

Public spending and finance

IFS researchers conduct ongoing analysis of the outturns of and outlook for the public finances. Our work in this area looks at forecasts of government revenues and spending (overall and on specific areas) and aims to inform public debate, particularly around the time of Budgets, Autumn Statements, Spending Reviews and Elections. Over many years we have kept track of the evolution of the public finances and how different governments have fared. A number of IFS publications have assessed the [fiscal performance of past administrations](#).

The financial crisis and the economic damage associated with it opened up a structural hole in the public finances that, if left unaddressed, would be impervious to the economic recovery and would put public sector debt on an unsustainable path. The coalition Government faces a significant challenge to restore the public finances to better health. A comprehensive description of how the public finances evolved through the Great Recession can be found in ['Disease and cure in the UK: the fiscal impact of the crisis and the policy response'](#).

The Government's fiscal targets

The Government is aiming to implement a repair job that will meet two fiscal targets:

- a balanced structural current budget at the end of the forecasting horizon (which is typically five years in the future), and;
- debt falling as share of national income between 2014-15 and 2015-16.

A discussion and critique of these fiscal rules by IFS researchers can be found in ['The new fiscal framework: an assessment'](#).

Analysis by IFS researchers of the public finances monitors the government's performance and plans with reference to these targets. Our latest assessment of outturns for borrowing in the current financial year can be found in [our monthly public finance analyses](#). Our analysis of the latest official forecasts for public borrowing can be found our [most recent Budget analysis](#).

The fiscal consolidation plan

The Government is intending to cut borrowing through a combination of tax increases and spending cuts. A description of the size and composition of these, and how they compare to what was planned by the previous Labour government, can be found in ['Disease and cure in the UK: the fiscal impact of the crisis and the policy response'](#).

Public spending

About £700 billion was spent by the public sector in the UK last year. About 30% of this went on welfare benefits (including state pensions), while about 65% was spent on providing public services. Figures for total spending and spending on individual public services, dating back to the 1940s, can be found [in this spreadsheet](#).

The coalition Government's plan to restore the public finances to health involves the largest cut to public service spending since at least the Second World War. IFS analysis considers the [trends in different functions of public spending](#) in recent years, and compares this to what forecasts imply that the future might hold.

IFS researchers are also involved in in-depth analysis of a number of different areas of public spending, for example: [education](#) and [health](#).

Tax revenues

Last year the government collected revenues totalling about £550 billion. The largest single revenue raiser is income tax. A full breakdown of the Government's sources of revenue and how these have evolved since the 1970s can be found in [this spreadsheet](#).