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ENGLISH HERITAGE

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SPENDING ROUND 2013

Further to our discussions on 26 June, I am writing to inform you about the outcome of the 2013 Spending Round.

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, we wanted to set out the contribution DCMS can make to meeting the growth challenge. Because of the strong English Heritage New Model Business Case, we were able to make good arguments about the importance of investment in English Heritage to achieve economic growth and to make the management of the National Heritage Collection self-financing and self-sustaining.

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 English Heritage 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 English Heritage for the financial year 2015-16. I know that this will certainly require some careful planning and as such I am setting out this high level budget allocation now, in order to allow you as much notice as possible in planning for a financially challenging period.



A key part of this settlement is the announcement that we will work with you to consult on establishing a charity to care for the historic properties in the National Heritage Collection on a self-financing basis, supported by Government investment of £80 million in 2014-15. DCMS and Treasury will need to approve a full business case from English Heritage, including agreeing the end date from which no further public funding will be required to maintain the National Heritage Collection properties.

In preparation for the New Model, I expect you to continue to increase self-generated income and take other action to implement the plan to increase the financial sustainability of the National Heritage Collection.

The resource grant-in-aid budget for your organisation will be reduced by 10% in real terms. Within this settlement I would like to see you make every effort to ensure that:

- English Heritage contributes to Government's Growth Agenda, including:
 - a focus on cultural tourism and providing support for the visitor economy, working with Visit Britain, Visit England and other Arms Lengths Bodies, including at the local level;
 - promotion of sustainable development within English Heritage and through its advice and other activities; and
 - continuing to drive improvements to the planning system including through implementation of the ERR Act and the Penfold recommendations.
- Funding for planning advice, grants for heritage at risk and the conservation and maintenance of sites in English Heritage's care continues to be protected;
- English Heritage continues to increase the efficiency of the designation system including through the National Heritage Protection Plan;
- The financial resilience of the sector is strengthened, building on the work you have already embarked on to develop philanthropy in the sector, and adding further impetus to organisations' efforts to increase their share of 'earned income'.

I know you are already involved in the cross Government "GREAT" campaign, which heavily features one of your most important sites: Stonehenge. The campaign is a key part of our growth strategy and I would like you to look at how you can continue to contribute to the success of the campaign and to economic growth more widely. This includes continuing to build relationships which help develop the heritage sector in this country and contribute to this country's image abroad.

In addition, I expect all bodies to continue to bear down on administration costs, to enable a larger portion of the funds provided to be used at the front-line. I am not setting a specific target for this, in recognition that much has already been done to reduce administration budgets, but I would like to see plans in place for making further admin savings where reasonable, by the end of October 2013.

We expect that bodies will meet the costs of any restructuring necessary as a result of this settlement.

Your management agreement will need to be revised in the light of this settlement and officials will be in touch to discuss this shortly.

Budgetary control totals

The control totals against which net expenditure will be monitored and the grant in aid that the Department will pay are as set out in the table below. The control totals are shown in the shaded columns.

£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	13.893	1.033	14.926	61.744	5.438	75.637	82.108

£m	Capital Budget				Grant in Aid (A+D+H+I+J)
	Core capital	Major Projects	Grants	Total Capital (DEL) Budget (H+I+J)	
Year	H	I	J	K	L
2015-16	0.500	0.000	6.919	7.419	83.056

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 meet unforeseeable changes in circumstances and priorities that will arise. So, while these allocations set out my firm plans for 2015-16, they cannot be immutable. I must ask you to build into your own plans some flexibility and ensure that you hold at least a 5%

contingency at any point which may need to be drawn back into the department. My intention would of course be to minimise any changes to budgets, and to keep them below 5% of your overall allocation in any case.

The Resource DEL Budget is split into three sub-totals. Further information about the nature of these control totals and the flexibility between budgets can be found in **Annex A**.

Capital

While DCMS's core capital budget reduction is 5%, we have decided to protect the capital grants for English Heritage in 2015-16, in recognition of the importance the sector attaches to these grants and their benefits to the wider economy. The level of capital grants to English Heritage will therefore remain the same in cash terms as in 2014-15. You have also been awarded £0.5 million core capital for the statutory services part of English Heritage.

Subject to final approval by DCMS and HMT of a full business case from English Heritage as outlined above, you have also been allocated £80 million capital for the New Model in 2014-15.

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. 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 in your organisation 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 the revenue settlement will present some challenges, I do believe we have achieved a good result in the agreement in principle of funding for the English Heritage New Model. 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,



Rt Hon Maria Miller MP

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