



Spending Review 2010

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Spending Review

Background

This initial briefing sets out the Government's framework for the 2010 Spending Review and opportunities to contribute to the consultation.

The Government has identified tackling the UK's large deficit as the key priority for this Parliament and has outlined its approach to the 2010 Spending Review. This review will run from now until the Autumn, and will set spending limits for all government departments for the period 2011/12 to 2014/15. There will be opportunities to input into the consultation, primarily from August: the timeline is outlined in this briefing.

There is no doubt that there will be significant reductions in spending over the next five years, but this Spending Review does present an opportunity for the VCS to engage with government on priorities. NCVO will be responding to proposals as they emerge, and we encourage member organisations to make individual submissions. Details of how this process will work should become clearer in the coming weeks.

This review intends to go beyond cutting spending and setting budgets, and to thoroughly examine the Government's role in providing public services. The Government's stated objective is to protect frontline services, whilst driving up public sector productivity and delivering better value for money.

There are three central elements to the Government's plan to tackle the deficit:

1. "Thinking innovatively about the role of government in society"
2. "Taking the difficult decisions collectively"
3. "Consulting widely using all available talents to ensure that we deliver a stronger society as well as a smaller state".

For more information on the Spending Review, to raise questions about this briefing or to share your views on the Government's proposals, please contact James Allen on 020 7520 2475 or james.allen@ncvo-vol.org.uk

Timeline

May 2010 – Election and announcement of £6.2bn in 2010/11 spending cuts

8 June 2010 – Spending Review approach published

22 June 2010 – Budget

July 2010 – Initial Ministerial discussions to decide priorities

August 2010 – External engagement programme

Autumn 2010 – Ministerial discussions on departmental settlements

Autumn 2010 – Cabinet signs off on PEX (Public Expenditure Committee) and Ministerial decisions

Autumn 2010 – Spending Review released
November/December 2010 – Likely date for the Pre-Budget Report

Consultation

The key opportunity to input for the VCS will be from August onwards. The Government has made a well publicised commitment to consult widely on its proposals. This will give the sector the opportunity to make representations to government on how spending cuts will impact. The process to engage organisations is likely to begin in the coming weeks.

The Government is seeking to consult experts from the public sector and more widely and will be holding a number of events throughout the summer. These will include discussions on localism and how to distribute power, on major areas of spending and on welfare reform. Invitees will include think tanks, academics, local government, business, trade unions and others. We will be pushing for a full representation of the VCS in these meetings.

The approach to the Spending Review

The Government is using this review as an opportunity for strategic discussion around the role of government in society. It is looking to deliver fundamental change in the drive for efficiency, by driving down the cost of governmental operational delivery as well as cutting out waste. This review calls on government departments, local government and delivery partners to “consider fundamental changes to the way they provide vital services”. This includes the use of more targeted interventions, using a greater range of service providers, challenging state monopolies, exploiting synergies between delivery models and thinking about how to shift power, funding and accountability to individuals and the frontline.

The Government intends to reform the welfare system and restrain the cost of public sector pay and pensions. The Government is committing to looking particularly at the effects of decisions on different groups and on different regions of the UK.

The review will establish a ‘Star Chamber’ – the Public Expenditure Committee (or PEX) of key Cabinet Ministers to examine, and advise government on these issues. The key issues for the PEX to consider are:

1. The approach to cross-cutting issues, including public sector pay and pensions and local government spending. Departments are also being encouraged to make joint submissions to the Spending Review on cross-cutting issues.
2. Key departmental objectives to ensure that sufficient prioritisation is taken whilst spending is cut and that the frontline is protected.
3. Strategic issues, e.g. welfare reform.

There are a number of independent reviews that will inform spending decisions. A full list of reviews is available as part of the Spending Review document, but the Local Government Finance Review is likely to impact in particular on the VCS.

Criteria to ensure value for money

The Government has laid out the following criteria to assess value for money:

- Is the activity essential to meet government priorities?
- Does the Government need to fund this activity?
- Does the activity provide substantial economic value?
- Can the activity be targeted to those most in need?
- How can the activity be provided at lower cost?
- How can the activity be provided more effectively?
- **Can the activity be provided by a non-state provider or by citizens, wholly or in partnership?**
- **Can non-state providers be paid to carry out the activity according to the results they achieve?**
- **Can local bodies as opposed to central government provide the activity?**

The last three questions (highlighted in bold) clearly present important opportunities for the VCS to input into the consultation. There are important debates around these particular areas – for example, in how best to balance the drive for payment by results with the desire to have a full range of organisations involved in delivering public services?

We will be stressing to government the importance of putting the right delivery, support and funding mechanisms in place to allow the VCS to play a full role in delivering change in public services.

Scope of the review

This review will set departmental expenditure limits (DEL) for all departments and will also cover significant parts of Annually Managed Expenditure (AME). AME items refer to those where the Exchequer as a whole takes the risk, for example in social security, tax credits and public sector pensions.

The review will examine capital spending and will prioritise projects that are expected to generate the largest economic returns. Departments are obliged to consider how they can manage assets more effectively and to consider privatisation or contracting out assets. Departments will report on where funding allocations should be set on a more long term basis (beyond the life of this Parliament) in the interests of certainty for service providers, users and investors. The unit cost of delivering services will be benchmarked across historical data, internationally and with the private sector.

As part of the 'Big Society' ambitions, local government will have increased financial autonomy and this Spending Review intends to simplify funding and to reduce central reporting requirements. The Review will also set funding for the devolved administrations.