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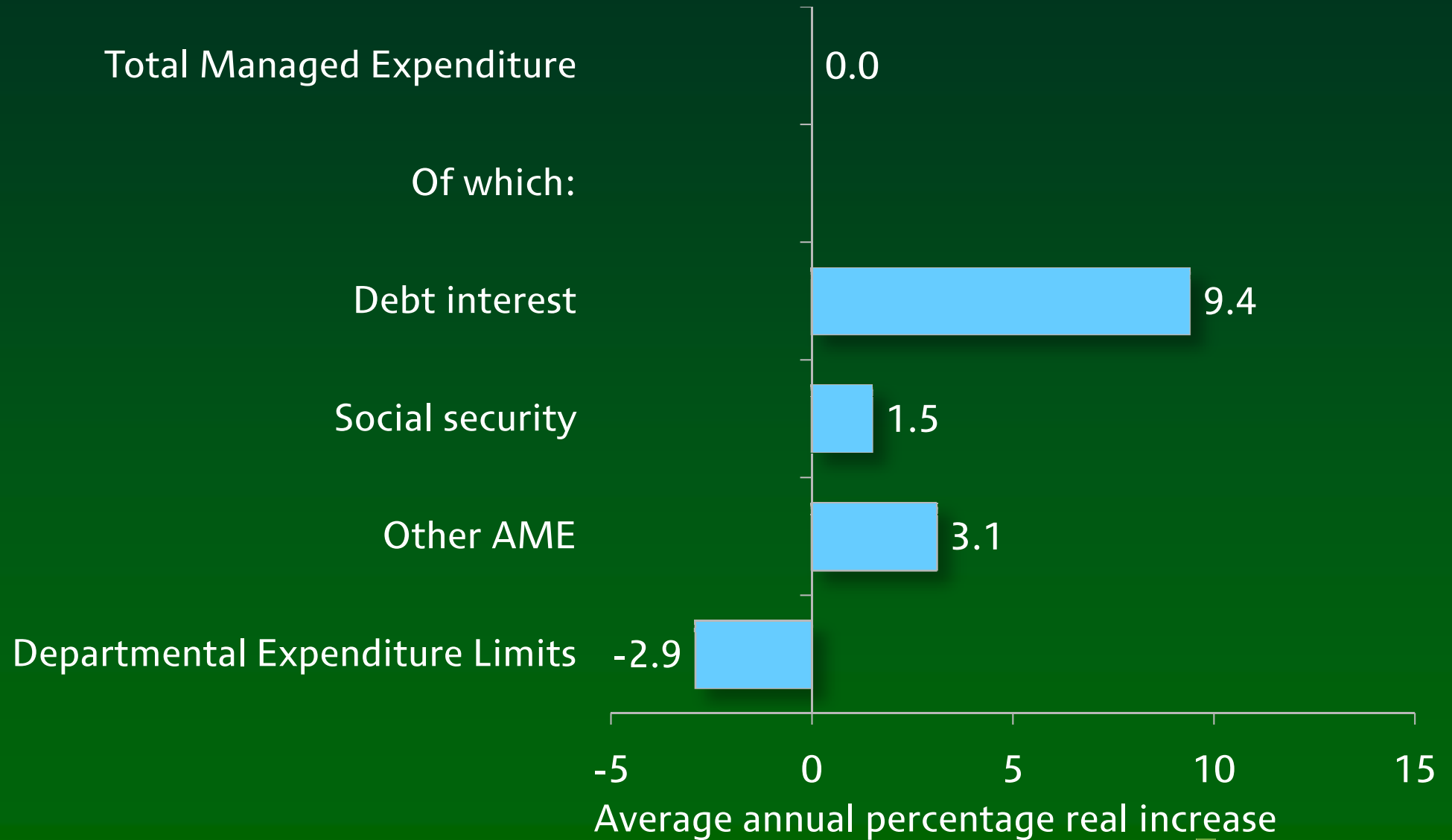
Public services: deep cuts coming

Rowena Crawford, Carl Emmerson and Gemma Tetlow

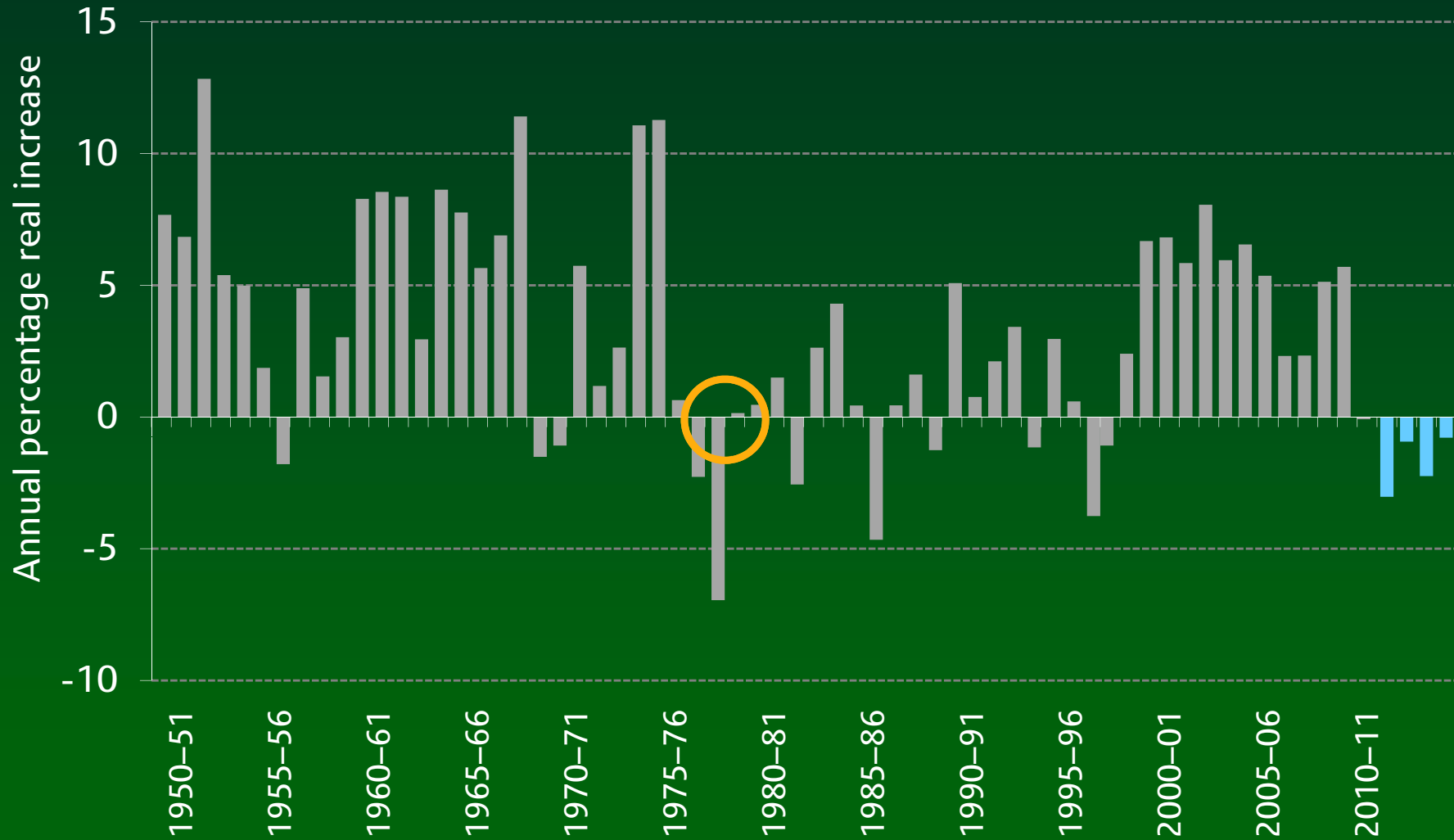
The outlook for spending

- Total public spending: PBR plans real freeze over 2011-12 to 2014-15
- Capital spending to bear the brunt:
 - Current spending: +0.7% p.a.
 - Investment spending: –14.4% p.a.
- Some areas of spending to continue growing
 - Welfare payments, debt interest payments, etc
 - No official forecasts
- How much is left for departmental spending?

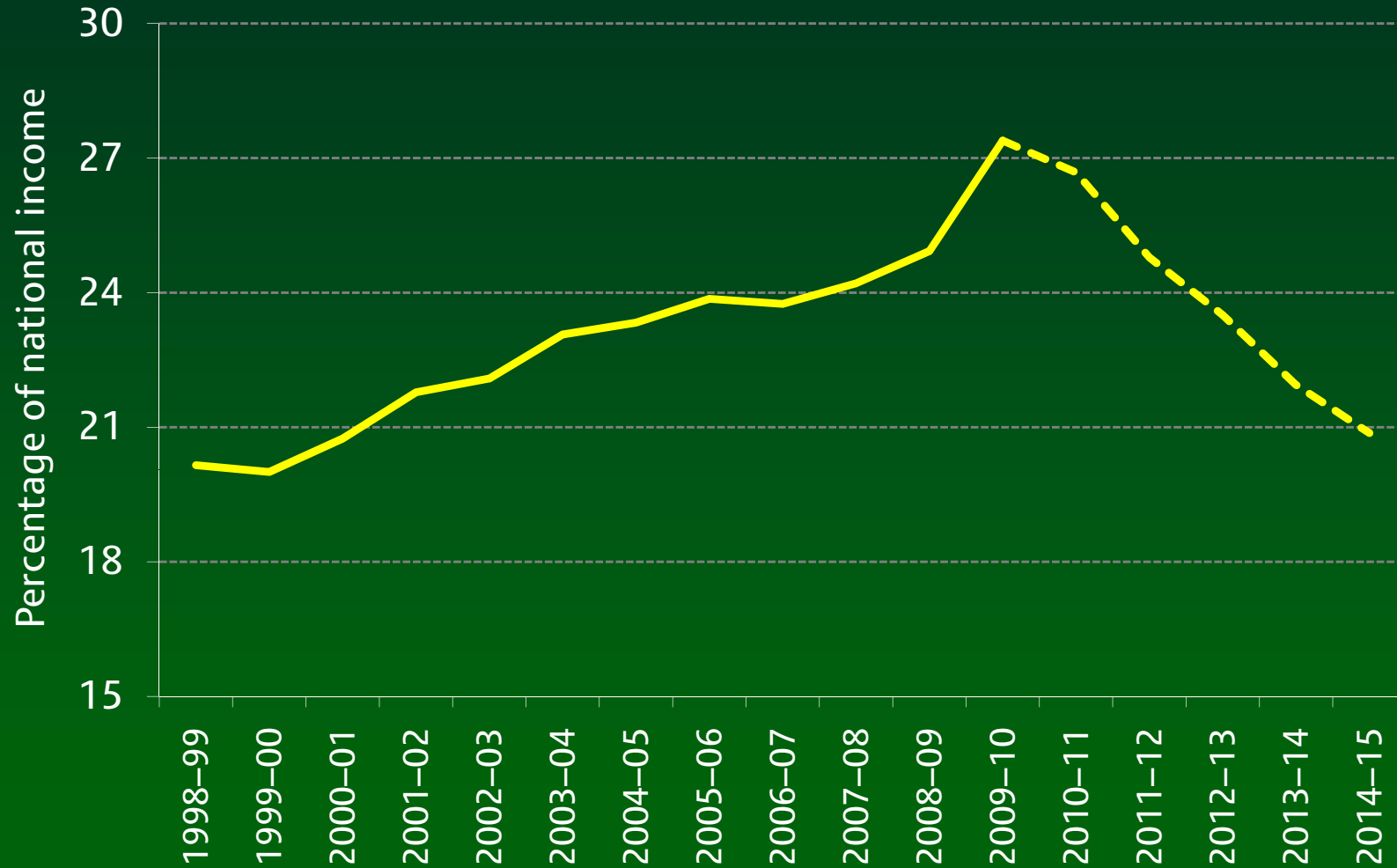
Growth in components of spending: 2011-12 to 2014-15



Spending on public services



Cuts in DELs: the Grand Old Duke of York



Departmental spending in 2011-12 and 2012-13

- PBR planned total spending to be cut by 0.1% a year in real terms
- Implies average annual real cuts to Departmental Expenditure Limits of 3.0%
 - Once estimates of debt interest payments, spending on social security and other annually managed expenditure are taken into account
- But some areas are to be ‘protected’

But some areas are to be ‘protected’...

- Overseas Development Assistance
 - Meet 2013 target of spending 0.7% of Gross National Income

In 2011-12 and 2012-13:

- Health
 - Real freeze in “front-line” NHS spending
- Education
 - 0.7% real increase in “front-line” schools spending
 - 0.9% real increase in “front-line” spending on 16-19 participation
 - Real freeze in “front-line” spending on Sure Start

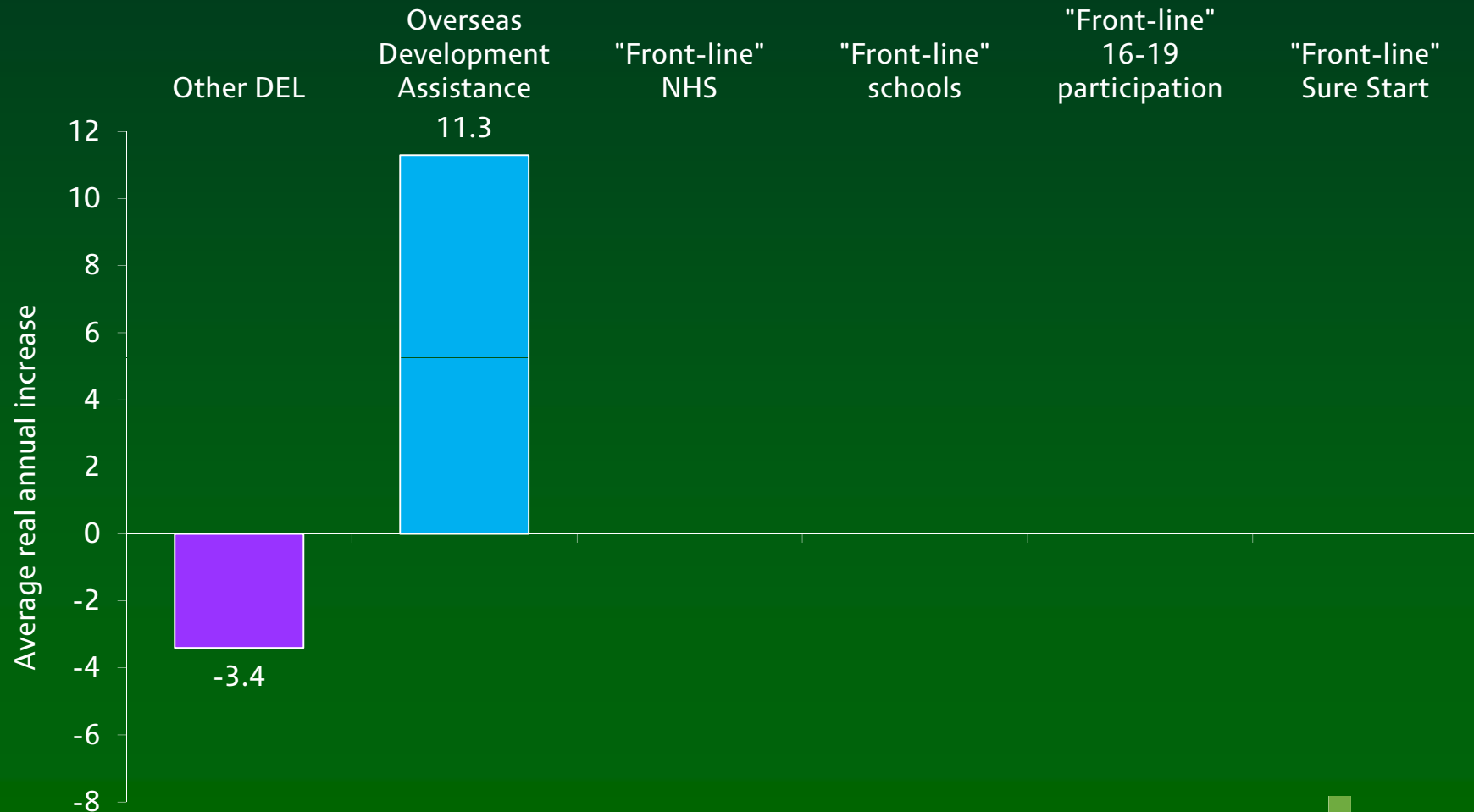
Implications for other departments?

Average annual real growth: 2011–12 and 2012–13



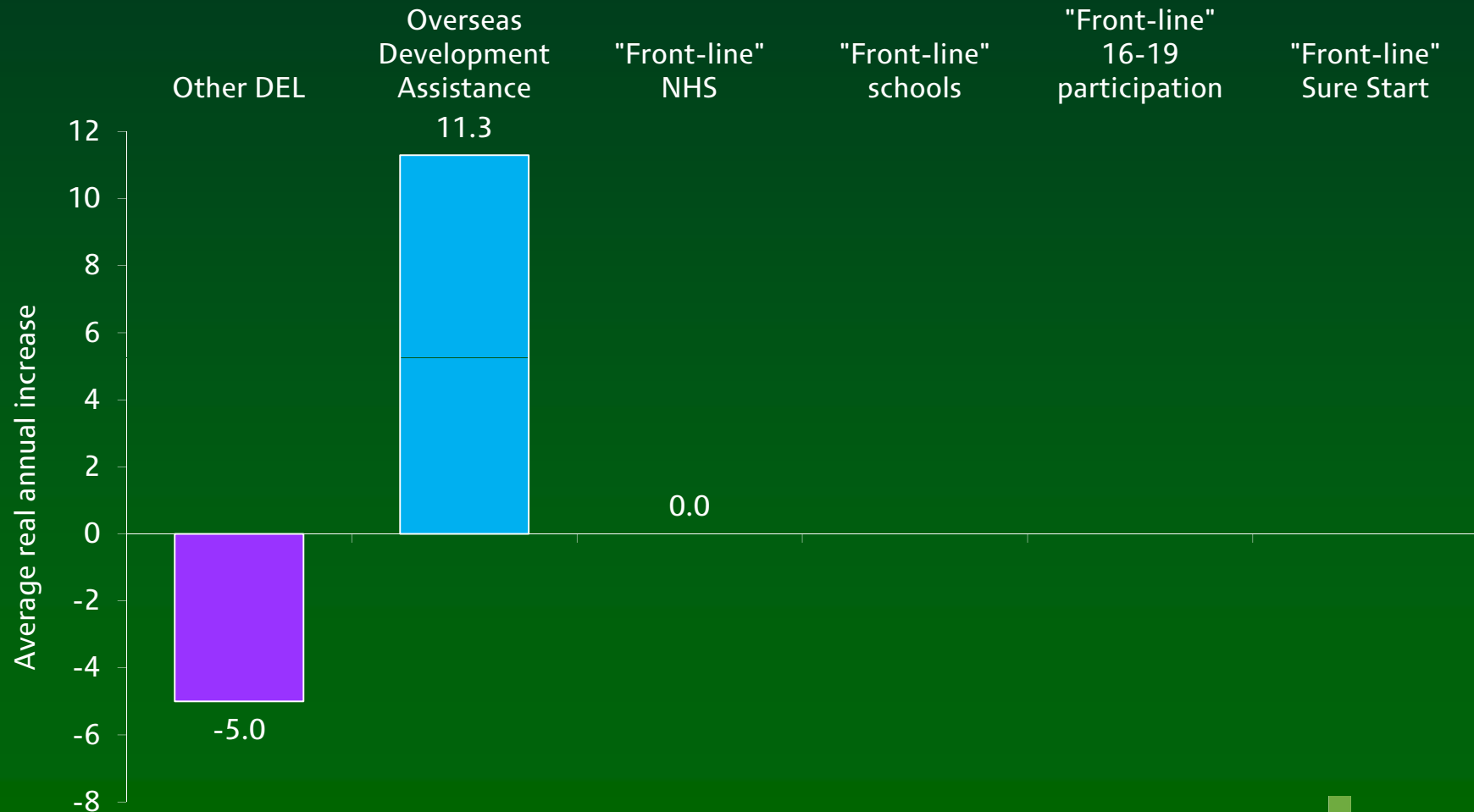
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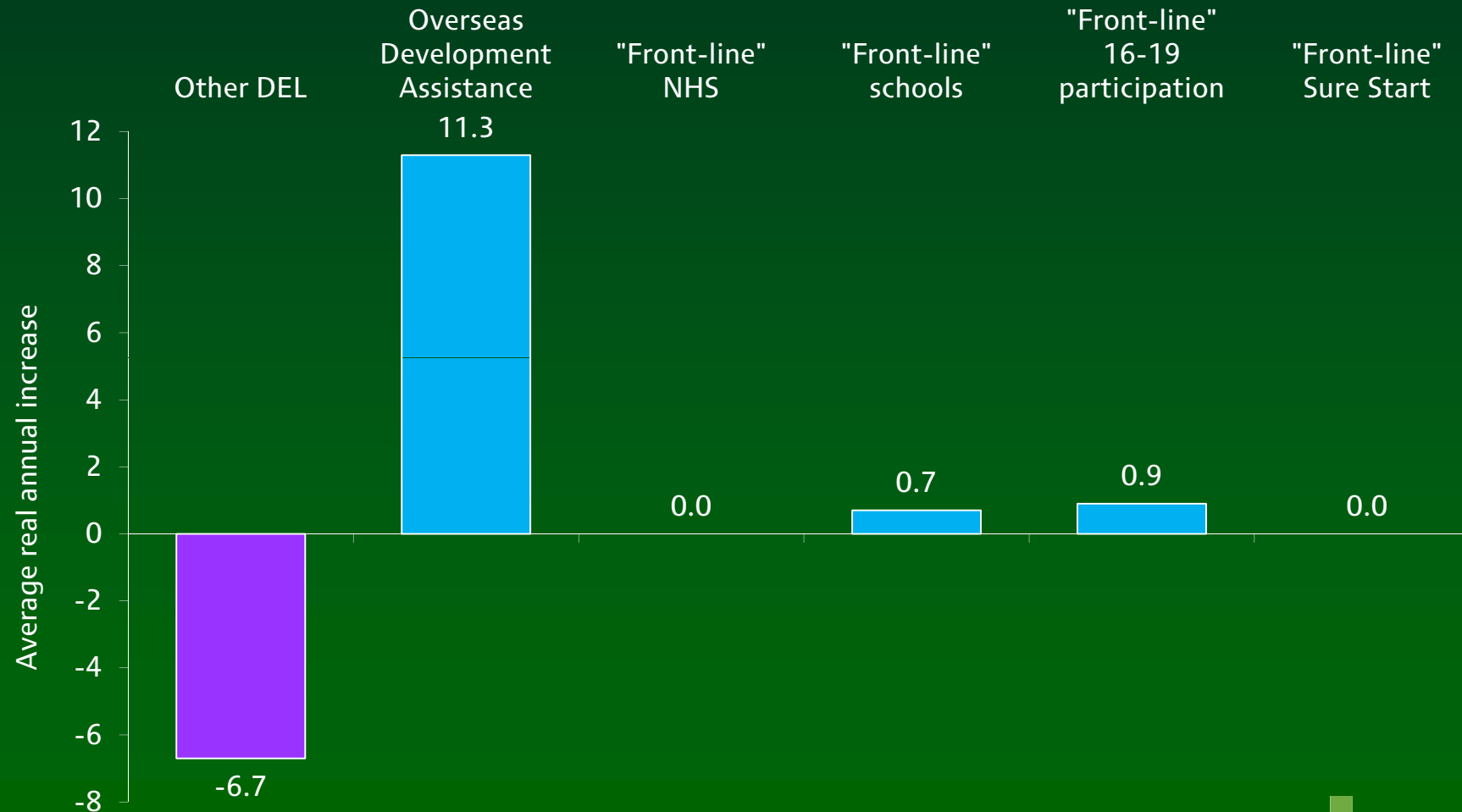
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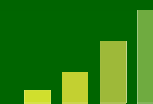
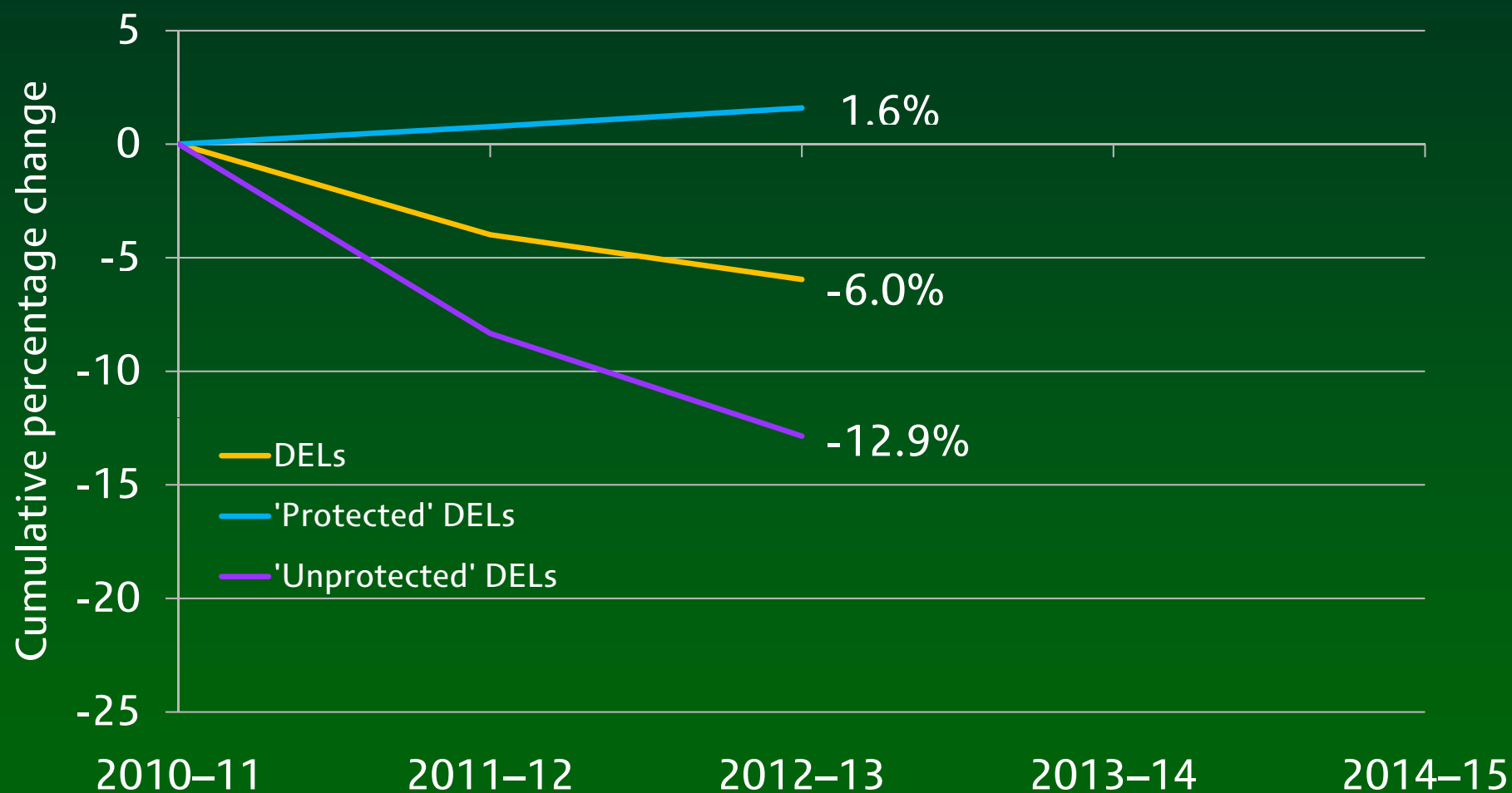


Implications for other departments?

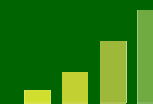
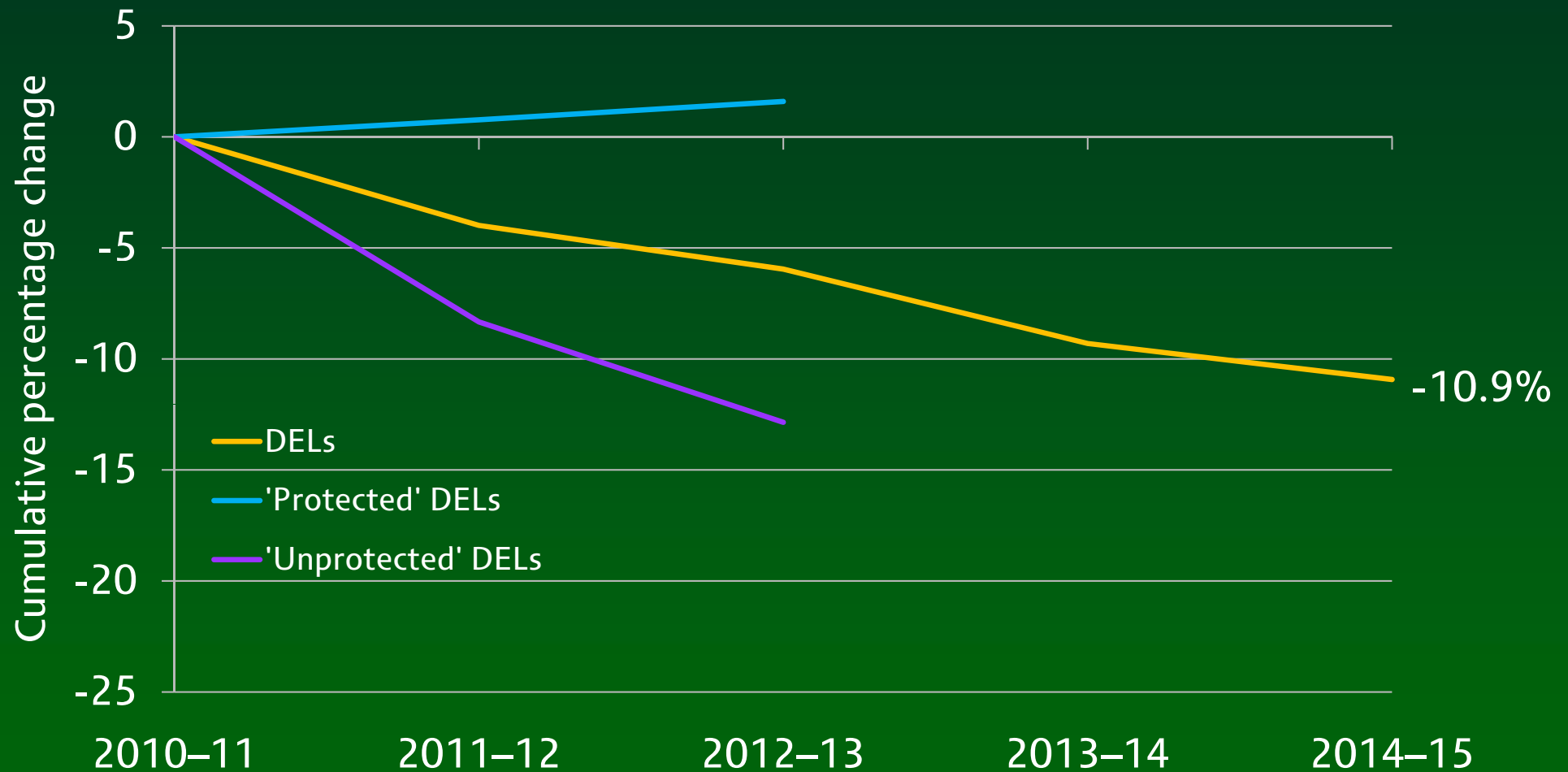
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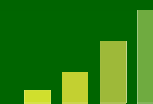
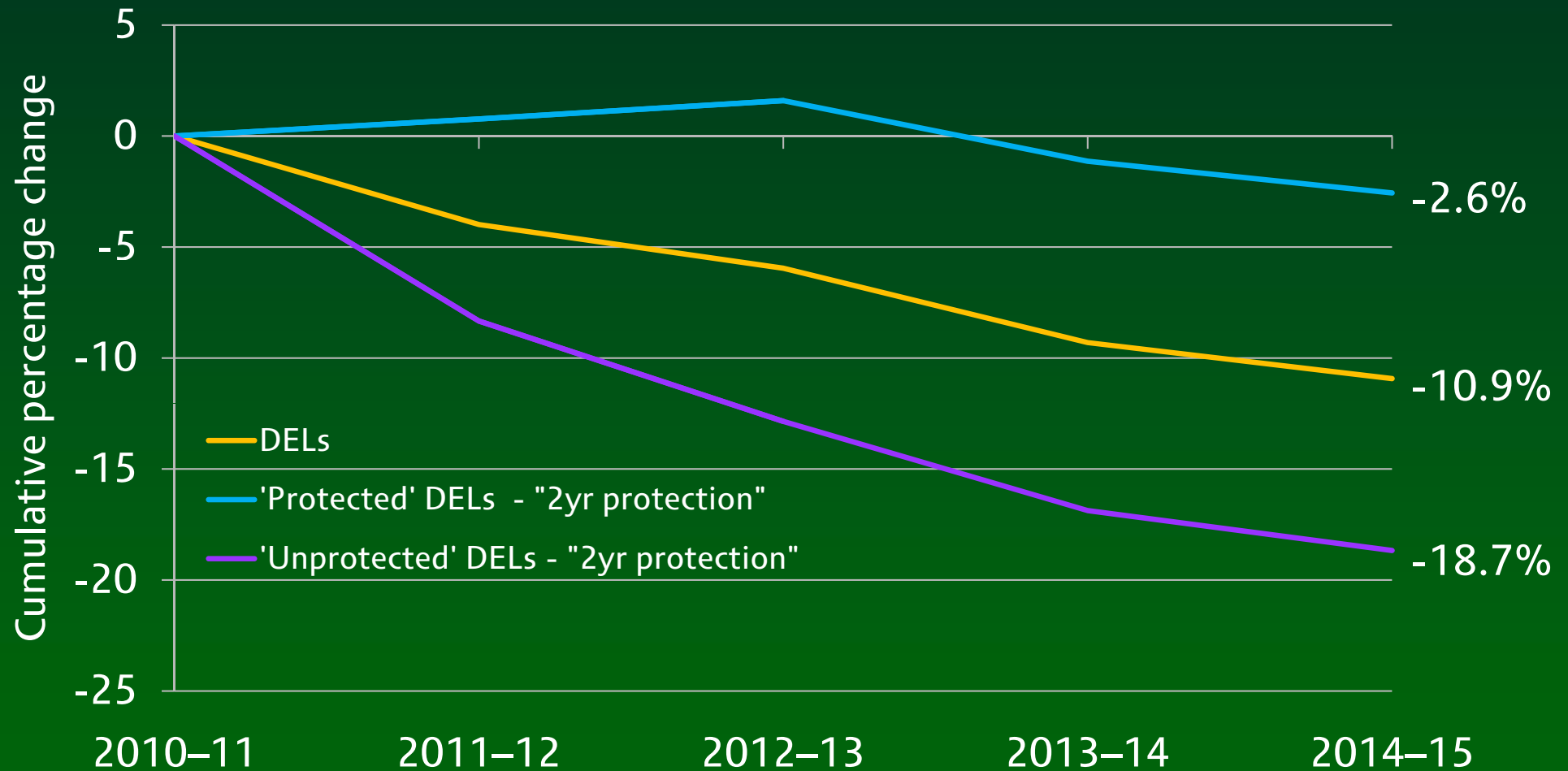
Cumulative spending changes to 2012-13



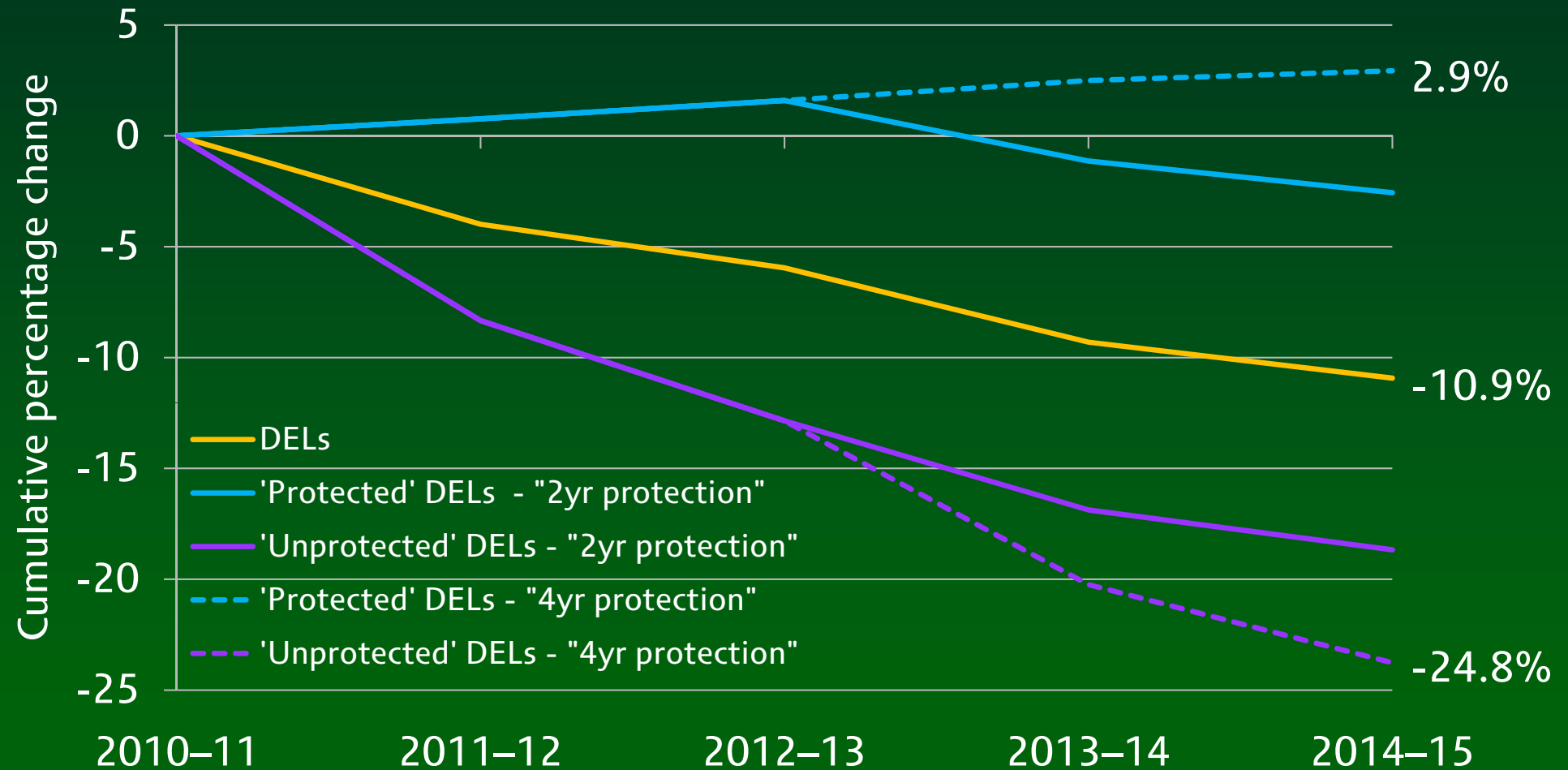
Cumulative spending changes to 2014-15?



Cumulative spending changes to 2014-15?



Cumulative spending changes to 2014-15?



Summary of implications for DELs

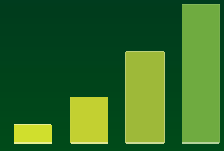
- By 2012-13:
 - Cumulative cuts to real DELs of 6.0% (or £22.9bn)
 - Pledges to maintain or increase real spending in some areas
 - Total cumulative cuts required across ‘unprotected’ areas: 12.9% (or £25.8bn)
- By 2014-15:
 - Cumulative cuts to real DELs of 10.9% (or £42.0bn)
 - If ‘protection’ ends in 2012-13: cumulative cuts required across ‘unprotected’ areas by 2014-15 of 18.7% (or £37.2bn)
 - If ‘protection’ continues: cumulative cuts required across ‘unprotected’ areas by 2014-15 of 24.8% (or £47.4bn)
- Significant unprotected areas
 - Defence, Higher Education, Transport and Housing

Where do the Conservatives' plans stand?

- Pledges on DEL:
 - Meet ODA target
 - Increase real NHS spending year on year throughout parliament
- If match Labour's plans for total spending:
 - Cut required across other departments budgets by 2014-15 of 18.3% (or £45.7bn)
- Proposed fiscal targets imply a more ambitious tightening
 - Delivering this with 1/3 further tax rises and 2/3 spending cuts would imply...
 - Without cuts to welfare spending, cuts to departmental spending of 13.9% by 2014-15
 - Cuts across their unprotected areas of 22.8% (or £57.1bn) by 2014-15

Conclusions

- Labour plans to freeze total spending over 2011-12 to 2014-15
- Departmental spending would have to be cut by 10.9% or £42bn by 2014-15 if no new measures to cut social security spending
- Tightest squeeze for public service spending since late 1970s and reversal of the % GDP increase seen so far under Labour
- Conservatives plan to tighten faster implying greater cuts to total spending and departmental spending
- Mix of departmental spending cuts, welfare cuts and tax increases not yet set in stone



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