

CMS 156943/DC

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department for  
culture, media  
and sport



*host government  
department*

20 October 2010

Dear Lloyd

## **2010 SPENDING REVIEW**

I am writing to inform you about the outcome of the 2010 Spending Review for my Department. DCMS' overall budget will reduce by 25% by 2014-15, which comprises a 24% reduction to the resource budget and a 32% reduction to the capital budget.

This letter sets out the funding settlement for the Churches Conservation Trust covering the financial years 2011-12 to 2014-15. I am setting out these high level budget allocations now to give you the best opportunity to plan for what will be a very challenging four year period. This letter will be followed by a more detailed funding agreement that will include full details of the settlement over four years, and the Government's requirements to support the transparency agenda.

My overall approach to the spending review has been to tackle the challenge in a strategic way, based on four principles:

- cutting waste and inefficiency, stopping lower priority projects and rethinking the role of the state in the sectors in which we operate;
- protecting for the long term our unique cultural, heritage and sporting assets;

- delivering a safe and successful Olympics in 2012; and
- contributing to the Government's growth agenda by supporting growth in our sectors and in the wider economy.

The grant in aid budget for your organisation will be cut by 20% in real terms by 2014-15 and will £11.192 million over four years. Within this settlement I know that you have already produced plans to –

- Protect funding for frontline services;
- Ensure that administration costs take the brunt of the cuts;
- Explore all avenues to increasing income through fundraising, philanthropic and commercial activities.

You are aware of the discussions that have taken place with the Bishop of London and the Church Commissioners regarding CCT's status, and of the announcements that have been made about the contents of the Public Bodies Bill. Our longer term aim remains to seek to increase CCT's independence from Government in terms of both status and funding.

We realise that increased financial independence from Government presents a great many challenges in identifying and cultivating alternative sources of income. I recognise the important role that fundraising already plays in your financial planning and operations. I believe there is scope to build on that further. The Government will play its part in incentivising private sector support for our cultural heritage over the next four years, and I expect you to strengthen your own fundraising capacity through cultivation of a broad range of donors, business supporters, trusts and foundations. Over time, I hope that legacies and endowments will increasingly help to reinforce the financial resilience of the sector, and we want to work in partnership with you to that end. My officials will offer any possible assistance as you explore and discuss with the Church ways to increase your income from new areas.

If restructuring is necessary, we expect that bodies will meet those costs. Where there are genuine difficulties, you should contact DCMS to explore options that might be available.

## Budgetary control totals

The control totals against which CCT's net expenditure will be monitored and the grant in aid that DCMS will pay in each year are set out in the table below. The key controls are the first two elements of the resource budget – the near-cash spending on programmes and on administration, and the overall capital budget.

£m	Resource Budget			Total Resource (DEL) Budget	Capital Budget			Total Capital (DEL) Budget	Grant in Aid
	Programme (near-cash)	Administration (near-cash)	Ring fenced depreciation		Core capital	Grants	Projects		
2011-12	2.926		0.019	2.945					2.926
2012-13	2.828		0.020	2.848					2.828
2013-14	2.743		0.021	2.764					2.743
2014-15	2.695		0.023	2.717					2.695

The approach that I have taken in setting these allocations is to commit most of the Department's resources to the bodies that we fund, and to keep only very limited funds back at the centre. This necessarily means that I am left with very little flexibility to deal with risk, for example to meet unforeseeable changes in circumstances and priorities that will arise, particularly in the latter years of the Spending Review period. So, while these allocations set out my firm plans for the next four years, they cannot be immutable, particularly for the third and fourth years. I must ask you to build into your own plans some flexibility in the later years. My intention would of course to minimize any changes to budgets, and to keep them below 5 per cent of your overall allocation in any case.

The Resource DEL Budget is split into three sub-totals. The **Administration** budget is the amount available for net expenditure on administration and management of your organisation. The reducing budget over the period reflects the priority I place on ensuring that funds are used for front-line delivery. Further information about the nature of these control totals and the flexibility between budgets can be found in **Annex A**.

DCMS' capital budget reduction is 32%. Capital budgets are tighter than for resource spending, making decisions here more difficult. We have therefore focussed our spending on completing those major projects that are already underway and maintaining capital spending on maintenance of core cultural and sporting assets. We have also been able to provide funding for the roll out of the Coalition's commitment to high speed broadband.

## Transparency

To replace the performance frameworks that bodies may have been used to in the past, we are now expecting that arms length bodies will instead make information available to the public on a range of subjects. This will involve the formulation of an information strategy setting out what will be published and when. Further guidance about what must be included will be given in the funding agreement (which will be issued shortly) but it will incorporate a range of inputs and impact indicators. As CCT is enshrined in ecclesiastical legislation and jointly funded by the Church Commissioners, we realise that any new requirements upon CCT should be discussed with the Commissioners.

Despite the difficult circumstances, this represents a fair settlement with safeguards to protect the cultural cores. My Ministerial Team and I look forward to working with you over the next four years.

*Yours ever*

A handwritten signature in black ink that reads "Jeremy". The signature is written in a cursive style with a horizontal line underneath the name.

**JEREMY HUNT**

**Secretary of State for Culture, Olympics, Media and Sport**

## Annex A

### Resource DEL budget

The Resource DEL Budget is split into three sub-totals. The **Administration** budget is the amount available for net expenditure on administration and management of your organisation. The reducing budget over the period reflects the priority I place on ensuring that funds are used for front-line delivery. Should you wish to go further in reducing administration costs to enable a larger portion of the funds provided to be used at the front-line, you will not be penalised and you have the authority to use any underspend on the administration budget in either the programme or depreciation budgets instead.

In contrast, the **Depreciation** budget is operated as a one-way ring fence. This means that, after your net depreciation<sup>1</sup> and impairment charges have been set against it, any overspend must be covered by a reduction in expenditure on either the Programme or Administration budgets. Should there be an underspend against the depreciation budget however, no additional expenditure is permitted in other areas.

The **Programme** budget is simply all other resource expenditure not already captured in the Depreciation and Administration budgets.

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<sup>1</sup> The depreciation charged against the DEL budget excludes depreciation on assets funded by lottery grants or donations.