

Institute for Fiscal Studies



Public spending

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What did Budget 2009 do to spending plans?

- CSR2007 period
- Spending Review 2010 period
- Spending Review 2013 period and a first look at SR2016?

Changes to spending plans in Budget 2009: Up to March 2011

- Allocation of £5bn of departmental efficiency savings for 2010–11 announced
 - £0.6bn for Department of Children, Schools and Families
 - £2.3bn for Department of Health
- Biggest “savings” as a share of total budget
 - Transport and Home Office
- Real spending growth over CSR2007 period now expected to be
 - Current spending: 4.6%
 - Investment spending: 5.4%
 - Total spending: 4.6%

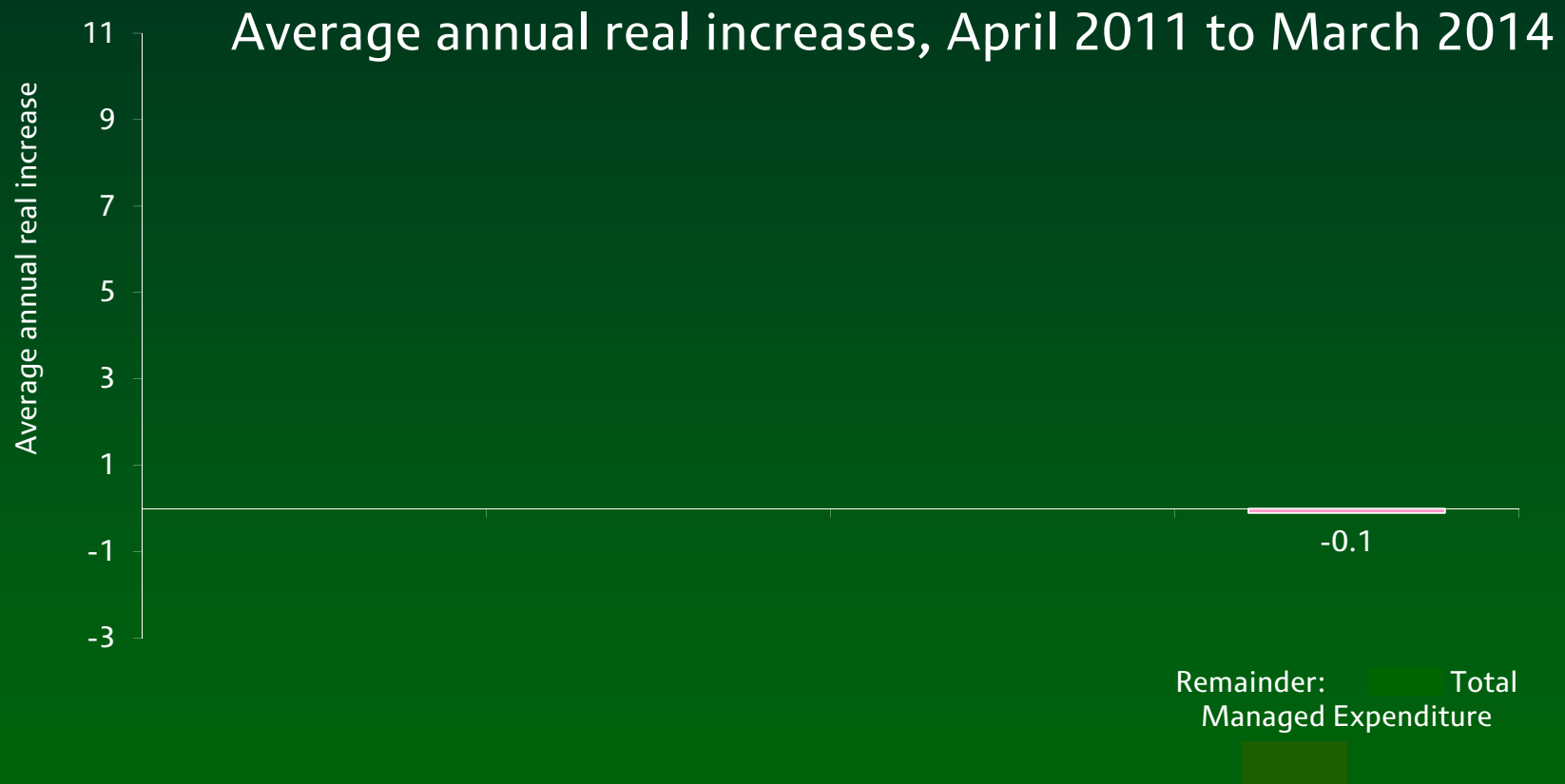
Changes to spending plans in Budget 2009: April 2011 to March 2014

- PBR 2008 plans
 - Current spending: real growth of 1.2% a year
 - Investment spending: real cuts of 2.6% a year
 - Total spending: real growth of 1.1% a year
- Budget 2009 plans
 - Current spending: to grow at 0.7% a year in real terms
 - Lowest 3-year growth since: April 1997 to March 2000
 - Investment spending: “move to 1¼ per cent of GDP in 2013–14”
 - Real cuts of 17.3% a year
 - Lowest 3-year growth since: April 1996 to March 1999
 - Total spending: to be cut by 0.1% a year in real terms
 - Lowest 3-year growth since: April 1996 to March 1999

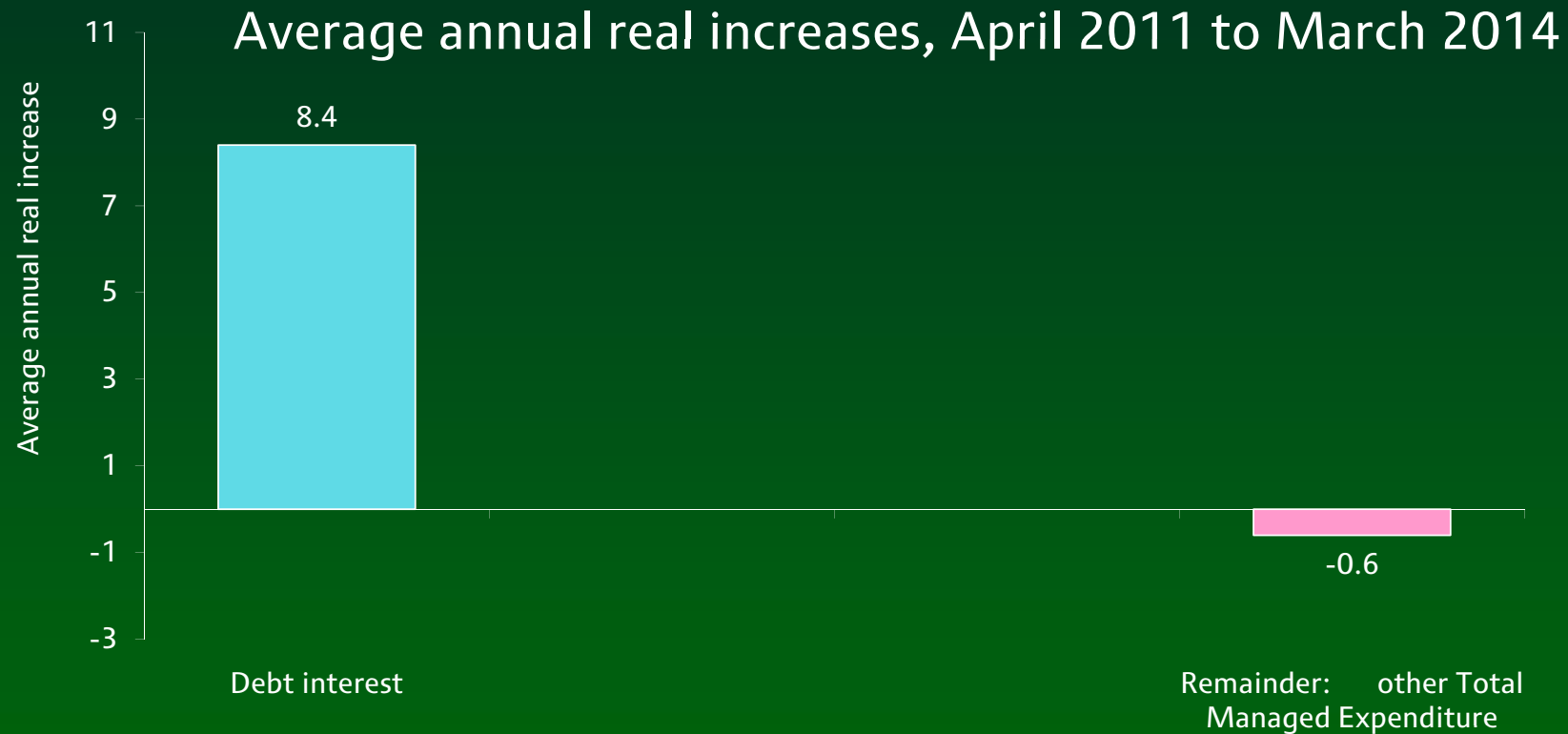
How tight are these spending plans?



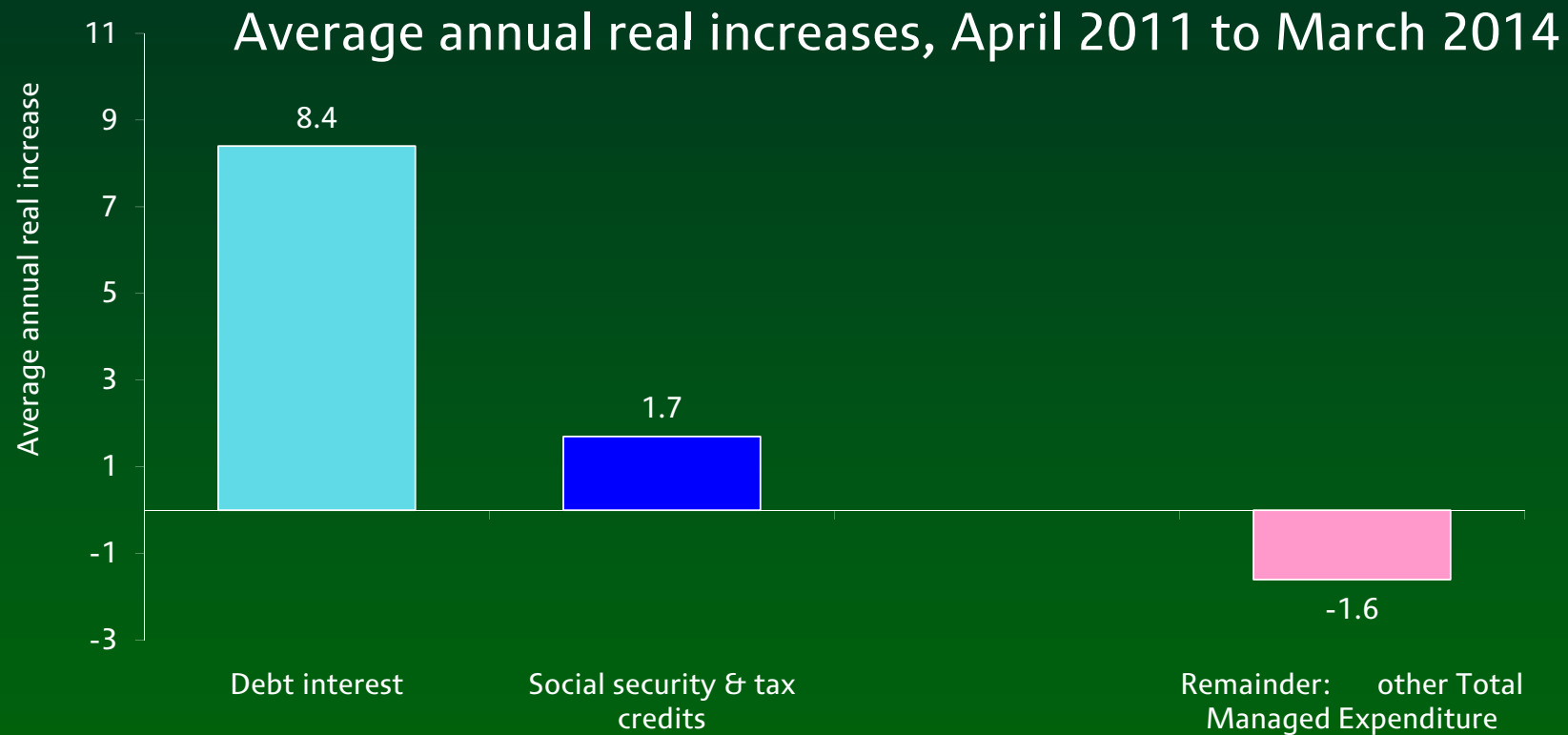
A possible Spending Review 2010 allocation



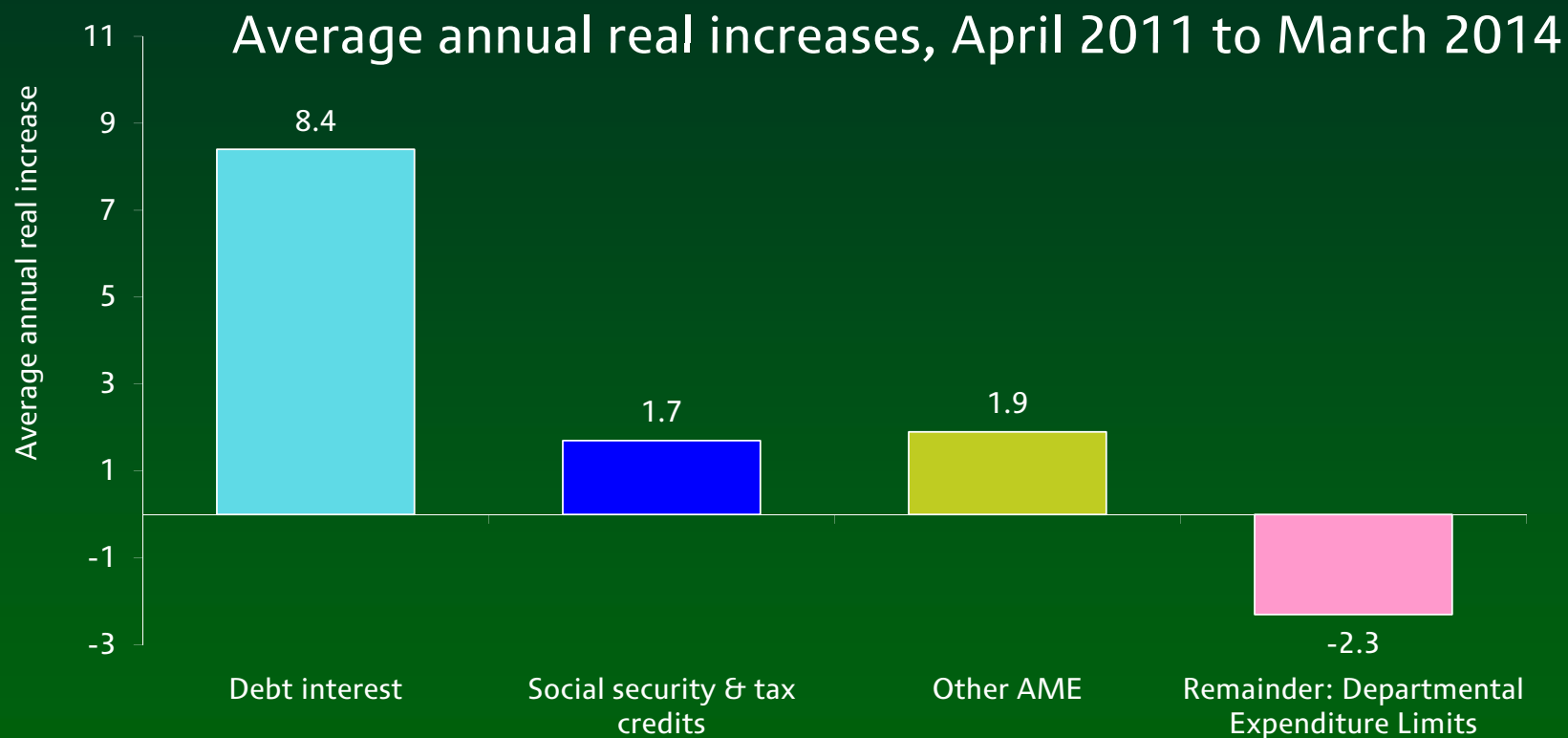
A possible Spending Review 2010 allocation



A possible Spending Review 2010 allocation



A possible Spending Review 2010 allocation



Which departments might experience real cuts?

- Total DEL set to grow by 2.7% from April 2008 to March 2011
- Plausible scenario suggests 2.3% a year real cuts over following three years
- What if the pain were to be shared evenly?

Departments getting real spending increases: CSR2007

Real increases

Health
Children, Schools and Families
Innovation, Universities and Skills
Local government
Home Office
Justice
International Development
Culture, Media and Sport
Scotland
Wales
Northern Ireland

Real cuts

Transport
Defence

Departments getting real spending increases: SR2010

Real increases

International Development

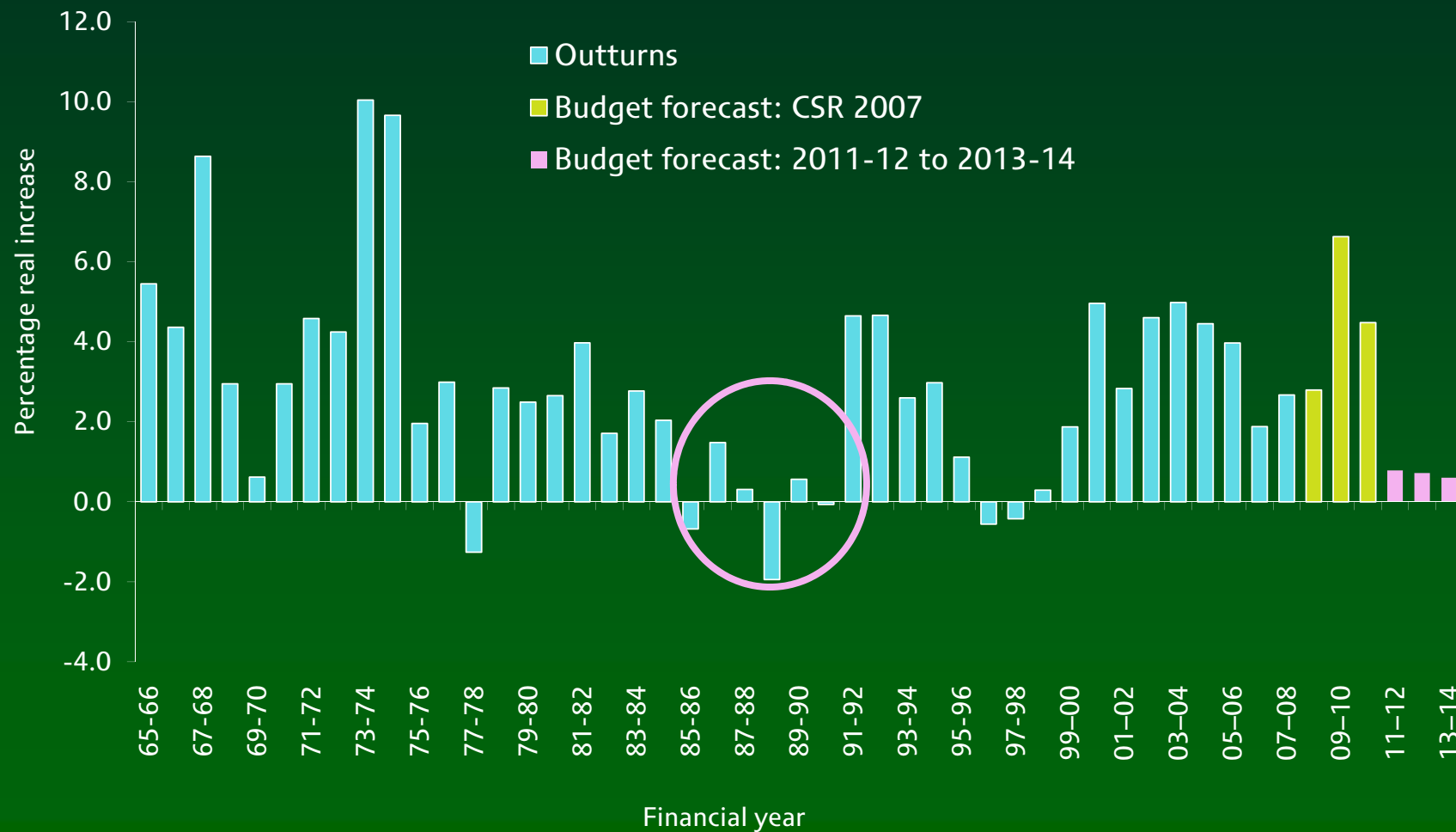
Real cuts

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Local government
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Transport
Defence

Changes to spending plans in Budget 2009: Beyond April 2014

- 3.2% of national income fiscal tightening pencilled in for 2014–15 to 2017–18
- If all found from spending...
 - Average 0.5% a year real growth in current spending for four more years
 - Lowest consecutive 7-year period of growth since April 1985 to March 1992

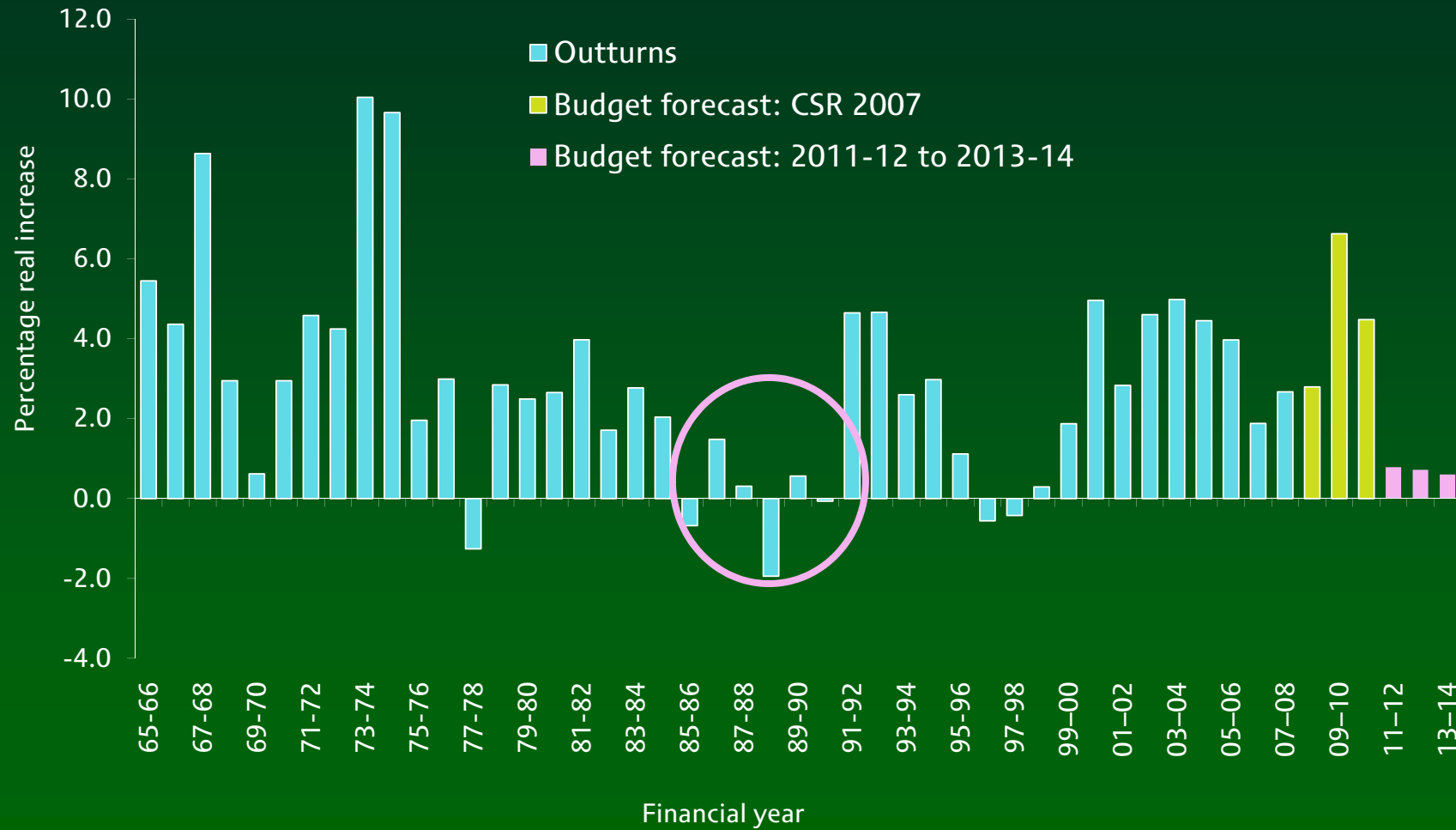
Current spending squeezed: historical context



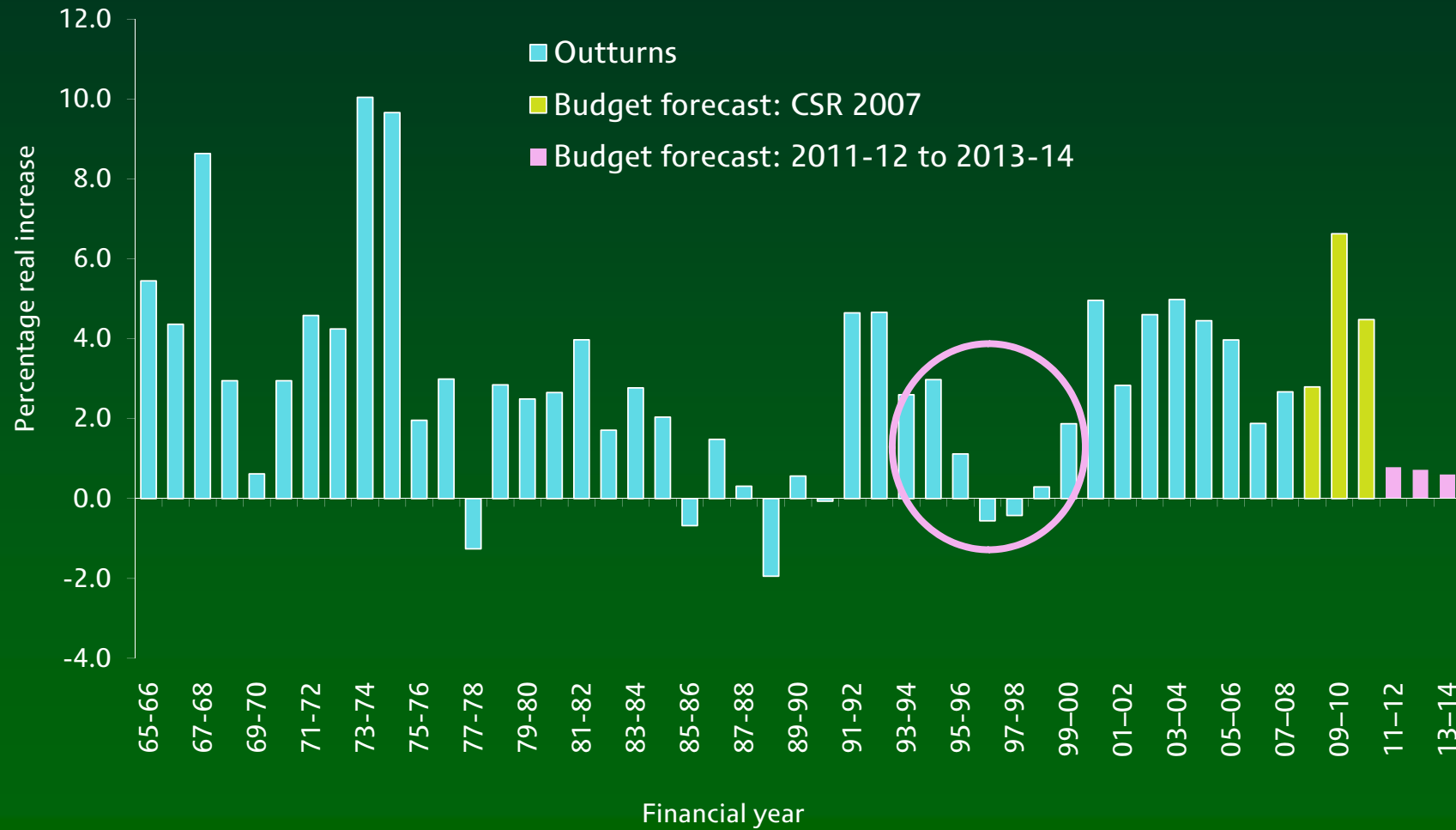
Changes to spending plans in Budget 2009: Beyond April 2014

- 3.2% of national income fiscal tightening pencilled in for 2014–15 to 2017–18
- If all found from spending...
 - Average 0.5% a year real growth in current spending for four more years
 - Lowest consecutive 7-year period of growth since April 1984 to March 1991
- If half found from spending...
 - Average 1.5% a year real growth in current spending for four more years
 - Lowest consecutive 7-year period of growth since April 1993 to March 2000

Current spending squeezed



Current spending squeezed



Summary

- Public spending to be squeezed tightly over the seven years from April 2011
- 0.1% a year real cut in total spending over SR2010 period
 - Plausible scenario for departmental spending suggests 2.3% a year real cuts
 - If pain shared equally
 - Only priority department experiencing real spending increases would be International Development
 - Health, education, law and order would all experience real cuts
- Further cuts beyond April 2014?
 - 3.2% of GDP tightening required: at least some from spending?
 - If all taken from spending, would take non-debt interest spending back down to 2002 level