

# The 2007 CSR : A Challenging Spending Review

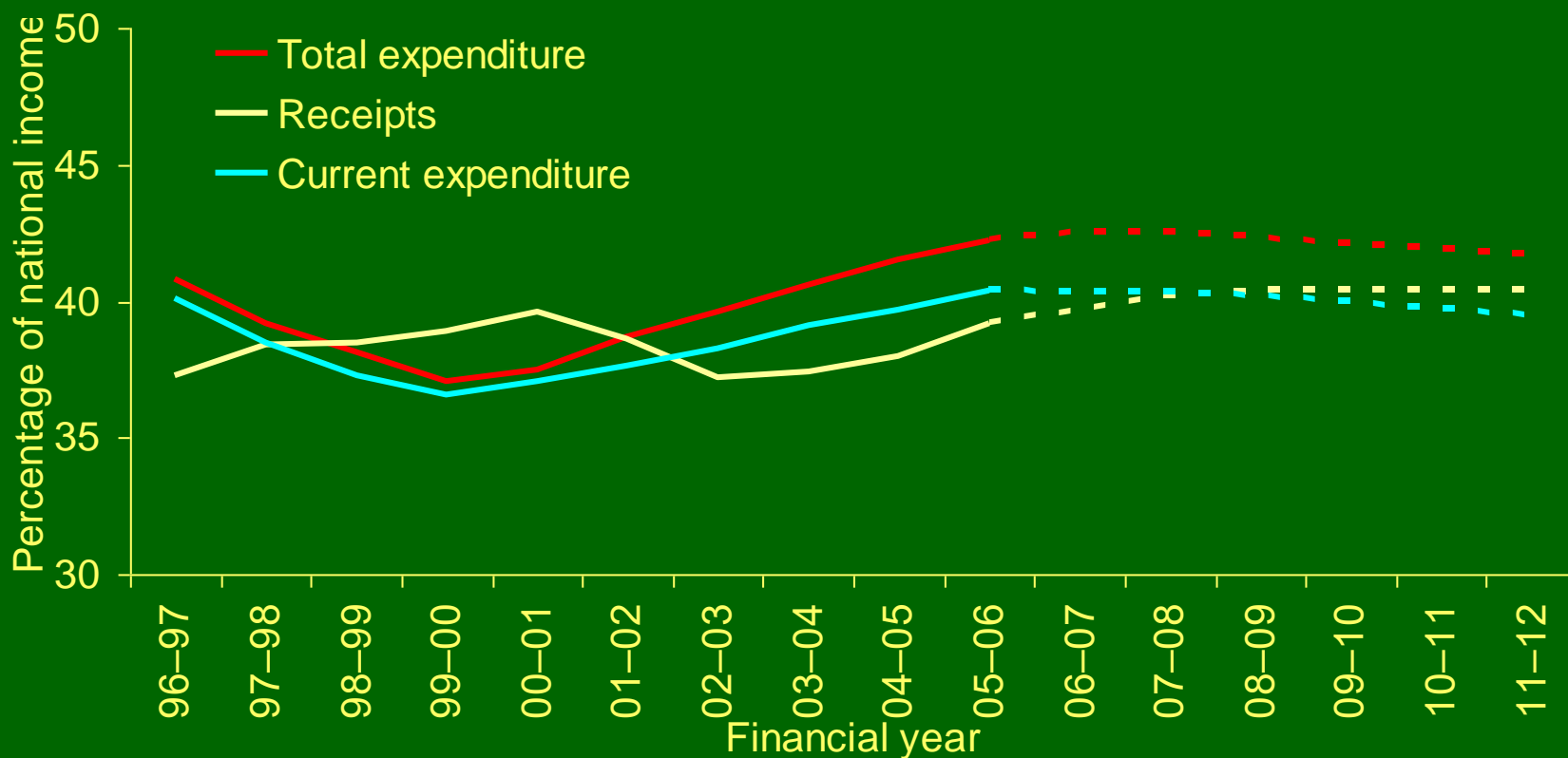
Carl Emmerson  
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20 February 2007

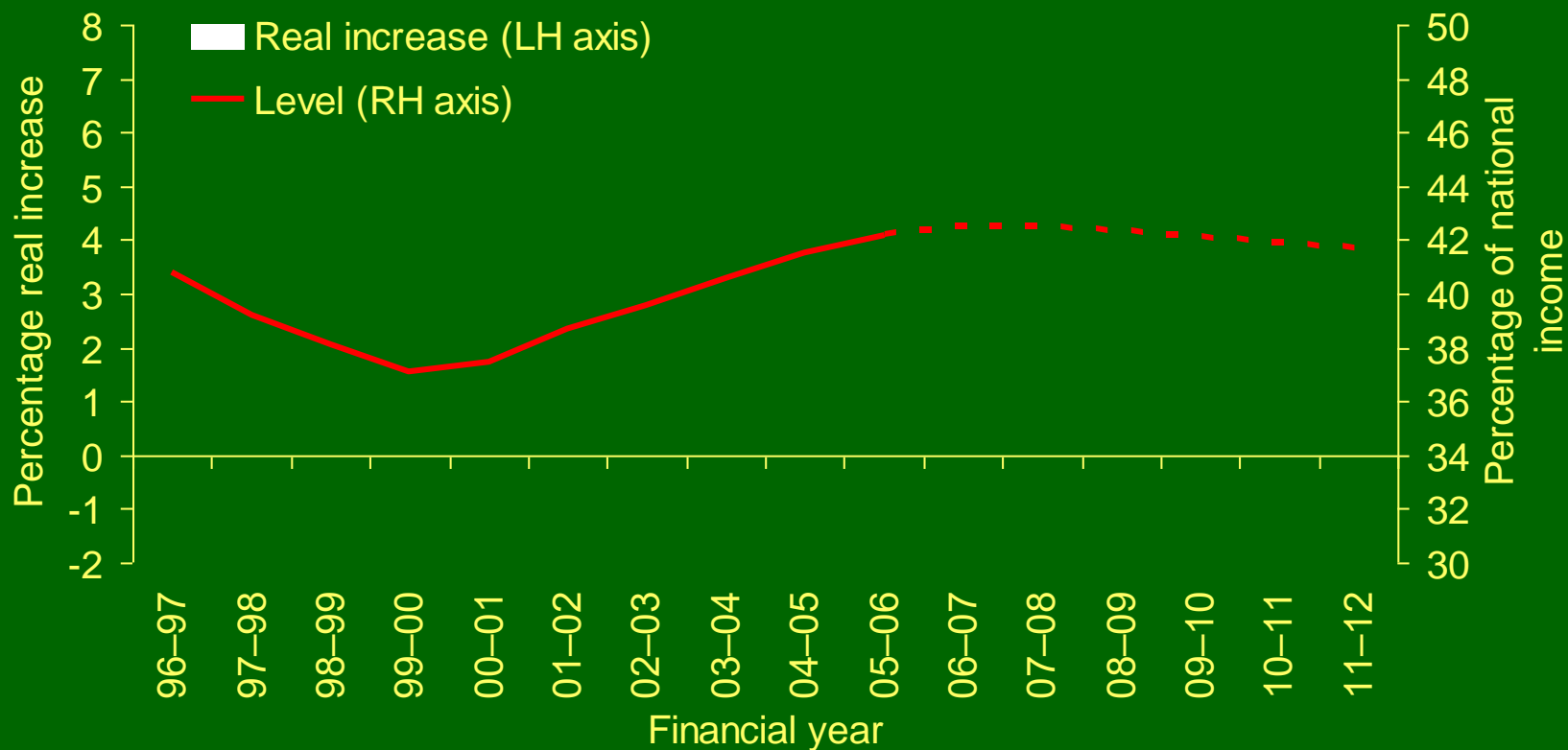
## Main points

- Fiscal tightening projected by Treasury
  - taxes to rise and spending to fall as a share of national income
- A Challenging Spending Review
  - some tight allocations already made
  - apparent trade-off between schools, hospitals and child poverty
- Plans could be topped up in future
  - but would require additional finance, which would be likely to mean further tax increases

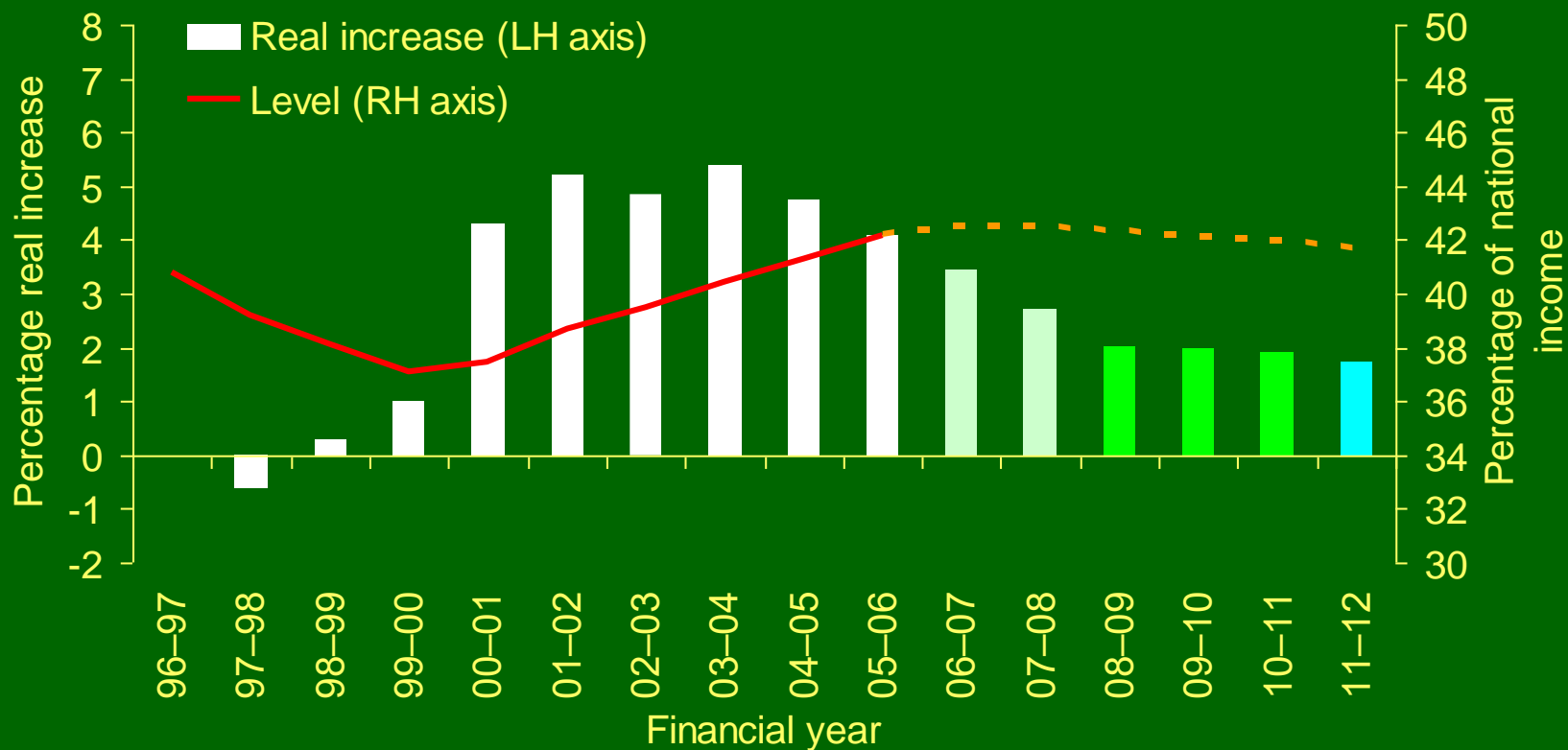
# Forecast fiscal tightening



# Total Managed Expenditure



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# A challenging spending review?

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| Av. annual increase (%) | Current | Capital | Total |
|-------------------------|---------|---------|-------|
| 2007 CSR                | +1.9?   | +2.7    | +2.0? |

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# A challenging spending review?

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| 2007 CSR                 | +1.9?   | +2.7    | +2.0? |
| <i>Labour</i>            |         |         |       |
| April 1999 to March 2008 | +3.6    | +15.6   | +4.0  |
| April 1997 to March 1999 | -0.3    | +6.7    | -0.2  |

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# A challenging spending review?

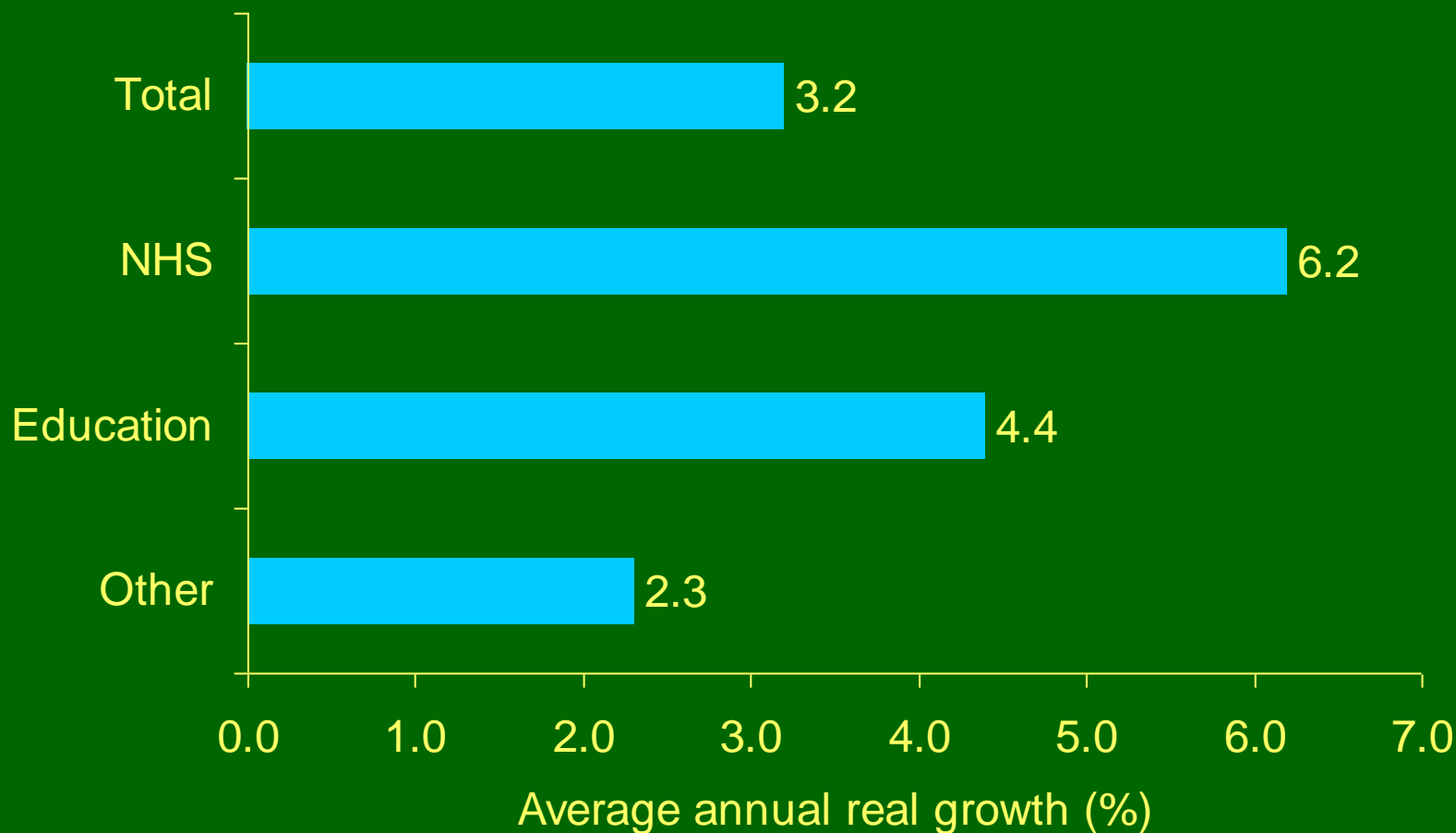
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| April 1999 to March 2008 | +3.6    | +15.6   | +4.0  |
| April 1997 to March 1999 | -0.3    | +6.7    | -0.2  |
| <i>Conservatives</i>     |         |         |       |
| April 1979 to March 1997 | +1.7    | -4.9    | +1.5  |

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# How has spending increased?



Source: HM Treasury

# Known allocations

- Home Office
  - real freeze
- Cabinet Office, HM Treasury, HM Revenue & Customs, administrative part of DWP
  - cut of 5% per year in real terms
- Department for Constitutional Affairs
  - cut of 3½ per year in real terms
- 5 smaller departments
  - cut of 5% per year in real terms

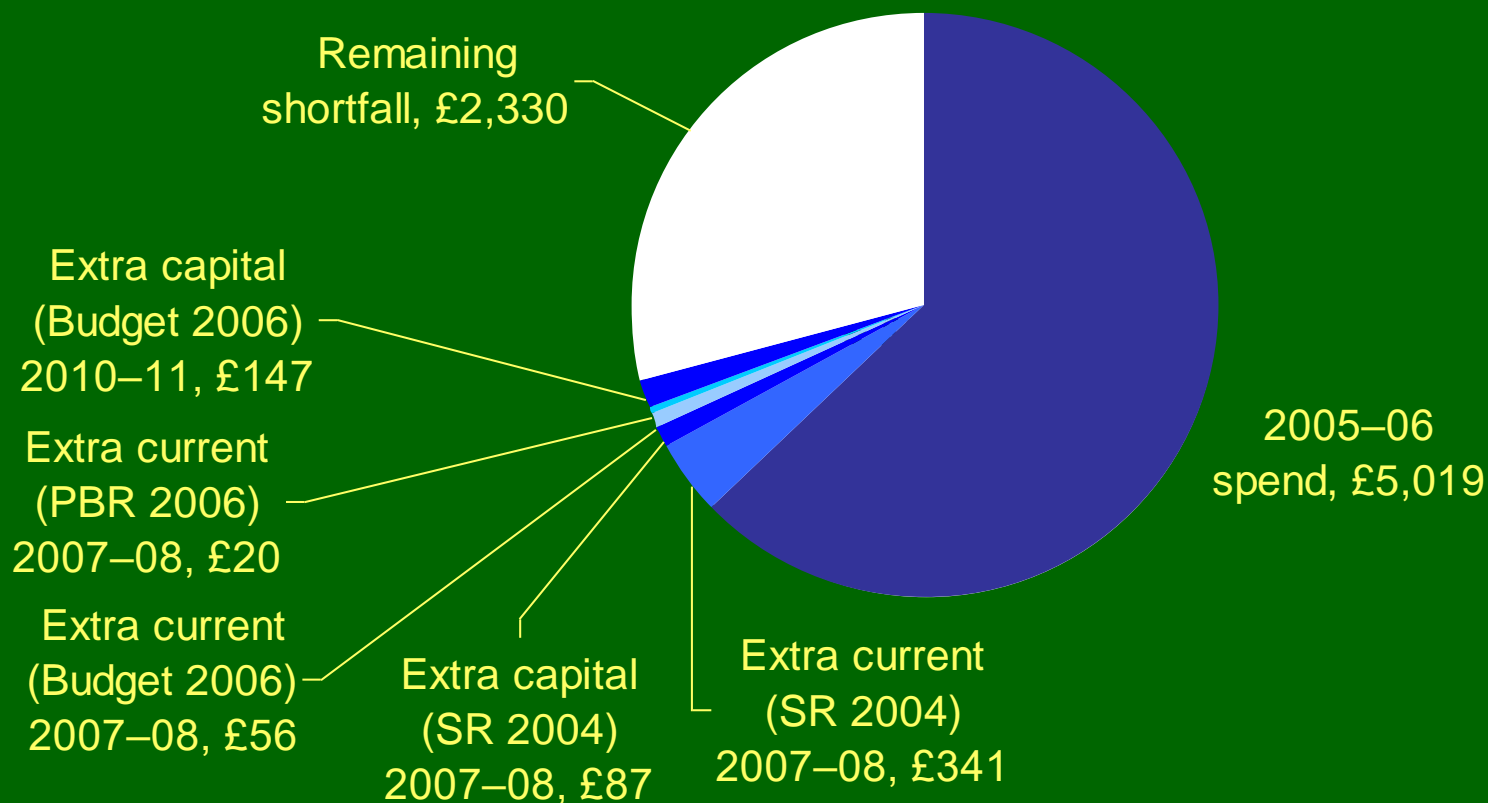
# The difficult trade off?

- Education spending
- Child poverty
- Health spending

# School spending

“Our long-term aim should be to ensure for 100 per cent of our children the educational support now available to just 10 per cent”

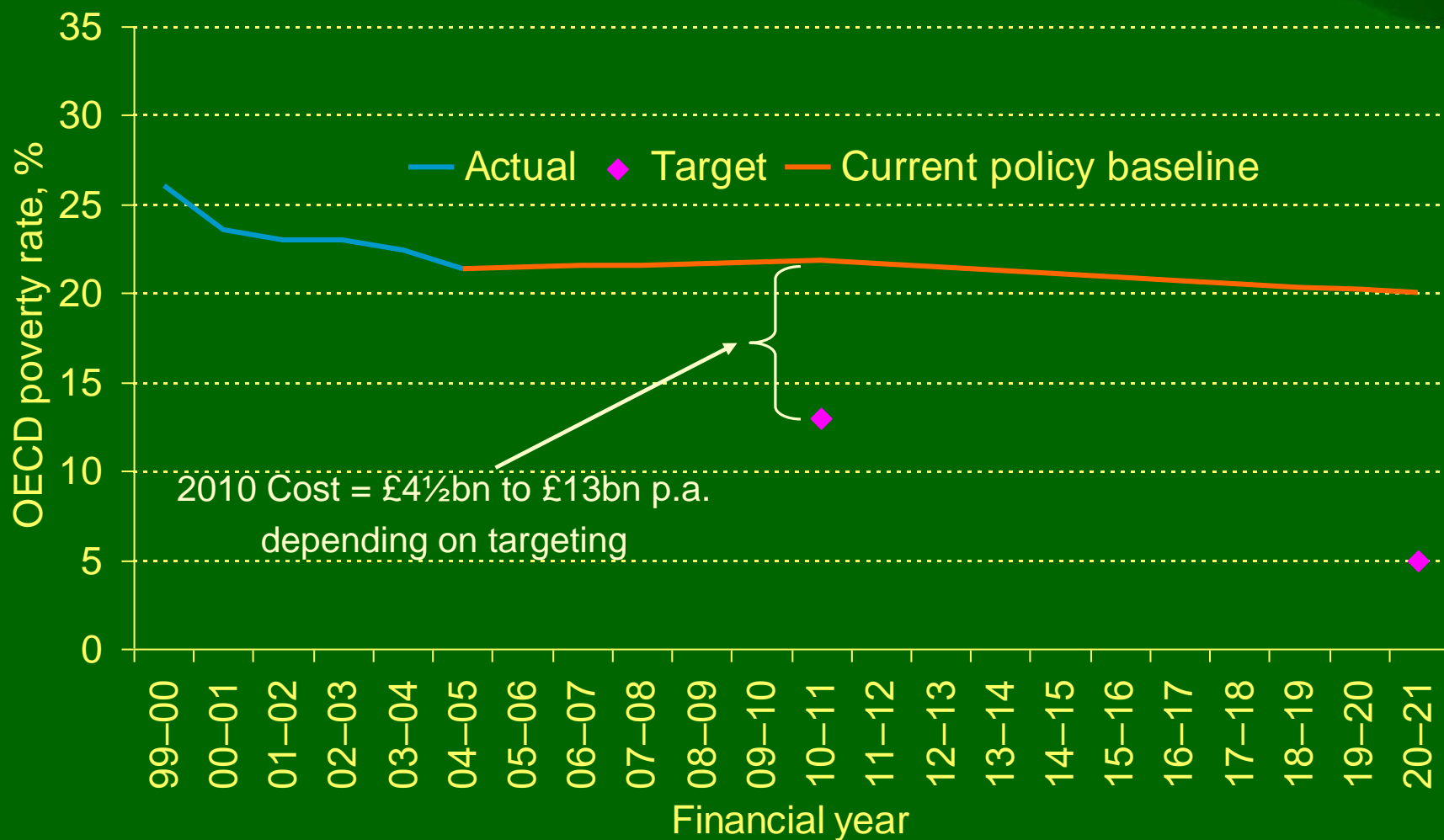
# School spending



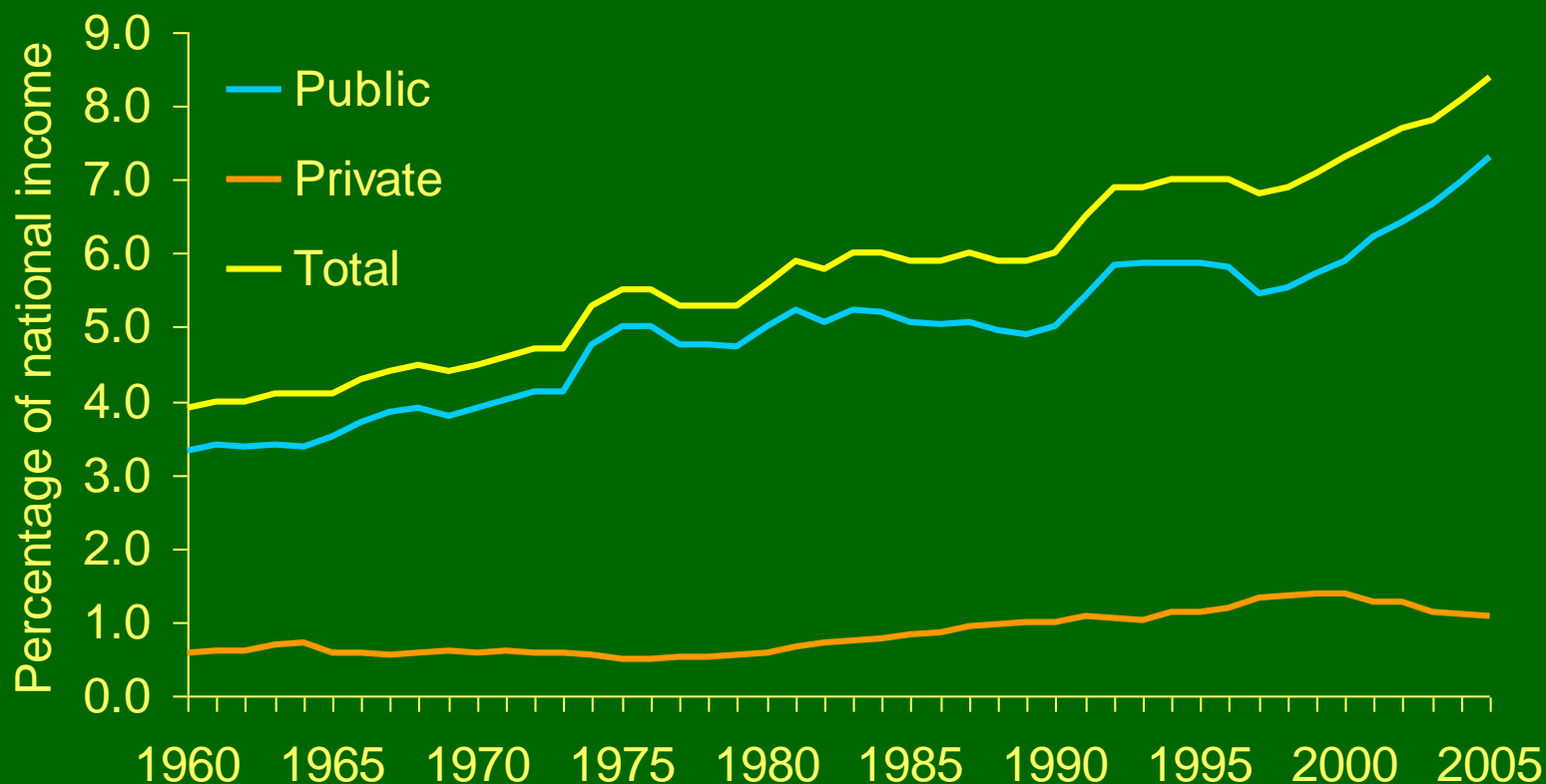
# School spending

- 2007 CSR cannot meet this target
  - To meet in 2010–11 :  
£2,330 per pupil \* 7.2m pupils  $\approx$  £17bn
- Were pupil numbers to remain constant :
  - 14 years at 2½% p.a.
  - 7 years at 5% p.a.
- Gap not closed if private spending increases
  - current state spending at 1996–97 private levels

# Child poverty in 2010 and 2020



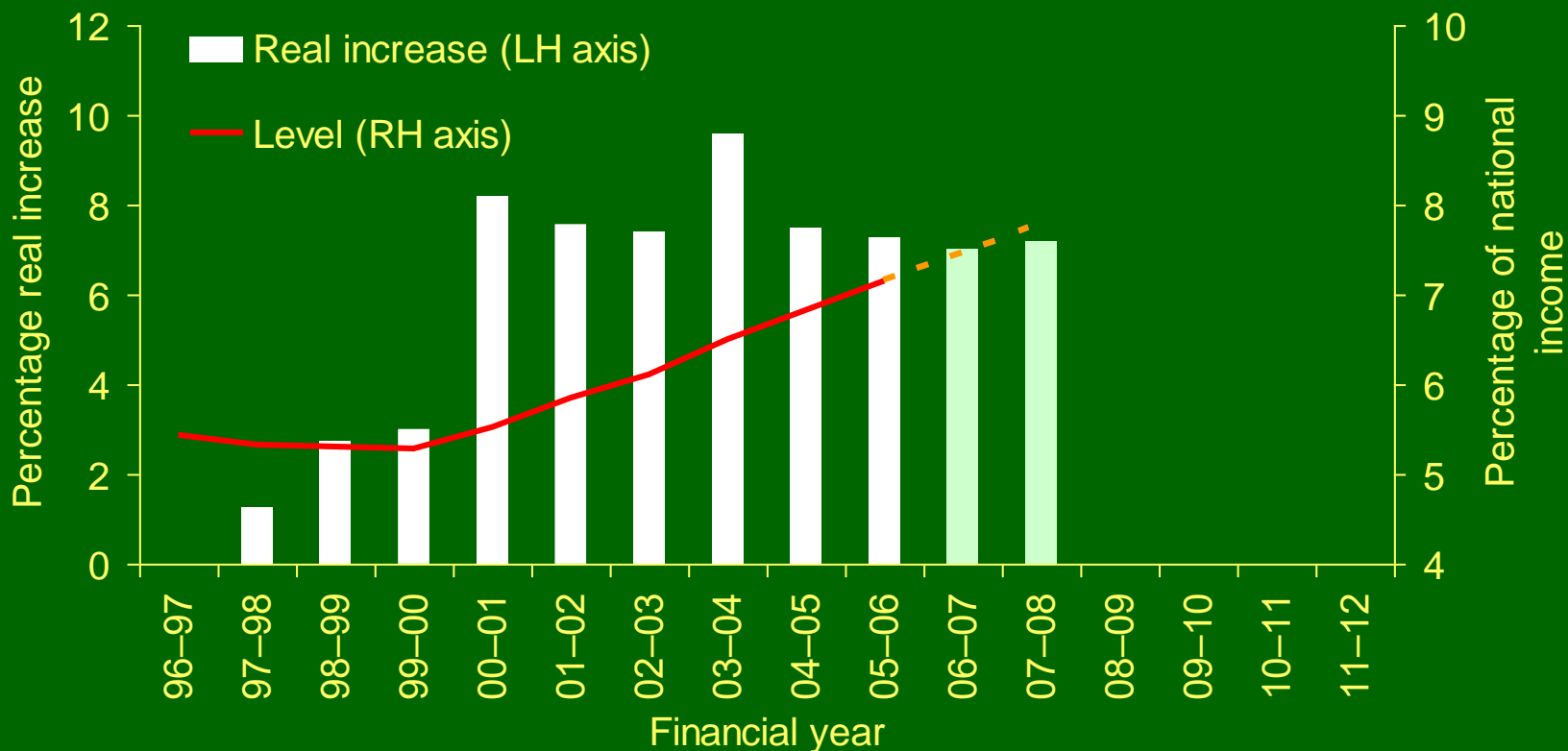
# Health spending





# Health spending

## NHS spending under Labour



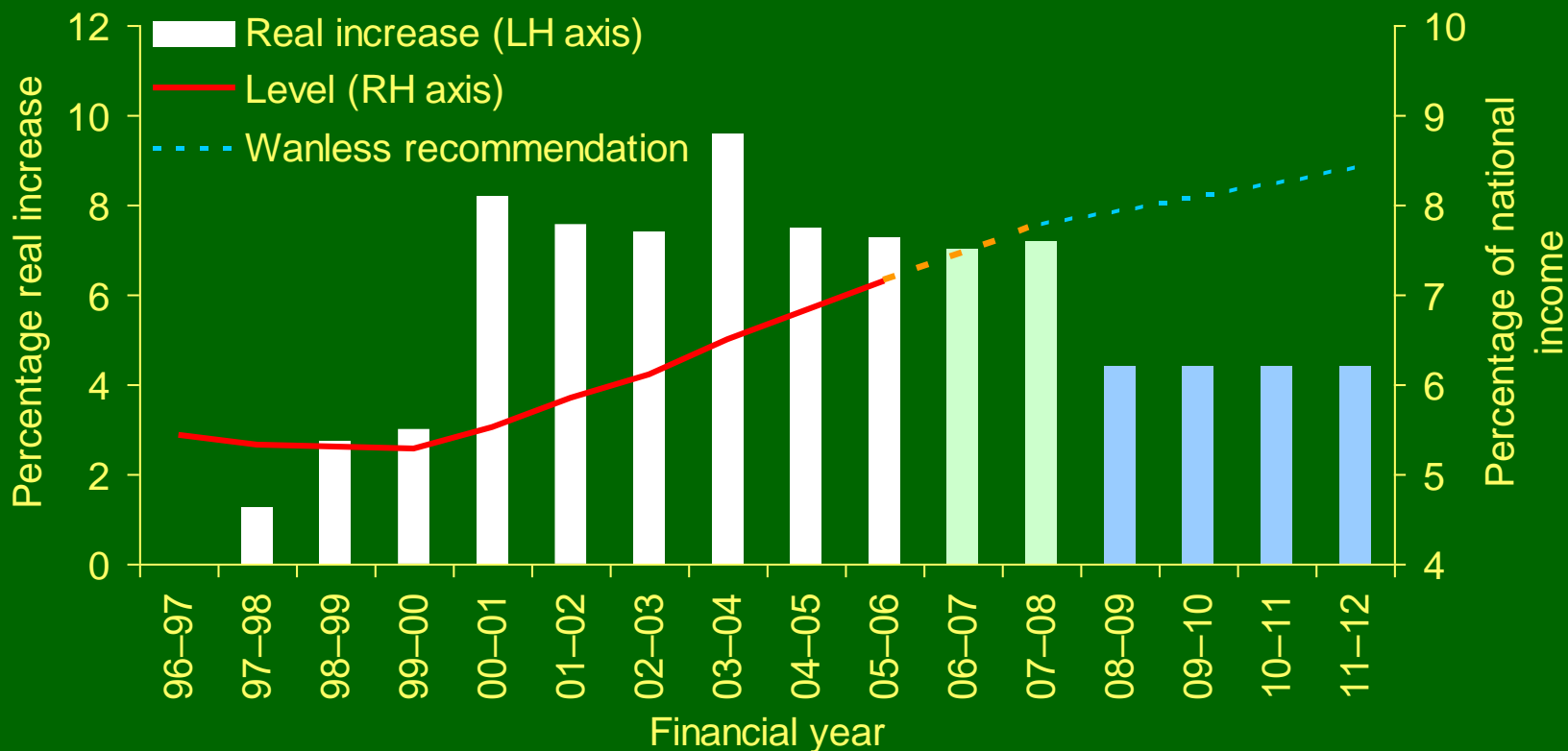
## Wanless review

Fully engaged scenario:

“levels of public engagement in relation to their health are high: life expectancy increases go beyond current forecasts, health status improves dramatically and people are confident in the health system and demand high quality care. The health service is responsive with high rates of technology uptake, particularly in relation to disease prevention. Use of resources is more efficient.”

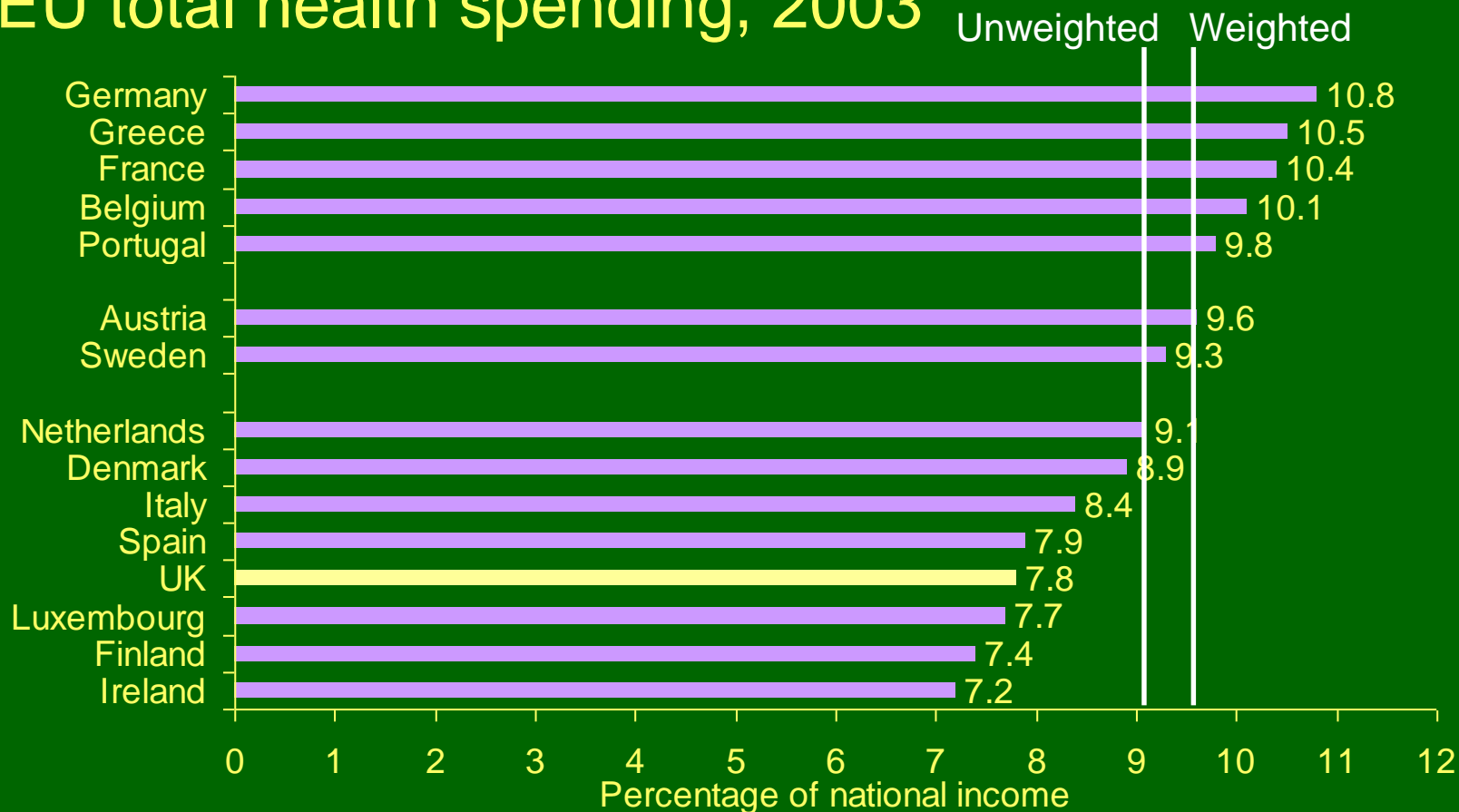
# Health spending

## NHS spending under Labour



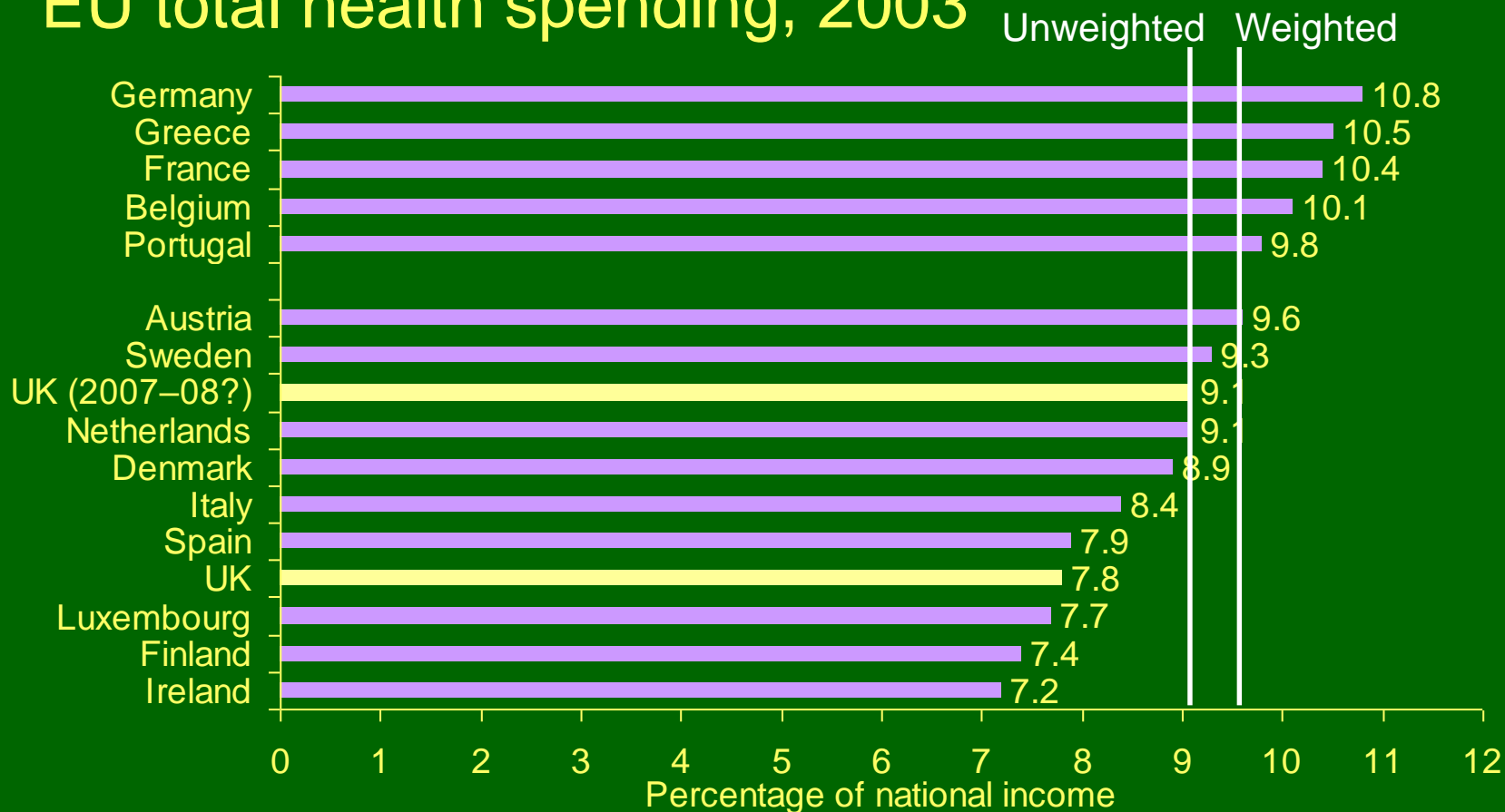
# Health spending

## EU total health spending, 2003



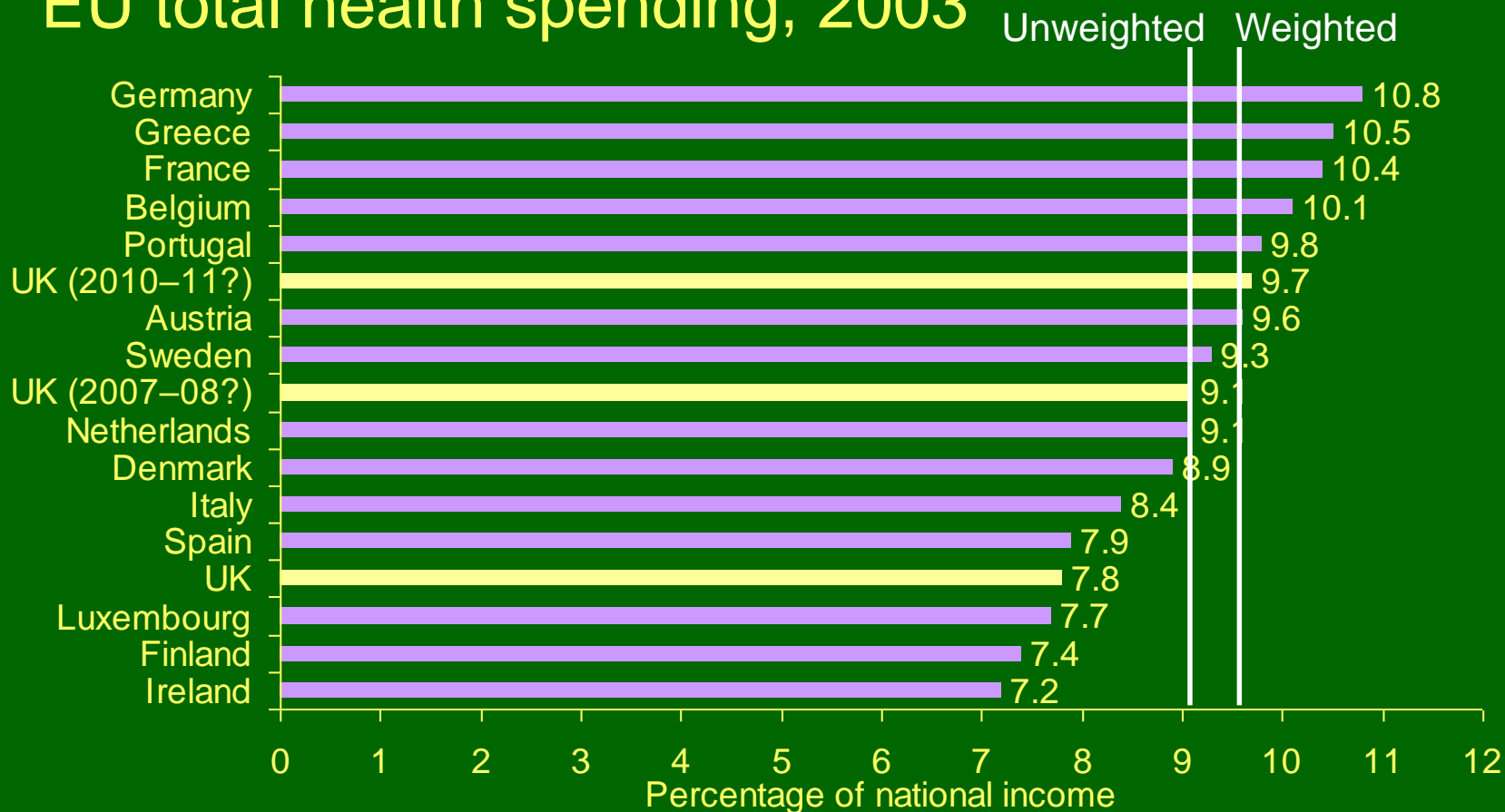
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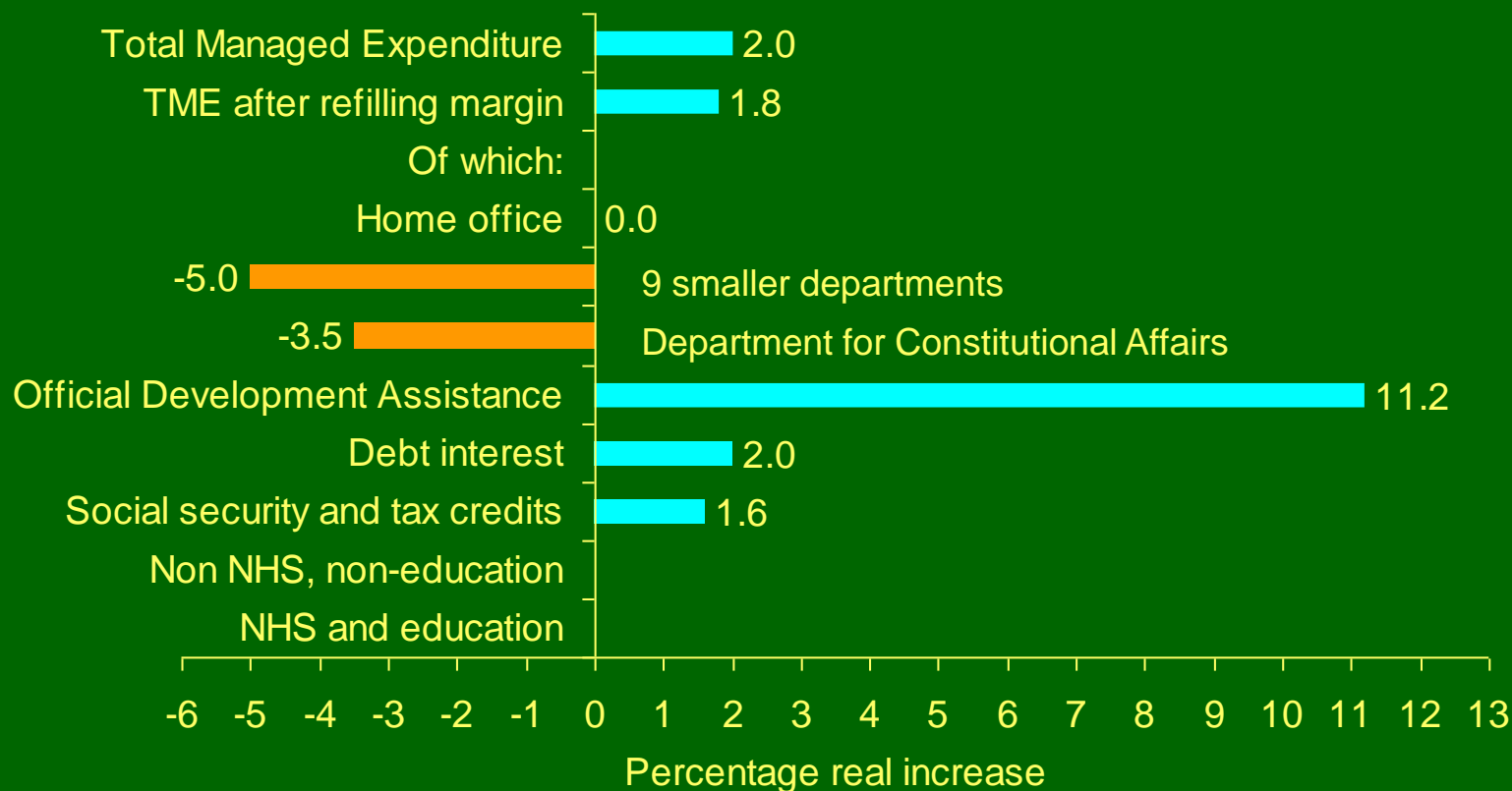


# Health spending

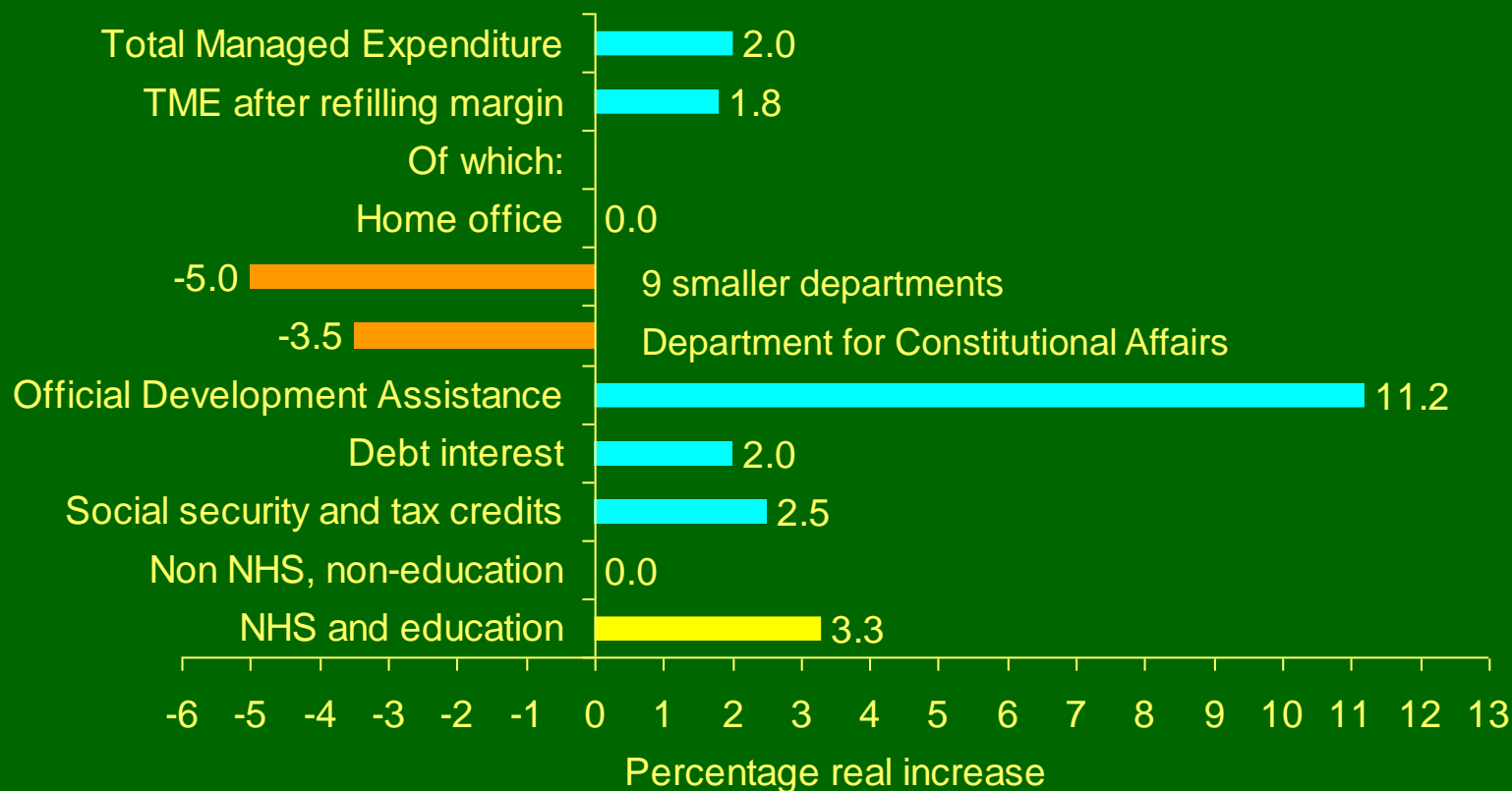
## EU total health spending, 2003



# What increases might we have?

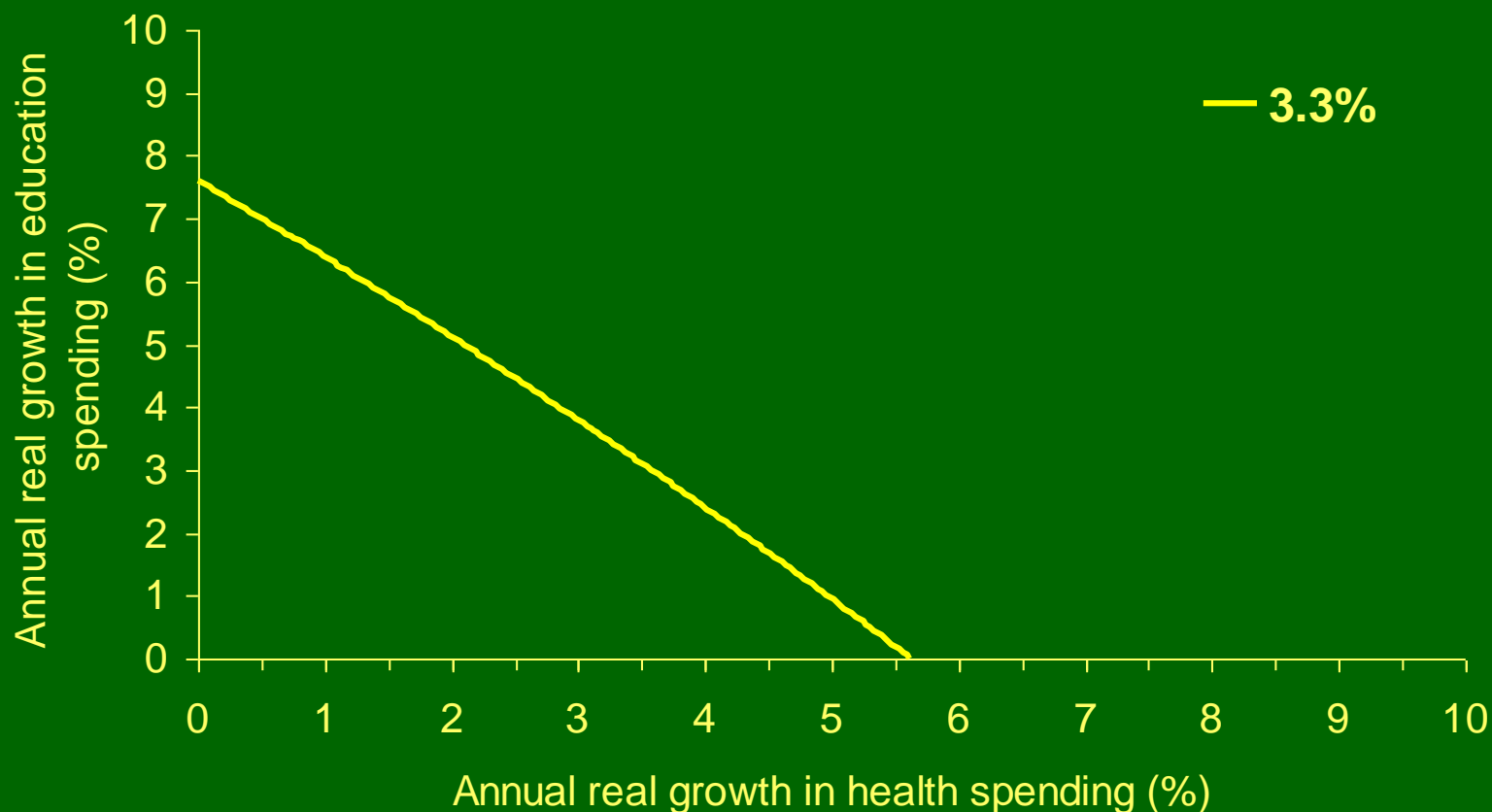


# What increases might we have?

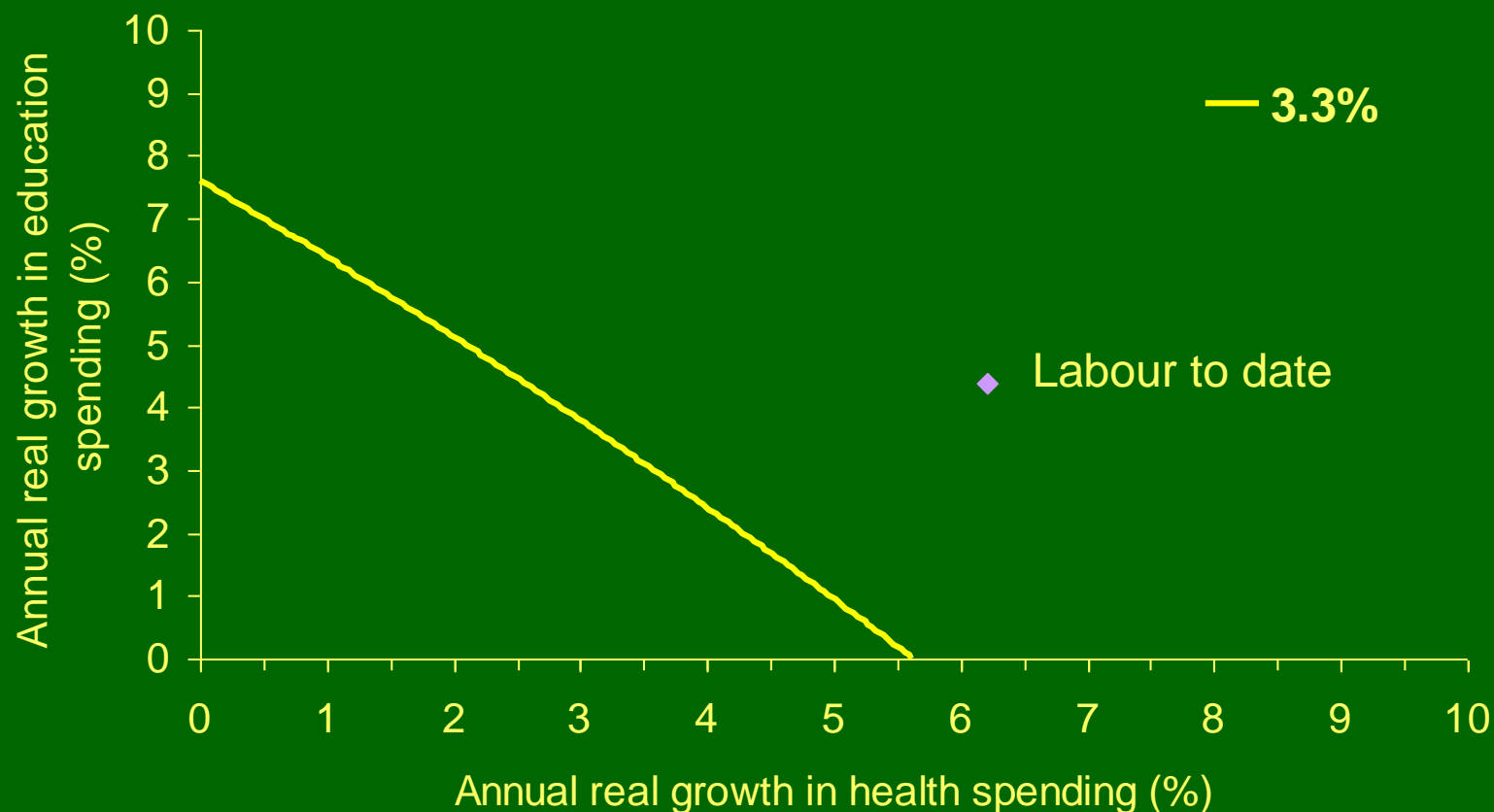




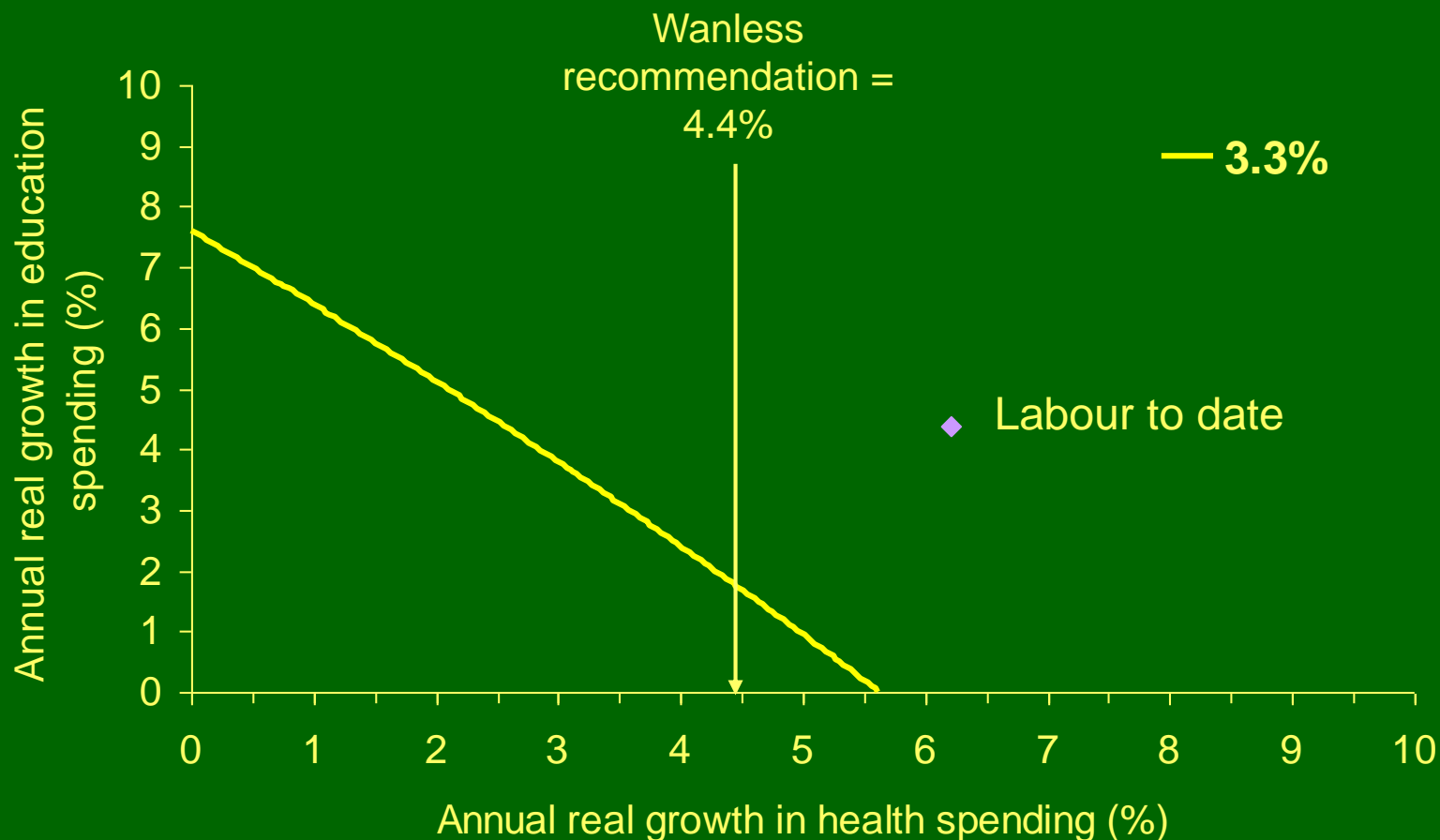
# A trade-off between health and education?



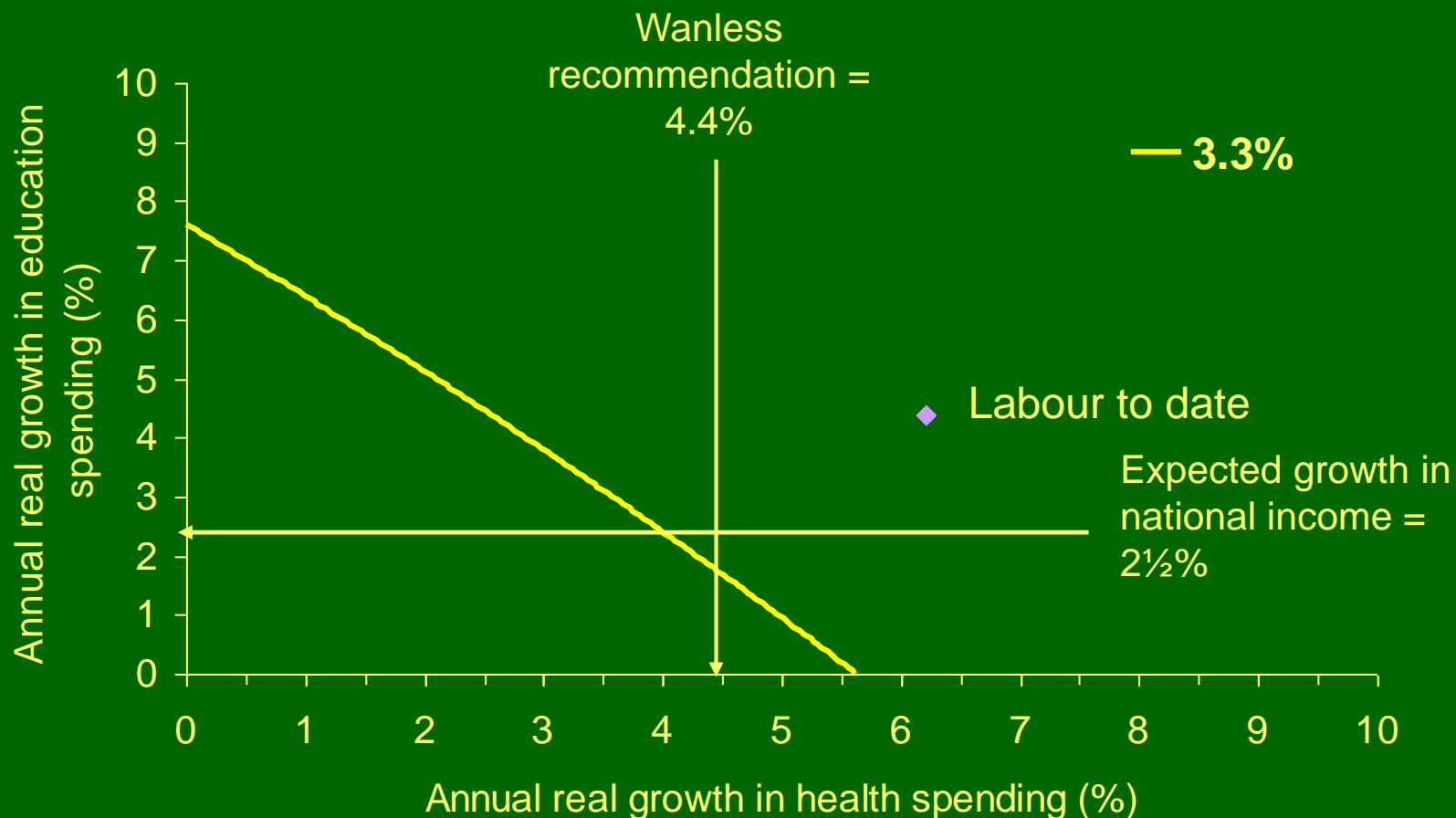
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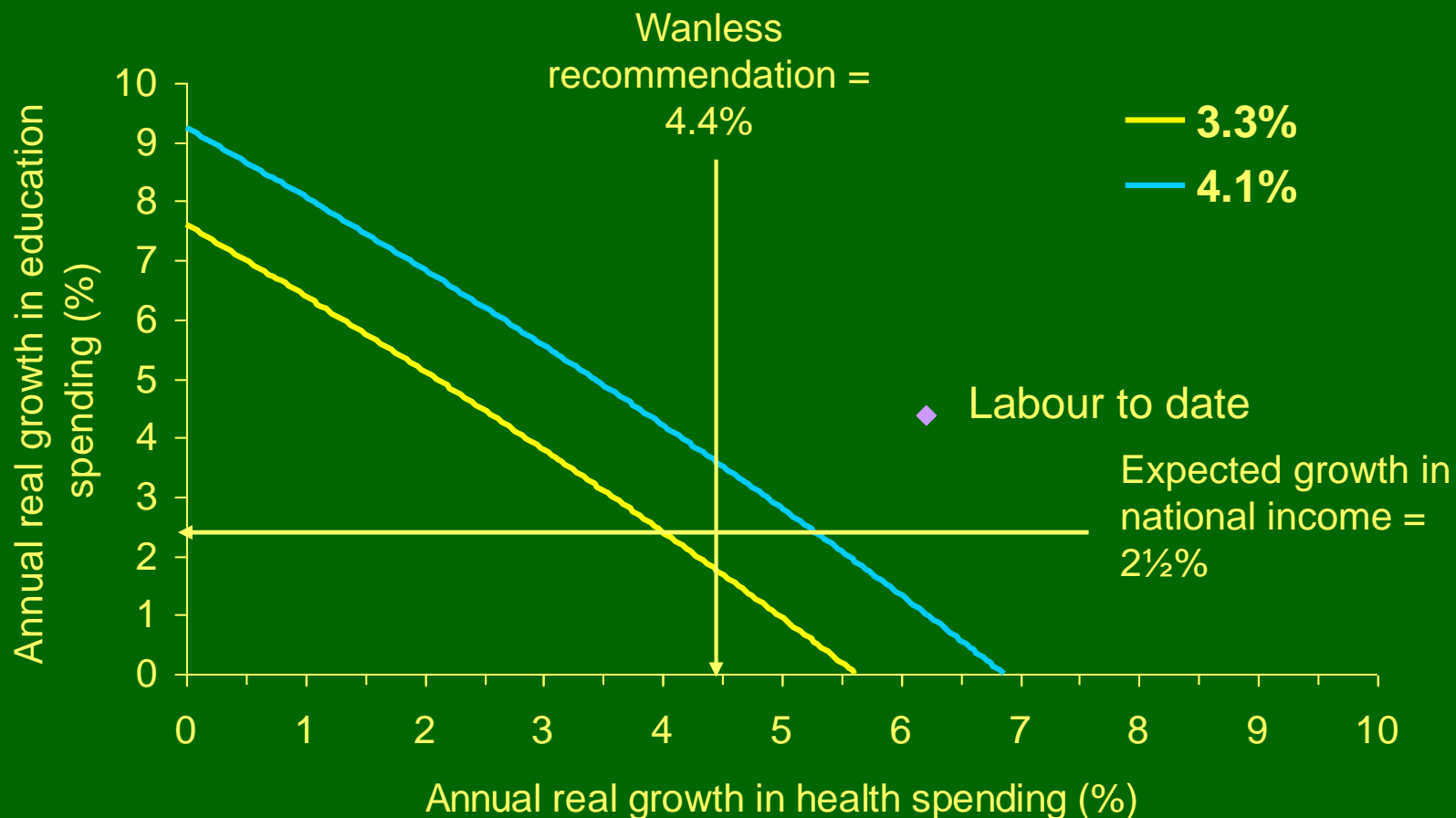
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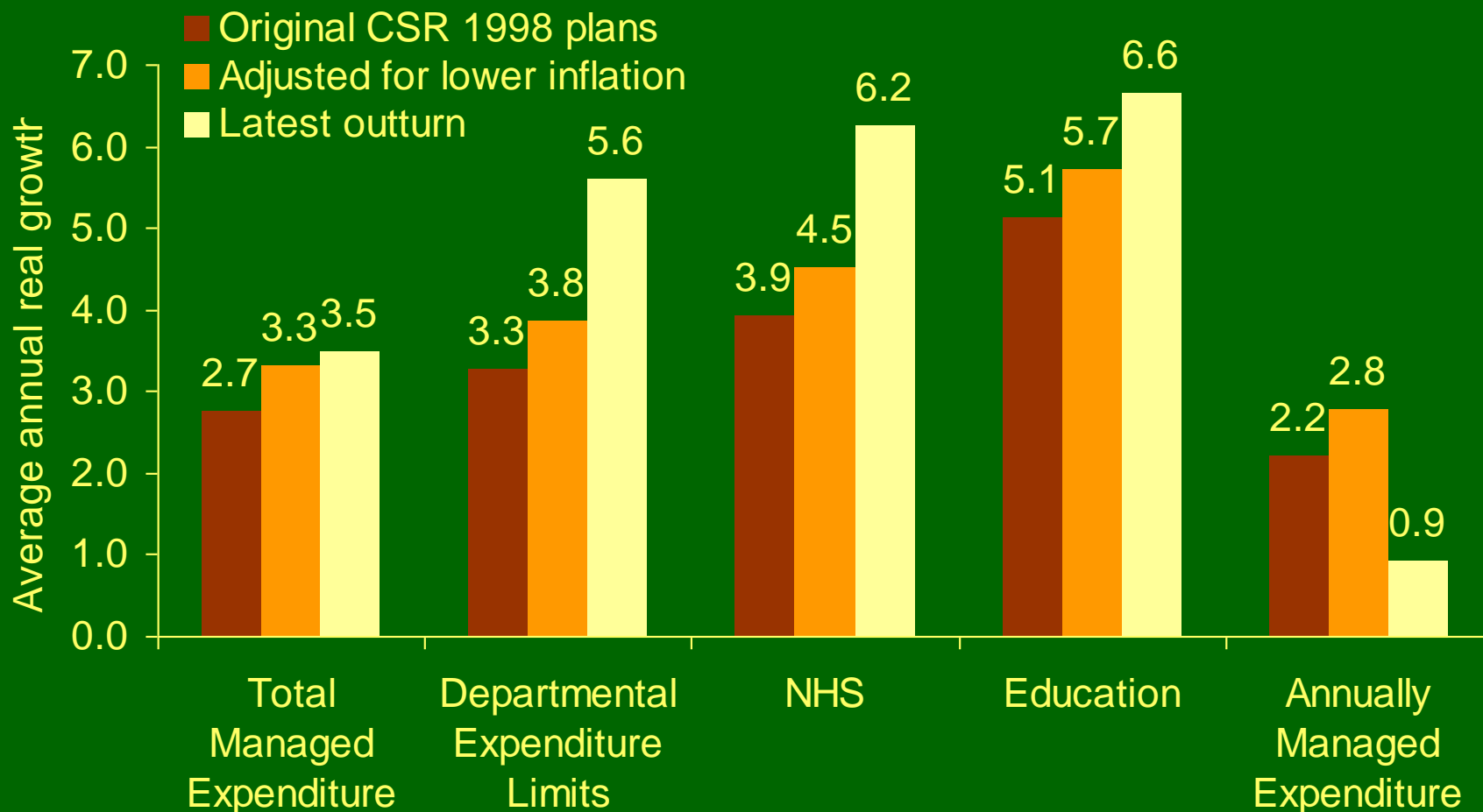
# A trade-off between health and education?



# A trade-off between health and education?



# A 'firm and fixed' CSR?



# Conclusions

- A Challenging Spending Review
  - some tight allocations already made
  - apparent trade-off between schools, hospitals and child poverty
- Plans could be topped up in future
  - this is what happened under previous (July 1998) Comprehensive Spending Review
  - but would require additional finance, which would be likely to mean further tax increases

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