

The first cut (published 24 May 2010)

The new coalition Government today announced a £6.2 billion headline cut to public spending in the current year. Since £500 million is being recycled into additional spending or tax cuts, and the £704 million earmarked for devolved administrations does not have to be found until next year, the likely reduction in borrowing in 2010-11 is around £5 billion. This is less than a tenth of the fiscal repair job that Alistair Darling's March 2010 Budget forecast suggested will be needed over the next few years.

Of the £5 billion reduction in borrowing £4.8 billion is to come from reduced spending by central government on public services and their administration (Departmental Expenditure Limits, DELs). The rest is from cuts to the Child Trust Fund, offset by a small cut in business rates. This is a fall in these budgets of 1.2% relative to the level departments were told they could budget for under the previous Labour Government's plans. Labour had planned to cut these budgets by 0.5% after economy-wide inflation between 2009-10 and 2010-11: the 1.2% cut in plans for 2010-11 announced today increases this cut to 1.7%.

As promised the new coalition Government is keeping to Labour's planned increases in spending in the NHS, MoD and overseas aid. In addition they have decided not to cut spending on schools, Sure Start and education for 16-19 year olds. The Treasury has chosen not to publish a new set of spending plans for each department - these are to follow in the Budget on June 22nd. Our best estimate of plans for each department suggest that on average the areas of spending that have not been protected from cuts in today's announcement will see their budgets fall by an extra 3.7%. This brings the total cut in these areas relative those planned for last year up from 4.9% to 8.4% (numbers do not sum due to rounding).

The Table below shows our estimate of the cuts to each department as a share of the previous Labour Government's plans, and the change in budget compared to last year.

	% change relative to Labour's plans for 2010-11	% real change relative to spending in 2009-10
Total DEL	-1.2	-1.7
Total protected DEL	0.0	+2.3
Total unprotected DEL	-3.7	-8.4
Of which		
Education (not schools, Sure Start and 16-19 education)	-6.3	-6.6
CLG Communities	-5.7	-27.0
Work and Pensions	-5.7	-5.8
Environment, Food and Rural Affairs	-5.3	-10.0
Transport	-4.7	-9.7
Culture, Media and Sport	-4.1	-6.6
Home Office	-3.5	-4.9
Justice	-3.4	-12.1
Cabinet Office	-3.2	-2.3
Chancellor's Departments	-3.0	-11.8
Business, Innovation and Skills	-2.9	-7.3
Energy and Climate Change	-2.7	-1.8

Law Officers' Departments	-2.6	-4.9
Foreign and Commonwealth Office	-2.4	-8.5
CLG Local Government	-1.5	-1.1

Note: Figures take account of increases in spending in the CLG Communities and the Business, Innovation and Skills departments. Chancellor's Departments ignores the cut to the Child Trust Fund.