Comprehensive Spending Review 2010: Responses

October 2010

Not for Profit

Charity Commission

The Chief Secretary to the Treasury has today in the Spending Review announced the details of the Charity Commission's financial settlement for the financial years 2011/12, 2012/13, 2013/14 and 2014/15.

Resource funding baseline for 2010/11:	£29.3m
Resource funding for 2011/12	£26.5m
Resource funding for 2012/13	£25.7m
Resource funding for 2013/14	£22.0m
Resource funding for 2014/15	£21.3m

The Commission's capital funding is also being reduced by 50% against the 2010-11 baseline of £0.7m to £0.4m each year throughout the spending review period.

The Charity Commission will manage these reductions by:

- beginning a comprehensive review of its strategy and operating principles, to agree the key priorities for the Commission's work over the next four years and beyond; and
- continuing to reduce the costs of regulation, for example moving more of our services to charities online, and further reducing our back office administration costs.

It is anticipated that the Commission will have to reduce staff numbers by about 140 FTE to meet the funding reductions. Final decisions on the necessary restructuring of the Commission will follow the strategic review, which is intended to conclude in April 2011.

The Commission will begin a public consultation on its strategic review in the next few days, seeking views from a range of stakeholders within and beyond the charity sector. A review of the 2006 Charities Act, which sets the Commission's statutory objectives and duties, is expected in 2011 and this will provide an opportunity to review the legislative framework.

Dame Suzi Leather, Chair of the Charity Commission, said

"This is without a doubt an extremely challenging settlement for the Charity Commission, and naturally we are disappointed. Clearly a very different approach is now needed - business as usual is simply not an option. We will need to make significant changes to the way in which we engage with charities and the public, the services we offer, and the scope and shape of our regulatory activity. This will not be easy, but we are determined to continue to develop the Commission as an innovative, confident and flexible modern regulator, within the resources available.

We remain committed to maintaining the high levels of public trust and confidence that charities currently enjoy, reducing the administration burden on charities and enabling them to maximise their impact. Our strategic review will give everyone who values the role of charities a chance to contribute their views, and we look forward to starting the discussion very soon."

Children’s Society

Following the Government's announcements today of budget cuts as part of the Comprehensive Spending Review, Chief Executive of The Children's Society, Bob Reitemeier, said:

"The Children's Society believes that the poor could become poorer and the disadvantaged more disadvantaged, despite the Government's wellpublicised promises before today's savage Spending Review that cuts will not hurt the least well off in society.

"The full impact of the cuts announced today are hidden in the detail and the small print. We question the Government’s assurance that there will be no measurable impact on child poverty over the next two years. We should be reducing child poverty, not making it worse, given that there is a target - enshrined in law - to end it altogether by 2020.

"Our concerns centre on what the Chancellor himself called 'a massive devolution of local control'. This could create a postcode lottery for the poor. The shift to local authority control will involve the abolition of ring-fencing, a 7.1% reduction per annum in local council spending and releasing local authorities from their obligation to report on a wide number of national indicators.

"The fall-out from this exercise, The Children's Society believes, will be a lack of accountability and a failure to provide adequate levels of support and protection for our disadvantaged children.

"The Chancellor himself stressed that a civilised country provides for families and protects the most vulnerable. We look forward to more information about the Government's plans to ensure that vulnerable children and families are given the support that they need as cuts are implemented."

Clinks

Clive Martin on the spending review and reducing re-offending:

The basic propositions contained in the #CSR announcements contained no surprises for those working in the criminal justice system, or indeed in the voluntary sector generally. The Home Office and MOJ will both need to make savings of 23% in real terms by 2014/15. This will inevitably result in significant changes to the scale and shape of delivery. It is vital that this transformation is fundamental if longer term cash savings are to be generated from preventative provision and reduced reoffending.

There are 3 key issues for Clinks and its members:

1. The potential for the voluntary sector and social enterprise to fill the hole in services left by the reductions in public sector provision;

2. The importance of closer collaboration between the public sector and #VCS as well as between VCS organisations in general;
3. The future impact on the #VCS and social enterprise at the local level following the budget settlements for local authorities in November and the budget determinations for LA's in Feb 2011.

The launch of a transition fund of £100 million to help front line VCS organisations most affected by the cuts adapt over the next year is encouraging. However, this will not stretch far across sectors and dramatically reduced statutory budgets at national and local level will require swift strategic change. The role of infrastructure organisations such as ACEVO and Clinks will be crucial to support the VCS to respond to new financial mechanisms such as payment by results and facilitate greater collaboration. It is critical that the sector's voice is heard and that knee jerk responses to reduced public sector budgets, which seek to cut funding to the sector as a quick and easy way to achieve savings, are challenged.

There is considerable scope for reducing demand on the criminal justice system by investing in preventative services to divert potential offenders away from crime and VCS and social enterprise sector have a creditable track record in this area. In the long term, investment must be pooled towards diversionary projects, to ensure that reductions in short sentences and prison places are a viable possibility. If the rehabilitation revolution is to be truly radical, the Government must show a willingness to invest in cheaper alternatives to prison within the community.

CPAG

In response to today's spending review, Alison Garnham, Chief Executive of Child Poverty Action Group, said

"This is a worryingly short-sighted and profoundly unfair spending review that will almost certainly add to, rather than reduce, child poverty and puts the government dangerously on course to miss its own targets to end child poverty by 2020.

"It was good to hear the Chancellor say the Government remains committed to ending child poverty but there's nothing today about how this will be done or how many children actually will be lifted out of poverty by 2015.

"Rather than saving money, the impact of these continued raids on the family budgets of the most vulnerable will mean higher public spending bills in the future as the costs of damaged life chances, social failure and economic underachievement mount up. We will all pay a price for leaving children in poverty."

On additional welfare changes

"The additional £560 million funding for the child element of tax credits is welcome but represents only one-fifth of the £2.5 billion savings in Child Benefit and for many families this gain will be a small consolation and be dwarfed by the much bigger cuts to housing, out-of-work and disability benefits, totaling £18 billion.

“The employment and support allowance change is especially worrying and unfair. People who have paid their national insurance contributions for many years are now being told that if they cannot work due to illness or an accident they may lose their benefit after a year.”

Help with childcare costs

“Given the Prime Minister’s commitments to being the most family-friendly country in Europe and to helping parents get into work, the reduction in help with childcare costs in tax credits is counter-productive and makes it harder for families with children get into work and make work pay.”

On child benefit

“We’re pleased that there are no new proposals today to restrict child benefit further but disappointed that the controversial plans already announced are still on the table. This simple to understand and administer benefit has been incredibly effective at reaching the poorest children and helping to prevent poverty precisely because of recent investments in its value and its universal nature. ”

National Housing Federation

The National Housing Federation has today (Wednesday 20 October) slammed the Government’s decision to cut the affordable housebuilding budget by 60% – with ministers looking for social housing tenants to pay much higher rents to make up for the shortfall.

However, the Federation has welcomed proposals by ministers to grant social housing providers flexibility around setting rents, and the length of tenures for new lets, with increased flexibility being a major issue over which the Federation has lobbied the Government in recent years.

At the same time, the Federation has warned that if social housing providers feel compelled to charge new tenants up to 80% of the market rate – because of the shortfall in the capital funding – thousands of social housing tenants could be trapped in a lifetime of poverty, suffer a strong disincentive to work and increasingly depend on benefits.

Although as the Chancellor confirmed today there is a benefit cap at £26,000 a year or £500 a week. This makes it difficult to see how people can cope with higher rents.

The Federation calculates that thousands of low-income families could end up having to pay £9,000 extra a year in social housing rents, as the Government looks to make up for the 60% cut in the housing budget – one of the biggest cuts made to any budget for a key frontline service.

The Chancellor announced the cut in the capital budget in today's spending review – down from £8.4bn over the previous three year period to £4.4bn over the next four years. Ministers however believe 150,000 new affordable homes could still be built in England between 2011 and 2015 – but only if social housing providers dramatically increase rents to fund new schemes.

The average rent for a three-bedroom social home is £85 a week. But under the plans to allow increases in rents of up to 80% of the market rate, that figure could triple to a staggering £250 a week.

Many new tenants would therefore be heavily dependent on housing benefit to cover the extra costs. Those gaining work would see their housing benefit payments fall – meaning they would be forced to pay even more from their own pockets, acting as a powerful disincentive to get a job.

Social homes for life could also end for new tenants, who might be handed fixed term contracts, under the Government's proposals.

Swingeing cuts to services for vulnerable people will also hit the poorest hardest and increase housing demand for social housing.

On the 60% cut and end of lifetime tenures:

Federation chief executive David Orr said: 'The fact that the housing budget is being cut by 60% is deeply depressing – and shows that providing affordable housing is no longer a government priority.

'Cuts on this scale will come as a devastating blow to the millions of low income families currently stuck on housing waiting lists.

'The harsh reality is that because of these cuts, the new social homes this country so desperately needs, can now only be built by dramatically increasing rents for some of the most vulnerable and poorest in our society.

'Most tenants simply won't be able to cover these extra costs, and as a consequence make it more difficult than ever for people to escape the poverty trap and benefits dependency that the Government has repeatedly said it wants to tackle.

'Higher rents work for people on higher incomes, but not for those on very low ones.

'The Chancellor said that those with the broadest shoulders should carry the biggest burden of the cuts. By dramatically slashing the housing budget today, Mr Osborne has spectacularly failed his own test of fairness.

'We do however welcome the Government's decision to give social housing providers greater flexibility as to how they deliver their services.

'We are prepared to look at anything that increases flexibility in the provision of social housing, but we would not support anything that undermines tenants' sense of being safe and secure in their homes.'

On funding for the vulnerable people's services

Over 122,000 vulnerable people who rely on support services to live independently could be forced to fend for themselves after the Chancellor announced a cut of 11.5% to the Supporting People budget, which funds such schemes.

Added to which, Supporting People will now be routed via the formula grant, so it will no longer be possible to track the allocation from central government to frontline expenditure. Local government will have complete freedom to make bigger cuts to the Supporting People programme and many will feel forced to do so.

The Federation estimates it would also cost the taxpayer hundreds of millions of pounds in the long run as demand increases for acute hospital services, policing costs and specialist long term care.

Mr Orr said: 'The cuts announced today could see thousands of vulnerable people, such as the elderly and women fleeing violence, losing the specialist support they need – leaving them isolated, abandoned and forced to fend for themselves.

'The Government has repeatedly said it wants to protect the vulnerable and yet these cuts could see services and support for the disabled, the elderly, and domestic abuse victims all potentially reduced or withdrawn.

'It is vital that cash strapped local authorities are totally transparent on what services they will fund and how their local area budget is meeting the needs of the most vulnerable.'

On housing market renewal:

The Housing Market Renewal Fund, which funds regeneration schemes in some of the poorest neighbourhoods in the North and Midlands, will be moved to regional growth funds, with total funding being cut. The Federation says that plans to build or improve up to 23,000 social homes are now at risk.

Mr Orr said: 'By cutting investment in the regeneration of these deprived communities, the Government is breaking faith with some of the poorest people in the country.

'The promise of new and improved homes will have disappeared in many areas and, with it, the hope of regenerating and rejuvenating their communities.

'We estimate the intended cuts mean that plans to build or improve up to 23,000 new and improved homes will be shelved. It will be essential that those few local authorities that gain access to the funding that is left, account openly for how they use the resources.'

On housing benefit cuts

The Chancellor announced the extension of the single room rate to people under 35, up from those aged under 25. This will mean that people under 35 in the private rented sector will only receive housing benefit for living in a shared flat. Many of those affected are employed on low wages and the change will push them further into hardship.

The Chancellor announced that the new Universal Credit, where all benefits will be rolled into one single payment will go ahead as proposed over the course of the next two parliaments, at an estimated cost to set up of £2bn. The Work Programme will help and support people into work and off benefits.

The Chancellor also re-stated that the total amount of welfare benefits that claimants will be able to receive will be capped at the level of average earnings, which is £26,000 for a families, couples and lone parents. A new cap was announced for single people of £18,200

In addition, the Chancellor announced the removing of the mobility component of Disability Living Allowance for younger people living in care homes – which will reduce the freedom and independence of severely disabled people. This benefit is intended to help with the extra costs of transport for people in care homes. The Federation says such people should have the same rights to it as a disabled person living with their parents.

A Housing Futures' Commission:

The Federation – along with Shelter and the Chartered Institute of Housing – is today establishing a Housing Futures' Commission to look at the impact of the austerity programme, possible changes to the allocations systems and tenure, the mortgage market review and other issues that affect the delivery of a functioning housing market.

NCVO

Sir Stuart Etherington, our Chief Executive, has today responded to measures set out in the Government's spending review relating to the voluntary and community sector. These include the announcement of a new £100 million transitional fund, and additional resources to implement the Big Society agenda.

His response came after Chancellor George Osborne unveiled details of how the coalition will achieve the promised cuts of £83 billion in public spending.

Sir Stuart said:

"We should be under no illusions: the coming months will be difficult for the people and communities we work to support." "We know from our own research that many organisations lack the financial resources to cope with sudden cuts in income. So the announcement of transitional support for voluntary and community organisations is very helpful.

"It demonstrates that the Government has listened to the sector and understands the important role we will play in helping to address the challenges we all face in the coming years.

"The transitional fund should go some way towards mitigating the impact of spending cuts on frontline organisations, and help to safeguard their ability to deliver vital services.

"We look forward to working with the Government to ensure that the new transitional fund delivers on its goals and is accessible to the organisations which need it the most.

"Local government is the main source of statutory funding for many voluntary and community organisations. We are calling on local authorities to ensure that they don’t treat our sector as a soft option for cuts.

"That is why NCVO and Volunteering England wrote to the Minister for Civil Society this week, making the case that where cuts need to be made, they should be phased in over four years to give the sector the best chance of maintaining essential services and adapting to the challenging times ahead."

After arguing that tackling the deficit was unavoidable, the Chancellor said, "Today is the day when Britain steps back from the brink." He said that each year the UK pays back £43 billion in debt interest but that the measures announced today would mean these repayments decreased year on year as the deficit was reduced. He also confirmed that today's Spending Review "will be underscored by a campaign of public service reform."

Among the details announced were:

- £470m over the next four years will go towards building the voluntary sector's capacity so that it can deliver the government's Big Society agenda. This will provide 5,000 new community organisers, and a pilot for the National Citizen Service

- of this, £100m transitional fund for to help the voluntary and community sector adjust to new public spending budgets.

- the core Cabinet Office budget will be reduced by £55 million by 2014/15

- the Treasury will see its overall budget reduced by 33% and the department's building will be shared with the Cabinet Office
- councils in England will face cuts of more than 28%, but they will have greater powers to borrow
- £1 billion will be taken from the "protected" NHS budget in England to help meet the costs of social care
- existing social housing tenants' rents will be unchanged but new tenants will be offered intermediate rents at around 80% of the market rent. Mr Osborne forecasts this will allow the building of up to 150,000 new affordable homes over four years.
- an extra £2 billion promised for social care by the end of the parliament
- the state pension age will reach 66 in 2020, four years earlier than planned
- benefits and tax credits will be replaced by a new universal credit over the next two parliaments
- total health spending will rise each year over and above inflation from £104 billion this year to £114 billion over the next four years

- the Department of Culture, Media and Sport budget will come down to £1.1 billion by 2014/15; administrative costs must be reduced by 41%, but free entry to museums and galleries will continue

- Sure Start services will be protected in cash terms and 15 free hours of early education and care for all disadvantaged two-year-olds will be introduced

- the green investment bank promised by the coalition will receive £1 billion in funding, half of what was expected and a sixth of the amount many say is needed

Shadow Chancellor Alan Johnson said the cuts were, "the deepest cuts to public spending in living ,emory. Today is the day that abstract figures and spreadsheets turn into people's jobs and services for the future."

- buses will have a devastating impact on services that the poorest people rely on most

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Save the Children

Save The Children UK are an integral member of the Robin Hood Tax campaign. Read their response to the CSR, by Gareth Jenkins, Head of Campaigns and External Affairs for Save the Children's UK programme.

"After all of the hype and fears of the last few weeks and months in the run up to today's announcement, it would have been quite easy to see the

Chancellor's statement as encouraging, reassuring, even moderate in its tone as he claimed to protect the vulnerable and spending on health, schools and aid.

As with all budgets and big spending announcements, we won't know the true impact for days, maybe weeks to come. It was several weeks before we were able, with the Institue for Fiscal Studies, to properly interrogate the Chancellor's claim in June that his budget was 'progressive' – showing as we did in August that instead the emergency budget had in fact hit the poorest the hardest.

But as we at Save the Children attempt to make a judgement (as far as we can a few hours after the Chancellor sat down) on behalf of the UK's poorest children, the reality behind the reassuring words is potentially very worrying.

Firstly, and to the government's credit, they have invested in child tax credit in order to back a guarantee that child poverty will not increase in the next two years. The continued commitment to ending child poverty has to be welcomed. The fact that the Chancellor is compelled to reference it in his statement is a testament to the cumulative impact of a ten-year-long campaign.

Secondly, and positive again, is the government's allocation of spend that will target extra childcare and education support for the poorest chidlren. It's an outrage that a child is so much less likely to do well at school if they are born into poverty.

Save the Children has been arguing strongly for a substantial 'pupil premium' – an allocation of extra funds to schools with pupils from poor backgrounds - so that they can provide services like one to one tuition and extra curricular activities, which are known to boost educational attainment. The £2.5 billion allocation for a pupil premium towards the end of this parliament is promising."

Scope

Richard Hawkes, Chief Executive of disability charity Scope, comments:

"Despite the continuing rhetoric that spending cuts will be 'fair' the Chancellor's announcements today are anything but. Local government will lose 28% of its funding over the next four years, compared to just 14% reductions to the royal household, and this will hit disabled people and their families particularly hard. This assault on the most vulnerable is characterised by the callous removal of the mobility component of DLA for people living in residential care, which will simply increase dependency and mean many people will literally become prisoners in their own homes.

In terms of employment the Government has not delivered on its promise to support disabled people into work penalising those on ESA and JSA who worked and paid national insurance in the past and who now cannot rely on getting the support they need when they need it, in an increasingly difficult employment market.

And, to top it all, the Government have admitted that they haven't been able to assess the impact of some of these changes on disabled people, calling into question their claims that this process is rooted in fairness.

Disabled people and their families do not have “broad shoulders” so why are they bearing the brunt of these cuts?”

Business

British Retail Consortium

Retailers are ‘surprised and dismayed' to find the Government has hidden a £1bn a year environmental stealth tax in the detail of the Comprehensive Spending Review.

Since George Osborne delivered his speech today (Wednesday), it has emerged that the money participating businesses put into the Carbon Reduction Commitment (CRC) energy efficiency scheme will not now be recycled to businesses with good environmental performances. Instead it will go straight to the Government.

Because they use a lot of property, retailers will be particularly badly hit along with hospitals, universities and local authorities.

The CRC was set up at as a revenue-neutral scheme, intended to create incentives for companies to improve their environmental performances. It is currently operating as a data-gathering only exercise but companies are due to put real money into the scheme from April 2011. They were expecting to get money back from October 2011.

Reacting to the Government's plan to seize that money, British Retail Consortium Director General Stephen Robertson said: "We are surprised and dismayed that the £1bn per year participating businesses will put in to the Carbon Reduction Commitment scheme is no longer to be recycled to participants but is instead to be pocketed by the Exchequer.

"This is a stealth tax on business which not only goes back on the commitments given in developing the scheme but removes a major source of incentives to reduce carbon emissions. Coupled with a paring back of the Warm Front scheme for improving the environmental performance of domestic properties, this calls the Government's green credentials into serious question.

"A tax of this size surely merits a mention in the Chancellor's speech. It is appalling that the Government is sneaking this in, introducing a new burden on businesses that are trying to create new jobs to offset the public sector cutbacks and growing the economy to generate the tax base to pay down the debt. Because they use a lot of property, retailers will be particularly hard hit, despite having led the way in tackling climate change."

CBI

The CBI gave its full reaction to the Government’s Spending Review, following an initial reaction earlier today.

Richard Lambert, CBI Director-General, said:

“The Chancellor has got the strategic direction of this spending review right. He has stayed the course outlined in the June Budget, with economic growth a top priority.

“We particularly welcome the extra £2bn a year on capital spending, and the focus on areas that support growth. These include transport and other infrastructure, education and science, and the low-carbon economy.

“The spending cuts, though painful, are essential to balance the UK’s books and build its future prosperity.

“Now the Government must deliver its promised savings by re-engineering public services.”

Looking at the spending review in more detail, he said:

On capital spending:

“The additional £2bn a year of investment spending will improve the country’s critical infrastructure, create jobs and stimulate growth.

“We particularly welcome the news that Crossrail and upgrades to the London Underground network will continue.”

On the low-carbon economy:

“Businesses that have just signed up to the flagship Carbon Reduction Commitment energy efficiency scheme will be very let down by the Government’s unexpected announcement that it will remove the cash-back incentive. A scheme that was meant to change behaviour by encouraging energy efficiency has now become another stealth tax.

“By contrast, the commitment to clean coal technology, manufacturing off-shore wind turbines, and renewable heat and flood defences will boost private sector confidence in investing in low-carbon technology. Plans for a Green Investment Bank are also welcome, but the Government must get the design right to make it attractive to private investors.”

On apprenticeships:

“The 75,000 extra apprenticeships will help re-skill the UK’s workforce and adult apprenticeships are especially relevant for employers.”

On the science budget:

“We welcome the decision to freeze the overall science budget and the Government’s announcement that it will look for ways to improve how various funding streams operate.”

On public service reform:

“The Chancellor rightly emphasised the reform of public services. It is only with fundamental re-engineering that we will see the leap in productivity needed to save money and deliver high-quality services at the same time.”

On public sector pensions

“We welcome the commitment of the coalition to tackle the spiralling cost of public sector pensions.

“Public sector pensions must be put onto a sustainable footing, with the full cost recognised and met by employers and employees together.”

On the rise in the state pension age:

“With people living longer lives, the welfare system must adapt. It is therefore right that the state pension age rises faster than planned to match improvements in life expectancy in recent years.”

On the bank levy:

“We will wait to see the legislation on taxing banks, but the Chancellor has recognised two crucial points. He said he did not want to drive banks abroad, and he recognised that hundreds of thousands of jobs in the UK depend on our competitiveness in financial services.

"It is essential that all policy makers recognise these important points. It is also vital that banks both rebuild their balance sheets and lend to companies, and excessive taxation would threaten both of these aims."

British Chamber of Commerce

Commenting on the Spending Review, set out by the Chancellor of the Exchequer today (Wednesday), David Frost, Director General of the British Chambers of Commerce (BCC), said:

"Business has been clear: the deficit must be tackled, no matter what. The spending review does the job of setting out how this will be done.

"Overall, the Spending Review could have been worse for business. While we were disappointed that the Government succumbed to political ring-fencing of some spending areas, cuts to productive infrastructure investment were not as bad as many had feared.

"Now that the Spending Review is complete, our message to Government is that it is now time for a clear strategy for growth – which in turn will give companies, and especially small and medium-sized enterprises, the confidence to invest. Perceptions matter. Businesses and government must work together to deliver a real year for growth in 2011. This is the only way that the private sector will be able to take up the slack."

Additional comment from David Frost on particular elements of the spending review can be found below:

Infrastructure / capital spending

“Business leaders have argued consistently that investing in roads, railways, the energy grid and broadband will help companies drive growth and jobs.

“While we are disappointed that net investment will fall over the next five years, the Government has today made some important commitments to transport that will help improve business confidence. We are particularly pleased to see an unequivocal nod to Crossrail and a number of road and rail improvements that will help regional economies across the UK. Business has high expectations for the National Infrastructure Plan due to be announced next week. Without a clear, cross-party strategy for long-term infrastructure investment, the UK will continue to lose competitive advantage.”

Public sector jobs

“The current level of public sector employment is unsustainable. The private sector saved jobs in the downturn through wage bargains and agreements between companies and employees. Is the public sector ready to follow suit?”

Training and education

“Employers understand that Government subsidies for in-work training will be cut back, and accepts the tough decision to axe Train to Gain. However, they say unequivocally that remaining funding must be focused on providing people with the skills needed to get into work. Too many businesses still tell me that job candidates lack the basic skills needed to make them employable. Until we sort this, Britain’s companies will continue to highlight skills shortages as a barrier to growth.”

Business support

“There are still a number of unanswered questions around the business budget – notably around support for exporters and schemes that help both new and existing businesses to grow. Further clarity is still required.”

Support for exports

“It is disappointing that the budget for export promotion has taken such a substantial hit when politicians say they want a rebalanced UK economy. This should be one of the Government’s top investment priorities, yet the 25% cut in funding for UKTI programmes that deliver direct export support to businesses on the ground is not good news. British companies will be left in a weaker position compared to their competitors from other major trading nations.

“It is also imperative that more resources are dedicated to promoting British business overseas through embassies and representations – as the Foreign Secretary suggested last week.”

Defence

“Let’s not forget that defence spending creates jobs in supply chains up and down the country. The Government has struck a difficult balance between cuts and maintaining investment in high-tech jobs that deliver real benefits to a number of local economies.”

Local government and regeneration

“It has been clear for some time that local government would take a significant hit in the spending review. Chambers of Commerce – with a front door in every town and city in the UK – will work closely with councils to ensure that economic development and regeneration continue. We welcome, for example, the Government’s commitment to Tax Increment Financing, and the announcement that resources have been found for a third tranche of the Regional Growth Fund.

“It is critical for Government to set out a vision for growth in the regions. Business will play a key role, providing leaders for Local Enterprise Partnerships. But these partnerships must be enabled to knock down barriers, such as planning processes and regulation, which stop companies from investing.”

Public and private sector pensions

“Business recognises the need for the state pension age to rise to 66 by 2020 to fund ever-longer retirements. Businesses will still be concerned that with the default retirement age being scrapped next year, their workforce planning abilities will be reduced – and that there will be a rise in costly employment tribunal claims.’

“The Government must follow through on Lord Hutton’s initial recommendations regarding public sector pensions. Increased employee contributions alone will contribute to £1.76bn of savings by 2014/15. Further change is required to ensure that future liabilities are reduced.”

Welfare reform

"Business has no argument with the Government's view that work should always pay, and that benefits cannot be a long-term solution. Employers want to take on local people, but all too often we hear that they're better off staying on benefits.

"The key issue is to enable the private sector to create enough jobs to help the millions of unemployed and inactive people get back into the world of work. We must answer the question of where the jobs will come from, especially with over a million people already working part-time who want to go full-time. To create new employment, we need to cut red tape and give businesses the confidence to hire."

Energy and environment

"The announcement of £1bn in funding for a Green Investment Bank is of interest – but business will wait to see how the bank is structured, how it will operate, and whether it can really lever in the investment required in sustainable energy and transport projects.

"The Government has already announced its preferred sites for new nuclear power plants. Britain's energy security is at stake. The Government must continue to promote investment in nuclear and renewable generation – so that business investors still see the UK as a place to grow."

Federation of Small Businesses

Following the Chancellor's statement on the Comprehensive Spending Review today (20 October), the Federation of Small Businesses (FSB) urged the Coalition Government to now put in place the missing link, namely a Small Business Programme for Growth.

FSB research has shown that three quarters of small businesses thought the Coalition Government should cut spending to tackle the public deficit and six in 10 said they were more willing to accept cuts in public spending because of the size of the public sector deficit.

The FSB welcomed measures to increase the number of adult apprenticeships by 50 per cent to 75,000 new apprentices a year. Also welcomed were the measures in moving towards a low carbon economy and the commitment to improve the infrastructure of the country. The £530 million directed from the Government and the BBC to put in place superfast broadband pilots is something small businesses were calling for. The investment in the Post Office Network is applauded.

However, the FSB believes the missing link in the Government's deficit programme is the need to create growth – increasing the tax base, creating more businesses and incentivising small firms to grow and innovate.

A Programme for Growth is even more important given that latest FSB research shows that 10.4 per cent of firms expect to decrease employment over the next three months as business confidence in future prospects and revenue growth weakened over the July to September period.

A Programme for Growth aimed at small firms will be very relevant given that more than 80 per cent of jobs in the EU were generated by small businesses between 2002 and 2007.

In a future Programme for Growth, the FSB is calling for:

- An extension to the National Insurance Contributions holiday to include existing firms with up to four members of staff and provide incentives when they take on three new employees - funded by scrapping the £1 billion Regional Growth Fund
- A cut in VAT to five per cent in the construction sector to help create jobs and stimulate the economy, but also increase revenue to the Treasury
- A cut in the business support budget to £500 million and concentrate spending on genuine business support for micro businesses and a fully operational web portal
- A business-led National Mentoring Service to be created through the Institute of Enterprise and Entrepreneurs to match mentors with businesses with backing from the banking industry

John Walker, National Chairman, Federation of Small Businesses, said:

"We all know we are living in an age of austerity and that these cuts will affect us all. But our members understand that to reduce the public sector deficit, these cuts had to be made. The small business community continues to have a vital part to play in driving a credible recovery and taking on new members of staff to help tackle unemployment, so it is now vital the Government puts a Small Business Programme for Growth into action immediately.

"As our research shows, small firms are at tipping point and lack the confidence to take on the 500,000 people that will be made redundant as a result of these cuts. So it is up to the Government to incentivise the small business community – through extending the National Insurance Contribution holiday to existing firms and cutting VAT to five per cent in the construction sector – to promote growth and help small firms take on new staff."

GMB

Paul Kenny, GMB General Secretary said, "After this review the broadest shoulders will still have the fattest wallets.

The price for George Osborne's day of reckoning will be paid by the economy, in the public and private sectors, and those unemployed, for a decade to come.

In a well leaked, well crafted ideological speech, arrogantly delivered, the demise of public services and the welfare state was laid out in front of us.

As this plan unfolds and its impact is felt in homes and communities up and down the country the Tory/Liberal authors will find life increasingly difficult at the ballot box."

Brian Strutton, GMB National Secretary for Public Services commented, "The Chancellor has today left hundreds of thousands of workers in a state of trepidation with a sword of Damocles hanging over their heads.

Although the focus has been on possibly 490,000 public sector job losses up to 2014, we know from this summer's OBR report that the real number is 620,000 when you factor in a further year. GMB analysis is that another 350,000 private sector jobs will be directly affected too putting a million more people on top of the 2.5 million officially unemployed already. This is a terrible decimation of the whole economy's workforce.

There is no guarantee from the Chancellor that other jobs will materialise to replace the ones that are guaranteed to be lost. The economic fundamentals of the fragility of the financial sector and the lack of growth in manufacturing have been addressed only by weasel words with no firm plan. The conclusion has to be that the Chancellor has gambled everyone's livelihood on a bet that is unlikely to come off.

The Chancellor has gone far beyond the recommendation of the Hutton pensions review. Osborne says that public sector workers have to pay another £1.8 billion a year, about a 50% increase. This is ridiculous it just isn't doable. It is not acceptable, it simply cannot be afforded. Public sector workers cannot be squeezed any harder.

The local government sector is particularly hard hit. Council workers have already delivered huge efficiency and productivity savings and a pay freeze. What's their reward? Cuts equivalent to 25% translates to up to 300,000 jobs. It's a real sickener and it means that community services will be slashed dramatically."

Naomi Cooke, GMB National Pensions Officer added, "In more fantasy figure work the government claim £5bn will be saved by increasing the state pension age yet they have no credible plans to keep people in work.

Osborne claims increasing the state pension age is necessary in order to increase the state pension yet beyond a diluted triple guarantee he has no plans to increase the £100 a week basic state pension. Debt for the young and poverty for the old – this is the government's definition of fairness.

Welfare payments are to be slashed. There will be many more people claiming them as a direct result of George Osborne's announcements today."

Kamaljeet Jandu, GMB National Equality and Inclusion Officer said, "This budget will lead to a greater inequalities in society and expose the most vulnerable to greater hardship.

This budget is likely to have a negative disproportionate impact on women. 75 % of the burden of this budget will be shouldered by women, as was the case in the interim budget of June 2010.

Unemployment for ethnic minority communities currently running at twice the national average will be exasperated; people living on disability allowance will be left to fend for themselves in a ever increasing levels of unemployment."

Institute of Directors

The Institute of Directors (IoD) makes the following statement on today's Spending Review announcement:

- We very much welcome the Government's determination to stick to its overall plan of reducing public spending by £83bn over the next 5 years. The key to getting the private sector recovery underway is macro-economic stability. This will only be achieved with sustainable public finances. Opponents of today's spending reductions need to wake up to that fact.

- Between 1991 and 1997 public sector employment fell by 600,000 – roughly on a par with the falls projected as a result of the Spending Review – but this did not prevent a sustained upturn in economic growth. Similarly, in the late 1990s the sharp fiscal squeeze introduced by Gordon Brown over the 1997-99 period went hand in hand with strong economic growth. Whilst growth prospects are not as good now, they are not as bad as the gloom merchants would have us believe.

- Following the June Budget we stated that the only area of public spending that should be ring-fenced was that for key infrastructure. Consequently we welcome the fact that although transport investment faces an 11 per cent reduction over the next 4 years, it could have been far worse. The spending settlement for transport, energy and ITC investment is better than we had feared.

Commenting, Miles Templeman, Director-General of the IoD, said:

"We strongly support the Government's determination to stick to its overall plan of reducing public spending quickly. The only way we get a private sector recovery underway is through macro-economic stability, and this will only be achieved with sustainable public finances. Opponents of today's spending reductions need to wake up to that fact. The alternative is a tax hike which would damage the economy in both the short and long term.

He added:

"If today's spending review is to succeed the Government will have to deliver fundamental root and branch reform which transforms the productivity of the public sector. We need to remember that if the public sector had matched the private sector's productivity growth over the last decade, the deficit would now be £60bn less than it is. Less can be more."

Some specific points:

Welfare Reform

- Additional welfare reform measures are welcome as initial steps to reduce the overall welfare budget and get people back into work.

Public Sector Pensions

- The proposed savings on unfunded public sector pensions are a welcome first step in tackling this economic and political time bomb.

Schools and colleges

- Improving education performance is central to improving the long-term supply of skills into the workforce. But whilst the Chancellor announced a generous overall settlement for schools, ultimately it is radical reform, not additional funding, that is the key to raising standards. We welcome the promise of additional autonomy for schools over the spending of their budgets, and on freeing further education colleges from unnecessary bureaucracy.

Universities

- The Spending Review announces that, from the 2012-13 academic year, universities will be able to increase graduate contributions. For the long-term competitiveness of the higher education sector, it is vital that Lord Browne's recent report into university funding and student finance is treated as a blueprint, not a pick-and-mix.

Skills and Apprenticeships

- Shortages of STEM skills are a particular problem and the prioritisation of science spending will be welcomed by many businesses. The demise of the Train to Gain programme, conversely, will not be widely mourned. However, the decision to increase funding by £250 million a year by 2014-15 on new adult apprenticeships is questionable. The Government should be wary of introducing too much bias in the way it favours, funds and promotes Apprenticeships: they are not a universal training solution and are not suitable for all types and sizes of organisation.

KPMG- 1

The Chancellor Has Played a Smart Political Hand: Can the Implementation be as Smart as the Politics?

In announcing the results of the Spending Review, George Osborne pulled off a tricky balancing act. He stuck to the commitment to eliminate the structural deficit within four years, but he managed to avoid making cuts in areas where further reductions were widely expected. He was able to offer some good news, not just protection of the healthcare and school budgets but also additional investment in economic infrastructure and preservation of universal benefits.

However, implementing the cuts and the new policies announced by the Chancellor will be far from easy. In effect, he has thrown down the gauntlet, both to public sector managers and to the companies and voluntary organisations that provide public services. It is now up to them to rise to the challenge and to make radical changes in the way they operate, in order to drive up productivity and cut costs, so that we can continue to afford the most important front-line services.

The Spending Review heralds a series of major structural and policy shifts

Although attention has initially focused on the size of the cuts - and on the search for 'winners' and 'losers' - the Spending Review is perhaps most notable for a series of major shifts of policy and emphasis.

There is a shift of emphasis in investment - from social infrastructure (schools, hospitals, etc) to economic infrastructure (major transport projects and investment in green technology and R&D).

There is a shift of responsibility, from the state as the universal provider of services to self-help and community provision. This is most apparent in the unprecedented shift responsibility for paying for further and higher education, from the taxpayer to the student. But it is also evident in the raising of the state pension age to 66 and the introduction of personal budgets for a range of social and health services: in future, instead of the public sector rationing the provision of services, individuals will get a cash allocation and will be able to buy services from the provider of their choice. For most local authorities, 50 percent of their spend will no longer be under their direct control, but will be in the hands of individuals. And there will be increasing reliance on local voluntary provision of services that local government can no longer afford to provide, with community groups being given the right to take over public sector assets.

There is a shift from the public sector to independent providers. In future, the government will increasingly buy services from the private and voluntary sectors and from social enterprises spun out of public bodies. There will be much more intense competition for the right to deliver services, and providers will be expected to provide capital and to bear significantly greater risk, because they will be paid on the basis of standard tariffs and the results they deliver, rather than through activity-based contracts.

And finally, there is a shift in the approach to welfare benefits. Access to benefits will be much more tightly controlled, with new restrictions on entitlement to housing benefit, council tax benefit, employment benefits and an overall cap on the total benefit that a single household can claim. In return, there will be a degree of protection, in terms of the level of payments, for those who continue to be entitled to benefits.

The challenge facing the private and voluntary sectors

In the short term, organisations that provide services to the public sector will share in the pain, as some existing contracts will be terminated and payment terms will be renegotiated, leading to tighter margins and the loss of jobs.

But in the longer term, there are some encouraging signs. The switching of scarce capital funding from social infrastructure to productive investment should help the economy, as should other measures such as the increase in funding for apprenticeships and the various measures to get people off benefits and into work and to ensure that it always pays to be in work rather than on benefits.

The government has declared its intention to open up public service provision to competition and to increase the level of independent provision. That will in due course mean additional business for private and voluntary sector organisations, provided they can accept the risks associated with an outcome-based approach to paying for services.

The challenge facing the public sector

After the biggest political challenge for decades, now comes the biggest managerial challenge faced by the public sector since the Second World War. Thousands of public sector managers will need to demonstrate their ability to eliminate waste and to adapt to the big shifts of policy and power outlined by the Chancellor.

Inevitably there is a huge execution risk, and the financial and commercial capabilities of public sector managers will be stretched to the limit. They will need to take smarter procurement decisions, in order to drive value out of the £200 billion that is spent with private and voluntary sector providers. They will need to improve their ability to control their finances and to manage complex commercial relationships, in order to minimise redundancies and reduce the impact on front-line services.

Implementation needs to be every bit as smart as the political balancing act that the Chancellor has pulled off. Otherwise there will be serious implications for public sector employees, for the recipients of public services, for private and voluntary sector providers, for taxpayers and ultimately for the UK economy.

KPMG- 2

Iain Hasdell, Partner and UK Head of Local and Regional Government at KPMG, comments:

"Today's CSR announcement confirms that the future for local government is one of dramatic challenge that will severely test the financial viability of some councils. But further commitment to devolution is a real positive.

The Chancellor's statement projects year on year cuts in the cash given to local government by central government totalling around 30% over the next four years.

In order to survive, councils will need to be ruthless in urgently deciding on front line service priorities and ending the delivery of lower priority services. They will have to reduce the sizes of their back offices, in a radical overhaul of organisational structures and will be forced to cull large parts of their capital investment programmes.

Perhaps above all councils will need to hugely increase their productivity - reversing the decline in local government productivity of the last decade.

I am expecting this challenge to be beyond some councils, which will run out of cash at some point in the next four years, in much the same way as parts of the public sector health economy did in the middle of the last decade. Central government is likely to have to effect financial rescues of a small number of local councils later in this Parliament.

The very strong commitment to the devolution of services from Whitehall to localities is pleasing, as is the further removal of the ring fencing of Government funding. This will allow councils to grasp more control of how they spend their budgets. There was also a welcome increase of £2bn in funding for local adult social care services and confirmation of the Tax Increment Financing scheme for funding infrastructure projects.

The CSR heralds really difficult times ahead for local government, a key part of the economy, accounting for around 25 percent of all public expenditure in the UK, employing more than 2.5m people and spending around £200bn each year.

It's therefore inevitable that the implications for the private and third sectors may be equally profound. As local government gets smaller and poorer in cash terms, those organisations in its supply chain will experience many difficulties finding alternative contracts. Several financial collapses of companies and organisations within this local government supply chain will result over the near term."

KPMG- 3

In response to the Comprehensive Spending Review announced today, KPMG's restructuring specialists have identified the private sector businesses most likely to bear the brunt of spending cuts and have predicted a rise in insolvencies, as a result, in summer 2011.

Andrew Burn, restructuring director at KPMG and public sector specialist, said:

"Businesses which supply the government priority areas of schools, hospital and certain infrastructure projects are likely to be breathing a huge sigh of relief as, on the face of it, they appeared to have avoided the majority of cuts; although this may just be a stay of execution for a lucky few. Outside of this group, the remainder will be questioning how they could absorb loss of business; particularly if the cuts by department start with reducing procurement cost before looking internally at efficiency savings."

Examples of businesses likely to suffer:

- Hotels and travel companies will lose out as the government cuts £100m on travel policy;
- IT maintenance and new system implementation;

- Vehicle hire;
- Mobile telecommunications;
- Printing companies;
- Recruitment and temporary staff businesses

Richard Fleming, UK Head of Restructuring at KPMG, added:

"The vast number of small businesses which supply the public sector are likely to struggle for survival as aggressive 'supermarket style' procurement favours the large suppliers over the small. Whilst supermarket suppliers are used to adopting a portfolio approach and managing the uncertainty, the same cannot be said for many public sector suppliers where a steady and reliable model is the norm. Companies that just cannot adapt or where the impact of the savings is substantial are likely to face insolvency, particularly at the smaller end of the spectrum. We anticipate that given the timetables announced today, the impact will start to be seen with a rise in insolvencies in summer 2011. For any sized business, the timing will be particularly unfortunate for those trying to refinance ahead of the 2012 debt 'bubble'."

NUT

Commenting on the Comprehensive Spending Review, Christine Blower, General Secretary of the National Union of Teachers, the largest teachers' union, said;

"The cuts announced in the Government's spending review are a retrograde step and will have a devastating impact on vital public services, including education.

"The Government may talk about protecting schools, but schools are not protected and nor are local authorities. Attacks are already being made on additional education funding outside of the core schools budget, with vital frontline services to schools already under threat. There will be a total real reduction in the education department's spending of 3% by 2014 -15.

"Teachers are faced with a pay freeze and cuts to pensions which mean they have to work longer for less. Teachers will see this as a long way short of the 'gold standard' George Osborne describes.

"The ending of the Building Schools for the Future programme resulted in the cancellation of over 700 school building projects. The money now allocated for spending on school buildings is a poor substitute and represents a 60% reduction in real terms.

"The Chancellor's speech today leaves a lot of key questions unanswered. It is still not clear whether the pupil premium is new money, or if the funding for Sure Start is protected in real terms. Even in relation to school funding, to say that per pupil funding will be maintained in 'cash terms' points towards a per pupil cut in funding in real terms. The Chancellor will need to reassure parents and teachers on this point.

"There are alternatives to the cuts outlined by the Chancellor which would not damage the country's existing social fabric and future well being. Education spending, like all public sector spending, is an investment in our future."

Social Investment Business

Responding to the Comprehensive Spending Review and details of the Cabinet Office settlement relating to the Office for Civil Society both published today, The Social Investment Business Chief Executive Jonathan Lewis said:

"The Chancellor's commitment to shifting the balance of power from the centre, cutting red tape and encouraging new providers opens up opportunities for civil society organisations to get more involved in public life and public service delivery. This presents real opportunities but has to be done in the right way. I know heads of sector organisations who are concerned they could be seen simply as a substitute for services government can no longer afford. In fact the sector has much more to offer and many organisations are well placed to bring their creativity and ability to innovate to bear on the tasks of both saving money and improving the quality of frontline services.

“We have helped civil society organisations implement job creation programmes, set up parent-led schools and deliver cost-efficient health and social care services in their areas and there is potential to do much, much more.

“It was made clear today that local authority and health service commissioners will have more power to spend what they have – but a lot less to spend. Now is the time for social enterprises, voluntary groups and charities to be proactive in looking for ways to engage with commissioners to help them find the solutions we know our sector can provide.

“However, commissioners can only do business with organisations that themselves are financially strong. It’s important that Ministers recognise that this transformation in public service delivery and the realisation of the Prime Minister’s Big Society vision rely on civil society organisations themselves being supported to cope with financial pressures ahead. A transition fund announced by the Cabinet Office is a start, but we will need to think bigger.

“New models of financing – greater use of loans, forming sector consortia to bolster bidding power and innovations like social impact bonds need to be developed at speed to help ensure that despite the trials that undoubtedly lie ahead this opportunity to transform the sector is not missed.”

TUC

Responding to the Comprehensive Spending Review (CSR) announced by the Chancellor today (Wednesday), TUC General Secretary Brendan Barber said:

'Right across government the Chancellor has announced eye-watering cuts that will have a desperate impact on communities, business and hard-pressed families. But he has not had the guts to spell out the detail, and instead tried to talk up a few crumbs of good news.

'Worst of all, to score a cheap party political point about Labour spending plans, he has loaded cuts on to benefits and welfare payments. Those who have not had a minister fighting their corner but who are most vulnerable to cuts have lost the most today. The poorest have become the victims of a political jape.

'But the biggest tragedy of all is that the spending review is likely to fail on its own terms. These cuts will depress the economy by causing a million job losses and undermining business and consumer confidence. There will be plenty of pain, but little to gain.'

Nearly a million single income families earning between £43,875 and £87,750 - the maximum a family with two incomes can earn without paying higher rate tax - will lose their child benefit under plans announced in the Comprehensive Spending Review today (Wednesday), according to the TUC.

The TUC has used the Family Resources Survey, published by the Office for National Statistics, to calculate that 830,000 families with children have one parent paying higher rate tax - but earning less than £87,750 - and would therefore lose their child benefit.

The government's plans to scrap child benefit for higher rate taxpayers will affect 1.5 million children in single income families, the TUC says.

Of those families losing their child benefit, over 100,000 have at least three children and would therefore lose at least £2,500 a year.

The TUC believes that targeting single income households earning just above the higher rate tax threshold over dual earner households with a bigger total income is unfair. Child benefit cuts also target women and children who may not get their fair share of a male breadwinner's income, the TUC says.

TUC General Secretary Brendan Barber said: 'Ministers have chosen scrapping child benefit for higher rate tax-payers as their token raid on the better off.

'But it's a peculiar and incompetent hit. Rather than targeting the really wealthy, the biggest impact is on those earning around the higher rate tax threshold. They may be better off than average, but I doubt that many think they are super-rich.

'And this is part of a pattern across all income bands of taking money away from women and children, including the 300,000 female public sector workers set to lose their jobs.

'The government says those with the broadest shoulders should bear the most of the burden. But this cut surgically targets a group who may be somewhat better-off but spares the super-rich.'

'Public servants did nothing to cause the recession, but will pay a heavy price today. Their pay has already been frozen, now they face half a million job losses and increased pension contributions that will add up to a reduction in take home pay.

'With spending cuts likely to cause another half million private sector job cuts, the idea that they will all get shiny new private sector jobs is wishful thinking. And if you add all of those meant to be returned to jobs by welfare reform, you end up in the realm of fantasy. Politicians may want to look optimistic, but ministers would have more chance of closing the deficit by buying lottery tickets.

'It is also fantasy to say that these are 'backroom' job cuts that will not affect service delivery and quality.

'Public sector job losses are likely to occur in some of the UK's more depressed regions where private sector job creation is already extremely poor. Job losses will depress local economies even further - and the cycle of decline has a good chance of bringing back the deep north/south divides of the 1980s.

'While we can give half a cheer for the commitment to keep DB pensions, public sector staff who keep their jobs could see big increases in contributions. Today's £1.8 billion savings target could come on top of increases already in the pipeline in some schemes. On top of this a change in the discount rate could trigger even higher contributions.'

Think Tanks

Adam Smith Institute

Tom Clougherty, executive director of the Adam Smith Institute gives his initial reactions to the spending review:

“I’m delighted that the Chancellor has stuck to his guns, and laid out plans to eliminate the structural deficit by the end of the parliament. Politically, this may be difficult, but economically, it is absolutely vital.

“It is important to remember though that severe as some of these specific cuts are, the overall impact of the spending review is modest. Health spending is protected, while areas like social security and debt interest payments – which the review's cuts will not affect – are set to surge.

“In cash terms, government spending will continue to rise over the term of the government. In real terms the overall cuts only amount to a couple of percent.

“We need to realize that this is just the beginning. It is vital that the government goes on from here to carry out a radical, comprehensive reform of the public sector, since only that will make cuts sustainable in the long term.

“We also need a hard-headed, positive agenda for economic growth. Now the spending review is out of the way, the government’s attention must turn to these issues.”

Campaign for Better Transport

Commenting on the transport part of the spending review, Campaign for Better Transport said that the Government must not use funding for a few big transport projects as a smokescreen for massive fare increases [1] and cuts to spending on existing roads and services.

Chief Executive of Campaign for Better Transport, Stephen Joseph, said:

"The Chancellor's statement focuses on large-scale transport projects but the reality is cuts in funding for everyday transport. These projects should not be used as a smokescreen to cover up service cuts and rocketing fares on our buses and trains. Understandably, this will enrage people across the country who rely on these essential services.

"We are appalled at the Government's plan to allow rail fares to rise so far above the inflation rate. Hard-working commuters who depend on the train face paying over £1,000 more for their annual season ticket by the time of the next election. These eye-watering rises are unacceptable at a time when we should be growing the railways in order to tackle congestion on our roads and reduce carbon emissions in line with Government targets."

Centre for Social Justice

This is a spending review of reforming ideas to strike at the heart of the nation's damaging deficit. The Chancellor is right to argue that failing to tackle the deficit will only hit people, particularly the poorest, more severely in the long-term.

In a particular we comment on three of the five core drivers of poverty:

On family:

Although we understand that our children's future prosperity hinges on reducing the deficit, we are not yet fully convinced this CSR is sufficiently focused on the welfare of Britain's families

The family is barely mentioned although we welcome the emphasis on children with disabilities and mental health needs with the expansion of personal budgets and access to psychological therapies. However, there are real cuts in financial assistance to low-income families with the decrease in assistance with childcare. There is already low take up of this benefit.

We are encouraged by the commitments to protect Sure Start, refocus it on its initial purpose and encourage new providers in early years. It is our hope that innovative but effective services that genuinely help struggling families rather than simply taking over childcare for a few hours per day will flourish. However, we fear too great an emphasis on early year's education and childcare, as we saw under the previous Government, rather than on helping parents who struggle to nurture their children.

On welfare:

Welfare payments that continue to reward worklessness for generations, without making work pay and leaving people without hope, or aspiration, trapping them in poverty are wasteful and must be reformed. The Universal Credit reforms, heavily influenced by the Centre for Social Justice report 'Dynamic Benefits' go a long way to making welfare sustainable and are made possible in part by the reductions in overall welfare spending.

Furthermore, we welcome support for those out of work through the Single Work Programme and will comment further as details are released. We welcome the support afforded to people previously ignored on incapacity benefit, enabling them to improve their lives through work. Concerns over the implementation of the assessment must be addressed and this is acknowledged by the Government. The freeze on tax credits helps to retain an incentive to work, we welcome its protection in difficult fiscal circumstances. Increased child tax credit payments will support an additional four million families.

On education:

Education is the most effective tool for increasing social mobility and fundamental to breaking the intergenerational poverty cycle. We welcome the commitment to increase the schools budget and, if implemented thoughtfully, the pupil premium and free schools, proposals the CSJ has long championed, will go a long way to improving provision in our poorest areas. However, these initiatives must be accompanied by improved discipline and ongoing parental engagement. We also welcome the intention to give schools more control over their spending but the Government must remain careful to ensure to most effective interventions are promoted and encouraged across the country, and do not go missing in the aim of local discretion.

And on policing and the criminal justice system, which picks up the pieces of poverty:

We welcome the Government's reiterated commitments to reform policing and todeliver a 'rehabilitation revolution' in the criminal justice system. Both would reduce crime. Clearly, however, these commitments become more difficult to achieve in view of a need to reduce the deficit. Therefore, in order to weather the challenging annual cuts of four per cent to policing, the Government must ensure we get police out from behind their desks and onto the streets. And we need their efforts and strategy driven by local people to meet local needs. Without these changes to achieve more effective and efficient policing – especially in our poorer areas where crime is higher – these cuts will hit hard. And, in view of the additional annual cuts of six per cent to the Ministry of Justice budget, more of the 'rehabilitation revolution' will fall to voluntary and private sector providers. Whilst such organisations are best placed to transform lives, many already struggle to make ends meet and work with commissioning processes. The newly announced payment mechanisms must make life easier for these groups, and the Government should outline their clear details at the earliest opportunity.

Gavin Poole, Executive Director, the Centre for Social Justice said, "Broadly, this is a brave and necessary reforming agenda and one that the CSJ welcomes. We must now look at the detail, however, to see how this will be delivered. This is particularly true for family policy. It remains to be seen how the Government will make good the Prime Minister's commitment to make Britain the most family friendly country in Europe. We support the principle that those with the broadest shoulders should bear the greater burden, but we do question the continued fairness anomaly in the Government's child benefit reforms. As stands, they are unfair and we urge the Chancellor to revisit his decision."

Fawcett Society

The Fawcett Society has today given an initial response to the Comprehensive Spending Review

Ceri Goddard, Chief Executive of the Fawcett Society, said:

"The Comprehensive Spending Review, like the previous emergency budget, hits women hardest. It is women who will be the main losers as jobs are cut, public services are rolled back and benefits are slashed.

“The cuts are so deep and will hit women so hard that they risk more than women’s financial security – they threaten hard fought progress we’ve made on women’s equality. The Chancellor’s plans undermine the status of women as equal partners with men in the world of work, home and society as a whole.

“Of the half a million public sector workers facing unemployment, more than two thirds will be women. This is because 65 per cent of public sector workers are women, and more women work in the low paid, low grade and insecure work most likely to be hit. This comes on top of the 1 million women already unemployed in the UK – last month, 75 per cent more women signed on to unemployment benefit than men.

“The £18 bn a year cuts to the welfare budget, as outlined today and in the recent emergency bugdget will also see women bear the brunt as benefits typically make up one fifth of women's income as oppsed to one tenth of mens. Taking Housing Benefit as just one example – a million more women claim this than men, and many of these will be lone parents facing poverty.

“Targeting local government is tantamount to singling out women for the hit – 75 per cent of local government workers are women; cumulative cuts of 28 per cent in the budget for this sector will have a disastrous impact on women as both employees and service users.

“Rolling back public services hits women particularly hard not only because they tend to use services more frequently and more intensively then men, but also because of their sizable caring responsibilities. Slashing at this aspect of the welfare state does more than reduce the support many women rely on, it also increases the burden they carry - many women with caring responsibilities for children and elderly relatives will find it harder to manage as the help they've thus far relied on dries up.

“The measures unveiled today seem, as is becoming a theme of the Coalition Government, to see women's services and benefits as a soft target. But women aren't starting on an equal footing - women typically earn and own less than men, and are more likely to live in poverty. They do not have the same independence and financial security that men do, and they are underrepresented in boardrooms, in politics and in public life generally. Making women bear the brunt of deficit cutting measures makes a mockery of the government's claimed commitment to fairness.

“Taken apart, many of the measures announced today will dismay women across the UK, add them together and they're a disastrous blow for women's equality

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Institute for Economic Affairs

In commenting on today's Spending Review, Mark Littlewood, Director General at the Institute of Economic Affairs, calls for more radical reform. He said:

"The Spending Review may have gone some way to stemming the bleeding, but we have not seen the radical rethink of government which was promised in the emergency budget.

"Making our economy sustainable in the long-term requires radical restructuring, not merely cutting back on existing projects. A radical review would have seen some departments abolished altogether, not merely cut by

25% or so – for example the departments of Business, Innovation and Skills, that of Environment, Food and Rural Affairs and Culture, Media and Sport could all have been subsumed into other areas.

"The review also failed to take on the peripheral hand outs of child benefits for over-16s, free TV licences, winter fuel payments and bus passes for affluent elderly people.

"With the public sector job losses this review implies the challenge now is how to grow the private sector – an absurdly long tax code, maternity leave entitlements, collective pay bargaining and the minimum wage must go."

IPPR

Responding to the Chancellor's Spending Review, ippr Director Nick Pearce said:

By cutting so far and so fast the Chancellor is putting the economic recovery at risk. While relative protection has been given to investment in transport and science, overall infrastructure spending is still being sharply cut, particularly on social housing and regeneration. This is a mistake the Coalition inherited from the Labour government and it should be reversed.

There is good news on real increases in school funding and on more money for nursery education for disadvantaged two year olds. But at the other end of the age range, badly targeted universal benefits like winter fuel allowances, free TV licences and bus passes – many of which go to increasingly prosperous pensioners – are protected. A rising Basic State Pension is vital, but these other benefits have been saved at the expense of the working poor, who will see cuts in working tax credits and childcare funding, and the young, who will have Education Maintenance Allowances removed and face rising tuition fees and higher house prices.

The Chancellor claimed that one of the principles of his Spending Review was fairness. But if you cut spending by 77 per cent and raise taxes by only 23 per cent, a larger burden will fall on those who rely most on public services. The whole exercise in reducing the deficit can only be described as fair towards the less well off because it includes the last Labour government's tax rises which were targeted on the more affluent. The Chancellor's own chart shows the spending cuts and benefit and tax credit changes are regressive.

IPPR North

Katie Schmuecker on the Spending Review and its implications for third sector providers of welfare to work services

The Spending Review has confirmed much of what we already know about plans for welfare reform, and a number of the questions that third sector providers have been asking remain pertinent.

The Chancellor talked about "drawing on the skills of the voluntary sector and private providers" to provide "intensive support" to people out of work as part of the new Work Programme. But the planned payment by results system will lock many excellent but small organisations out of the programme.

The recent announcement of capacity building and transition funds to the support proposed for frontline charities and voluntary organisations is welcome, but even with these additions the challenges are immense.

ippr north recently published a report that recognised the value of locally based, flexibly delivered employment schemes. In some of our most deprived neighbourhoods these schemes make a huge difference to individuals' lives. We have called on the government to build an innovation fund into the contracts of prime providers, to provide a source of funding for this sort of activity. This should provide more opportunities for smaller – alongside larger - organisations.

Kings Fund

Responding to the Comprehensive Spending Review, John Appleby, chief economist at The King's Fund, said:

'Compared to other departmental budgets the NHS settlement is a generous one. But, while the increase in health spending meets the pledge to protect the NHS budget, an increase of 0.1 per cent a year in real terms will soon be swallowed up by cost pressures such as incremental pay drift and the increase in VAT. The net result will be a reduction in the NHS's purchasing power.

'This places even greater emphasis on finding the £20 billion in productivity gains targeted by the NHS's Chief Executive – the status of this has moved from an ambition to a commitment. Our work has highlighted opportunities to improve efficiency at every level of the health system. Delivering on this represents the biggest financial challenge the NHS has ever faced but it is imperative if it is to maintain quality and avoid cutting services.

'The £1 billion increase in grant funding for social care could provide some respite for hard-pressed local services and buys time while the Dilnot Commission works on a long-term funding solution. But this money is not ring-fenced so there is no guarantee it will be spent on social care.

'Used wisely, the additional £1 billion from the NHS budget to break down the barriers between health and social care provides a real opportunity to improve service delivery and save money by, for example, reducing the length of time patients spend in hospital. Again though, with the ring fence on local authority grant funding having been removed, and local government funding slashed overall, it remains to be seen whether this translates into increased funding for social care services.

‘The commitment to ring-fence funding for public health makes good on the commitment made by the Conservative Party in opposition. There is no detail though about how much funding will be provided, or where it will come from – this will presumably follow in the public health White Paper due to be published later this year.’

Policy Exchange

George Osborne rightly stuck to his guns over the total consolidation, reducing discretionary spending cuts by only an irrelevant £2 billion (all driven by less fall in capital spending). The NHS and DFID ringfences were expected, but that Education was cut only 3.4% over the period was disappointing because we believe there were intrinsically desirable cuts greater than this. Cuts in most departments lay in the 20-25% range: Transport – 21%; CLG – 27%; BIS – 25%; Home Office – 23%; DEFRA – 29%; DCMS – 24%. Our previous analysis, *Controlling Public Spending: How to cut 25%*, suggests that cuts on this scale should be broadly feasible through a combination of intrinsically desirable and plausible measures, without needing to resort to much that is unpalatable (except the cuts to the

Defence budget, which take it back below its 1993/4 level).

The ability to avoid too much unpalatable cutting was the consequence of finding £7 billion extra cuts/effective tax rises from the Welfare budget and from Child Benefit, along with rises in public sector employee pension contributions, though it was disappointing (but not surprising) that misdirected programmes such as winter fuel payments survive intact.

There are a number of interesting points from specific departments. The key DECC story relates to about 5,000 large, non-energy intensive companies which come under the new CRC Energy Efficiency Scheme and need to buy carbon permits from 2012. The cost of these permits will not now be

recycled back to companies, as originally proposed, but retained by the Treasury. This will raise £1 billion pa by 2014-15.

The 6% savings each year from the Home Office budget (23% by 2014-15) should be delivered relatively straightforwardly. There is significant scope for cutting back bureaucracy in Home Office agencies, merging some organizations and scrapping others. A 20% cut to police funding is in reality more like 14%, once local funding through council tax is taken into account. This is slightly more than the 12% that HMIC decided was perfectly possible for forces to deliver, without slashing officer numbers.

The 23% cuts achieved in 4 years to the Ministry of Justice constitute a bigger hit than the Home Office with this

settlement because the savings are harder to find here. The cuts lead to a total budget of £7 billion by 2014-2015, but it could have been worse. There are major savings that can be made, in legal aid, in central staffing and in the bureaucratic NOMS empire, but a quarter of the department's budget is spent on prisons, and this scale of savings can only be realised if prison numbers are less than expected in 2015, so jails can actually be closed, or not built in the first place.

Overall, however, perhaps the most noteworthy point was the Chancellor's final jibe that the Coalition is proposing smaller cuts to DELs than Labour. It appears that the struggle to move politicians away from the formulation that "Increased public spending = All that is Good and Virtuous" still has some way to go.

Departmental Commentaries

Home Office

This settlement for the Home Office is tough but much better than many expected. The 6% savings each year from the Departmental budget (23% by 2014-15) should be relatively straightforward to deliver. There is significant scope for cutting back bureaucracy in Home Office agencies, merging some organizations and scrapping others.

The department can also generate extra income from selling off some of its estate, raising passport and visa fees, and making the UK Border Agency leaner.

Overall, spending on the police takes up half the Home Office budget and £8 in every £10 of police funding is spent on staff, so cuts of 20% will mean a smaller payroll, but officer numbers need not fall by much if the right reforms are introduced. However, a 20% cut to police funding, is in reality more like 14%, once you take account of local funding through council tax (and this is based on projections of local precept levels 2012-15 calculated by the Office for Budget Responsibility). This is slightly more than the 12% that HMIC decided was perfectly possible for forces to deliver, without slashing officer numbers.

Big savings can be made if police forces modernize their workforce arrangements, collaborate more, and outsource more back office functions to the private sector. Tackling the police overtime bill will also help cut costs and protect jobs. If these things happen, then these year on year cuts are entirely manageable and there is no need for sworn officer numbers to fall significantly, although police forces will probably cut back on staff. It is right to safeguard counter-terrorism funding with a smaller than average cut, but other ring-fenced grants for the police should be reduced and ultimately abolished. If Chief Constables are being asked to do more with less, then they should have maximum discretion about how they spend the reduced resources they have. They cannot fight crime effectively if the Home Office continues to dictate what they can spend that money on.

Ministry of Justice (MoJ)

Even though both departments are being cut by around 23% over 4 years, the Ministry of Justice has taken a bigger hit than the Home Office with this settlement because the savings are harder to find here. The cuts lead to a total budget of £7 billion by 2014-2015, but it could have been worse. There are major savings that can be made, in legal aid, in central staffing and in the bureaucratic NOMS empire, but a quarter of the department’s budget is spent on prisons, and this scale of savings can only be realised if prison numbers are less than expected in 2015, so jails can actually be closed, or not built in the first place.

The mothballing of plans to build a new 1,500-bed prison, announced today, will help. Capital spending of £1.3 billion for new build and maintenance will still happen, although this sum (which is around half of the planned capital spending previously planned) will not create much new capacity. The MoJ might be banking on cash savings in the meantime from new efficiencies in the public sector estate, or a big programme of privatisation, although this is risky and could easily trigger industrial action by militant prison officer unions. Following the CSR, the Department expects the prison population to be

3,000 fewer in 2014 than today, taking it back to 2008 levels. Although this may appear modest, sentencing reforms generally take a long time to filter through and a reduction on this timescale will be difficult to achieve.

Legal aid has clearly taken a big hit and the legal establishment will be unhappy, with cuts of more than a third, or £700m pa, in this budget are now likely. Compared to prisons, this is an easier target for cuts and in many areas they are justified – our public legal aid system is the most generous in the world and costs have exploded in the last three decades. Savings can also be made by closing under-used court buildings, scrapping the Youth Justice Board – which we have argued for – and reducing headcount at the National Offender Management Service (NOMS), and these central savings have also clearly played a big part in getting to the 23% settlement.

Communities and Local Government (CLG)

The Government has cut capital funding for social housing by some 70% - from £6.8 billion to £2 billion a year – yet it will continue with the Decent Homes Programme and wants to build some 150,000 new affordable homes over the period of the Spending Review. In our recent reports, *Making Housing Affordable* and *Controlling Public Spending: How to Cut 25%* we called for a substantial reduction in the capital support for new social housing. The Government is right to be searching for new ways to fund social housing – the existing model was simply producing too few homes at too high a cost.

Nevertheless, achieving this goal of 150,000 new homes on a much reduced budget will be a major challenge. Our report set out some new ways to generate new affordable homes at a limited cost to the Exchequer.

Department of Energy and Climate Change

The key DECC story of general relevance is a £1 billion per year tax raid on businesses (not in the chancellor's speech). About 5,000 large, non-energy intensive companies which come under the new CRC Energy Efficiency Scheme need to buy carbon permits from 2012. The cost of these permits will *not* now be recycled back to companies, as originally proposed, but retained by the Treasury. This will raise £1 billion pa by 2014-15.

The major cut to DECC's Departmental spending is phasing out of the Warm Front programme, as this is being replaced including by the larger new programme of Green Deal loans to householders for energy efficiency measures. As recommended by Policy Exchange (*Warm Homes*).

But by far the largest spending on energy and climate policy is *not* however through DECC's Departmental spending, but through customers' energy bills, on policies such as the Renewables Obligation. Policy Exchange has estimated that this spending totals almost £6 billion this year, rising to over £10 billion in 2015. A number of these bill-funded policies are poor value for money, and the Spending Review makes welcome cuts to some of the poorest value for money policies, as recommended by Policy Exchange (*Greener, Cheaper*). This includes a £40 million p.a. cut by 2014-15 to Feed-In Tariff subsidies for expensive small-scale renewables, such as Solar photovoltaic panels and micro-wind turbines (costing £450 per tonne carbon saved). The spending review recognises that some of these are not cost-effective technologies.

Also, the Renewable Heat Incentive will be implemented at a reduced level compared to that proposed by the previous Government, eliminating poorest value for money subsidies which has previously been recommended by Policy Exchange (*Greener, Cheaper*).

RHI and first CCS demonstration will be funded from conventional tax revenues rather than hidden in energy bills, improving transparency of climate change costs, as called for by Policy Exchange in (*Green Bills*).

The Spending Review also says that the CRC Energy Efficiency Scheme will be simplified to reduce burdens on business, as recommended by Policy Exchange (*Greener, Cheaper*). An Independent review of fuel poverty target has been announced, in line with conclusions of Policy Exchange report (*Cold Comfort*).

Department for Education (DfE)

The Department of Education emerges from the CSR looking relatively well off, with the Chancellor announcing an overall spending reduction of just 1% p.a. (equating to 3.4% over the next four years.) As expected, the front line has been protected and in fact the schools budget will see year on year increases from £35 billion today to £39 billion by 2014. The Government's clear commitment to school choice and autonomy is underlined by an insistence that even more of this spending should be in the hands of head teachers to allocate in a more flexible, bespoke manner. The overall schools budget does include an extra £2.5 billion which has been found for a new pupil premium. This is certainly a very positive development but a firmer hand could have found this premium by

reallocating the current schools budget rather than adding to it.

Welcome news indeed is that the Government will grasp the nettle on Sure Start and refocus its attentions on it original purpose of dealing with children from the most disadvantaged backgrounds. Yet once again, the Coalition could have gone further and reduced spending on the programme rather maintaining it in cash terms. Finally, a clear commitment to the future of the schools estate has emerged, with £15.8 billion going towards its maintenance over the next 4 years. Having thrown off the shackles of Building Schools for the Future programme, spending can at long last flow more efficiently to those areas where the need for refurbishment is most urgent without having to wade through the processes of 'educational transformation.'

Announcements on further education meet expectations. The government has rightly targeted the Educational Maintenance Allowance for cuts from the DfE budget, proposing to target it at the most disadvantaged children in the run up to raising the leaving age to 18, when it will become obsolete. At the same time it has also suggested that whilst it will maintain current student numbers in 16-19 provision, it will look to reduce the unit cost. This will likely mean that expensive courses will be cut, including potentially some Diploma provision. In short, it is likely that schools and colleges will simply be required to deliver the same amount, for less. This will be especially difficult for colleges who will be experiencing cuts in other sources of funding (including Train to Gain - by far the most wasteful and inefficient area of skills spending) on top of cuts already sustained. On the other hand the government is rightly determined to make life for colleges far easier by freeing them from bureaucracy, planning and targets.

One can presume that the savings for abolishing Train to Gain will be used to pay for the announcement of 75,000 new adult apprenticeships. Whilst being somewhat at odds with the government's claim that it will reduce the target based approach to apprenticeships and other skills, it is nonetheless encouraging that the focus of skills investment is likely to move to more productive areas. The government is also right to plan for a shift in the balance of contributions to adult skills with an end to the entitlement to full funding for a first full level 2 qualification for over 25's. These students will most likely be asked to pay around 50% of their fees. More interestingly, adult students studying level 3 (A-level equivalent courses) will be required to pay fees, but will be supported by government backed loans with repayments dependent on income. In the meantime, as part of an ongoing review of funding for FE, the government is seeking to boost the level of employer investment in this area.

Department for Business, Innovation and Skills (BIS)

With the BIS budget to reduce by 25% over 4 years, around 65% of this will derives from reductions in spending on further and higher education. The overall resource budget for Higher Education (excluding research funding) will reduce from £7.1 billion to £4.2 billion, a 40% or £2.9 billion reduction by 2014-15. This will be achieved largely by cutting direct funding for the majority of taught subjects. This loss of income for universities will be offset by much higher private contributions in the form of higher tuition fees (broadly in line with the recommendations of the Browne Review). Funding will be maintained for teaching for Science, Technology, Engineering and Mathematics (S.T.E.M) subjects. These changes, although widely expected following hints made in the Browne Review, constitute a major change in the way HE is funded.

Conscious of the need to expand the economies capacity for growth, the CSR pledges to maintain spending levels on the 'highest value scientific research,' with the science budget having been frozen in cash terms over the Spending Review period. Effectively this amounts to a cut of around 10%, which will please universities that were expecting cuts of 20% or more in research funding. In deference to Nick Clegg's package of premiums for those from disadvantaged backgrounds, the Review announces the establishment a new £150 million National Scholarship Fund to support university students from disadvantaged backgrounds.

Department of Health

Healthcare inflation far outstrips even the real-terms increases in public spending which the NHS will receive over the next four years, due to the rising burden of ill health, an ageing population and increasing operating costs. So as the Chancellor stated, despite an increase in its budget from £104 billion to £114 billion, the NHS needs to save up to £20 billion over this Parliament just to stand still. There is a lot of scope to do so. NHS productivity fell under the previous Government – a trend which must be reversed if the NHS is to maintain existing levels of care. The NHS also needs to better co-ordinate its activities and reduce demand on hospitals as far as possible. Since fully integrated healthcare systems can deliver the same or improved levels of care at reduced cost, integrating care is necessary and fundamental to the future of the NHS. There is also huge scope for rationalising the NHS estate, which is currently poorly-used and managed.

At a more fundamental level, if the NHS is to survive the next two parliaments as a free-at-the-point-of-use service, the Coalition needs to move the debate on from how much funding is poured into the system. The NHS needs to shift from being an reactive illness service to being a proactive health service – and this will require a re-affirming of the public's responsibilities towards the NHS and their own health, as much as the service's duties towards them in preventative care.

Social Enterprise Live

A £100m fund to help struggling civil society organisations step up to the Big Society agenda has been announced today in the government's Comprehensive Spending Review.

It comes as chancellor George Osborne announced that 490,000 public sector jobs were likely to be lost; victims of the drastic cuts proposed to curb borrowing currently resulting in debt interest of £43bn a year.

Reduced spending rather than tax increases would be the main filler to the £109bn deficit hole. While not specifically mentioning social enterprise, Osborne made a strong reference to public services being delivered by local, innovative organisations and independent of government.

‘A policy of rising burdens, regulations, targets, assessments and guidance has undermined local democracy and stifled innovation. We will completely reverse this,’ he said, drawing on policies of the Big Society including GP commissioning,' he said.

‘We should understand that all the services paid for by government do not have to be delivered by government.’

Personal budgets and new payment mechanisms for prisons, probation, and community health services, an indirect reference to Social Impact Bonds, were also mentioned, along with encouraging ‘new providers’ in adult social care, early years and road management.

These devolved services required a ‘dramatic shift in the balance of power from the central to the local’ Osborne said as he announced overall savings in funding to councils of 7.1 per cent.

The £100m ‘transition fund’ would go some way in helping these innovative organisations in the transition to public service deliverer.

It will be delivered by the Office for Civil Society in the Cabinet Office and is specifically for those in the voluntary and community sector in England ‘facing real hardship’, Osborne said.

A delivery partner for the fund is due to be appointed soon and applications will open as soon as possible, a Cabinet Office spokesperson said.

The cash – £10m available 2010-11 and £90m in 2011-12 – is to aid the sector in the short term. However, the CSR report states that reforms across the board 'represent a significant increase in the opportunities and funding…in the medium and longer term.'

Osborne said: 'Additional allocations will be provided to fund electoral reform, support the Big Society, establish community organisers and launch the pilots for the National Citizen Service, which will give young people for the first time a right of passage to citizenship.'

The fund has been secured despite a reduction of £55m to the Cabinet Office budget by 2014/15.

Osborne repeatedly stressed fairness in his speech and said the highest earners would be expected to pay more to ensure the poorest were not the hardest hit in the cuts.

The department facing the biggest challenge is work and pensions, which is aiming to find an extra £7bn a year of savings on top of the £11bn already announced by reforming the welfare system, dogged by £5bn of benefit fraud a year, and which has increased the retirement age from 65 to 66 by 2020.

Families will have their benefits capped to ensure they don't earn more than the average earning family, although no figure was put on this amount. This is along side a shake up in social housing, announced yesterday before the CSR, which will see new social housing tenants paying around 80 per cent of the market rent for their homes while existing tenants have their rent safeguarded. Council houses for life have been abolished. However, the savings made will go towards building 150,000 new affordable homes over the next four years.

‘We’re all in this together and we must all make a contribution to the welfare system that helps people into work, but is also affordable to the families that pay their taxes,’ Osborne said.

‘Those with the most should pay the most, and that includes the banks.’

Other announcements included a 50 per cent increase in the number of apprenticeships, taking the number to 75,000; investment in the Post Office network; £1bn for social care through the NHS to support joint working with councils; £200m invested into offshore technology and almost £500m more for the £1bn regional growth fund, which aids regional economic growth.

In conclusion, Osborne said: ‘The decisions we have taken today bring sanity to our public finances and stability to our economy.’

TaxPayer’s Alliance

In reaction to the Comprehensive Spending Review, Matthew Sinclair, Director of the TaxPayers' Alliance, said:

"It's great news that the Government is going ahead with necessary spending cuts to get the deficit under control and that politicians are finally setting out clear plans to deal with the fiscal crisis. Many wasteful programmes are being cut and that will mean savings for taxpayers now and in the future. Unfortunately a number of measures that would save significant amounts of money while minimising the impact on services haven't been taken, like a freeze in the International Development budget or pay cuts for the best paid public sector staff. Sensible and necessary cuts have been announced today but more can be done to deliver good value for hard pressed taxpayers."

The TaxPayers' Alliance argument that cuts need to be made was supported by leading entrepreneur Julie Meyer, CEO of Ariadne Capital, Founder of Entrepreneur County and BBC Online Dragon, who said:

"As any CEO of any size company knows, you can and must keep costs in line, but at the end of the day, you can't survive as a company unless you have a growth story. Countries are no different; it's just a different sized system. That's what entrepreneurs do - they build growth stories. So as the nation readjusts its costbase to the new reality, the entrepreneurs are hard at work building growth, creating jobs, and through that, channelling taxable corporate income into the Treasury, all the while building the reputation of British based companies around the world."