

Chancellor announces £4½ billion of measures to bring down debt

Thursday 4 June, 2015

Whitehall in-year budget review process completes, identifying further asset sales, underspends and efficiencies to smooth path of departmental savings.

Making an early start on tackling the public finances in this Parliament, the Chancellor today announced £4½ billion of new measures which will bring down public debt this year, including a major boost to the Exchequer from completing the privatisation of the Royal Mail.

Royal Mail

Addressing MPs as part of the Queen's Speech debate on the economy, the Chancellor announced that the government will sell its remaining shares in the Royal Mail, with sales to start this year.

The stake currently has a market value of c.£1.5 billion. The Department for Business, Innovation and Skills (BIS) will sell its remaining holding of shares, completing the privatisation begun with an Initial Public Offering of shares in October 2013.

The government has appointed Rothschild to advise BIS on the transaction. The government holds a 30% stake in the company, with the remaining 70% held by a combination of employees (10%) and private investors.

The transaction will be designed to deliver best value for money to the taxpayer, with further detail on the form of the sale to be announced in due course.

Shares in the Royal Mail were initially floated at 330p per share, and were trading at 526p at market close yesterday.

Departmental Savings

The Chancellor also announced that the in-year budget review process has completed, identifying further asset sales, underspends and efficiencies to contribute to the £4 ½ billion of debt reduction.

The Chancellor confirmed that Whitehall departments outside of protected areas like the NHS, schools and aid have responded to the Treasury's call for them to rapidly identify options to reduce spending this year.

Whitehall departments have found a further £3 billion savings this financial year – a significant first step toward the savings required. This is equivalent to around 3% of unprotected departmental spending this year.

The government has wasted no time in getting on with the job of fixing the public finances: where savings will need to be made in future years and it is sensible to bring them in earlier, it is doing so. By reducing budgets now, Ministers are helping to smooth the ride towards the overall saving target.

The savings for 2015-16 announced today (Thursday 4 June) are being achieved through further efficiency savings, tighter control of budgets to drive underspends in year, and driving through asset sales. They include:

- Tightly managing departmental budgets in-year, so that instead of spending up to budget, departments deliver underspends. Departments across Whitehall including the Ministry of Defence, Department for Education and the Department for Business, Innovation and Skills have agreed targets to deliver
- Driving further efficiency savings in Whitehall budgets, including in the Department of Business, Innovation and Skills (BIS), the Home Office, Department for Work and Pensions, and the Department for Environment, Food and Rural affairs. These include making savings in higher education and further education budgets in BIS, and savings in the administration of arms lengths bodies in the Department for Education and the Department for Culture, Media and Sport
- Selling assets the government doesn't need to keep, generating better value for money for the

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taxpayer. These include the Department for Transport bringing forward sale of land around King's Cross, which is valued in the Department's accounts at £345 million, and increased receipts from sales of public sector land in the Department for Communities and Local Government

Chancellor George Osborne said:

I am today announcing that the government will begin selling the remaining 30% shareholding we have in the Royal Mail.
It is the right thing to do for the Royal Mail, the businesses and families who depend on it – and crucially for the taxpayer.
Further savings in departments this year – and selling our stake in the Royal Mail.
Getting on with what we promised.
Reducing the deficit – that is how you deliver lasting economic security for working people.
For as everyone knows, when it comes to living within your means, the sooner you start the smoother the ride.

The Chief Secretary to the Treasury, Greg Hands, wrote to government departments on 20 May, to ask them to identify savings and achieve underspends this year.

The following table breaks down savings by department, excluding receipts from Royal Mail share sales.

Education
Departments
Savings (£m)

Company Contact:

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