The Comprehensive Spending Review, together with the Economic and Fiscal Strategy Report and Financial Statement and Budget Report contain the Government's assessment of the medium-term economic and budgetary position. They set out the Government's tax and spending plans, including those for public investment, in the context of its overall approach to social, economic and environmental objectives. They will form the basis of submissions to the European Commission under Articles 103 and 104c of the Treaty establishing the European Union.
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FOREWORD BY RT HON TONY BLAIR MP, PRIME MINISTER

The Government was elected to raise standards in schools, rebuild the NHS, improve public transport and tackle crime. In short to make Britain a better place to live. A modern country equipped for the next century where every individual can ascend a ladder of opportunity, and every family has the support of a strong community. These are the priorities of the British people' when we spend their money we do so to meet their demands. We do so to fulfil the ambitions of hard working families.

But none of it would be possible if the economy lurched from boom one year to bust the next. That is why we have taken a prudent approach to public finances. We have stuck rigidly to tough spending plans since the Election and we will keep to our two touch fiscal rules for the entire Parliament. This Government will spend only what it can afford, and will spend wisely to achieve specific outcomes.

This White Paper sets out the overall plans for each department for the next three years and the Government's new, strategic approach to public spending. In each area, it reflects detailed public service agreements between departments and the Treasury about how these overall totals will be spent, with clear objectives and output and efficiency targets that departments have agreed to meet. Individual Secretaries of State will be announcing more details of their own department's plans, in line with these agreements, over the coming weeks.

Our aim is to reallocate money to key priorities; to change policies so that money is well spent; to ensure that departments work better together to improve services; to weed out unnecessary or wasteful spending. This document explains how we will meet that aim for the last three years of this Parliament.

People want more money spent on education, health, crime prevention and transport. They will get it. We have allocated extra resources to these priorities.

But it has required tough choices. It has required a clampdown on extra spending outside health and education for the first two years. Even now some departments are not getting nearly as much money as they would like.

Tough choices too on social security to make the system better able to tackle poverty and insecurity. We are consulting widely on welfare reform and beginning step by step to overhaul the system. The New Deal for young people and reform of student finance have been followed by plans for an overhaul of the Child Support Agency and a massive crackdown on fraud. We will follow this up with bold reforms to legal aid, a fairer framework for disability benefits and more secure pensions for all. All controversial changes but necessary if we are to modernise welfare.

The Government has compiled the first ever register of state assets and as a result we will sell off those things that should not be owned by the state.

And because money for education and health has been so hard won, there is an obligation on those spending that money to do so wisely in pursuit of agreed and ambitious targets. That is why we insist on a new principle for funding public services: "money for modernisation".

"Money for modernisation" is a contract. It says we will invest more money but that money comes with strings attached. In return for investment there must be reform.

In health there will be massive investment but in return the NHS is expected to deliver more responsive, higher quality care, more modern equipment and to cut waiting lists.

In education we will invest extra money but in return there must be reform too. Higher standards, ambitious targets, modern classrooms, every school linked to the internet, smaller class sizes, reform to the teaching profession. And because our future success depends on knowledge, creativity and innovation, we have found new money for science, universities, and the arts. Combined with a doubling of capital spending to improve infrastructure, it is a new approach to meet the challenges of the new economy.
We have looked at key problems across government. The old departmental boundaries often do not work. Provision for young children - health, childcare, support - will be co-ordinated across departments so that when children start school they are ready to learn. We are making the Criminal Justice System more effective by asking the Home Office and the legal departments to work together more closely on an innovative crime reduction strategy.

Investment and reform are the twin themes of this document. It is the people's money. It must deliver better services to the people. We are delivering on our promises, and step by step making this country more modern, better equipped, and more secure - in other words ready for the new century.

Tony Blair
Prime Minister
CSR SUMMARY

The Economic and Fiscal Strategy Report, published last month, set out a rigorous fiscal framework and firm overall spending limits for the next three years. This White Paper, Modern Public Services for Britain: Investing in Reform sets out how public expenditure has been reallocated to match the Government's priorities and root out waste and inefficiency.

- **Prudent spending plans**: consistent with the Government's two strict fiscal rules, current expenditure will grow by 2¼ per cent on average in real terms and public sector net investment will almost double to 1½ per cent of GDP over the next three years.

- **Security the Government's key objectives**: the new plans will help to:
  
  - increase **sustainable growth and employment** through increasing standards in education and training, promoting science and innovation and the new Investing in Britain Fund which will modernise our infrastructure;
  
  - promote **fairness and opportunity** by improving the quality of public services. Everyone will benefit from a modernised health service and a more effective strategy for crime reduction. Targeted measures - including a new Sure Start programme for children up to 3 and the New Deal for Communities - will also help to tackle poverty to ensure everyone has the opportunity to succeed; and
  
  - provide **efficient and modern public services** by introducing innovative ways of managing budgets across departments and by improving external scrutiny and the efficiency of public services.

The Government will deliver these objectives by:

- **Investing in reform** to modernise public services by, for example, cutting bureaucracy to improve front line services; targeting support to where it is most needed; putting a new emphasis on preventing problems' and pruning wasteful government expenditure and subsidies.

- **Reallocating money to its priorities and delivering its manifesto commitments**. Over 50 per cent of the increase in departmental expenditure limits and local authority spending over the next three years will be targeted on education and the NHS - the annual increase on these programmes will be double that in other services:

  - **education**: additional investment of £19 billion - in line with the manifesto commitment to increase the share of GDP spent on education - will underpin the drive to raise standards;
  
  - **the NHS**: additional provision of over £20 billion over the next three years will modernise the health services;
  
  - **transport**: additional investment of £1.7 billion over 3 years will improve public transport and modernise the road and rail network;
  
  - **crime**: matching tough punishment with, for the first time, substantial investment in crime prevention; and
  
  - **regenerating our cities and housing**: additional investment of £3.6 billion for housing and £800 million for New Deal for Communities, which will combat social-exclusion.

- **Achieving change**: the Government will monitor the new public service agreements closely and report regularly on the progress that has been made in delivering the targets set in this White Paper.
1. CSR Overview

This chapter outlines the overall strategy behind the new departmental spending plans decided in the Comprehensive Spending Review. It sets out how - by investing in reform - the new plans will help to secure the Government's key objectives of increasing sustainable growth and employment, promoting fairness and opportunity and modernising public services. It also demonstrates how the Government is meeting its key manifesto commitments.

A Comprehensive Review of Government Policies and Spending

1.1 The public sector will spend over £330 billion this year - equivalent to over £5,000 for every man, woman and child in the UK. The Comprehensive Spending Review (CSR), announced in June 1997, has taken a root and branch look at how this money is spent to ensure that departments meet the Government's priorities during the remainder of this Parliament and beyond.

1.2 Departmental Ministers have undertaken thirty zero based reviews of their Departments' objectives, policies and spending plans to determine how best their programmes can contribute to the achievement of the Government's objectives, including in particular its aims of enhancing opportunity and fairness, promoting employment and investment for sustained economic growth and increasing efficiency.

1.3 Six of the reviews, including those on the criminal justice system and young children, have been carried out on a cross-departmental basis to ensure that policies and services are designed to meet the full range of public concerns in an integrated and co-ordinated way.

1.4 A Ministerial Committee on Public Expenditure (PX), chaired by the Chancellor of the Exchequer, has co-ordinated the reviews and examined the allocation of resources between Departments to reshape the pattern of expenditure over the next three years.

1.5 The results of the review have been reported in two stages. First, the Economic and Fiscal Strategy Report (EFSR) published last month established the overall financial envelope for the next three years and introduced a new regime for planning and controlling public spending. Second, this White Paper shows how expenditure has been allocated between spending programmes to deliver the Government's priorities. It demonstrates how the Government is combining prudence and stability in public finances with investment and reform in public services.

1.6 This chapter summarises the key conclusions of the CSR. Chapters 2 to 4 set out in more detail how the CSR has helped to promote the Government's key objectives. Chapters 5 to 25 explain the outcome of the departmental and cross-departmental reviews.

Stage 1: Setting the overall spending plans

1.7 The Government made it clear that it would work within the existing spending plans for the first two years of this Parliament whilst it tackled the structural deficit it inherited and set new policy objectives and spending priorities. Fiscal prudence has succeeded in getting borrowing under control, and laid the basis for three year spending plans which will deliver strong public finances and improved public services. The new plans and planning and control regime announced in the EFSR will result in:

- **prudent spending plans:** consistent with the Government's two strict fiscal rules, current public expenditure will grow by 2¼ per cent on average in real terms over the next three years. A new Investing in Britain Fund will ensure that public sector net investment will almost double to 1½ per cent of GDP, as table 3 shows;

- **greater stability:** firm three year plans have been set for departments to enable them to plan ahead and to provide a more stable foundation for managing public services;
- **separate capital and current budgets** to ensure that essential capital investment is not squeezed out by short-term pressures as in the past. It will also pave the way for the introduction of resource accounting and budgeting (RAB), which will improve the planning and controlling of spending and increase the incentives to manage assets effectively; and

- **a modern and flexible role for the Government**: it will act as an enabler and promoter as well as owner and controller, with the test being whether public or private investment offers the best means of securing improved public services. The Government will dispose of assets that are no longer required in order to fund new requirements for the 21st century. The National Asset Register has enabled the Government to identify asset sales of £12 billion over the next three years.

### Stage 2: Investing in reform: setting the departmental plans

1.8 The new Departmental objectives, plans and spending limits set out in this White Paper will help to deliver the Government's key objectives of increasing the sustainable level of growth and employment, promoting fairness and opportunity and delivering efficient and modern public services.

1.9 The Government's strategy for securing these objectives is based on the principle of 'money for modernisation':

- **investing in reform**: the Government is determined to improve public services by securing a commitment from all departments to modernise and reform in return for the money allocated to them. Departments will apply modern performance management techniques in delivering clear and quantifiable targets by the end of the Parliament.

  Reforms across departments will result in:
  - resources being reallocated from bureaucracy to front line services;
  - services being targeted more effectively where they are most needed;
  - greater emphasis on prevention rather than simply dealing with the symptoms of deep rooted social problems; and
  - wasteful expenditure and subsidies being cut, and the commitment to competition enhanced.

- reallocating spending to the Government's priorities such as education and the NHS to deliver its manifesto commitments.

### Investing in reform for sustainable growth and employment

1.10 The Government is committed to raising the sustainable growth rate to increase living standards and job opportunities. The CSR builds on the steps taken in the previous Budgets to secure macroeconomic stability, encourage work, improve productivity and promote enterprise.

1.11 The Government is determined to ensure that public spending is directed to delivering its objectives of high and stable levels of growth and employment. Properly directed public spending should help individuals, business and the country to meet the long-term challenges of the future. Public investment is crucial to our economic and social fabric. And increasingly that investment will be complemented by public and private initiatives to tackle the long running under-investment in the UK's infrastructure.

1.12 A successful economy needs a well-educated and adaptable workforce as well as a modern and efficient infrastructure. That is why the Government has, for example, decided to make a significant investment in education, so that we have the skilled workforce the country needs, in infrastructure, so that business has the transport system it can rely on and in science, so that we can create the technological base that will give our firms and our country a competitive edge in the future. Chapter 2 sets out the range of policy reforms that will flow from the CSR including:

- education and training reforms, underpinned by additional investment of £19 billion over the next three years, will lead to significant long-term improvements in the quality, flexibility and employability of the workforce. Additional investment in key reforms will, for example, strengthen headteacher leadership skills, increase resources in the classroom, improve literacy and numeracy and introduce innovative approaches to learning through the National Grid for Learning to raise achievement levels in schools;
- the Investing in Britain Fund, which will nearly double net public capital investment over the next three years from
£7 billion to £13 billion, will provide resources for the renewal and modernisation of the UK's infrastructure. The major part of the Fund has been allocated to departmental budgets. Departmental Investment Strategies setting out plans for investment will be announced early next year. They will ensure that these programmes will be carried out efficiently and deliver the maximum economic and social benefits. To complement this, the Treasury will oversee a Capital Modernisation Fund to provide for additional, innovative projects;

- a new integrated transport strategy, underpinned by £1.7 billion of additional spending, will improve Britain's competitiveness by cutting costs for industry and contribute to the Government's strategy for promoting sustainable development; and
- increased and better targeted investment in the science base and innovation, in part funded by a public-private partnership with the Wellcome Foundation, will increase the competitive edge of UK firms.

**Investing in reform to enhance fairness and opportunity**

1.13 The mark of a fair society run for the benefit of the many and not just the few is a commitment to and investment in high quality public services and strong communities. So the Government is investing in the NHS to ensure high quality health care is available on the basis of need, not ability to pay. It is investing in the criminal justice system and crime prevention so that we can reduce crime and the fear of crime. It is investing in new educational opportunities so that all children have the best start in life and it is investing in housing and economic opportunity in our most deprived communities, so that nobody is written off to a life without hope.

1.14 The CSR will build on the wide ranging reforms - including the Welfare to Work initiative, National Childcare Strategy, minimum wage and the Working Families Tax Credit - that the Government is already taking forward to promote fairness and opportunity. Chapter 3 outlines the new policy reforms that will promote a fairer society, at home and abroad, including:

- reforms to modernise the NHS, which will be underpinned by additional provision of over £20 billion in the UK over the next three years to improve health and reduce health inequalities. Savings in NHS bureaucracy will also release money to invest in improved patient services, including primary care and mental health;
- a new criminal justice strategy, which is tough on crime and, for the first time, also makes a significant investment in tackling the underlying causes of crime through an evidence based crime reduction strategy;
- as part of a new emphasis on prevention and tackling the causes of deprivation at source, new educational opportunities will be provided for young children, particularly those at risk. A new 'Sure Start' programme, bringing together a range of education, health and other services targeted on the very young, will help to ensure that children, particularly those at risk of social exclusion, are ready to learn when they arrive at school. Nursery provision will be improved, in part by redirecting resources from the bureaucratic waste of nursery vouchers. And new Education Maintenance Allowances, which will encourage young people to stay on at school or college to become better qualified, will be piloted;
- new investment, coupled with housing management reforms, will help to improve 1.5 million council houses and lever up standards in all authorities to those of the best;
- a new opportunity-led, co-ordinated approach to tackling the problems of run down estates through the New Deal for Communities will create employment opportunities and promote economic regeneration;
- widening access to the arts and museums, so that more people from a wider variety of backgrounds can enjoy them; and
- an expanded and refocused international development programme will target help on the poorest people in the poorest countries more effectively.

**Investing in reform for efficient and modern public services**

1.15 As important as how much the Government spends is how effectively public money is spent. By ensuring that every pound of the public's money is spent efficiently and effectively public services can be enhanced for the benefit of all. So the investment in public services announced in the CSR is matched by reforms to deliver enhanced efficiency and improved effectiveness in public spending. New public service agreements between each department and the Treasury will include their new objectives and measurable efficiency and effectiveness targets. Progress will be monitored by a continuous process of scrutiny and audit, overseen by a Cabinet Committee, continuing the work of the PX committee, and chaired by the Chancellor of the Exchequer. Chapter 4 spells out a range of new initiatives that will now be implemented, including:

- new cross-departmental budgets: for example, to improve the co-ordination of services for young children and for run down estates;
a new Invest to Save budget which will encourage different parts of the public sector to work together to improve service delivery and cut costs;

- new quality standards for all departments: for example, new Departmental Investment Strategies will help to ensure that we get the best possible return on every pound invested;
- challenging new efficiency targets for key public services such as the NHS which will help to deliver better services;
- procurement reforms to secure significant cost savings to improve services: for example, savings in procurement costs, together with efficiency savings elsewhere in defence, will enable the UK to have a more effective front line at lower cost; and
- reforms in the management of public sector sickness absence will cut absence rates by 20 per cent over the next three years, bringing the public sector rate closer to that in the private sector.

Reallocating spending to key priorities: the new departmental spending limits

1.16 The new departmental spending limits for the next three years have been set in order to meet these objectives, deliver the Government's manifesto commitments and reallocate resources to its priorities for this Parliament and beyond.

1.17 Rigorous selection of priorities over the next three years will enable significant additional resources to be reallocated to education and health. As chart 1 shows, the annual increase in expenditure in both education and the NHS will be more than double the growth in other services - over 50 per cent of the increase in departmental spending limits and local authority spending plans will in fact be targeted on those two services.

Meeting the Government's Key Election Pledges

The Government committed itself to five key pledges on coming to office:

- class sizes to be cut to 30 or under for 5 to 7 year olds;
- fast-track punishment to be introduced for persistent young offenders;
- 100,000 people off waiting lists;
- 250,000 under-25 year olds to be moved off benefit and into work; and
- no rise in income tax rates and a cut in VAT on heating to 5 per cent and keep inflation and interest rates as low as possible.

The Government has already launched the Welfare to Work initiative, held income tax rates, introduced a new framework for macroeconomic stability and cut VAT on fuel and power. The CSR will ensure that the other commitments will also be delivered by the end of the Parliament.

Chart 1: Priority for education and health
1. Includes some spending in Annually Managed Expenditure (AME). 2. NHS England figures.

3. Rounded to nearest 0.1 per cent

1.18 Education expenditure - the Government's top priority - will increase by an extra £19 billion, more than 5 per cent a year in real terms, over the next three years as chart 2 shows; this will deliver the manifesto commitment to increase the share of GDP spent on education, rising from 4.8 per cent in 1996-97 to 5.0 per cent of GDP in 2001-02.

1.19 Over £20 billion extra will be provided for the NHS - for England, this means an average increase of 4.7 per cent a year in real terms over the next three years, which more than meets the manifesto commitment.
1.20 In social security, the Government has embarked upon principled reform of the social security system so that there are opportunities to work for those who can and security for those who can't. The Welfare to Work initiative is showing encouraging early results, and combined with proposals to reduce fraud and modernise the benefit system, the Government will ensure that resources are more effectively spent on those who need help.

1.21 The new Departmental Expenditure Limits for the next three years and the wider plans for all spending are set out in tables 1 and 2. Further details on the new control regime are set out in annex B.

<table>
<thead>
<tr>
<th>Table 1: Departmental Expenditure Limits</th>
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<tbody>
<tr>
<td>£million</td>
</tr>
<tr>
<td>Education and Employment (DfEE)*</td>
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<tr>
<td>Health</td>
</tr>
<tr>
<td>of which: NHS</td>
</tr>
<tr>
<td>DETR Environment - and Transport</td>
</tr>
<tr>
<td>DETR - Local Government and Regional Policy</td>
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<tr>
<td>Home Office</td>
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<td>Legal Departments</td>
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<td>Defence</td>
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<tr>
<td>Foreign and Commonwealth Office</td>
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<tr>
<td>International Development</td>
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<tr>
<td>Trade and Industry</td>
</tr>
<tr>
<td>Agriculture, Fisheries and Food</td>
</tr>
<tr>
<td>Culture, Media and Sport</td>
</tr>
<tr>
<td>Social Security (administration)</td>
</tr>
<tr>
<td>Scotland</td>
</tr>
<tr>
<td>Wales</td>
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</tbody>
</table>
Northern Ireland 5,680 5,950 6,160 6,310
Chancellor's Departments 2,900 3,160 2,980 3,200
Cabinet Office 1,310 1,420 1,360 1,320
Welfare to Work 1,170 1,330 1,280 1,280
Invest to Save budget 20 60 80
Capital Modernisation Fund 1,170 1,330 1,280 1,280
Reserve1 1,000 1,500 2,000 2,500

Departmental Expenditure Limits1 168,800 179,200 190,100 200,200
(*Education spending in UK1 38,200 41,200 44,700 47,800)

Table 2: Annually Managed Expenditure1

<table>
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<tr>
<th>£million</th>
<th>1998-99</th>
<th>1999-00</th>
<th>2000-01</th>
<th>2001-02</th>
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<tbody>
<tr>
<td>Social Security Benefits</td>
<td>95,500</td>
<td>100,500</td>
<td>103,000</td>
<td>108,900</td>
</tr>
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<td>Housing Revenue Account Subsidies</td>
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<td>3,600</td>
<td>3,600</td>
<td>3,600</td>
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<tr>
<td>Common Agricultural Policy</td>
<td>2,600</td>
<td>2,500</td>
<td>2,500</td>
<td>2,700</td>
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<tr>
<td>Export Credit Guarantee Department</td>
<td>100</td>
<td>100</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>Net Payments to EC institutions</td>
<td>3,500</td>
<td>2,900</td>
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<td>Self-Financing Public Corporations</td>
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<td>Locally Financed Expenditure2</td>
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<td>19,100</td>
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<td>Central Government Gross Debt Interest</td>
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<td>Accounting and other adjustments</td>
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<td>18,800</td>
<td>20,000</td>
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<td>AME Margin</td>
<td>800</td>
<td>1,000</td>
<td>2,000</td>
<td>3,000</td>
</tr>
<tr>
<td>Annually Managed Expenditure</td>
<td>164,800</td>
<td>172,400</td>
<td>179,900</td>
<td>189,500</td>
</tr>
</tbody>
</table>

Total Managed Expenditure3 333,600 351,600 370,000 389,700

1. Rounded to nearest £100 million.
2. Includes local authority self-financed expenditure and Scottish non-domestic rate payments.
3. Total managed expenditure is equal to the sum of the Departmental Spending Limits and Annually Managed Expenditure, and is also equal to the sum of the public sector current expenditure and public sector net investment.

Table 3: Public Sector Current and Capital Expenditure

| Public Sector Current Expenditure1 | 327,000 | 342,900 | 359,400 | 376,700 |
| Public Sector Net Investment (PSNI)1 | 6,700 | 8,600 | 10,500 | 13,000 |
| PSNI/GDP | 0.8% | 1.0% | 1.2% | 1.4% |

Note: 1. Rounded to nearest £100 million.

Next Steps

1.22 The policies and spending plans in this White Paper set out a clear and firm framework for the remainder of this Parliament. They provide stability and certainty for the medium-term in place of the annual spending round. And they are based on a modern role for Government in the 21st Century. This will be reinforced by the move to resource accounting and budgeting (RAB) - which will apply private sector reporting and budgeting practices to government - as the basis for future planning from 2000-01.

1.23 Other White Papers and departmental documents will be published shortly, including those on an Integrated Transport
Policy and Local Government. These will provide more detail on the new policies and demonstrate that a coherent approach is being taken across the full range of government policies in the drive to deliver modern, efficient and effective public services.

1.24 The Government will ensure that the policy reforms and targets are delivered by:

- monitoring closely each department's public service agreement;
- regular reporting of progress on the main departmental targets and manifesto commitments, including in the Government's Annual Report;
- monitoring progress on the growth and employment strategy in the Economic and Fiscal Strategy Report;
- reporting annually on poverty trends and the delivery of the main anti-poverty measures;
- keeping Departmental Investment Strategies under review to ensure the Government's investment strategy as a whole is being delivered;
- requiring outstanding reviews to deliver against tight timetables and maintaining the pressure on departments to secure further service improvements.
2. Sustainable Growth and Employment

This chapter outlines how public spending can contribute to the Government's economic strategy for raising the sustainable rate of growth and employment.

The Government's strategy is built on achieving macroeconomic stability, raising skill levels, encouraging investment, and promoting competitive markets and innovation.

Key spending measures that contribute to this strategy include:

- increasing education spending by an average of **5.1 per cent** a year in real terms to improve skills in schools and the workforce;
- creating the **Investing in Britain Fund** which will double net public investment over the next three years including an extra £1.5 billion for capital investment in education and **£1.7 billion** for transport;
- providing **£1.1 billion** for the science base through a public-private partnership, to support innovative research programmes.

Strategy for promoting sustainable growth and employment

2.1 The Government's central economic aim is to raise the sustainable rate of growth and employment. This requires reforms to tackle the underlying causes of economic failure and to respond to the challenges of the new global economy.

2.2 As the 21st century approaches the UK economy faces new challenges. Increased globalisation and the rapid growth in world trade continues to open up new markets and introduce new opportunities. The information revolution is transforming the speed and reach of global communications, improving efficiency but also increasing the importance of skills for every employee. Together these trends have the potential to improve the quality of life for all in the UK. But the people of Britain will only benefit from this if British companies and employees are able to respond flexibly and quickly to these trends.

2.3 Government policy needs to focus on working in partnership with businesses and individuals to help Britain respond to these challenges. The key to higher growth and employment is not to stand in the way of change, but to equip people and businesses across all the communities of Britain - rural and urban - to meet the challenge of change.

2.4 The new monetary and fiscal framework which the Government has established - including operational independence for the Bank of England, the Code for Fiscal Stability and the action taken to get borrowing under control - will help to break the cycle of boom and bust which has discouraged long term planning and investment and destroyed jobs.

2.5 The Government is acting to provide employment opportunity for all-the modern definition of full employment. The New Deal for the under twenty fives and other groups is providing new opportunities and tackling the social exclusion that long term unemployment generates.

2.6 The Government is committed to making work pay. The introduction of the Working Families Tax Credit, reform of National Insurance contributions and the introduction of the national minimum wage will help to ensure that work pays more than benefit.

2.7 The Government has put in place a corporate and capital tax system that promotes business enterprise and encourages investment. The changes announced in the July 1997 and March 1998 Budgets removed the tax incentive for corporations to pay dividends rather than invest, encouraged individuals to invest in business assets over the long-term and cut the main and small business rates of Corporation Tax to their lowest levels ever.
Building on these steps, the CSR outlines a coordinated strategy to:

- improve education and skills - many in the UK workforce lack the skills necessary to adapt to changing economic and technological conditions. The Government will ensure that everyone is offered the basic education and training they need to succeed in the global economy;
- promote science and innovation - the UK's record in releasing the commercial potential of new technologies and management ideas has often been poor. The Government will focus on correcting market failures that prevent business exploiting new innovations and ensuring that we have a science base which can produce the research that will generate innovative new products;
- increase public investment - a modern infrastructure is essential if conditions for better growth and employment are to be created. The Government will ensure that public sector investment complements private investment to meet this need effectively.

**Improving education**

2.9 Improving educational achievement is the top priority of this Government. Higher skill levels will raise productivity, improve employability and increase the rate of innovation. To succeed in improving educational attainment the UK needs to take a long-term approach and invest in its young children. But the UK also needs to improve the skills of the existing workforce: about 80 per cent of people in work today will still be of working age in 10 years time.

**Investing in schools**

2.10 High quality basic education is the key to improving long-term prospects both for society as a whole and for the individual. Everybody needs a strong grasp of literacy and numeracy: they provide a foundation for gaining further skills throughout one's life. This ability to re-train and develop new skills is ever more important because changes in technology will bring continued shifts in the skills in demand.

2.11 The Government will implement reforms that will raise school standards for all children. Demanding new targets have been set for attainment in literacy and numeracy. Education Action Zones, the Advanced Skills Teachers scheme and initiatives to raise standards in weak and failing schools will help improve the quality of teaching. The National Grid for Learning will provide schools with high quality modern computer equipment so children can receive the benefits of the information superhighway and teachers can access the latest teaching resources and materials.

2.12 These reforms will be backed up by an increase in funding for schools in real terms of more than 5 per cent a year over the next three years. This will ensure the Government achieves its manifesto pledge to reduce class sizes to 30 or under for all 5 to 7 year olds.

2.13 Well equipped, modern and secure school buildings are essential to providing a positive learning environment for children. Tackling the backlog of repairs and replacing inadequate accommodation has been a top priority of this Government. The July 1997 Budget allocated £1.3 billion of windfall tax revenues to the New Deal for Schools.

2.14 The CSR allocates a further £1.5 billion over the next three years to schools capital funding and another £660 million in further approvals for PPP projects. This means that by the end of this Parliament total annual capital investment in schools will have more than doubled under this Government.

**Promoting lifelong learning and employability**

2.15 Improving skills among people of working age is the second component of the Government's strategy to create a better educated workforce. The skills of the UK workforce do not compare well with those of its major competitors. For example, Germany has three times the proportion of people with the intermediate NVQ level 3 skills as the UK.

2.16 The Government's approach to reform focuses on improving the links between employers, potential employees, and education providers. The University for Industry will work with training institutions and employers on a national scale to match the training needs of employers with those of potential employees. Provision for 500,000 more Further and Higher Education students by 2002 will ensure that people can access the training they need.

**Promoting Science and Innovation**

2.17 In today's global economy innovative and dynamic companies are essential to national economic success. To grow,
these companies need a first-class research base and the ability to turn good ideas into marketable products and services. The Government needs to work in partnership with dynamic companies to ensure they get the people, ideas, and advice they need.

**A world-class science research base**

2.18 The UK has some of the best scientists and researchers in the world. The strength of many of our world-class companies relies on the quality of UK research, for example in pharmaceuticals. In the future, the UK is likely to look increasingly towards high-tech and high-growth companies to generate employment and wealth. But in recent years the UK’s lead in scientific research has been at risk. Substantial under-investment has taken its toll.

2.19 The Government will invest in strengthening the science base. A unique £600 million joint fund, with £300 million in partnership funding from the Wellcome Trust, will help equip universities with essential laboratories and equipment. The Research Councils will receive a further £405 million to meet the costs of new projects in key areas such as life sciences. And a further £100 million from Wellcome will provide a state of the art high intensity X-Ray machine for UK genome research. In total these new funds will directly provide £1.1 billion more for science research.

2.20 In addition a further £300 million will be made available to support universities' research through the Higher Education Funding Council for England (HEFCE). Together this programme of investment in science will build upon the UK's existing research strengths and invest in new areas where Britain has the potential to attain world-leading status.

**Supporting growing businesses**

2.21 The Government is committed to providing growing companies with the best advice and practical help to support their business ambitions. The £50 million University Challenge scheme will help to turn university research into commercial successes.

2.22 Business has in the past criticised the lack of coherence and strategic focus of business support programmes. Taking account of the views of business the Government will refocus support programmes building on the role of Business Links as the single point of contact for businesses at local level. The Government will also ensure that business support programmes promote innovation and enterprise, with a particular emphasis on small and medium sized enterprises (SMEs) which have the potential for high growth.

2.23 The Government is continuing to examine other strategies for tackling barriers to growth, in close partnership with business. Competitiveness UK - the most systematic business consultation programme ever launched by a government - will continue, as will other consultations such as the working party on the financing of high tech business.

2.24 The Government is also working to reduce regulatory barriers to business growth. While regulation is often necessary to protect people and the environment, delays in obtaining regulatory decisions are costly for all involved. For example the CSR has identified the time currently taken to reach decisions on planning appeals as a major regulatory hold-up. To tackle this the Government will set tough new targets for the Planning Inspectorate backed up by an increase in funding which will result in a very substantial reduction in the time taken for appeals to be heard.

**Reforming subsidies**

2.25 The Government is reforming the system of industrial subsidies to businesses to ensure that the tax-payer gets value for money. The leading role the Government played in negotiating the phased abolition of shipbuilding operating subsidies across Europe is an example of this commitment to reform.

2.26 The largest specific industrial subsidy is support to the agricultural industry which totalled £4.5 billion in 1997-98. The Government believes that agricultural markets need to be made more open and competitive and that public support should be reduced to levels comparable with other industries. As a start production related support for hill farming will be ended and replaced with a scheme to maintain the environment and social fabric in the hills. The Government will also continue to press our EU partners to reform the Common Agricultural Policy to the benefit of taxpayers and consumers.

2.27 In the future, the Government will ensure that all business support has a clear rationale, demonstrates good value for tax-payers money, and is based on partnership between Government and the private sector.

**Environmentally sustainable growth**

A healthy environment is essential to quality of life and to the long-term sustainability of economic growth.
The Government is therefore committed to making sure that the environment is taken properly into account in all policy-making. Many of the measures outlined in the CSR such as investment in public transport and funding for energy efficiency are intended specifically to guide growth in a direction which is consistent with the Government's ambitions for sustainable development.

As part of the 'Greening Government' initiative, Sustainable Development Indicators, which will be published alongside the Government's Sustainable Development Strategy later this year, will provide a range of information on the sustainability of current UK environmental trends.

**Increasing capital investment**

2.28 The Government has acted to encourage the private sector to invest more. But high quality investment in public infrastructure, such as transport, is an essential complement to investment by private business. Public investment in other assets such as hospitals and schools has an important role to play in supporting the delivery of high-quality public services.

2.29 The Government's new approach to public investment was outlined in June with the publication of the Economic and Fiscal Strategy Report (EFSR). The CSR takes this approach forward allocating new capital investment to the Government's priorities through the Investing in Britain Fund.

2.30 This will be complemented by increased use of Public-Private Partnerships (PPPs) to improve public services and infrastructure. For example, the new PPP for the Defence Evaluation and Research Agency (DERA) will strengthen DERA's ability to provide world-class scientific research well into the next century. The Private Finance Initiative will continue to utilise the best that private and public sectors have to offer to deliver high quality public services to the taxpayer. Additional investment arising from the PFI alone will amount to nearly £7.7 billion over the next two years.

2.31 In addition, the National Asset Register will help the Government identify and dispose of surplus assets. The receipts released will be invested back into the public services. The Government projects total receipts from asset sales of around £22 billion over the next three years.

**The Investing in Britain Fund**

2.32 The Investing in Britain Fund will provide for the renewal and modernisation of the UK's public sector capital stock. The Government's intention is to double the amount of net public investment to nearly £13 billion a year by the end of this Parliament. Gross investment will total nearly £30 billion a year by the end of this Parliament. This very substantial increase will begin to tackle the investment backlog that has built up in this country.

2.33 Over £2.5 billion of the main fund will be overseen by the Treasury in a Capital Modernisation Fund which will be allocated to Departments on a competitive basis assessed in part by the merit and quality of Departmental Investment Strategies. It will provide resources for innovative capital or PFI projects which improve key services or public infrastructure.

2.34 The major part of the Investing in Britain fund has been allocated to departmental spending plans of which a substantial proportion will be targeted on investment that will directly benefit growth and employment.

2.35 The Government will invest an extra £1.7 billion in transport over three years focusing on improving existing networks. This will allow over 150 new local integrated transport schemes to be set up and address the backlog of repairs to key national and local roads. In total between 1998-98 and 2000-01 there will be a 25 per cent increase in transport spending (excluding one-off factors). This compares with a decline in the underlying rate of 25 per cent over the last Parliament, measured on a similar basis.

2.36 This extra funding for transport investment and the measures to be announced in the Transport White Paper will progressively deliver a better maintained and integrated transport system fit for the next century, increasingly underpinned by new revenue streams. In parallel the private sector will be delivering further investment into the London Underground and the rail network. This will give the transport sector the long-term stability it requires.
2.37 The chart indicates what this will mean for transport investment over the next seven years, assuming that the Transport White Paper proposals succeed in sustaining the high levels of private sector investment projected for the next few years, and that local authorities and others respond positively to the new powers to be announced in the Transport White Paper.
3. Fairness and Opportunity

This chapter sets out the Government's strategy to promote fairness and opportunity through investment and reform of key public services and the strengthening of communities. The key to ensuring fairness and opportunity is:

Universal access to a high quality, modern NHS and other important services. In addition to the plans for education and transport set out in chapter 2, there will be:

- NHS reform, underpinned by increased provision of over £20 billion over the next three years, to ensure a modern health service people can rely on, reduce health inequalities and cut waiting lists by 100,000 from the March 1997 level;
- reform of the criminal justice system to improve performance and, for the first time, investment in an evidence-based crime reduction strategy;
- £3.6 billion new investment to maintain and repair the public housing stock, with a new housing inspectorate to improve standards of housing management;

Targeted measures to reduce poverty and social exclusion:

- a Sure Start programme to prevent very young children becoming socially excluded and ensure they can realise their potential;
- Education Maintenance Allowances to be piloted to raise staying on rates in education for children from poorer families after the age of 16;
- expansion of Further Education, with measures to increase access for students from less advantaged backgrounds;
- a New Deal for Communities to regenerate the poorest communities;
- a package of support and services for pensioners;
- an expanded and refocused international development programme to target help on the poorest people in the poorest countries.

A Strategy for Promoting Fairness and Opportunity

3.1 The Government has pledged itself to enhancing fairness and opportunity to make Britain a modern and decent society governed to meet the needs of the many, not the few. This chapter sets out how the Government plans to invest in the reform of key public services and in the strengthening of communities to achieve this vision.

3.2 The National Health Service, education and other key services, which form the basis of the welfare state, are the bedrock of a fair society and affect the quality of all our lives. The world of work, family structures and patterns of health and life expectancy have changed out of all recognition since the welfare state was founded. But our public services are suffering from under-investment, outdated ways of working and bureaucratic reforms which failed to meet real needs. So the Government is now investing in reforms which will ensure that these services meet the changing demands of the modern world.

3.3 Strong communities - in which everyone feels they have opportunities and accepts that they have not only rights but also responsibilities - are the foundation of a fair society. We cannot afford the exclusion of large sections of the community as not only are the costs of social failure high, but society as a whole loses out when individuals fail to realise their full potential.
3.4 In the last 20 years Britain has become more divided - one in five working-age households is without work and one in three children now grows up in poverty. During this period, crime has almost doubled and fewer than one in 50 crimes now results in a conviction. Some neighbourhoods have been particularly badly affected, blighted by multiple problems which feed off each other - such as high unemployment, high crime rates and poor housing.

3.5 New investment is needed. But fairness and opportunity cannot be achieved simply by spending money on benefits and services. Too often in the past, extra resources have failed to lead to improvements on the ground or have not addressed the underlying causes of problems.

3.6 The Government is committed to finding innovative solutions to these deep-seated problems, based on evidence of what works best, tackling them wherever possible at source. It has already made a major contribution through the New Deal, the largest programme ever to tackle unemployment and provide new opportunities. And it has taken steps to make work pay through the Minimum Wage, Working Families Tax Credit and the National Childcare Strategy. The Government's wider welfare reform programme is being overseen by the Prime Minister's Welfare Reform Group.

3.7 Modernisation and reform are therefore an integral part of the Government's CSR strategy which has focused on how investment in reform can ensure:

- universal access to high quality public services such as the NHS, based on need, not ability to pay; and
- targeted help to tackle poverty and social exclusion, at home and abroad.

**Universal access to high quality services**

3.8 The Government is determined that the welfare state should not be allowed to crumble into a low grade safety net for those who cannot afford to pay privately. Everybody in a position to do so contributes to the funding of public services through taxation and charges, and in a fair society everyone should be able to benefit from them.

3.9 In its first two years, the Government has already committed £2 billion of extra resources to health in the UK and £2.5 billion for education to begin the process of modernisation and reform. Within the Health Service, the Government set out last year in the White Paper, The New NHS, its proposals for reforming primary health care and it has already laid down plans to abolish the old internal market and replace it with a new framework based on co-operation.

3.10 Chapter 2 described how the Government will raise educational standards and deliver an efficient, integrated transport system - reforms which will improve the quality of life and widen opportunities right across Britain. This chapter completes the picture by looking at how the Government intends to modernise the Health Service, take action against crime and improve housing.

**Rebuilding the National Health Service**

3.11 A high quality health service there when it is needed is critical to the well-being of the whole country. The NHS has a fundamental impact on people's lives. The Government is committed to rebuilding the National Health Service, first, through reform and, second, through greater resources. Reform will be based on the principles of partnership, decentralisation, and the management of performance to ensure everyone's efforts are focused on delivering a top quality service to patients. All local health bodies will in future work together to improve the health and well being of people in their areas, and GPs and nurses will play an increasing role, using their first hand knowledge to commission the services people need. A £5 billion NHS Modernisation Fund will be available to support the process of modernisation, through, for example, changes in working practices and the modernisation of hospital systems.

3.12 Overall, the Government is demonstrating the importance it attaches to the NHS with an average increase in provision of more than £20 billion - in England this means an average increase of 4.7 per cent in real terms in each of the next three years, on top of savings on bureaucracy, and about £1 billion a year of value for money savings. This commitment to stable increases in resources for the NHS, coupled with reform, will deliver a genuine step change in the standards of health care: a modern, dependable service which provides integrated care focused on improving health and reducing health inequalities. The Government is committing itself to:

- reducing waiting lists by 100,000 from levels inherited from the previous Government;
- the largest ever hospital-building programme, using public and private sector investment;
- a new round-the-clock nurse help-line in the NHS; and
- more co-ordinated services on the ground, particularly helping the elderly and severely mentally ill.
Tough on crime and the causes of crime

3.13 Crime - and the fear of crime - erodes everyone's quality of life and undermines the stability of communities. Even though spending on the criminal justice system has almost doubled in real terms over the last 15 years or so, crime has continued to grow at an alarming rate.

3.14 The Government is committed to being tough on crime, to punish those who cause distress to others and to deter people from offending. It is channelling efficiency savings into additional resources for front line policing, and making resources available to implement its manifesto pledges on fast-track justice for persistent young offenders that tackles their offending behaviour.

3.15 However, additional resources have to be accompanied by reform of the criminal justice system itself. Existing structures lead to duplication, wasted effort, and lack of clear responsibilities between the departments and agencies involved. That is why the Government is now introducing a fundamental reform in which clear objectives and targets are set and the system is organised in a co-ordinated way to deliver the aims the Government has laid down.

3.16 For the first time, a significant investment will be made in tackling the underlying causes of crime. The Crime Reduction Strategy will systematically evaluate crime prevention and reduction measures, and back those which are proven to work. For example, the Prison Service is piloting a programme linked to the New Deal initiative to ensure a better transition from prison to employment on release. The Government is also expanding and improving the effectiveness of its anti-drugs measures. The strategy, overseen by the UK Anti-Drugs Co-Ordinator, will put greater emphasis on prevention and rehabilitation, which will help people to lead active lives and to turn away from crime.

Ensuring decent public housing

3.17 There is a legacy of under-investment in local authority housing and an unacceptable variation in the quality of housing management. The Government will therefore provide £3.6 billion more to halt the deterioration of council housing, with more than 1.5 million council houses benefiting from this increased investment. And, to ensure a high quality service from local authority housing management, a new housing inspectorate will be established.

Targeted help to tackle poverty and social exclusion

3.18 Earlier this year the Prime Minister set out the Government's overall strategy to reduce poverty and social exclusion. The Government will report each year on the progress being made. The CSR will take steps to implement this strategy, and has focussed on:

- investment in prevention;
- work as the best way out of poverty;
- regenerating the poorest communities;
- help for those who cannot work; and
- rejuvenating the UK's international development effort.

Investment in prevention

3.19 The seeds of later poverty and social exclusion are often sown early in life. Over the last twenty years, the number of children growing up in poverty has grown significantly. Quite apart from the deprivation they are experiencing now, these children are often at greater risk in later life of living in poverty. Measures were taken in the Budget to help parents increase their living standards for themselves and their children by helping them into work. Child benefit was also increased. Last week, the Government announced changes to the Child Support Agency which should increase the proportion of parents paying proper maintenance to support their children.

3.20 The CSR has looked further at how timely early interventions to help young children can prevent problems later in life. The Government is now launching an innovative, targeted "Sure Start" programme for young children from birth to age 3. It will draw on the evidence of what works and provide integrated children's services - including education and health - to help give children a better start in life.

3.21 Children need high quality schooling if they are to be able to participate fully in society. However, this requires good schools, targeted help where needed, and measures to prevent children dropping out of school. The Government has already announced a wide-ranging package of measures designed to reduce truancy. It is building on this in the CSR with new
measures such as providing appropriate full-time education for children excluded from school. Underperforming schools will be helped by new Education Action Zones. Section 11 funding for teaching English as a second language has also been secured and responsibility for this has been passed to DfEE.

3.22 The CSR also provides a comprehensive package to improve further education and work-based training for all young people. For those young people who have traditionally missed out on such opportunities there will be special help. The Government is therefore providing for a range of measures to encourage young people to stay on at school or college to improve their educational qualifications and skills. This includes piloting of Education Maintenance Allowances, expansion of work-based training and widening access to further education through "Investing in Young People".

3.23 As part of a wider reform of social services, the Government will also be making priority investment in services for children in care and young people leaving care, to follow up the recommendations of the Utting report.

Work as the best way out of poverty

3.24 Many unemployed people lack the qualifications they need to gain employment, particularly as the number of unskilled jobs has been diminishing.

3.25 The New Deal, coupled with the introduction of the Minimum Wage and the Working Families Tax Credit, will do much to help widen opportunities and make work pay. These reforms will be complemented by a major new Lifelong Learning initiative which will provide educational opportunities for half a million people. Less well-off people will be particularly targeted, using a variety of innovative mechanisms such as outreach to reluctant learners, a focus on basic skills for those in deprived areas, and the targeting of Individual Learning Accounts.

A New Deal for Communities

3.26 Many deprived communities suffer from a range of mutually reinforcing problems. This requires an integrated response, tailored to local needs. The Government will provide this through a new approach to regeneration, made up of two elements - a New Deal for Communities (NDC) and a reformed Single Regeneration Budget (SRB). The Government has also underlined the importance of co-ordinating these initiatives with others that address the individual problems of deprived areas, for example Education Action Zones, if they are to have the maximum impact. A report by the Social Exclusion Unit on the Government's approach to deprived areas will shortly be published.

3.27 The New Deal for Communities is a major new initiative, costing £800 million over three years, which will provide integrated help in innovative ways for small pockets of extreme deprivation at neighbourhood level. First, it will extend economic opportunity, tackling the multiple barriers to employment which can exist in deprived areas. Second, it will bring together housing and regeneration spending, so that improvements in the fabric of housing are matched by improvements in the quality of life of those who live in them. Third, it will involve local people much more directly in managing their own neighbourhoods and in the delivery of public services.

3.28 A refocused SRB will launch at least one new project in each of the most deprived urban areas, as well as providing funding for rural areas and pockets of deprivation in otherwise affluent areas. The Government wants to enhance opportunities for everyone, in both urban and rural areas.

3.29 The Deputy Prime Minister has taken on the responsibility of ensuring that, as initiatives are introduced and developed, co-ordination is maintained and duplication is avoided. For the longer term, the Government is undertaking a study of how to improve the co-ordination and delivery of area based initiatives. In parallel with this, the Local Government Association's New Commitment to Regeneration initiative will be looking at ways of better co-ordinating the efforts of local agencies, within a strategic framework.

Help for those who cannot work, particularly pensioners

3.30 The Government is also determined to provide a fair deal for those who cannot work. It has already provided £400 million over two years for winter fuel payments to pensioners and cut VAT on fuel to 5 per cent. As a result of the CSR, there will be a package of measures for pensioners, including action to meet the Government's manifesto commitments on take-up of benefits by poor pensioners.

3.31 Social services, who spend much of their time looking after vulnerable people, have not always been well enough focused in the past. In return for investing over 3 per cent more a year in real terms on average in these services, the Government is introducing reforms which should ensure that social services maximise the independence of elderly and disabled people. Mental health services will also be improved.
The Government is continuing its fundamental review of the welfare system, following principles set out in the Government's Green Paper on Welfare Reform, New Ambitions for our Country: A New Contract for Welfare, published in March 1998, and there will be further announcements to modernise disability benefits and the pensions system.

**Rejuvenating the UK's International Development Effort**

The Government is also committed to promoting fairness abroad by investing in the reforms set out in the White Paper, "Eliminating World Poverty", published last year. The long term decline in development aid is being reversed and its effectiveness improved by targeting help on the poorest people in the poorest countries. New partnerships will be formed with governments and development organisations that share the UK's commitment to tackle poverty and to sound economic policies.
4. Efficient and Modern Public Services

This chapter sets out how the CSR reforms will contribute to the Government's strategy to improve the efficiency with which public services are delivered.

The cornerstone of the Government's approach is that services should be provided through the sector best placed to provide those services most effectively. This can be the public, private or voluntary sector, or partnerships between these sectors.

The Government is determined to improve the quality of services. That will require greater efficiency to get more out of the money which is spent on services.

As part of the CSR, there will be new innovations to improve service delivery and efficiency including:

- measures to enable different parts of government to work better together, including through cross-departmental budgets;
- an Invest to Save budget to encourage different parts of the public sector to work together to improve service delivery; and
- more external inspection of public services, including a new Housing Inspectorate set up under Best Value.

Strategy for Delivering Better Services

4.1 Public services need to be modern and innovative, and reflect the needs of citizens. The CSR has taken a searching look at the services provided by government to ensure that the right services are provided and they are delivered effectively at best value to those who use them. The Government will only make new investment where reforms are in place to root out waste and inefficiency.

4.2 The Government does not take a dogmatic view of how public services should be delivered. Its role is to ensure the delivery of high quality services to the taxpayer. This can be done through the public, private or voluntary sectors, or through partnerships between these sectors. The choice of delivery mechanism will be determined by what works best.

4.3 Three core principles underpin this approach to delivering public services:

- government must act in a coordinated way: the link between policy objectives and performance should be stronger and better links should be forged between different parts of government;
- public services should be delivered more efficiently and effectively: greater efficiency provides a means of getting the best return from the investment made in public services. Managers should also be given better incentives to use resources well; and
- government must be responsive to the public: public bodies should be answerable to users' concerns. Better information about quality and efficiency should be provided to the public.
- New policies to deliver better services

Co-ordinated

4.4 All parts of the public sector need to support the overarching objectives of the Government. The public have the right to expect that services will be delivered in a co-ordinated way. A failure to do so will lead to bad value for money and poorer quality services being provided.

4.5 An important conclusion from the CSR has been that dividing up responsibility for overlapping policy areas between several departments can make government intervention less effective. Giving individual departments separate responsibility
for tackling one part of a multi-faceted problem is a recipe for failure. A number of cross-departmental budgets will be therefore created, including:

- young children - to fund the "Sure Start" programme which will provide targeted support for pre-school children and their families across a range of services;
- New Deal for Communities - to increase economic opportunity and improve neighbourhood management in pockets of severe deprivation; and
- asylum support - to provide an integrated response to the needs of asylum seekers.

4.6 In addition, the Welfare to Work programme is being managed through an inter-departmental budget, to ensure the efficient allocation of the Windfall Tax receipts levied on the privatised utilities.

4.7 The Government is determined to provide a better service to the public. And the drive for better coordinated government will be a continuous process. An Invest to Save budget (ISB) will be created to help develop projects which bring together two or more public service bodies to deliver services in an innovative and more efficient fashion. It will encourage such bodies to work more closely with each other and identify projects which would otherwise not go ahead.

4.8 Examples of the type of project which the ISB might support include:

- electronic service delivery involving two or more public sector organisations;
- co-location of agencies to save overhead costs; and
- "one stop shops" giving the public access to more than one service in a visit.

4.9 Where a single budget is not appropriate, the CSR will introduce new arrangements to ensure effective coordination and joint working between departments with related responsibilities:

- to encourage the criminal justice system to act effectively in the fight against crime, the Government will introduce a single set of unifying aims and objectives, and new arrangements for joint strategic planning and performance management;
- a single unit will be established combining Home Office and FCO responsibilities for entry clearance to the UK for overseas nationals;
- DETR and MAFF will carry out joint strategic and financial planning to strengthen countryside policy; and
- the anti-drugs strategy will integrate activity across government agencies through partnerships and coordinate joint action locally through Drug Action Teams.

4.10 As well as closer working at national level, the Government has decided to take steps to enable local agencies to work together in support of innovative service delivery. Health and social services authorities will be able to put a proportion of their funds in a pooled budget. Local authorities, the police, the Probation Service and health authorities will work together in Youth Offending Teams.

**Efficient and Effective**

4.11 It is critical that services are delivered effectively and that resources are used to deliver services efficiently. The Government will ensure that resources are used effectively and efficiently through:

- the reforms to the public expenditure control regime: firm three year limits for departments will result in better planned and higher quality services. For the first time, departments will be able to reinvest the savings they make. Spending can be moved to later years, so ending inefficient end-year surges in spending. The clearer distinction between current and capital spending will prevent capital investment being cut back to meet short-term pressures on current expenditure. Civil service running costs will broadly be held flat in real terms; and
- new public service agreements between each department and the Treasury will include their new objectives and measurable efficiency and effectiveness targets. Progress will be monitored by a continuous process of scrutiny and audit, overseen by a Cabinet Committee, continuing the work of the PX committee, and chaired by the Chancellor of the Exchequer.

4.12 Challenging targets have also been set for key public services, requiring them to be delivered in an efficient manner. For example:

- the NHS: a target of value for money improvements of some 3 per cent per year will be set;
- Personal Social Services: efficiency targets of 2-3 per cent per year will be set over the next three years, supported by new performance measures and benchmarking between authorities;
Ministry of Defence: a target has been set of raising efficiency by 3 per cent a year in operating costs;
- Police: an efficiency target of 2 per cent per year will be set and annual efficiency plans introduced for the first time; and
- Fire Service: increased efficiency will be secured through more co-operation and collaboration between fire brigades.

4.13 The functions carried out by departments, agencies and non-departmental public bodies (NDPBs) will be reviewed on a five yearly cycle to establish whether the Government needs to continue to perform them. Competition and outsourcing will be used where the private or voluntary sectors can better carry out a function.

4.14 Local authorities will be under a statutory duty to obtain "Best Value" by securing economic, efficient, and effective services. Over a four to five year period, authorities will be required to subject each of their services to fundamental review. The reviews will examine the justification for providing the service and will compare performance between similar authorities.

4.15 The Best Value regime will replace compulsory competitive tendering. But competition will retain an important role to demonstrate that best value is being achieved. Local performance plans will be drawn up in consultation with local people and published. Independent audit will measure and report on achievement against those plans. Central Government will have new powers of intervention where authorities demonstrate a persistent or serious failure to achieve best value.

Efficiency in central government procurement

Civil procurement by central government is running at over £12bn. There is compelling evidence that significant productivity gains can be secured by improving the efficiency of civil procurement. Departments can reinvest savings which are generated as a result. A targeted programme of measures will take this forward:

- electronic procurement will be everyday practice within three years;
- joint procurement strategies will be pursued by departments;
- progress in public procurement performance will be benchmarked. A Procurement Excellence Model will be created by March 1999; and
- by 2000, most of those in key posts in the Government Procurement Service will have to have or be working towards professional qualifications.

Major reforms are also being made to defence procurement under the Ministry of Defence's Smart Procurement initiative. This should make the procurement of defence equipment more cost effective and timely, with better definition of requirements, faster development and production and a streamlined purchasing process within government.

4.16 The Government is determined to improve the effectiveness of public services. As part of the new public service agreements, each Government department will be set new quality standards:

- key targets have been set for each department spelling out what will be delivered by the end of the Parliament;
- Departmental Investment Strategies will ensure that capital investment will be carried out efficiently and deliver the maximum economic and social benefits; and
- the Output and Performance Analysis produced by each department to prepare for Resource Accounting and Budgeting will help to demonstrate the extent to which objectives are being achieved, the quantity and quality of outputs delivered and the efficiency of resource use.

4.17 External scrutiny plays a key part in ensuring that the providers of public services are held accountable. A new Housing Inspectorate will be created, as part of Best Value, with real power to tackle poor management of local authority housing and guarantee high quality investment. The Inspectorate will audit the performance of every local housing authority over a five year period. If performance is judged to be poor, the local authority will be required to draw up plans for improvement. If insufficient improvement is made, the Secretary of State for the Environment, Transport and the Regions will have the power to intervene.

4.18 A new Commission for Health Improvement will audit clinical quality systems in NHS Trusts. The Quality Assurance Agency for Higher Education will continue to work with the higher education sector to safeguard and enhance quality and standards.
4.19 Additional funding for specific improvements in health and education will be ringfenced in separate funds: the NHS Modernisation Fund will, for example, cover a wide range of NHS initiatives, including improvements in primary care services, promotion of good health, IT and hospital modernisation.

4.20 New guidance on the sale of government services into wider markets provides incentives for departments to make the best use of retained assets where it is appropriate to do so. Departments will be able to re-use receipts generated by such activities.

4.21 Maintaining a well motivated and professional public service is important to delivering high quality services. Investment will be made in training and to raise management standards. Steps will also be taken to tackle problems in the workplace which affect employee health and absence. Sickness absence costs the public sector up to £6 billion per year in terms of lost output. A programme is being put in place across the public sector to reduce the absence rate by 20 per cent by 2001, and 30 per cent by 2003, through a range of best practice measures including tighter monitoring of absences, earlier action by managers and better use of occupational health services.

4.22 The CSR has allocated funds to departments and they have been set objectives and targets. Increases in public sector pay must be set both to fit within departments' three year financial limits and to meet these objectives. Where resources have been allocated for the delivery of services, they are not available for pay.

4.23 Departmental Ministers will have to be satisfied that any increases will be consistent with achieving their service targets. This will also apply to pay settlements for the pay review body groups. The terms of reference of these bodies will be revised to make clear the need to consider:

- recruitment, retention and motivation of the groups concerned;
- the requirements on departments to meet their output targets for the delivery of services;
- requirements on departments to stay within their three year expenditure limits; and
- the Government's inflation target which will require responsibility in pay settlements across the public and private sectors.

4.24 The reports of the pay review bodies will be submitted jointly to the relevant Secretaries of State and the Prime Minister. Departmental Ministers will consider the recommendations and announce the Government's response. This will give them more direct responsibility for the allocation of resources in accordance with their priorities. The Prime Minister will remain responsible for the Senior Salaries Review Body and for appointments to the pay review bodies.

Responsive

4.25 The public are entitled to know how well their money is spent and what is being achieved with it. Consistent and clear reports of performance, and publication of results, are important to record progress and exert pressure for improvements. Such transparency is essential to help ensure that public bodies are fully accountable for their actions.

4.26 Each central government department will be required to report annually on its performance against the objectives agreed in its Output and Performance Analysis.

4.27 Next Steps agencies and NDPBs will each give a full account of achievements against targets in their annual reports. This will be complemented by two combined reports, one covering all Agencies and another for executive NDPBs, summarising performance across the board.

4.28 "Service First", launched on 30 June, will make public services more responsive to their users through, for example, The Peoples' Panel - an innovative initiative which enables the Government to listen to the views of ordinary citizens about public services.

4.29 Better information will be made available to the public about services:

- league tables will start to show the added value to pupils' progress in individual schools;
- the Skills Task Force will consider how to improve the flow of information to further and higher education institutions and students about the employment and earning prospects associated with different courses;
- a comprehensive new performance framework for the NHS will enable the government and public to judge the efficiency and quality of services on a broad range of measures, including health improvement, effective delivery of healthcare and fair access to services; and
- general performance indicators will be developed for local authorities to provide a picture of performance,
underpinned by service specific indicators.

4.30 Comparative information will also be published about local authorities' performance so that local people can judge how their authority is performing.

4.31 Further details of measures to modernise and improve the efficiency of government will be announced in due course in a separate announcement on Better Government.
5. Introduction to the Departmental and Cross-Departmental Chapters

5.1 Earlier chapters have set out the overall results of the CSR and the role it has played in delivering the Government's objectives of investing in sustainable growth and employment, investing in opportunity and fairness, and modernising public services. The following chapters look at the results of the individual reviews and the spending plans that have resulted from them.

5.2 The Government has taken a strategic and co-ordinated approach in looking at departmental plans, but it has also looked at a number of issues that cut across departmental boundaries with cross-departmental reviews of:

- The Criminal Justice System
- The Criminal Justice System in Northern Ireland
- Illegal Drugs
- Provision for Young Children
- Housing
- Countryside and Rural Policy
- The Local Government Finance System

5.3 The departmental chapters that follow show a coherent and targeted approach both to departments and to programmes that straddle departmental boundaries. They show how right across government, at every level, the Government's plans will deliver investment in reform and money for modernisation.

5.4 Each chapter shows how each department's policies and objectives contribute to delivering high quality public services which address problems most effectively.

5.5 Each chapter is divided into four sections:

- **headline outputs.** Chapter 4 details the Government's approach to quality standards. This section sets out for each department the objectives set. The outputs are quantifiable and tough and will be delivered over the lifetime of this Parliament. It sets out yardsticks by which reform can be measured;
- **the Government's approach to spending;** it sets out the principles and objectives that underline the Government's new spending plans for each area;
- **spending plans** showing the aggregate figures for each department or area; and
- **investing in reform,** setting out the reforms that will be implemented.
6. Department for Education and Employment (DfEE)

The Government will deliver a world class education service, offering opportunity for all to reach their full potential, by:

- **investing in educational reforms**: measures to raise standards, tackle under-performance and exclusion, and increase employability will be underpinned by a 5.1 per cent annual real increase in education spending across the UK over the next three years, increasing the share of Gross Domestic Product devoted to education;
- doubling **capital spending on schools** over the Parliament;
- reducing **class sizes** to 30 or fewer for those aged between 5 and 7;
- increasing the numbers of those from lower income households staying on in education by piloting an **Education Maintenance Allowance** for those aged 16-18; and
- increasing **access to further and higher education** by a further 500,000 people by 2002, alongside more investment in standards and university research.

- **These reforms will, by the end of the Parliament:**
- give a major boost in standards in literacy and numeracy by age 11;
- **cut truancy and exclusion** by a third; and
- raise attainment at all levels from 16 up, underpinned by a series of **National Learning Targets** to be announced in the autumn, covering all age groups. For the first time the Government will commit itself to achieving these by the end of the Parliament.

A new approach to education and employment

6.1 Britain's economic prosperity and social cohesion depend on investing in human capital. These plans demonstrate the Government's commitment to achieving this. Together with the proposals in the White Paper, *Excellence in Schools* and the Green Paper, *The Learning Age*, the plans announced in the CSR seek to overcome economic and social disadvantage by delivering equality of opportunity and high standards for all.

6.2 Despite the contribution that education can make, spending across the UK rose by only 1.4 per cent a year in real terms between 1978-79 and 1996-97 and resources were wasted, for instance on the bureaucracy of nursery vouchers. School buildings were neglected. In 1996, only 57 per cent of children aged 11 had reached the standard of literacy expected for their age.

6.3 Progress since May 1997 has been marked: the New Deal for Schools is already funding projects at over 6000 schools in England; nursery places have been guaranteed for all four year olds; and the Assisted Places Scheme is being wound up to the benefit of those aged between 5 and 7 who are in classes that are too big. A campaign to increase achievement in literacy by age 11 has been launched. Education Action Zones - test beds for innovation and local partnerships - are being introduced; and the Government's response to Lord Dearing's inquiry into Higher Education set a fair and robust basis for student finance.

6.4 These measures and those described below contribute towards three main objectives:

- **raising standards**: all children should get the best possible start in life; and at all stages of education, the service should match the standards offered by the UK's competitors. The Government will apply both pressure and support to ensure that all learners receive the quality of teaching that they should expect;
- **reducing social exclusion**: too many children are excluded from school or play truant; and low achievement in schools deters too many young people and adults from continuing in or returning to education and training. The uneducated and unskilled get left behind; but everyone pays a heavy economic and social price through higher welfare costs and lower productivity; and
- **increasing employability**: those who return to education or who acquire new skills will have the best chance of
remaining employable throughout their working lives. The Government will lift the barriers to learning, especially for those who missed out the first time round.

**Spending plans**

6.5 The new spending plans provide for an increase in expenditure on education in England of an average of at least 5.1 per cent in real terms each year between 1998-99 and 2001-02. Local authorities' current expenditure will grow by an average 3.4 per cent a year in real terms. Capital expenditure on schools will double over the Parliament.

**Table 6.1: Key figures (England)**

<table>
<thead>
<tr>
<th></th>
<th>£million</th>
<th>1998-99</th>
<th>1999-00</th>
<th>2000-01</th>
<th>2001-02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>10,819</td>
<td>12,142</td>
<td>13,717</td>
<td>14,967</td>
<td></td>
</tr>
<tr>
<td>Sure Start</td>
<td>-</td>
<td>84</td>
<td>184</td>
<td>184</td>
<td></td>
</tr>
<tr>
<td><strong>Total DfEE and OFSTED</strong></td>
<td>14,166</td>
<td>15,473</td>
<td>17,295</td>
<td>18,612</td>
<td></td>
</tr>
<tr>
<td>Current Budget</td>
<td>13,424</td>
<td>14,352</td>
<td>15,702</td>
<td>16,670</td>
<td></td>
</tr>
<tr>
<td>Capital Budget</td>
<td>742</td>
<td>1,121</td>
<td>1,594</td>
<td>1,942</td>
<td></td>
</tr>
<tr>
<td>Local Authorities (ESSAs)</td>
<td>19,384</td>
<td>20,484</td>
<td>21,737</td>
<td>23,066</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>33,550</td>
<td>35,957</td>
<td>39,032</td>
<td>41,678</td>
<td></td>
</tr>
</tbody>
</table>

*Departmental Expenditure Limit †Education Standard Spending Assessment.

**Investing in reform to raise educational achievement**

6.6 These new spending plans demonstrate the Government's commitment to transform education. But such investment must be matched by a shared commitment to reform on the part of the education service and its partners, including parents.

6.7 **Young children.** The Government will ensure that children are ready and able to learn by the time they reach school through the Sure Start programme and expanded nursery provision (see Young Children's review).

6.8 **Investment in schools.** The Government will build on this foundation by making a significant increase in investment in schools. It will provide more for head teacher training; initiatives to raise standards in weak and failing schools; and a numeracy strategy matching that for literacy. It will also provide additional resources to ensure that the pledge on class sizes can be met.

6.9 **Targets and better management.** In return for this extra investment, a doubling of spending on capital, and the development of the National Grid for Learning, schools will have to set demanding targets for pupil attainment and manage their budgets prudently, taking advantage of the greater delegation of budgets to schools. As part of this process, a benchmarking project will be launched to demonstrate how good practice can be spread to cut costs.

6.10 **Pay.** Pay settlements will be funded from within the three year spending plans. The additional funds made available are for raising educational standards. Responsibilities in pay will continue to be necessary. Chapter 4 sets out new arrangements for Departmental Ministers to respond to pay review body reports in the context of their service targets.

6.11 By 2002, in line with the Social Exclusion Unit report, all pupils excluded from school for more than three weeks will receive an alternative full time (and appropriate) education. Successful schools will face much less intervention than those which are failing. New **Education Action Zones** will be set up. These will focus on underperforming schools to deliver a step change in standards. They will bring in private funds and act as catalysts for innovation.

6.12 **Education Maintenance Allowances.** There will be more investment in young people who leave school at 16, in order to tackle the legacy of underachievement. Education Maintenance Allowances (EMAs) will be piloted from September 1999, giving a financial incentive for young people to remain in education and to achieve more. These will be linked to parental income and attendance at school or college. If successful, the EMA would replace Child Benefit after 16 for those staying in education beyond their GCSEs.
6.13 For both Further and Higher Education extra resources will be earmarked for infrastructure, equipment and an expansion of student numbers. This will be in addition to substantial new funding for scientific research, complementing additional provision available through the Research Councils. But it is vital that institutions in both sectors continue to ensure that money is spent effectively. Both sectors will be expected to make efficiency savings of 1 per cent in 1999-2000, with further efficiency savings in later years.

6.14 The new University for Industry will bring Government, education and industry closer together and use cutting edge technology to make learning more widely available.

6.15 To ensure the right balance of funding between the existing agenda and those areas where policy is still being developed, the Government is creating a Service Development Fund (SDF) within the provision in table 6.1 of £750 million in 2000-01 and £1 billion in 2001-02. Within the total SDF, £150 million and £300 million is assumed to arise in Education Standard Spending in 2000-01 and 2001-02. Allocations from this Fund will be conditional on agreement to initiatives which build on essential reforms and offer the best value for money.

6.16 The Government has already helped groups detached from the labour market to move from welfare to work. The New Deals for young people and for the long-term unemployed are now national programmes. The Government is also taking forward New Deals for lone parents, for partners of the unemployed and for disabled people. Alongside the New Deal, the Government has established Employment Zones in five areas of high unemployment, to promote new and innovative approaches to tackling joblessness.

6.17 Experience with the New Deal has highlighted the importance of well trained personal advisers. A major expansion of help for those particularly at risk of exclusion from the labour market will provide advice and supporting programmes for 160,000 vulnerable people likely to become long-term unemployed. This will ensure they can get the help they need to get back to work early.

6.18 In the Green Paper: New ambitions for our country: a new contract for welfare, the Government said it would look at the scope for moving to a single work-focused gateway into the benefit system for people of working age and for breaking down the artificial boundaries between departments and organisations to offer a more efficient welfare service. This will require closer and more effective working between the Employment Service, the Benefits Agency, housing benefit units in local authorities and the Inland Revenue, building on their existing links.
7. Department of Health (including Personal Social Services)

The Government will rebuild the NHS and improve the delivery of social services by:

- increasing NHS funding by an average of 4.7 per cent a year, above inflation, for three years, to develop modern, prompt and convenient health care services;
- modernising the NHS, by improving hospitals and GPs' premises, and by establishing NHS Direct, to give everyone access to a 24 hour telephone nurse advice line; and
- improving the efficiency of the NHS and social services by some 3 per cent a year;

These reforms will, by the end of the Parliament:

- reduce NHS waiting lists to 100,000 below the level the Government inherited;
- begin to reduce avoidable illness, disease and injury, which will result in time in lower death rates from heart disease and stroke, cancer, and suicide, and a reduction in health inequalities;
- improve cooperation between the NHS, social services and other services, which will strengthen the focus on patients' needs, and help to reduce the rate of growth in emergency admissions to an average of 3 per cent a year over the next five years for people over 75; and
- for children in care, improve the educational achievement, increasing from 25 per cent to at least 50 per cent the proportion of children leaving care at 16 or later with GCSE or GNVQ qualifications.

A new approach to investment in Health

7.1 The Government set out its ten year programme to rebuild the NHS in the White Paper The New NHS and the Green Paper Our Healthier Nation. The Government's vision is of a modernised NHS that is:

- a national service;
- fast and convenient;
- of a uniformly high standard;
- designed around the needs of patients, not of institutions;
- efficient, so that every pound is spent to maximise the care for patients;
- making good use of modern technology and know-how; and
- tackling the causes of ill health as well as treating it.

7.2 The Government is abolishing the destructive, bureaucratic competition of the internal market, and replacing it with a fairer, more collaborative system. It will be based on partnership and driven by performance. All local health bodies will come together to draw up the Health Improvement Programme, working out how best to use their resources to improve the health and well being of people in their area, cutting health inequalities, and increasing the length of people's lives and the number of years they spend free from illness. GPs and nurses, the people closest to patients, will increasingly take the lead in commissioning services.

Spending plans

7.3 The new spending plans for England provide for average real increases of 4.7 per cent, in real terms, over the next three years. In the first year, resources for the NHS rise by 5.7 per cent in real terms, followed by increases of 4.5 per cent and 3.9 per cent in the later years. In addition, savings on bureaucracy are generating £1 billion extra for patient care over the Parliament, and wider value-for-money savings from the CSR will produce about an extra £1 billion each year.

Table 7.1: Key figures
<table>
<thead>
<tr>
<th>£million</th>
<th>1998-99</th>
<th>1999-00</th>
<th>2000-01</th>
<th>2001-02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Health2</td>
<td>37,169</td>
<td>40,228</td>
<td>43,129</td>
<td>45,985</td>
</tr>
<tr>
<td>NHS</td>
<td>36,507</td>
<td>39,581</td>
<td>42,415</td>
<td>45,179</td>
</tr>
<tr>
<td>of which: Current Budget</td>
<td>36,279</td>
<td>39,301</td>
<td>42,062</td>
<td>44,768</td>
</tr>
<tr>
<td>Capital Budget3</td>
<td>228</td>
<td>280</td>
<td>352</td>
<td>411</td>
</tr>
<tr>
<td>Personal Social Services</td>
<td>8,477</td>
<td>8,915</td>
<td>9,408</td>
<td>9,906</td>
</tr>
<tr>
<td>of which: Standard Spending Assessments</td>
<td>7,815</td>
<td>8,268</td>
<td>8,693</td>
<td>9,100</td>
</tr>
<tr>
<td>Funded by Department4</td>
<td>662</td>
<td>6475</td>
<td>714</td>
<td>806</td>
</tr>
</tbody>
</table>

1 Figures may not sum due to rounding.
2 This line includes all NHS Spending, plus Department of Health-funded spending on PSS.
3 Total capital investment in the NHS is shown in Table 7.2
4 This shows Department of Health-funded spending on Personal Social Services, which comprises mainly special, specific and capital grants to local authorities, credit approvals and a grant to the Central Council for Education and Training in Social Work.
5 The reduction in 1990-00 reflects the transfer of responsibility for grants for support of asylum seekers, other than unaccompanied children, to the Home Office.

Table 7.2: Health Capital Investment

<table>
<thead>
<tr>
<th>£million</th>
<th>1998-99</th>
<th>1999-00</th>
<th>2000-01</th>
<th>2001-02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Public capital1</td>
<td>1,195</td>
<td>1,3902</td>
<td>1,710</td>
<td>1,948</td>
</tr>
<tr>
<td>Net receipts from Trust and Retained Estate sales (estimated)</td>
<td>349</td>
<td>272</td>
<td>272</td>
<td>272</td>
</tr>
<tr>
<td>PFI investment (estimated)</td>
<td>310</td>
<td>610</td>
<td>740</td>
<td>690</td>
</tr>
<tr>
<td>Total</td>
<td>1,854</td>
<td>2,272</td>
<td>2,722</td>
<td>2,910</td>
</tr>
</tbody>
</table>

1 This excludes asset sales. It includes IT resources, which will in practice be a mixture of current and capital expenditure - pending further information we have allocated all IT investment to capital expenditure
2 Includes Departmental Administration capital of £10m, £9m of which is provision for set-up costs of the Food Standards Agency.

7.4 In addition to this direct investment, there will be more funding within the settlement to help develop the quality of primary care infrastructure.

Investing in reform to rebuild the NHS

7.5 The CSR provides the stable funding base needed to deliver the Government's commitment to rebuild the National Health Service. But, in return, the NHS will reform aspects of the way it works, so as to make the best possible use of the funds available, to maximise the improvement in services for patients.

7.6 To ensure that the Government's modernisation programme is taken forward effectively, there will be an NHS Modernisation Fund of £5 billion over three years, which, coupled with other money, will fund new developments, over the Parliament:

- **cutting waiting lists.** New investment, coupled with reform in working practices, will help deliver the Government's commitment to reduce waiting lists to 100,000 below the level for March 1997;
- **modernising hospitals and systems.** By making a reality of the Private Finance Initiative, the Government has embarked upon the largest hospital building programme in the history of the Service. The new plans provide a 50 per cent boost for publicly funded capital investment to help modernise hospitals, cutting the number of mixed sex wards and buying new equipment;
- **investing in NHS staff.** The plans allow for more education and training and continuing professional development to enable staff to make full use of the opportunities in new technology and new treatment patterns;
- **ensuring safe and effective mental health care.** New funding, linked to a new performance management system
will reverse long years of under-investment in mental health services, including setting up more specialist teams based in the community;

- **providing better primary care.** Investment in primary care will be concentrated in deprived areas to increase the number of staff, develop training, and improve premises. There will be more investment in information technology, so that all GPs and hospitals can be linked up by 2002; and

- **improving health promotion.** There will be more resources for health promotion, including more community nurses.

7.7 The Government is also determined to improve performance by:

**improving quality and effectiveness.** The Government is determined to raise the standards of treatment throughout the NHS. The new quality agenda set out in the consultation paper *A First Class Service* will be delivered through national service frameworks, the new National Institute for Clinical Excellence, and the Commission for Health Improvement; and

- **improving efficiency.** To improve value for money, and reduce the variations in efficiency across the NHS, the Government is setting a target for value-for-money improvements of some 3 per cent a year. This will generate about an extra £1 billion a year for patient care. There will be further measures to improve the value delivered from spending on medicines. The NHS is setting new targets for asset sales, to help fund future investment. The campaign against fraud will be intensified.

- **Pay.** Pay settlements will be funded from within the three year spending plans. The additional funds made available are for improving health services. Responsibility in pay will continue to be necessary. Chapter 4 sets out new arrangements for Departmental Ministers to respond to pay review body reports in the context of their service targets.

- **A new approach to Social Services spending**

7.8 The key principles behind the Government's new approach to social services are to increase independence and dignity for adults who need long-term social services support, including helping people to work where appropriate, and to give children looked after by local authorities the best possible start in life. Social Services have a big part to play in tackling social exclusion, and in following up the conclusions of the Young Children's review (chapter 21). The Government's new approach to social services will be set out shortly in a White Paper.

7.9 The Government is increasing resources by over 3 per cent a year in real terms, on average, (after taking account of the transfer of responsibility for grants for asylum seekers to the Home Office). But in return for the investment, the Government is looking for reforms in a number of areas:

- setting clear objectives for the outcomes and standards it expects social services to achieve;
- expecting social services authorities to make a step improvement in the use they make of those resources: a new set of performance measures, consistent with the Best Value initiative, will enable local managers and elected members to monitor performance and benchmark their services against those of similar authorities, and will enable central government to assess performance against the overall outcomes and standards set; and
- taking steps to make it easier for the NHS and social services to improve the way they work together, to deliver seamless care for the public.

7.10 As well as enabling social services to raise standards generally, the new plans provide funds to address the recommendations of the independent Utting report on improving services for children looked after by local authorities and care leavers.
8. Department of the Environment, Transport and the Regions (DETR) (including the Countryside and Housing Cross-Departmental Reviews)

The Government will, by the end of the Parliament, have shown its commitment to sustainable development by:

- increasing funding on transport by £1.7 billion over three years to implement a new integrated transport policy to reduce congestion, improve the environment and increase access to transport in all parts of the country;
- regenerating local communities through the New Deal for Communities and a refocused Single Regeneration Budget;
- modernising and improving housing;
- improving the environment by increasing energy efficiency and other initiatives; and
- strengthening rural communities and the countryside through improved services, increased conservation and better planning.

These reforms will, by the end of the Parliament:

- establish 150 local integrated transport strategies;
- end the decline in the condition of our motorways and trunk roads, and restore the cuts in the maintenance of local authority principal roads and bridges;
- deliver over 50 new major SRB regeneration projects - at least one in each of the most deprived LA areas;
- deliver improvements in 1.5 million council houses; and
- make 1,000,000 buildings cheaper to keep warm by increasing energy efficiency.

A new approach to investment in the DETR's programmes

8.1 The DETR's central objective is to promote sustainable development (development which meets the needs of the present without compromising the ability of future generations to meet their own needs) and improve the quality of life for everyone. Bringing together the old Departments of Transport and of the Environment has helped to integrate transport and environment policies, a major step forward to achieving this objective.

8.2 The new DETR plans will back major reforms which promote sustainable development and improve the quality of life, with new investment in public transport, council housing, and deprived neighbourhoods. They will build on measures already announced, including the extra investment in London Underground ahead of a public-private partnership.

8.3 The report of the Construction Task Force chaired by Sir John Egan will shortly make clear that significant efficiency savings are achievable across the full range of construction activity. The Government will be looking to the industry to deliver these savings and help maximise the value for money of the substantial new investment in capital works that will be made through the Investing in Britain Fund.

Spending plans

Table 8.1: Departmental Expenditure Limit

<table>
<thead>
<tr>
<th></th>
<th>£million</th>
<th>1998-99</th>
<th>1999-00</th>
<th>2000-01</th>
<th>2001-02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing and other</td>
<td></td>
<td>3,474</td>
<td>3,829</td>
<td>4,581</td>
<td>5,195</td>
</tr>
<tr>
<td>Regeneration (including New Deal for Communities)</td>
<td></td>
<td>1,220</td>
<td>1,352</td>
<td>1,533</td>
<td>1,765</td>
</tr>
<tr>
<td>Transport</td>
<td></td>
<td>2,685</td>
<td>2,880</td>
<td>3,231</td>
<td>3,673</td>
</tr>
</tbody>
</table>
8.4 The new spending plans provide for a total increase of over 18 per cent, in real terms, over the next three years - an underlying real increase of 34 per cent per cent after taking account of the one-off consequences of the existing rail franchise contracts, the new Public-Private Partnership for London Underground (which is expected to remove the need for public subsidy from 2000/01), and the revised Channel Tunnel Rail Link Concession. The plans include provision of a further £4.2 billion from the Capital Receipts Initiative over the remainder of the Parliament for repairs to council housing and housing-related regeneration. The figures exclude £10 billion which will be spent on housing through the Housing Revenue Account Subsidy (HRAS - which is included in Annually Managed Expenditure under the new control regime).

8.5 This investment demonstrates the priority accorded to the areas covered by DETR. But in return, the Government is introducing a series of reforms to make sure that the taxpayer receives value-for-money and to bring a real improvement to everyday life.

8.6 The Government will focus its efforts in five key areas:

- creating an efficient and integrated transport system;
- protecting and improving the environment;
- building better communities;
- improving the quality of public sector housing; and
- enhancing opportunity in rural areas and strengthening countryside conservation.

8.7 Creating an Efficient and Integrated Transport System: the forthcoming Transport White Paper will set out in detail how the extra investment and reforms will deliver a better maintained and integrated transport system fit for the next century. The new spending plans - and the £3-5 billion of investment by the private sector projected for each of the next few years - will give the transport sector the long-term stability it requires and signal an end to the all too prevalent stop-go funding of recent years. The extra public investment will include money for:

- improving the rail network working in partnership with local authorities and others on projects to promote rail travel;
- increased funding for local authority integrated transport schemes to tackle congestion and poor air quality; and
- ending the decline in the condition of motorways and trunk roads, and restoring previous cuts in provision for maintaining local authority key roads and bridges.

8.8 Protecting and Improving the Environment. With the 'green' tax measures in its first two Budgets, the Government is putting into action its intention to use the tax system where appropriate to reduce environmental damage. Domestically, and through its recent Presidency of the EU, the Government has brought forward important new regulations to improve air and water quality. An additional £174 million will now be targeted on an expanded and more focussed energy efficiency drive to reduce fuel poverty and help to meet the UK's commitments on climate change.

8.9 Building Better Communities. The Government is launching a new regeneration package to tackle the multiple problems of the most deprived areas. This will be made up of two elements, bringing a step change in the help offered to those trapped by multiple deprivation. A New Deal for Communities will offer intensive help to the most deprived neighbourhoods focussed on enhancing economic and employment opportunities, improving quality of life and offering better neighbourhood management. A report from the Social Exclusion Unit setting out the Government's approach to deprived areas will be published shortly, alongside an announcement of a number of New Deal for Communities pathfinders. A new refocused Single Regeneration Budget (SRB) will see at least one major new project launched in each of the most deprived LA areas by the end of the Parliament (typically covering areas of around 20,000 households), and will include a separate strand for rural areas and pockets of deprivation outside the most deprived areas. The new Regional Development Agencies will set an
overarching regional strategy and administer the SRB programme on a day-to-day basis.

8.10 *Improving the Quality of Public Sector Housing.* The Government will provide extra investment of £3.6 billion to begin to tackle the backlog of investment in council housing inherited from the previous government. More than 1.5 million council houses will benefit from this increased investment, which will be coupled with major reforms of council housing management including:

- a new Housing Inspectorate will audit the performance of every local authority within five years. It will have real power to tackle poor management - including the option of changing existing management arrangements if necessary;
- councils will be held to account for their investment decisions and required to plan for the future needs of tenants' homes; and
- wherever possible, tenants will be given more say in how their homes are managed and maintained.

8.11 Housing benefit is vital in providing help with housing costs. Reform is being taken forward as part of the Welfare Reform process announced by the Prime Minister. The aim is to reduce the barriers to work, encourage personal responsibility, reduce fraud and support improvements in the quality of housing and housing management.

8.12 *Enhancing Opportunity in Rural Areas and Strengthening Countryside Conservation.* The Government's new strategic approach - improved co-ordination and financial planning of DETR and MAFF countryside and rural development programmes - will enhance opportunity in rural areas, improve access to and enjoyment of the countryside and conserve and manage wildlife resources there. A range of targeted policies will focus on:

- improving the balance between incentive schemes, charges, and regulation to ensure conservation;
- improvements in rural infrastructure, services and facilities in order to promote economic growth and regeneration;
- improving access and enjoyment of the countryside and strengthening protection of the UK's finest landscapes; and
- strengthening the conservation of wildlife and promoting biodiversity.
9. Cross-Departmental Review of Local Government Finance

The Government will make local government more accountable to local people and more effective in delivering local services by:

- reinvigorating local democracy;
- creating a performance framework to give local people best value from services;
- ending crude and universal capping; and
- taking reserve powers to protect people from excessive council tax increases.

These reforms will, through this Parliament and beyond, help local government:

- to play fully its key role in delivering national priorities such as education and personal social services; and
- to respond to the particular needs of local people.

A new approach to local government finance

9.1 The Government will modernise the structure of local government finance. The manifesto set out a vision of local government that would be more accountable to local voters, would provide services more efficiently and effectively, and which would work within a framework that encouraged responsible budgeting and tax-setting.

9.2 The Government is also committed to a modernised, stable, finance system: the plans for aggregate local government provision in England set out below will therefore last for the remainder of the Parliament.

9.3 Consulting with local government and other interested parties, the Government has looked carefully at ways of modernising the local government finance system.

The spending plans for local government in England

9.4 The new spending plans provide for real increases in Standard Spending Assessments of 2.4/2.2/2.3 per cent, over the next three years - an average real increase of 2.3 per cent. Standard Spending Assessments are the amount which central government judges it appropriate for local authorities to spend on revenue expenditure to provide a standard level of service consistent with the overall spending totals. Further support will also be provided for departmental programmes, in the form of specific grants, credit approvals to fund capital spending and capital grants. In addition, the Government will support £800 million of local authority PFI investment in each of the next three years, up from £500 million this year.

9.5 These plans demonstrate the importance of the local government services. In using this money, it will be essential that local government behaves responsibly, shows commitment to the Government's priorities - especially education - and makes services more efficient and effective.

9.6 Table 9.1 shows the Standard Spending Assessments across England for each of the main local authority service blocks.

Table 9.1: Standard Spending Assessments

<table>
<thead>
<tr>
<th>Service</th>
<th>1998-99</th>
<th>1999-00</th>
<th>2000-01</th>
<th>2001-02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>19,384</td>
<td>20,484</td>
<td>21,737</td>
<td>23,066</td>
</tr>
<tr>
<td>Personal Social Services</td>
<td>7,815</td>
<td>8,268</td>
<td>8,693</td>
<td>9,100</td>
</tr>
<tr>
<td>Police</td>
<td>3,137</td>
<td>3,268</td>
<td>3,361</td>
<td>3,496</td>
</tr>
<tr>
<td>Highways Maintenance</td>
<td>1,767</td>
<td>1,813</td>
<td>1,859</td>
<td>1,905</td>
</tr>
</tbody>
</table>
Fire

Environmental, Protective and Cultural Services

Capital Financing

Total Standard Spending Assessments

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

9.7 Priority has been given to education, with an average real increase of 3.4 per cent per year. Together with a big increase in support from the Department for Education and Employment's programme, this will enable local authorities to play their part in raising educational achievement as set out in Chapter 6.

9.8 After education, the key priority service will be Personal Social Services, tying in with the Government's determination to rebuild the NHS. As part of the Government's new approach to social services, Personal Social Services Standard Spending Assessment will increase by an average of 2.6 per cent real per year. Further additional provision is included in the Department of Health programme. As set out in Chapter 7, these significant increases will be accompanied by clear objectives and performance measures, consistent with Best Value, taking into account the increased provision from the Department of Health programme, the Government is increasing resources for Personal Social Services by over 3 per cent a year in real terms, on average (after taking account of the transfer of responsibility for grants for asylum seekers to the Home Office).

9.9 As announced in the Economic and Fiscal Strategy Report, only central government support to local authorities will be counted in Departmental Expenditure Limits. For English local authorities the major grants are included in the DETR-Local Government and Regional Policy programme.

Table 9.2: DETR - Local Government and Regional Policy

<table>
<thead>
<tr>
<th></th>
<th>£million</th>
<th>1998-99</th>
<th>1999-00</th>
<th>2000-01</th>
<th>2001-02</th>
</tr>
</thead>
<tbody>
<tr>
<td>DETR - Local Government and Regional Policy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of which: Current Budget</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

9.10 The bulk of DETR-Local Government and Regional Policy spend is general revenue support to local authorities. Local authorities will also receive central government support through this and other programmes via specific grants, credit approvals and capital grants. The capital element reflects the last year of capital challenge in 1999-2000, and the last installment of reorganisation support in 2000-2001.

9.11 The plans for local authority Standard Spending Assessments provide more real growth than in recent years, in recognition of the importance of local authority services to the public. Local authorities are entrusted with a large proportion of the nation's tax and public spending. Local authority services must become more efficient and effective, reflecting the customer and taxpayers' priorities. A framework for this development is reflected in Government's reforms of the local government finance system, set out below.

**Investing in reform for more local accountability and better services**

9.12 **The new local government finance system is based on increased local accountability.** Local authorities' decision-making will be less constrained by central government. But that will also bring increased responsibilities for local authorities as local people expect more in return. In the last resort central government will be able to intervene, but the Government believes local government will rise to the challenge and regain for the twenty-first century the strength it showed in the nineteenth and early twentieth centuries.

9.13 **Reinvigorated local democracy** will give people more say in their Local Government. Its full implications go beyond finance. But, for a good financial system, it is vital that local politicians can be held to account by the electorate. That is why the Deputy Prime Minister will shortly be publishing a local government White Paper setting out plans to strengthen councils' accountability at local elections, and for ensuring that councils keep in touch with the views and concerns of local people.

9.14 **End to crude and universal capping.** Under a modernised and more accountable system of local government, crude and universal capping will no longer constrain local government finance. But, as the manifesto promised, the Government will protect people from excessive council tax increases. New powers will provide a more flexible and intelligent framework within which to control excessive council tax rises. These powers will enable the Government to look at authorities' past behaviour - so it will be possible to take behaviour in 1999-2000 into account when making capping decisions for later years. The powers will be capable of application to individual authorities, or larger groups if that proves to be necessary. If other safeguards fail and local authority expenditure becomes excessive, it may also be necessary to cut back grants to local authorities when plans for 2001-2002 and later years are reviewed in 2000.

9.15 **Reform to subsidy for council tax benefit.** The national taxpayer pays for most council tax benefit through subsidy grant from central government. Consistent with the principle of local accountability, it is important that when local authorities set excessive council taxes, the national taxpayer should not have to meet in full the associated higher costs of council tax benefit. The Government believes therefore that it is right in principle to reform the system of subsidy to councils for council tax benefit to achieve a better balance between national and local taxpayers. The benefits received by individuals will not be affected by this change: it will not penalise those on benefit. In addition, the new system will provide safeguards for council taxpayers in those areas with above average proportions of council tax benefit recipients. The details will be set out in the forthcoming White Paper.

9.16 **The Best Value initiative** will mean regular fundamental performance reviews of all local services which challenge the purpose of a service, compare the authority's performance with others, consult with the community, and provide for competition where appropriate. To provide a standard of comparison, performance indicators will be set by central government and by the authorities themselves. Independent audit and inspection will monitor progress. In cases of serious failure central government will take action to improve services' performance, safeguarding the local taxpayer and user of services.

9.17 **Stable grant regime.** Councils have faced difficulty in planning ahead because of uncertainty about the total levels of government support, and the formula by which it would be distributed. As for other parts of the public sector the Government will provide a more stable grant regime. Plans for achieving this will be set out in the forthcoming White Paper on local government.

9.18 **Capital spending.** The rules and restrictions governing local government's capital spending are complex and unnecessarily restrictive. There should be greater flexibility and increased incentives for councils to manage their assets
efficiently. The Deputy Prime Minister is announcing today that with effect from 1 September 1998 local authorities will be able to spend the whole of most capital receipts from the sale of assets held outside Housing Revenue Accounts. The Government also sees the attractions in decreasing yet further the amount of central direction of capital finance. One option would be further revisions to the regime so that, while capital provision could still be allocated on the basis of need and performance and take account of central government priorities, authorities would have increased flexibility to address local needs, leading to more efficient management of assets and a more corporate approach to capital management.

9.19 The forthcoming White Paper will explain further the changes that the Government intends to make. Where these need to be reflected in departmental capital expenditure plans, the necessary adjustments will be made when these plans are next reviewed in 2000.
10. Cross-Departmental Review of the Criminal Justice System

The Government will improve the performance of the Criminal Justice System by:

- investing in an evidence-based crime reduction strategy;
- setting clear objectives and targets for the system as a whole; and
- introducing new arrangements for joint strategic planning and performance management.

A new approach to investment in the Criminal Justice System

10.1 The Government has undertaken the first ever review of the performance and management of the Criminal Justice System (CJS) as a whole.

10.2 Policy responsibility for the agencies and services which form the CJS is divided between three Ministers, the Home Secretary, the Lord Chancellor and the Attorney General. The Government therefore set up a cross-departmental review of the CJS as part of the CSR.

10.3 The review focussed on improving the planning and management of the system as a whole and encouraging better cooperative working between the agencies and services. The efficiency and effectiveness of each of the individual agencies have been addressed in the review of the department with direct policy responsibility and the key conclusions are recorded in chapters 11 and 12.

Spending and performance

10.4 Spending on the CJS in 1998-99 will be around £11 billion in England and Wales, and has more than doubled in real terms over the last 15 years.

10.5 The performance of the system can be illustrated by a few basic facts:

- despite a recent reduction, the long-run trend rate of increase in recorded crime has been 5 per cent a year since the
1920s. Estimates suggest that the annual cost of crime for the economy as a whole might be of the order of £50 billion;
- fewer than one in 50 crimes results in a conviction. According to the British Crime Survey, less than half of all crime is reported to the police, including less than one quarter of muggings and vandalism; and
- 53 per cent of prisoners discharged from custody and 54 per cent of offenders commencing community penalties are reconvicted of a further offence within two years. For those under 21 the corresponding figures are over 70 per cent.

10.6 A key problem has been that, until now, there has been no single point of accountability for the system as a whole, nor has there been much incentive for any of the component bodies within the system to consider how its activities affect the performance and costs of other parts of system.

10.7 In the light of the review the Government plans a radical programme of reforms to tackle some of the key weaknesses in the way the system currently operates.

**Investing in reform for an efficient justice system**

10.8 Chapters 11 and 12 set out the new spending plans for the Home Office and legal departments. These commitments demonstrate the priority attached to criminal justice. But in return the Home Office and legal departments will make changes to enable them to make the best possible use of the funds available to deliver a range of outputs and reforms to the CJS.

10.9 Evidence based crime reduction strategy. The Government commissioned a study of all available evidence on the effectiveness of dealing with offending behaviour. Evidence on effectiveness, in particular cost effectiveness, is limited and has not previously had a major influence on the distribution of spending within the CJS. For the first time therefore the Government intends to introduce a comprehensive, evidence-based crime reduction strategy to deliver early reductions in crime and in the risk of young people becoming criminals in later years. This would combine:

- early investment in initiatives with proven track records;
- small scale pilots of initiatives which have shown promise; and
- larger-scale implementation of initiatives demonstrated to be effective in small-scale studies.

Initiatives which fail to prove their worth will be dropped, as will existing policies if evidence becomes available that they are ineffective.

10.10 This strategy will require coordinated management across Government and represents a radical but realistic approach to meeting the Government's objective of reducing crime and tackling the causes of crime.

10.11 **Overarching aims and objectives.** For the first time the Government has set clear unifying aims for the system as a whole:

- to reduce crime and the fear of crime, and their social and economic costs; and
- to dispense justice fairly and efficiently, and to promote confidence in the rule of law.

10.12 These aims will be supported by a small number of strategic objectives underpinned by a set of indicators against which the performance of the system can be measured.

10.13 Specific indicators and targets will be set for each of the agencies within the criminal justice system from 1999-2000 onwards.

10.14 **Joint Strategic Planning and Performance Management.** Ministers will take a firm joint grip on the overall strategic management of the system, and on the allocation and use of resources within it.

10.15 The Government intends to introduce a new joint strategic planning and performance management framework for the CJS which it believes will significantly improve cooperation between the various elements of the system.

10.16 The Government also intends to foster and facilitate more joint planning and performance management arrangements at local level to reinforce what is proposed at national level.

10.17 A key part of this new framework is the preparation and publication of a three year strategic plan, an annual business plan and an annual report on performance against overarching objectives for the system as a whole.

10.18 The Government aims to improve the effectiveness of our criminal justice policies by more rigorous analysis of the
best way of achieving our objectives, and by evaluating thoroughly both new and existing policies. To achieve this it has introduced a new joint framework for policy appraisal, development, implementation and evaluation based on a set of agreed principles. These principles will be supported by the development of more detailed guidance, in particular on appraisal and evaluation.

10.19 There is considerable scope to improve the efficiency and effectiveness of the CJS through the use of information systems. The Government has commissioned urgent work to take stock of current plans for major IT investments across the system and ensure an integrated IT strategy is developed.
11. Home Office

The Government will build a safe, just and tolerant society by:

- introducing new measures to tackle anti-social behaviour and youth crime;
- legislating to incorporate the European Convention on Human Rights so that everyone can enforce their human rights through the UK courts;
- introducing firmer, faster, fairer immigration and asylum systems;
- improving prison regimes so that they are constructive, and help prevent re-offending;
- setting new targets for improving police efficiency by 2 per cent a year to ensure more resources are focussed on the front-line against crime; and
- promoting race equality.

By the end of Parliament, the Government will have:

- halved the time from arrest to sentence for persistent young offenders;
- put in place policies which will reduce the long-run rate of growth of crime; and
- improved victims' and witnesses' satisfaction with their treatment by the criminal justice system.

A new approach to investment in a safe, just and tolerant society

11.1 The Government has established a single purpose for the Home Office: to build a safe, just and tolerant society, in which the rights and responsibilities of individuals, families and communities are properly balanced and the protection and security of the public are maintained. Home Office spending will also support wider Government objectives in welfare, social exclusion, drugs, the family, race equality, human rights, electoral reform, active communities and in education and health.

11.2 The Home Office programme will help deliver the Government's commitment to be tough on crime and tough on the causes of crime. Over the last twenty years crime has doubled, with many more criminals getting away with their crimes. The Government's new approach is two pronged: it will be fair but tough in holding individuals responsible for their crimes. The Government's wider policies to relieve social deprivation will help as well to tackle the causes of crime.

11.3 The Government has set challenging targets to increase the efficiency and effectiveness of all the services for which the Home Secretary is responsible, such as the prison, probation, police and fire services. It will target funding effectively by making wise, strategic investments for the long term.

11.4 The Home Secretary will be working closely with the Lord Chancellor and Attorney General in implementing new joint strategic planning and performance management arrangements for the criminal justice system, as set out in Chapter 10. The Government is determined to improve the operation of the criminal justice system, so that it reduces crime, the fear of crime, and provides improved justice for victims and better value for money for the taxpayer.

Spending plans

<table>
<thead>
<tr>
<th>Table 11.1: Key Figures</th>
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<tbody>
<tr>
<td><strong>£million</strong></td>
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<tr>
<td><strong>Total</strong></td>
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<tr>
<td>of which: Current Budget</td>
</tr>
<tr>
<td>Capital Budget</td>
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</tbody>
</table>
The plans mean additional resources for the police and Prison Service over the three years. There is a large real increase in the Home Office budget in 1999-2000 to reflect the Home Office taking over responsibility for support costs for asylum seekers from the Department of Social Security and the Department of Health.

**Investing in reform for a safe, just and more tolerant society**

11.6 This investment demonstrates the priority accorded to the Home Office programme. But in return, the Home Office will use the funds to make changes to ensure that it delivers on a range of outputs and reforms. Some of these changes are set out in the preceding chapter on the Criminal Justice System, but they will be accompanied by a wide range of other measures.

11.7 **Tackling crime and improving justice.** Investment will be channelled to those areas where it will be most effective. There will be new measures - for example court powers and statutory local partnerships - to tackle anti-social behaviour, youth crime, drug-related crime, racially aggravated crimes and crime on the streets, including crime prevention, a more effective sentencing system for all the main offences to ensure greater consistency and stricter punishment for serious repeat offenders; a radical set of reforms to improve the effectiveness of the youth justice system and reduce delays; and more efficient use of police resources to ensure that more resources are focused on the front line against crime.

11.8 **Firmer, faster, fairer immigration controls.** There will be a new asylum and immigration strategy with a single budget for support for asylum seekers to ensure that the system is managed more effectively and is better able to respond to changing circumstances. There will also be reforms to reduce the overall costs to the taxpayer of our asylum procedures and immigration controls, and to deliver fairer decisions faster and more effectively.

11.9 **Protecting the public.** There will be closer working between the Prison Service and probation services to help protect the public, including improved prison regimes and a greater range of tough and effective community punishments. There will also be more cost effective prisons, through continued private sector involvement, and more efficient public sector prisons.

11.10 **Constitutional and Community.** The Government has introduced legislation to incorporate the European Convention on Human Rights into UK law, to enable people to enforce their human rights in the UK courts. The Government has also introduced legislation providing for elections to the European Parliament to be on the basis of Proportional Representation. Subject to the outcome of the work of the Independent Commission on the Voting System, the Government will hold a national referendum to seek the country's view on a proportional system of voting in general elections.

11.11 **Race equality.** There will be new action to combat racial disadvantage and the Government will set targets to increase the numbers of people from ethnic minority communities in the Home Office and its services.

11.12 **Fire and civil protection.** There will be increased efficiency through more co-operation and collaboration between fire brigades, including sharing resources. Modern standards of fire cover and a new emphasis on fire safety and prevention are designed to reduce fire deaths in the home and help to reduce costs to the taxpayer.
12. The Legal Departments
The Government will improve the delivery of justice by:

- reforming legal aid to target need, and to achieve control and value for money;
- increasing the effectiveness of the criminal justice system;
- reforming the Crown Prosecution Service, by reorganising it into 42 areas to help in the more effective prosecution of crime.
- reducing delay and cost of civil justice by modernising the system and reforming the law and procedures in civil and family cases; and
- developing a Community Legal Service to help people understand and enforce their legal rights.

By the end of the Parliament, the Government will have:

- reduced the time taken to process criminal cases and halved the time taken from arrest to sentence of persistent young offenders;
- achieved full exclusivity of contracts for civil and family legal aid; and
- achieved real cost stability in the unit cost of criminal defence services.

A new approach to investment in access to justice

12.1 The Lord Chancellor's Department is working to modernise, speed up and simplify the legal services, making justice accessible to everyone regardless of their financial circumstances. The current civil justice system is too complex, too uncertain, too expensive, too slow and too open to unfairness. The legal aid scheme is the fastest rising major public expenditure programme of recent years - but it is costing more and more to help fewer and fewer people. Civil justice and legal aid have been reviewed and the Government is developing and implementing new and better ways of enabling ordinary taxpayers to uphold their rights and defend their interests while at the same time protecting the interests of the poorest and most vulnerable in society.

12.2 These measures are being taken in pursuit of the Government's key objectives, including:

- the fair and effective resolution of civil disputes;
- dispensing criminal justice fairly, effectively and without undue delay; and
- making cost-effective legal services accessible to those who need them.

12.3 The Lord Chancellor, the Attorney General and the Home Secretary will be working closely with each other in implementing new joint strategic planning and performance management arrangements for the criminal justice system, as set out in Chapter 10. The Government is determined to improve the operation of the criminal justice system, so that it reduces crime and the fear of crime, provides improved justice for victims and better value-for-money for the taxpayer.

Spending plans

12.4 The new spending plans for the Lord Chancellor's Department reflect the improved value-for-money that legal aid will bring. Funds have been allocated to the courts to enable them to deliver the Government's commitments to implement the Crime and Disorder Bill in order to reduce delay, and to help victims and witnesses.

Table 12.1: Key Figures

<table>
<thead>
<tr>
<th></th>
<th>1998-99</th>
<th>1999-00</th>
<th>2000-01</th>
<th>2001-02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal Aid</td>
<td>1,602</td>
<td>1,630</td>
<td>1,617</td>
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<tr>
<td>LCD Other (incl sister depts)</td>
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<td>792</td>
<td>847</td>
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<td>-------------------------------</td>
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<tr>
<td><strong>Total</strong>*</td>
<td><strong>2,333</strong></td>
<td><strong>2,421</strong></td>
<td><strong>2,463</strong></td>
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<td>of which: Current Budget</td>
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<td>63</td>
<td>67</td>
<td>67</td>
<td>67</td>
</tr>
</tbody>
</table>

*Departmental Expenditure Limit

Investing in reform for effective justice

12.5 The priority for the Lord Chancellor's Department is to introduce a programme of reforms to provide a modern, fair and efficient system of justice which operates in the public interest and ensures value-for-money for the taxpayer.

12.6 **Fair and effective resolution of disputes.** The Government is committed to modernising the civil justice framework and to reducing the delay, cost, complexity, uncertainty and the scope for unfairness in the system. It will do this by raising the limits for the small claims court, introducing a fast track for cases, improving judicial management of cases, and reviewing enforcement of civil judgments. The Government needs to maintain confidence in the civil justice system and to reduce the economic burden of unenforced judgments upon businesses and individuals.

12.7 **Dispensing criminal justice fairly, effectively and without undue delay.** The Government is committed to improving the efficiency of the courts system and reducing delay. The Lord Chancellor's Department will work with others in the criminal justice system to develop and implement the case management and youth justice measures in the Crime and Disorder Bill. It will also improve co-ordination between magistrates' courts and other agencies in the criminal justice system, including use of new IT services, and more effective and integrated planning and use of court accommodation.

12.8 **Cost effective and accessible legal services.** The Government will reform legal aid to ensure that best value is achieved from the use of public money by:

- setting a firm budget for civil legal aid and contracting for quality-assured services at agreed prices;
- directing legal aid resources to the Government's priorities, where the private market will not provide, of helping the socially excluded and economically disadvantaged to assert their legal rights;
- making legal aid work in partnership with the private market - for example, in the use of conditional fees;
- channelling resources to priority areas of social need and of public interest. A new merits test will help to prioritise resources; and
- establishing a Community Legal Service which will improve the provision of advice and assistance and help the poor and the socially excluded to enforce their legal rights.

A new approach to investment in the Law Officers' Departments

12.9 These spending plans fund the Crown Prosecution Service (CPS), the Serious Fraud Office (SFO) and the Treasury Solicitor’s Department.

**Table 12.2: Key Figures: Law Officers' Departments**

<table>
<thead>
<tr>
<th>£million</th>
<th>1998-99</th>
<th>1999-00</th>
<th>2000-01</th>
<th>2001-02</th>
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</thead>
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<tr>
<td>Attorney General's Departments</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Total</strong>*</td>
<td><strong>304</strong></td>
<td><strong>336</strong></td>
<td><strong>341</strong></td>
<td><strong>338</strong></td>
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<td><strong>5</strong></td>
<td><strong>5</strong></td>
<td><strong>5</strong></td>
</tr>
</tbody>
</table>

*Departmental Expenditure Limit, may not sum because of rounding.

12.10 The CPS and SFO have a key role to play in the criminal justice system. The role of the SFO has been reviewed and the Government has reaffirmed that it should continue to be responsible for the investigation and prosecution of major fraud.

12.11 Sir Iain Glidewell has carried out a fundamental and independent review of the CPS. His report was published on 1
Further money has been made available to help implementation and the Government will publish a response to the recommendations to the Glidewell report and a plan of action. Funds have also been allocated to enable the CPS to deliver the Government's commitments to implement the Crime and Disorder Bill in order to reduce delay, and to help victims and witnesses. By the end of the Parliament, the CPS will have been reorganised into 42 areas sharing common boundaries with other criminal justice agencies.
13. Cross-Departmental Review of Illegal Drugs

The Government will focus new and existing resources on breaking the vicious life-wrecking cycle of drugs and crime by:

- helping young people to resist drug misuse in order to achieve their full potential in society;
- protecting communities from drug-related anti-social and criminal behaviour;
- enabling people with drug problems to overcome them and to live healthy and crime-free lives;
- stifling the availability of illegal drugs on our streets;
- channelling assets seized from drug barons back into anti-drugs programmes; and
- shifting resources from reacting to the consequences of the drugs problem to investment in preventing it.

Over the next ten years, the Government will:

- reduce the proportion of people under 25 using illegal drugs;
- reduce levels of repeat offending amongst drug-misusing offenders;
- increase participation of drug misusers, including prisoners, in drug treatment programmes which have a positive impact on health and on reducing crime; and
- reduce access to drugs amongst those aged between 5 to 16 years.

A new approach to investment in tackling drugs

13.1 The Government currently devote a large amount of resources to dealing with the consequences of drug misuse. It intends to put greater emphasis on preventative action and to resource anti-drugs activities in a way which improves the efficiency and coordination of efforts across Government. The CSR has for the first time scrutinised how public money is spent on addressing drugs problems (Chart 13.1).

13.2 Over two-thirds of these resources are spent on reacting to the consequences of illegal drugs - mainly through the criminal justice system. No more than a third of this expenditure funds preventative activities such as education, health promotion, rehabilitation and treatment. It is not easy, nor necessarily desirable, to reallocate to preventative work resources currently devoted to reactive activities because tackling the drugs problem is not generally their sole purpose. Policing is such an example. Nevertheless, the Government have concluded that more effective preventative action as well as firm enforcement is needed to address the problem of drug misuse. This will ultimately benefit society as a whole by helping to reduce crime, improve health and strengthen communities.

13.3 In April, Keith Hellawell, the UK Anti-Drugs Co-ordinator, launched the Government's ten-year strategy for tackling illegal drugs. Though £1.4 billion a year is spent by Government on tackling the drugs problem, drugs have become more readily available, the number of addicts has risen, and the consequences of drug-related crime for communities and local economies are getting worse. This Government is determined to fight drugs more effectively than its predecessors. That means getting to the root causes of the problem.
**Investing in reform to tackle drugs**

13.4 In the White Paper, *Tackling Drugs to Build a Better Britain*, the Government announced that it would channel a proportion of assets seized from drugs barons back into the fight against drugs. It aims to make an announcement on how this will operate later this year.

13.5 Extra resources - amounting to £188 million in total up to 2001-02 - will also be made available across departments to fund additional pro-active work to tackle drug misuse under the anti-drugs strategy. As part of the strategy, the Government will encourage health and local authorities and the criminal justice agencies to invest in local partnership work to tackle the root causes of drug misuse. It will carefully evaluate new anti-drugs initiatives to help establish "what works" in preventing drug misuse.

13.6 The new resources are conditional on departments achieving better co-ordination and focus in their anti-drugs activities. They are to be guided in this by the UK Anti-Drugs Co-ordinator. The resources are also conditional on the introduction of performance measurement and evaluation systems, so that the Government can be sure that the elements of the strategy are working efficiently and effectively, and so that efforts can be concentrated on "what works".

13.7 Together with the management and performance mechanisms announced in April, this shift in resources supports the key principles of the Government's anti-drugs strategy:

- integration of activity across Government agencies through partnerships to deal with the social problems which lie at the root of drug misuse;
- evidence from pilot projects and evaluation on what works in tackling drugs;
- joint action - coordinated locally through Drug Action Teams which can have a much greater impact on the complex drugs problem than disparate activities;
- effective communication of a consistent message on the harmful effects of drugs, through schools and through local projects; and
- improved accountability through more transparent resourcing and performance measurement structures.

13.8 In line with the principles of the anti-drugs strategy, departments and the agencies they sponsor will be required to agree with the UK Anti-Drugs Co-ordinator how they will meet their commitments agreed in the CSR report on illegal drugs, to demonstrate that they maintain and improve the effectiveness and efficiency of their anti-drugs activities, and to show that additional outputs are delivered for the extra resources allocated to them.
14. Ministry of Defence (MoD)

The Government will deliver modern forces for a modern world, promoting international peace and security, by:

- modernising the Armed Forces so that they are more flexible and deployable, and better equipped to deal with the tasks they face in the modern world;
- investing in the Services, to fill the gaps in capability left by the previous government;
- reinforcing the drive for efficiency and introducing a new approach to defence procurement, to ensure that the Armed Forces have the right equipment at the right time, provided in the most cost effective way; and
- making better use of assets, and disposing of property that is no longer needed for defence. There will be a new Public-Private Partnership for the Defence Evaluation and Research Agency (DERA).

These reforms will, by the end of the Parliament:

- create new Joint Rapid Reaction Forces, which will be fully operational by October 2001;
- strengthen logistic and medical services, with the first elements of a major investment programme in place by April 2001;
- create a new strategic lift capability, at sea by 2000 and in the air by 2002;
- reduce the operating costs of defence by 3 per cent a year, from 1998-99 to 2001-02; the reform of procurement will be completed, and the savings will begin to be delivered, by April 2002; and
- double the previously planned value of disposals from the Defence Estate over the next four years.

A new approach to investment in defence

14.1 The end of the Cold War was followed by a series of defence cuts by the previous government. Defence expenditure has fallen by some 23 per cent in real terms and the Armed Forces have been reduced by almost a third since 1990. Yet over this period the Armed Forces have faced new operational challenges as the modern world has become more unpredictable. The UK no longer faces a massive threat from the Warsaw Pact, but there are other risks to Britain's interests, commitments and responsibilities - whether ethnic conflicts in the Balkans or aggression in the Gulf - as well as the new challenges created by problems like weapons proliferation, drugs, terrorism, and crime.

14.2 This Government recognised the need for a Strategic Defence Review - a thorough review of the UK's security interests, guided by foreign policy goals rather than the desire to cut costs - to rethink what type of forces the UK needs to meet the security challenges of today and tomorrow. The conclusions, published in the Strategic Defence White Paper on 8 July, show the value of having a fundamental policy-led review, with a coherent aim of providing modern forces for the modern world.

14.3 The Government's plans represent a radical modernisation of the United Kingdom's defence forces. The key objective is to provide more capable, more flexible and better equipped forces to fulfill the Government's commitment to strong defence. The Armed Forces will be restructured so that they are able to respond to the wide range of crises and theatres of action they will face in the modern world, providing substantial fighting forces if necessary. Shortfalls and gaps in capabilities which seriously threatened the ability of the Armed Forces to carry out the tasks asked of them are being filled. Backed by these forces, the UK will continue to play a leading role in the world, while the nation's security in Europe will continue to be based on NATO.

14.4 The Strategic Defence Review has allowed the Government to provide more capable armed forces while still delivering real savings to the taxpayer. The Government has identified the challenges that the UK's forces will meet in the future and focused on providing the capabilities to meet these challenges. But the Review has also looked at ways of making defence spending more cost-effective, including better procurement methods, better use of assets and tighter control of stocks, ensuring a real improvement in value for money. The proposed improvements to the three Services - by identifying priorities and reallocating resources to meet those priorities - will provide modern capable forces for the next century.
Spending plans

14.5 The plans for defence spending reflect improvements in the efficiency of the Ministry of Defence and the reallocation of resources to the priorities identified in the Strategic Defence Review. This examination has been so successful that the Government is able to provide modern and militarily effective Armed Forces, which can meet its foreign and security policy objectives, from within a defence budget that will continue to fall as a share of GDP.

Table 14.1: Key Figures

<table>
<thead>
<tr>
<th>£million</th>
<th>1998-99</th>
<th>1999-00</th>
<th>2000-01</th>
<th>2001-02</th>
</tr>
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<tbody>
<tr>
<td>Total Defence</td>
<td>22,240</td>
<td>22,295</td>
<td>22,830</td>
<td>22,987</td>
</tr>
<tr>
<td>of which: Current Budget</td>
<td>21,922</td>
<td>21,976</td>
<td>22,510</td>
<td>22,666</td>
</tr>
<tr>
<td>Capital Budget*</td>
<td>318</td>
<td>319</td>
<td>320</td>
<td>321</td>
</tr>
</tbody>
</table>

*Capital spending is shown here in accordance with the definition used by the Office of National Statistics. This definition excludes spending on military equipment, which is treated as current spending.

Investing in reform for a modern defence

14.6 These spending plans will enable reform to make the armed forces stronger, better prepared, more flexible and deployable. The key measures to provide this balance include the following:

- **promoting international peace and security.** The Armed Forces have an important role in Defence Diplomacy, by undertaking activities to dispel hostility, build and maintain trust and assist in the development of democratically accountable armed forces, so making a significant contribution to conflict prevention. UK armed forces will play an effective and leading part in support of NATO, the WEU and the UN, and will be organised, equipped and manned for the most demanding operations;
- **modernising the capabilities** of the three Services to meet the challenges of the modern world and to maximise the operational effectiveness of our forces. New Joint Rapid Reaction Forces will be created, and the rest of the forces will be held at the appropriate readiness for contingent tasks, when not engaged on operations;
- **extra investment in medical services, logistic support, and strategic lift.** These three areas have not been adequately resourced in recent years and this has undermined the capability of British forces as a whole. Initial elements of a continuing programme to strengthen the logistic and medical areas will be in place by April 2001. A new strategic lift capability will be created at sea by 2000 and in the air by 2002;
- **full manning** of the Royal Air Force by 2000, of the Royal Navy by 2002, and of the Army by around 2004;
- **a Policy for People** which will improve the management of Service personnel and their careers, and confirm the Armed Forces' status as one of the UK's leading employers. The Government recognises that a strong defence for Britain must be underpinned by a highly trained and motivated Navy, Army and Air Force;
- **the Smart Procurement** initiative will lead to more efficient equipment procurement, through better requirement definition, faster development and production, partnerships with industry and tauter contracts. The amount of stocks which the Ministry of Defence needs to hold is also being reduced, allowing considerable savings in the cost of overheads and purchasing. The book value of non-munition stocks will be reduced by 20 per cent by April 2001;
- **improving efficiency.** To improve value for money and to ensure that our defence capability is delivered in the most cost effective way, the Government has set a target of efficiency improvements of 3 per cent per year in operating costs. There will also be a **new Public-Private Partnership for the Defence Evaluation and Research Agency (DERA).** This should strengthen DERA's ability to continue providing world-class scientific research well into the next century; and
- **a significant reduction in the Defence Estate.** Over the next four years, the Government will more than double the value of the programme of disposals it inherited. Property across the country will be released, for housing, commercial or other uses.
15. Foreign and Commonwealth Office (FCO)

The Government will ensure that Britain can play a full role in the world by:

- modernising the Foreign and Commonwealth Office to increase its ability to respond to the needs of Britain and the British people in the 21st Century.

A modern FCO will aim, by the end of the Parliament, to:

- improve support for exporters, raise the quality of service, generate additional business exports, and enhance the business image of the UK;
- secure at least 250,000 British jobs from foreign direct investment, maintaining the UK as the prime location in the EU for foreign direct investment;
- secure agreement on the entry terms for the first phase of EU enlargement, accompanied by reform of the CAP, Structural Funds and Institutional arrangements, reflecting British interests; and
- ensure that 50 more countries are committed to co-operating with the UK
- in combating drugs, crime, abuse of human rights, and environmental degradation.

A new approach to investment in foreign policy

15.1 The CSR will ensure that, through a modern and reformed Foreign and Commonwealth Office (FCO), Britain can play its full role in Europe and the wider world community.

15.2 The FCO will increasingly focus on promoting British business and be more responsive to the needs of British people abroad through its commercial, consular and entry clearance activities. The FCO will have a key role in projecting a positive, modern image of Britain overseas.

15.3 As a key member of the International Community (a member of the UN Security Council, the EU, the Commonwealth, NATO, the Group of Seven and Group of Eight), Britain will continue to play an important role in conflict prevention and resolution. The Government will invest in countering global threats such as drugs and international crime, and will support the case for an International Criminal Court.

Spending plans

15.4 The new spending plans provide an additional £219.2 million over the next three years. An additional £175 million will be primarily directed to promoting UK economic and business interests abroad. £44.2 million of the increase will be allocated to the BBC World Service (BBCWS).

Table 15.1: Key Figures

<table>
<thead>
<tr>
<th>£million</th>
<th>1998-99</th>
<th>1999-00</th>
<th>2000-01</th>
<th>2001-02</th>
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<tbody>
<tr>
<td>Total FCO*</td>
<td>1,037</td>
<td>1,091</td>
<td>1,110</td>
<td>1,129</td>
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<tr>
<td>of which: Current Budget†</td>
<td>953</td>
<td>1,007</td>
<td>1,026</td>
<td>1,045</td>
</tr>
<tr>
<td>Capital Budget</td>
<td>84</td>
<td>84</td>
<td>84</td>
<td>84</td>
</tr>
<tr>
<td>†includes BBC World Service Grant in Aid</td>
<td>161</td>
<td>176</td>
<td>174</td>
<td>178</td>
</tr>
</tbody>
</table>

*Departmental Expenditure Limit
Investing in reform to modernise the UK's international role

15.5 In return for the resources allocated in these spending plans, the FCO are committed to carrying out a range of reforms and efficiency improvements. Reprioritising to meet new opportunities for Britain will involve closing some posts while strengthening others.

15.6 **Modern communication systems.** The FCO will undertake a radical upgrading of its information technology (IT) systems, global telecommunications and establish an Intranet. These new systems will provide fast, reliable secure communications which will be vital for a quick response to global foreign policy issues.

15.7 **Britain’s image abroad.** A new strategy will be developed for improving the public presentation of Britain worldwide, which will ensure that British Missions overseas are showcases for modern Britain and that money is no longer wasted on outdated premises. The British Council will have a key role to play in presenting the new image of Britain.

15.8 **Improve quality and effectiveness.** The Government is determined to improve the quality of its services to business and the public, through trade and investment promotion services, consular services to British nationals overseas and through entry clearance. Carefully focused charges for services which benefit firms commercially will encourage targeting and efficiency. More information will be provided through the Internet for Britons travelling abroad.

15.9 **Maximise efficiency and eliminate waste.** The FCO will implement a far reaching programme to rationalise and eliminate waste in overseas offices and residential accommodation. This will produce significant savings for FCO modernisation and reform programme. FCO plan to recycle assets worth £90 million by 2001-02.

15.10 The additional resources allocated to the **BBC World Service** will modernise the service and enable a new transmitter to be built in Oman, ensuring that the BBCWS continues to reach 40 million people in the Sub-continent and the Middle East.
16. Department for International Development (DfID)

The Government will help to alleviate poverty through:

- a new aid strategy targeted on the poorest people in the poorest countries and underpinned by an additional £1.6 billion over the next three years, which will increase the oda/GNP ratio to 0.30 per cent in 2001.

These reforms will, by the end of the Parliament, improve the effectiveness of bilateral aid in addressing the international development strategy, and ensure that:

- at least 75 per cent of bilateral country programme resources are directed to low income countries by 2002;

It will work with international partners to aim at a range of targets including:

- a 1.5 per cent increase in GDP/capita growth for the poorest 20 per cent of the population by 2002;
- a reduction of under 5 and maternal mortality rates to 70 per 1000 live births and 240 per 100,000 live births respectively by 2002;
- 91 per cent of children in primary school.

A new approach to investment in international development

16.1 The CSR will refocus UK aid policy to ensure it can make a more effective contribution to promoting economic development and fairness in the poorest countries and to provide new opportunities for poor people. It will also deliver the manifesto commitment to reverse the sharp decline in aid spending: over the last Parliament, aid spending fell by an average of 2 per cent a year in real terms.

16.2 It will build on the steps the Government has already taken to give international development higher priority. Immediately after coming to office, it established the Department for International Development (DFID), with its own minister in the Cabinet. And last November, it published a White Paper Eliminating World Poverty which set out the new strategy for more effectively targeting our development efforts.

Spending plans

16.3 DFID will receive an extra £1.59 billion over the 3 years of the CSR period, taking its budget to more than £3.2 billion in 2001-02 - a real terms increase of 28 per cent over the next three years. This includes extra provision over the two years 2000-02 to allow for the increased cost of aid to countries in Central and Eastern Europe in preparation for EU expansion. On current estimates, by 2001-02, the ratio of UK aid (calculated using the internationally accepted definition of "overseas development assistance" or "oda") to GNP is projected to have increased from 0.26 per cent in 1997 to 0.28 per cent in 1999 and 0.30 per cent in 2001.

16.4 DFID is the department responsible for the Commonwealth Development Corporation (CDC), a public corporation with investments of over £1.3 billion. Injecting private capital into the CDC, and allowing it to access private capital markets, will enhance its contribution to development. The Government has therefore decided to sell a majority share of the CDC as soon as possible - which should realise several hundred million pounds - and to recycle this money into aid spending. Some of these resources have already been included in the aid budget. The remainder will be added to the aid budget in the financial years from 2002-03.

Table 16.1: DFID Departmental Expenditure Limit

| £million | 1998-99 | 1999-00 | 2000-01 | 2001-02 |
Investing in reform for international development

16.5 These additional resources will provide the resources for DFID to implement the reforms set out in the White Paper *Eliminating World Poverty* which will target development spending on the poorest people in the poorest countries. DFID will work to achieve this goal by establishing partnerships with the governments of poorer countries. Those governments who share the UK's commitment to eradicate poverty, and which are following sound economic policies will receive more assistance; those which do not will receive less. In countries where it is not possible to involve the host government in an effective partnership, but where the UK can have a positive impact, DFID will focus development assistance more narrowly on the transfer of skills and building local capacity through a range of development partners, including non-governmental organisations (NGOs).

16.6 DFID's increased budget and improved policy capacity will also enhance its influence with multinational bodies such as the World Bank and the UN development agencies, to which the UK makes a substantial contribution. It will use that influence to press those institutions, whose capacity to promote effective development is greater than that of any one country, to increase the international commitment to poverty eradication. This reflects the Government's desire to increase policy consistency to promote development, both internationally and domestically. Evidence of this commitment to poverty eradication is the discontinuation of the controversial - and inefficient - Aid for Trade provision which made some aid conditional upon the award of contracts of commercial and industrial benefit to the UK.

16.7 DFID's programme complements the other contributions the UK makes towards international development. For example, UK private flows to developing countries are among the highest in the OECD, reaching about 1.5 per cent of GNP last year. These flows play a significant role in promoting economic development in some of the poorest regions of the world. DFID will establish new partnerships with British business to support our development goals.

16.8 The UK has consistently provided an international lead on debt relief for the poorest countries, building on the Heavily Indebted Poor Countries (HIPC) initiative and the Chancellor's "Mauritius Mandate". The UK is also working to encourage and assist developing countries to become more fully integrated into the multilateral trading system and to participate in the World Trade Organisation. The UK will play a full part as major shareholders in the IMF and World Bank, helping them to maintain macroeconomic stability and sustainable growth from which the poor will benefit.

16.9 Moreover, in the March 1998 Budget the Chancellor introduced the Millennium Gift Aid initiative, a unique measure specifically designed to help the world's poorest people. This tax relief on charitable donations above £100 will encourage donations to UK charities engaged in poverty relief and education projects in the world's poorest countries.
17. Department of Trade and Industry (DTI)

The Government will encourage sustainable economic growth and productivity by:

- creating, in partnership with business, a stronger culture of enterprise, innovation and risk-taking;
- investing to strengthen the UK’s economically vital science base and helping UK excellence in science and technology to flow through into jobs and investment and improved quality of life;
- working with business to boost its performance, including by developing a coherent new portfolio of support aimed at the key barriers to growth especially for innovative and high-growth small and medium enterprises (SMEs); and
- working for more open and competitive markets at home and abroad.

By the end of this Parliament, as a result of these measures:

- the Government will meet published targets for improvements in the performance of businesses it supports;
- the number of companies established as a result of the public sector science base annually will increase by 50 per cent;
- the science and engineering base will maintain its quality, relevance and cost-effectiveness, as measured by agreed international standards; and
- a comprehensive programme of liberalisation of world trade and investment will be agreed internationally.

A new approach to investment in science and industry

17.1 DTI has a crucial role to play in fostering growth and investment, working in partnership with business to promote strong markets, modern companies and a culture of enterprise and innovation. It will intervene only where there is a genuine need and will focus on SMEs as an important component of economic growth. It will invest to help remove barriers to the growth of high-tech and innovating SMEs, and will also seek to increase the availability of private sector finance and support for SMEs.

17.2 The Government will underpin this with major new investment to modernise and enhance the science and engineering base - the bedrock of our economic success - and ensure its contribution to prosperity for all.

Spending plans

17.3 The new spending plans will result in a major modernisation of the science base, a new approach to business support, more focused on SMEs and innovation and a strong emphasis on creating a positive business environment at home and abroad. Further details will be set out in the Competitiveness White Paper published in the autumn. The Government will also make a major investment to deal responsibly with the overhang of liabilities inherited from the previous administration.

Table 17.1: Departmental Expenditure Limit

<table>
<thead>
<tr>
<th></th>
<th>1998-99</th>
<th>1999-00</th>
<th>2000-01</th>
<th>2001-02</th>
</tr>
</thead>
<tbody>
<tr>
<td>science</td>
<td>1,349</td>
<td>1,485</td>
<td>1,599</td>
<td>1,670</td>
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<tr>
<td>non-science*</td>
<td>1,761</td>
<td>1,853</td>
<td>2,107</td>
<td>2,053</td>
</tr>
<tr>
<td>Total Trade &amp;Industry</td>
<td><strong>3,110</strong></td>
<td><strong>3,338</strong></td>
<td><strong>3,706</strong></td>
<td><strong>3,723</strong></td>
</tr>
<tr>
<td>of which: Current Budget</td>
<td>2,771</td>
<td>2,976</td>
<td>3,266</td>
<td>3,233</td>
</tr>
<tr>
<td>of which: Capital Budget</td>
<td>339</td>
<td>361</td>
<td>440</td>
<td>490</td>
</tr>
</tbody>
</table>

*Include provision for regulatory departments, nationalised industries (excluding Self Financed Public Corporations), and
Investing in reform to promote science and innovation

17.4 With this investment, underpinned by a commitment to reform, the DTI will ensure that its programmes make the maximum contribution to long-term prosperity and are cost-effective.

17.5 Making UK science fit for the Millennium. The Government will invest a total of more than £1.1 billion to transform the science base, after years of under-funding, in a unique partnership with the Wellcome Trust. It will mean:

- **£600 million** of matching monies from the Government and the Wellcome Trust to establish a joint fund for new university laboratories, equipment and other essential infrastructure;
- a further **£405 million** will allow the Research Councils to fund the current and capital costs of research projects in priority areas, particularly life sciences;
- a further **£100 million** from the Wellcome Trust will go towards a new high intensity X-Ray machine which will help keep the UK at the forefront of research on the Human Genome;

In addition to this £1.1 billion, the Government will invest significant new resources in the Higher Education Funding Council for England (HEFCE) to support research - together with new arrangements to ensure that HEFCE and the Research Councils work together to deliver better value, transparency and targeting in the use of science research funding; and

- the Government will also increase the rate at which scientific discoveries and inventions are turned into job and wealth-creating business successes: improving the commercial spin off of university research through the £50 million University Challenge scheme, in partnership with the Wellcome Trust and the Gatsby Trust; pursuing similar efforts in Government research establishments; and fostering closer collaboration between science and industry.

17.6 Redesigning business support. The Government will refocus business support on helping companies grow and improve productivity, with a particular emphasis on innovative, high growth SMEs. Consultation following the Competitiveness White Paper will help develop a coherent portfolio of measures to remove barriers to growth. The Government will assess all its support programmes in the light of these new priorities, and ensure that they have a clear rationale, demonstrate good value for taxpayers money and are based on partnership between government and the private sector. The Government is reforming the system of industrial subsidies to businesses to ensure that the taxpayer gets value for money. The leading role the Government played in negotiating the phased abolition of shipbuilding operating subsidies across Europe is an example of this commitment to reform.

17.7 Making better use of assets. DTI has few physical assets, but controls access to the economically vital radio spectrum. In 1999 the Government will auction licences for access to the radio spectrum to deliver the next generation of mobile telecommunications services. The new services will maintain the UK’s lead position in modern communications, while the auction itself is expected to raise substantial proceeds for the taxpayer.
18. Ministry of Agriculture, Fisheries and Food (MAFF) (including the Intervention Board)

The Government will restore confidence in food, in the farming industry, and in MAFF by:

- setting up the Food Standards Agency, and establishing a new role for MAFF;
- resolving the problem of BSE, and taking action against other animal diseases;
- arguing for reform of the Common Agricultural Policy (CAP), to reduce production related farming subsidies, and redirect support towards environmental and social objectives;
- sustaining and enhancing an attractive and accessible countryside;
- encouraging the restructuring of the farming and fishing industries.

A reformed MAFF will, by the end of Parliament:

- reduce the incidence and costs of BSE: and
- cut the cost of the CAP to consumers and taxpayers.

A new approach to spending on food and agriculture

18.1 Following the CSR, the role of the Ministry of Agriculture will change fundamentally. It will be more consumer-focused than in the past, with a new aim:

"to ensure that consumers benefit from competitively priced food, produced to high standards of safety, environmental care and animal welfare and from a sustainable, efficient food chain; and to contribute to the well-being of rural and coastal communities".

18.2 Consumers demand food that is safe, and produced to high standards of animal welfare, and in an environmentally sustainable way. The Government also wants to see international agricultural markets which are more open and competitive, and an industry less reliant on large-scale subsidy. Agriculture enjoys more support than any other industry: the total cost of the CAP for an average household is around £9 a week.

18.3 In the longer term, the CAP has not served producers well either. The historic justification for supporting production - to safeguard domestic supplies, and stabilise prices and farming incomes - is much less relevant today. Excessive and misdirected subsidies have constrained the ability of the industry to develop and become internationally competitive.

18.4 The Government will press its European partners to reform the CAP - to phase out price supports, production controls, and payments to farmers linked to production. Ongoing support should be specifically targeted to deliver environmental and social objectives. An important MAFF target will be to reduce the cost - to consumers and taxpayers - of the CAP.

18.5 Reform on these lines will help to produce an industry which is better able to compete, and will remove obstacles to more open international trade - which will in turn benefit consumers. Many British farmers will thrive and prosper in competitive markets. However the industry will face a period of transition as traditional supports are withdrawn, and the Government will help with this restructuring where it sensibly can.

Spending plans

Table 18.1: Key figures

<table>
<thead>
<tr>
<th></th>
<th>1998-99</th>
<th>1999-00</th>
<th>2000-01</th>
<th>2001-02</th>
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<tbody>
<tr>
<td>BSE support (UK)</td>
<td>689</td>
<td>495</td>
<td>466</td>
<td>459</td>
</tr>
<tr>
<td>Domestic (England)</td>
<td>685</td>
<td>744</td>
<td>711</td>
<td>751</td>
</tr>
<tr>
<td>CAPadministration</td>
<td>46</td>
<td>45</td>
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<td>46</td>
</tr>
<tr>
<td>-------------------</td>
<td>----</td>
<td>----</td>
<td>----</td>
<td>----</td>
</tr>
<tr>
<td>Total MAFF (and Intervention Board)*</td>
<td>1,419</td>
<td>1,284</td>
<td>1,223</td>
<td>1,256</td>
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<td>of which: Current Budget</td>
<td>1,178</td>
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<td>1,021</td>
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<td>of which: Capital Budget</td>
<td>241</td>
<td>219</td>
<td>177</td>
<td>235</td>
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</tbody>
</table>

*Departmental Expenditure Limit.

18.6 The reduction in spending reflects decreasing BSE support as confidence is restored, and the Government's determination to bring support to the farming industry to a more sustainable long-term level. Expenditure on the CAP in the UK (within Annually Managed Expenditure) is currently projected to remain at around £2.5 billion over the next three years.

**Investing in reform for consumers, the countryside and the environment**

18.7 In return for this provision, MAFF will deliver the following reforms:

- **higher standards of consumer protection.** The Government is putting food safety on a new footing through the establishment of the Food Standards Agency. Over time the Government will recover from the food industry more of the costs of financing food safety work, in a way that is administratively simple and fair to small business;
- **MAFF will continue to take action to ensure safe, wholesome food, and the Government will set demanding new targets to reduce the incidence of animal diseases and other organisms that have implications for human health, and to improve animal health;**
- **eradicating BSE.** BSE cases in cattle are now falling rapidly, and the costs of the crisis to the taxpayer will reduce as compensation under the Calf Processing Aid Scheme is ended, and charging for the full cost of controls in abattoirs is introduced. Protection of the public will continue to be the top priority;
- **sustaining and enhancing the countryside.** A reduction in production-related subsidies may itself bring environmental benefits. Payments will also be available to farmers, and others, to improve the attractiveness of the countryside, and access to it, and to protect wildlife habitats and historic features - for example by encouraging more sustainable and environmentally friendly farming;
- **the Government intends to end production-related support for hill farming and replace it with a scheme to maintain the environment and social fabric in the hills.** This will depend on progress in negotiations on the Commission's "Agenda 2000" proposals for CAP reform. Reform could release additional resources, and the Government will keep under review the balance of spending on these objectives. The co-ordination and financial planning of MAFF and DETR countryside and rural development programmes will also be improved;
- **preventing loss of life through flooding, and reducing the risk and extent of flooding.** Extra capital spending on flood defence will improve warning of imminent flooding, and reduce the risk of loss of life and damage to property;
- **conserving fish stocks and securing a sustainable future for the sea fishing industry.** Fisheries departments will have a new target to seek to maintain fish stocks and reduce excess catching capacity in the fishing industry. A new research vessel will be commissioned to enhance MAFF's contribution to conserving fish stocks and reducing marine pollution; and
- **improving CAP administration.** The administration of CAP payments to farmers will be modernised to reduce costs, deliver payments more efficiently, and safeguard the taxpayer's interests.
19. Department for Culture, Media and Sport (DCMS)

The Government will foster excellence and the highest standards of creativity in the sectors covered by DCMS and widen access so that by the end of the Parliament:

- the number of visitors to DCMS directly funded institutions will increase by at least 1 to 3 per cent;
- access to museums and galleries will broaden by developing new approaches to attract new visitors; and
- access to the performing arts will increase by attracting new audiences.

A new approach to investment in culture

19.1 The department plays a leading role in developing the quality of life of the nation: funding cultural organisations; regulating broadcasting and the new media; fostering sporting activity, from amateurs to professionals. All these activities are important for the economy - whether tourism or the creative industries. They are sectors in which Britain excels and where employment opportunities are expanding.

19.2 Under the previous Government, DCMS was marginalised. Spending was badly targeted: the Lottery had been focused on capital and organisations had been given no stability to plan. There was no clear strategy between the department and its funding recipients.

19.3 The Government places a high value on culture, media and sport. They are central to what it wants to do, whether on the economy, quality of life or tackling exclusion. Since May 1997, policy has been guided by four clear principles:

- the promotion of access to the Department's sectors for the many, not just the few, across the whole of the country;
- the pursuit of excellence in all activities supported by DCMS which goes hand in hand with promoting access;
- the nurturing of educational opportunity by developing educational aspects of the Department's work in conjunction with the Department for Education and Employment; and
- the development of the role of the Department in promoting economic growth and employment.

Table 19.1: Key figures

<table>
<thead>
<tr>
<th>£million</th>
<th>1998-99</th>
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<tr>
<td>of which: Capital Budget</td>
<td>68</td>
<td>81</td>
<td>74</td>
<td>77</td>
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</tbody>
</table>

*Departmental Expenditure Limit, includes OFLOT.

Spending plans

19.4 The new spending plans provide for an additional £290 million over the next three years and an increase of over 8 per cent next year, reversing the approach of the previous Government.

Investing in reform for the creative industries

19.5 These funding plans give the sector the resources and the stability to make a real difference. In return for this increased investment, DCMS will introduce reforms to ensure that these funds are used efficiently and effectively. The Government will work in partnership with its funding organisations and the commercial and subsidised sectors to deliver the Government's goals of excellence, access and education which can in turn help to maximise the benefits of the creative economy.
19.6 The key measures are as follows:

- **widening access and education at museums.** The Government will invest in widening access to the UK's museums and galleries and their collections, recognising their potential for education, combatting social exclusion and promoting urban regeneration;

- **broadening access to the arts.** The Government will encourage new companies, new work and new venues, and through "New Audiences" widen access to the arts, ensuring better support for amateur and community arts, while encouraging the country's key arts companies to establish themselves on a sound financial basis;

- **making the most of the potential of libraries.** The Government will fully exploit the contribution that libraries can make to improving educational achievement, access and social inclusion. For example, by introducing an IT network as part of the National Grid for Learning, it will be easier for people to take advantage of libraries and deepen the range of knowledge they make available;

- **streamlining policy delivery mechanisms.** The Government will reduce the proportion of funding that is used in bureaucracy and the overlap between funding bodies. The goal will be to focus support for each sector through a single, clearly defined body. Where decisions can be taken most appropriately at the local level, they will be moved there by streamlining the bodies that it manages. The Department will be able to move away from narrow quango management to stronger strategic leadership of its sectors, and sponsorship of their economic potential; and

- **using the Lottery strategically.** The Government will encourage a proper balance between capital and revenue schemes and between different regions of the country.
20. Department of Social Security (DSS)

The Government is reforming the Welfare State to fit the needs of the modern world. It is plain that the present system is not working. The cost of the social security bill has risen faster than education and health over the last 20 years but is failing to meet urgent need. The Government's aim is to ensure that welfare costs are affordable and to ensure resources go to promote work where people can and provide security for those who can't.

The Government's long-term reform programme will be the result of careful preparation and public consultation. But already substantial progress has been made:

- the biggest investment in employment for a generation, with the New Deal to help the young unemployed based on clear rights and responsibilities with no option of doing nothing on full benefit and New Deals for the long term unemployed, lone parents, and disabled people;
- measures to help make work pay, including the Working Families Tax Credit and reform of national insurance, underpinned by a national minimum wage;
- increased support for families with children, through higher Child Benefit, based on the principle that additional support should be provided not on the basis of family structure but on the basis of family need; and proposals for reforming child support so more help goes to children; and
- the first ever comprehensive counter-fraud strategy announced this week, focused on preventing fraud through working in partnership across government and with the private sector.

This will be followed by:

- a package of support and services for pensioners;
- and later in the year, by proposals to reform sickness and disability benefits to promote work and independence; and

The Government set itself in the Green Paper on Welfare reform a series of measures to guide its reforms over the next decade and beyond:

- a reduction in the proportion of working age people living in workless households;
- at the end of the reform process, a guarantee of a decent income in retirement for all;
- a reduction in discrimination against disabled people and an increase in the number of disabled people at work;
- a rise in the proportion of parents meeting their financial obligations to their children after separation; and
- a reduction in the amount of money lost in fraudulent payments.

A new approach to Welfare

20.1 The Government is reforming the welfare state by promoting work for people who can work and security for those who cannot. Reform is a continuing process. It will not be achieved in one budget or from one expenditure review but be the result of a continuing programme of change.

20.2 The Government set out the principles that would underpin reform in the Green Paper New ambitions for our country: A New Contract for Welfare published in March:

- the new welfare state should help and encourage people of working age to work where they are capable of doing so;
- the public and private sectors should work in partnership to ensure that, wherever possible, people are insured against foreseeable risks and make provision for retirement;
- the new welfare state should provide public services of high quality to the whole community, as well as cash benefits;
- those who are disabled should get the support they need to lead a fulfilling life with dignity;
the system should support families and children as well as tackling the scourge of child poverty;
- there should be specific action to attack social exclusion and help those in poverty;
- the system should encourage openness and honesty and the gateways to benefit should be clear and enforceable; and
- the system of delivering modern welfare should be flexible, efficient and easy for people to use.

20.3 These principles have already been put into practice in the last two Budgets, the proposals to reform the child support system, the strategy to tackle fraud and in the further measures announced in the CSR. On the basis of these principles and overseen by the Prime Minister's Welfare Reform Group, there will be further announcements to modernise disability benefits and the pensions system.

Spending plans

20.4 The new spending plans incorporate latest estimates of future caseloads, the changes announced in the last two Budgets, including measures to raise child benefit, and CSR announcements.

20.5 Expenditure on benefits will count within the definition of Annually Managed Expenditure, while DSS administration will be subject to a Departmental Expenditure Limit. The Government will not take policy measures which are likely to increase expenditure on benefits without taking steps to ensure that the effects of these decisions can be accommodated prudently within the Government's fiscal rules and can be financed by a fair and efficient tax system.

Table 20.1: Key figures

<table>
<thead>
<tr>
<th></th>
<th>1998-99</th>
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<th>2000-01</th>
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<td>Benefit Expenditure1</td>
<td>92,267</td>
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<td>DSSAdministration2 3</td>
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<td>3,330</td>
<td>3,410</td>
<td>3,490</td>
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<tr>
<td>Total</td>
<td>95,147</td>
<td>100,449</td>
<td>102,939</td>
<td>108,764</td>
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</tbody>
</table>

1 Annually Managed Expenditure.
2 Departmental Expenditure Limit.
3 Includes £160 million of non-DSSadministration grants.
4 Net of £350 million receipts.

Investing in welfare reform

20.6 The Government has embarked on a long term programme of change based on its principles.

20.7 The Importance of Work. For those who can, work represents the best way out of poverty. Therefore promoting work, not just for those conventionally classified as unemployed but those previously written off by the benefits system, is central to the reform programme. The New Deal for the young unemployed, based on clear rights and responsibilities, and the New Deal for lone parents are already underway as national programmes. Lone parents who have moved back into work are, on average, £39 a week better off. The New Deal for the long-term unemployed began last month and the New Deal for people who are disabled or have a long term illness starts later this year.

20.8 As well as encouraging work, radical reform of the tax and benefit system will ensure that work pays more than benefits. The new Working Families Tax Credit will guarantee a minimum income of £180 a week for all families with children where someone works full-time and ensure that no family with children earning less than £220 will pay any income tax. In addition, there will be new help with childcare costs as part of the WFTC, to ensure that parents are better able to balance work and family responsibilities.

20.9 The Government plans to extend the concept of the WFTC to provide an incentive to specifically help disabled people get back into work through a new Disabled Persons' Tax Credit which will be more generous than Disability Working Allowance.

20.10 Partnerships. The Government wants to encourage people to save and to make provision for their long term needs in order to increase their security in retirement. This can best be achieved through a combination of public and private provision.

20.11 The Government will publish a Green Paper setting out its pensions strategy later this year. This will set out a
framework of provision for tomorrow's pensioners. The Royal Commission on Long-Term Care will also be reporting later this year.

20.12 More Help for Today's Pensioners. The Government has set aside resources for a package of support for pensioners, including action to meet the Government's manifesto commitments on take-up of benefits by poorer pensioners. Full details will be announced by the Secretary of State for Social Security shortly.

20.13 Welfare Services. As chapter 3 sets out, services - especially education, health and housing - are as important as cash benefits in promoting independence and security, tackling poverty and widening opportunity. The Government is working to tackle some of the defects in housing benefit. It has already begun to tackle the problem of fraud through its new counter-fraud strategy announced this week. It is also looking, in consultation with local authorities, at how housing benefit administration can be simplified and improved. As well as improving public services for all, the CSR contains a number of measures specifically designed to tackle poverty at source through improved services such as the New Deal for Communities, which will offer new employment opportunities and better housing and transport to those living in some of Britain's most deprived areas.

20.14 Support for Disabled People. The Government is committed to reforming benefits for disabled people. The first priority is incapacity benefit which is failing in its objectives. It is meant to be an insurance benefit for people incapable of working. But it has been used by government as a costly escape route to keep the unemployment numbers down. For those who are capable of work insufficient priority is given to rehabilitation and jobsearch to speed their return to work.

20.15 The Government promised in the Green Paper on Welfare Reform that it would fundamentally reform Incapacity Benefit for new claimants. It aims to spend less on Incapacity Benefit and to provide more help to the severely disabled and to disabled people generally to return to work. The Government is working to devise a new test, which assesses people's employability, replacing the "All Work Test" which writes people off. The aim is to develop an integrated and sensible package of support for disabled people.

20.16 The Government also promised in the Green Paper to maintain Disability Living Allowance and Attendance Allowance as universal national benefits. The Green Paper raised concerns that the gateways to these benefits were not working as they should. The joint investigation by the DLA Advisory Board and the Department of Social Security suggested that in two thirds of cases there was not enough evidence to support the benefit claim. They also found that one third of awards made for life (two thirds of the total) were made to people whose condition was expected to improve. On the other hand, early evidence from a forthcoming disability survey suggests present take-up of DLA may be as low as 40 to 60 per cent. As the Green Paper promised, the Government has set up a forum with organisations of and for disabled people to discuss how the benefits can be reformed to fix these problems.

20.17 It is committed to effective civil rights for disabled people. Later this month a White Paper will be published setting out the remit of the new Disability Rights Commission. Work is also taking place across Government to develop a coherent strategy of support for disabled people who are capable of work, partly capable and on the borderline.

20.18 Support for Families and Children. Measures were announced in the Budget to help parents into work and increase support for children, consistent with the principle that additional support should be provided not on the basis of family structure but on the basis of family need. Child benefit will be raised from next April by £2.50 a week for the eldest child. Last week proposals were announced to improve child maintenance through reform of the Child Support Agency. The proposals will simplify the formula, improve compliance, allow parents on Income Support caring for children to keep the first £10 per week of maintenance, and reduce the delays in receiving maintenance.

20.19 Attacking Social Exclusion. The Government has developed a series of new and innovative approaches to the problems of social exclusion. The Social Exclusion Unit was established at the end of 1997 and has produced three reports on school exclusion and truancy, rough sleeping and deprived neighbourhoods. Its proposals have been put straight into effect, focusing in particular on better ways of preventing social exclusion. Their work has also shaped the new Sure Start and New Deal for Communities programmes, which are imaginative approaches to tackling deep seated problems of social exclusion in poor areas.

20.20 Rooting Out Fraud. The Government announced this week a counter-fraud strategy to reduce the £2 to £7 billion a year fraud in the system. Previous efforts have been almost exclusively directed at detecting fraud with little effort put into preventing the fraud happening in the first place. While there will always be a place for detection, the Government plans to concentrate more on prevention, with simpler rules and procedures playing a major part, working in partnership across government and with the private sector.
Active Modern Service. Service to the public should be the priority in benefit delivery, with the aim being to deliver the right help and support quickly and efficiently. Measures are proposed to improve customer service, including the provision of a more integrated service to those of working age with pilots planned for the Benefits Agency and Employment Service to work together. The emphasis will be on identifying training, work placement and childcare needs rather than the routine distribution of benefits. In return, claimants will be expected to co-operate and to take up opportunities made available to them.
21. Cross-Departmental Review of Provision for Young Children

The Government will improve support for children in the early stages of their lives by:

- setting up a Sure Start programme funded by a new Children's Fund.

This reform will deliver, by the end of the Parliament:

- 250 local Sure Start programmes in England;
- a visit from an outreach worker for every new mother in Sure Start areas within the first three months after giving birth; and
- measurable improvements in the early development of children in Sure Start areas.

A new approach to provision for young children

21.1 Many children are not receiving the help they need to have a decent start in life. The provision of services to support young children and their families is at best patchy, particularly for 0-3 year olds. As a result, many children are falling behind even before they reach school, and many parents are finding it hard to cope.

21.2 Evidence has accumulated, both in the UK and around the world, showing that investment in early childhood can make all the difference to a child's lifetime opportunities, reducing health inequalities, helping performance at school, preventing truancy and reducing the risk of unemployment, drug abuse and crime.

21.3 Thirteen government departments have taken part in a review of provision for young children, looking in particular at what more could be done to give young children a better start in life. Many government departments have some responsibility for children, but spending on young children is fragmented and often uncoordinated. The Review found that although spending on young children costs the UK over £15 billion a year, it is not providing the support needed by some of the most disadvantaged young children and their families.

21.4 In consultation with a wide range of experts, the Review drew on evidence of what works best for young children, particularly those who are disadvantaged, to establish the right principles for improving services.

21.5 The Review showed that a range of services should ideally be brought together to support the complex and varied physical, developmental and emotional needs of young children and families. These should be easily accessible, ideally within "pram pushing distance", and backed up by outreach to offer support in the home.

21.6 A new "Sure Start" programme will apply these principles, providing new funds for local partnerships. Funding will support integrated and preventive provision of a range of services, targeted in particular on pre-school children and their families in areas of need.

21.7 Services will include childcare, primary health care (a major part of the Government's programme to reduce health inequalities), early education and play and support for families. Core services will be free to low income families and available at a fair cost to better off families where not already provided free. These and additional services will be developed in consultation with parents, reflecting local needs and building on existing services and initiatives such as Early Excellence Centres. The package of services will work with parents to promote the physical, intellectual and social development of the children served, so that they are ready to thrive when they reach school.

Spending plans

21.8 Sure Start funding will amount to £540 million over 3 years. This is new funding for pre-school children and their families to fill the gaps in services in areas where it is most needed. It will be held in a new Children's Fund, administered by
new inter-departmental arrangements.

Table 21.1: New Children's Fund (UK)

<table>
<thead>
<tr>
<th>£million</th>
<th>1999-00</th>
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<th>2001-02</th>
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<tr>
<td><strong>Sure Start</strong></td>
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<tr>
<td>England</td>
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<td>Northern Ireland</td>
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<td><strong>Total</strong></td>
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<tr>
<td>63</td>
<td>90</td>
<td>70</td>
<td></td>
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</tbody>
</table>

*Figures may not add up due to rounding.*

*New building and refurbishment.*

**Investing in reform to give young children a sure start**

21.9 This commitment demonstrates the priority accorded to investment in opportunity for our youngest children. But the Government will also put in place arrangements to ensure that the new investment is spent well and the effectiveness of existing services improved.

21.10 This package of measures form a comprehensive and radical agenda. The Government is making the early years of childhood a priority, to work with parents to help them ensure their children are healthy, confident and ready to learn when they reach school and are therefore able to realise their potential.
22. Scottish Office (including Forestry Commission)

The Government will lay firm foundations for Scotland's future by:

- providing an additional £4.1 billion over the next three years to invest in modern public services in Scotland; and
- delivering on key manifesto commitments to cut class sizes for 5 to 7 year olds and reduce hospital waiting lists.

This investment will be linked to reforms which will:

- **raise educational achievement**: all 3 year-olds will have the right to a nursery place by 2002;
- by 2002 there will be 5000 **new classroom assistants** in Scottish primary schools, giving a ratio of one adult for every 15 children;
- **improve the health of the Scottish people**: by modernising the Health Service meeting all the needs for emergency treatment and driving down waiting lists;
- **create a more inclusive** society across Scotland: by supporting deprived communities, by supporting families through a childcare strategy, and by tackling poverty; and
- **promote enterprise and greater prosperity in Scotland**: by encouraging entrepreneurship, developing the New Deal, providing 100,000 Individual Learning Accounts and establishing the Scottish University for Industry.

A new approach to investment in Scotland

22.1 The CSR in Scotland has addressed the problems, challenges and aspirations of the Scottish people. In common with all other reviews, it has been driven by the need to increase growth and employment, promote fairness and provide high quality, modern public services by investing in reform.

22.2 The new spending plans and reforms that will result from the CSR will provide a firm foundation on which the Scottish Parliament can build when it is established next year. The Scottish Parliament - which will strengthen democratic control and make government more accountable to the people of Scotland - will have full control of the budget for Scotland, the Scottish Assigned Budget. It will determine its own spending priorities and will be responsible for ensuring that the policies, institutions and funding at its disposal will address the needs and priorities of the Scottish people and promote economic prosperity and quality of life throughout Scotland.

22.3 The CSR represents an ideal opportunity to tackle outstanding challenges and to hand over well-provided and robust spending plans to the Scottish Parliament. This Government has already committed nearly £300 million for additional resources on health and education in Scotland. The CSR allows the reallocation of resources to boost growth, fairness and efficiency in the delivery of key services across Scotland.

Spending plans

22.4 The new plans will provide an additional £4.1 billion over the next three years to invest in Scottish public services. Scotland continues to receive its appropriate share of UK public expenditure, calculated through the formula-based arrangement (taking account of population changes) which has become known as the Barnett formula. The additional resources made available for health and education expenditure will meet commitments made in the Government's Manifesto. Savings on bureaucracy will release further resources over the period.

Table 22.1: Key figures

<table>
<thead>
<tr>
<th></th>
<th>1998-99</th>
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<td>of which: Capital Budget</td>
<td>1,568</td>
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<td>1,810</td>
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</table>
The figures shown include provision for Forestry.

Investing in reform for successful devolution

22.5 These resources underline the Government's commitment to Scotland's future and to reform for successful devolution. The Government's new approach to the planning of public spending will mean guaranteed stability in funding over the next three years. This will enable Scotland's elected representatives to plan ahead sensibly with the assurance that resources can be effectively directed at improving the delivery of key services. Amongst the Government's top priorities will be significant improvements in education standards and provision, health care and building a more inclusive society across Scotland.

22.6 **Investing in Scotland's people and skills**: significant steps will be taken towards making nursery education universally available throughout Scotland, with a pledge that all 3-year olds will have the right to a nursery place by 2002. The Government will reduce primary school class sizes at stages P1 to P3 to 30 or less and support early intervention to improve literacy and numeracy. These "early years" measures will be complemented by a new Schools Excellence Fund targeted to support higher standards and better teaching, including the delivery of the Government's new attainment targets for every school in Scotland. There will also be further substantial investment in school buildings, to tackle the backlog of repair and invest in new technology.

22.7 Further action will be taken to encourage lifelong learning, including the new Scottish University for Industry. The Government will create places for an extra 42,000 students across Scotland and over 100,000 individual Learning Accounts.

22.8 **Improving Health**: The Government's aim is to provide the people of Scotland with the most modern health service in Europe. The extra resources made available for the National Health Service in Scotland will be directed at improving Scotland's health record and improving the quality of service for patients. The Government is already consulting the people of Scotland on the best way to do this (see *Working Together for a Healthier Scotland* published February 1998). The Government has set out its vision to modernise the Health Service in Scotland to put patients first, and ensure treatment of high quality and consistent effectiveness throughout the country, in *Designed to Care* and the *Acute Services Review* (published in December 1997 and June 1998). Over the lifetime of this Government £100m of spending on red tape will be saved by halving the number of Trusts and ending the internal market.

22.9 New investment, coupled with modern technology and modern working practices, will help to deliver these objectives and, in particular, the Government's promise that by March 1999 waiting lists will be below the level recorded at 31 March 1997 and will continue to fall. The Government will raise standards in all parts of the NHS and will establish a new National Standards Group. Targeted new investment will create a modern, efficient and responsive National Health Service in Scotland. GP surgeries in Scotland are already linked electronically. By 2000 every hospital and clinic in Scotland will be linked as well. "One stop clinics" where patients can receive all the tests they need in a single visit, and an airline-type booking system introduced for hospital appointments will be developed.

22.10 **Creating a more inclusive society across Scotland**: the Government will tackle both the immediate problems of social exclusion and its underlying causes through a comprehensive and concerted programme of action. The programme will include action to support and empower deprived communities by creating new Social Inclusion Partnerships; help for individuals to develop skills and to find work through the New Deal; and support for families and children through the Scottish Childcare Strategy; and to provide affordable housing, often through public/private partnerships. The Government will ensure that accessible, speedy, efficient and fair criminal and civil justice is provided.

22.11 **Promoting growth and prosperity**: the Government will invest in Scotland's future as a high skill knowledge economy with more support for innovation in business, the commercialisation of research and the promotion of entrepreneurship.

22.12 Across the full range of the future responsibilities of the Scottish Parliament, the Government has used the CSR to plan investments and reforms to lay the foundations for a successful and prosperous future.

22.13 Further attention will be paid to ensuring that existing public sector assets are used to best purpose on behalf of the people of Scotland. As the Scottish parliament exercises its new powers through the Executive it will want to be sure that the resources at its disposal are used effectively, efficiently and in the interests of all.

A new approach to investment in Forestry

22.14 The Forestry Commission is the Government department with responsibility for forestry throughout Great Britain; the
Secretary of State for Scotland takes the lead role, along with the Minister of Agriculture and the Secretary of State for Wales. The focus of public forestry policy has changed radically. The need to build up strategic reserves of timber has long since disappeared, and increasing emphasis is placed on the environmental and recreational benefits our forests provide.

22.15 The Government will ensure that the public benefits from enhanced environmental outputs, and greater opportunity for recreation on the public estate, at the same time as the taxpayer benefits through higher returns on their investment. The Government will stop large scale sales of Forestry Commission land, while disposing of redundant assets in a way which does not compromise public access.

22.16 In return for this continuing investment by the taxpayer, the Forestry Commission will:

- ensure that future generations benefit from our forests through sustainable management in line with the core principles adopted at the Rio Earth Summit in 1992;
- improve the return to the taxpayer as the forest estate matures over the next 10-20 years, and provide better accountability of decisions on environmental outputs;
- improve recreational and other facilities by introducing private sector partners; and
- introduce a trial sale of cutting rights to generate additional income whilst retaining ownership of the land itself, and providing guaranteed access to the public.
23. Welsh Office

The Government will lay the firm foundations for Wales' future by:

- providing an additional £2.2 billion over the next three years to invest in modern, public services in Wales; and
- delivering on key manifesto commitments to cut class sizes for 5 to 7 year olds and reduce hospital waiting lists.

This investment will be linked to reforms which, by the end of the Parliament, will:

- *raise educational achievement* by increasing the proportion of 15 year-olds with 5 GCSEs (A-C) to 54 per cent;
- *improve health* by reducing avoidable illness, disease and injury to achieve targets to, for example, reduce death rates for those under 65 from heart disease by at least 50 per cent, strokes by at least 20 per cent and cancers;
- *tackle social exclusion* by reducing absenteeism from school to below 8 per cent, reducing numbers leaving school with no qualifications to below 9 per cent and achieving clear improvements in all housing tenures; and
- *promote economic growth and prosperity* by, for example, implementing the new economic agenda to tackle essential priorities and increasing the percentage of jobs supported outside the eastern M4 and A55 corridors to 50 per cent.

A new approach to investment in Wales

23.1 The CSR in Wales has addressed the unique problems and challenges facing the Welsh people. But, in common with all other reviews, it has been driven by the need to increase growth and employment, promote fairness and provide high quality, modern public services by investing in reform.

23.2 The new spending plans and reforms that will result from the CSR will provide a firm foundation on which the Welsh National Assembly can build when it is established next year. The National Assembly will assume the responsibilities for policies and public services currently exercised by the Secretary of State for Wales and virtually all of his £7 billion budget. It will have the maximum discretion to determine and manage its own spending priorities within this budget. All administrative costs for the Assembly will have to be met from within its budget each year.

23.3 The challenge of the CSR in Wales has been to put in place reforms to ensure that the National Assembly inherits spending control in the best possible circumstances: an efficient, targeted and well-provided for set of programmes, with a new guarantee of stable funding.

23.4 The task for the Assembly will be to build on this framework to use the policies, institutions and funding at its disposal to address the special needs and priorities of Wales so the people of Wales get the maximum benefit from all of its spending. The department will develop cross-cutting relationships with the agencies that deliver services to achieve outcomes for health, education, skills and employment. The result is an integrated, performance driven, approach to enhancing growth and investment, opportunity and fairness and delivering efficiency and modernisation.

Spending plans

23.5 The new spending plans provide an additional £2.2 billion over the next three years. These new plans, coupled with additional resources already committed to health, education and transport, will meet the commitments made in the Government's Manifesto.

Table 23.1: Key figures
Investing in reform for Wales' future

23.6 The Secretary of State for Wales will publish a consultation paper in September setting out the findings of the review and the spending proposals for implementing them. The consultation paper will underline the commitment, in return for this additional expenditure, to reform and modernise Welsh public services to maximise the improvements in efficiency and effectiveness across all programmes in Wales. In the light of this consultation the Secretary of State will make decisions on the detailed allocations of the budget to individual programmes. Decisions will be at the discretion of the Assembly on assuming the Secretary of State's powers.

23.7 The key areas covered by the consultation include the following:

- Raising educational achievement and skills in Wales: increased capital investment in run down schools, class sizes for 5 to 7 year olds reduced to 30 or below and reforms to the role of local education authorities will help to raise literacy and numeracy skills so that by the end of the Parliament the key targets in the White Paper Building Excellent Schools Together will be met including that between 70 to 80 per cent of 11 year olds reach national standards for their age and 54 per cent of 15 year olds achieve 5 GCSEs (A-C).
- There will be action to tackle the skills deficit by increasing participation and achievement at further and higher education level, improving the quality of work based training and promoting lifelong learning. Investment to upgrade further education colleges will be tied to efficiency gains and better governance so that by the end of the Parliament the number of adults qualified to NVQ level 3 is 40 per cent.
- The higher education sector will be expected to develop an effective role within the Welsh economy and define their particular strengths for the future; the number of top level research ratings (Grade 4 or above) will be expected to increase by a third by 2001.
- A strong Welsh health service. There will be new investment to deliver the Government's commitment to cutting hospital waiting lists, coupled with continued reform to abolish the internal market and secure further efficiency gains to pass savings in bureaucracy into direct patient care. Investment in preventing ill health, better primary care and enhanced health promotion will tackle the causes of ill health and inequalities and help deliver the fifteen 'health gain targets' (set out in the Better Health: Better Wales Green Paper). These include reducing death rates for those under 65 from heart disease by at least 50 per cent and for strokes by at least 20 per cent by the end of the Parliament.
- Securing an inclusive society. Steps will be taken to reduce absenteeism in schools to below 8 per cent and the numbers leaving school without qualifications to below 9 per cent. Resources will also be targeted on vulnerable children and their families and to the needs of particularly disadvantaged communities. An index of deprivation will appraise the contribution of various programmes to this objective. In housing, the objective will be clear improvements in all tenures and to remove the need for anyone to sleep rough.
- Promoting prosperity. The review focuses on enhancing the employability and opportunity of people in every part of Wales. It informs the future economic agenda that will be laid out in Pathway to Prosperity. This sets the cross-cutting approach to building upon existing Welsh strengths and tackling the underlying causes of low skill levels, high inactivity rates and low incomes. The success of the agenda will be judged against performance in reducing the income gap between Wales and GB, raising employment rates and spreading prosperity across Wales.
24. Northern Ireland Office

This Government will help to lay firm foundations for Northern Ireland's future by:

- providing an additional £1.4 billion over the next three years to invest in modern public services in Northern Ireland - with peace and stability. Northern Ireland will also benefit from savings in law and order spending; and
- improving standards in schools and reducing hospital waiting lists.

This investment will be linked to reforms which, by the end of the Parliament, will:

- raise educational standards by ensuring that 80 per cent (provisional) of primary school pupils achieve Level 4 or above in English and Mathematics at Key Stage 2 and that 87 per cent of secondary (non-grammar) school pupils and 98 per cent of grammar school pupils in year 14 achieve 2 or more A levels grades A to E or equivalent, Advanced GNVQ or NVQ level 3 by 2000;
- improve health by ensuring that by 2002 the death rates from coronary heart disease among 35 to 64 year olds and strokes among 15 to 74 year olds is reduced by 40 per cent;
- modernise transport infrastructure by ensuring that 75 per cent of the roads improvement schemes are completed by March 2002 with 90 per cent completed by December 2002; and
- promote growth and prosperity, for example, by March 2002 to secure commitments from Industrial Development Board clients' companies to create 23,000 jobs, increase net employment in Local Enterprise Development Unit growth client companies by 3,000, and secure 31 per cent growth in total visitor figures in Northern Ireland.

A new approach to investment in Northern Ireland

24.1 The CSR in Northern Ireland has addressed the unique problems and challenges facing the people of Northern Ireland. But, in common with all other reviews, it has been driven by the need to increase growth and employment, promote fairness and provide high quality, modern public services by investing in reform.

24.2 The CSR has taken place alongside the drive by the Government to secure a lasting political settlement acceptable to the people of Northern Ireland. The people's overwhelming endorsement of the Belfast Agreement was clearly signalled in the referendum and in the subsequent elections to the Northern Ireland Assembly.

24.3 The Northern Ireland CSR has provided the opportunity for a thorough-going examination of how the Northern Ireland Assigned Budget can best be deployed to serve the people of Northern Ireland. It has focussed on raising effectiveness and efficiency by setting new standards for the quality of services and increasing outputs. The political settlement offers the ideal opportunity to make investment work and to lay down the basis for long-term prosperity.

24.4 The New Northern Ireland Assembly will inherit spending plans for growth, opportunity, prosperity and fairness when it assumes responsibility and accountability for public spending in Northern Ireland in 1999. However, in the interim, the Secretary of State for Northern Ireland will consult the New Assembly on spending priorities before announcing her decisions.

Spending plans

<table>
<thead>
<tr>
<th>Table 24.1: Key figures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>£million</strong></td>
</tr>
<tr>
<td>Total Northern Ireland</td>
</tr>
<tr>
<td>Departmental Expenditure Limit</td>
</tr>
</tbody>
</table>
of which: Current Budget
5,110 5,375 5,486 5,580
of which: Capital Budget
570 575 673 731
Total Annually Managed
3,355 3,535 3,603 3,796

Expenditure in Northern Ireland

Note: The Northern Ireland Assigned Budget consists of the Departmental Expenditure Limit and Annually Managed Expenditure. The Secretary of State for Northern Ireland currently has discretion to allocate as appropriate most non-ringfenced resources within the Departmental Expenditure Limit. With the exception of Northern Ireland Office programmes, responsibility for allocating resources and accountability will rest with the New Northern Ireland Assembly on assuming statutory powers over finance.

24.5 The new spending plans provide for underlying real growth of 1 per cent over the three years. Much of the additional money for these programmes has been generated through the Barnett Formula. The programmes will also benefit from improved efficiency and organisational structures, better targeting of resources, asset disposals and from savings in law and order budget with peace and stability. The plans take account of foreseeable liabilities arising from the Belfast Agreement, and future changes will be considered as and when they arise.

Investing in reform to win the peace

24.6 This additional investment, underpinned by a commitment to reform, will help to secure the key strategic objectives: enhancing growth and employment opportunities; promoting fairness; and providing modern, efficient services.

24.7 Enhancing growth, investment and promoting opportunity: with this mandate for peace and stability, the Government will build on the Chancellor's £315 million economic initiative to modernise the Northern Ireland economy announced in May 1998. For the first time in almost thirty years, the people and businesses of Northern Ireland can plan ahead with confidence and take advantage of opportunities which now present themselves. To maximise these opportunities, the Government will:

- raise educational achievement by ensuring that 80 per cent of primary school pupils achieve Level 4 or above in English and Mathematics at Key Stage 2 and that 87 per cent of secondary (non-grammar) school pupils and 98 per cent of grammar school pupils in year 14 achieve 2 or more A levels grades A to E or equivalent, Advanced GNVQ or NVQ level 3 by 2000;
- provide greater employment opportunities through its New Deal/Welfare to Work programmes with a particular focus on the long-term unemployed and economically inactive;
- provide major infrastructure improvements to the roads network, to schools, to further education colleges and to public sector housing as outlined by the Chancellor in May 1998;
- improve the support for small and medium sized businesses (SMEs), particularly the tourism, services and high tech sectors; and, innovation with specific programmes aimed at increasing the number of SMEs and their growth; and
- improve industrial support by encouraging the growth of Northern Ireland's own businesses and promote further inward investment. Partnerships with the private sector in public utilities, including the water service, transport, hospitals and the schools estate will be developed where the private sector can bring to bear its expertise in providing high quality and best value services for customers and taxpayers alike.

24.8 Pursuing fairness. The new approach to spending in Northern Ireland, particularly in the education, employment and health programmes, seeks to overcome economic and social disadvantage and promote equality of opportunity by delivering high standards for all. By having a better educated and healthier work force through improved education and health services, with new employment opportunities through the New Deal and a prospering Northern Ireland economy, all of Northern Ireland citizens will be able to participate fully and constructively in a peaceful and socially inclusive Northern Ireland.

24.9 As part of the CSR, the Secretary of State together with the Lord Chancellor and the Attorney General, undertook a widespread examination of the operation of the criminal justice system in Northern Ireland. The findings of this internal review will inform the independent Review of the Criminal Justice System announced in the Belfast Agreement. Participants to the Agreement concluded that the Northern Ireland criminal justice system should: deliver a fair and impartial system of justice for the community; be responsive to the community's concerns and encourage its involvement where appropriate and have the confidence of all parts of the community and deliver justice efficiently and effectively. The Review will be completed in the autumn of 1999.
Improving efficiency and modernisation. The CSR identified a number of areas where scope for greater efficiencies should be fully explored so that more resources will be made available for other priority programmes. In addition to the wide range of departmental efficiency reviews, the CSR considered possibilities for specific reviews including revised health and social services structure, industrial development structures, public-private partnerships in transportation, hospitals, water and sewerage industry and the schools estate, and disposal of assets no longer required by Government.
25. The Chancellor's Departments and Cabinet Office/Office of Public Services

The CSR across the Chancellor's Department's will contribute to:

- implementing the Government's tax policy agenda, including the successful introduction of the new Working Families Tax Credit;
- launching a programme of modernising and simplifying the tax system for the next century;
- achieving the Government's primary economic objective of high and stable levels of growth and employment; and
- improving the integrity and quality of statistics.

These reforms will ensure, by the end of the Parliament, that:

- Government spending and outturns are consistent with the golden rule and the sustainable investment rule;
- subject to the outcome of the pilot and implementation of the necessary IT infrastructure changes, the Inland Revenue will achieve at least 50 per cent of call centre roll out by 31 March 2002;
- by 2001-02 Customs and Excise will increase the revenue value of detected alcohol and tobacco fraud by £80 million; and
- the 2001 census is delivered on time, within budget and with an increased level of response compared with the 1991 census.

A new approach to developing and implementing economic policies

25.1 The Chancellor's departments play a key role in developing and implementing the Government's economic policies and raising revenue to pay for the Government's public expenditure programme. The CSR has given further impetus to the steps that have already been taken to modernise, increase efficiency and make services more responsive to the public. The Government intends to develop a modern, flexible, coordinated tax system. It will introduce the new Working Families Tax Credit and other tax reforms; improve the service to taxpayers; tackle tax evasion and avoidance; invest in up to date call centre technology and introduce a responsive and economical payroll service for new employers to use.

Spending plans

25.2 The new spending plans will enable the Inland Revenue and Customs and Excise to embark on an ambitious programme of modernisation. The plans will also enable the departments to step up their attack on fraud and evasion. The plans include provision for a Census in 2001, subject to confirmation in due course by Ministers and Parliament.

Table 25.1: Key figures

<table>
<thead>
<tr>
<th>£million</th>
<th>1998-99</th>
<th>1999-00</th>
<th>2000-01</th>
<th>2001-02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inland Revenue</td>
<td>1,626</td>
<td>1,781</td>
<td>1,638</td>
<td>1,775</td>
</tr>
<tr>
<td>Customs and Excise</td>
<td>836</td>
<td>898</td>
<td>836</td>
<td>879</td>
</tr>
<tr>
<td>HMTreasury</td>
<td>170</td>
<td>193</td>
<td>191</td>
<td>188</td>
</tr>
<tr>
<td>National Savings</td>
<td>173</td>
<td>173</td>
<td>173</td>
<td>173</td>
</tr>
<tr>
<td>Office for National Statistics</td>
<td>97</td>
<td>109</td>
<td>137</td>
<td>186</td>
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<td>Registry of Friendly Societies</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>National Investment and Loans Office</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Government Actuary's Department</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Total*</td>
<td>2,905</td>
<td>3,157</td>
<td>2,975</td>
<td>3,201</td>
</tr>
</tbody>
</table>
Investing in reform to modernise the tax system

25.3 These plans, underpinned by a commitment to reform, reflect the priority accorded to developing an efficient, responsive tax system. They will allow the Chancellor's Departments' to implement reforms, including the WFTC, increase efficiency and improve the service to the public.

25.4 There will be a programme of modernisation of the revenue departments by exploiting IT to improve customer service and reduce costs. For example, an Inland Revenue call centre pilot is being introduced in Scotland and if successful it will be developed into a wider strategy. Customs and Excise will also set up call centres and facilitate the electronic transmission of documents.

25.5 Inland Revenue and Customs and Excise will work more closely together in an integrated fashion. In particular the departments have been asked to establish a clear programme for taking forward joint working by the end of this Parliament.

25.6 The Contributions Agency will move to the Inland Revenue in April 1999.

25.7 The Chancellor's departments will improve the fairness of the tax system by reducing evasion and avoidance, and encouraging voluntary compliance including bringing business from the shadow economy into the legitimate economy. The effectiveness of alcohol and tobacco anti-smuggling work will be enhanced.

25.8 The tax system will, where possible, be simplified. The tax structure has been simplified, for example, by the self-assessment and corporation tax reforms. The language of tax legislation is being simplified. The processes by which taxpayers and the departments interact are being simplified, for example, in terms of information and payments. The departments will support business through reduced compliance costs by coordinating and rationalising information and advice services and developing seamless electronic interfaces between taxpayers and departments.

25.9 The Chancellor's departments are strongly committed to delivering improved efficiency. Staff numbers have fallen by over 20 per cent between 1992-93 and 1998-99. The departments' modernisation programmes will enable them to continue to become more efficient while delivering an improved service.

25.10 The departments have examined the scope for asset sales and public/private partnership. The Inland Revenue has already outsourced most of its IT services. Customs are developing a PFI IT scheme. Inland Revenue and Customs are developing plans for extending the role of the private sector in the management of their estates. The Inland Revenue is investing in development of a telephone facility to help new employers handle PAYE and NICs.

A new approach to ensuring better quality public services

Table 25.2: Key figures

<table>
<thead>
<tr>
<th>£million</th>
<th>1998-99</th>
<th>1999-00</th>
<th>2000-01</th>
<th>2001-02</th>
</tr>
</thead>
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<tr>
<td>Cabinet Office and other agencies</td>
<td>1,306</td>
<td>1,418</td>
<td>1,363</td>
<td>1,316</td>
</tr>
<tr>
<td>of which:Current Budget</td>
<td>1,076</td>
<td>1,140</td>
<td>1,135</td>
<td>1,124</td>
</tr>
<tr>
<td>of which: Capital Budget</td>
<td>230</td>
<td>278</td>
<td>228</td>
<td>192</td>
</tr>
</tbody>
</table>

25.11 OPS/Cabinet Office will oversee the modernisation of the delivery of government services and cut red tape. The spending plans include provision over the next three years of £289 million, £273 million and £230 million compared to £252 million in the current year reflecting refocusing to meet new priorities to secure the efficient delivery of the Government's strategy and disposal of surplus government estate, including:

- a restructuring of the Better Regulation Unit (BRU);
- the setting up of a new team within the Central IT Unit, which in addition to co-ordinating action across departments and agencies on the Millennium bug, will also co-ordinate action for the wider public sector and for the
The spending and work of the security and intelligence agencies (the Secret Intelligence Service, the Security Service and the Government Communications Headquarters) have been examined as part of the CSR to ensure that the Agencies are focussed on the Government's objectives for national security and for the prevention and detection of serious crime. The new departmental expenditure limits for the Single Intelligence Vote are £743 million in 1999-2000, £745 million in 2000-01 and £747 million in 2001-02.

Provision is also made for the House of Commons, the House of Lords, the Parliamentary Commissioner, the Privy Council Office and the National Audit Office.
Annex A: Statistical Annex

Introduction and Summary

A1. This annex:

- sets out public expenditure plans for the next three years, for both Departmental Expenditure Limits (DEL) - for which plans have been fixed - and for Annually Managed Expenditure (AME), alongside comparable data series for spending over the previous six years, up to and including the current year (1998-99);
- shows, for individual Departmental Expenditure Limits, the current and capital budgets for the next three years, alongside comparable data series for the previous three years;
- includes an additional analysis of capital spending for the current year and the next three years;
- presents historical series for key public spending aggregates; and
- sets out details of the departmental groupings used in analyses of spending by department.

Departmental Expenditure Limits and Annually Managed Expenditure

A2. Table A1 shows DEL by individual departments. Welfare to Work spending is shown separately, as are the Invest to Save Budget and the Capital Modernisation Fund. The table also shows total spending on education, bringing together spending which appears under a number of different DELs (Education and Employment, DETR - Local Government and Regional Policy, Scotland, Wales and Northern Ireland), and also some locally-financed expenditure in AME.

A3. Table A2 shows AME and its main components, and Total Managed Expenditure (TME). It also shows public sector current expenditure and public sector net investment. Projections for 1999-2000 to 2001-02 for these latter two aggregates were first set out in the Economic and Fiscal Strategy Report (EFSR), Table 4.4, and are unchanged from then. There have been some marginal changes since the June 1998 EFSR to 1997-98 and 1998-99.

Table A1: Departmental Expenditure Limits 1993-94 to 2001-02

Table A2: Total Managed Expenditure 1993-94 to 2001-02

A4. AME includes the UK's net payments to European Community (EC) institutions. These figures differ from the UK's net contributions to the EC Budget principally because, for public expenditure purposes, the UK's cost of Community aid to non-member countries is attributed to the aid programme. Forecasts of our net contributions are subject to many uncertainties because they assess the financial effects of events and agreements which will not be known for some time. The latest forecasts, for example, take account of proposals to change revenue practice and of the potential effect of the enlargement of the Community post-2001. The latest estimates for UK net contributions to the EC Budget are shown in a footnote to Table A2.

A5. A new system for planning and controlling public expenditure was announced in the EFSR, Section 3.4, and it is described in Annex B. The new control regime will apply from 1999-2000 onwards; spending control for 1998-99 will continue to focus on the Control Total.

A6. Full details of the 1998-99 Control Total plans were set out in Public Expenditure Statistical Analyses 1998-99 (Cm 3901). Since then, there have been a number of changes to these details. The Reserve was increased by £3/4 billion, as a result of carrying forward part of the further underspend against the 1997-98 Control Total announced in June (Public Expenditure 1997-98 Provisional Outturn (Cm 3988)). However, a reprioritising of student loan debt sales means higher net expenditure for the Department for Education and Employment of £1.1 billion. And new forecasts for a number of demand-led programmes have produced an overall net increase in expected spending on these programmes of around £0.9 billion. (The biggest single item is a higher forecast of EC net payments - up by around £1 billion. This largely reflects a change proposed by the European Commission to revise revenue practice. This will change the timing of adjustments to Member
States' contributions due to exchange rate fluctuations, effectively drawing forward from 1999 into 1998 adjustments to be made in respect of the UK's 1998 contributions). As a result of these various changes, the Reserve now available for meeting further claims is around £1.8 billion. These figures do not take account of some minor transfers presented in the Summer Supplementary Estimates (HC 783).

A7. Table A3 expresses the information in Table A1 for Departmental Expenditure Limits in real terms (spending is measured at 1997-98 prices).

**Table A3: Departmental Expenditure Limits in Real Terms 1993-94 to 2001-02**

**Departmental Expenditure Limits - Current and Capital Budgets**

A8. A key feature of the new spending regime is that current and capital spending will be planned and controlled separately. Table A4 sets out current and capital budgets for the next three years for each line in DEL. The table also shows historical data and estimates for 1998-99 on the same basis.

A9. As well as capital spending which counts to public sector net investment, capital budgets in DEL also include some financial transactions. Capital budgets do not include lending to students. Only the subsidy and bad debt costs for new student loans are included in DEL, and these are scored in the current budget.

**Table A4: Departmental Expenditure Limits - Current and Capital Budgets 1993-94 to 2001-02  £ billion**

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Budget</strong></td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Education and Employment</td>
<td>13·4</td>
<td>14·0</td>
<td>13·4</td>
<td>14·4</td>
<td>15·7</td>
<td>16·7</td>
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<tr>
<td>Health</td>
<td>33·4</td>
<td>35·0</td>
<td>36·9</td>
<td>39·9</td>
<td>42·7</td>
<td>45·5</td>
</tr>
<tr>
<td>of which:NHS</td>
<td>32·8</td>
<td>34·5</td>
<td>36·3</td>
<td>39·3</td>
<td>42·1</td>
<td>44·8</td>
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<tr>
<td>DETR - Main programmes</td>
<td>4·2</td>
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<tr>
<td>DETR - Local Government and Regional Policy</td>
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<td>31·1</td>
<td>32·4</td>
<td>34·0</td>
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<tr>
<td>Home Office</td>
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<td>6·5</td>
<td>7·3</td>
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</tr>
<tr>
<td>Legal Departments</td>
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<td>2·6</td>
<td>2·7</td>
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<tr>
<td>Defence</td>
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<td>21·3</td>
<td>21·9</td>
<td>22·0</td>
<td>22·5</td>
<td>22·7</td>
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<td>Foreign and Commonwealth Office</td>
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<td>1·0</td>
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<td>International Development</td>
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<td>Trade and Industry1</td>
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<td>Agriculture, Fisheries and Food2</td>
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<td>1·2</td>
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<td>Culture, Media and Sport</td>
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<td>0·8</td>
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<td>3·2</td>
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<tr>
<td>Scotland3</td>
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<td>11·5</td>
<td>11·6</td>
<td>12·2</td>
<td>12·8</td>
<td>13·3</td>
</tr>
<tr>
<td>Wales3</td>
<td>5·4</td>
<td>5·6</td>
<td>5·8</td>
<td>6·1</td>
<td>6·5</td>
<td>6·8</td>
</tr>
<tr>
<td>Northern Ireland3</td>
<td>4·9</td>
<td>5·0</td>
<td>5·1</td>
<td>5·4</td>
<td>5·5</td>
<td>5·6</td>
</tr>
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<td>1·1</td>
<td>1·1</td>
<td>1·1</td>
<td>1·1</td>
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<tr>
<td>Welfare to Work</td>
<td>0·0</td>
<td>0·8</td>
<td>1·0</td>
<td>1·0</td>
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</tr>
<tr>
<td>Invest to Save Budget</td>
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<td>0·1</td>
<td>0·0</td>
<td>0·0</td>
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<tr>
<td>Capital Modernisation Fund</td>
<td></td>
<td></td>
<td></td>
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<td>Reserve4</td>
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<tr>
<td><strong>Total Current Budget</strong></td>
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### Capital Budget

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<tbody>
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<td>of which: NHS</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
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</tr>
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<td>5.5</td>
<td>5.3</td>
<td>5.5</td>
<td>6.1</td>
</tr>
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<td>0.3</td>
<td>0.4</td>
<td>0.3</td>
<td>0.1</td>
</tr>
<tr>
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<td>0.6</td>
<td>0.4</td>
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<td>0.4</td>
</tr>
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<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Defence</td>
<td>-0.5</td>
<td>-0.4</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Foreign and Commonwealth Office</td>
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<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
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<tr>
<td>Trade and Industry</td>
<td>0.6</td>
<td>0.4</td>
<td>0.3</td>
<td>0.4</td>
<td>0.4</td>
</tr>
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<td>Agriculture, Fisheries and Food</td>
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<td>0.3</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Culture, Media and Sport</td>
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<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
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<td>Social Security (administration)</td>
<td>0.1</td>
<td>0.0</td>
<td>-0.3</td>
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<td>0.1</td>
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<tr>
<td>Scotland</td>
<td>1.5</td>
<td>1.4</td>
<td>1.5</td>
<td>1.6</td>
<td>1.7</td>
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<tr>
<td>Wales</td>
<td>1.0</td>
<td>0.9</td>
<td>0.9</td>
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<td>0.9</td>
</tr>
<tr>
<td>Northern Ireland</td>
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<td>0.5</td>
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</tr>
<tr>
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<td>0.2</td>
<td>0.1</td>
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<tr>
<td>Cabinet Office</td>
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<td>0.2</td>
<td>0.2</td>
<td>0.3</td>
<td>0.2</td>
</tr>
<tr>
<td>Welfare to Work</td>
<td>0.1</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Invest to Save Budget</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Capital Modernisation Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserve</td>
<td>0.1</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Total Capital Budget</strong></td>
<td>11.7</td>
<td>11.4</td>
<td>12.0</td>
<td>13.1</td>
<td>15.1</td>
</tr>
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### Departmental Expenditure Limits

<table>
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<th></th>
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<th></th>
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<tbody>
<tr>
<td></td>
<td>161.8</td>
<td>162.7</td>
<td>168.8</td>
<td>179.2</td>
<td>190.1</td>
</tr>
</tbody>
</table>

1. See footnote 1 to Table A1.
2. See footnote 2 to Table A1.
3. The split between current and capital budgets for Scotland, Wales and Northern Ireland is indicative; current and capital spending within DEL is a matter currently for the respective Secretaries of State and in due course for the respective Executives.
4. Reserve has been arbitrarily apportioned between current and capital, with 10 per cent allocated to capital. See also footnote 3 to Table A1.
5. Covers capital budget of Department of Health only and excludes NHSTrusts. Plans for total net public capital spending in health, including Trusts, are shown below (£billion):

<table>
<thead>
<tr>
<th>Year</th>
<th>1998-99</th>
<th>1999-00</th>
<th>2000-01</th>
<th>2001-02</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998-99</td>
<td>1.2</td>
<td>1.4</td>
<td>1.7</td>
<td>1.9</td>
</tr>
</tbody>
</table>

### Capital Spending

A10. Table A5 sets out some more details of the plans for public sector net investment. The table shows capital spending by central government, and by local government insofar as it is financed by central government support, falling within DEL, alongside the main components of capital spending falling within AME. Public corporations' capital spending (some of
which falls directly or indirectly - through central government financial support - within DEL capital budgets) is shown separately.

Table A5:
Public Sector Capital Expenditure 1998-99 to 2001-02

<table>
<thead>
<tr>
<th></th>
<th>1998-99</th>
<th>1999-00</th>
<th>2000-01</th>
<th>2001-02</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGspending and LA support in DEL</td>
<td>9·7</td>
<td>10·7</td>
<td>12·4</td>
<td>14·9</td>
</tr>
<tr>
<td>Locally Financed Expenditure</td>
<td>0·7</td>
<td>0·7</td>
<td>0·8</td>
<td>0·8</td>
</tr>
<tr>
<td>National Lottery</td>
<td>1·3</td>
<td>2·0</td>
<td>2·0</td>
<td>1·8</td>
</tr>
<tr>
<td>Public Corporations1</td>
<td>4·7</td>
<td>5·0</td>
<td>5·3</td>
<td>5·9</td>
</tr>
<tr>
<td>Other capital spending in AME</td>
<td>1·0</td>
<td>1·2</td>
<td>1·3</td>
<td>1·4</td>
</tr>
<tr>
<td>Allocation of Reserve and AMEMargin2</td>
<td>0·1</td>
<td>0·2</td>
<td>0·2</td>
<td>0·2</td>
</tr>
<tr>
<td><strong>Public Sector Gross Investment3</strong></td>
<td><strong>17·6</strong></td>
<td><strong>19·8</strong></td>
<td><strong>22·1</strong></td>
<td><strong>25·0</strong></td>
</tr>
<tr>
<td>Less depreciation</td>
<td>-10·9</td>
<td>-11·2</td>
<td>-11·6</td>
<td>-12·0</td>
</tr>
<tr>
<td><strong>Public Sector Net Investment3</strong></td>
<td><strong>6·7</strong></td>
<td><strong>8·6</strong></td>
<td><strong>10·5</strong></td>
<td><strong>13·0</strong></td>
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<tr>
<td>Proceeds from the sale of fixed assets4</td>
<td>3·7</td>
<td>3·8</td>
<td>3·8</td>
<td>3·8</td>
</tr>
</tbody>
</table>

1 Public Corporations' capital expenditure is partly within DEL and partly within AME.
2 See footnote 4 to Table A4. The AMEmargin has been similarly apportioned between current and capital, in the same proportions.
3 This and previous lines are all net of sales of fixed assets.
4 Projections of total receipts from the sale of fixed assets by public sector. These receipts are taken into account in arriving at public sector gross and net investment, which are net of sales of fixed assets.

Historical Series for Public Spending

A11. Table A6 shows historical series for key public spending aggregates, back to 1970-71.

Table A6: Historical series of Government expenditure aggregates

Departmental Groupings

A12. A number of the tables in this publication present analyses by department. It is not possible to show figures for all individual government departments separately and so departments are grouped together in these analyses, broadly on the basis of Ministerial responsibilities. These groupings are set out below.

<table>
<thead>
<tr>
<th>Title</th>
<th>Departments included</th>
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<tbody>
<tr>
<td>Education and Employment</td>
<td>Department for Education and Employment</td>
</tr>
<tr>
<td></td>
<td>Office for Standards in Education</td>
</tr>
<tr>
<td>Health</td>
<td>Department of Health</td>
</tr>
<tr>
<td>DETR - Main programmes</td>
<td>Department of the Environment, Transport and the Regions (except local government and regional policy)</td>
</tr>
<tr>
<td></td>
<td>Office of Passenger Rail Franchising</td>
</tr>
<tr>
<td></td>
<td>Office of the Rail Regulator</td>
</tr>
<tr>
<td></td>
<td>Office of Water Services</td>
</tr>
<tr>
<td></td>
<td>Ordnance Survey</td>
</tr>
<tr>
<td></td>
<td>PSA Services</td>
</tr>
</tbody>
</table>
DETR - Local Government and Regional Policy
Department of the Environment, Transport and the Regions - mainly block and transitional grants to English local authorities, also includes preparation costs for the Greater London Authority and for Regional Development Agencies

Home Office
Home Office
Charity Commission

Legal Departments
Lord Chancellor's Department
Crown Prosecution Service
Northern Ireland Court Service
Public Record Office
Serious Fraud Office
Treasury Solicitor's Department
HM Land Registry

Defence
Ministry of Defence

Foreign and Commonwealth Office
Foreign and Commonwealth Office

International Development
Department for International Development

Trade and Industry
Department of Trade and Industry
Office of Electricity Regulation
Office of Fair Trading
Office of Gas Supply
Office of Telecommunications
Export Credits Guarantee Department (capital expenditure only)

Agriculture, Fisheries and Food
Ministry of Agriculture, Fisheries and Food
The Intervention Board

Culture, Media and Sport
Department for Culture, Media and Sport
Office of the National Lottery

Social Security
Department of Social Security

Scotland
Forestry Commission
General Register Office (Scotland)
Scottish Courts Administration
Scottish Records Office
Registers of Scotland
Crown Office, Scotland and Lord Advocate's Department

Wales
Welsh Office
Office of Her Majesty's Chief Inspector of Schools in Wales
<table>
<thead>
<tr>
<th>Northern Ireland</th>
<th>Northern Ireland Office and departments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chancellor's Departments</td>
<td>HM Treasury</td>
</tr>
<tr>
<td></td>
<td>Office for National Statistics</td>
</tr>
<tr>
<td></td>
<td>Crown Estate Office</td>
</tr>
<tr>
<td></td>
<td>National Savings</td>
</tr>
<tr>
<td></td>
<td>Government Actuary's Department</td>
</tr>
<tr>
<td></td>
<td>HM Customs and Excise</td>
</tr>
<tr>
<td></td>
<td>Inland Revenue</td>
</tr>
<tr>
<td></td>
<td>National Investment and Loans Office</td>
</tr>
<tr>
<td></td>
<td>Paymaster General's Office</td>
</tr>
<tr>
<td></td>
<td>Registry of Friendly Societies</td>
</tr>
<tr>
<td></td>
<td>Royal Mint</td>
</tr>
<tr>
<td>Cabinet Office</td>
<td>Office of Public Service</td>
</tr>
<tr>
<td></td>
<td>Central Office of Information</td>
</tr>
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<td></td>
<td>Cabinet Office</td>
</tr>
<tr>
<td></td>
<td>House of Commons</td>
</tr>
<tr>
<td></td>
<td>House of Lords</td>
</tr>
<tr>
<td></td>
<td>National Audit Office</td>
</tr>
<tr>
<td></td>
<td>The Office of the Parliamentary Commissioner for Administration and Health Service</td>
</tr>
<tr>
<td></td>
<td>Commissioners</td>
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<td>Privy Council Office</td>
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<td></td>
<td>Property Advisors to the Civil Estate</td>
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<tr>
<td></td>
<td>Security and Intelligence Services</td>
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</table>
Annex B: The New Regime for Planning and Controlling Public Expenditure

B1. A new regime for planning and controlling expenditure was announced in the Government's Economic and Fiscal Strategy Report, 1998, "Stability and Investment for the Long Term." The main features of the new system, which has been used for the first time in the CSR, are:

- spending plans have been set covering the whole public sector, using a new aggregate, Total Managed Expenditure (TME), with levels consistent with the fiscal rules and a new distinction between capital and current spending. TME is split into separate current and capital budgets, Public Sector Current Expenditure and Public Sector Net Investment - the latter is also known as the Investing in Britain Fund. Plans for these budgets were set in the EFSR and are consistent with the golden rule, where, over the economic cycle, Government will borrow only to invest and not to fund current spending; and the sustainable investment rule, where net public debt as a proportion of GDP will be held over the cycle at a stable and prudent level.

As part of the new system, departments now have distinct budgets for capital and current which will be managed separately. Movement of capital into the current budget will be restricted - with certain exceptions and with an agreed margin of flexibility. This will ensure that the fiscal rules are met and that longer term capital investment is not squeezed out by short-term pressures on current spending. Departments will also produce new Departmental Investment Strategies (DISs), which will demonstrate how capital and other relevant resources will be managed to meet objectives, provide the best value for money and ensure positive social returns. The Treasury will publish a compilation by Spring 1999;

- firm three year plans for spending in a new aggregate, Departmental Expenditure Limits (DEL). To provide greater certainty and flexibility for long-term planning and management, departments have wherever possible been given firm and realistic multi-year limits, with similar agreements for running costs. There will no longer be an annual Public Expenditure Survey. Multi-year limits cover a three year period but will be rolled forward for a further three years in 2000 when the Government plans to move to Resource Accounting and Budgeting (RAB).

The limits are set in cash to provide a clear incentive for departments to control their own costs; and will be reviewed only if inflation varies substantially from forecast. Local authorities are also being given a more stable funding regime. In addition, departments and local authorities have greater end year flexibility to carry over unspent cash limited provision from one year to the next. The multi-year plans are drawn together into DEL, which also includes a small reserve to deal with emergencies and genuine contingencies and Welfare to Work provision, which continues to be an interdepartmental budget.

- other spending in TME, which cannot reasonably be given firm multi-year limits, will be known as Annually Managed Expenditure (AME), and subject to annual review and constraints. This includes social security benefits, local authority self-financed expenditure (LASFE), Scottish expenditure financed by the Scottish variable rate of income tax and non-domestic rates, payments under the Common Agricultural Policy, debt interest and net payments to EU institutions. AME is based on cautious estimates and the Government made it clear in the EFSR that it would be subject to tough annual scrutiny both as part of the annual budget process and when setting DEL for a further three years in 2000.

B2. Other changes announced in the EFSR were:

- additional flexibilities for large public corporations, which are not dependent on government grants, to put them on a more commercial footing. These corporations are being separately managed in AME and will be given more flexibility to manage their spending between years, within agreed limits on external finance.
- new arrangements for student loans and loan sales to improve decision-making and the management of longer term liabilities. The accounting treatment which will apply under RAB is being brought forward in the CSR plans set
now, with the cost of bad debt and loan subsidy being recorded in the DEL. The treatment will be extended over
time to the UK loans to the private sector.

- departments to keep more of their receipts in order to improve efficiency and effectiveness. To improve incentives
to manage assets well, departments are now able to keep rent from land, most dividends and receipts from Trust
Debt Remuneration to match provision. In addition, the Government is considering on a case by case basis whether
to allow further netting off of receipts at present treated as revenue: levies and similar taxes as well as some fines.
This may be allowed where this would further the Government's economic objectives, improve efficiency and not
prejudice spending plans and priorities.

**List of abbreviations**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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</thead>
<tbody>
<tr>
<td>AME</td>
<td>Annually Managed Expenditure</td>
</tr>
<tr>
<td>BBCWS</td>
<td>BBC World Service</td>
</tr>
<tr>
<td>BRU</td>
<td>Better Regulation Unit</td>
</tr>
<tr>
<td>BSE</td>
<td>Bovine Spongiform Encephalopathy</td>
</tr>
<tr>
<td>CAP</td>
<td>Common Agricultural Policy</td>
</tr>
<tr>
<td>CDC</td>
<td>Commonwealth Development Corporation</td>
</tr>
<tr>
<td>CJS</td>
<td>Criminal Justice System</td>
</tr>
<tr>
<td>CPS</td>
<td>Crown Prosecution Service</td>
</tr>
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<td>CSR</td>
<td>Comprehensive Spending Review</td>
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<td>Department for Culture, Media and Sport</td>
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<td>DEL</td>
<td>Departmental Expenditure Limit</td>
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<td>Department for International Development</td>
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<td>DETR</td>
<td>Department for the Environment, Transport and the Regions</td>
</tr>
<tr>
<td>DSS</td>
<td>Department of Social Security</td>
</tr>
<tr>
<td>DTI</td>
<td>Department of Trade and Industry</td>
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<td>EFRS</td>
<td>Economic and Fiscal Strategy Report</td>
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<td>Education Maintenance Allowances</td>
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<td>FCO</td>
<td>Foreign and Commonwealth Office</td>
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<td>General Certificate of Secondary Education</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GNVQ</td>
<td>General National Vocational Qualification</td>
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<td>HEFCE</td>
<td>Higher Education Funding Council for England</td>
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<td>Heavily Indebted Poor Countries</td>
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<td>Housing Revenue Account Subsidy</td>
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<td>Information Technology</td>
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<tr>
<td>MAFF</td>
<td>Ministry of Agriculture, Fisheries and Food</td>
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<td>Ministry of Defence</td>
</tr>
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<td>NATO</td>
<td>North Atlantic Treaty Organisation</td>
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<td>New Deal for Communities</td>
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<td>Non-governmental Organisations</td>
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<td>NDPBs</td>
<td>Non Departmental Public Bodies</td>
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<td>Private Finance Initiative</td>
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<td>Public - Private Partnership</td>
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<td>PX</td>
<td>A Ministerial Committee on Public Expenditure</td>
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<td>RAB</td>
<td>Resource Accounting and Budgeting</td>
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<tr>
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<td>----------------------------------</td>
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<tr>
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<td>Service Development Fund</td>
</tr>
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<td>Serious Fraud Office</td>
</tr>
<tr>
<td>SIP</td>
<td>Shipbuilding Investment Programme</td>
</tr>
<tr>
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### Table A1: Departmental Expenditure Limits 1993-94 to 2001-02

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1 Includes the capital expenditure of the Export Credits Guarantee Department.

2 The large rise in departmental expenditure in the mid-to-late 1990s primarily reflects increased spending on BSE-related programmes.

3 Expenditure in 1998-99 is being controlled under the existing control regime. The reserve on the 1998-99 Control Total now stands at £1·8 billion. The split of this figure between the DELreserve and the AMEmargin shown in these tables is illustrative, and has no operational significance.

4 Central government spending on education falling within DEL plus locally financed education spending (in AME).
### Table A2: Total Managed Expenditure 1993-94 to 2001-02

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1 Includes social security benefits in Northern Ireland.

2 Includes only fixed rate export finance programme spending. See footnote 1 to Table A1.

3 Net payments to EC institutions exclude the UK’s contribution to the cost of EC aid to non-Member States (which is attributed to the aid programme). Net payments therefore differ from the UK’s net contribution to the EC Budget, latest estimates for which are (in £ billion):

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Figures for 1999-00 onwards are trend estimates.

4 Includes local authority self-financed expenditure and Scottish non-domestic rate payments.

5 See footnote 3 to Table A1.
### Table A3: Departmental Expenditure Limits in Real Terms 1993-94 to 2001-02

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1 At 1997-98 prices, using GDP deflators consistent with the Economic and Fiscal Strategy Report 1998 (Cm 3978).
2 See footnote 1 to Table A1.
3 See footnote 2 to Table A1.
4 See footnote 3 to Table A1.
5 See footnote 4 to Table A1.
Table A6: Historical series of Government expenditure aggregates

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<tr>
<th>Years</th>
<th>Cash (£ billion)</th>
<th>Real terms (1997-98 prices, £ billion)</th>
<th>Per cent of GDP</th>
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1 Coverage of the public sector has changed substantially since the mid-1980s, as a result of privatisation. Higher public sector net investment levels in the 1970s and early 1980s mainly reflect capital spending by the now privatised nationalised industries.