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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 sport to this country, the impact of this settlement is going to be less on UK Sport.

As Hugh has told you I am delighted that we have been able to protect funding to the elite athlete programme. This will allow you to invest around £125m to support our elite athletes in Sochi next year and Rio in 2016.

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 UK Sport 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 UK Sport 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.



The resource and capital grant-in-aid budget for your organisation is set out below. Within this settlement I expect you to ensure that:

- As a top priority, you continue your investment in the elite athlete performance programme;
- You continue your investment in bidding for and supporting major sporting events, which remains a second priority area for us. As part of this, the Government will provide an additional £10m to support the delivery of the Tour de France in 2014;

I am aware that even with this settlement, you will face some investment challenges arising amongst other things from the welcome success of the winter sports. Now that International Inspiration has been properly constituted on a charitable basis, we do not expect UK Sport to provide any further funding for its work. In addition, we would expect you to look at other ways to release funding to the athlete performance programme by reviewing the benefits of your investment in events such as the annual World Class Performance Conference and your international influencing programme.

You will be aware that the cross Government “GREAT” campaign is a key part of our growth strategy. I would like you to look at how you can continue to contribute to the success of the campaign and economic growth. I know you are already working closely with Visit Britain and Visit England to look for opportunities to support the growth of the visitor economy as part of the major sporting events strategy. I also expect the work you are doing jointly with Sport England will reduce areas of overlap and create more opportunities to share resources and data, as well as the work you already have underway to co-locate and share back office services.

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 amended 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 and incorporate any other changes that have previously been agreed with you.

£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							
UK Sport	2.773	0.583	3.356	36.227	0.110	39.000	39.693

£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					
UKSport	0.334	0.000	0.000	0.334	39.334

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

DCMS's core capital budget reduction is 5%. In this Spending Round, the Government has decided to prioritise all projects based on their economic returns, with the Treasury focusing investment on those projects with the highest economic returns. Rising investment in major infrastructure projects has inevitably displaced spending in lower value capital programmes across all departments. We must all recognise that these savings are necessary to meet the Government's collective duty to target spending towards the areas that are most important for economic growth.

The DCMS capital settlement has enabled the Government to set out plans on Broadband, Spectrum and an ambitious plan to restructure English Heritage. In addition, changes to core DCMS capital grants and maintenance have been limited to just 5% reductions as part of the Spending Round.

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 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,



Rt Hon Maria Miller MP

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