

Interim Policy Update

Spending Review – 20th October 2010



Introduction

The chancellor of the exchequer, George Osborne has announced the **Spending Review**¹, a document which fixes spending budgets for each government department up to 2014-15. The Spending Review is a Treasury-led process to allocate resources across all government departments, according to the government's priorities. Spending Reviews set firm and fixed spending budgets over several years for each department. It is then up to departments to decide how best to manage and distribute this spending within their areas of responsibility. The document usually covers a three-year period, however, this document covers the four-year election period of the coalition government.

Spending Review 2010

Items of relevance to the learning and skills sector include:

Learning and Skills Sector/BIS

- Over the four years of the Spending Review period, the Department for Business, Innovation and Skills (BIS) will reduce its resource budget by 25 per cent. Taking into account anticipated receipts, the cut to capital spending by 2014-15 will be 44 per cent. The Department's Administration budget will be reduced by 40 per cent, including savings from abolition of the RDAs. The average annual savings will equal 7.1%, however, the decline in funding becomes steeper over the spending review period.
- The Further Education resource budget will be reduced by 25%, or £1.1billion, from £4.3 billion to £3.2 billion by 2014-15.
- BIS will increase adult apprenticeship funding by £250 million a year by 2014-15 creating 75,000 additional places.
- The participation age will rise to 18 by 2015.
- Additional places will be provided for participation in 16 to 19 learning.
- BIS will abolish Train to Gain and replace it with an SME² focused training programme.
- Funding for English for Speakers of Other Languages (ESOL) for people not in settled communities will be abolished in 2012.

¹ http://www.hm-treasury.gov.uk/spend_index.htm

² The BIS website defines SMEs as 'companies with fewer than 500 employees which have an annual turnover not exceeding €100m and/or with an annual balance sheet total not exceeding €86m'.

<http://www.bis.gov.uk/policies/innovation/business-support/rd-tax-credits/sme-large-company-schemes>

Interim Policy Update

Spending Review – 20th October 2010

- Education Maintenance Allowances are to be replaced with ‘more targeted support’.
- The entitlement to free training for a first full level 2 qualification is being removed for those over 25. Further education students aged 24 and over studying for a level 3 qualification (A-level equivalent) will be asked to pay fees. These students will be supported by the offer of a government-backed loan where repayments will be dependent on the learner’s income.
- Adult learners and employers will be expected to contribute more to the cost of further education.
- BIS will continue to support basic skills provision in basic numeracy and literacy skills.
- Spending on Adult Community Learning will be protected and ‘reformed’.
- BIS will seek to ‘reduce the complexity and bureaucracy that hampers providers from responding to community needs’.
- BIS will manage the reductions in resource spending by reforming Higher and Further Education funding which will deliver broadly 65 per cent of BIS resource savings; efficiencies will deliver around a further 25 per cent and the remainder of resource savings, around 10 per cent, will be achieved by cancelling lower priority activities.
- BIS will reduce spending on administration by £400 million a year by 2014-15. The number of Arms Length Bodies will be reduced from 57 to 33, with 9 still under consideration.

Department for Business, Innovation and Skills

Table 2.9: Department for Business, Innovation and Skills

	£ billion				
	2010-11	2011-12	2012-13	2013-14	2014-15
Resource DEL ¹	16.7	16.5	15.6	14.7	13.7
Capital DEL	1.8	1.2	1.1	0.8	1.0
Total DEL	18.6	17.6	16.7	15.5	14.6
Departmental AME	1.5	1.4	1.4	1.4	1.4

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

Schools/DfE

- A 33% reduction in real terms by 2014-15 from the department's administrative budget. This will be achieved by closing NDPBs, reducing headcount, reducing the costs of the DfE estate and cutting ‘non-essential’ expenditure.
- Overall resource savings in DfE’s non-schools budget of 12 per cent in real terms by 2014-15, contributing to overall DfE savings of 3 per cent in real terms.

Interim Policy Update

Spending Review – 20th October 2010

- Schools budget to rise from £35bn to £39bn.
- An extension from 2012-13 to 15 hours per week of free early education and care for all disadvantaged two year old children.
- A £2.5 billion pupil premium targeted on the educational development of disadvantaged pupils.
- Real term increases of 0.1 per cent in each year of the Spending Review for 5 to 16 year olds.
- Capital spending will be reduced by 60% in real terms by 2014-15. The average annual capital budget over the period will be higher than the average annual capital budget in the 1997-98 to 2004-05 period. £15.8bn to rebuild or refurbish over 600 schools over the spending review period.
- Sure Start services will be maintained in cash terms, including new investment in Sure Start health visitors.
- Sure Start will be refocused on its original purpose of improving the life chances of disadvantaged children.

Department for Education

Table 2.1: Department for Education

	£ billion				
	2010-11	2011-12	2012-13	2013-14	2014-15
Resource DEL ¹	50.8	51.2	52.1	52.9	53.9
Capital DEL	7.6	4.9	4.2	3.3	3.4
Total DEL	58.4	56.1	56.3	56.2	57.2
Departmental AME	2.2	2.7	3.3	3.7	4.2

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

Higher Education

- Overall resource budget for Higher Education, excluding research funding, will reduce from £7.1 billion to £4.2 billion, a 40%, or £2.9 billion, reduction by 2014-15. The Department will continue to fund teaching for Science, Technology, Engineering and Mathematics (STEM) subjects.
- HEFCE teaching funding to be reduced from 2012/13 academic year.
- A National Scholarship fund of £150 million a year by 2014-15 for students on the lowest incomes.
- Reform of the higher education sector to shift a greater proportion of funding from the taxpayer to the individuals who benefit.

Interim Policy Update

Spending Review – 20th October 2010

- Part-time students eligible for loans to cover the full cost of their tuition, on the same basis as full time students

Local Government

- Overall savings in funding to councils of 7.1% a year for four years – except simplified school grants, and a public health grant.
- DCLG will set out plans to implement the first phase of Community Budgets in 16 areas from April 2011, by pooling departmental budgets at source for 16 places, ‘to tackle families with complex needs’, with the intention that all areas will be able to take this approach from 2013.
- End and rationalise a range of centrally directed programmes and instead streamline funding for the most vulnerable children and families in a new Early Intervention Grant to ensure local authorities have greater flexibility
- Ring-fencing of all local government revenue grants will end from April 2011.
- Pioneer plans to enable councils to pool budgets to better tackle social problems and freeing councils to borrow against future revenue in order to invest

Local Government

Table 2.7: Local Government

	£ billion				
	2010-11	2011-12	2012-13	2013-14	2014-15
Resource DEL ¹²	28.5	26.1	24.4	24.2	22.9
Capital DEL	0.0	0.0	0.0	0.0	0.0
Total DEL	28.5	26.1	24.4	24.2	22.9
Departmental AME	0.5	0.5	0.5	0.5	0.5

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

² LG DEL includes funding for police and fire authorities. Excluding these contributions LG DEL for councils will fall by 28 per cent

DWP

- Pension age to increase to 66 by 2020.
- DWP will withdraw child benefit for families with a higher rate tax payer.
- DWP will replace all working age benefits and tax credits with a single Universal Credit delivering savings of £7 billion a year by 2014-15.
- DWP will cap household benefit payments from 2013 at around £500 per week for couple and lone parent households and around £350 per week for single adult household ‘so that no family can receive more in welfare than median after tax earnings for working households’. All Disability Living Allowance claimants, War Widows and working facilities claiming the working tax credits will be exempt from the cap.

Interim Policy Update

Spending Review – 20th October 2010

- DWP will reduce the childcare element of working tax credits that parents can claim from 80 per cent to 70 per cent.
- Personalised back-to-work support through the Work Programme for the long term unemployed and disabled people, delivered by private and third sector specialists.
- Expand use of personal budgets for special education needs, children with disabilities and long-term health conditions.

Department for Work and Pensions

Table 2.21: Department for Work and Pensions

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

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

Voluntary Sector

- Pay private and voluntary sector providers by results for delivering reductions in reoffending.
- £100 million transition fund for the voluntary and community sector facing hardship.

Other

- Reduction in total public sector headcount of 490,000 over the Spending Review period – anticipated from natural turnover of approx. 8% and leaving posts unfilled as they become vacant and some inevitable redundancies.
- Regional Growth Fund of £1bn is to be extended to three years and to £1.4 billion.
- Additional allocations to support Big Society, establish community organisers and launch the pilots for the National Citizen Service.
- DCLG overall resource budget to be reduced to £1.1bn.

Interim Policy Update

Spending Review – 20th October 2010

Next steps:

- Each government department is to publish:
 - vision and priorities to 2014-15;
 - a structural reform plan, including actions and deadlines for implementing reforms over the next two years; and
 - the key indicators against which it will publish data to show the cost and impact of public services and departmental activities. This section will be published for consultation to ensure that the government agrees the most relevant and robust indicators in time for the beginning of the Spending Review period in April 2011.
- Government to publish a reform White Paper early in the New Year.

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© LSIS October 2010

Published by the Learning and Skills Improvement Service (LSIS).

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