

CMS 156943/DC

Timothy Hornsby
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*host government
department*

20 October 2010

Dear Tim,

2010 SPENDING REVIEW

I am writing to inform you about the outcome of the 2010 Spending Review for my Department. DCMS's overall budget will reduce by 25% by 2014-15, which comprises a 24% reduction to the resource budget and a 32% reduction to the capital budget. Within this, we have been able to focus our resources to protect the core frontline services that the Horniman Museum and Gardens provides by limiting cuts to resource funding to 15% in real terms.

This letter sets out the funding settlement for the Horniman Museum and Gardens covering the financial years 2011-12 to 2014-15. I am setting out these high level budget allocations now to give you the best opportunity to plan for what will be a very challenging four year period. This letter will be followed by a more detailed funding agreement that will include full details of the settlement over four years, and the Government's requirements to support the transparency agenda.

Within this settlement I expect the collections and front-line services of the Horniman Museum to be protected and that free entry to the permanent collections continues to be available.

Alongside your grant in aid budget allocations, we have secured agreement from the Treasury to allow DCMS sponsored museums and the British Library access to £143 million of museum reserves over the period. This is around half the total historic museum reserves. We will have further discussions about the arrangements for agreeing access to these reserves shortly. This is an important step towards delivering on the Coalition commitment to providing greater administrative freedoms for sponsored museums and will, I hope, encourage you to work towards attracting further philanthropic donations to the Horniman Museum.

We expect that bodies will meet the costs of restructuring. Where there are genuine difficulties, you should contact DCMS to explore options that might be available.

Budgetary control totals

The control totals against which the Horniman Museum’s net expenditure will be monitored and the grant in aid that DCMS will pay in each year are set out in the table below. The key controls are the near-cash resource budget and the overall capital budget.

£m	Resource Budget		Total Resource (DEL) Budget	Capital Budget		Total Capital (DEL) Budget	Grant in Aid
	Resource (near-cash)	Ring fenced depreciation		Core capital	Projects		
2011-12	4.067	0.325	4.392	0.208	0	0.208	4.275
2012-13	3.991	0.350	4.341	0.208	0	0.208	4.199
2013-14	3.931	0.350	4.281	0.208	0	0.208	4.139
2014-15	3.919	0.359	4.278	0.208	0	0.208	4.127

The approach that I have taken in setting these allocations is to commit most of the Department’s resources to the bodies that we fund, and to keep only very limited funds back at the centre. This necessarily means that I am left with very little flexibility to deal with risk, for example to meet unforeseeable changes in circumstances and priorities that will arise, particularly in the latter years of the Spending Review period. So, while these allocations set out my firm plans for the next four years, they cannot be immutable, particularly for the third and fourth years. I must ask you to build into your own plans some flexibility in the later years. My intention would of course to minimize any changes to budgets, and to keep them below 5 per cent of your overall allocation in any case.

The overall budget is split into two sub-totals: Resource and Capital. Further information about the nature of these control totals and the flexibility between budgets can be found in **Annex A**.

Capital

DCMS's capital budget reduction is 32%. Capital budgets are tighter than for resource spending, making decisions here more difficult. We have therefore focussed our spending on completing those major projects that are already underway and maintaining capital spending on maintenance of core cultural and sporting assets. We have also been able to provide funding for the roll out of the Coalition's commitment to high speed broadband.

Your core capital budget is £0.832m over the financial years 2011-12 to 2014-15.

Despite the difficult circumstances, this represents a fair settlement with safeguards to protect the cultural, heritage and sporting cores. My Ministerial team and I look forward to working with you over the next few years.

Yes ever

Jeremy

JEREMY HUNT

Secretary of State for Culture, Olympics, Media and Sport

Annex A

Resource DEL budget

The **Depreciation** budget is operated as a one-way ring fence. This means that, after your net depreciation¹ and impairment charges have been set against it, any overspend must be covered by a reduction in expenditure on either the Programme or Administration budgets. Should there be an underspend against the depreciation budget however, no additional expenditure is permitted in other areas.

Capital DEL budget

The Capital DEL budgets are also separated into three distinct control totals.

Where the Horniman Museum has a **major project**, the specific funding for this is shown separately. It is not permissible to switch funding from that project to other areas of capital expenditure without the permission of the Department. You are expected to control expenditure on the project and plan to ensure that the project conforms to the budgetary limits shown. I wish to be quite clear that any slippage in the project that requires the deferral of expenditure to a later year will only be approved if the Department's overall budget has sufficient headroom to accommodate it. If it does not, you will be expected to defer expenditure and re-phase the project to conform to the profile shown. I would encourage you to ensure that any contracts you sign or agreements that you enter into are flexible enough to accommodate this.

The second category is **core capital**. This captures all other capital expenditure and might include smaller capital projects, maintenance and replacement work. The Department will look kindly upon proposals to use the budget allocated for core capital expenditure on either increasing the value of capital grants distributed or on assisting with the re-profiling of major projects; however, you still require Departmental approval to change the nature of the expenditure.

For museums and galleries that have reserves, separate arrangements will be put in place to manage the drawdown of accumulated reserves and to handle their future buildup (eg from new donations). I will write separately to the bodies affected.

Please remember that any project that costs (over its lifetime and including all funding streams) more than your delegated capital limit must be approved by the Investment Committee at DCMS using the approved process.

¹ The depreciation charged against the DEL budget excludes depreciation on assets funded by lottery grants or donations (including donated assets).