



Bee Boileau, IFS

7 March 2024

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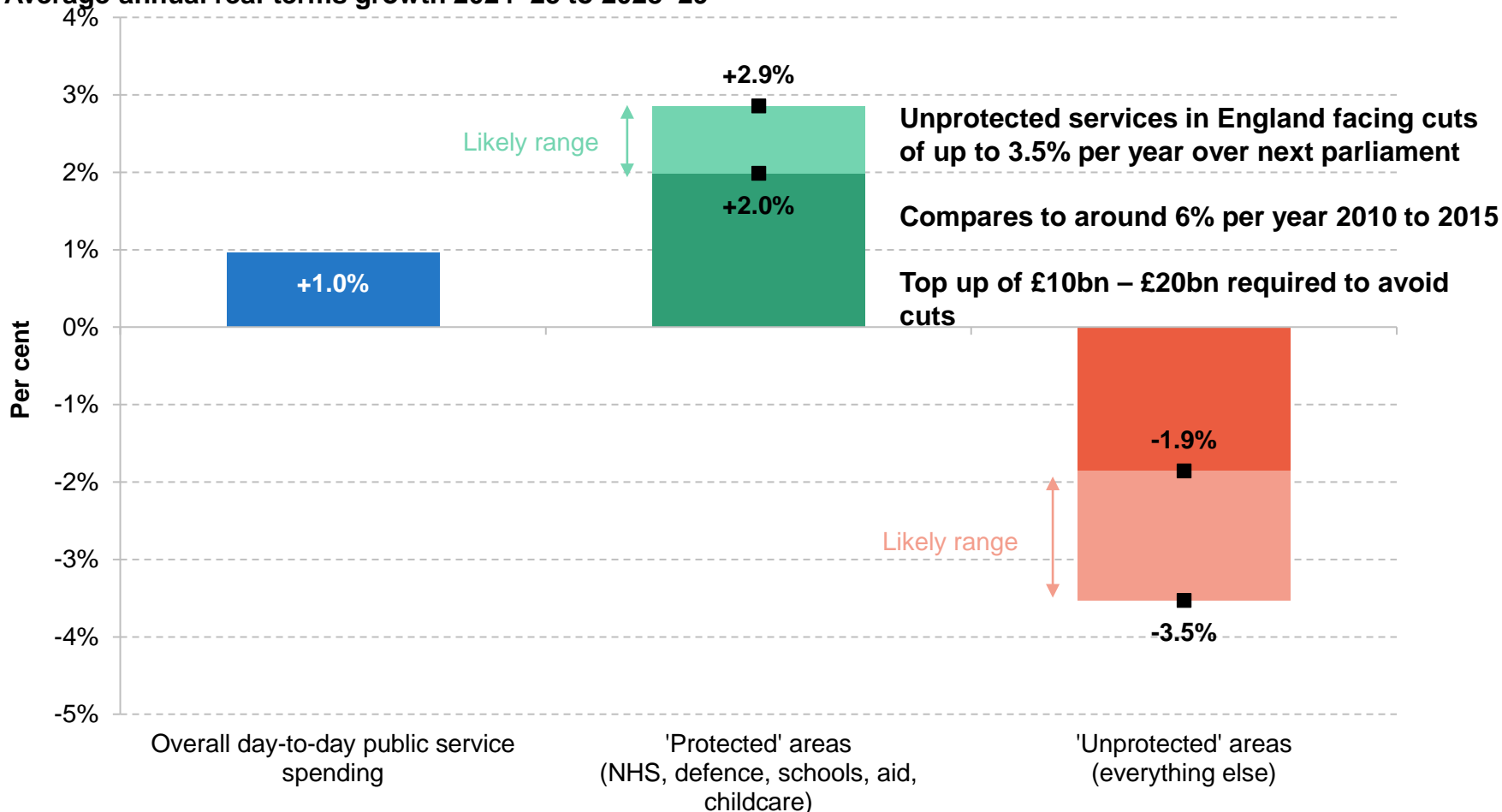
# Public service spending

# Extra funding for the NHS

- £2.5 billion top-up for NHS England day-to-day spending in 2024-25
  - Just enough to get a real-terms increase, especially with additional funding to come from immigration health surcharge
    - though actual cost pressures may well exceed GDP deflator
  - Plans are still tight; entirely possible we will see another top-up
- £3.4 billion earmarked for investment in NHS technology from 2025-26
  - A welcome statement of intent to prioritise NHS capital spend
    - ... but only after cutting £1.1 billion from the capital budget this year

# Post-election spending plans

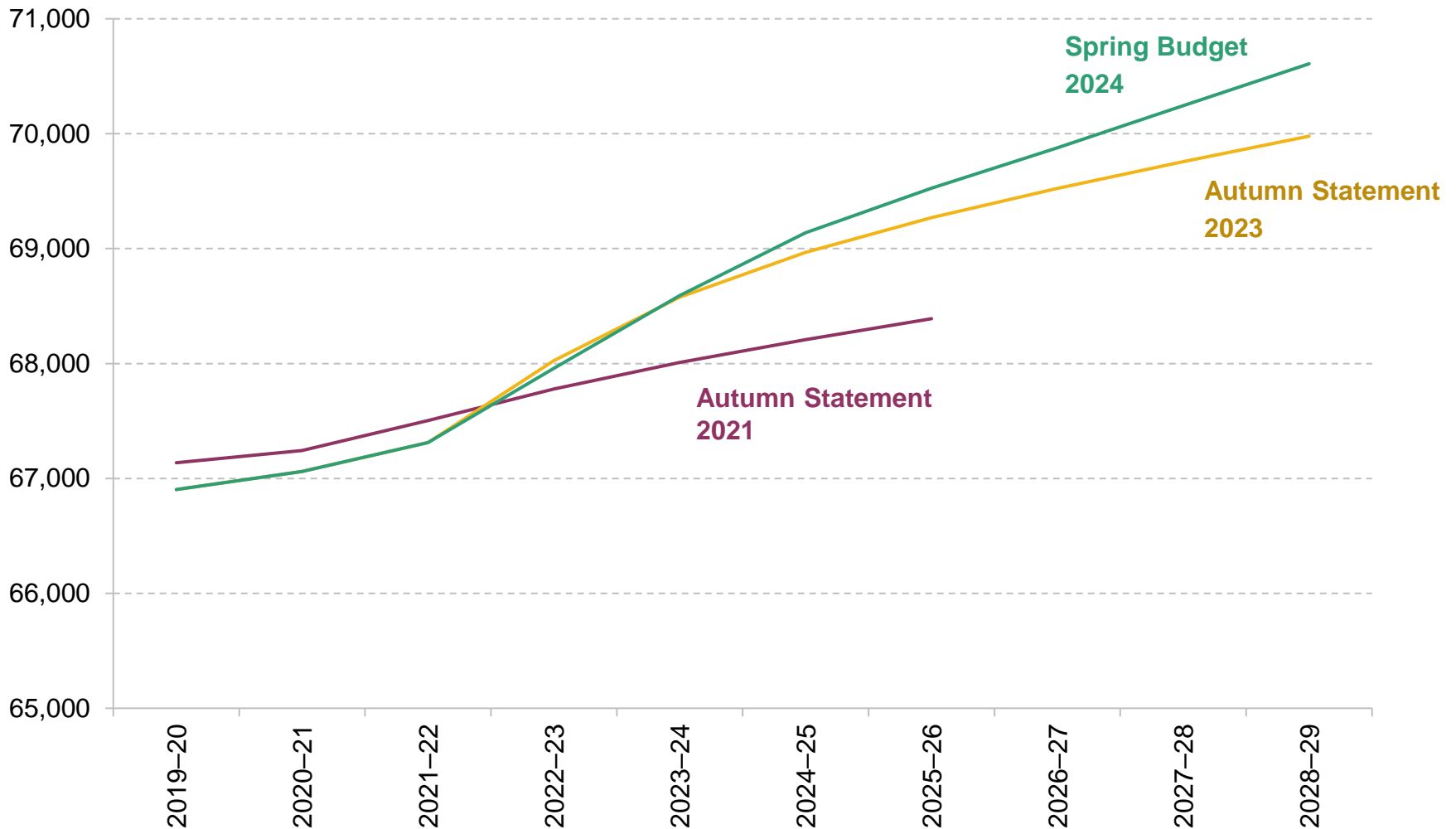
Average annual real-terms growth 2024–25 to 2028–29



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 are not intended to cover all possible eventualities but to represent our assessment of the set of most plausible values.

Source: Author's calculations based on HM Treasury Spring Budget 2024 and OBR Economic and Fiscal Outlook March 2024.

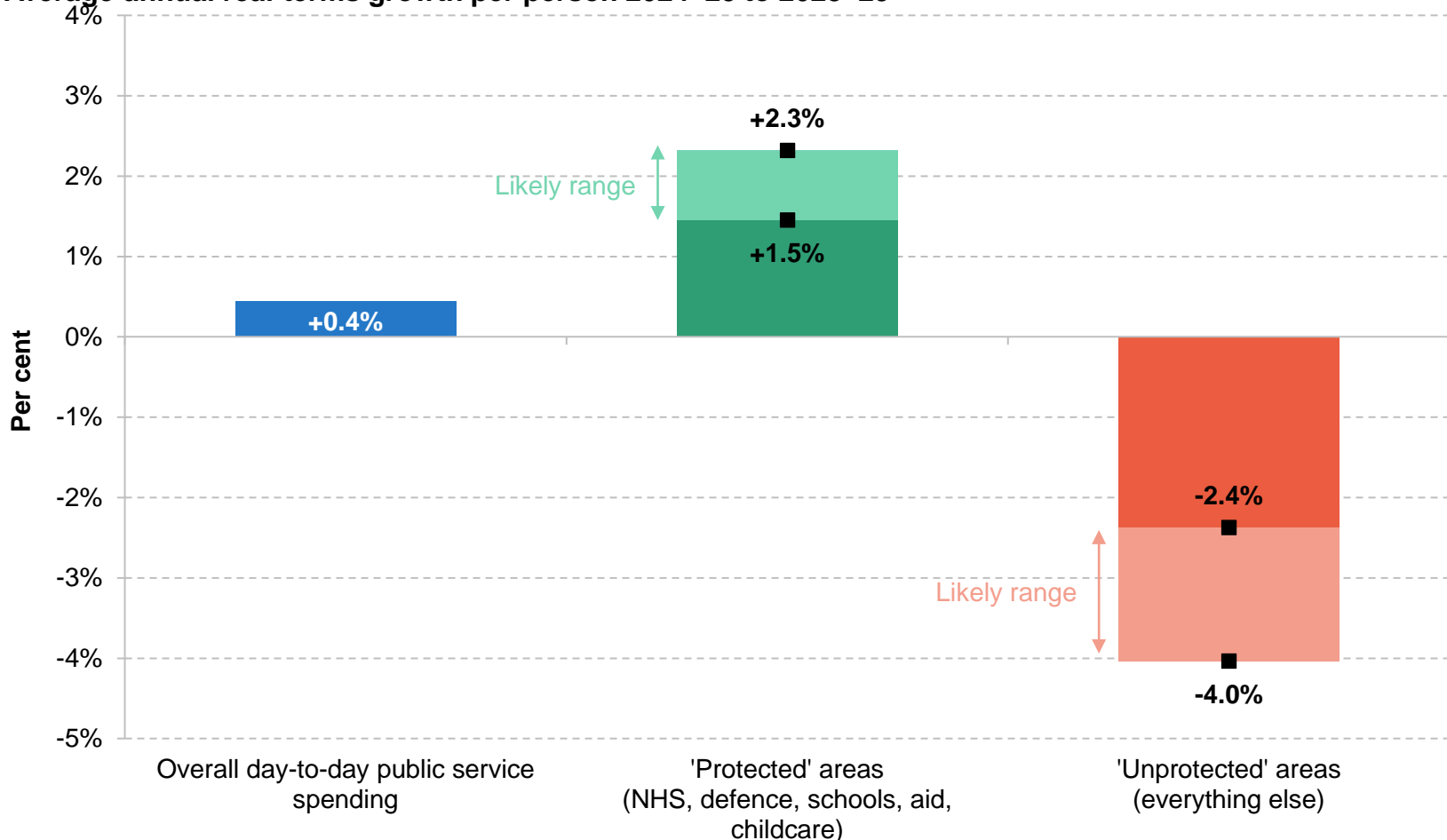
# Population growing more rapidly – implications for spending



Source: OBR population estimates from November 2021, November 2023, March 2024

# Even tighter in per person terms

Average annual real-terms growth per person 2024–25 to 2028–29

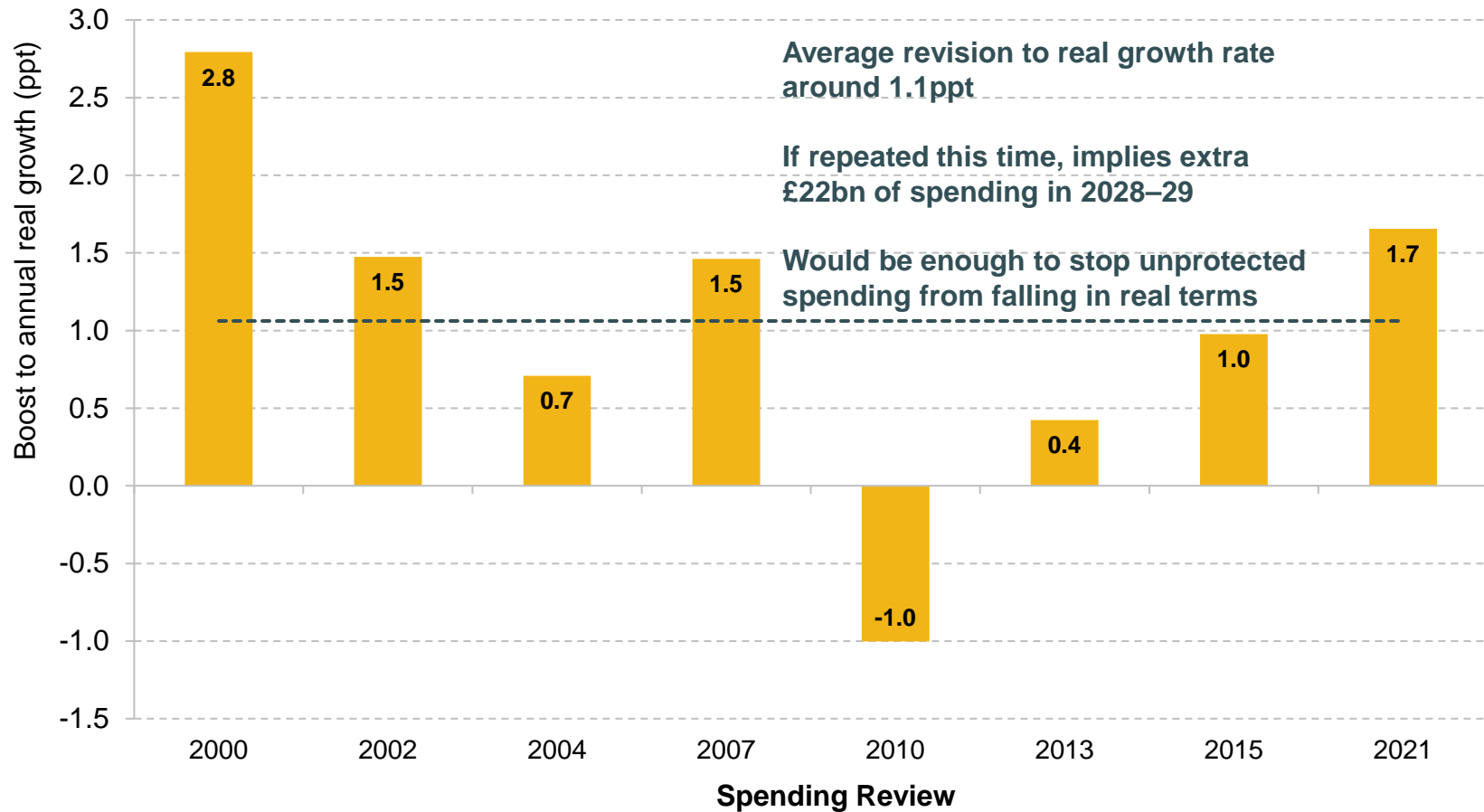


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# Spending Review coming up – historically plans topped up

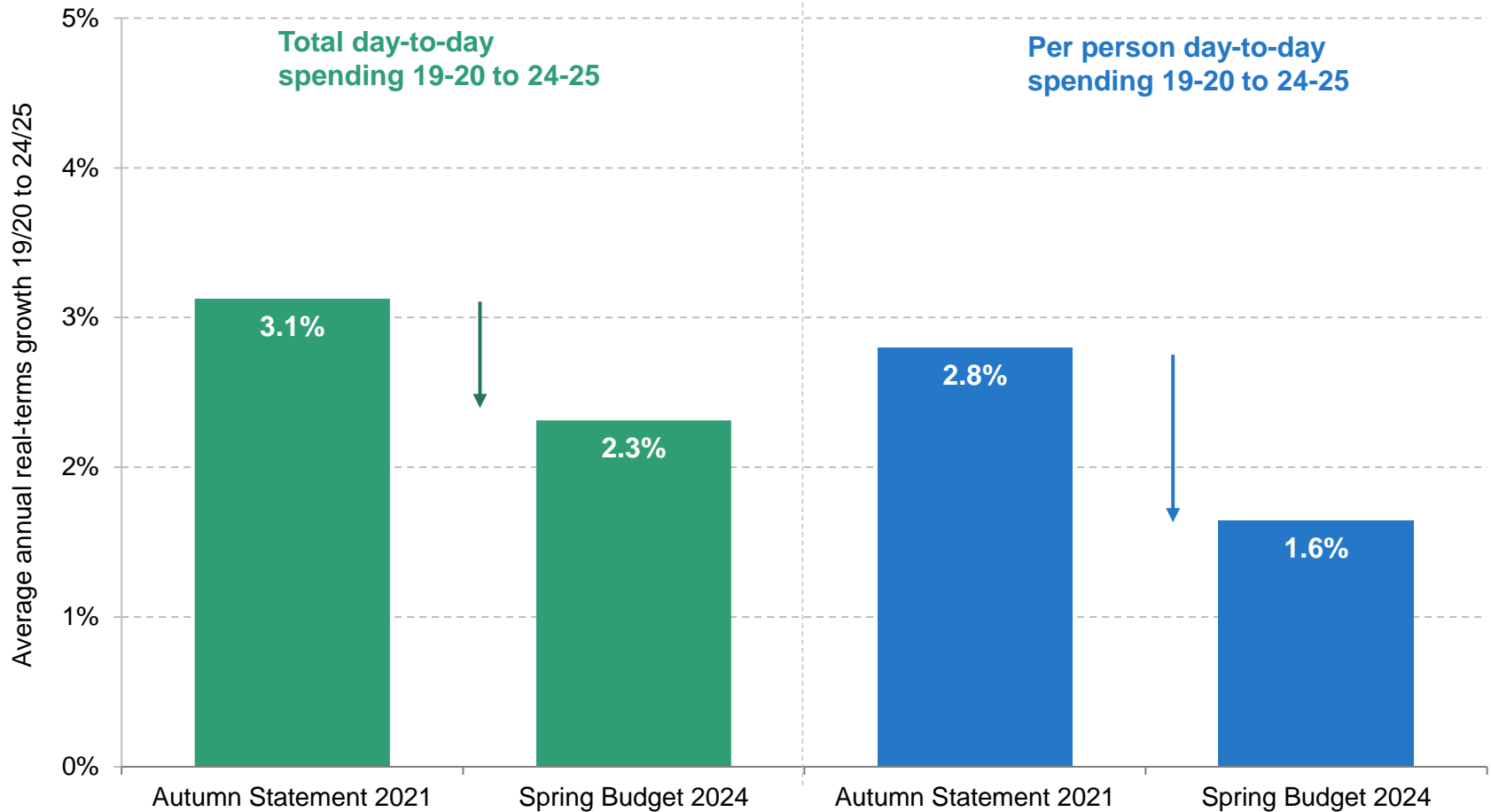
## Boost to real RDEL envelope growth rate at Spending Reviews since 2000



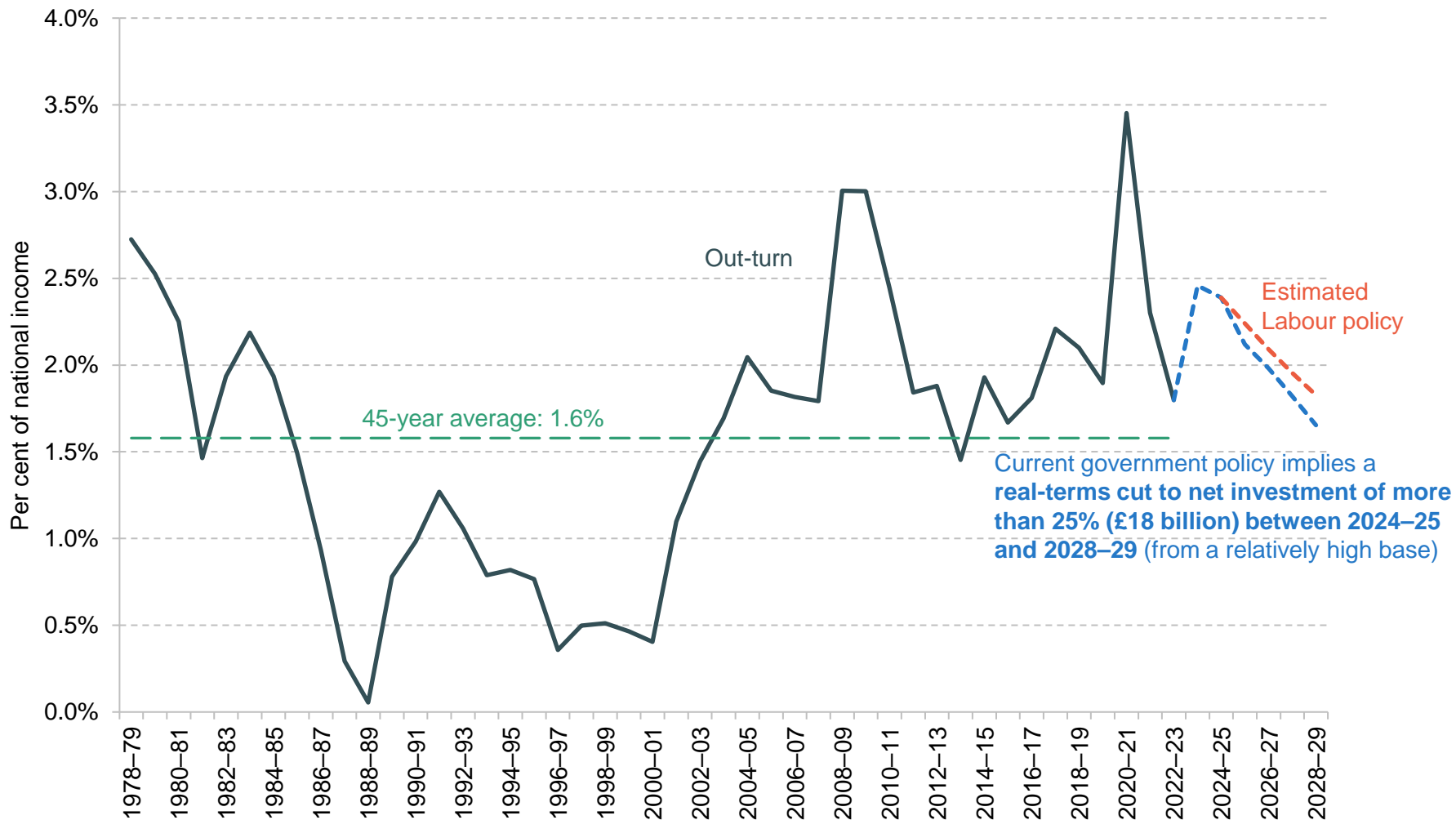
Source: OBR Economic and Fiscal Outlook, March 2024

# Spending over this parliament did **not** grow – more slowly than planned

Average annual real-terms growth in day-to-day spending between 2019-20 and 2024-25



# Public sector net investment



Note: Figures for Labour are estimates, based on public policy announcements, and should be treated as illustrative rather than final. Under 'Estimated Labour policy', public sector gross investment is assumed to grow at a constant nominal rate in order to deliver an additional £23.7 billion of spending between 2025-26 and 2029-30.  
 Source: Author's calculations using OBR Public Finances Databank



# Final thoughts

- Post-election spending plans remain tight
- Even with public sector productivity improvements, will be difficult to deliver
  - And the £20bn+ savings hinted at by the Chancellor seem ambitious
- Still no specifics of where the cuts will fall; future top-up very likely
- Leaves an almighty headache for the next government at the post-election Spending Review

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