

SPENDING REVIEW – ON THE DAY BRIEFING
20.10.2010

1. Narrative

Top Line: A Hard road to a fairer, more prosperous Britain.

Why? Economic: freeing nation of debt and the waste of interest payments;

Right thing - because we want to wipe the slate clean for the next generation

How? In a way that is fairly spread, and in a way that promotes future fairness and future prosperity

Lib Dem angle: A Spending Review with Lib Dem priorities written through it.

This is our CSR: there is a Liberal Democrat approach hard-wired into it.

It was a coalition process, with full involvement from Lib Dem Ministers, and is a coalition product.

Lib Dems can be proud of the way the Spending Review, while difficult, is:

- **Pro-fairness:** £7 billion ‘fairness premium’ including £2.5 billion PP; the burden of the cuts shared evenly across society; NHS protected; DfID pledge
- **Pro-growth:** capital/infrastructure investment (Crossrail, HSR etc); science (inc new centres); HE (protecting knowledge base)
- **Pro-green: £1 billion** for GIB; public transport investment; CCS pilots; feed-in tariffs, a funded Renewable Heath Incentive, a ports competition to encourage an offshore wind manufacturing industry and continued contributions of £2.9bn to international climate change finance.

We can also be proud of a Defence Review that has made strategic decisions that protect our troops in the front line, investing in protecting ourselves from new threats

2. The Economic Case

Labour left this country on the brink of an economic abyss. The Coalition Government inherited the largest deficit of our peacetime history – and the largest structural deficit in Europe. **We inherited a financial car crash.**

- £120 million per day spent on debt interest payments
- One pound in every four the government spends is borrowed.
- Vince Cable warned of the dangers of personal debt and excess in the banking industry.

Delayed pain would be greater pain for longer:

- Labour's plans would mean debts still rising and would require higher taxes or more cuts to pay the extra debt costs.
- Reducing the deficit according to the Government's plans will save £4bn in additional interest payments by 2014-15.
- Quicker action has built economic confidence, and has kept debt and interest payments lower, reducing the cost of action overall.

In support of our actions:

- IMF Article 4 states: "The government's strong and credible multi-year fiscal deficit reduction plan is essential to secure debt sustainability."
- The CBI stated in June that "The Chancellor has achieved his twin objectives of setting out a credible plan for the public finances and producing a convincing strategy for the longer term."
- Average expectation of growth from independent forecasters is for the economy to grow at a rate of 1.5% this year, picking up to 2% next year.

Economic growth and consolidation need to go hand in hand – it's not a choice between one or the other.

At the end of this deficit reduction plan, public spending will still be 41% of GDP – the same level it was in 2006-2007.

3. These are Labour's Cuts

Labour planned £48 billion of public spending cuts while they were still in Government – but gave no details of where their cuts would fall.

This Spending Review sets out £47 billion pounds of cuts to departmental spending. The rest of the deficit reduction plan come from welfare reform and tax rises – these are Labour's cuts.

If Labour spokespeople oppose our measures they should be challenged to outline what they would cut instead.

2. Key Themes

a. Fairness

This Spending Review invests in **fairness for the future** by changing the life chances of our poorest children.

The Fairness premium will provide extra resources for children from their first pair of shoes until they get their first job. The extra support comes from:

- **£300m early years premium** – 15 hours early education and care from the age of two
- **£2.5bn pupil premium** – to provide extra resources to support the needs of children from poorer backgrounds
- **£150m Higher Education scholarship**

Giving this country's poorest children the best start in life is the most effective way to lift them out of poverty and help them achieve their full potential.

Fairness for all. This government did not have a choice about the deficit it must now tackle, but it does have a choice in where the burden of public spending reductions will fall.

- **This government has made sure that those with the broadest shoulders bear the greatest burden.** The best off will contribute more to this consolidation not just in cash terms, but also as a proportion of their income and consumption of public services.
- **Radical reform to the welfare system** will remove poverty traps and make work pay.
- £560 m of welfare savings will be recycled into Child Tax Credit – so the Spending Review will have **no measurable impact on Child Poverty to 2012-13.**
- **Tackle Tax Evasion and Fraud** – so that everyone pays their fair share. HMRC will have £900m in extra resources, to help them bring in an additional £7bn per year by the end of the Spending Review.
- **Make the banks Pay their fair share:** by introducing a Bank Levy that will raise £2.5bn per year. We'll also make them play fair by ensuring they sign up to a Code of Practice by the end of November.

b. Growth

This spending review has taken decisions that lay the foundations for sustainable growth.

Instead of relying on rising public spending and growing public debt, we have invested in capital, transport, science and education – things that will help rebalance the economy and support jobs, exports and enterprise.

- Capital spending will be higher in each of the four years than under Labour's plans – to support the country's economic infrastructure
- £10bn for high value transport investment in roads on regional and local schemes: including the Mersey Gateway Bridge, £14bn for Network Rail, £6bn for Tube upgrades and funding Crossrail.
- Science resource spending maintained in cash terms – to preserve the UK as a world-class centre for research and development.
- Invest in adult apprenticeships – spending £250m per year by 2014-15
- A £1bn Regional Growth Fund to help ensure a more rebalanced economy

c. Reform

The last Government showed us that centralisation and top-down control has failed. The only way to build a fair, free and responsible society is to redistribute power and allow all parts of society to play their part.

Decentralisation – this government will give back powers to local government, communities, frontline staff and individuals:

- Grants to local authorities will reduce from 90 to less than 10. **Councils will gain more than £7bn in additional flexibility** by removing ring fences from grants and rolling them into formula.
- The first wave of **community budgeting will be rolled out in 16 areas**, joining up budgets locally to effectively tackle difficult issues like families with complex needs
- **Personal budgets will be extended** – in areas such as adult social care, special educational needs and long term health conditions.

Radical reform helps get more for less money – in important areas like Social housing

The spending review announces a new model for future social housing that should deliver up to 150,000 new affordable homes in the next four years. More than Labour delivered in their first two terms of office.

The reforms will make social housing available to thousands more families than would otherwise have been possible, as well as increasing flexibility for councils and housing associations and helping reduce long-term dependency.

The reforms also mean we are able to protect security of tenure for existing tenants and for the majority of new tenants – those who need it most.

By reducing the capital subsidy for new homes, and introducing more flexibly tenancies nearer market rents, it's possible for Housing Associations to borrow more to invest in more social housing.

If we had not brought forward these reforms, we would not have been able to afford to build significant numbers of new affordable homes and many more families would have suffered.

d. Green

The Spending Review ensures the UK can meet environmental goals more efficiently, while remaining on track to meet carbon and renewable energy targets.

It will enable the private sector to drive the transition to a green economy:

- The **Green Investment Bank**, capitalised with £1bn of DEL spending allocation and additional significant further proceeds from asset sales, will unlock substantial new private investment in green infrastructure projects such as offshore wind farms.
- Up to £1bn of public funding for one of the world's first **carbon capture and storage** demonstration competitions will end years of uncertainty under the previous Government.
- Reducing burdens on business by scrapping the overly-complex Renewable Heat levy and instead **funding support for renewable heat directly** from public spending.

Alongside these new public investments, the forthcoming consultations on reform of the electricity market and reforms to the Climate Change Levy will provide the clear and stable framework business needs to invest in secure, low-carbon energy.

The implementation of a “Green deal” will deliver energy efficiency to homes and business – delivering a framework including potential incentives to energy suppliers and households that will transform the provision of energy efficiency in the UK by enabling a ‘pay as you save’ approach.

e. **Banking**

Despite Labour saying it couldn't be done, this Coalition Government has unilaterally introduced a levy on bank balance sheets and made it permanent.

Legislation to put that levy on the statute book will be introduced this week. Other nations are now following our lead.

We have committed to increased disclosure remuneration, and are also actively considering a Financial Activities Tax on banks.

And we will demand that the banks must play by all the rules. We discovered that under Labour just four banks signed up to abide the Governments Code of Practice to prevent tax avoidance. We shall require them all to do so by next month.

Alan Johnson now says he wants a new tax on bonuses – but that it can only happen with international agreement. And he has already allocated the proceeds twice - First it was to reduce the deficit, now it is for more spending.

f. **Older People**

At the Emergency Budget in June this government restored the pensions link with earnings. In this Spending Review the government is preserving key benefits for old and vulnerable people including:

- Providing an additional 2.1bn per year to social care –and breaking down the barriers between health and social care by ensuring the NHS budget has a line dedicated to Social Care.
- Maintaining Winter Fuel Payments, free eye tests, prescriptions, concessionary bus passes and TV licences
- Making Cold Weather Payments £25 per day on a permanent basis

The coalition government made a decision to keep the Winter Fuel Payment. Means testing winter fuel payment would have meant excluding up to 1.6 million poor pensioner who are currently entitled to Pension Credit but do not take it up.

g. **Young People**

i. **Schools and Early Years**

Disadvantaged two year-olds will have an entitlement to 15 hours a week of pre-school education, in addition to the 15 hours already available to them at three and four years of age. By offering more help at an earlier age to the most disadvantaged children, we will directly tackle the gaps in attainment that open up in the critical early years of life. This additional early years investment will amount to £300 million a year by 2014-15.

The introduction of a Pupil Premium to help poorer pupils wherever they live in the country. Schools will receive additional funds to offer targeted help to every pupil eligible for free school meals and reduce educational inequalities.

By the end of the Spending Review period, this pupil premium will grow to an additional £2.5 billion of investment each year.

ii. Young People

By getting the public finances right and getting the economy moving we are creating opportunities for young people.

We will no longer use bribes like EMA to persuade young people to stay in education – but some resources will be available at a local level to provide help and support for those that need it most.

In FE we will focus on quality not quantity. Creating a fee-loan system will ensure people take up places on courses that help them get ahead in the jobs market. This is the fairest option given the lack of resources and will make sure everyone can get qualifications and only pay for their training when they can afford to.

iii. Higher Education

A fairness premium will help ensure young people from low income backgrounds can afford to go to university.

It has been a difficult decision to consider changes to allow tuition fees to rise – but under Browne's proposals, poorer students will pay less, wealthier ones will pay more and the income level at which graduates start to repay their loans will rise.

The government hasn't reported back yet with its response to the review, but given the lack of money available, the priorities are ensuring that every young person with talent get the opportunity to study for a degree, and that our Universities are able to thrive.

h. Jobs

The Office of Budget Responsibility estimates that the public sector could be reduced by up to 490,000 jobs by the end of this consolidation.

However, it also estimates that private sector jobs could grow by 2 million – as a direct result of the actions we are taking to boost growth and get spending under control. In recent months, employment has risen sharply - in the second quarter of this year, over 300,000 private sector jobs were created.

Because we have already taken tough decisions on pay pensions and structural reform this will also help minimise the number of jobs losses.

- The emergency budget announced a 2 year pay freeze except those earning under £21k, who will receive at least £250 per year
- The pay freeze will save £3.3 bn by 2014-15
- As recommended by Hutton, the Spending Review will implement progressive changes to the level of public sector employee pensions that will lead to additional savings of £1.8bn per year by 2014-15.

Because some areas may be more vulnerable to public sector job losses,

- The £1.4 bn **Regional Growth Fund** will be used to support projects that show potential for growth and job creation in the private sector
- The Government will **monitor public sector workforce planning closely**, so that there can be early intervention in areas that could be impacted by decisions from more than one government department.

i. Regions

This Government is committed to rebalancing the economy. In particular, it is determined to remove barriers and provide focused support to ensure that all places can realise their growth potential by:

- Stimulating private sector growth in all regions
- Providing local areas with incentives and powers through devolution and
- Supporting appropriate infrastructure

Stimulating private sector growth in all regions

Sub-national growth white paper – due for publication next week will outline in more detail initiatives to support growth locally including:

- £1.4bn regional growth fund over the first 3 years of the Spending Review- providing support for projects that offer significant potential for sustainable economic growth and can create new private sector employment, particularly in those areas currently dependent on the public sector.
- Tax Increment Financing- which will enable Local Authorities to borrow against locally raised business rates
- Local Enterprise Partnerships will provide the strategic leadership in their areas to set out local economic priorities. LEPs will play a pivotal role in

delivering on the Government’s aim for an economy rebalanced towards the private sector.

Providing local areas with incentives and powers through devolution

The Government is clear of the need to incentivise all areas to go for growth, by ensuring that local communities stand to benefit.

That why this spending review devolves power to local communities to give providers and citizens more power to shape public services in line with local priorities. Local Government is given greater control over its spending and excessive bureaucracy and regulation are reduced.

Supporting appropriate infrastructure

A bottom up assessment of capital spending has been done to prioritise the most valuable capital investment for economic growth, including enhanced regional transport and support for low-carbon energy and climate change adaptation, including the Green Investment Bank which will provide financial support for green infrastructure projects. Examples of key regional capital investments are provided below:

The North East	<ul style="list-style-type: none"> • East coast – improvements to East Coast Main Line • Nexus – refurbish the Tyne and Wear metro. This represents a £350m investment in infrastructure over 11 years; and • Enhancements to the Tees valley bus network
The North West	<ul style="list-style-type: none"> • Manchester - Rail capacity improvements • Mersey Gateway Bridge – new suspension bridge over the River Mersey between Widnes and Runcorn that will relieve serious congestion pressure on the existing Silver Jubilee Bridge. • Redevelopment of West Cumberland hospital • £44 million for a Women’s and Children’s Unit at the Royal Oldham Hospital, in Greater Manchester to provide the highest level of neonatal intensive care
Yorkshire and Humber	<ul style="list-style-type: none"> • M62 – hard shoulder running and variable speed limits between junctions 25 and 30 will relieve congestion which will include the use of hard shoulder running. • Leeds station – new southern entrance to create a faster, accessible route to the south of the city centre from the station • Sheffield to St Pancras – line speed improvements
East Midlands	<ul style="list-style-type: none"> • A46 – improvements between Newark and Widmerpool • M1 – replacing a viaduct carrying the M6 over the M1 • M1 – hard shoulder running and variable speed limits between junctions 10 and 13
West Midlands	<ul style="list-style-type: none"> • HS2 – new high speed rail link from London to Birmingham, and then direct to both Manchester and Leeds • Midland metro – Extension of the Midland Metro to Birmingham New Street station and upgrading the rolling stock fleet to provide additional capacity. • Birmingham New St Station upgrade will secure wider economic and

	<p>regeneration benefits for the area.</p> <ul style="list-style-type: none"> • Featherstone new build prison
East of England	<ul style="list-style-type: none"> • Funding for a new building at the Laboratory for Molecular Biology in Cambridge • A11 – upgrading the remaining section to provide a continuous dual carriageway link between Norwich and the M11 • M1 – to relieve congestion and improve journey time reliability between Junctions 10 and 13
London	<ul style="list-style-type: none"> • Crossrail – a new line linking East and West London providing an additional 10% to London’s rail capacity • £220 million funding for the UK centre for Medical Research and Innovation. • Transport for London – Continued funding will help support the tube upgrade programme which will increase capacity by 30% in 2020. • Olympics will help to transform East London: five major new sporting venues for elite and community use, an initial 2,800 new homes, and an estimated 8,000-10,000 new jobs on the Park.
South East	<ul style="list-style-type: none"> • £100m upgrade of Pirbright Laboratory, Guildford researches on exotic viruses, and diseases such as foot and mouth and bluetongue viruses, helping to safeguard UK livestock industries, worth £8bn pa. • £69 million to support phase 3 of the Diamond Synchrotron project in Oxfordshire to support ground breaking research into life, physical and environmental science • M25 – widening from junctions 16 to 23, and 27 to 30 • A £230m refurbishment, and new build for Epsom and St Helier University Hospitals to modernise local health services in the area
South West	<ul style="list-style-type: none"> • Yeovil - £32 million support for Augusta Westland civil rotorcraft design & manufacture • M5 – improving junction 29 east of Exeter and adding bus priority measures on the old A30 • M4/M5 – to relieve congestion and improve journey time reliability by hard shoulder running and variable speed limits north of Bristol • Taunton – a new road north of the town to relieve congestion

j. Scotland, Wales and Northern Ireland

Scotland – territorial Budget will decrease in real terms by 6.8% by 2014-15

Wales – territorial budget will decrease in real terms by 7.5% by 2014-15

Northern Ireland – territorial budget will decrease in real terms by 6.9% by 2014-15

All three do better than flat cash over the period – Wales and Northern Ireland rise by over £200m in cash terms, and Scotland £600m.

In whole numbers, all three face a real cut of 7% resource over the period – compared to the UK average of 8%.

Capital spending in all three falls faster than the UK average – this reflects in part commitments such as on defence which benefit the whole of the UK.

Other Announcements by Nation

Wales

- Depending on the outcome of the forthcoming referendum, the Government will consider with the Welsh Assembly Government the proposals in the final Holtham report, consistent with the work being taken forward in Scotland following the Calman Commission.
- The Government is supporting investment to improve journey reliability on Great Western Main Line services to Wales. No DfT decision yet on rail electrification to Swansea.
- Investment in the M4/M5 interchange will reduce journey times to and from Wales.
- Funding agreed for a package of rail capacity improvements on the Barry to Cardiff corridor.
- £13bn PFI contract for the Future Strategic Tanker Aircraft programme will continue. This includes Airbus UK in Broughton, Wales where the wings will be manufactured.
- RAF base Valley, on Anglesey will remain in service.
- Wales will potentially benefit from the Green Investment Bank and from the Renewable Heat Incentive Scheme.

Northern Ireland

- We're meeting in full the £200m package requested by the NIE to ensure a fair and just resolution for the Presbyterian Mutual Society
- We have reaffirmed our commitment to the £800m financial package underpinning the devolution of policing and justice
- We'll continue to provide lending to the NIE through the Reinvestment and Reform Initiative at £200m a year

Scotland

- We're meeting our commitment to review the fossil fuel levy surplus and offering an additional £250m from the Green Investment Bank if SE draw down their surplus to spend on renewables.
- A £5.2bn project for two new Queen Elizabeth class aircraft carriers will continue to be funded by MOD. This will benefit 7000 employees at shipyards on the Clyde and Rosyth
- The astute submarines programme will continue. Seven submarines will be based at HM Naval Base Clyde as they enter service over the next decade.
- The Government will introduce reforms to improve Scotland's financial accountability following the Calman Commission on Scottish Devolution.
- The Government will pursue superfast broadband pilot projects, including the Highlands and Islands, benefiting thousands of households in this area.

3. Welfare

We are reforming welfare to ensure work pays and those most in need get the help they need. Liberal Democrats have long campaigned for welfare reform to ensure it helps people to get on in life instead of trapping them in poverty; that is what this change will do.

We have had to make difficult decisions but welfare accounts for a huge proportion of government spending and every pound saved here meant less cuts in departmental spending. We have ensured the most vulnerable are protected and that there is no impact on child poverty as a result of our reforms.

Specific Measures

1. Permanently increase Cold Weather Payments to £25 (£50m in 2014-15)

Cold Weather Payments are made to low income households to help them with heating costs during spells of extreme cold weather. These were previously worth £8.50 per week, but were increased to £25 in 2008-09 and 2009-10. This measure permanently increases them to £25.

2. Funding to continue temporary Support for Mortgage Interest rule changes beyond January 2011 (£70m in 2011-12)

The previous administration introduced three changes to the Support for Mortgage Interest scheme to help homeowners during the recession: The waiting period for new working age claimants was reduced from 39 to 13 weeks to ensure newly unemployed received support promptly; The limit on mortgage capital eligible for support was increased from £100,000 to £200,000 to help claimants with higher mortgage costs; A two-year time limit was set for new claimants claiming through JSA.

The first two were introduced as temporary measures but no firm end date was publicly announced. However, agreed funding expires on January 4th 2011. This measure will continue this policy for a further year.

3. Universal Credit (-£1,025m in 2014-15)

Fundamental reform of the tax credit and out of work means tested benefits system, migrating claimants to the new Universal Credit system from 2013/14.

This is an essential reform to ensure work pays and that the benefits system helps people out of poverty. We will ensure there are no cash losers from the policy change; we will continue to develop the details of the proposals in time to introduce Universal Credit in 2013/14.

4. Time limit contributory ESA for those in Work Related Activity Group (WRAG) to 1 year - (£2bn in 2014-15)

New claimants will be time limited to 1 year contributory ESA including the assessment phase. When the legislation comes into force in 2012, individuals who have already received a year or more of contributory ESA would immediately have their eligibility removed. Time limiting contributory ESA for this group will improve work incentives while protecting the most severely disabled and those with the lowest incomes.

It is right that, as with Jobseekers' Allowance, people who can support themselves do not get benefits in perpetuity.

5. Extend the age threshold for the Shared Room Rate in Housing Benefit from 25 to 35 years (£215m in 2014-15)

The Shared Room Rate currently applies to single people aged under 25 years old living in the private rented sector who receive Housing Benefit under the Local Housing Allowance rules. These claimants are restricted to the rate for a single room in a shared house, rather than the rate for a self-contained one bedroom property. Claimants in receipt of the severe disability premium in HB are exempt. This measure will increase the age limit of the SRR to cover all single people aged less than 35 years old, subject to the same exemptions.

Many younger people who are in work can only afford to rent a room in a shared house or flat. At a time when money is tight it is not right to subsidise those who are not working into accommodation that their working peers could not afford.

6. Household welfare cap (£270m in 2014-15)

Limits maximum household welfare payments to no more than the average family gets by going out to work this is roughly equivalent to £500/week for workless couple and lone parent households, and £350/week for workless single people. All benefits and Child Tax Credit are included. Disability Living Allowance claimants and War Widows Pension claimants will be exempt from the cap. "Workless households" are

defined as households with no-one working enough hours to be eligible for Working Tax Credit.

It is right that those who are not working should not have higher incomes than their peers who are in work, with the exception of those who have high claims because family members are disabled.

7. Cease paying DLA mobility component to people in residential care (£135m in 2014-15)

DLA care and mobility components are generally not paid when a claimant is admitted to a hospital or similar institution, but the care component only is not paid when a person is admitted to a residential care home funded by the local authority. The claimant retains an underlying entitlement to DLA during their stay and payments can resume from the date they are discharged. This rule is applied to ensure that payment is not made twice from public funds to meet the same need. The proposed policy is to stop payment of the mobility component upon admission to a care home. Those who self-fund their own care would be unaffected by the change.

8. Localisation of Council tax benefit (CTB) from 2013-14 with a reduction of expenditure by 10% (£450m in 2014-15)

Transfer of CTB to local authorities with devolved consequentials, with a reduction in CTB expenditure of 10%. CTB expenditure will be transferred to DEL with CTB replaced with a localised rebate scheme.

9. Freezing the maximum Savings Credit award from 2011-14 (£330m in 2014-15)

The proposal is to freeze the Savings Credit award until 2015, after which it will increase by prices.

10. Remove Child Benefit from households containing at least one higher rate taxpayer (no taper) (£2,500m in 2014-15)

This policy was announced on the 5th of October. Child Benefit will be withdrawn from households containing at least one higher rate taxpayer. Claimants can choose to 'opt out' of Child Benefit which would mean that payments would stop at the beginning of the next tax year. Alternatively, households can continue to receive Child Benefit and then have Child Benefit payments withdrawn retrospectively through PAYE and SA from the higher rate taxpayer.

11. Change Working Eligibility rules in tax credits so that couples with children must work 24 hours between them to qualify for WTC (£390m in 2014-15)

Couples with children can currently claim WTC when one partner works 16 hours per week. This option would mean that couples couldn't access WTC unless they worked at least 24 hours (combined) with at least one partner working 16 hours per week.

12. Freezing the 30 hour element and the basic elements of Working Tax Credit (WTC) (£625m in 2014-15)

The basic element of WTC provides additional financial support for low-income in-work families. The 30 hour element provides additional support for households without children where at least one partner works 30 hours or more and for couples with children, where they work at least 30 hours between them with one working at least 16 hours. Both elements will be frozen from 2011-12 for three years.

13. Reduce childcare element of WTC from 80% to 70%, restoring 2006 rate (£385m in 2014-15)

Help for working parents to meet childcare costs; currently 80% of costs can be paid, up to a cap of £175 / week for one child or £300 / week for two or more children. % increased from 70% in 2006; this measure would restore the earlier rate, generating savings while maintaining work incentives for majority of low-to-middle income parents.

14. Increase in the child element of the child tax credit to offset the measurable child poverty impact of the package (£560m in 2014-15)

Increasing the child element of the child tax credit above indexation by a further £30 in 2011/12 and £50 in 2012/13, in addition to the £150 and £60 increases at the June Budget.

Tackling fraud and error

£5bn currently lost in fraud and error each year. The government is to employ 200 additional investigators to target benefit and tax cheats in an attempt to bring this down. There will also be a drive to reduce error in the system. There will be a "mobile regional task force" to investigate every claim in high fraud areas, more asset seizures and data-matching techniques to spot patterns of fraud.

There will be "one strike, two strike and three strike" rules, which will see multiple offenders face a three-year benefit ban. Other measures will include abolishing cautions as a penalty for fraud and introducing civil penalties of £50 for minor offences. Of the £5.2bn lost each year, fraud accounts for just £1.5bn across benefits and tax credits. In addition, £1.1bn of losses occurs from official error, and a further £1.1bn from customer error. The Department for Work and Pensions is also planning to name and shame offenders in their local areas.

Spending Review – Departmental overviews

Department for Education

The education resource budget will fall by 3% by 2014-15 however the schools budget will grow in real terms by 0.1% each year, making this one of three areas (along with health and aid spending) which will receive real terms additional investment.

Through a £2.5bn pupil premium on top of the current schools budget in cash terms we will provide additional support to the most disadvantaged pupils, this fulfils one of the 4 key pledges made by the Liberal Democrats at the General Election.

We will maintain a universal early years education entitlement of 15 hours for all 3 and 4 year olds, in addition we will extend this entitlement for the poorest 20% of 2 year olds. In addition Sure Start will be protected in cash terms and refocused on its original purpose.

We will invest £15.8bn in capital funding over the spending review period which will be used to help rebuild or refurbish over 600 schools as well to meet maintenance and demographic pressures.

Department of Health

The NHS budget will grow in real terms with a growth rate of 0.4% over the period of the spending review- rising from £103.8 billion to £114.4 billion by 2014-15.

The spending review provides an additional £2bn in local government and health funding to support social care services.

Within the healthcare budget we will introduce a new cancer drugs fund to allow patients to access key cancer drugs, 4,200 new health visitors and an expansion in access to psychological therapies as Liberal Democrats campaigned for prior to the election.

The capital settlement will allow the Department for Health to support priority hospital redevelopments, including; St Helier Hospital, West Cumberland Hospital and the Royal Oldham Hospital.

Department for Transport

The settlement for Transport will deliver 15% savings by 2014-15 through a rigorous focus on efficiency, protecting high value for money investments, cutting waste and improving governance and accountability.

£14bn funding for Network Rail to support maintenance and investment, including major improvements to East Coast Mainline, station upgrades and Birmingham New

Street and network improvements in Yorkshire, around Manchester and the Barry to Cardiff corridor

We will protect all investments which offer high value for money in all areas of transport we will also maintain key projects which support the Government's commitment to tackling climate change such as a consumer incentive scheme offering up to £5000 towards the cost of ultra-low emission cars as well as investment in electric car charging infrastructure.

Rail fares will increase by RPI +3% to ensure that vital rail infrastructure projects can go ahead such as major improvements to the East Coast mainline, station upgrades in Birmingham and network improvements in and around Manchester and Yorkshire. We will fund Crossrail and we will bring forward legislation in this parliament to allow High Speed Rail construction to proceed.

Concessionary Fares: Free bus pass for old people protected.

Communities and Local Government

CLG will deliver real resource savings of 33% by 2014-15, including devolution of £1.6bn of funding to local government forming a key part of our commitment to decentralisation.

We will deliver a programme of up to 150,000 new affordable homes over the spending review period, accompanied by the reforms to create more flexible social tenure for new tenants that offers fair intermediate rents and is responsive to changing household needs.

We will reform the housing finance system so local authorities have greater control over their own finances and can reinvest to meet local housing needs. The New Homes Bonus Scheme will also incentivise local authorities to promote housing growth.

Local Government Resource DEL to councils will reduce by 28% over the Spending Review period. Local councils also receive funding from other Government departments and council tax. When grants from other departments are included, the overall reduction in revenue grants will be 26%. When OBR's council tax assumptions are also included, the average reduction in spending will be around 14%.

We will protect the most vulnerable by protecting the disabled facilities grant in real terms and the homelessness grant in cash terms. We will also spend £6bn supporting people over the spending review period.

Reductions of 42% in real terms in administration costs, through closing the Government Office Network, reducing the number of quangos and reducing the size of the dept.

Business Innovation and Skills

BIS will make 25% savings over the spending review period. However through a fair student finance system we will ensure that universities get the funding they need and we will continue to fund science and quality research to drive forward growth.

Science will be protected at flat cash recognising the important contribution it makes to economic growth through spill over effects.

We have abolished RDAs and instead are instead enabling locally elected leaders with businesses to lead local economic development through Local Enterprise Partnerships.

We will invest in an ambitious programme to transform the Post Office network – vastly improving the offer to customers with longer opening hours, shorter queues and a larger range of products, there will be no repeat of the closure programs that happened under the last Labour government.

Home Office

We will reduce central government policing grant by 20% in real terms by 2014-15. Taken with the OBR's forecast of council tax, and the implied police precept this will result in real terms cuts of 14% for the police by 2014-15.

We will protect frontline policing by increasing accountability, efficiency and encouraging collaboration across force boundaries, by doing this we will ensure that police forces focus on crime and anti-social behaviour which matter most to local communities.

We will make savings of £500m in UKBA through investing in technology and raising productivity in front line services to ensure that we keep our borders secure and provide an affordable and humane immigration and asylum system.

Ministry of Justice

The Ministry of Justice will deliver overall savings of 23%.

By using more effective community punishments rather than short term sentences, we will cut the costs of prison and tackle reoffending.

By reforming the court system and using new technologies we will ensure that people get the access to justice while at the same time reducing costs.

The MOJ will consult on reforms to the legal aid system to focus funding on those who need it the most and where there is a strong public interest. By increasing competition and reforming remuneration we believe savings can be made while ensuring people get the representation they need.

Ministry of Defence

The MOD will reduce overall spending by 8% in real terms, this comparatively small real cut is due to serious overspending of the current budget by the previous Government.

We will do everything necessary to support our troops in Afghanistan, including new helicopters, armoured vehicles and communications equipment. However savings will be made by rationalising the defence procurement programmes that the previous administration allowed to spiral out of control.

Within the Strategic Defence Review, the Coalition Government announced that there will be no final decision on the like-for-like replacement of Trident during this parliament. So Trident will not be renewed this parliament.

Foreign and Commonwealth Office

The FCO's core budget will be cut by 20% in real terms over the spending review period. Within this budget the FCO will focus itself on the front line helping UK firms to export and encouraging inward investment.

Conflict prevention is of critical importance to this government that is why a £300m pooled fund has been created between DfID, MOD and the FCO to help prevent conflict and support post-conflict stabilisation.

International Development

The Government will meet its commitment to spend 0.7 of Gross National Income on overseas aid by 2013. Even at a time of financial difficulty it is right that we continue to tackle extreme poverty and create a more stable world.

Energy and Climate change

The UK will meet its environmental goals while improving the efficiency of spending and enabling the private sector to lead the transition to a green economy.

We will tackle fuel poverty by switching from Warm Front to the Green Deal for energy efficiency helping to cut emissions and provide additional support for the most vulnerable.

We will set up a Green Investment Bank capitalised with **£1bn** of public funding over the spending review period.

We will provide up to £1bn for a CCS competition.

Environment, Food and Rural Affairs

Defra will cut spending in real terms by 30% by 2014-15, we will however ensure that vital coastal erosion and flood defences proceed as we continue to tackle climate change.

There will be a reduction in funding for the rural development programme for England however we will aim to mitigate these effects by better use of European funding.

We will give British waterways charitable status to give them increased freedoms including the ability to access additional resources.

Culture Media and Sport

Far reaching reforms in DCMS will deliver real savings of 24% over the spending review; we will however ensure there is the necessary funding for a safe and successful Olympic games.

We will secure the future of public service broadcasting and have agreed that the BBC will see a cash freeze in the license fee and will also take responsibility for funding the World Service and S4C.

We will continue to support the arts by encouraging new forms of funding such as corporate investment and philanthropic giving; we will also reform lottery funding to ensure more support for arts and heritage.

Work and Pensions

The DWP will make 27% savings across the spending review period through better use of technology, the rationalisation of support services and better targeted spending on employment programmes.

Benefit reform has been focussed to ensure support is given where it is needed most and that work is encouraged.

Difficult decisions have been taken on benefits like Child Benefit to ensure that the pain of the cuts is spread as fairly as possible.

HMRC

HMRC will make savings of 33% across the spending review period through increased efficiency in the administration of the tax system.

£900M will be spent to help address the tax gap by tackling avoidance and evasion, this will bring in an additional £7bn per year in tax revenues by 2014-15.