Spending Review 2010

Halcrow

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Spending Review 2010 preserves infrastructure spending, but government doesn't set out strategic policies to support delivery and long-term growth.

Contents:

Chancellor George Osborne has set out the long awaited details of the biggest programme of public spending cuts attempted by a UK government since the Second World War.

Removing a long period of uncertainty across the country, the chancellor unveiled his four year spending plans to a packed House of Commons as a programme to address our debts and rebuild Britain. Mr Osborne largely kept to the level of spending reductions that he had set out in the June Budget and slashed £81 billion in cash terms from departmental budgets over the period to 2014-15. He also confirmed those sectors where investments would be made to create jobs and promote long-term sustainable growth.

The average departmental cut will be 19%, less than the 25% or 40% that had been widely feared. The overall reductions announced mean that public spending will be brought back in line with its long-term trend, representing 40% of GDP by 2014-15. However achieving that scale of reduction will be painful given the recent unsustainable rises in public spending to almost half of national income.

The chancellor based his spending plans on the themes of growth, reform and fairness. Alongside his plans to protect health and education, investment in physical infrastructure and skills was a key element of his announcement. More detail across all infrastructure sectors will be provided in the week beginning 25 October, with the launch of the National Infrastructure Plan.

Transport, which some people feared would be severely cut, managed to escape the worst of the spending reductions with just a 15% real terms cut in its budget. As a consequence the chancellor managed to preserve a number of major transport investment schemes such as Crossrail and tram projects. However passengers will need to pay more to travel and local transport funding will be severely squeezed. Mr Osborne confirmed that a detailed statement on transport will be made in the week of the 25 October.

Plans were announced for a range of measures to support moves towards a low carbon economy, provide energy security and achieve our greenhouse gas emission targets. Whilst the decision to approve new nuclear power will boost business confidence, the reduced level of funding for the new Green Investment Bank and lack of detail about how it will operate will raise questions about the government's green credentials. Overall the package of energy and environmental decisions announced, together with the forthcoming energy market reforms, represent a reasonable package of measures to move towards a low carbon economy and provide energy security. However it's unclear whether the private sector will be willing to make the significant investments needed to make the government's vision of a sustainable growth path for the economy a reality

The Spending Review provided significant new and devolved powers for local government, but the significant reductions in funding will make realisation of the 'Big Society' idea and improved delivery of local services a real challenge. But new funding sources, such as Tax Incremental Finance, the removal of ring fenced budgets and more private investment for local services will be welcomed.

On business and overseas aid, soft infrastructure was preserved by maintaining spending on science and skills, including greater focus on commercialising innovations to support economic growth. The government also confirmed its promise to meet the United Nations' commitment on international aid spending as set out in the Millennium Goals.

The immediate market reactions to the plans were relatively muted and, with the detail of so many policies still to be worked out, it will take time to understand the true response of business, the city and global investors. The big unknown is whether, in the light of these plans and the constrained financial environment, the private sector will be willing, and able, to raise the levels of investment needed to offset the cuts and create the jobs and growth needed to kick start the economic recovery.

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To support economic growth, the chancellor preserved a number of major transport investment schemes which were believed to be at risk.

He also confirmed that a detailed statement on transport will be made in the week beginning 25 October, along with the National Infrastructure Plan.

The Department for Transport's (DfT) capital budget will largely remain the same in cash terms over the Spending Review period (an 11% reduction in real terms), but its revenue budget will fall by £600m by 2014-15, a 21% reduction in real terms. However the 15% real terms reduction for DfT is much less painful than the 25% or 40% real terms cuts that they may have received.

Despite speculation around its future, the government confirmed that Network Rail will receive £14bn to invest in the rail network, although this is a slight reduction on the original provision in the High Level Output Statement reflecting an additional £185m in efficiency savings over the control period.

Improvements to the network will be made on the East Coast line, to Birmingham New Street, London Kings Cross, Reading and Gatwick airport stations, the network in Yorkshire, the North West, around Cardiff and on the Great Western Line. However passengers will have to contribute more to the cost of rail travel with regulated rail fares increasing by RPI+3% from 2012 for three years to fund new rolling stock, a 10% real increase in fares in that period. Thereafter the government was silent on fare rises, but the likelihood of a return to RPI+1% seems small.

The government reconfirmed its commitment to longer rail franchises with private investment, although the detail of its plans for these will have to wait until next week's statement. That will also provide an interim report from the McNulty review on rail value for money.

Despite growing concerns about its affordability, the government reconfirmed that High Speed 2, the planned high speed rail network, will continue on from Birmingham to Manchester and Leeds. A total of £750m will be spent on the project by 2014-15, along with the introduction of enabling legislation.

A number of new national road schemes were announced, including the A11 widening and projects to reduce congestion on the M4/M5 and M1. However other projects will be cancelled and the Highways Agency's capital budget will see a significant 33% fall in cash terms, closer to 40% in real terms. The forthcoming Transport Statement will need to outline how the government plans to address road congestion, particularly as the economy recovers.

In London, the flagship £14.5bn Crossrail project survived largely unscathed, although delivery of the central section will be completed in 2018, a year later than originally planned. The tube upgrades will also continue. Although these are expensive projects, they will be essential to cope with the increased demand from the capital's rising population.

A number of local transport projects around the country will go ahead, including extensions to the Midland Metro, Nottingham tram (as a PFI project) and capacity upgrades to the Tyne and Wear metro. In addition the Mersey Gateway bridge will be built.

However, revenue funding for local transport projects will be severely squeezed. Overall resource funding will fall by 28% in cash terms (nearer 40% after adjusting for inflation), while support for local bus services reduces by 20%, saving £300m by 2014-15. To offset these reductions, the government was able to announce that three PFI road maintenance schemes will go ahead.

In London, the Western Extension of the Congestion Charge will be scrapped, depriving Transport for London (TfL) of £50m per annum in revenue. The daily charge will rise to £10. Overall, TfL's budget will be cut by £2bn over four years - a 21% cut in real terms, although some of this will be covered by higher than planned growth in revenues from tube and bus passengers. 'Boris bikes' will be extended and the network of super-highways built by 2015.

Despite doubts about the take-up of electric vehicles, the government is to press ahead with the £5,000 subsidy for ultra low emission vehicles from January 2011 and provide support for electric charging infrastructure.

Decisions on the sale of the government's remaining stake in air traffic control organisation, NATS, are still being considered and there was no announcement on the sale of the Trust Ports, or comment on the timetable for the High Speed 1 sale, despite recent concerns.

The energy and environmental decisions announced, together with forthcoming energy market reforms, represent a reasonable package of measures to move towards a low carbon economy and provide energy security.

However to make the government's vision a reality, the private sector needs to be willing to make significant investments and lead the development of a sustainable growth path for the economy.

Measures aimed at pushing the UK towards a greener and low carbon economy, led by the private sector, were highlighted as vital for the nation's long-term sustainable growth. However, the decisions and funding announced for the government's two environmental departments, the Department of Environment and Climate Change (DECC) and Department of Environment, Food and Rural Affairs (DEFRA), present a mixed picture on whether this goal of building a more environmentally sustainable economy will be achieved. DECC will see a 30% cut in its administrative costs and a 5% real terms budget cut over four years. DEFRA will see its budget cut by an average of 8% for four years.

Of the three themes running through the Spending Review, growth and reform featured heavily within the energy and environment measures proposed.

With respect to growth, the government announced investment plans across the energy sectors to enable the UK to move towards meeting the 2020 targets to cut greenhouse gas emissions by 34% and generate 15% of energy from renewable sources.

Up to £1bn will be provided for carbon capture and storage demonstration projects initially at a single power station. However this may be expanded to four sites with additional funding, potentially from the Climate Change Levy, although decisions on the size and nature of the levy will be made in Spring 2011.

A further £200m has been allocated for low carbon technology, with a focus on updating port infrastructure in the North East to accommodate new offshore wind technology with manufacturing at port sites.

Those awaiting a decision on the Green Investment Bank would have cheered the confirmation of its establishment with an initial focus on offshore wind technology.

However the £1bn of public funding announced fell well short of the initial plans of £2bn (and hopes for even more) for the bank. Though more funding may be available from future asset sales, the reduced public funding will require the private sector to contribute more if the bank's objectives are to be met. However until decisions are made on the bank's structure and the ways in which it can lever in private sector funds, it will be unclear how much funding the private sector will be willing to provide.

The government's plans for new nuclear power, highlighted in the Energy Statement on Monday, involve eight sites that have been identified as suitable locations for new plants. Although there will be no public subsidy, it is anticipated that with substantial private sector involvement these stations can be generating power before 2025. Conversely additional capital funding is being provided to clean up the country's historic nuclear liabilities. The investment in new nuclear takes on even greater significance with the announcement that the Severn Barrage tidal scheme from Lavernock Point to Brean Down will not receive public funding.

With the recent floods, the government has maintained investment in flood and coastal erosion management at £2bn over the Spending Review period. Although this is a £150m reduction compared with the previous four years, DEFRA say that with efficiency savings a high level of flood protection will be maintained.

With respect to reform, there were many changes to the funding and incentives of low carbon activity. Two schemes which were believed to be at danger, the Warm Front and Feed-In tariffs (subsidies for renewable energy use) will be retained for now, but will be replaced with the Green Deal and will focus on more cost effective technologies after 2013.

Some £860m was pledged to the Renewable Heat Incentive scheme using low carbon energy generation, although the details of this will need to be confirmed before its June 2011 start date. However DEFRA will cease funding for the seven waste PFI schemes because this investment is no longer needed to meet the EU targets on landfill diversion.

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The Spending Review provided significant new and devolved powers for local government, but the reductions in funding will make realisation of the 'Big Society' and improved delivery of local services a real challenge.

With a freeze in council tax, local authorities will have to look for new sources of funding beyond their current revenue streams. The lack of detail about how new funding sources will operate, such as Tax Incremental Finance (TIF), the Green Investment Bank, Regional Growth Fund and New Homes Bonuses, will need to be addressed as a matter of urgency.

Local councils will be given more autonomy which will enable them to be better equipped to deliver efficiency savings and more effective local public services and encourage local economic growth and regeneration.

Department of Communities and Local Government's (DCLG) overall budget will fall from £9.6bn in 2010-11 to a mere £3.9bn by 2014-15, a 68% reduction in real terms over the four year review period. Local councils will experience a similar, although less harsh fate, with their total budgets reduced from £28.5bn in 2010-11 to £22.9bn by 2014-15, a reduction of 27% in real terms by 2014-15.

A large proportion of this budget reduction arises from the abolition of the regional development agencies (RDA), Government Offices Network and the network of Quangos organisations (see the list of Quangos at the end of this assessment).

Many programmes including the Working Neighbourhoods Fund, Growth Area Funding and the Thames Gateway Programme will end, in order to rationalise funding streams, make savings and provide a more disciplined approach to Government spending.

RDAs and government offices will be replaced by local enterprise partnerships (LEPs) who will aim to increase private investment and co-ordinate investment in transport, housing, skills, regeneration and other areas of economic development.

Funding for LEPs remains unclear and they will have to secure significant private sector contributions to support the reduced public funding available to maintain local growth targets.

The Regional Growth Fund, which provides £1.4bn over three years, will provide support for projects that offer significant potential for sustainable economic growth and can create new private sector employment. This is good news for those areas that are currently dependent on the public sector, but the size of the fund is quite limited.

The announcement that local councils can use TIF funding will enable them to borrow against expected increases in businesses from higher property values. However local authorities will be aware that they will need to use TIF with care to avoid harming local business competitiveness. The new powers on implementing tax increment financing will be detailed in a forthcoming white paper on local growth. Local councils will also be able to access the new £1bn Green Investment Bank.

The reform of the planning system and introduction of the New Homes Bonus aims to increase housing supply. The bonus will directly reward and incentivise local authorities and local communities to help deliver the social housing target of up to 150,000 new affordable homes by 2014-15. It will also reduce the total regulatory burden on the house building industry over the Spending Review period.

The government announced a number of local government finance reforms including streamlining the number of grants. The government has also promised to reform the way that European Regional Development Funding (ERDF) is delivered in England, linking it wherever possible with the Regional Growth Fund to maximise their social and economic impacts. Local government has also been summoned to make more effective use of ERDF and reinvest revenue from its assets. Lastly, local area agreements will be rationalised.

Local councils will welcome the decision to end ring fencing of revenue grants from 2011-12 because this will give them much greater flexibility in allocating resources to their changing priorities. Conversely the decision to raise interest charges on borrowings from the Public Works Loan Board (PWLB) will increase their costs and will reduce the amount of self-financed capital expenditure by 17% over four years.

Following the same fate as the cuts in England, the devolved administrations of Scotland, Wales and Northern Ireland also experience a similar squeeze in their purse strings.

The Spending Review has demonstrated beyond doubt the that these administrations will experience similar financial challenges whilst having to continue their respective economic growth strategies.

Scotland, Wales and Northern Ireland will receive a cumulative 7% real terms reduction to their total resource budgets and a 39% reduction to their capital budgets.

On an individual basis, the Scottish Government will see a reduction of 6.8% in its resource budget and 38% fall in the capital budget. The comparable allocation for the Welsh Assembly government is a 7.5% reduction in real terms in the resource budget and another 41% reduction in capital funds. The Northern Ireland Executive faces a 6.9% resource budget cut, and 37% reduction in capital budget.

These budgets are determined by the application of the Barnett Formula and it is up to the respective executives to allocate funding for the devolved policy areas for which they are responsible such as roads and housing in line with local needs and priorities and their own programmes of reform and efficiency.

Details of how each devolved administration will spend their allocated budget will be made clear in due course in separate announcements. However to offset the negative consequences from the reduced Barnett Consequentials, the Westminster government has agreed a range of exceptional fiscal support for each devolved administration.

The upshot of this for Scotland is the government's proposal for at least an additional £250m of funding for Scotland from the Green Investment Bank. This will be subject to the drawdown in funding from the Fossil Fuel Levy Surplus currently estimated to provide £150 million. This will provide a net additional £100 million for Scotland to spend on renewable energy. Together with the announced Renewable Heat Incentive, this will provide a total renewable energy funding pot for Scotland of at least £500 million over the Spending Review period.

Wales will benefit from the government's decision to preserve transport and other capital spending and support a number of important projects that will significantly improve transport connectivity and create jobs. These include investments to improve the Great Western Main Line which will benefit rail services to Wales, investment to reduce road congestion at the M4/M5 interchange, agreed funding for a package of rail capacity improvements on the Barry to Cardiff corridor and the £13bn PFI contract for the future strategic tanker aircraft programme.

The government has provided the Northern Ireland Executive with a £175m loan, will continue support at a rate of £200m per year for the Reinvestment and Reform Initiative and will publish a consultation paper on rebalancing the Northern Ireland economy later this year.

Soft infrastructure is preserved by maintaining spending on science and skills, including greater focus on commercialising innovations to support economic growth.

The government also confirms its promise to meet the United Nations' commitment on international aid spending as set out in the Millennium Goals.

Business, innovation and skills

The Spending Review contains a number of common themes in relation to business, innovation and skills.

The first is the preservation of soft infrastructure, such as maintaining spending on science and skills. The £4.6bn science budget managed by the Department for Business, Innovation and Skills is maintained in cash terms, but represents a 9% real terms cut in science spending over four years.

The second theme is a focus on commercialising innovations to support economic growth, including the introduction of new funding. Finally there is the need for simplification of the regulatory and planning regime, involving reduction in the number of arms length bodies.

The significant reductions in departmental spending, combined with preserving the science budget, have necessitated deep cuts elsewhere, especially in higher and further education funding, where substantial contributions from potential graduates will now be required.

For industry, there is the prospect of £200m per annum by 2014-15 to support manufacturing and create innovation centres, as well as additional support through a continuation of the Enterprise Finance Guarantee scheme.

Spending on adult apprenticeships and numeracy and literacy training will continue or increase. However some schemes, such as Train to Gain, will be abolished.

Overseas Aid

Security, diplomacy and development are closely linked and while the Ministry of Defence and the Foreign and Commonwealth Office all face reductions in their expenditure, the overseas aid budget managed by the Department of International Development (DFID) has increased significantly.

Over the review period, overseas aid rises from £8.4bn to £12.6bn, representing an increase in overseas aid spending as a percentage of GDP from 0.56% to 0.7%.

In his speech the Chancellor confirmed that the government will be the first British government in history and the first major country in the world, to honour the United Nations commitment on international aid set out in the Millennium Goals.

However this is not a case of unfettered generosity in the face of adversity, as the aid will support security and diplomacy objectives. Thirty percent will be used to support fragile regions by the 2014-15, with a focus on Pakistan and Afghanistan. It will also be focused on improving economic growth, especially low carbon growth. This could lead to claims of 'double-counting' with low-carbon money being represented as aid money. Finally it is unclear how much of the aid is in fact loans, which must subsequently be repaid.

The intentional aid arena is unique in another aspect: quango creation. A new arm's length body has been created, the Independent Commission on Aid Impact, to assess all spending to ensure effectiveness and best value for all programmes.

Spending Review 2010: transport

Theme	Overall	National Roads	Local Transport	London	Rail	Aviation and Ports
Growth	£30.8 billion capital investment in transport over 4 years	£10 billion for maintenance and investment in national road and local transport schemes, but cost reductions across the programme		£2.17bn reduction for TfL over 4 years (8% cash cut) Project Horizon complete April 2011	£14 billion (HLOS) for NR to maintain rail network, including ECML, Birmingham New Street, Kings Cross, Reading, Yorkshire, Manchester and Barry-Cardiff	Sale of remaining NATS stake to be decided by Budget 2011
	Capital budget broadly same in cash terms by 2014/15 (-2.6%) – higher in real terms than 2005/06 Resource budget 21% down in cash terms by 2014/15 Del down £1bn pa cash by 2014/15 £100m admin savings by 2014/15	A11 widening dualling M4/M5 junction M1 congestion between 28 and 31	Midland Metro route extension and capacity increases Tyne and Wear Metro upgrades	Crossrail survives, but £1bn of savings and 2018 central section delivery date	Funding for faster journey times in the North West Reliability improvements on GW line to South West	Investment in ports to support wind farms
	15% real terms cut in DfT budget over 4 years	HA efficiency savings £240m per year by 2014/15 Expert Group benchmarking performance	Mersey Gateway bridge	£6bn for Tube upgrades including Victoria, Bond St, TCR, Paddington, Bank, but with £300m savings	DfT to decide on replacement of inter-city trains	
	Transport Statement on allocation of funding next week	Removal of M4 bus lane	£1.4bn regional growth fund over 3 years Round 1 before end of March 2011	Benchmarking LU costs and scrutiny of TfL programme	HS2 will continue and spend £750 by 2014/15 with enabling legislation	
	Quangos abolished (Cycling England, CfIT, Renewable Fuels Agency, Railway Heritage Committee, RDAs, RFA and Govt Offices (transport teams)		£5k subsidy for ultra-low emission cars continues from January 2011 and supporting electric charging infrastructure	Cycle Hire extended before Olympics and all 12 super highways by 2015		
	LEPs and Local Growth White Paper		PFI road maintenance on Isle of Wight, Sheffield, Hounslow and 2 new lines for Nottingham tram	Western Extension removed by Christmas £10 daily congestion charge (£9 auto pay) from 4th January 2011		
				ELL extension to Clapham by 2012		

Spending Review 2010: transport (cont'd)

Theme	Overall	National Roads	Local Transport	London	Rail	Aviation and Ports
Reform	Stop low value spending, governance and accountability		New providers for road management	£300m savings from: Borough projects, less smarter travel, road maintenance, new alli-ances for electric cars, parking charges TfL roads	Network Rail efficiency savings	
			Bus subsidy down by 20% saves £300m by 2014/15		Sir Roy Nulty VfM study Spring 2011	
			Operators and Local Govt - Smarter ways to administer bus subsidy			
			Local Govt reseource grants down 28% and simplified and greater flexibility			
Fairness		Increase in charges on Dartford Crossing sub-ject to consultation and plans to improve traffic flow	Protection of statutory bus concessionary travel	RPI+2% increases for London tube and bus fares	RPI+3 fares cap for three years from 2012 for rolling stock	
				Free concessionary travel protected		

Spending Review 2010: energy and environment

	Overall	Low Carbon	Nuclear	Other
Reform	Government to review Arm's Length Bodies such as the Carbon Trust, Energy Saving Trust, the Coal Authority and the delivery arm of Ofgem – looking at carbon price, emissions targets, feed in tariffs and the reform of markets White Paper on electricity market reform in 2011.	Funding budget of Warm Front programme to reach £110 million in 2011-12 and £100 million in 2012-13. From 2013, support for heating and insulation will be delivered through the Green Deal programme. From April 2011, energy suppliers will provide greater financial help to vulnerable fuel poor households, through Social Price Support. Support budget total £250 million in 2011-12 rising to £310 million in 2014-15.	Increase capital funding to Nuclear Decommissioning Authority to clean up UK's energy liabilities.	Cut all funding to waste PFI schemes – believed they are no longer needed to meet EU landfill diversion targets British Waterways - abolished, a new waterways charity to emerge
	Defra 8% average cut per year over the four years (nominal) DECC 5% average cut per year over the four years DECC Resource = - 18% real growth DECC Capital = + 41% real growth Defra Resource = - 29% real growth Defra Capital = - 34% real growth	Severn Barrage Tidal scheme is halted Carbon Trust will continue but after scaling back by at least £34m, its role and future funding will new be reviewed Efficiency in Feed-In tariffs will save £40 million in 2014-15 – but tariff levels will not be reduced until the first scheduled review in 2013.	DECC will also make savings in its programme spend, including not providing Government funding for the National Nuclear Centre of Excellence	Flood and Coastal Erosion Risk Management will receive £2bn over fours years – but down from the £2.15bn over 2008/9 – 2010/11 Efficiency saving of 15% will be made in the procurement strategy for flood and coastal defenses. Savings will be reinvested into safeguarding property protection.
		Scrapping of CRC carbon credit recycling payments, where businesses performance in emissions reductions will no longer receive cash rewards		Environment Agency – substantial reform, looking for greater efficiency and involvement of local communities.
Growth	UK-wide Green Investment Bank confirmed with £1bn funding commitment. Additional funds may come from further asset sales. Further details to be provided in due course.	Carbon capture and storage CSS is to receive up to £1 billion for demonstration projects at a power station. Once Climate Change Levy is decided upon in Spring 2011 then may use the levy to fund future demonstrations. Four power stations initially identified for demonstrations	Eight sites identified for new nuclear plants – however no public subsidy available. The sites include - Bradwell-on-Sea, Essex; Hartlepool; Heysham, Lancashire; Hinkley Point, Somerset; Oldbury, Gloucestershire; Sellafield, Cumbria; Sizewell, Suffolk and Wylfa on the Isle of Anglesey	International Climate Finance – support low carbon growth and adaption – will be £2.9 billion combined from DIFD, DECC and Defra
	Re-confirm 2020 targets for a 34% reduction in greenhouse gas emissions and for 15% of energy to be from renewable sources	Infrastructure upgrade at North East ports to support offshore wind technology (as part of the £200m investment in low carbon technology) this then gives go ahead for the three factories building turbines		
		Renewable heat incentive for low carbon energy generation still being designed, starts June 2011 Funded from public expenditure rather than a levy as previous government plans, £860m over next four years		

Spending Review 2010: local government

Theme	Overall	Development	Funding
Growth	DCLG's overall resource and capital budget to fall from £9.6bn to £3.9bn – a reduction of 68% in real terms by 2014-15. Similarly, Local Government overall resource and capital budget is to fall from £28.5bn to £22.9bn – a reduction in 27% in real terms by 2014-15.	Devolved powers to give neighbourhoods and local authorities the autonomy and freedom to lead economic growth and regeneration i.e. with the Regional Growth Fund as part of the Spending Review	£1.4 billion Regional Growth Fund over 2011-12, 2012-13, and 2013-14. This will provide 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, helping them to make the transition to private sector led growth and prosperity.
	Department for Communities and Local government leading the radical shift from Westminster to localities	Stimulating private sector growth in all regions.	Tax Increment Financing (TIF), which will enable local authorities to borrow against locally raised business rates
Reform	The Localism Bill expected will provide further power in giving councils control over the issues which matter to local people, including providing councils with the general power to borrow against future growth in Business Rates to fund infrastructure projects.	Significant reductions in funding to regional bodies such as L.E.Ps - only confirmed source of funding is the Regional Growth Fund.	The Government will also reform the way it delivers European Regional Development Funding in England, linking it wherever possible with the Regional Growth Fund to maximise impact. The CLG will also make more effective use of European Regional Development Funding and reinvest revenue from its assets
	Abolished Regional Development Agencies (RDAs), Government Offices Network and Quangos Organisations.	Local Enterprise Partnerships (LEPs) will provide the strategic leadership in areas and set out local economic priorities. LEPs will play a pivotal role in delivering the Government's aim for an economy "rebalanced" towards the private sector. Aim to increase private investment, to coordinate investment in transport, housing, skills, regeneration and other areas of economic development	Interest rates on Public Works Loan Board (PWLB) loans to increase to 1% above UK government gilts. The amount of self-financed capital expenditure is expected to fall by 17% over the four years.
Fairness		Increase housing supply by reforming planning system so becomes more efficient and supportive of economic development. Introduction of a New Homes Bonus that will directly reward and incentivise local authorities and local communities to be supportive of housing growth, equivalent to matching the additional council tax from every new home for each of the following six years. Total regulatory burden on the house building industry will also be reduced over the Spending Review period.	Ring fencing of all revenue grants will end from 2011-12, however more than £4 billion of revenue grants will be rolled into formula grant. Moreover, local authorities who freeze their council tax next year will have the resultant loss to their tax base funded at a rate of 2.5% in each year of the Spending Review period

Spending Review 2010: business and overseas aid

Business, innovation and skills

Theme	Overall	Science	Skills	Commercialisation
Reform	Resource DEL down from £16.7m to £13.7m	Maintain budget cash not real terms	Scarp Train for Gain	Higher Education Innovation Fund to incentivise innovation
	Capital DEL down from £1.8 to £1.0m		Voluntary training levies for employers	
	AME down from £1.5m to £1.4m			
	Arms Length Bodies reduced from 57 to 33			
	RDAs abolished, saving £1.5bn pa by 2014/15			
Fairness	Support to low-income students	£220m health funding	Adult Community Learning protected	Enterprise Finance Guarantee scheme for SMEs
Growth	UKTI will attract inward investment	Labs in St Pancras/ Cambridge/ Oxford/ Pilbright	£250m pa Adult Apprenticeships	£200m pa support to manufacturing and business development
				Leverage equity investment

Overseas aid

Theme	Overall	Security	Sustainability	Geography
Reform	Funding increase from £8.4bn to £12.6bn			Out of: • China • Russia
	ODA/GNI increase from 0.56% to 0.7%			
	New 'quango': Independent Commission on Aid			
Fairness		In line with Strategic Defence and Security Review	Millennium Development Goals	In to: • Pakistan • Afghanistan
Growth			Support Low-carbon Growth (£2.9bn over review period)	

Spending Review 2010: infrastructure quangos

This table lists the Government's decisions on infrastructure quangos

Public Body	Sector	Department	Decision	Notes
Competition Commission	Business	BIS	Merge	Government will consult in the new year on a merger with the competition functions of the Office of Fair Trading
Office of Fair Trading	Business	BIS	Merge	Government will consult in the new year on a merger with the competition functions of the Competition Commission
Research Councils (x7)	Business	BIS	Retain	On grounds of performing a function which requires impartiality
Health and Safety Executive	Business	DWP	Retain	HSE's functions and expenditure are being scrutinised in the context of the Spending Review and Lord Young's review of health and safety
Engineering Construction Industry Training Board	Construction	BIS	Still being decided	Complete consideration by November 2010 of transferring body and functions to private sector status
Construction Industry Training Board	Construction	BIS	Still being decided	Complete consideration by November 2010 of transferring body and functions to private sector status
Building Regulations Advisory Committee	Construction	CLG	Retain	Retain on grounds of performing a technical function
Regional Development Agencies (x 9)	Development	B.I.S	Retain and reform	Will be smaller enabling and investment body working for local communities. Intend to devolve London functions to Mayor of London. Taking on regulation of social housing
Community Development Foundation	Development	CLG	Abolish	Has charitable status. Support to move to adoption of social enterprise model
London Thames Gateway Development Corporation	Development	CLG	Abolish	Devolve functions to local government or other London bodies
Olympic Park Legacy Company Ltd	Development	CLG	Abolish	Devolve functions to Mayor of London. Reconstituted as a Mayoral Development Corporation
Thurrock Development Corporation	Development	CLG	Abolish	Devolve functions to local government
West Northamptonshire Development Corporation	Development	CLG	Abolish	Devolve functions to local government
Sustainable Development Commission	Development	Defra	Still being decided	Future of body currently being considered in light of Defra's decision to withdraw funding at end of 2010/11
Coal Authority	Energy	DECC	Retain	Status will be reviewed in longer term
British Nuclear Fuels Limited	Energy	B.I.S	Abolish	Some functions will be passed to Nuclear Decommissioning Authority
Ofgem	Energy	DECC	Retain	Status will be reviewed
Renewables Advisory Board	Energy	DECC	Abolish	
UK Atomic Energy Authority	Energy	DECC	Still being decided	Complete by October 2010 consideration of whether functions could be carried out more effectively elsewhere
Advisory Committee on Carbon Abatement Technologies	Environment	DECC	Abolish	
Environment Agency	Environment	Defra	Retain and reform	Need to improve efficiency and accountability, amend functions, and increase the involvement of local communities

Spending Review 2010: infrastructure quangos

This table lists the Government's decisions on infrastructure quangos

Homes and Communities Agency	Housing	CLG	Retain and reform	Smaller enabling and investment body working for local communities. Intend to devolve London functions to Mayor of London. Taking on regulation of social housing
National Housing and Planning Advice Unit	Housing	CLG	Abolish	
Advisory Panel on Standards for the Planning Inspectorate	Planning	CLG	Abolish	The Planning Inspectorate has an internal challenge process that offers quality assurance
Infrastructure Planning Commission	Planning	CLG	Abolish	Create a Major Infrastructure Planning Unit within the Planning Inspectorate
BRB (Residuary) Ltd - railways	Transport	DfT	Abolish	Transfer functions to the Secretary of State for Transport. BRBR will be wound up once a programme of asset disposals is complete
Cycling England	Transport	DfT	Abolish	DfT has announced a Local Sustainable Travel Fund and will explore ways of marshalling expert input on cycling issues, including to support the Fund
Commission for Integrated Transport	Transport	DfT	Abolish	Seeking arrangement that delivers external analysis and strategic advice on cross-modal transport policy and realising benefits, at lower cost
Passenger Focus/Passengers' Council	Transport	DfT	Retain and reform	Need to focus on core role of protecting passengers, while reducing cost to taxpayers
Railway Heritage Committee	Transport	DfT	Abolish	
Renewable Fuels Agency	Transport	DfT	Abolish	Transfer functions to the Secretary of State for Transport
British Waterways	Water	Defra	Abolish	Create a new waterways charity – similar to a National Trust for the waterways
Consumer Council for Water	Water	Defra	Still being decided	Decision to be taken as part of OFWAT review
Inland Waterways Advisory Council	Water	Defra	Abolish	
Internal Drainage Boards (x 160)	Water	Defra	Retain and reform	Need to improve efficiency and accountability, amend functions, and increase the involvement of local communities
OFWAT	Water	Defra	Retain	Review of status will be included in June 2011 white paper

Source: Cabinet Office http://www.cabinetoffice.gov.uk/newsroom/news_releases/2010/101014-quangos.aspx

Spending Review 2010: capital projects

North West
Manchester – northern urban centres rail capacity improvements
Mersey Gateway Bridge – new suspension bridge over the River Mersey between Widnes and Runcorn
Cumbria – superfast broadband pilot project and West Cumberland hospital redevelopment
Lancashire – Royal Oldham hospital redevelopment and Typhoon fast jet construction

Northern Ireland
Most public spending on capital is devolved and it is for the Northern Ireland Executive to decide which projects to prioritise

Wales
Road – devolved to the Welsh Assembly Government
Broughton – continued construction of the wings of the Future Strategic Tanker Aircraft
Newport and Cardiff – major rail signalling renewal programme
Barry to Cardiff corridor – increased line speeds and network capacity

West Midlands
HS2 – new high speed rail link from London to Birmingham, and then to both Manchester and Leeds
Midland Metro – route extension and capacity increase
Birmingham New Street – station upgrade
Herefordshire – superfast broadband pilot project

South West
M4/M5 – hard shoulder running and variable speed limits north of Bristol
Yeovil – support to Agusta Westland for civil rotorcraft design and manufacture
Weymouth 2012 package – an integrated transport package to be delivered in time for the Olympics
Poole Bridge – new bridge providing link to key development sites

South East
A23 – improvements to the A23 Trunk Road between Handcross and Warninglid
Diamond Synchrotron – Phase 3 development of the national science research facility
Surrey – St Helier hospital redevelopment

London
Crossrail – a new rail line linking East and West London providing an additional 10% to London's rail capacity
Transport for London – continued funding will help support the London Underground upgrade programme which will increase capacity by 30%
UK Centre for Medical Research and Innovation
M25 – widening from junctions 16 to 25, and 27 to 30

Scotland
Rail and Roads – devolved to the Scottish Executive
HM Naval base Clyde – home of the UK's submarine fleet including the Astute class submarines and the Deterrent submarines
Glasgow and Rosyth – partial construction of the aircraft carriers
Highlands and Islands – superfast broadband pilot project

North East
East Coast – improvements to the East Coast Main Line
Nexus – refurbish and upgrade the Tyne & Wear metro
Tees Valley – bus network enhancements

Yorkshire & the Humber
M62 – hard shoulder running and variable speed limits between junctions 25 and 30
Leeds Station – new southern entrance to improve access
Yorkshire – northern urban centres rail capacity improvements
Sheffield to St Pancras – line speed improvements
Northern Yorkshire – superfast broadband pilot project
Boston Spa – British Library Newspaper archive

East Midlands
A46 – improvements between Newark and Widmerpool
M1/M6 viaduct – replacment of failing Catthorpe viaduct carrying the M6 over the M1 at Junction 19
M1 – hard shoulder running and variable speed limits between Junctions 28 and 31
Nottingham re-signalling – improved performance for train services operating through Nottingham

East of England
A11 – upgrading the remaining section to provide a continuous dual carriageway link between Norwich & the M11
M1 – hard shoulder running and variable speed limits between Junctions 10 and 13
A130/A13 Sadler's Farm Junction – improved access within the Thames Gateway

Source: HM Treasury