



Bee Boileau

Public spending: a parliament of two halves?

31st October 2024

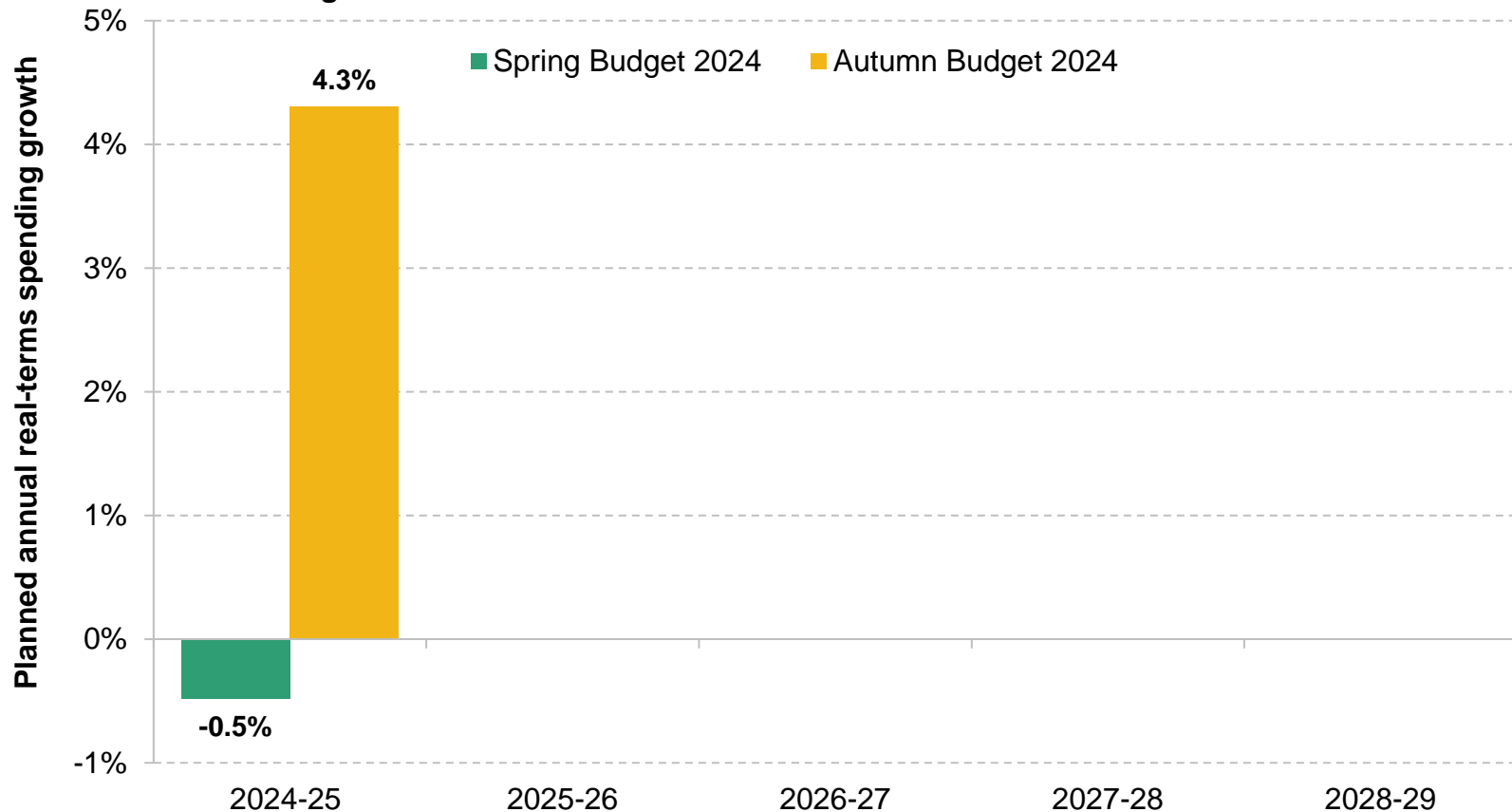
@TheIFS

Introduction

- Prioritisation of investment is welcome
- Big top up, but spending growth very front-loaded
 - True for both day-to-day and investment spending
 - Front-loading follows the pattern of previous government
 - Opportunity to fix temporary problems and make quick and noticeable improvements?
 - More cynical interpretation: motivated by fiscal rules
- Front-loading brings risks:
 - Rush to spend quickly risks spending ineffectively
 - Particularly true for capital spending
 - Plans for later years likely to be uncomfortably tight

Day-to-day spending changes...

Real terms day-to-day spending growth, 2024–25 to 2028–29, plans at Spring Budget 2024 and Autumn Budget 2024



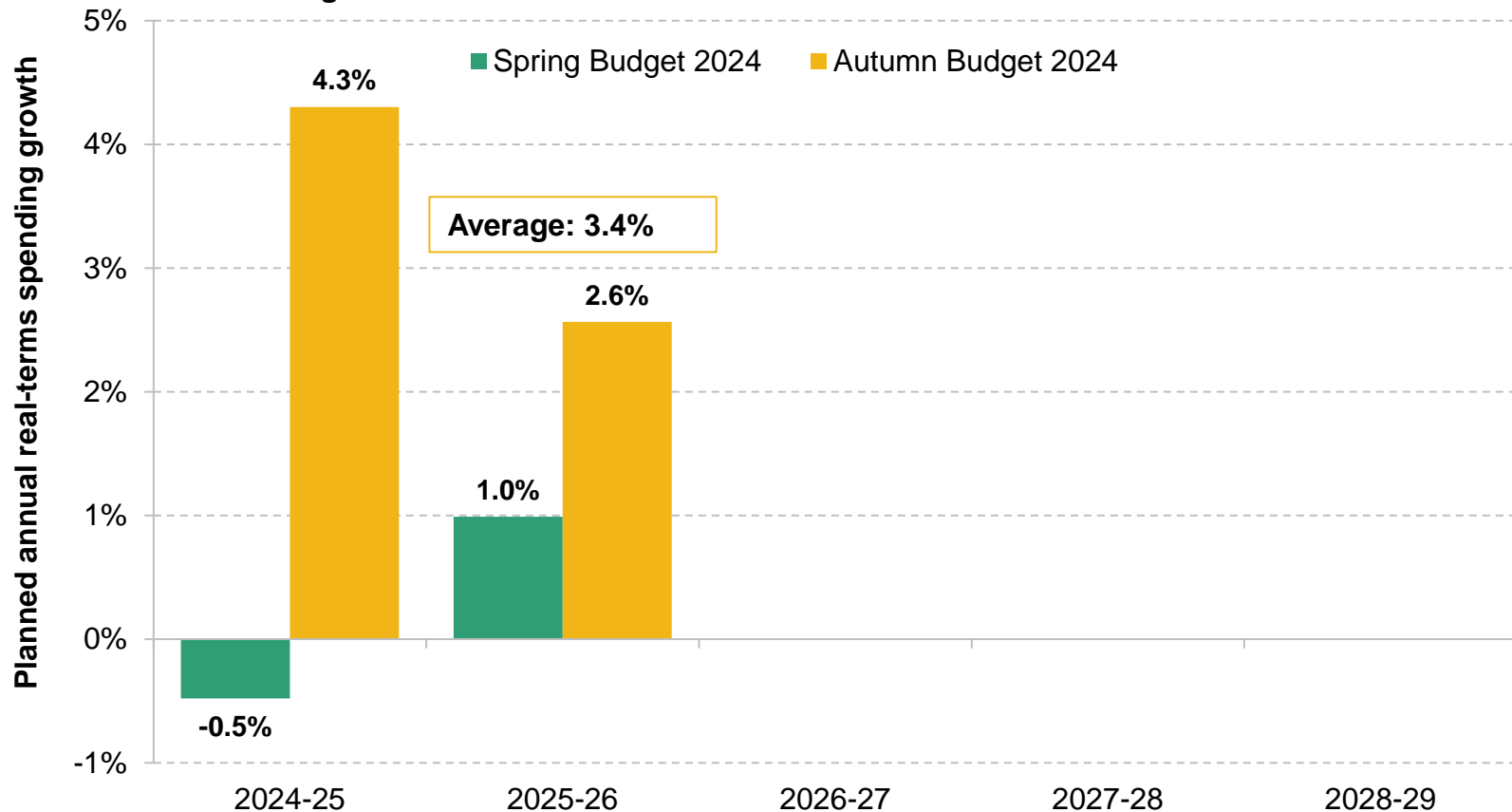
Top up relative to previous plan: **+26.0bn**

Changes in 2024-25

- In July Rachel Reeves outlined a £22 billion estimated overspend in day-to-day spending in 2024-25
 - After making ‘immediate savings’, this implied at most a **£16 billion** top up
- Yesterday’s top up **was even larger than this**
 - **£26 billion** top up to day-to-day spending for 2024–25
 - Big increases for health, education, defence and Home Office
 - Some reflects the pressures from July spending audit
 - e.g. additional spending on asylum, support for Ukraine
 - Some seems to reflect new policy decisions

Day-to-day spending changes...

Real terms day-to-day spending growth, 2024–25 to 2028–29, plans at Spring Budget 2024 and Autumn Budget 2024



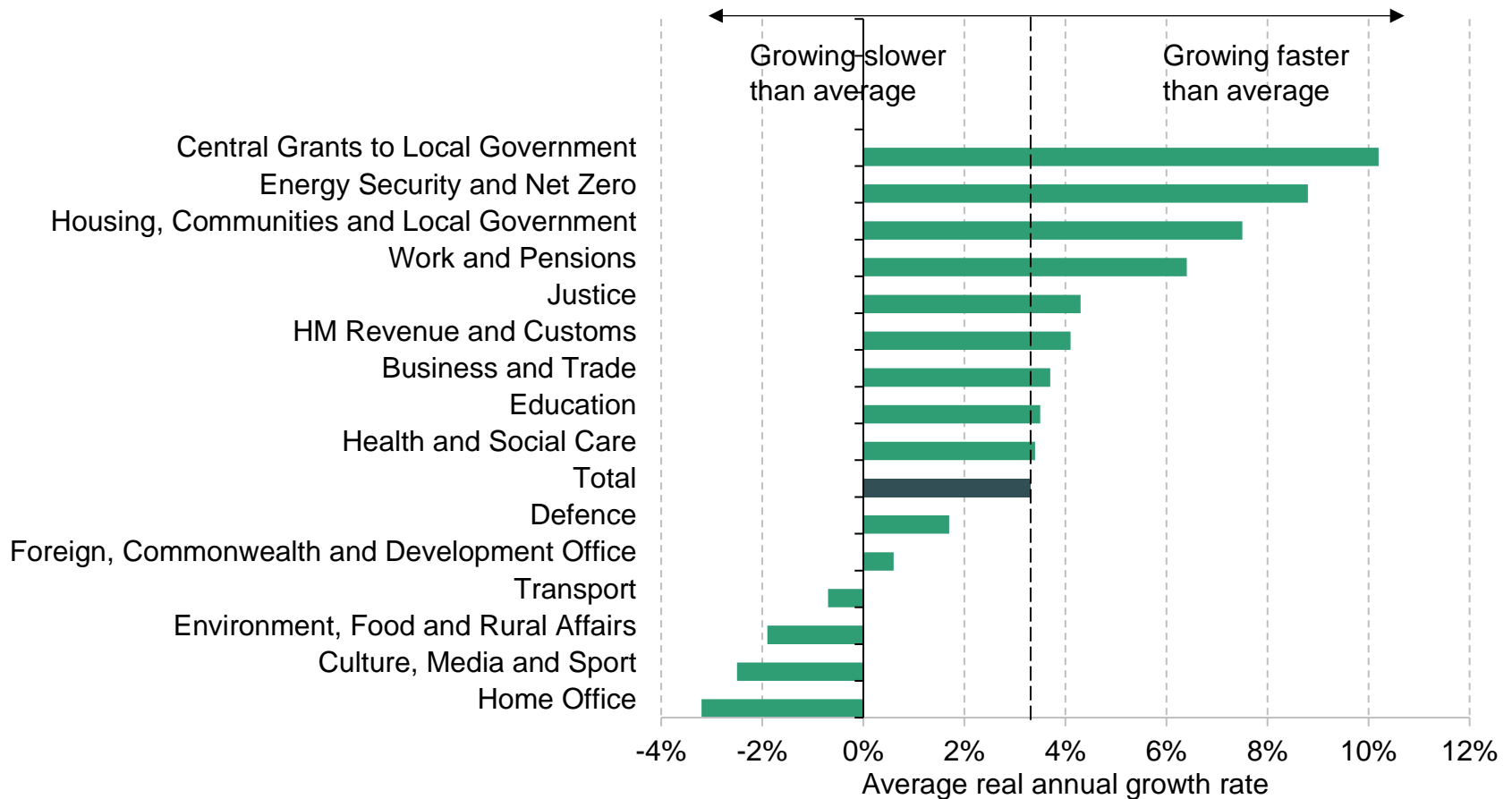
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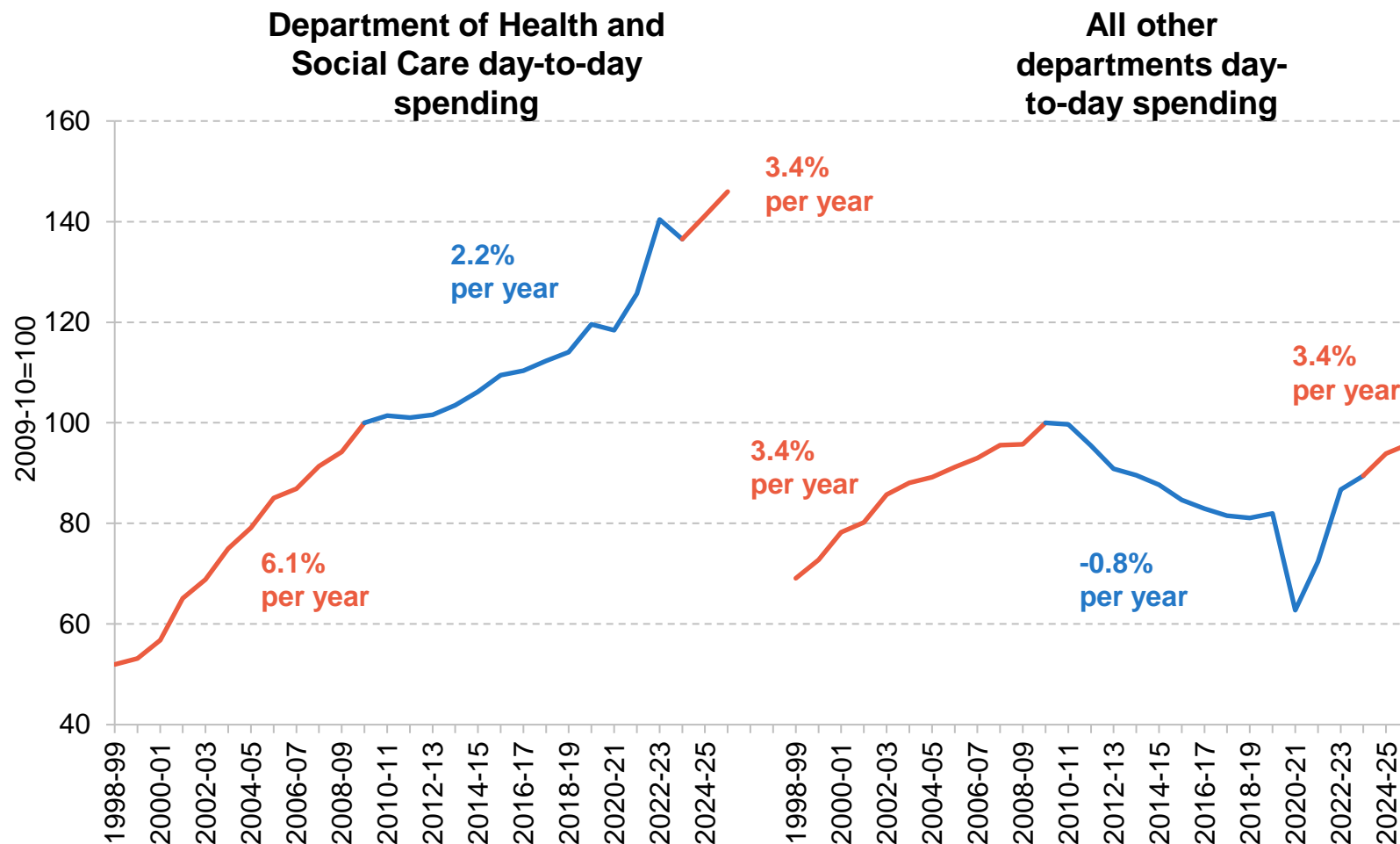
+39.5bn

Where is the money going?

Day-to-day growth rates between 2023-24 and 2025-26 relative to overall envelope



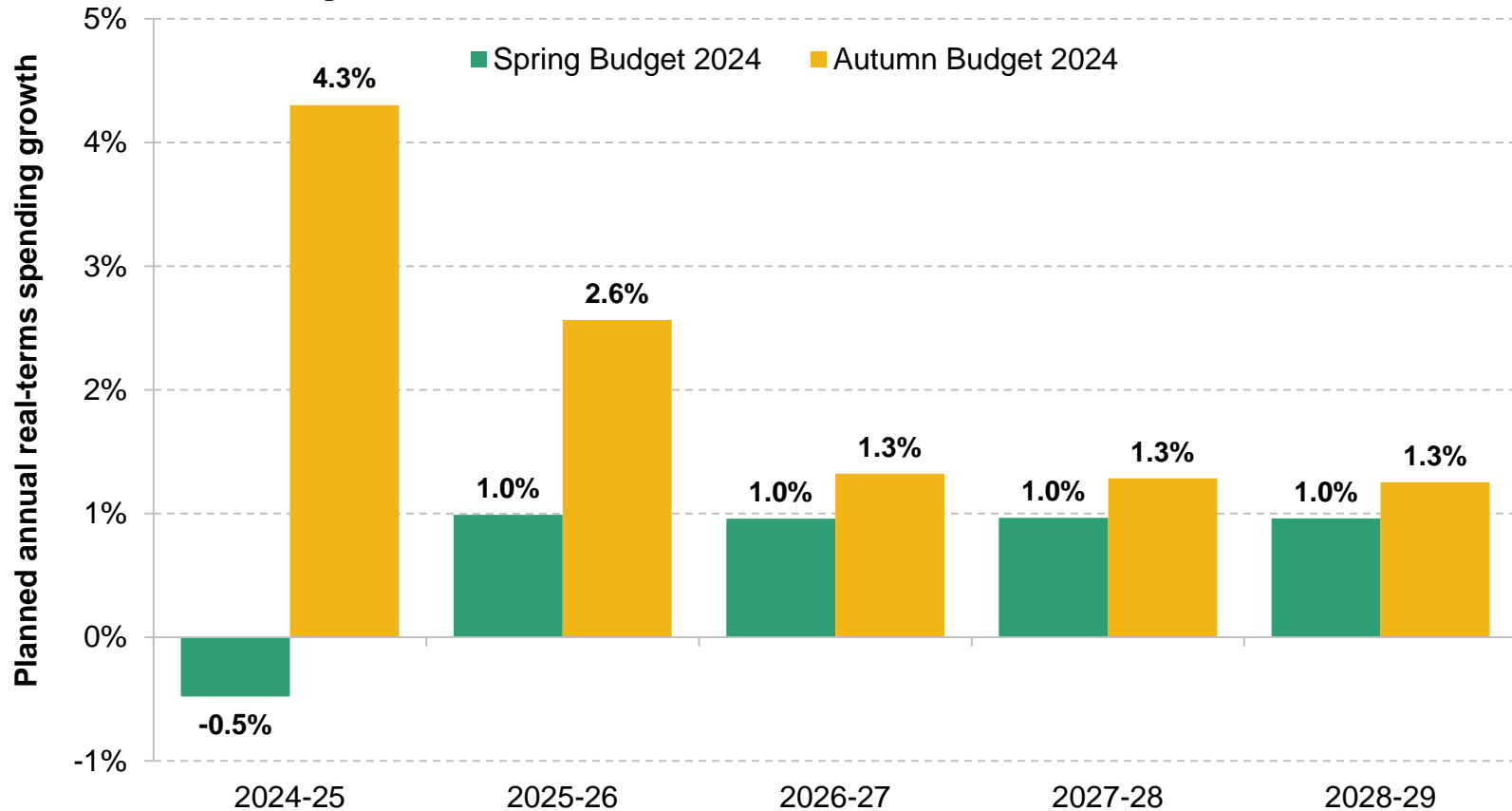
Departmental changes



Note: excludes ringfenced COVID-19 and energy support funding

Day-to-day spending changes...

Real terms day-to-day spending growth, 2024–25 to 2028–29, plans at Spring Budget 2024 and Autumn Budget 2024



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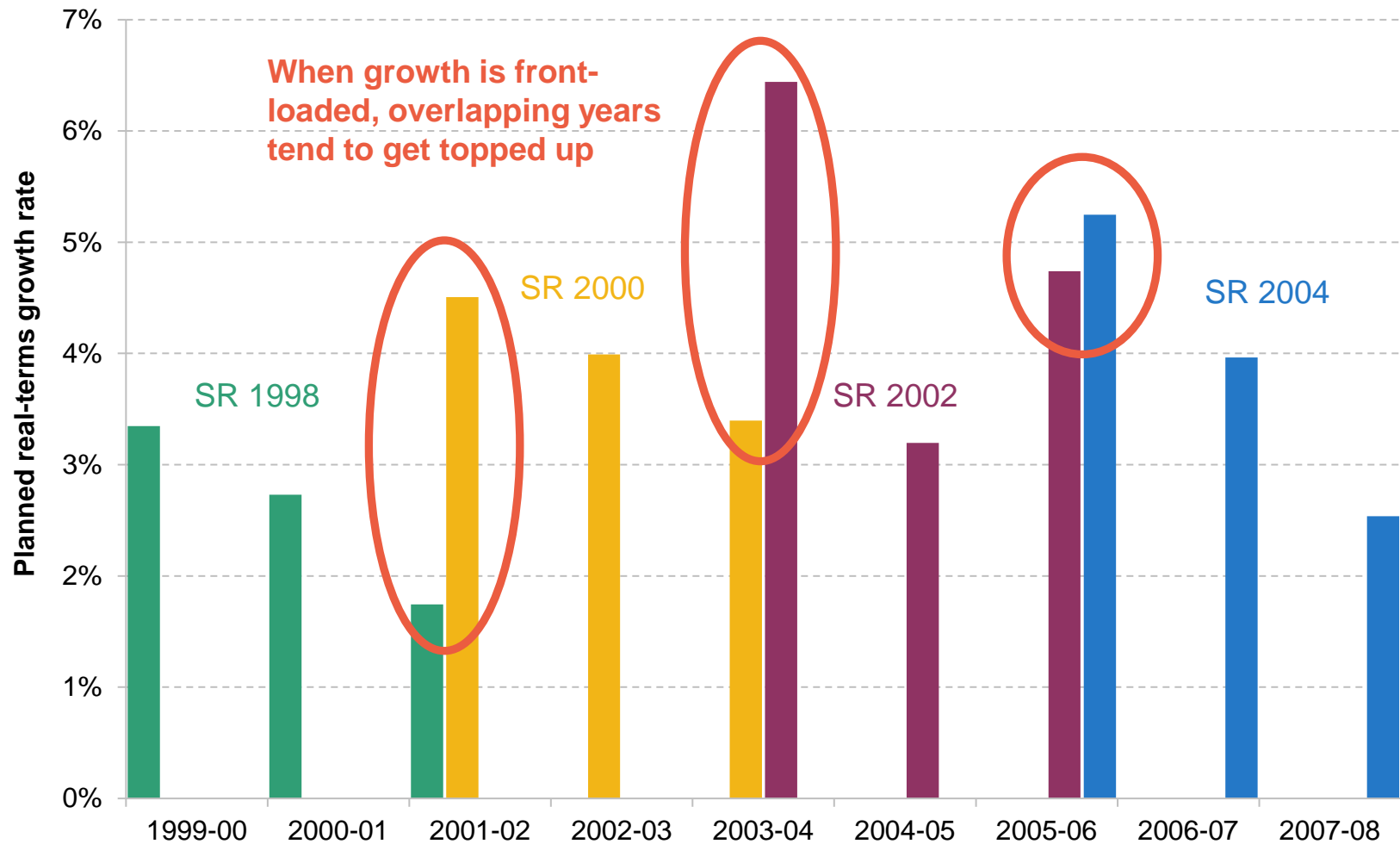
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+43.6bn

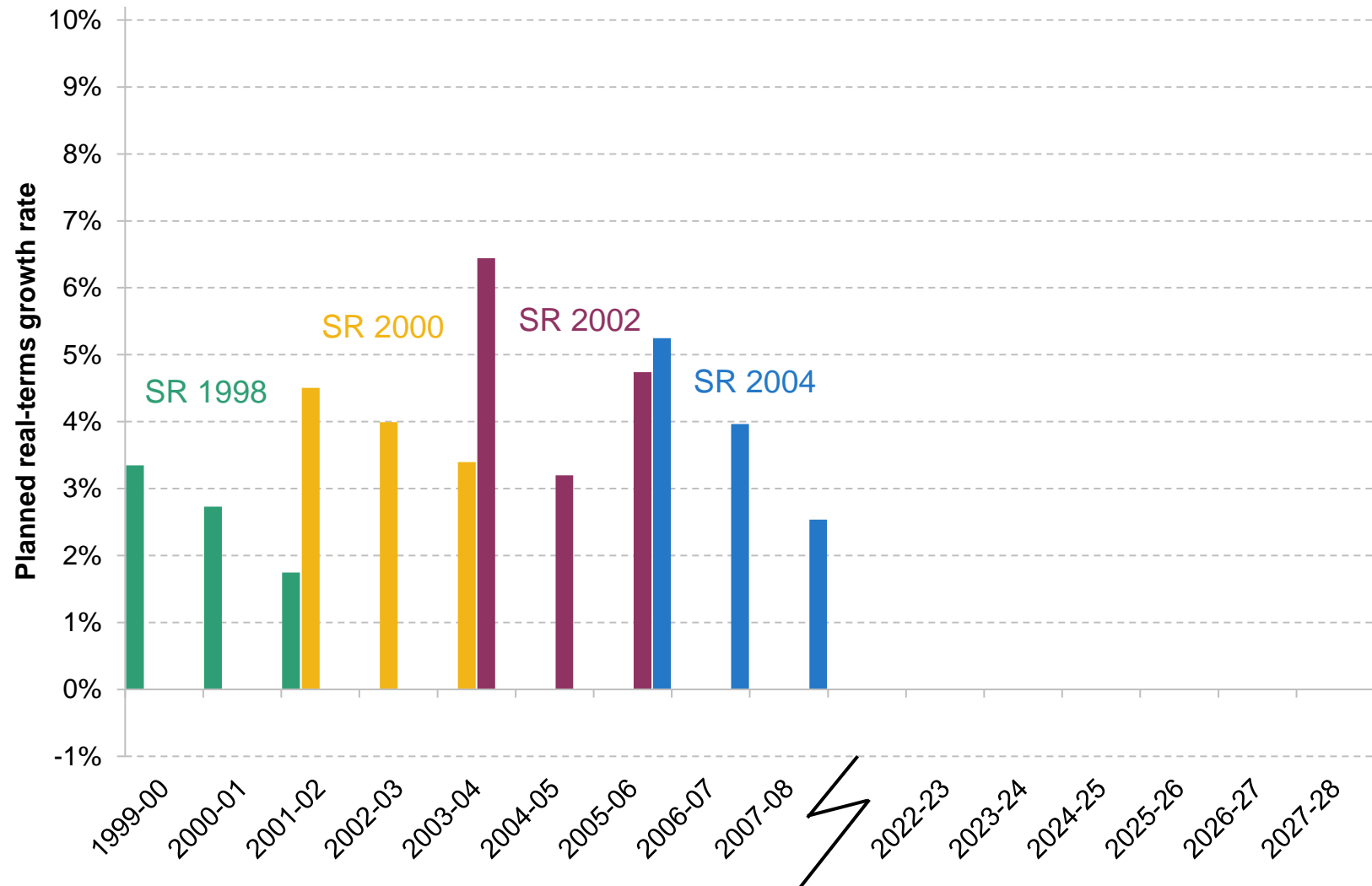
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+50.0bn

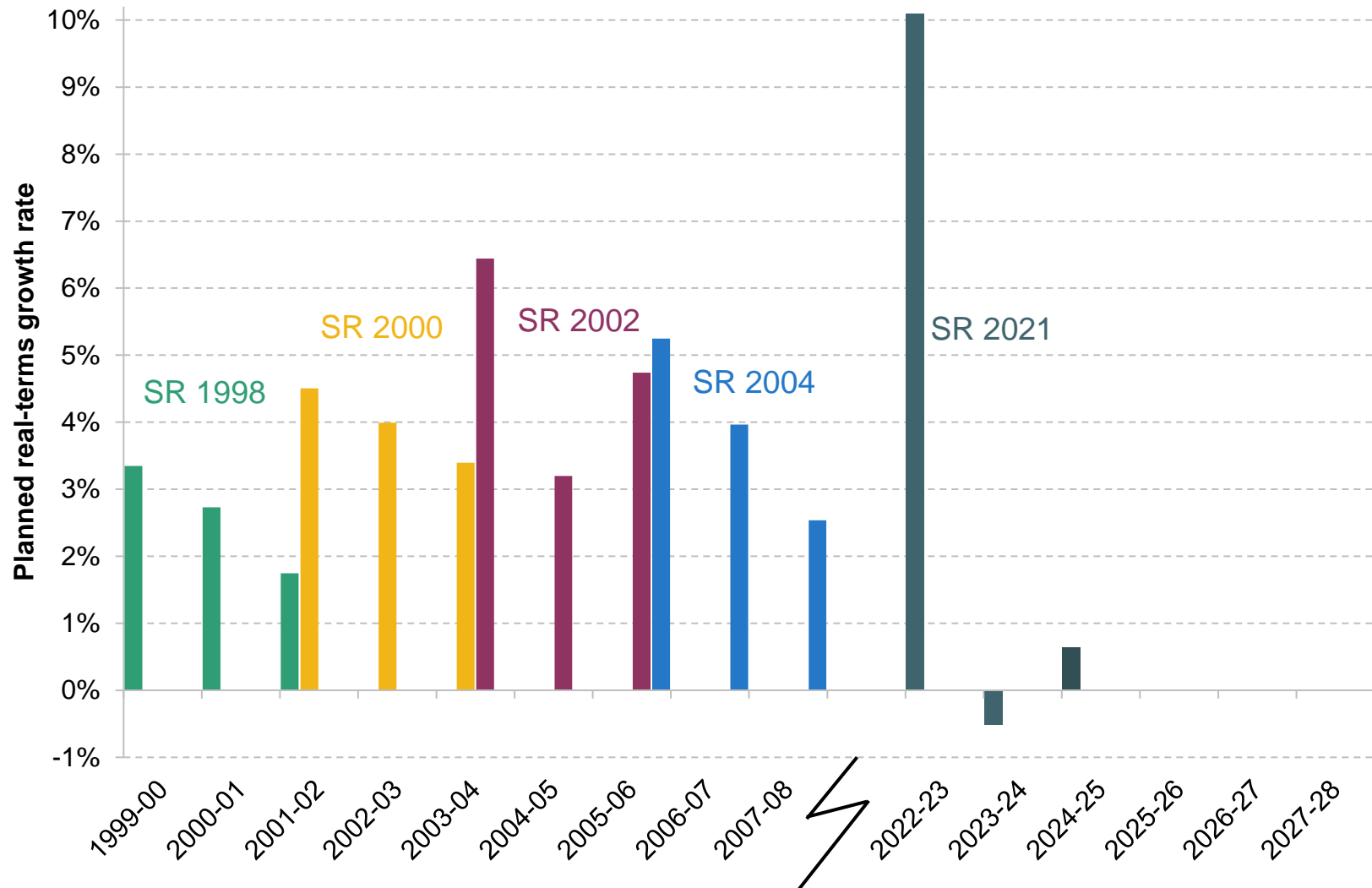
The trouble with front-loaded, overlapping Spending Reviews



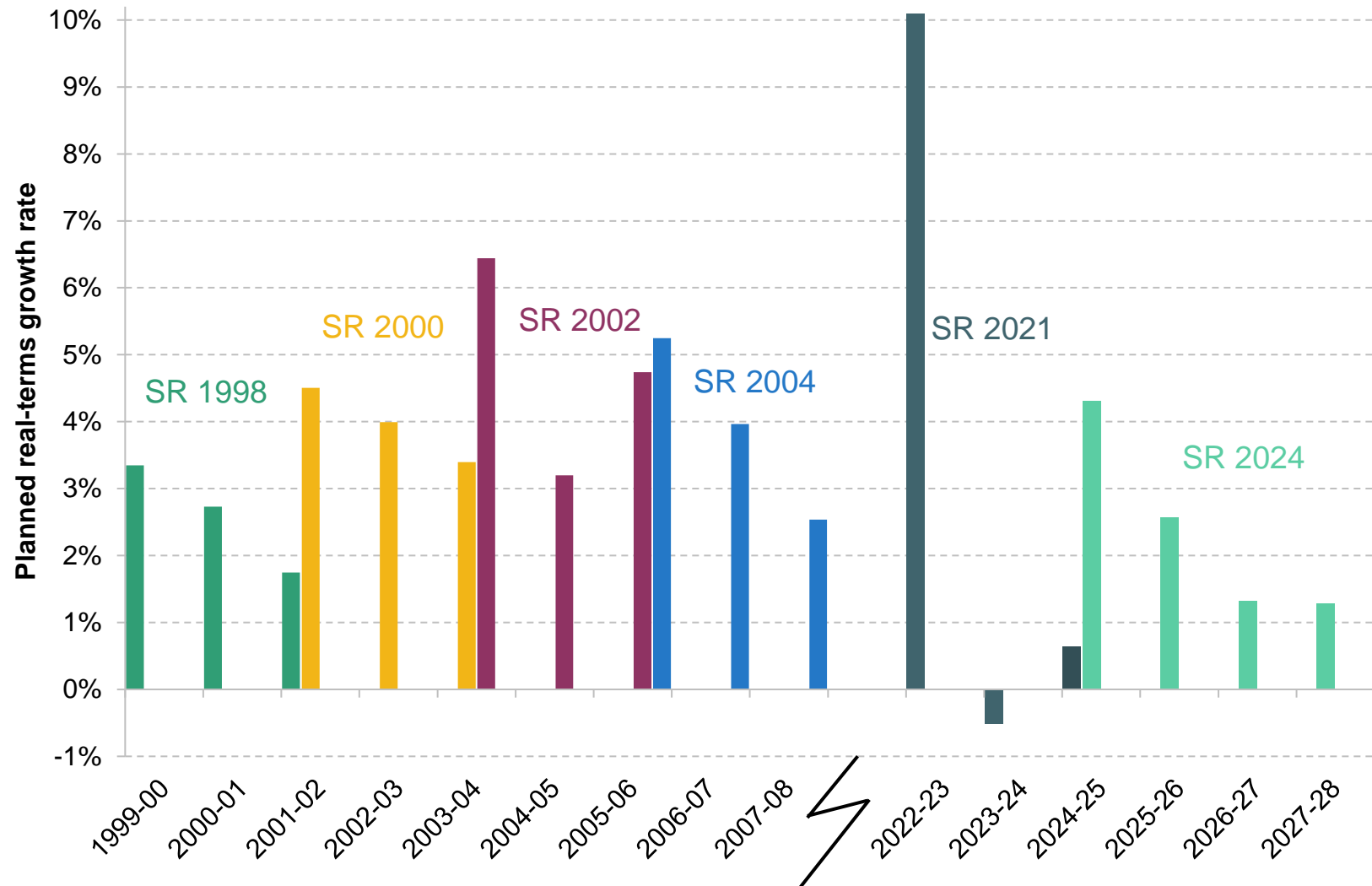
The trouble with front-loaded, overlapping Spending Reviews



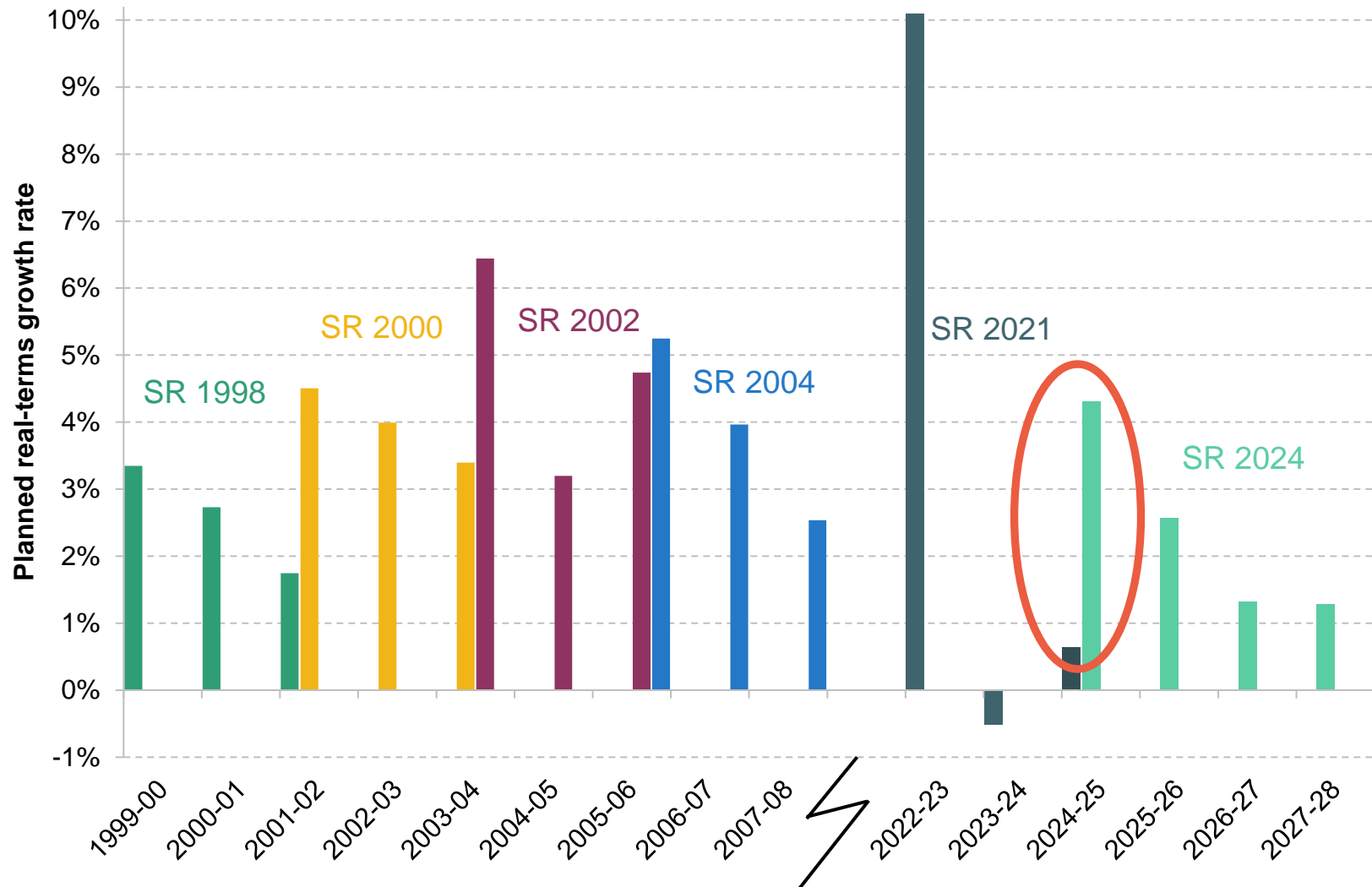
The trouble with front-loaded, overlapping Spending Reviews



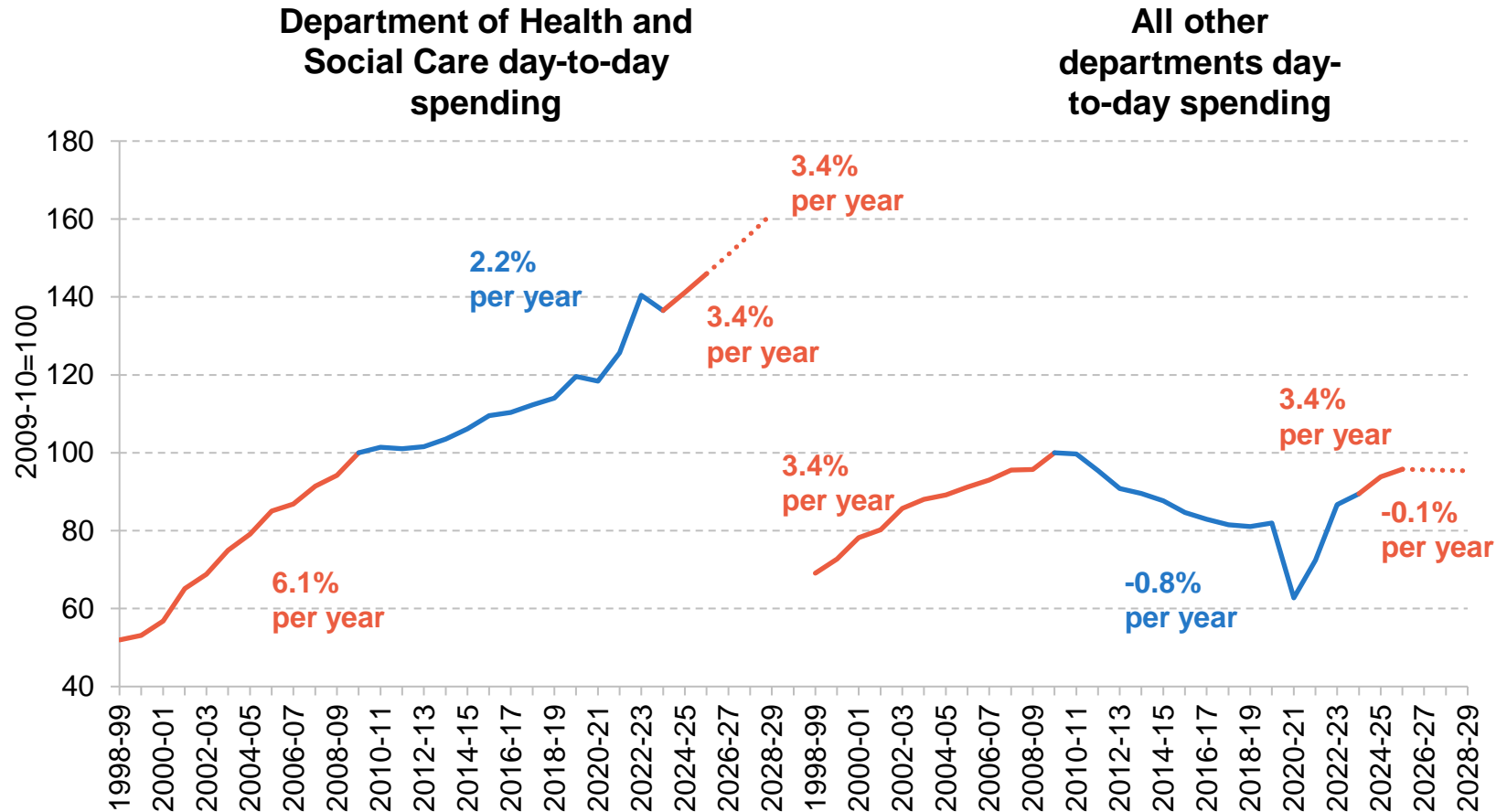
The trouble with front-loaded, overlapping Spending Reviews



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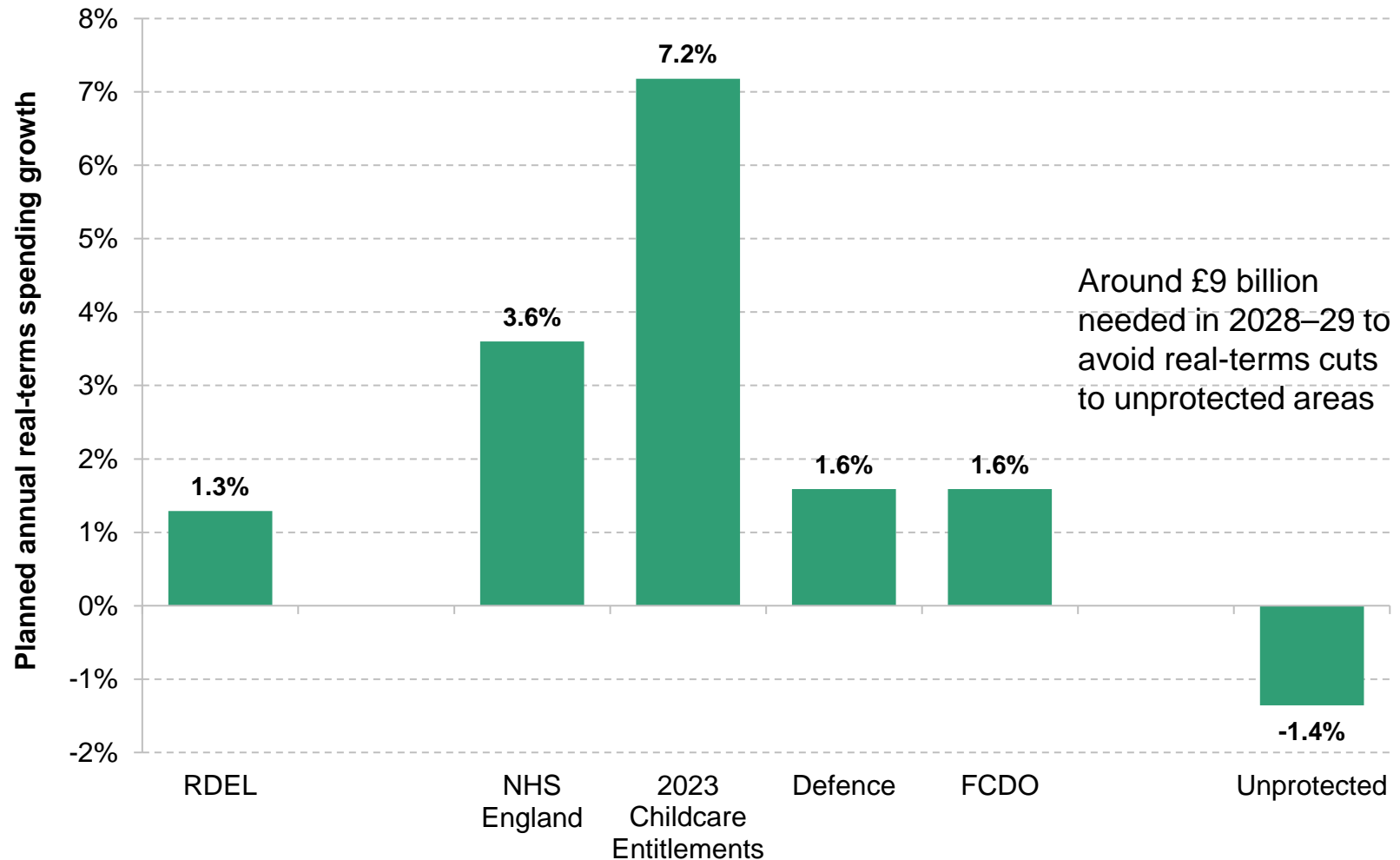
Tight plans after 2025–26



Note: excludes ringfenced COVID-19 and energy support funding

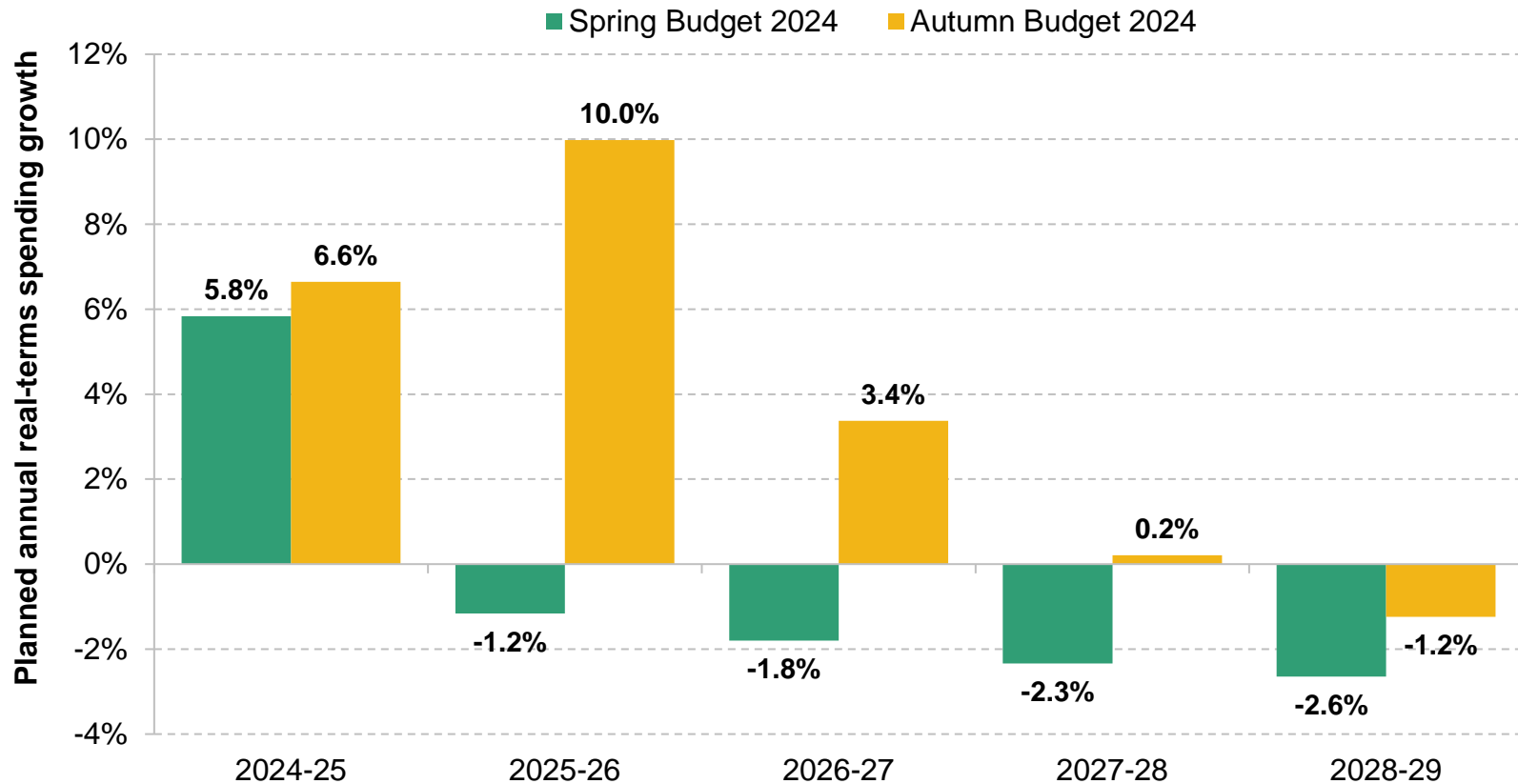
Tight plans after 2025–26

Real terms day-to-day spending growth, 2025–26 to 2028–29



Capital spending changes

Real terms capital spending growth, 2024–25 to 2028–29, plans at Spring Budget 2024 and Autumn Budget 2024



Top up relative to previous plan:

-1.5bn

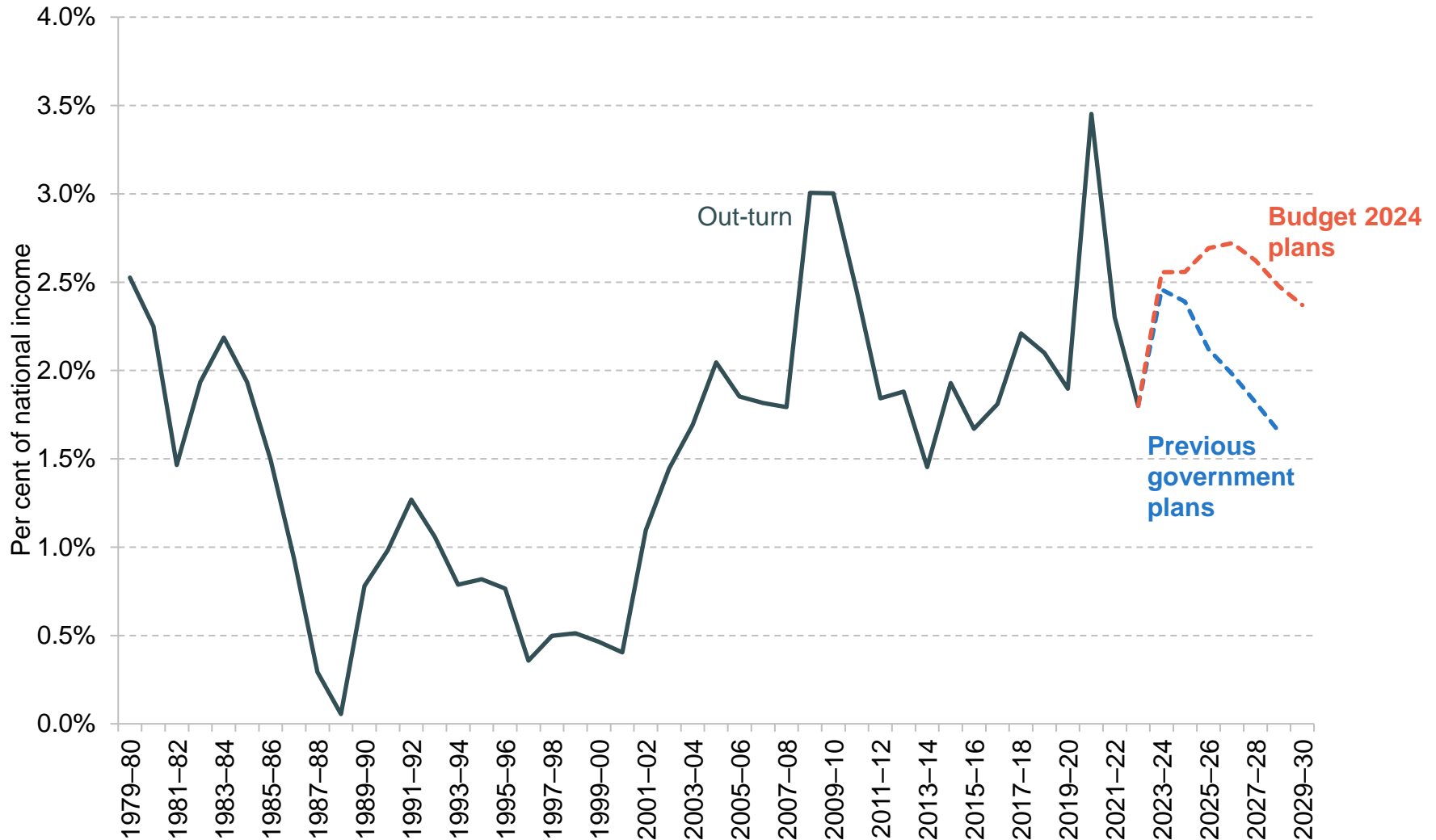
+13.0bn

+20.2bn

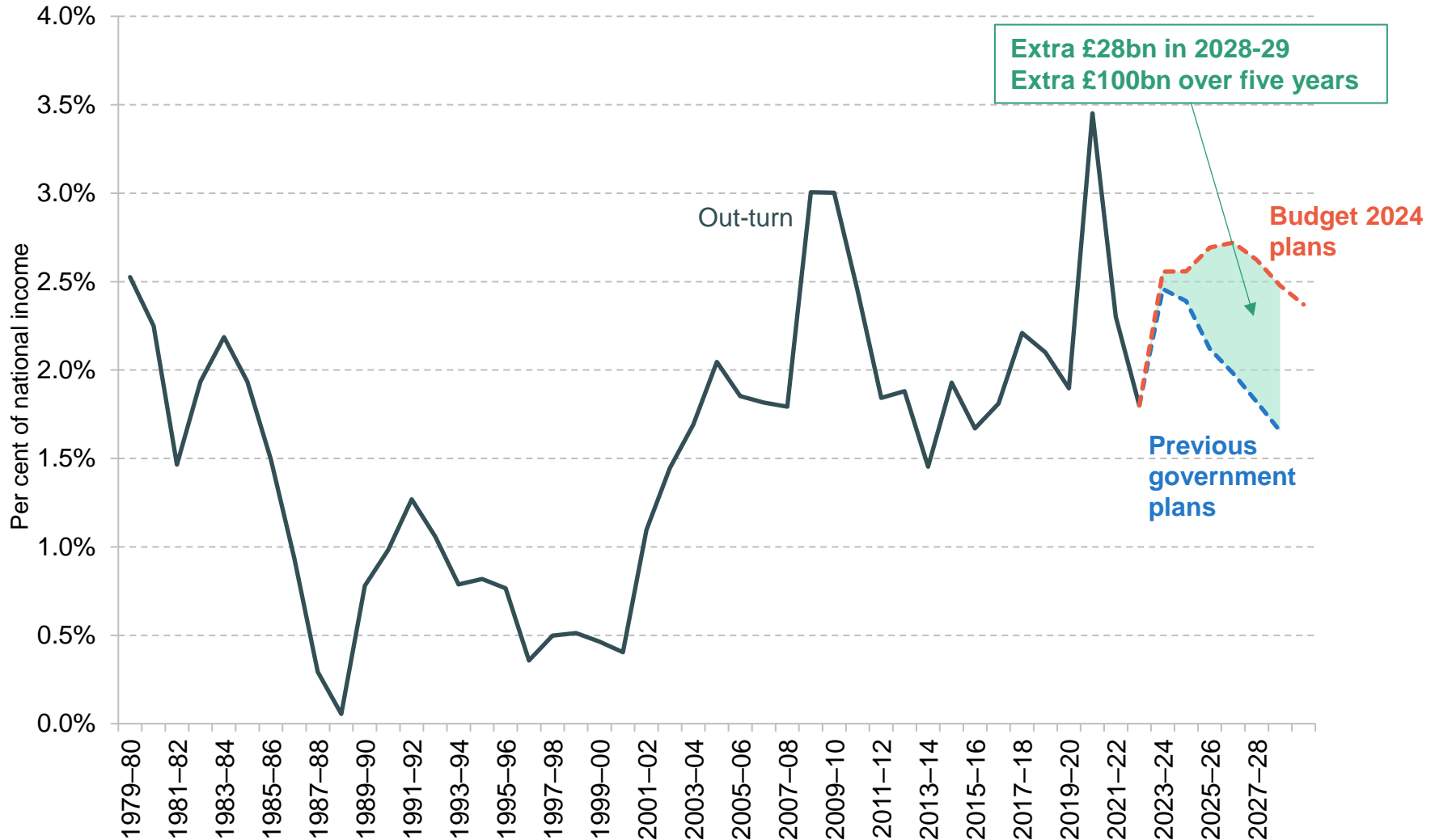
+23.8bn

+25.7bn

Public sector net investment



Public sector net investment



Conclusion

- Prioritisation of investment welcome
- Genuinely big top ups to public spending – but heavily front-loaded
 - Case for this on grounds of temporary pressures
 - But not the first Chancellor to promise an unspecified future squeeze to spending
 - Potential top ups down the line?
- Will need to be spelled out at the Spring Spending Review

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