

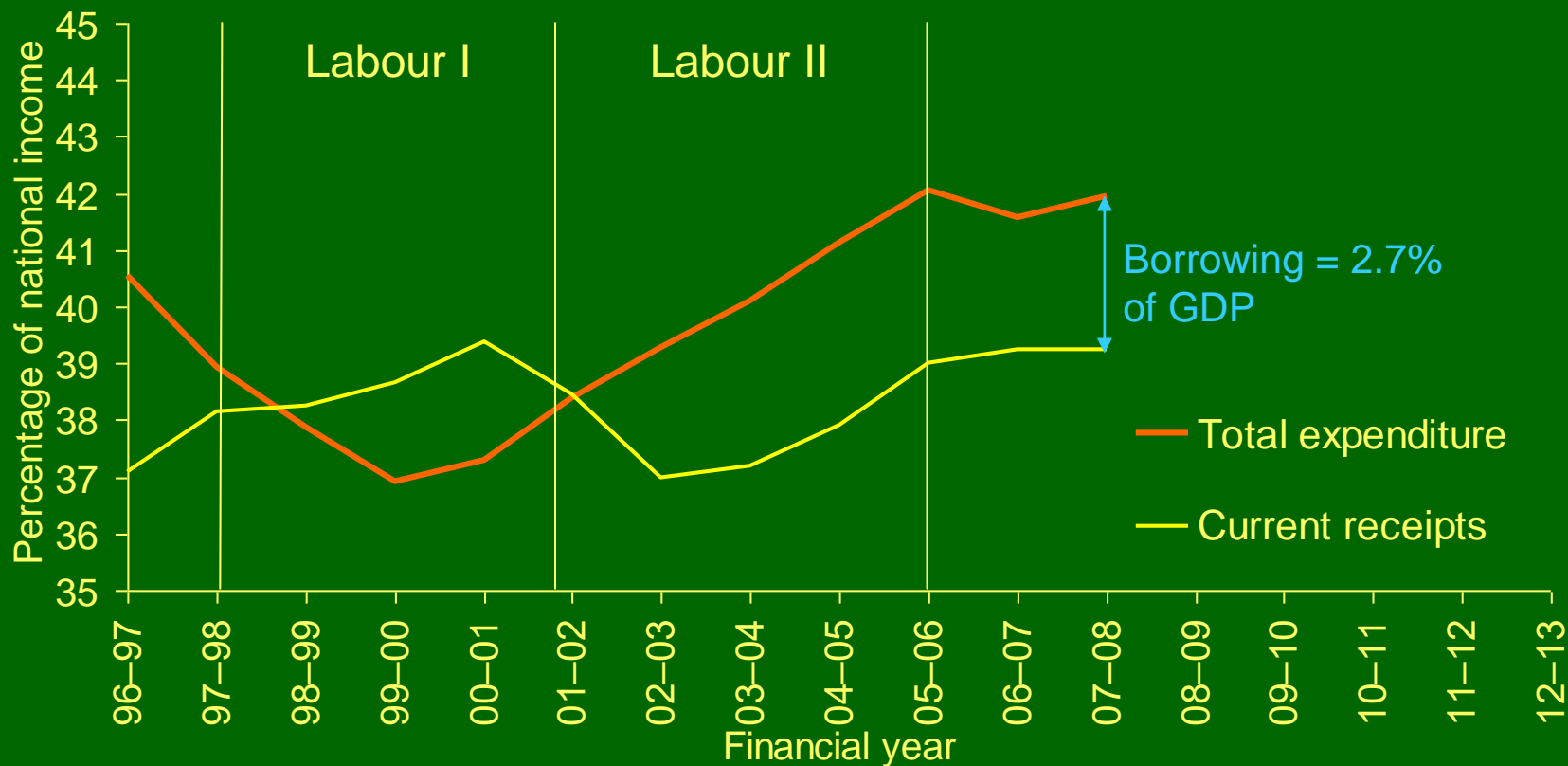
# CSR 2007: Not the final settlement?

Carl Emmerson  
Institute for Fiscal Studies

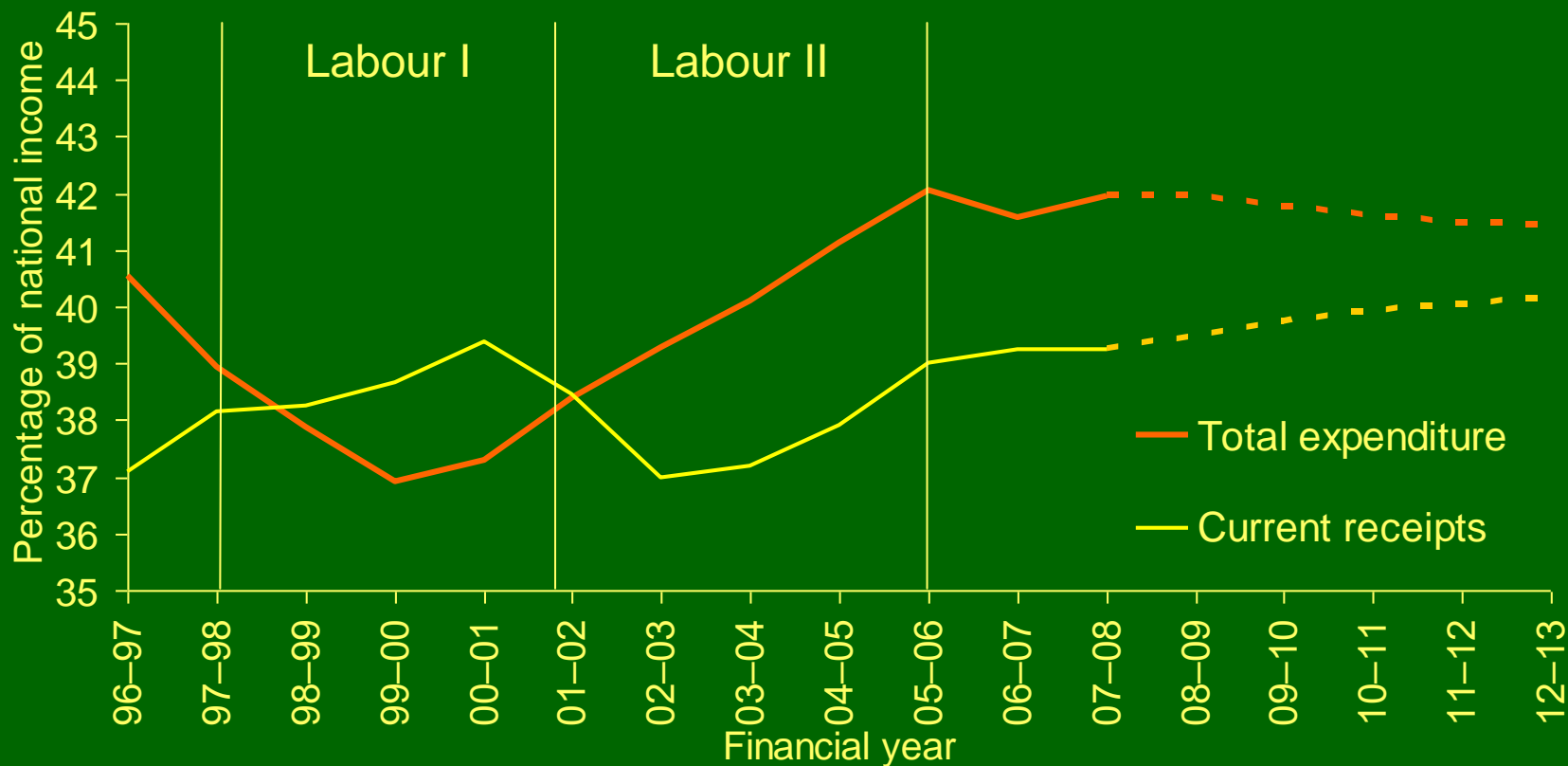
Presentation to LGA Conference, “the comprehensive spending review”,  
Tuesday 23<sup>rd</sup> October 2007

[www.ifs.org.uk/budgets/pbr2007/index.php](http://www.ifs.org.uk/budgets/pbr2007/index.php)

# The big picture: Labour's record



# The big picture: going forwards



# A challenging spending review

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<b>Av. annual increase (%)</b>	<b>Current</b>	<b>Capital</b>	<b>Total</b>
2007 CSR	+1.9	+4.4	+2.1

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# A challenging spending review

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Av. annual increase (%)	Current	Capital	Total
2007 CSR	+1.9	+4.4	+2.1
<i>Labour</i>			
April 1999 to March 2008	+3.6	+15.7	+4.0
April 1997 to March 1999	-0.3	+6.8	-0.2

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# A challenging spending review

Av. annual increase (%)	Current	Capital	Total
2007 CSR	+1.9	+4.4	+2.1
<i>Labour</i>			
April 1999 to March 2008	+3.6	+15.7	+4.0
April 1997 to March 1999	-0.3	+6.8	-0.2
<i>Conservatives</i>			
April 1979 to March 1997	+1.7	-5.0	+1.5

# What is a spending cut?



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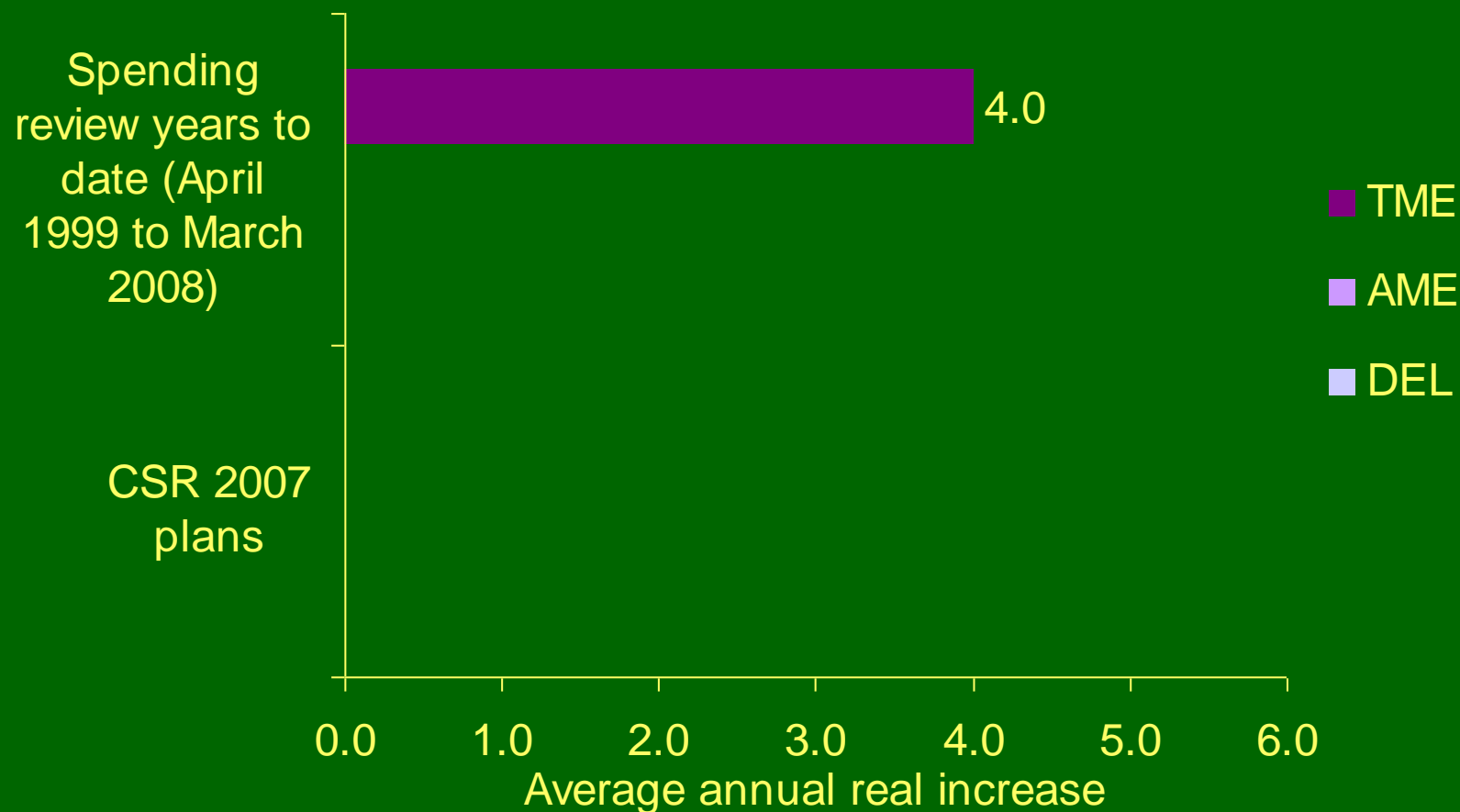


“The Conservative Party is committed to making cash cuts of £35 billion from Labour's public spending plans – cuts so large they could only be found from cutting deep into front-line public services, including schools, hospitals and the police.”

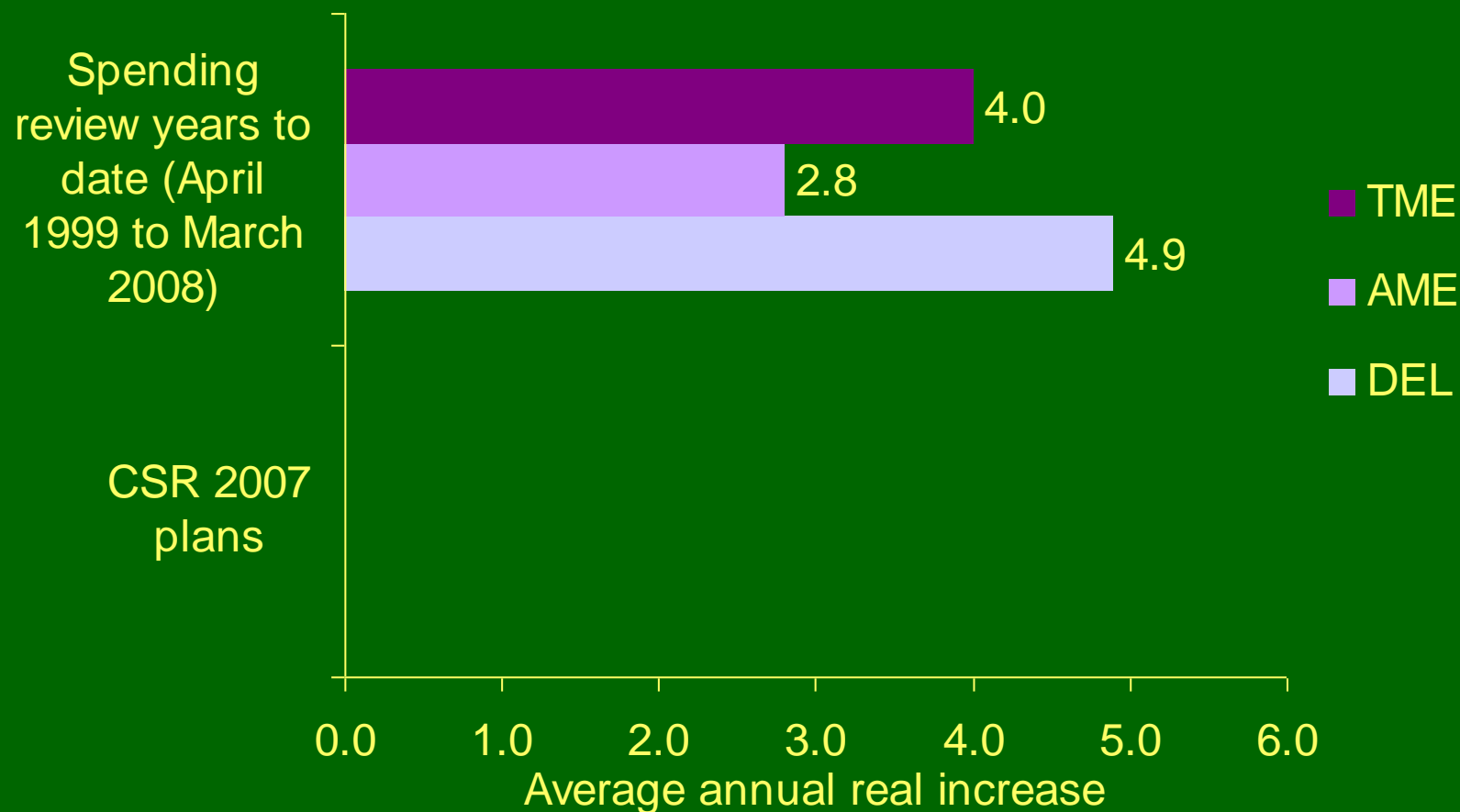
(Alistair Darling, 17 March 2005)



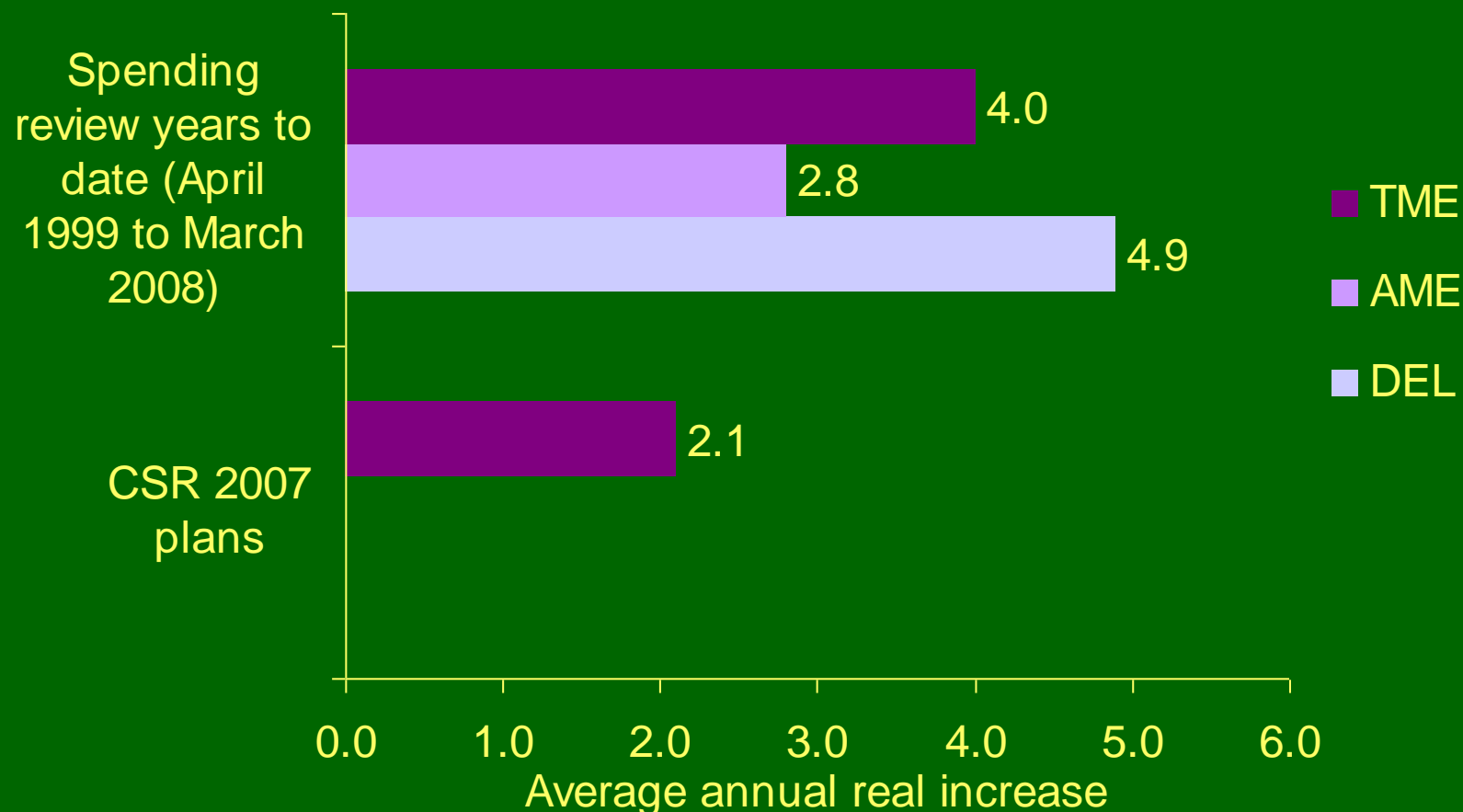
# Breakdown of spending growth



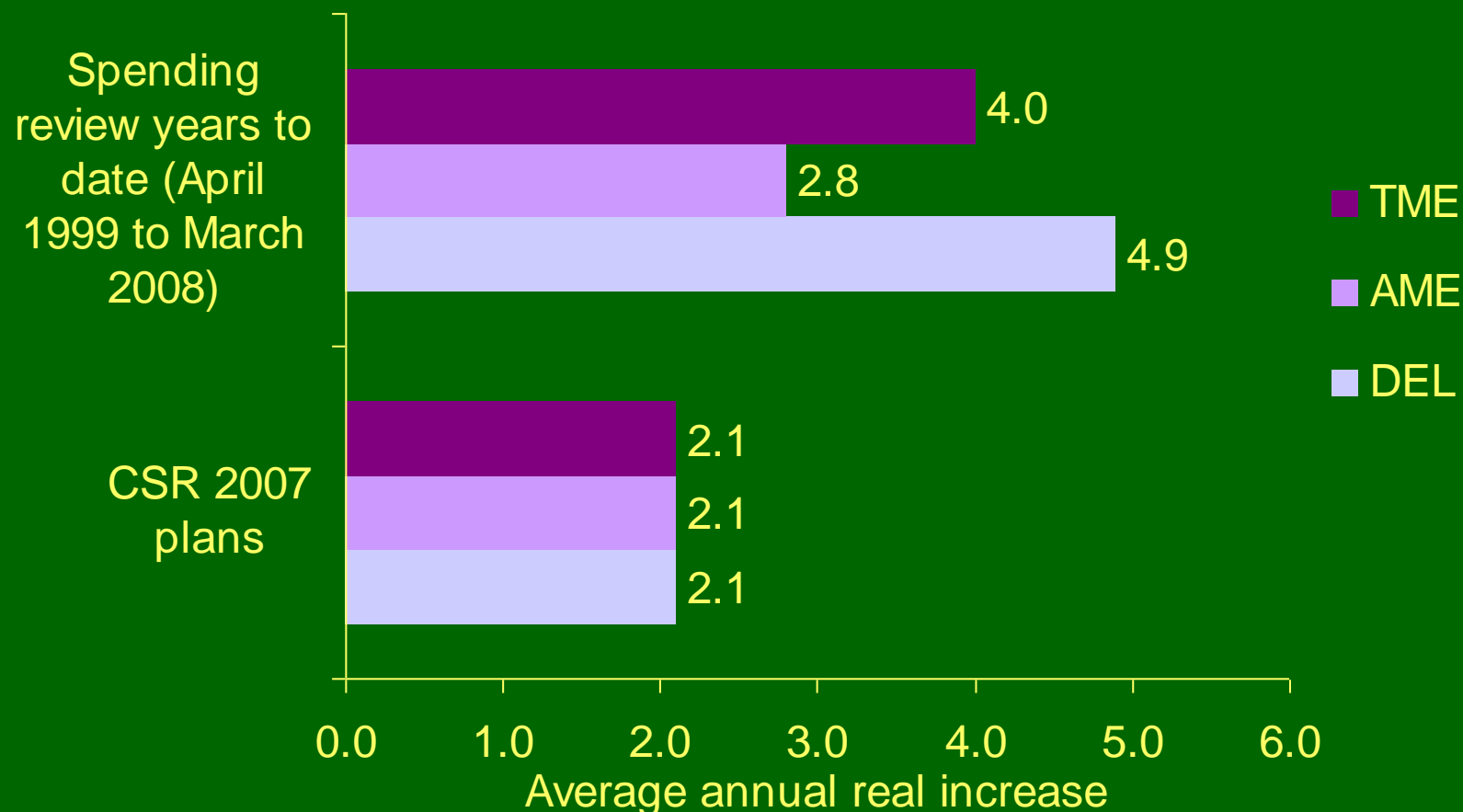
# Breakdown of spending growth



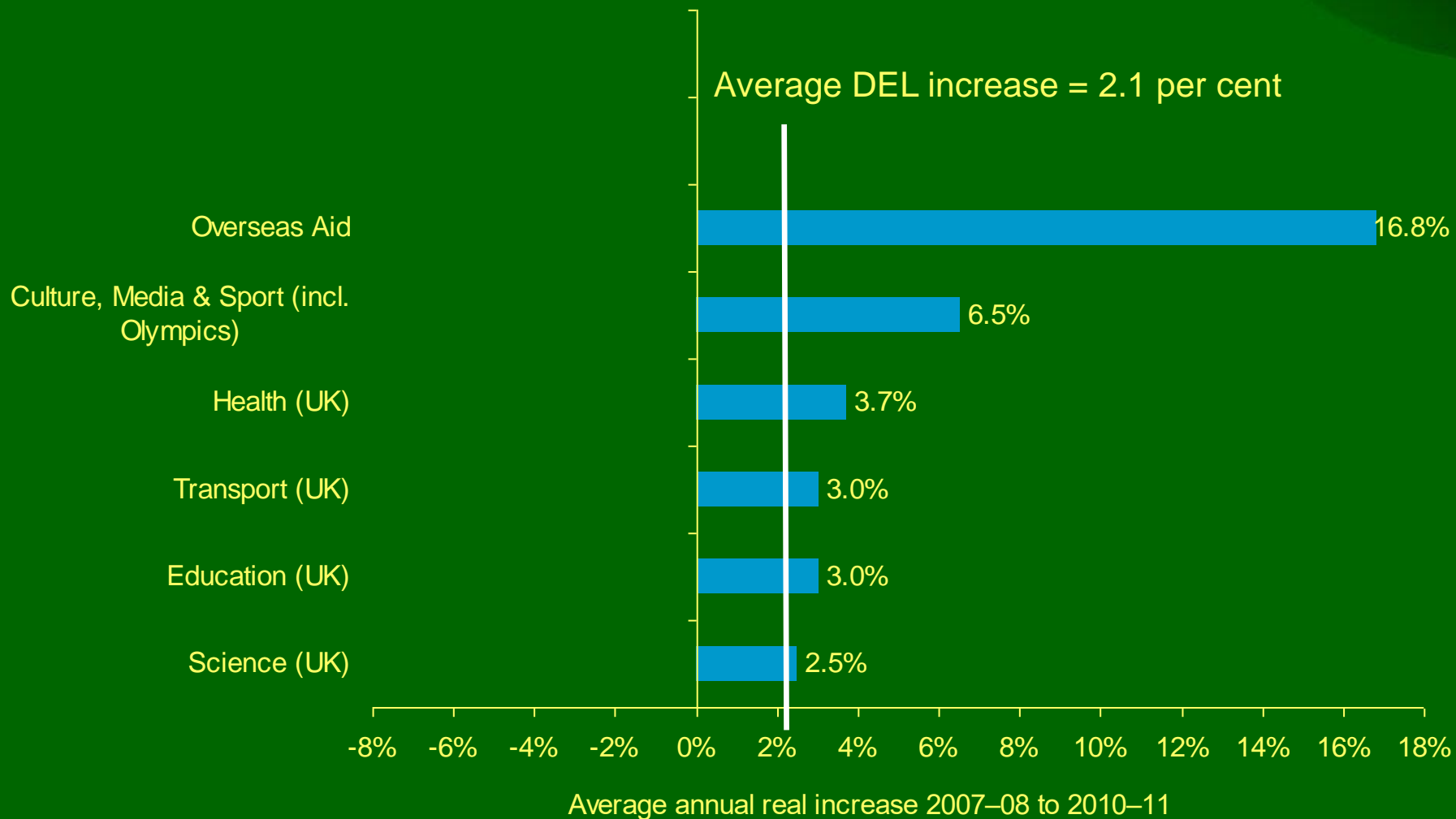
# Breakdown of spending growth



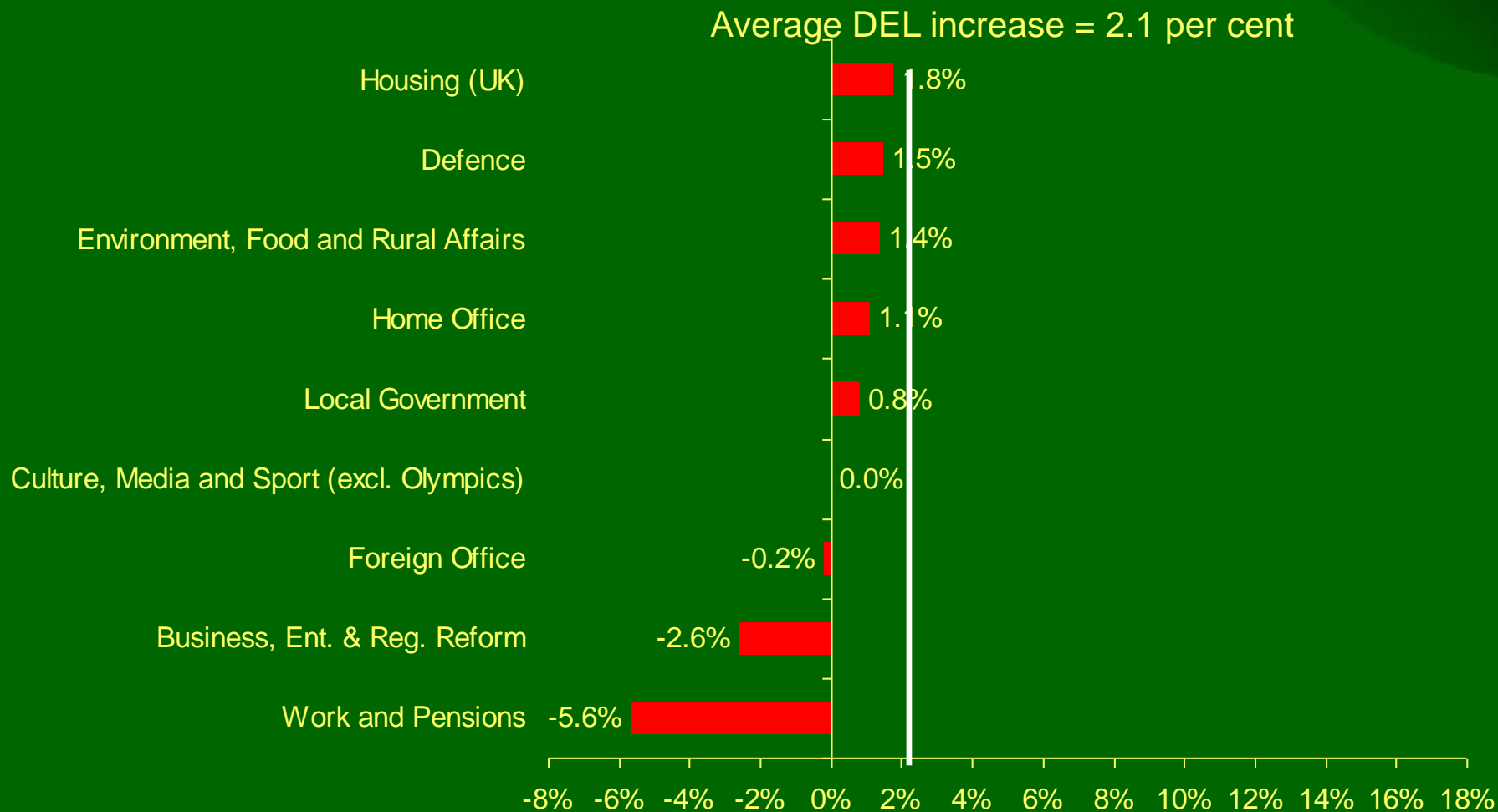
# Breakdown of spending growth



# Relative winners?



# Relative losers?

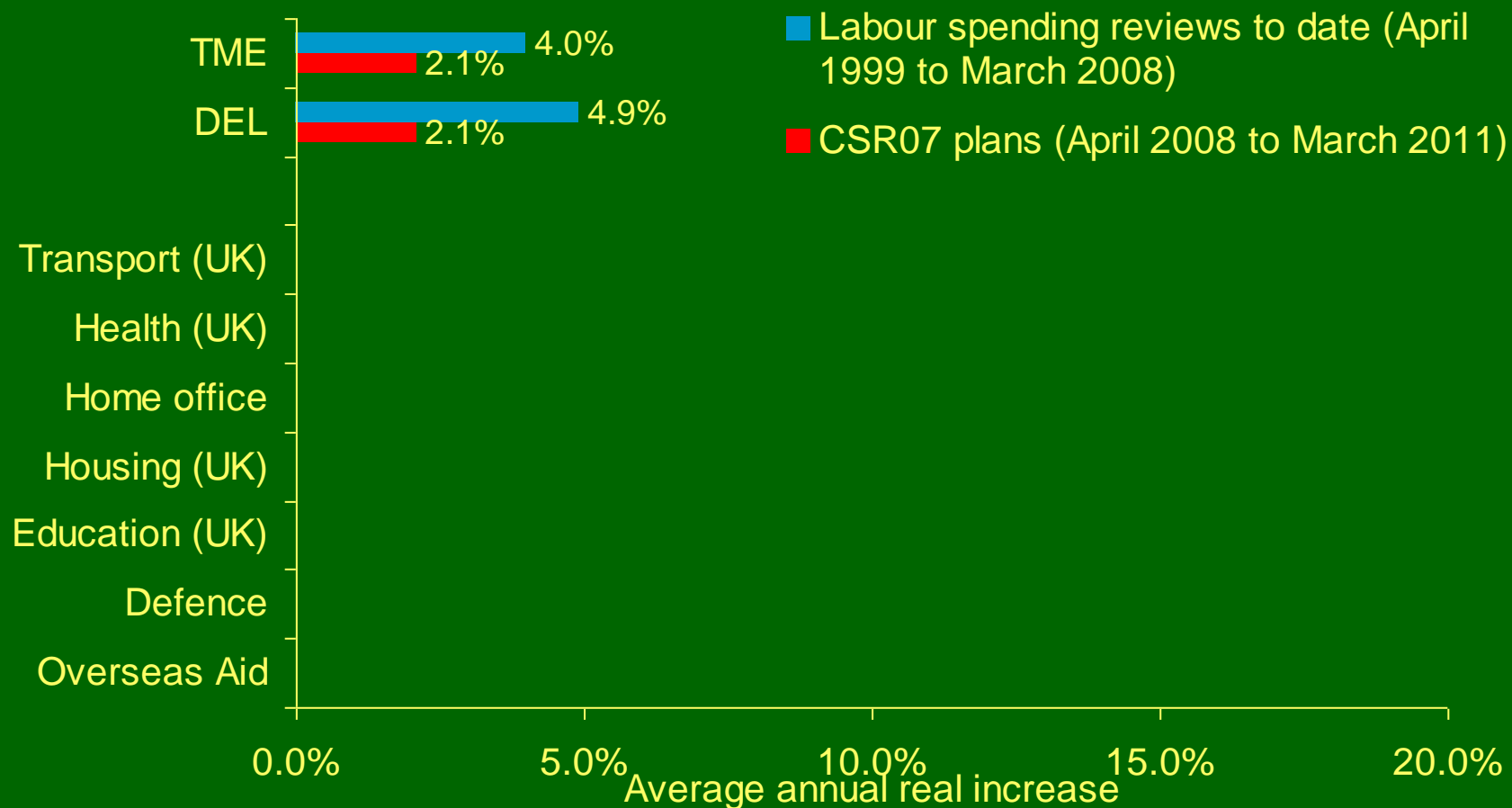


Average annual real increase 2007–08 to 2010–11

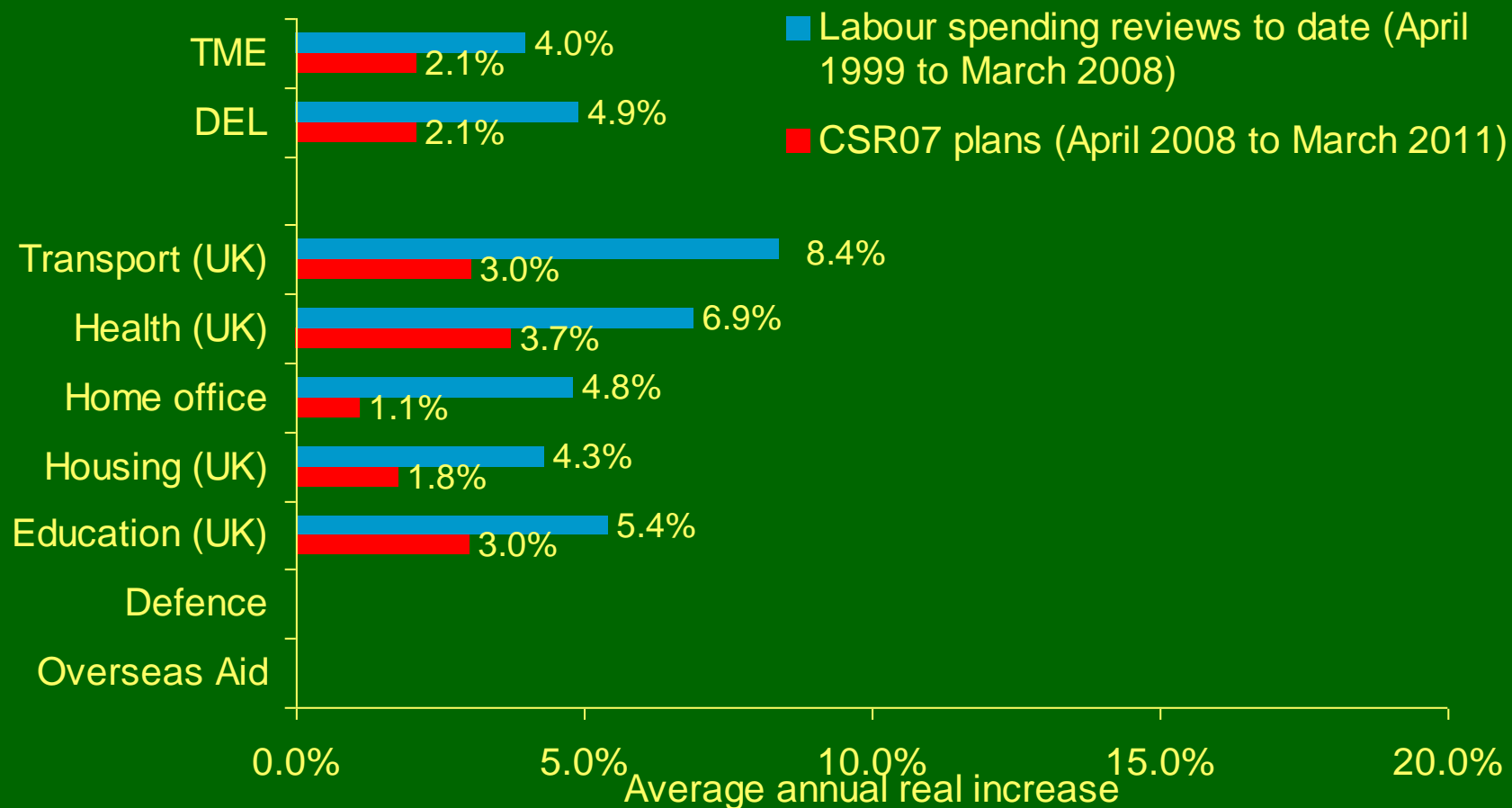
Note: Assumes GDP deflator of 2.7% per year going forwards

Source: HM Treasury; IFS calculations

# Winners and losers?

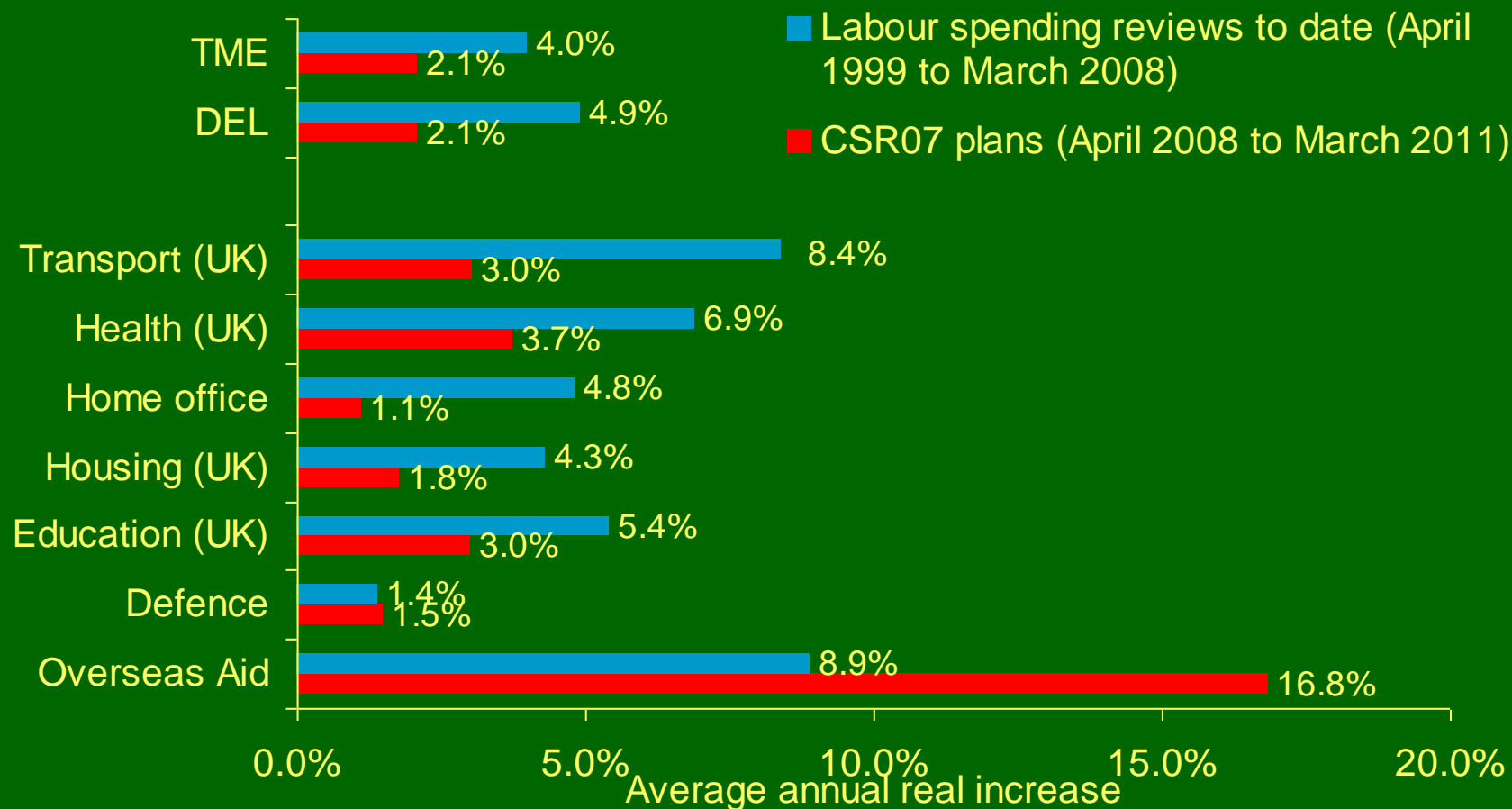


# Winners and losers?

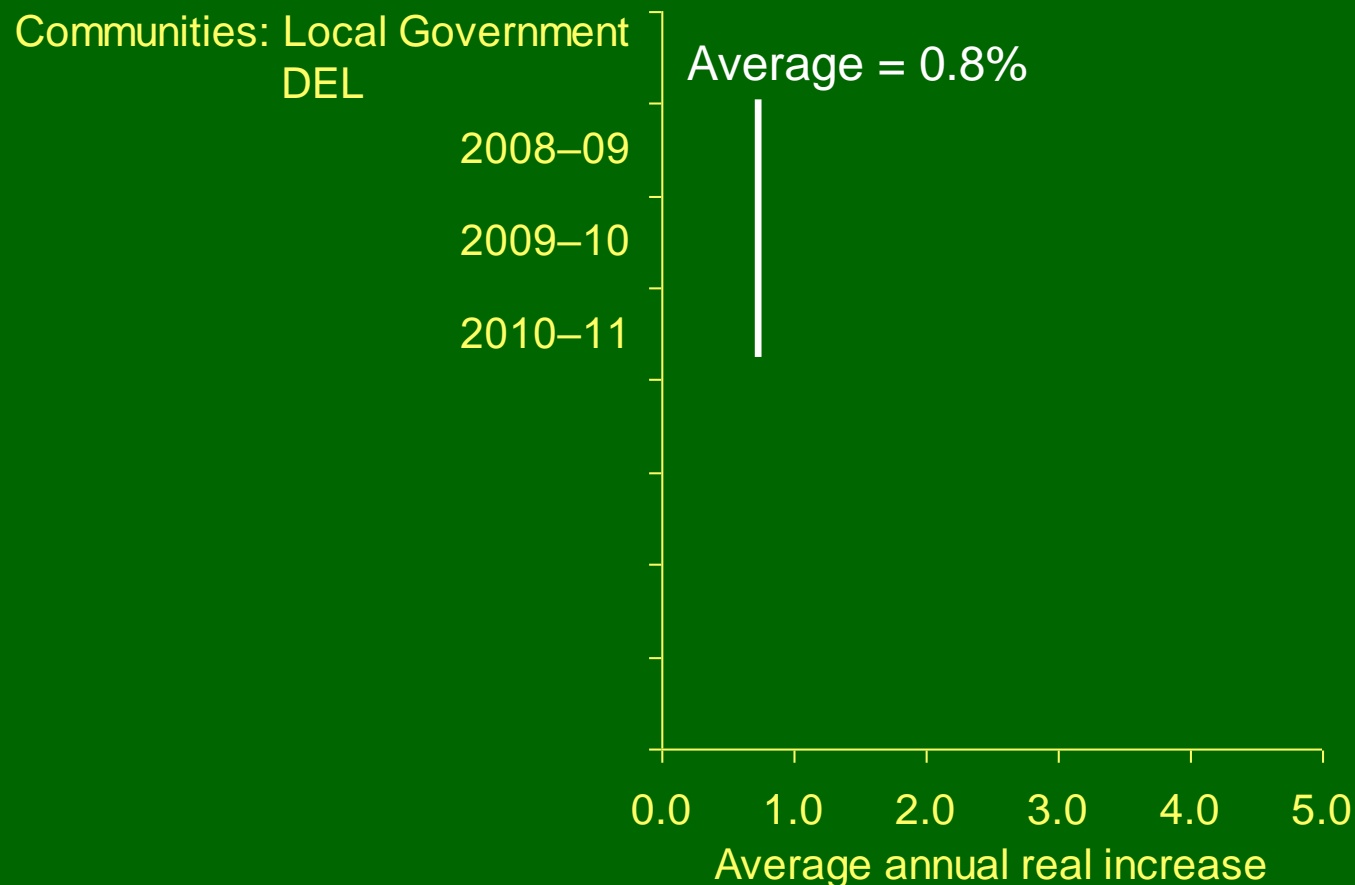




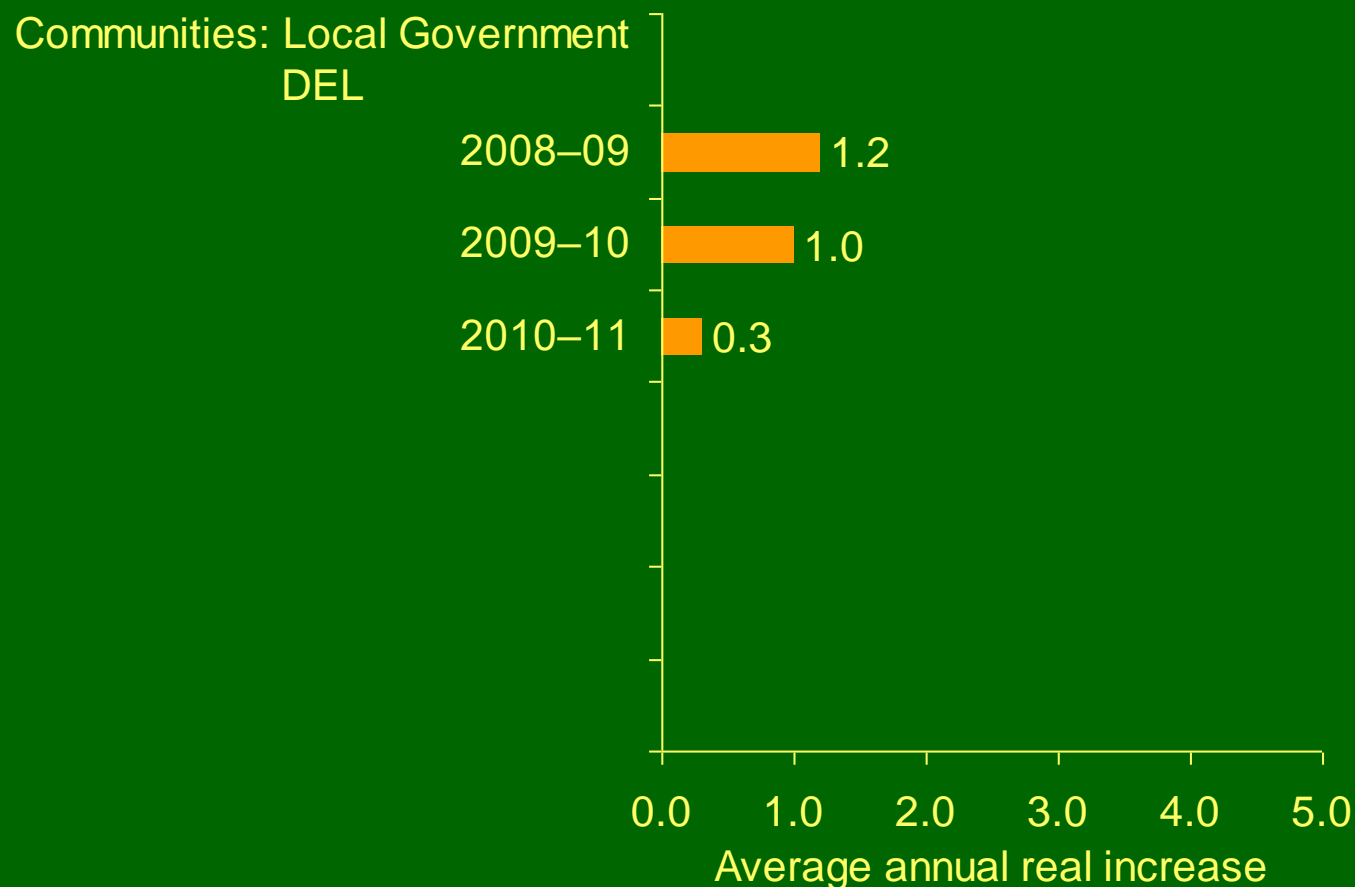
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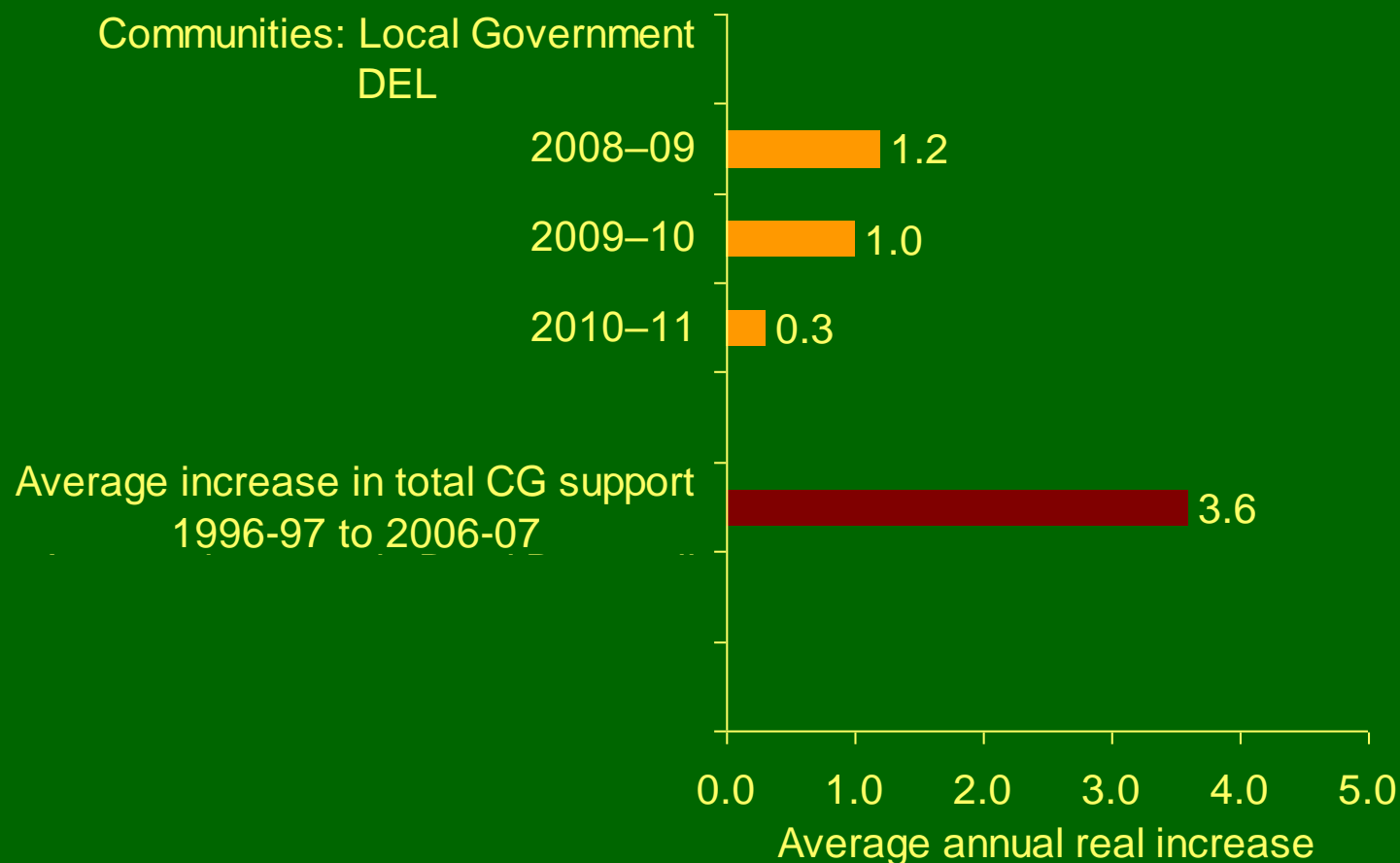
# Local government settlement?



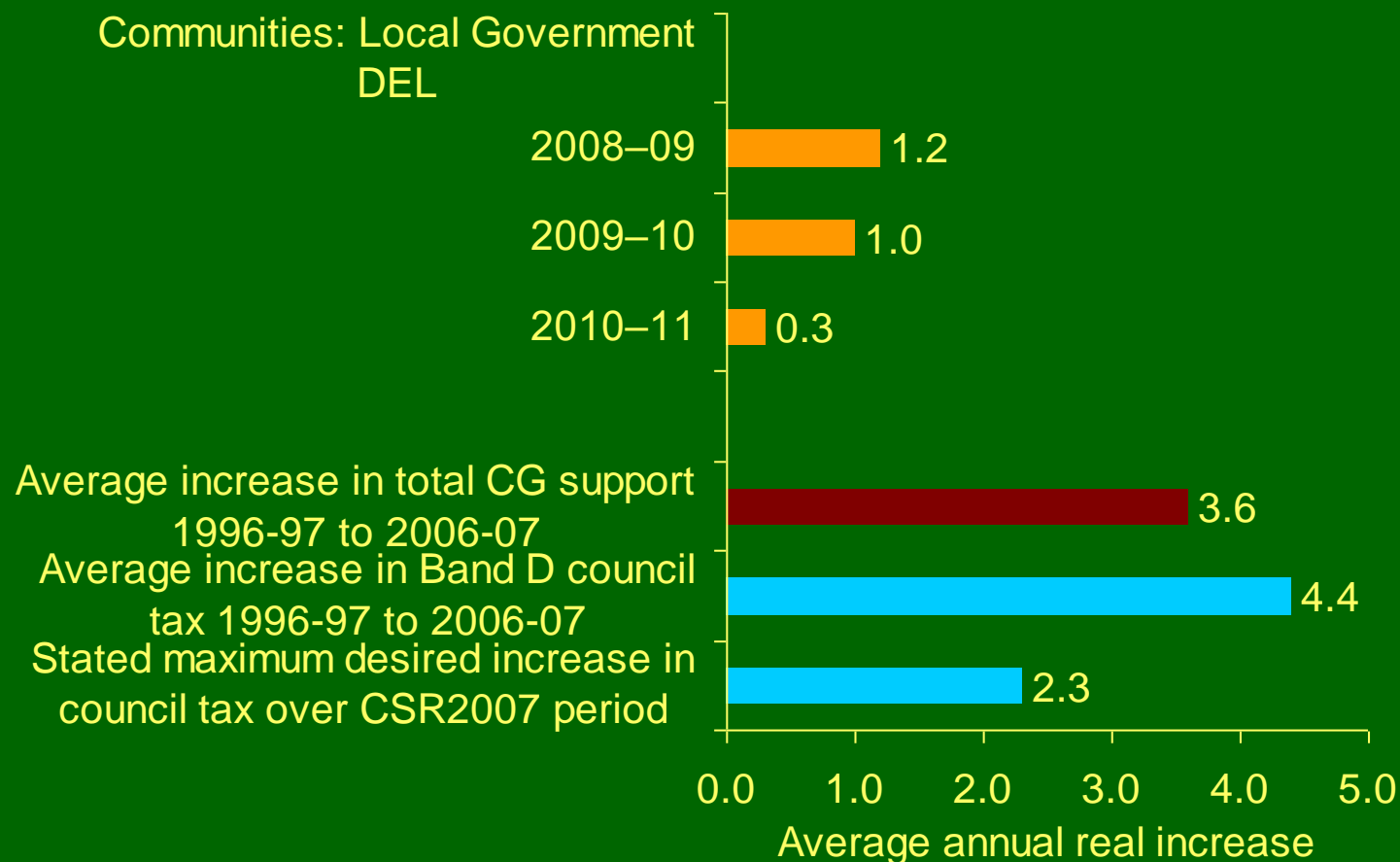
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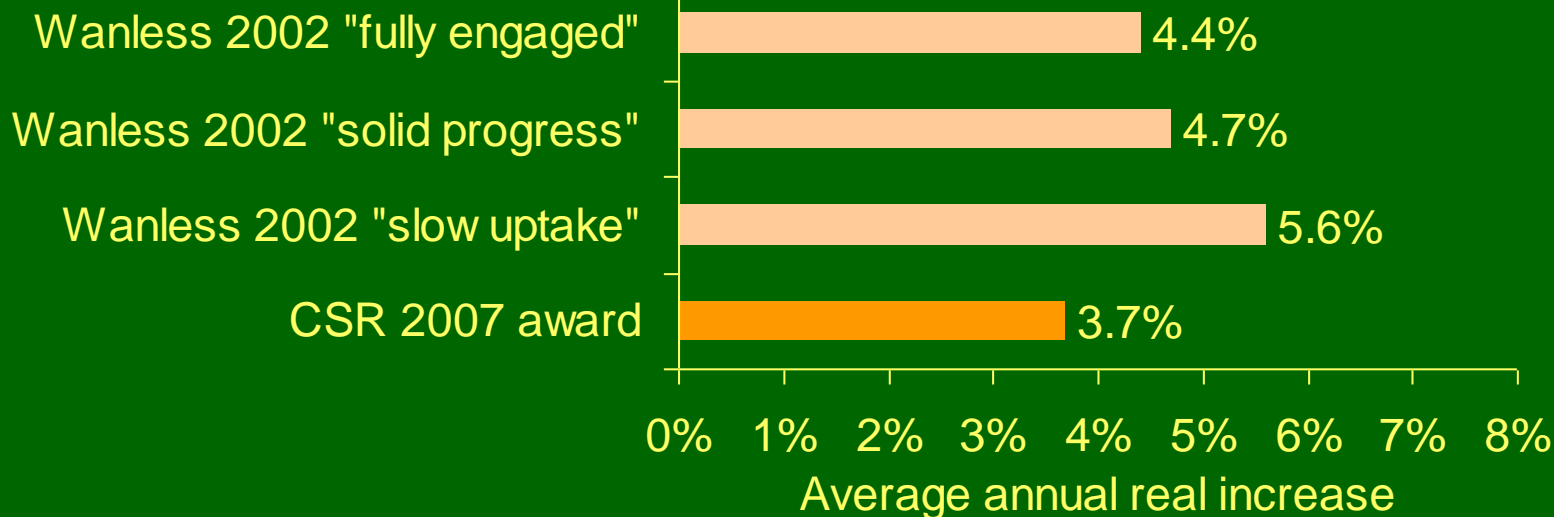


# UK health spending

April 2003 to March 2008



April 2008 to March 2011



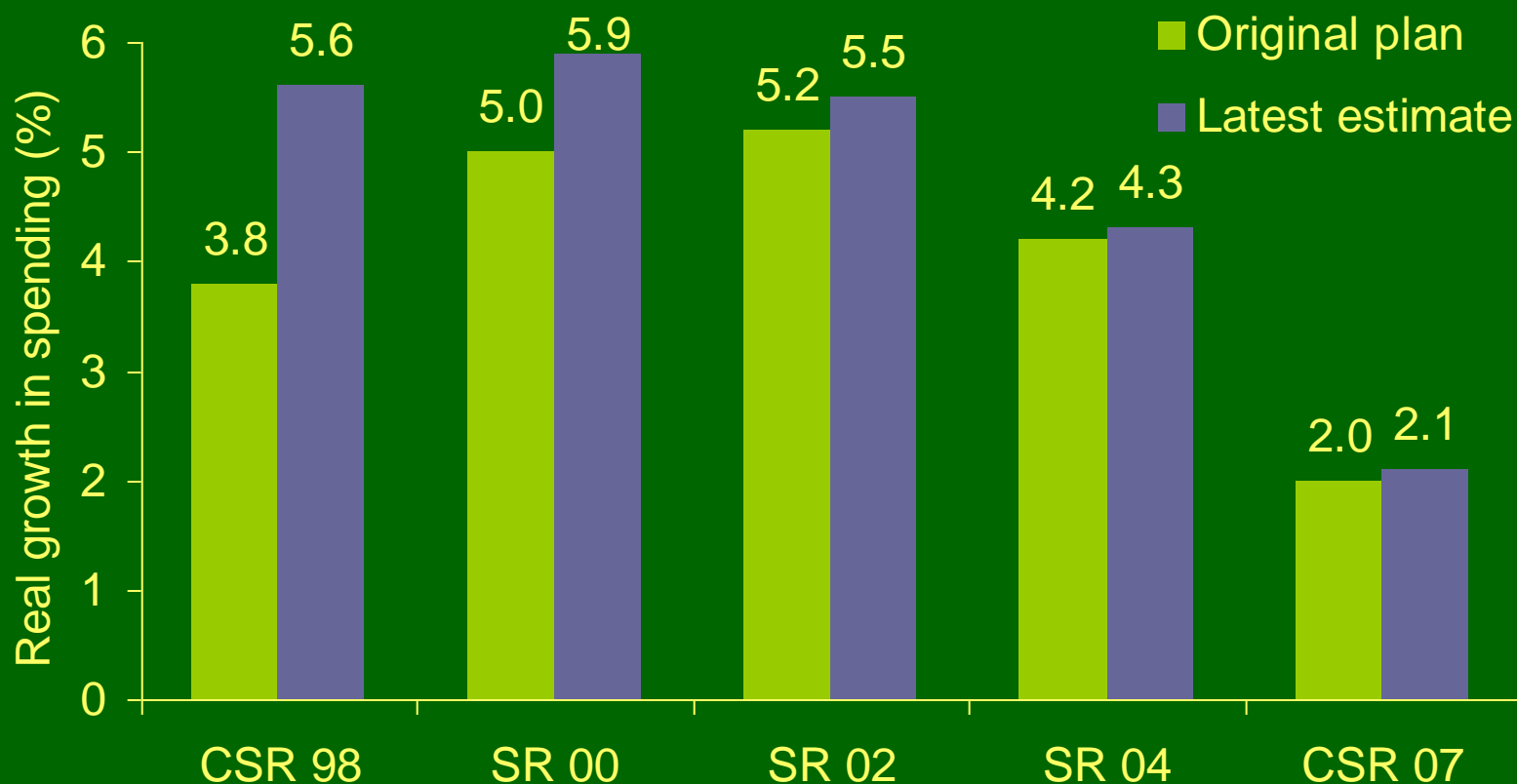
# Health spending shortfall?

- CSR 2007 settlement below Wanless 2002 recommendations for 2010–11
  - £2bn under “fully engaged” scenario
  - £3bn under “solid progress” scenario
  - £6bn under “slow uptake” scenario

Wanless (2007) “neither the assumed rate of productivity improvement nor the changes in personal behaviour that the more optimistic scenarios in the 2002 review envisaged have been achieved”

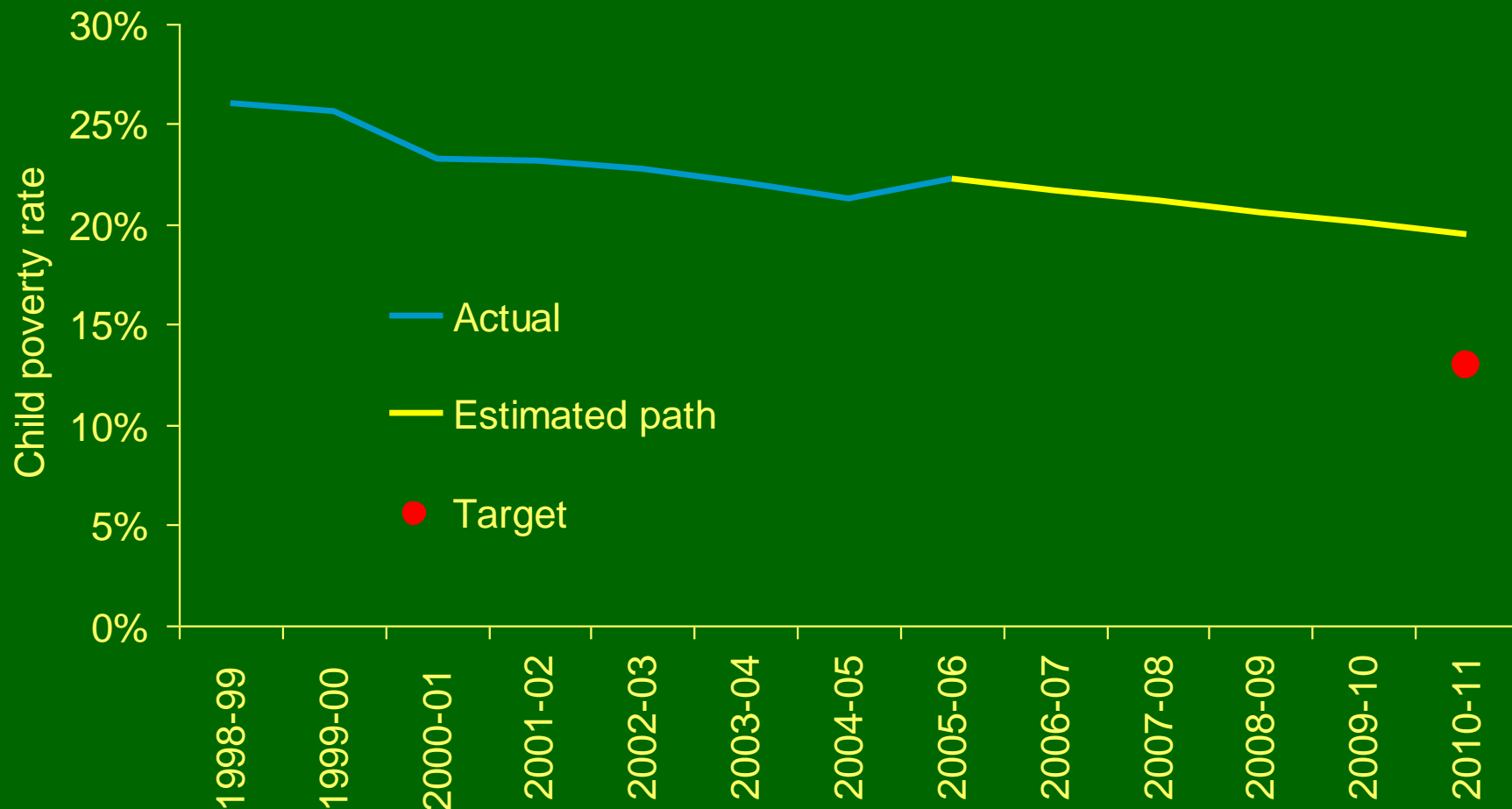
# But plans could be topped up?

## Departmental Expenditure Limits





# The 2010 child poverty target



# Conclusions

- Spending growth considerably slower than Labour's spending reviews to date
  - growth in DELs planned to slow from 4.9% p.a. to 2.1% p.a.
- Might prove incompatible with aspirations for public services and child poverty
- Plans could be topped up
  - higher spending likely to require greater tax revenues

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