



## **Action to tackle poor value for money and unfunded spending commitments**

Today, the Chief Secretary to the Treasury, Danny Alexander, announced which projects re-submitted to the Treasury will be suspended and cancelled as part of a review of all spending decisions taken since 1 January. Projects have been cancelled where they were not affordable, did not represent good value for money, or where they did not reflect the Government's priorities.

The Chief Secretary also announced today an urgent review of inherited spending commitments for 2010-11, where funding was reliant on underspending through the End Year Flexibility (EYF) system, or additional funding from the Reserve. It was unrealistic to expect underspending would have occurred on a scale necessary to fund all these commitments – consequently, at least £1bn of commitments will have to be cancelled. The review will exclude commitments for military operations and the financial package agreed with the Northern Ireland Executive to support the devolution of policing and justice powers.

### **Spending re-approvals since 01 January**

217 projects were re-submitted to the Chief Secretary for re-approval, totalling £34bn. Projects have been cancelled where they have not demonstrated value for money, and suspended where more detailed work is needed as part of the Spending Review process. The Chief Secretary agreed with departments:

- 12 programmes will not go ahead that would have cost nearly £2 billion over their lifetime.
- 12 programmes will be suspended that would have cost £8.5 billion over their lifetime.

Further details, including a list of projects that have been cancelled or suspended, are set out below.

Departmental reviews of spending decisions that did not require Treasury approval will be completed and announced by Departments by the end of June.

### **Commitments reliant on underspend – End Year Flexibility and the Reserve**

The Government has inherited approximately £9bn worth of spending commitments for 2010-11 that were not fully funded. These commitments planned to rely on underspending across Government for their funding as part of the End Year Flexibility system and additional funding from the Reserve. As there was no reason to suppose that underspending on a scale necessary to cover all commitments would occur, and there is insufficient contingency in the Reserve to cover the remainder, it is expected that the Government will have to cancel at least £1bn of commitments where there is no money to pay for them.

The Government will therefore review in detail all existing EYF and Reserve deals, with the exception of commitments for military operations and the financial package agreed with the Northern Ireland Executive to support the devolution of policing and justice powers. The Chief Secretary has begun discussions with Departments, and details of the action taken will be set out at the Budget.

Chief Secretary to the Treasury, Danny Alexander said:

"We are determined to tackle the unprecedented budget deficit and bad financial management we have seen over the past decade, but are equally determined to do this in a way that is fair and responsible.

"As a result of the poor decisions made by the previous Government, I have taken the decision to cancel certain projects that do not represent good value for money, and suspend others pending full consideration in the Spending Review.

We have also found another spending blackhole in the previous Government's plans - projects had been approved with no money in place to pay for them. I am determined to deal with this problem head-on and ensure we never see this kind of irresponsible financial planning in Government again"

## Notes for Editors

### 1. List of projects cancelled\*

Department	Project	Total Lifetime Cost (£m)
Department for Culture Media and Sport	Stonehenge Visitor Centre***	25
Communities and Local Government	Local Authority Leader Boards	16
Business Innovation and Skills	Sheffield Forgemasters International Limited	80
Department for Work and Pensions	Rollout of the Future Jobs Fund** (Part of £6.2bn Announcement)	290
	Six month offer recruitment subsidies (Part of £6.2bn Announcement)	30
	Extension of Young Person's Guarantee to 2011/12	450
	2-year Jobseeker's Guarantee	515
Department of Health	Active Challenge Routes - Walk England	2
	County Sports Partnerships	6
	North Tees and Hartlepool hospital	450
Local Government	Local Authority Business Growth Initiative (LABGI) (Part of £6.2bn Announcement)	50
Regional Development Agencies	Outukumpu	13
<b>Total</b>		<b>1,927</b>

Included as part of the £6.2 billion announcement.	370
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\* All Treasury spending approvals between 01 January and the election were reassessed. The projects identified for cancellation would cost a total of nearly £2 billion over their lifetime had they been continued. Of these some have already been cancelled as part of last months announcement to reduce spending in 2010-11 by £6.2 billion, the resulting overlap is worth £370 million.

\*\* Includes efficiency savings from tighter management of under performing Future Jobs Fund providers.

\*\*\* Government funding for this programme has been withdrawn. If non-government funding is identified approval to proceed could be given.

### 2. List of projects suspended\*

Department	Project	Total Lifetime Cost (£m)
Department for Culture Media and Sport	Libraries Modernisation Programme	12
Communities and Local Government	Sheffield Retail Quarter	12
	Kent Thameside Strategic Transport Programme	23
Business Innovation and Skills	University Enterprise Capital Fund	25
	Newton Scholarships	25
Department of Health	Health Research Support Initiative	73
	Leeds Holt Park Well-being Centre	50
Ministry Of Justice	Birmingham Magistrates Court (2010-11 element included in £6.2bn Announcement)	94
Ministry Of Defence	Successor Deterrent Extension to Concept Phase Long Lead Items**	66
	Search and Rescue Helicopters**	4,676
Department for Transport	Search and Rescue Helicopters - joint procurement with MoD**	2,338
	A14 Road	1,114
<b>Total</b>		<b>8,508</b>

\* Projects that have been suspended will be halted for the time being and considered as part of the spending review process announced last week. The 2010-11 costs associated with Birmingham Magistrates Court (£37 million) are included in the £6.2 billion 2010-11 savings.

\*\* Successor Deterrent Extension to Concept Phase Long Lead Items will be reviewed as part of the broader Trident value for money review, which will report in the coming weeks. Search and Rescue Helicopters will be reviewed as a matter of urgency.

2. Building Schools for the Future: The Government inherited a large number of school building projects approved in recent months as part of the Building Schools for the Future (BSF) programme. The Secretary of State for Education has previously announced that he is looking at the whole BSF programme, including those projects entered into before 01 January. Tough decisions will need to be made on reducing costs and addressing where spending has been over-committed. The Secretary of State will set out next steps shortly.
3. Departments will be able to provide more detailed information on their own projects that have been cancelled or suspended today
4. End Year Flexibility (EYF) is a mechanism whereby departments may carry forward unspent Departmental Expenditure Limit (DEL) provision into later financial years. The Treasury budgets for EYF by using total underspends in any one year, to pay for total EYF claims in the same year.

However, if underspends are not large enough to cover the amount of EYF that has been committed to departments, then the difference will need to be funded in the first instance from the Reserve, and subsequently through additional borrowing.

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