



Department for Culture Media & Sport

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OFCOM

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SPENDING ROUND 2013

I am writing to inform you about the outcome of the 2013 Spending Round for my Department. As you will know, taking determined steps to reduce the deficit left by the last administration is the Government's priority. This Government inherited a challenging fiscal position and DCMS, like all parts of the public sector, is consequently having to deal with significant reductions in spending, and will need to continue to do so until the public finances are put on a sustainable footing.

The Spending Round negotiations concerning 2015-16 have been difficult but we have achieved a below average reduction for the department. Overall, DCMS's budget will reduce by £62m in real terms in 2015-16: a 7% reduction to the resource budget. In addition, there will be a 5% reduction to the core capital budget.

As I set out in the run up to the Spending Round, with a return to economic growth being the focus of the Government, I wanted to set out the contribution DCMS can make to meeting the growth challenge. Because we were able to make strong arguments about the importance of our sectors in achieving economic growth, the impact of this settlement is going to be less on the Arts, Museums and Sport bodies.

However, this settlement is not without its challenges and the onus is on us to continue to identify innovative solutions that will allow budgetary reductions to be managed, and enable our bodies and DCMS to continue to play a full and active part in helping the UK meet the enormous fiscal and economic challenges it faces.

This letter sets out the funding settlement for Ofcom for the financial year 2015-16.

To help businesses in these difficult economic times, the Government is asking regulators to reduce pressure on fees through increased efficiency.



Gross expenditure cap

In 2015-16, Ofcom will deliver a real terms reduction of at least 5 per cent on its 2014-15 baseline. This means that Ofcom's total spending cap will not exceed £115.7 million. Within this total spending cap there is a separate spending cap for the management of spectrum of £61.8 million – this is a real terms reduction of at least 3%. This will be funded by DCMS and netted-off with spectrum receipts in RDEL.

Grant-in-aid

We will provide Ofcom with £382,000 of resource funding to support community radio.

In addition, Ofcom will have access to a resource budget of £916,000 to meet additional costs – for example those associated with ex-post competition cases. This expenditure falls within your gross expenditure cap.

We recognise your concerns about the volatile nature of these costs, and my officials will be working with yours and HM Treasury officials to identify alternative models and to consider how quickly changes can be implemented, noting the pressures in 2013-14 and 2014-15. No funding has been allocated for Online Copyright Infringement as the current expectation is that costs can be recouped during 2015-16.

£m	Resource Budget						
	Admin (near-cash)	Admin depreciation	Total Admin (A+B)	Programme (near-cash)	Programme depreciation	Near-Cash Resource (DEL) (excluding ring fenced) (A+D)	Total Resource (DEL) Budget (C+D+E)
Year	A	B	C	D	E	F	G
2015-16	0.000	9.000	9.000	1.298	0.000	1.298	10.298

700Mhz Spectrum Release and other awards

The settlement provides £21m capital funding in 2015-16 for the Future of UHF programme which will prepare for the release of the 700MHz band. However, no specific funding has been committed beyond 2015-16 given the absence of a detailed business plan and funding profile for delivering this. I encourage you to work with us to prepare a full business and delivery plan for HM Treasury to consider.

DCMS will need to apply to HMT for resource funding to support this and other awards before the 2015-16 Supplementary Estimates, so it is important that clear, fully costed business and delivery plans are submitted to DCMS by 31 March 2014 at the latest to enable this to happen. This funding falls outside the total expenditure cap. No resource funding has been allocated for Ofcom support of public sector spectrum release. It is for other Government departments to meet this cost.

£m	Capital Budget				Grant in Aid
	Core capital	Major Projects	Grants	Total Capital (DEL) Budget (H+I+J)	
Year	H	I	J	K	L
2015-16	0.000	21.000	0.000	21.000	22.298

Efficiencies

The Spending Round announced that Government departments, working with the Treasury and Efficiency and Reform Group in the Cabinet Office, have identified over £5bn further efficiency savings in 2015-16. As a department, DCMS has achieved further efficiencies during the current spending review period and in terms of allocations we have focused on seeking efficiencies in these areas: new commercial models; shared services; grant administration; and property (both estate management and rationalisation). I expect all bodies to engage actively with this agenda and to identify where further genuine efficiency savings might be found and to share best practice. You will remember that all bodies were previously asked to come forward with a proposal for migrating to shared services; this has not happened as comprehensively as I might have expected. In light of the new settlement there can be no excuses for not achieving this, as such I would ask for all bodies to submit their proposals by the end of October 2013.

Pay progression

As part of his Spending Round announcement the Chancellor announced his continued commitment to the removal of contractual progression pay from the Civil Service and public sector bodies by the end of 2015-16. This is a policy that I would expect DCMS bodies to support without exception. In tough financial times we must find savings wherever possible within our organisations as well as ensuring fairness in our pay policies. I will be writing to you separately on this in the coming weeks and I look forward to working constructively with you to put in place plans to end progression payments across the DCMS family by the end of 2015-16.

Compliance with the Equality Act 2010

In implementing this settlement, I would remind you that all decisions taken by public bodies, including spending decisions, must comply with legal requirements under section 149 of the Equality Act 2010 to have due regard to three identified “needs” in the delivery of public services and the exercise of public functions. These are the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

In conclusion, whilst I know that this settlement will present some challenges I believe that the department’s approach to the Spending Round has ensured that we have achieved a good result. I am confident that this represents a fair settlement with safeguards and mitigations that will enable us to protect the cultural cores and increase the longer term resilience of the DCMS sectors.

Best wishes,

A handwritten signature in black ink, appearing to read 'Maria Miller', written in a cursive style.

Rt Hon Maria Miller MP

Secretary of State for Culture, Media and Sport
and Minister for Women and Equalities