



24 June 2024

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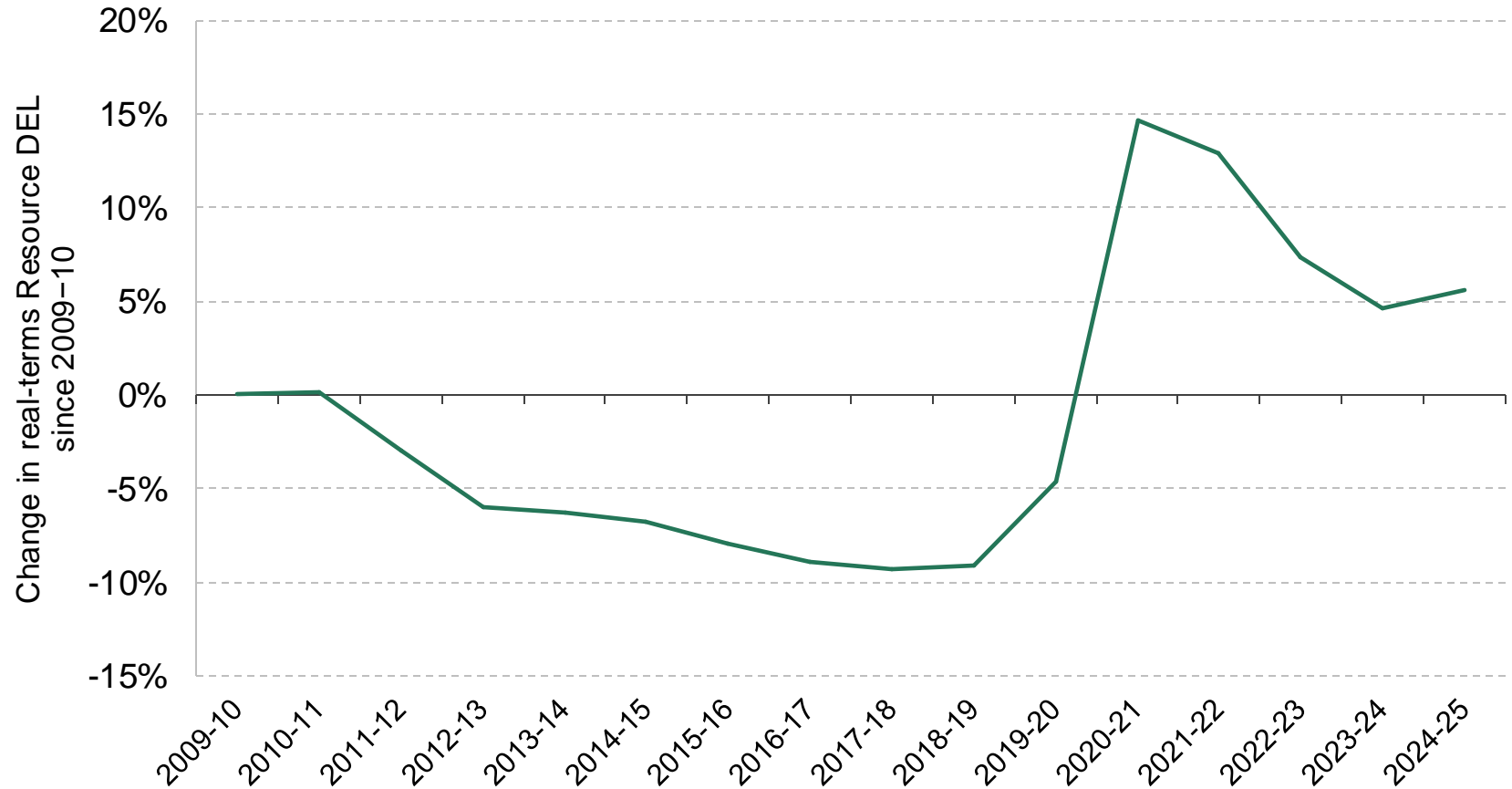
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Public services in the next parliament



Next government inherits a difficult legacy

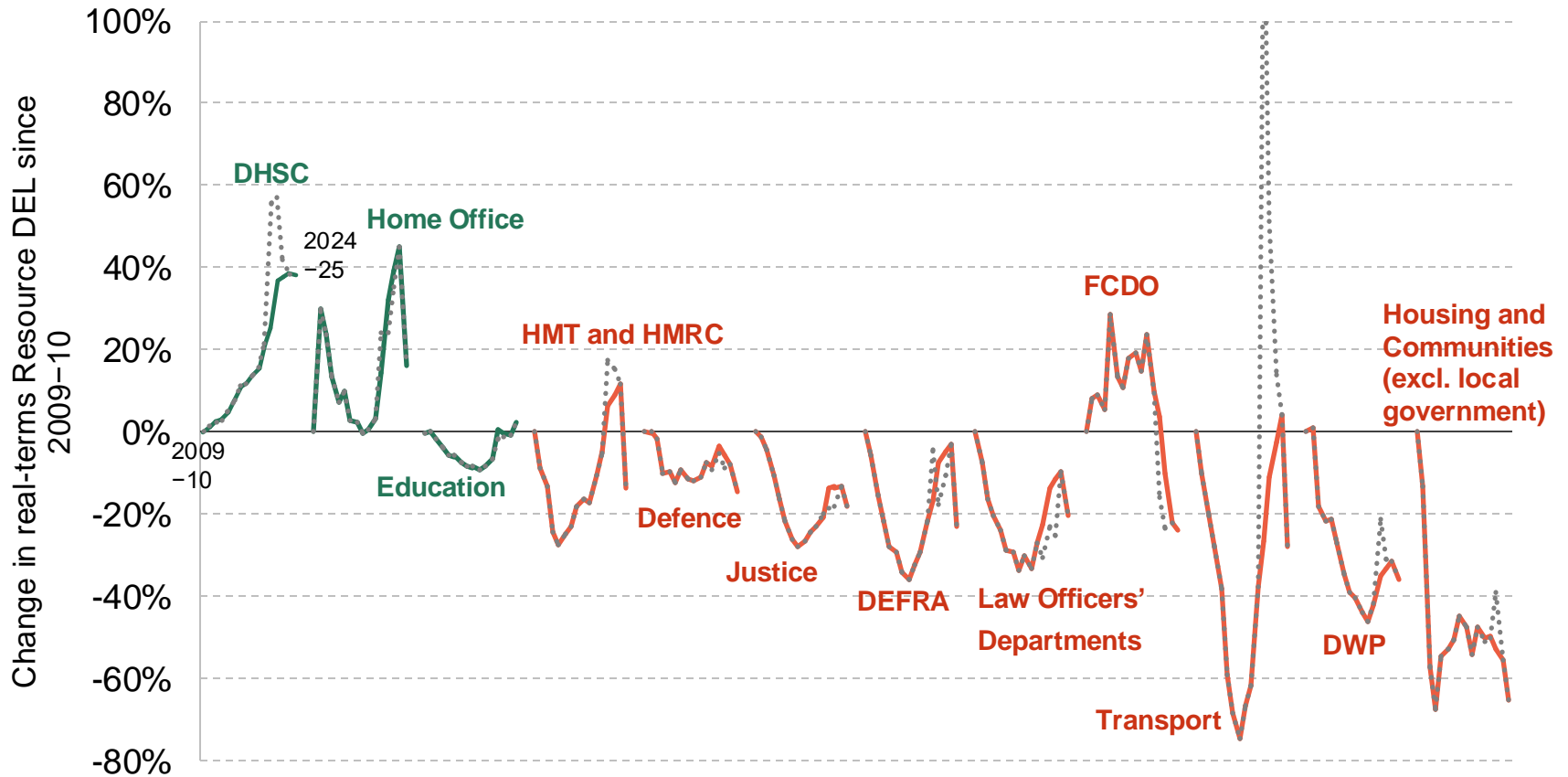
% change in overall day-to-day departmental budgets, 2009–10 to 2024–25



Note: Figures between 2019–20 and 2023–24 are interpolated to strip out COVID-19 changes. Green and red lines show projected real growth based on latest budgets and forecasts as of the March 2024 Spring Budget. DEFRA line adjusted for estimated direct payments to farmers, previously paid by the EU. Housing and Communities line adjusted for Shared Prosperity Fund funding. Source: IFS calculations using Spring Budget 2024, PESA (various), and GDP deflator as of March 2024.

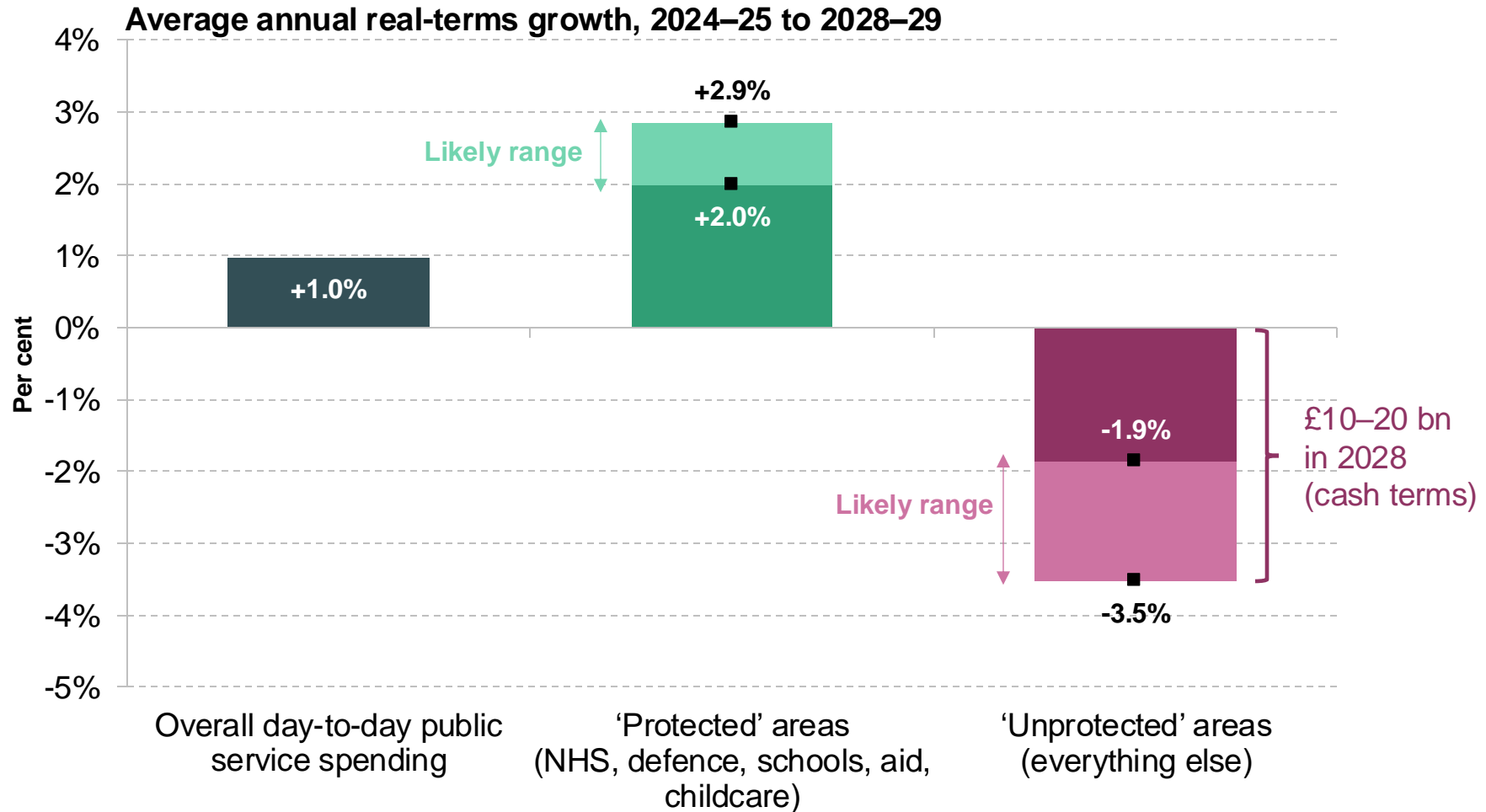
Next government inherits a difficult legacy

% change in selected day-to-day departmental budgets, 2009–10 to 2024–25 (excl. estimated Covid-19 spend)



Note: Figures between 2019–20 and 2023–24 are interpolated to strip out COVID-19 changes. Green and red lines show projected real growth based on latest budgets and forecasts as of the March 2024 Spring Budget. DEFRA line adjusted for estimated direct payments to farmers, previously paid by the EU. Housing and Communities line adjusted for Shared Prosperity Fund funding. Source: IFS calculations using Spring Budget 2024, PESA (various), and GDP deflator as of March 2024.

Not much set aside to change this



Note: projected increases in protected and unprotected spending after 2024 – 25 depend on (1) what is assumed to happen to protected areas and (2) how much of HM Treasury’s £9.2 billion reserve for 2024 – 25 is allocated to protected and unprotected areas. The ranges provided here do not cover all possible eventualities, but represent our assessment of the set of most plausible values.

Source: Figure 14, Boileau, Stockton and Zaranko (2024), [“How have the size and shape of the UK state changed?”](#)

A 'conspiracy of silence'

Government and opposition are joining in a conspiracy of silence in not acknowledging the scale of the choices and trade-offs that will face us after the election.

They, and we, could be in for a rude awakening when those choices become unavoidable.

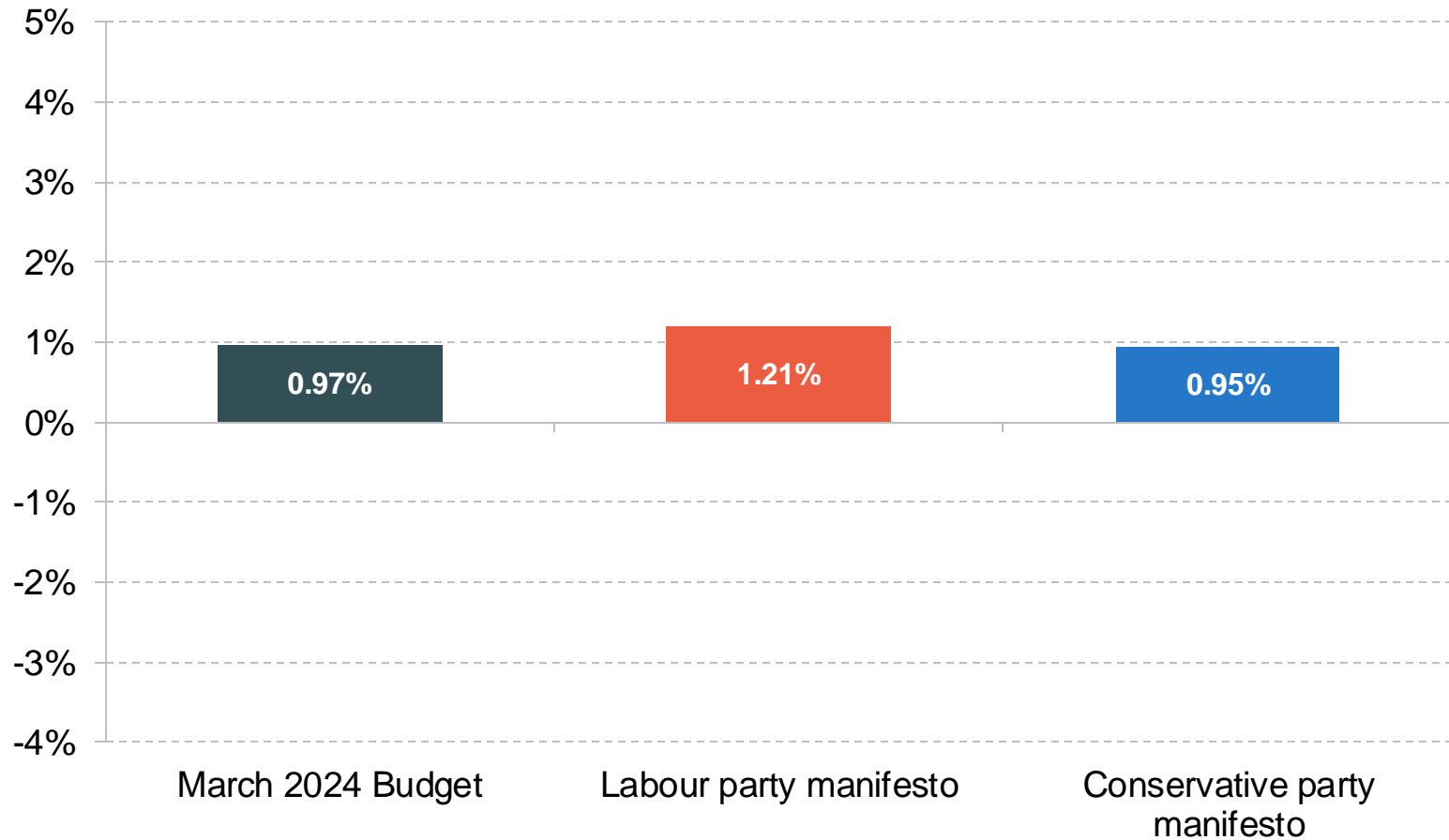
*Paul Johnson,
7 March 2024*



What have we learned since 22 May?

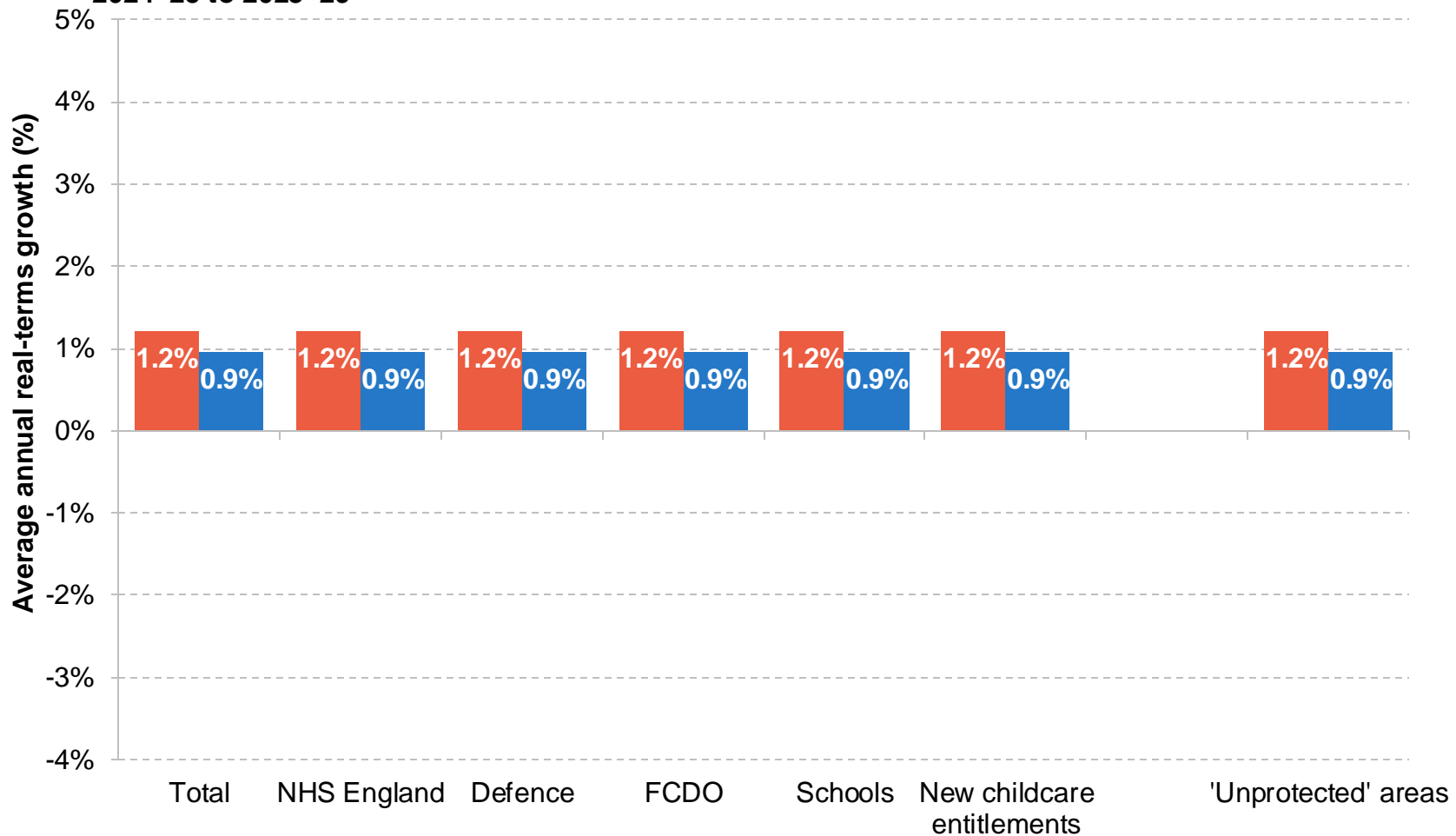
Not manifestos for fiscal geeks...

Average annual real-terms growth in day-to-day public service spending, 2024–25 to 2028–29



'No return to austerity'?

Illustrative change in day-to-day funding implied by Labour and Conservative plans, 2024–25 to 2028–29



NHS: Little detail on overall funding

- Neither party has set out overall spending plans
 - Both promised small pots additional funding, in 2028-29
Conservatives 0.5% of current budgets, Labour 0.9%
 - Conservative manifesto made (weak) commitment to keep NHS funding growing in real terms
- But both made very ambitious commitments, on very short timescales

NHS: big ambitions from both parties

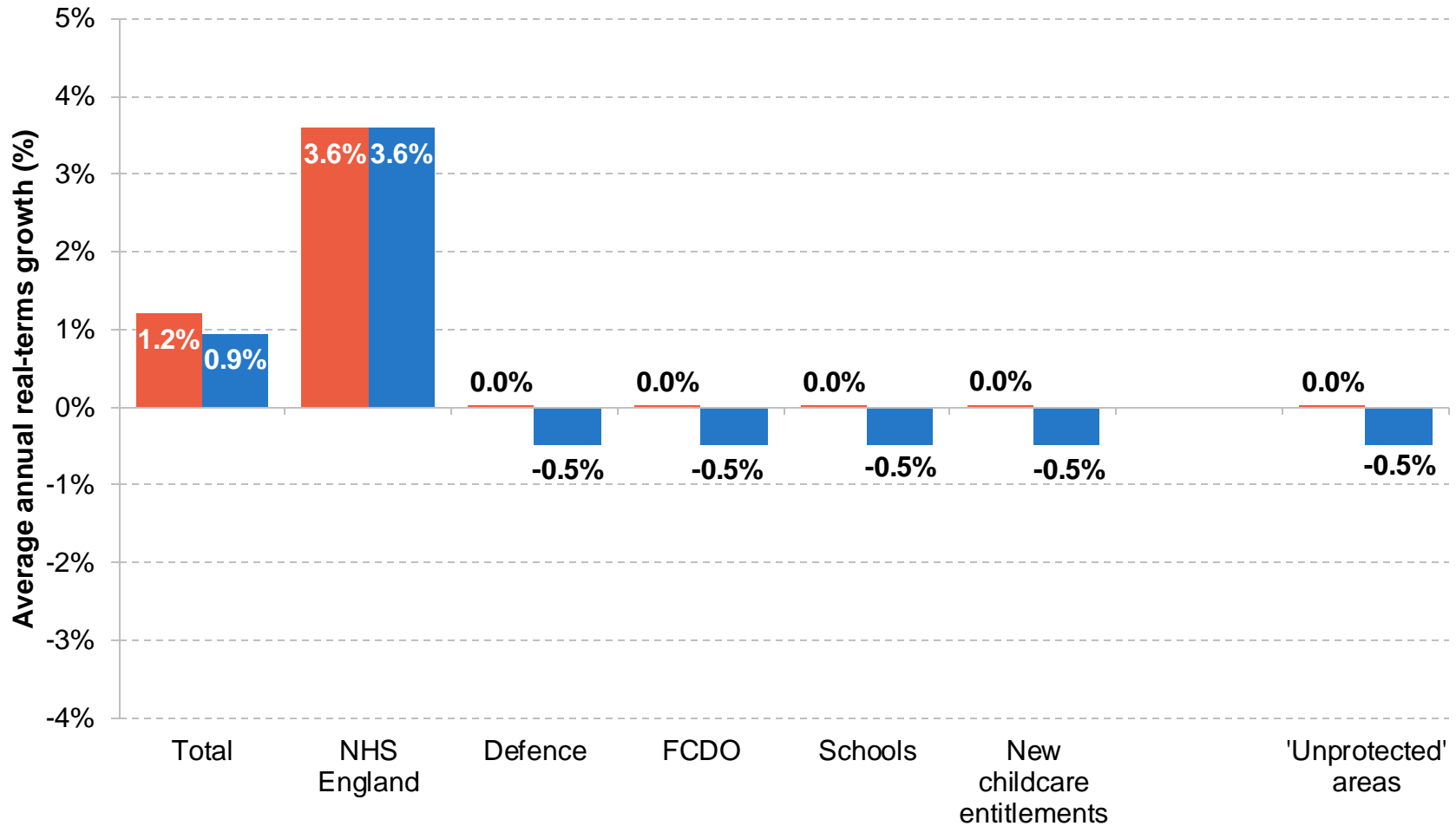
	Conservative Party	Labour Party
Implement NHS workforce plan	✓	✓
Achieve existing 18-week elective waiting time target	✓	✓
Achieve existing ambulance, A&E, cancer targets	✓	✓*
Continue New Hospitals Programme	✓	✓
Increased mental health provision	✓	✓
Dentistry recovery/rescue plan	✓	✓

* Not clear in manifesto, but confirmed by Wes Streeting

- Implementing the workforce plan could require **real funding growth of 3.6% per year**
- On its own that may **still not be enough** to achieve all performance improvements by end of next parliament

...but the NHS

Illustrative change in day-to-day funding implied by Labour and Conservative plans, 2024–25 to 2028–29



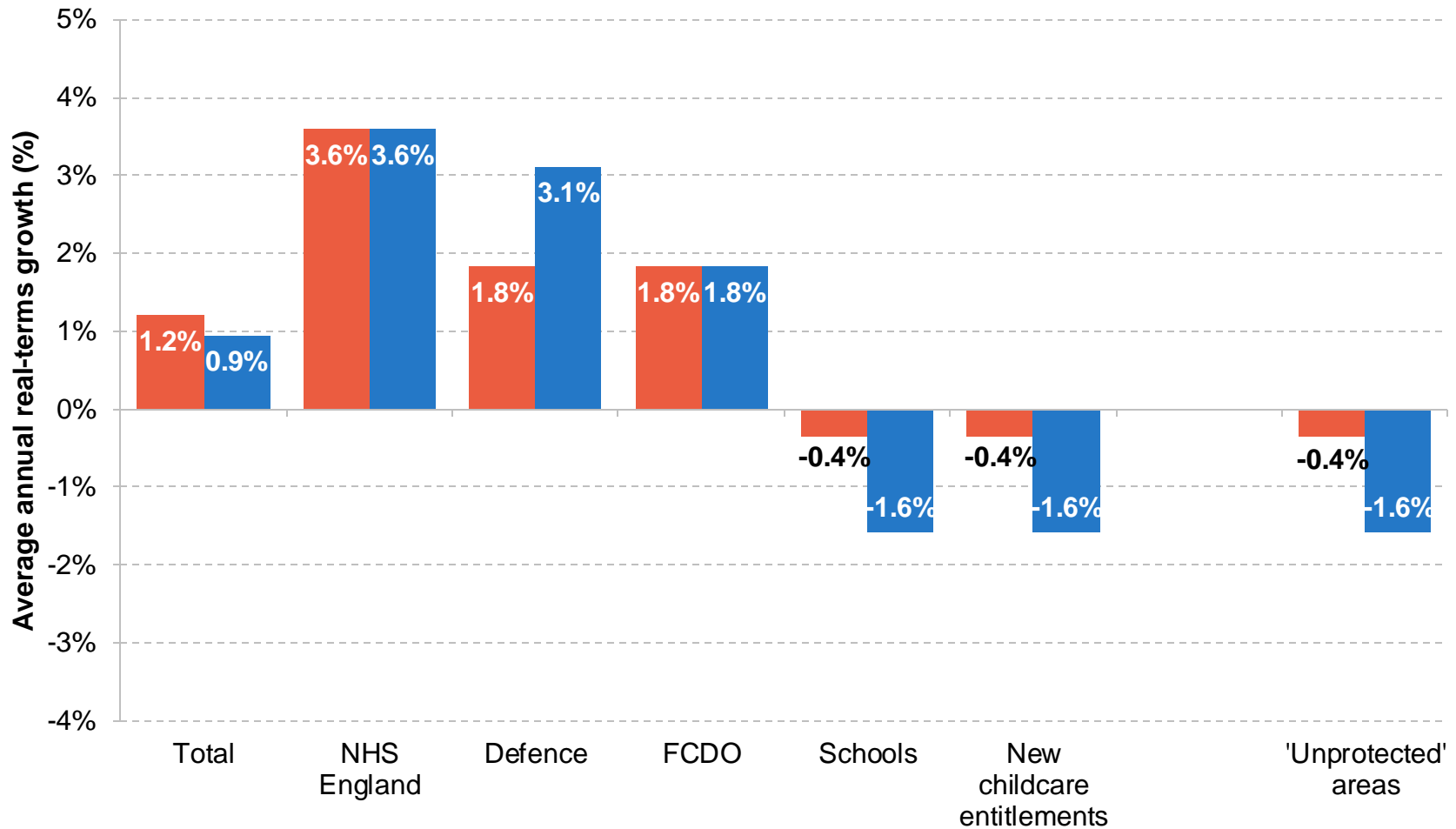
Defence & aid: Spending targets

	Conservative Party	Labour Party
Raise defence spending to 2.5% of national income	By 2030	'Set out the path'
Keep aid spending at 0.5% of national income	✓	✓
Return aid spending to 0.7% of national income	'When fiscal circumstances allow'	'As soon as fiscal circumstances allow'

- Both main parties want to increase defence spending to 2.5% of national income
 - Conservatives will do this by 2030; funded this via savings on civil service headcount and reallocation of R&D spending
 - No indication of when Labour would reach this target, or where the money would come from
- Reversal of the long-term trend of cutting defence spending to pay for expansions of the welfare state

...and int'l commitments

Illustrative change in day-to-day funding implied by Labour and Conservative plans, 2024–25 to 2028–29



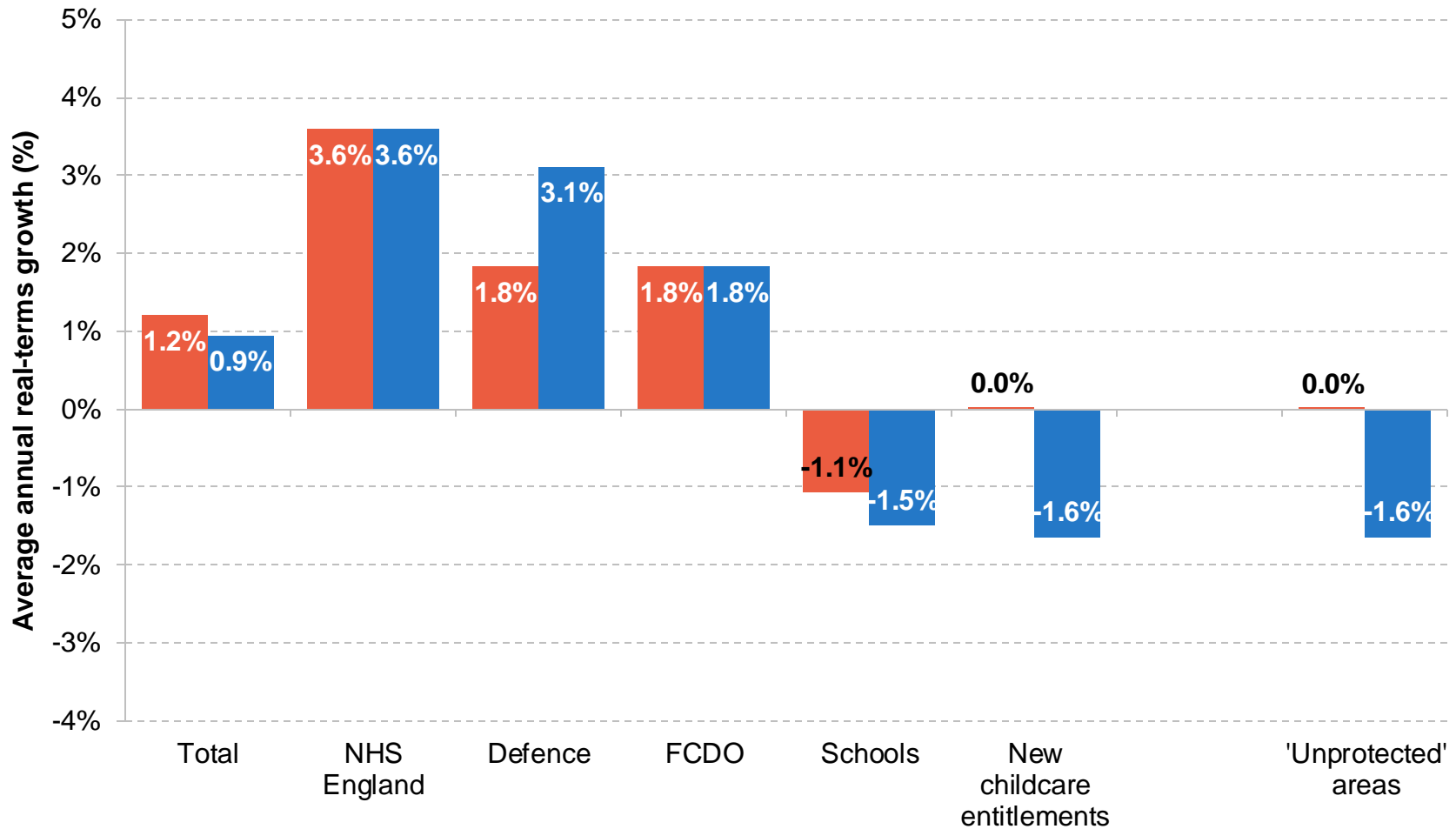
Schools

	Conservative Party	Labour Party
Boost teacher recruitment and retention in specialist areas	£30k STEM retention bonus over 5 years	6,500 new teachers in specialist subjects
Improve teacher training		✓
Mental health support in schools	✓	✓
Breakfast clubs		✓
Protect school spending per pupil in real terms	✓	Implied by 'no austerity'?

- Falling pupil numbers mean even real-terms protection for per-pupil spending translates into a substantial cut to total school spending
- Keeping *total* school spending flat in real terms would cost £3.5 billion (today's prices) in 2028-29

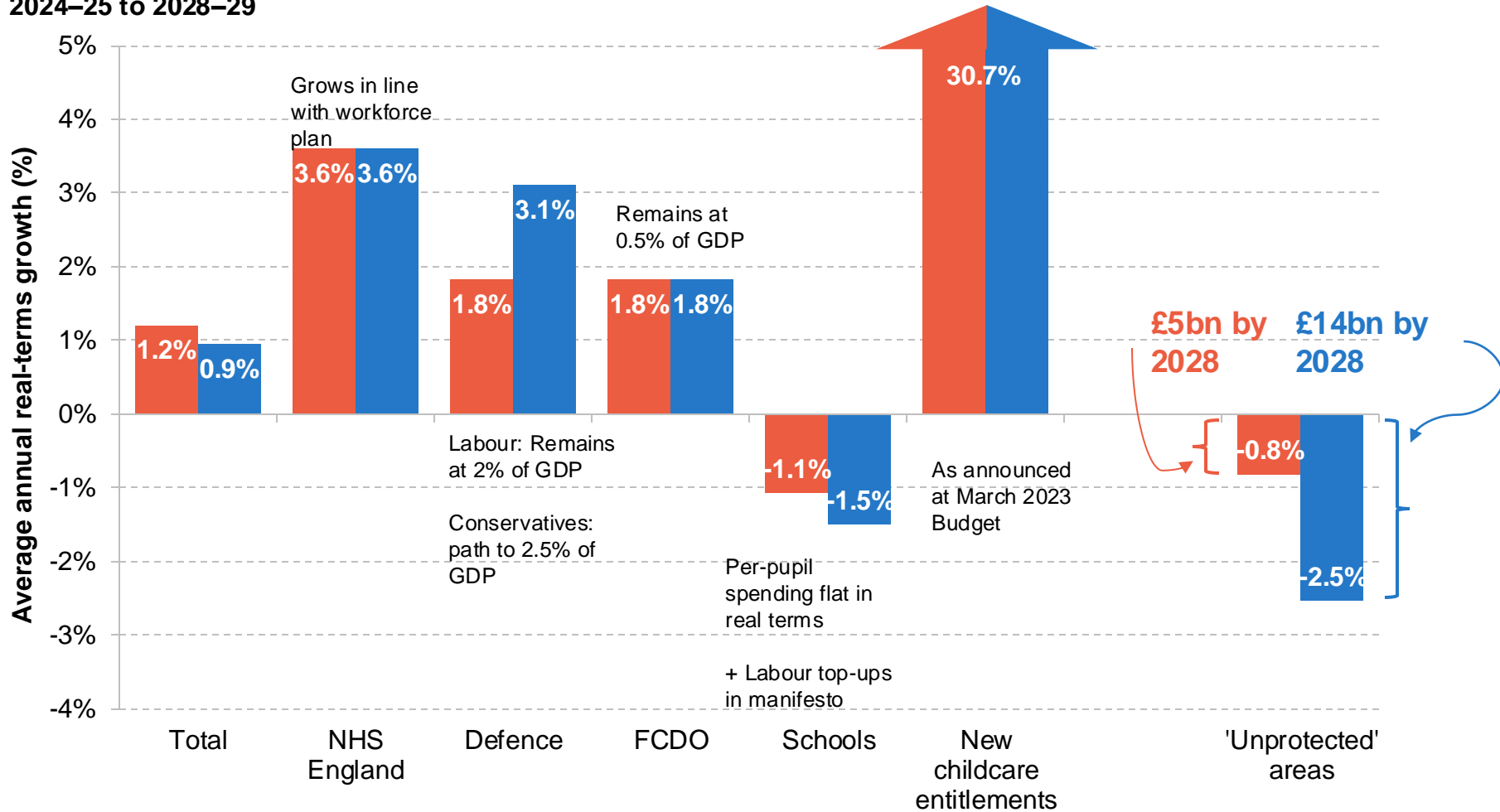
...and schools

Illustrative change in day-to-day funding implied by Labour and Conservative plans, 2024–25 to 2028–29



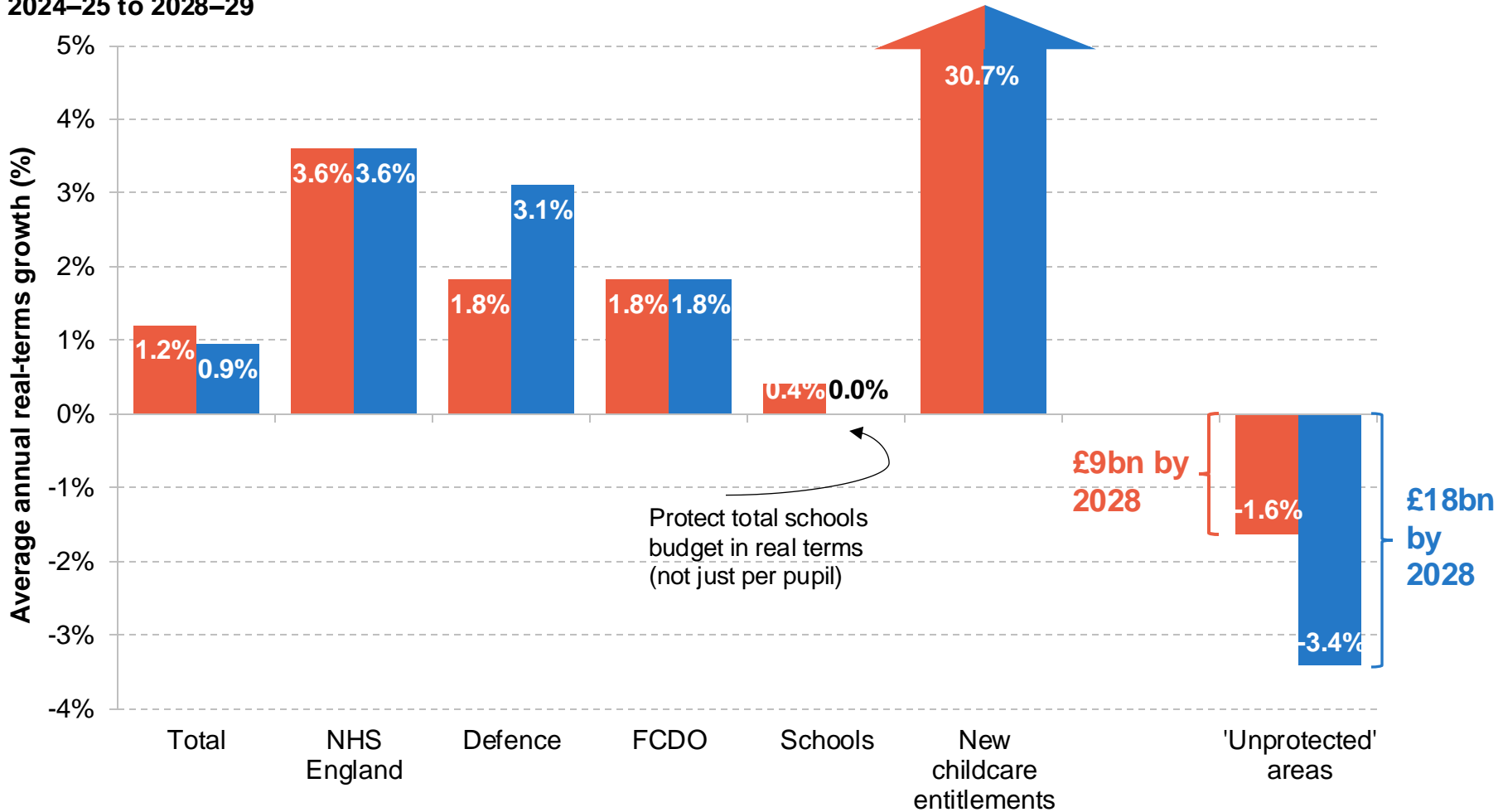
...and new childcare

Illustrative change in day-to-day funding implied by Labour and Conservative plans, 2024–25 to 2028–29



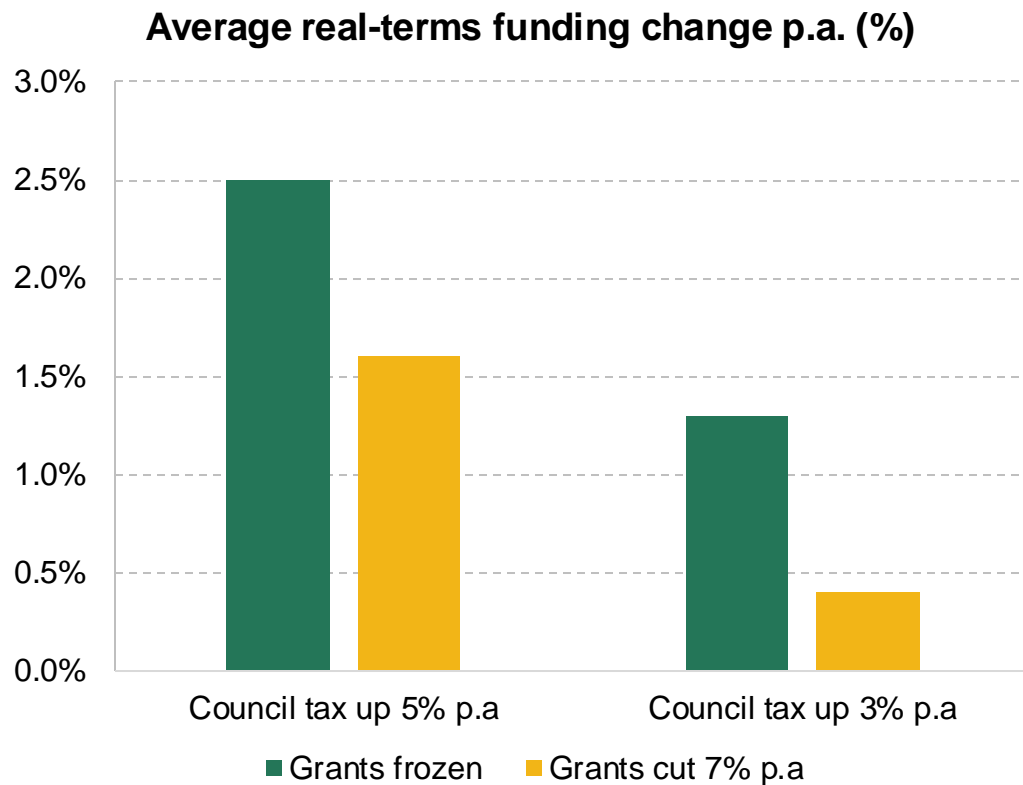
More generosity to protected areas = steeper cuts to unprotected ones

Illustrative change in day-to-day funding implied by Labour and Conservative plans, 2024–25 to 2028–29



Local government

- Both main parties pledge multi-year funding settlements – but silent on how much funding will be provided



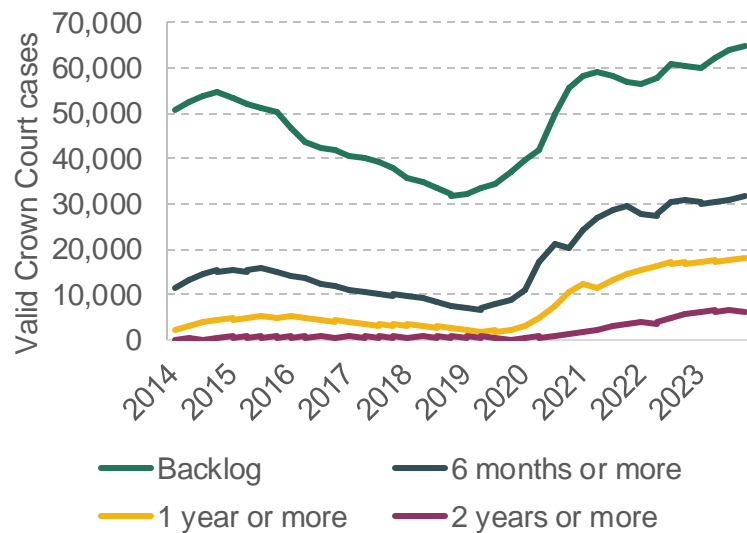
- LGA: 4.5% real-terms increase needed if spending pressures continue to rise as quickly as recent years
- Main parties all propose to expand support for adult social care – but funding announced in 2021 has been reallocated
- Parties’ social care plans would need at least £4bn a year extra

Source: Table 2, ‘What is the outlook for English councils’ funding?’, Kate Ogden and David Phillips, IFS Report R324

Courts and prisons

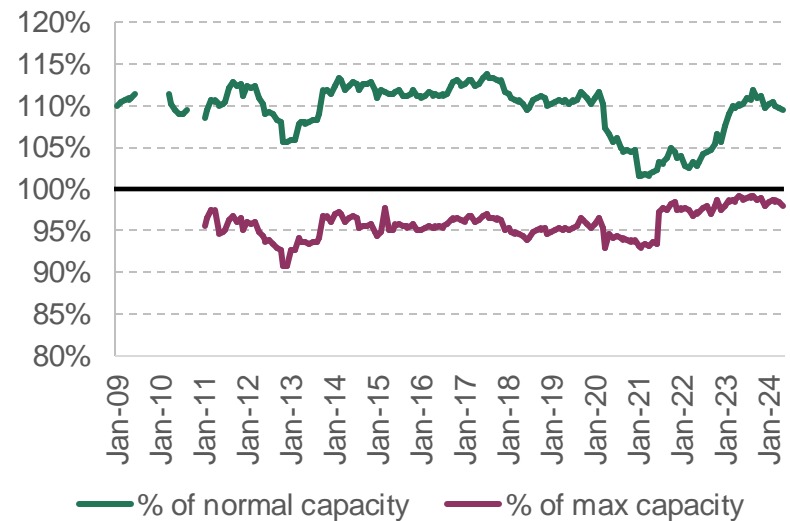
- ‘Tough on crime’ messaging a top line in both manifestos
- Agreement on more police; more crime prevention; more criminal sanctions; tougher sanctions
- But against a backdrop of rising court backlogs & full prisons

Crown Court backlog (England & Wales)



Source: MoJ, “[Criminal court statistics quarterly](#)”, Table O3.

Prison occupancy rates (England & Wales)



Source: MoJ, “[Prison population statistics](#)”. ‘Normal capacity’ refers to in-use certified normal accommodation. ‘Max capacity’ refers to operational capacity. Excludes immigration removal centres.

Skills & training

	Conservative Party	Labour Party
Focus on skills, training & young people	✓	✓
Replace A levels & T levels with 'Advanced British Standard'	✓	
National Service for all 18-year-olds	✓	
Scrap 'low-value' university courses taken by ~13%	✓	
An extra 100k apprenticeships	✓	

- Conservative offer: radical reform of the post-16 education system

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An extra 100k apprenticeships	✓	
More flexibility for employers using apprenticeship levy		✓
New bodies (Skills England) & branding (youth guarantee)		✓

- Labour offer: Refining & rebranding existing policies

Skills & training

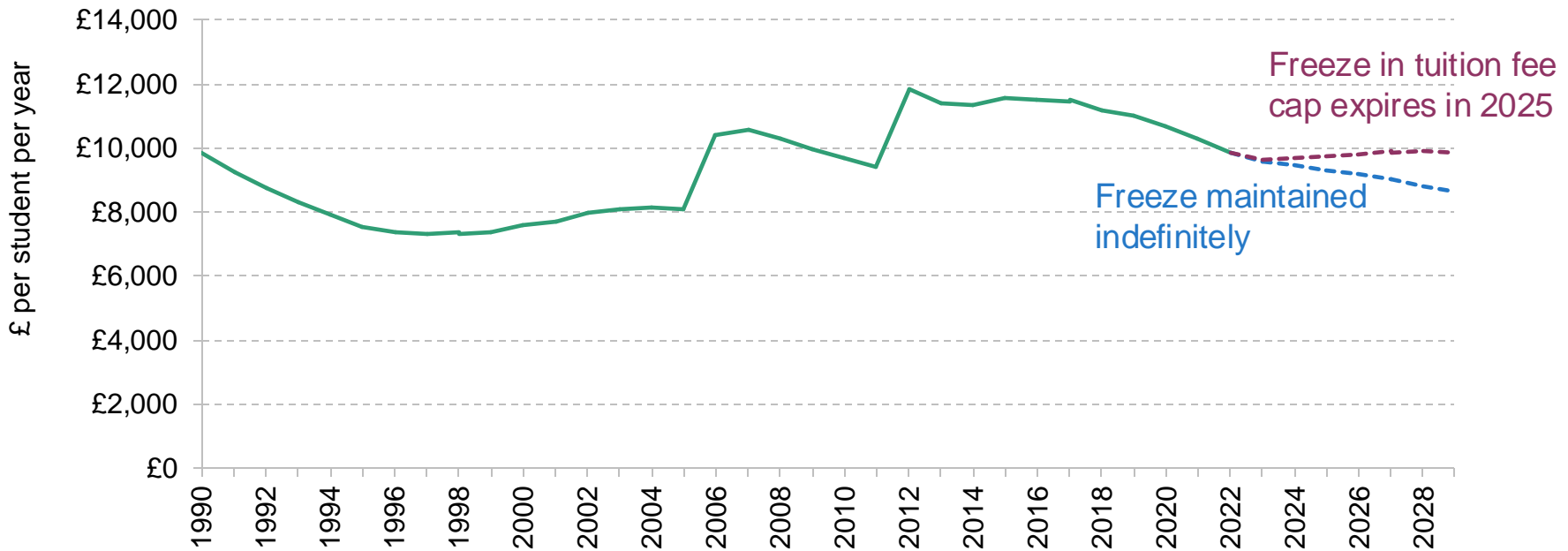
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An extra 100k apprenticeships	✓	
More flexibility for employers using apprenticeship levy		✓
New bodies (Skills England) & branding (youth guarantee)		✓
Protect core funding for colleges		

- Neither party made promises to protect core 16-19 college funding (£400m in today's prices by 2028)
- ... let alone reverse 9% per pupil real-terms cut since 2010

Higher education financing

	Conservative Party	Labour Party
Is there a problem?		'Higher education is in crisis.'
Offers a solution?		

Real-terms resources for teaching domestic (English) undergraduates (2024-25 prices)



Source: Figure 7, Ogden and Waltmann, 'Higher education finances: how have they fared, and what options will an incoming government have?'. Assumes per-student teaching grants maintained in real-terms.

We're left guessing on public services

- Next government inherits a difficult legacy on public services
 - Overall day-to-day spending up 5.6% since 2009-10 – but has fallen 4.6% per person
 - Many ‘unprotected’ departments have faced overall cuts of 20% or more
- The Labour and Conservative manifestos do little to deviate from very tight spending plans set out at the March 2024 Budget
- The manifestos do set out big ambitions in many areas – health, skills, universities, justice
- But little sense of the resources to match this challenge
- Voters are left guessing:
 - If they keep to this spending envelope, what will the next government prioritise?
 - If they instead look to top up spending plans, where will the money come from?



Online appendix

NHS: no detail on funding

Health and social care budget in England under Conservative and Labour proposals with a range of potential spending baselines

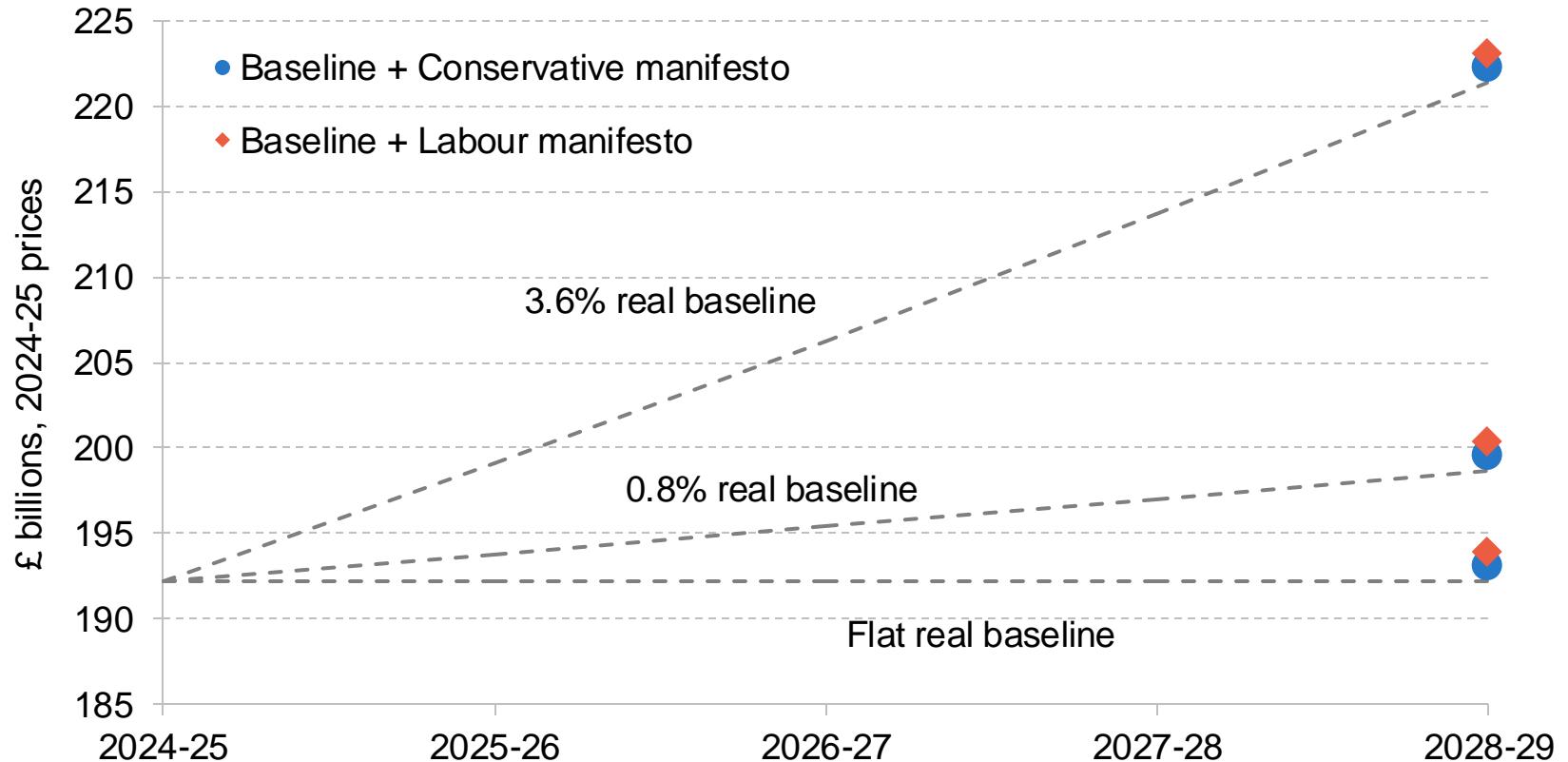
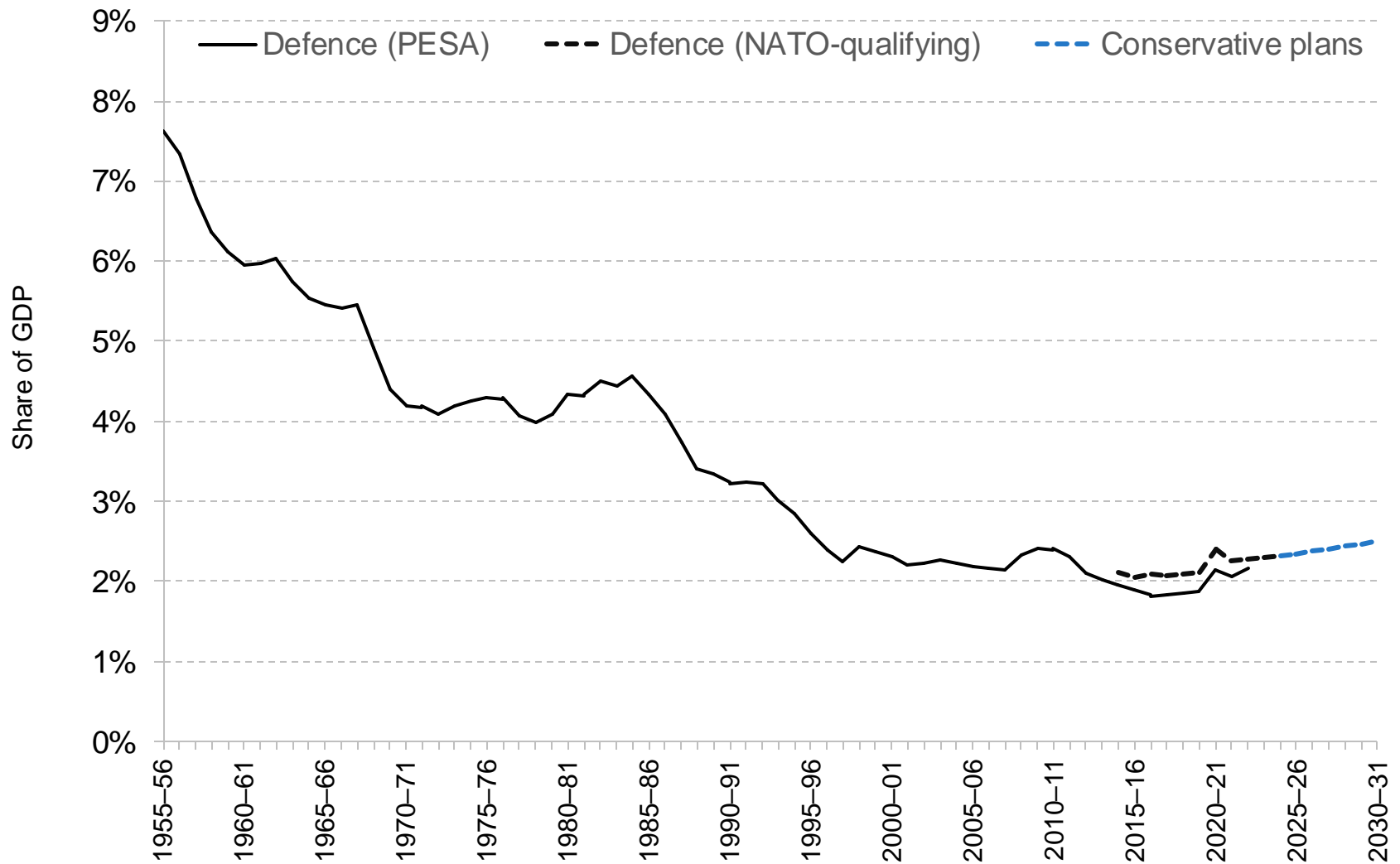


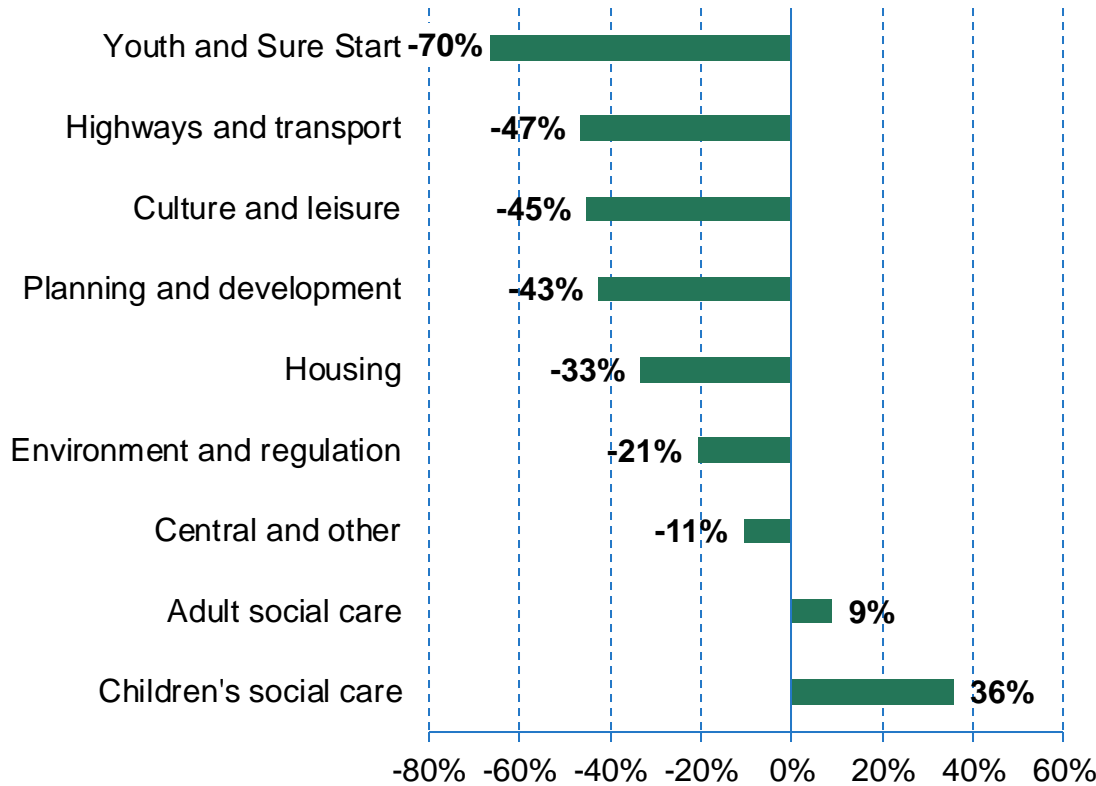
Figure 1, Boileau and Warner, 'How should we interpret parties' public spending pledges this election?'

Defence: reversing the trend



Local gov't increasingly focused specialist high-needs services

Real-terms change in spending per resident, 2010-11 (actual) to 2023-24 (estimated)



- Between early 2019 and early 2023, over 30% increase in special needs statements and children in residential care
- Doubling in number of homeless families in B&Bs
- Price of over-65s care home placements increase double rate of overall inflation
- Growing budget overspends
- 6 councils issued S114 notices and 29 required permission to use capital funding for day-to-day spending.

Source: Tables 1 and 3, 'How have English councils' funding and spending changed? 2010 to 2024', Kate Ogden and David Phillips, IFS Report R318

Adult social care

- Main parties all propose providing additional support to those with assets above existing means-test thresholds
 - Conservatives – ‘cap and floor’
 - Labour – ‘cap and floor’ as part of ‘National Care Service’
 - Liberal Democrats – free personal care & £2 higher min wage
- None have identified sufficient funding to pay for their plans
 - Funding announced at SR2021 for ‘cap and floor’ has been used for existing pressures and rolled up into future (tight) overall spending envelopes
 - Without sufficient funding (at least £4 billion per year by end of parliament), pressure on councils’ budgets would intensify and may need to end care for some existing recipients to pay for expansion to other, richer but sicker, individuals