



Institute for
Fiscal Studies



Departmental spending cut again

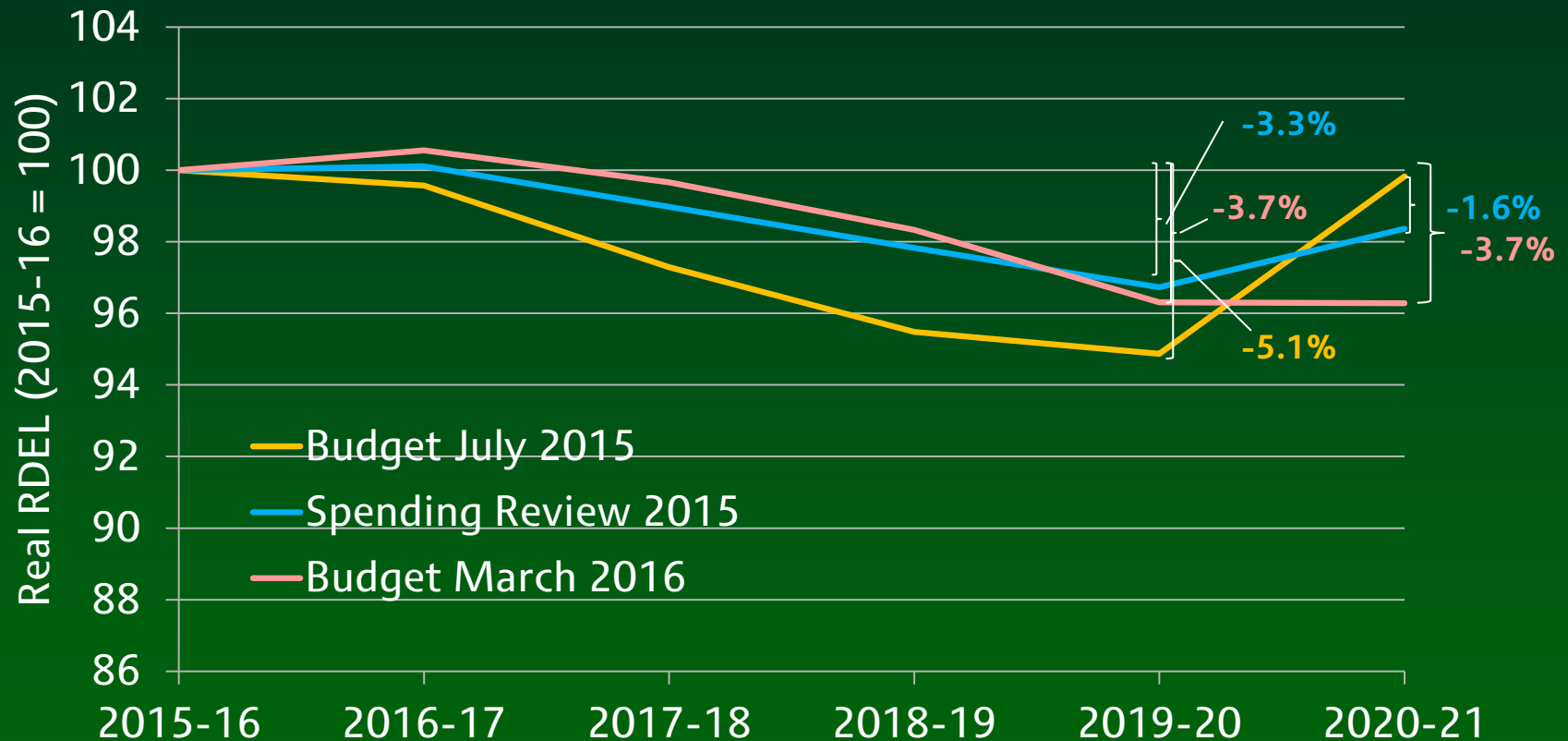
Rowena Crawford

New changes to current departmental spending

- Budget announced measures to cut RDEL spending in 2019-20:
 - £3.5bn unallocated “efficiency savings” (to be allocated in 2018)
 - £0.7bn reduced aid spending
- Also further RDEL spending cuts planned for 2020-21:
 - £9.9bn cut to spending envelope
- Some additional RDEL spending measures
 - E.g. 2019-20: schools +£0.7bn, flood defences +£0.2bn, other +£0.3bn
- OBR has reduced its assumed underspend
 - By £0.5bn 16-17 to 18-19; by £1bn in 2019-20 and 2020-21



Resulting current departmental spending profile



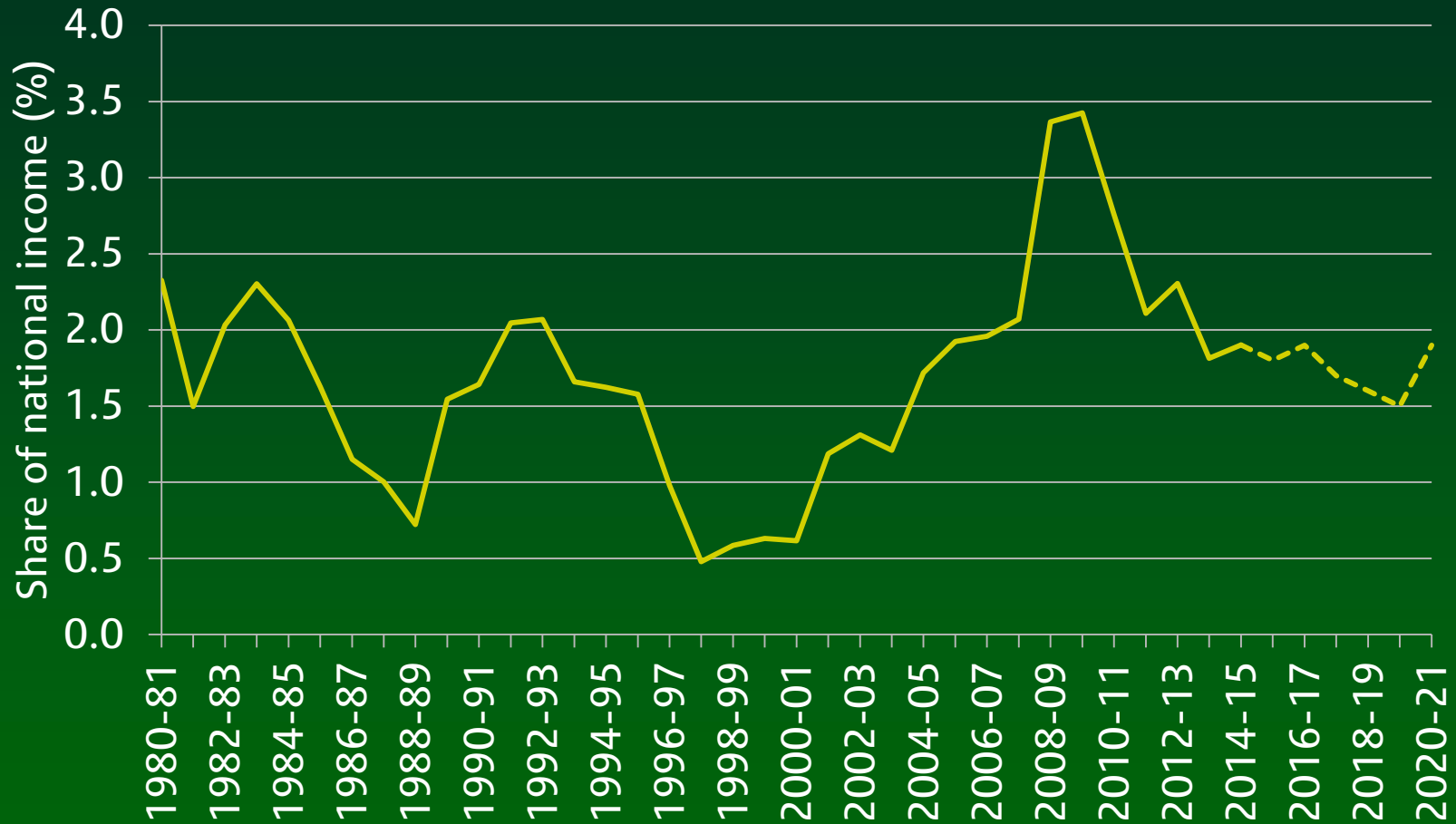
Notes: Budget March 2016 figures exclude from RDEL the additional grant to local government that is directly offset by lower self-financed expenditure due to lower business rate revenue.

Implications for spending areas

- Current (non-investment) departmental spending facing real cuts of 3.7% (£12bn) between 2015-16 and 2019-20
 - NHS, aid, schools, defence protected (assume remain so)
 - RDEL outside of Dept of Health, Dept of International Development, Ministry of Defence and schools: -12.8% (£17bn)
- Takes the real RDEL cut between 2010-11 and 2019-20 to 10.9%
 - RDEL outside of DH, DfID, MoD and schools: -31.5% (£52bn)
- Public service pension revaluation essentially an additional £2bn RDEL spending cut in 2019-20
 - Increases the real RDEL cut since 2015-16 from 3.7% to 4.3%
- Departments also face pressures from increased NICs (ending of contracting out), increased minimum wage, apprenticeship levy



A final word: public sector net investment



Source: OBR Public Finances Databank, March 2016