongiform Encephalopathies

TV - Television

UK - United Kingdom

UN - United Nations

US(A) - United States (of America)

VLA - Veterinary Laboratories Agency

WEU - Western Economic Union

WFTC - Working Families Tax Credit

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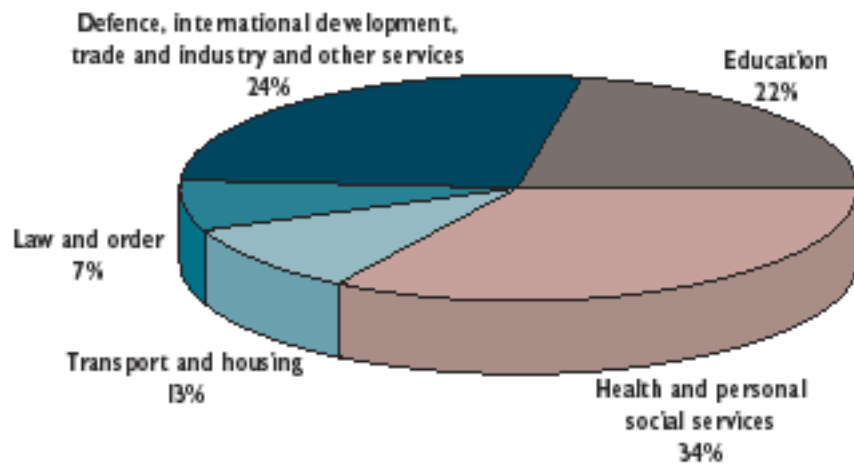
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The 2000 Spending Review, together with the Economic and Fiscal Strategy Report and Financial Statement and Budget Report contain the Government's assessment of the medium-term economic and budgetary position. They set out the government's tax and spending plans, including those for public investment, in the context of its overall approach to social, economic and environmental objectives. They will form the basis of submissions to the European Commission under Articles Article 99 (ex Article 103) and Article 104 (ex Article 104c) of the Treaty establishing the European Union.

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Table A8: Departmental Expenditure Limits - Changes from Budget 2000 plans

| | 1999-00 (estimated outturn) | | | | 2000-01 (plans) | | | | 2001-02 (plans) | | | |
|--|--------------------------------|-------------------------------------|--------------------------------|-----------------------------------|-----------------------------|-------------------------------------|--------------------------------|--------------|-----------------|-------------------------------------|-------------------|--------------|
| | Budget 2000 | adjusted for RAB ¹ | SR2000 changes ⁴ | provision outturn ⁵ | Budget 2000 ⁶ | adjusted for RAB ¹ | SR2000 changes ⁷ | new plans | Budget 2000 | adjusted for RAB ¹ | SR2000 changes | new plans |
| Education and Employment | 15.9 | 16.1 ² | -0.6 | 15.4 | 18.4 | 18.9 ² | 0.0 | 18.9 | 19.3 | 19.6 ² | 1.7 | 21.3 |
| Health | 40.8 | 41.1 | -0.2 | 40.9 | 45.0 | 45.3 | 0.0 | 45.3 | 46.2 | 46.4 | 3.0 | 49.5 |
| <i>of which: NHS</i> | <i>40.1</i> | <i>40.4</i> | <i>-0.2</i> | <i>40.2</i> | <i>44.2</i> | <i>44.5</i> | <i>0.0</i> | <i>44.5</i> | <i>45.3</i> | <i>45.5</i> | <i>2.7</i> | <i>48.2</i> |
| Environment, Transport and Regions | 10.3 | 10.2 | -0.4 | 9.8 | 10.8 | 10.7 | 0.0 | 10.7 | 11.9 | 11.9 | 1.3 | 13.2 |
| Local government | 34.2 | 34.2 | 0.0 | 34.2 | 35.4 | 35.4 | 0.0 | 35.4 | 36.6 | 36.6 | 0.2 | 36.8 |
| Home Office | 7.8 | 7.8 | -0.3 | 7.5 | 8.1 | 8.1 | 0.0 | 8.2 | 8.1 | 8.2 | 1.4 | 9.6 |
| Legal Departments | 2.8 | 2.9 | -0.1 | 2.8 | 2.9 | 3.0 | 0.0 | 3.0 | 2.8 | 2.9 | 0.3 | 3.1 |
| Defence | 22.9 | 22.2 | -0.3 | 21.9 | 22.8 | 23.0 | 0.0 | 23.0 | 23.0 | 23.2 | 0.4 | 23.6 |
| Foreign and Commonwealth Office | 1.2 | 1.2 | 0.0 | 1.2 | 1.1 | 1.1 | 0.0 | 1.1 | 1.1 | 1.1 | 0.1 | 1.2 |
| International Development | 2.5 | 2.5 | 0.0 | 2.5 | 2.8 | 2.8 | 0.0 | 2.8 | 3.1 | 3.1 | 0.1 | 3.1 |
| Trade and Industry | 3.4 | 3.4 | -0.4 | 3.0 | 3.7 | 3.7 | 0.1 | 3.8 | 3.6 | 3.6 | 1.0 | 4.6 |
| Agriculture, Fisheries and Food | 1.4 | 1.2 ³ | -0.2 | 1.1 | 1.2 | 1.0 ³ | 0.0 | 1.0 | 1.2 | 1.0 ³ | 0.3 | 1.3 |
| Culture, Media and Sport | 1.0 | 1.0 | 0.0 | 1.0 | 1.0 | 1.0 | 0.0 | 1.0 | 1.1 | 1.1 | 0.0 | 1.1 |
| Department of Social Security | 3.3 | 3.3 | -0.1 | 3.2 | 3.2 | 3.2 | 0.0 | 3.2 | 3.3 | 3.3 | 0.5 | 3.9 |
| Scotland | 14.0 | 14.2 ² | -0.3 | 13.9 | 14.9 | 15.1 ² | 0.0 | 15.0 | 15.2 | 15.5 ² | 0.8 | 16.2 |
| Wales | 7.2 | 7.3 ² | -0.1 | 7.1 | 7.7 | 7.8 ² | 0.0 | 7.8 | 7.9 | 8.0 ² | 0.5 | 8.4 |
| Northern Ireland ⁸ | 6.0 | 6.1 ² | -0.2 | 5.9 | 6.2 | 6.3 ² | 0.0 | 6.3 | 6.2 | 6.3 ² | 0.5 | 6.8 |
| Chancellor's Departments | 3.6 | 3.6 | -0.1 | 3.5 | 3.5 | 3.6 | 0.2 | 3.7 | 3.7 | 3.7 | 0.3 | 4.1 |
| Cabinet Office | 1.4 | 1.4 | -0.1 | 1.4 | 1.3 | 1.4 | 0.0 | 1.4 | 1.3 | 1.4 | 0.1 | 1.5 |
| Employment Opportunities Fund | 0.9 | 0.6 ² | -0.1 | 0.5 | 1.4 | 0.9 ² | 0.0 | 0.9 | 1.3 | 1.0 ² | -0.1 | 0.9 |

| | | | | | | | | | | | | |
|---------------------------------------|-------|-------|------|-------|-------|-------|------|-------|-------|-------|------|-------|
| Invest to Save Budget | | 0.0 | 0.0 | 0.0 | | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.0 | 0.1 |
| Capital Modernisation Fund | | 0.0 | 0.0 | 0.0 | 0.2 | 0.2 | -0.1 | 0.1 | 0.4 | 0.4 | 0.0 | 0.4 |
| Policy Innovation Fund | | 0.0 | 0.0 | 0.0 | | 0.0 | 0.0 | 0.0 | | 0.0 | 0.1 | 0.1 |
| Reserve | -1.5 | -1.5 | 1.5 | 0.0 | 2.1 | 2.1 | 0.5 | 2.7 | 2.3 | 2.3 | -0.8 | 1.5 |
| Total Departmental Expenditure Limits | 178.9 | 178.8 | -2.0 | 176.8 | 193.7 | 194.5 | 0.7 | 195.2 | 199.5 | 200.5 | 11.6 | 212.1 |

1 Resource budgeting and other budgeting changes

2 Includes switches from Employment Opportunities Fund into departmental budgets

3 Includes switch of Over Thirty Months Scheme from DEL to AME

4 Difference between adjusted budget and provisional outturn.

5 Cash provisional outturns adjusted for resource budgeting changes. Some of these estimates are highly provisional.

6 Excludes £3.1 billion additions to NHS spending announced in Budget 2000.

7 Chnages announced in Summer Supplementary Estimates plus carry forward of 1999-2000 underspend into Reserve

8 Includes Northern Ireland Executive and Northern Ireland office for which separate plans were not shown in Budget 2000

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Table A9: Public Expenditure Aggregates, 1963-64 to 2003-04

| | Public Sector | | | Public Sector | | | | Total Managed | | |
|---------|---------------------|-------------|----------|----------------|-------------|-------------|----------|---------------|-------------|----------|
| | Current Expenditure | | | Depreciation | | | | Expenditure | | |
| | Real | | | Net Investment | | | | Real | | |
| | Cash | Terms | Per cent | Cash | Cash | Terms | Per cent | Cash | Terms | Per cent |
| | (£ billion) | (£ billion) | of GDP | (£ billion) | (£ billion) | (£ billion) | of GDP | (£ billion) | (£ billion) | of GDP |
| 1963-64 | 9.4 | 118.2 | 30.2 | 1.0 | 1.5 | 19.4 | 5.0 | 11.9 | 150.2 | 38.4 |
| 1964-65 | 9.9 | 119.4 | 29.2 | 1.1 | 1.9 | 22.4 | 5.5 | 12.8 | 154.7 | 37.8 |
| 1965-66 | 11.0 | 126.7 | 30.3 | 1.2 | 2.0 | 22.8 | 5.5 | 14.2 | 162.7 | 38.9 |
| 1966-67 | 12.0 | 132.7 | 31.2 | 1.2 | 2.4 | 26.8 | 6.3 | 15.7 | 173.2 | 40.7 |
| 1967-68 | 13.5 | 144.7 | 33.0 | 1.4 | 3.1 | 32.9 | 7.5 | 17.9 | 192.3 | 43.8 |
| 1968-69 | 14.5 | 147.7 | 32.6 | 1.5 | 3.0 | 30.4 | 6.7 | 18.9 | 193.5 | 42.8 |
| 1969-70 | 15.3 | 148.3 | 32.1 | 1.7 | 2.9 | 28.5 | 6.2 | 19.9 | 192.9 | 41.8 |
| 1970-71 | 16.9 | 151.5 | 32.0 | 1.9 | 3.4 | 30.6 | 6.5 | 22.2 | 199.1 | 42.0 |
| 1971-72 | 19.3 | 158.6 | 32.8 | 2.2 | 3.2 | 26.7 | 5.5 | 24.7 | 203.1 | 42.0 |
| 1972-73 | 21.9 | 166.3 | 32.5 | 2.5 | 3.4 | 25.8 | 5.1 | 27.7 | 210.9 | 41.3 |
| 1973-74 | 25.8 | 183.0 | 34.5 | 3.0 | 4.1 | 29.0 | 5.5 | 32.8 | 232.9 | 43.9 |
| 1974-75 | 34.2 | 202.7 | 38.4 | 3.8 | 5.1 | 30.5 | 5.8 | 43.2 | 255.7 | 48.4 |
| 1975-76 | 43.8 | 207.4 | 39.6 | 4.8 | 6.4 | 30.1 | 5.7 | 55.0 | 260.1 | 49.6 |
| 1976-77 | 51.2 | 213.3 | 39.5 | 5.6 | 5.9 | 24.7 | 4.6 | 62.8 | 261.5 | 48.4 |
| 1977-78 | 57.3 | 210.0 | 38.0 | 6.4 | 4.7 | 17.3 | 3.1 | 68.4 | 250.8 | 45.4 |
| 1978-79 | 65.5 | 216.3 | 37.9 | 7.3 | 4.6 | 15.1 | 2.7 | 77.4 | 255.5 | 44.8 |
| 1979-80 | 78.9 | 223.0 | 38.0 | 8.6 | 5.1 | 14.3 | 2.4 | 92.6 | 261.6 | 44.6 |

| | | | | | | | | | | |
|---------|-------|-------|------|------|------|------|-----|-------|-------|------|
| 1980-81 | 96.3 | 230.1 | 40.7 | 10.5 | 4.7 | 11.2 | 2.0 | 111.5 | 266.6 | 47.1 |
| 1981-82 | 110.0 | 240.1 | 42.4 | 11.5 | 2.8 | 6.2 | 1.1 | 124.3 | 271.3 | 47.9 |
| 1982-83 | 120.5 | 246.0 | 42.5 | 11.8 | 4.8 | 9.7 | 1.7 | 137.1 | 279.9 | 48.3 |
| 1983-84 | 129.8 | 253.4 | 42.2 | 12.4 | 5.9 | 11.6 | 1.9 | 148.1 | 289.2 | 48.2 |
| 1984-85 | 140.2 | 260.3 | 42.4 | 12.5 | 5.5 | 10.2 | 1.7 | 158.3 | 293.7 | 47.9 |
| 1985-86 | 148.1 | 261.0 | 40.8 | 11.8 | 4.8 | 8.5 | 1.3 | 164.7 | 290.3 | 45.4 |
| 1986-87 | 155.2 | 265.2 | 39.8 | 12.4 | 3.1 | 5.3 | 0.8 | 170.7 | 291.7 | 43.8 |
| 1987-88 | 165.5 | 268.5 | 38.4 | 11.9 | 3.3 | 5.3 | 0.8 | 180.6 | 293.1 | 41.9 |
| 1988-89 | 172.5 | 262.2 | 35.9 | 13.3 | 2.0 | 3.1 | 0.4 | 187.8 | 285.5 | 39.1 |
| 1989-90 | 185.8 | 263.5 | 35.5 | 14.2 | 6.8 | 9.7 | 1.3 | 206.8 | 293.3 | 39.5 |
| 1990-91 | 201.5 | 264.9 | 35.7 | 13.5 | 8.4 | 11.1 | 1.5 | 223.4 | 293.7 | 39.6 |
| 1991-92 | 226.7 | 280.9 | 38.3 | 12.0 | 11.4 | 14.1 | 1.9 | 250.1 | 309.8 | 42.3 |
| 1992-93 | 246.6 | 295.8 | 40.1 | 11.6 | 12.9 | 15.5 | 2.1 | 271.1 | 325.2 | 44.1 |
| 1993-94 | 260.8 | 304.9 | 40.2 | 11.7 | 10.9 | 12.8 | 1.7 | 283.4 | 331.3 | 43.7 |
| 1994-95 | 274.0 | 315.9 | 39.9 | 12.3 | 10.4 | 11.9 | 1.5 | 296.7 | 341.9 | 43.2 |
| 1995-96 | 286.2 | 320.6 | 39.5 | 13.3 | 9.7 | 10.8 | 1.3 | 309.1 | 346.3 | 42.7 |
| 1996-97 | 297.5 | 322.9 | 38.7 | 13.3 | 5.2 | 5.6 | 0.7 | 316.0 | 343.0 | 41.2 |
| 1997-98 | 305.1 | 322.0 | 37.3 | 13.3 | 4.4 | 4.6 | 0.5 | 322.8 | 340.7 | 39.5 |
| 1998-99 | 312.7 | 320.7 | 36.4 | 14.5 | 3.8 | 3.9 | 0.4 | 331.0 | 339.4 | 38.5 |
| 1999-00 | 323.5 | 323.5 | 35.8 | 14.6 | 2.6 | 2.6 | 0.3 | 340.7 | 340.7 | 37.7 |
| 2000-01 | 349.4 | 341.7 | 36.9 | 15.0 | 7.3 | 7.1 | 0.8 | 371.6 | 363.5 | 39.3 |
| 2001-02 | 366.8 | 350.0 | 37.0 | 15.4 | 10.6 | 10.1 | 1.1 | 392.9 | 374.9 | 39.7 |
| 2002-03 | 384.5 | 358.0 | 37.1 | 15.9 | 15.0 | 14.0 | 1.5 | 415.4 | 386.7 | 40.1 |
| 2003-04 | 404.3 | 367.1 | 37.2 | 16.3 | 19.0 | 17.3 | 1.8 | 439.6 | 399.2 | 40.5 |

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