



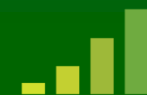
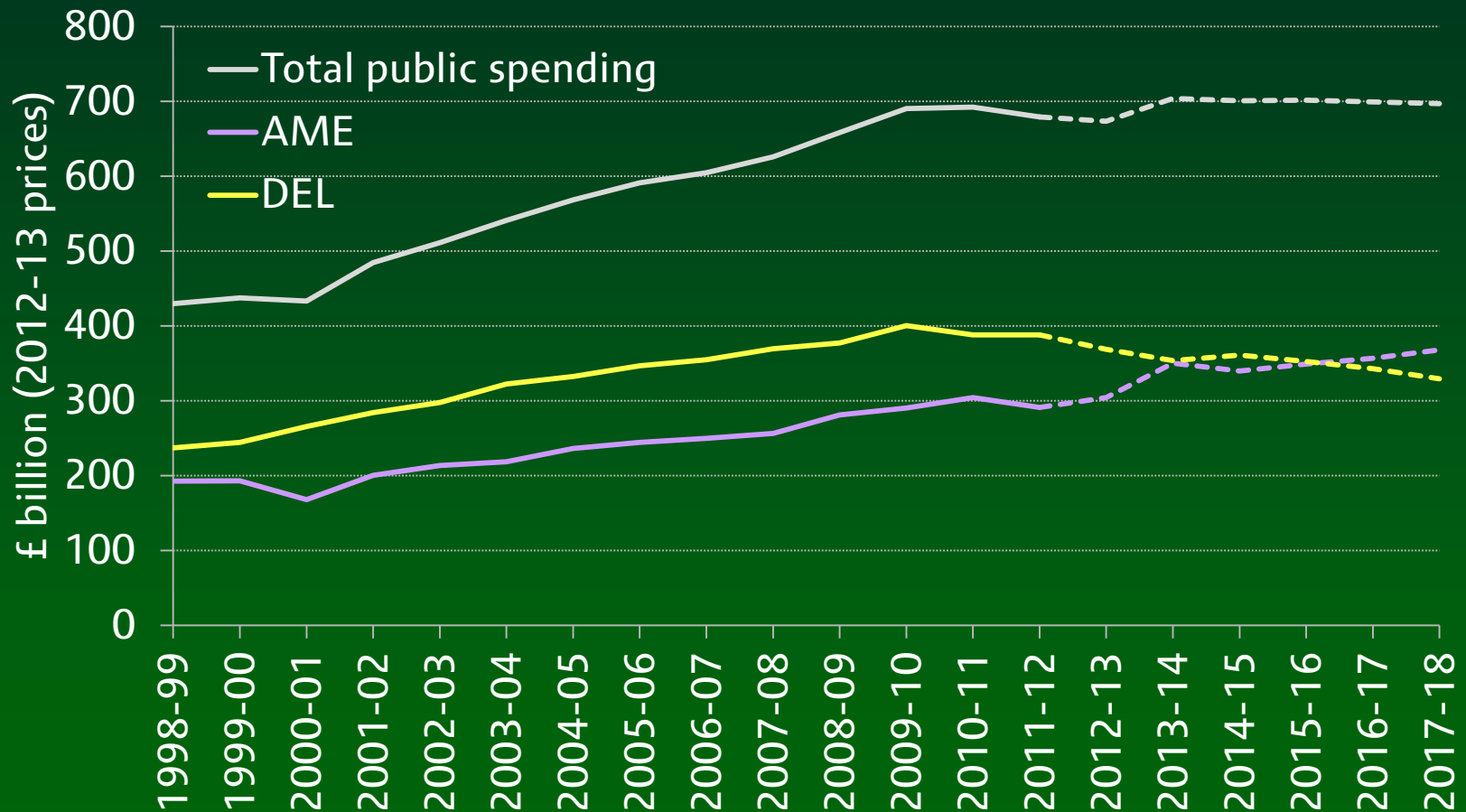
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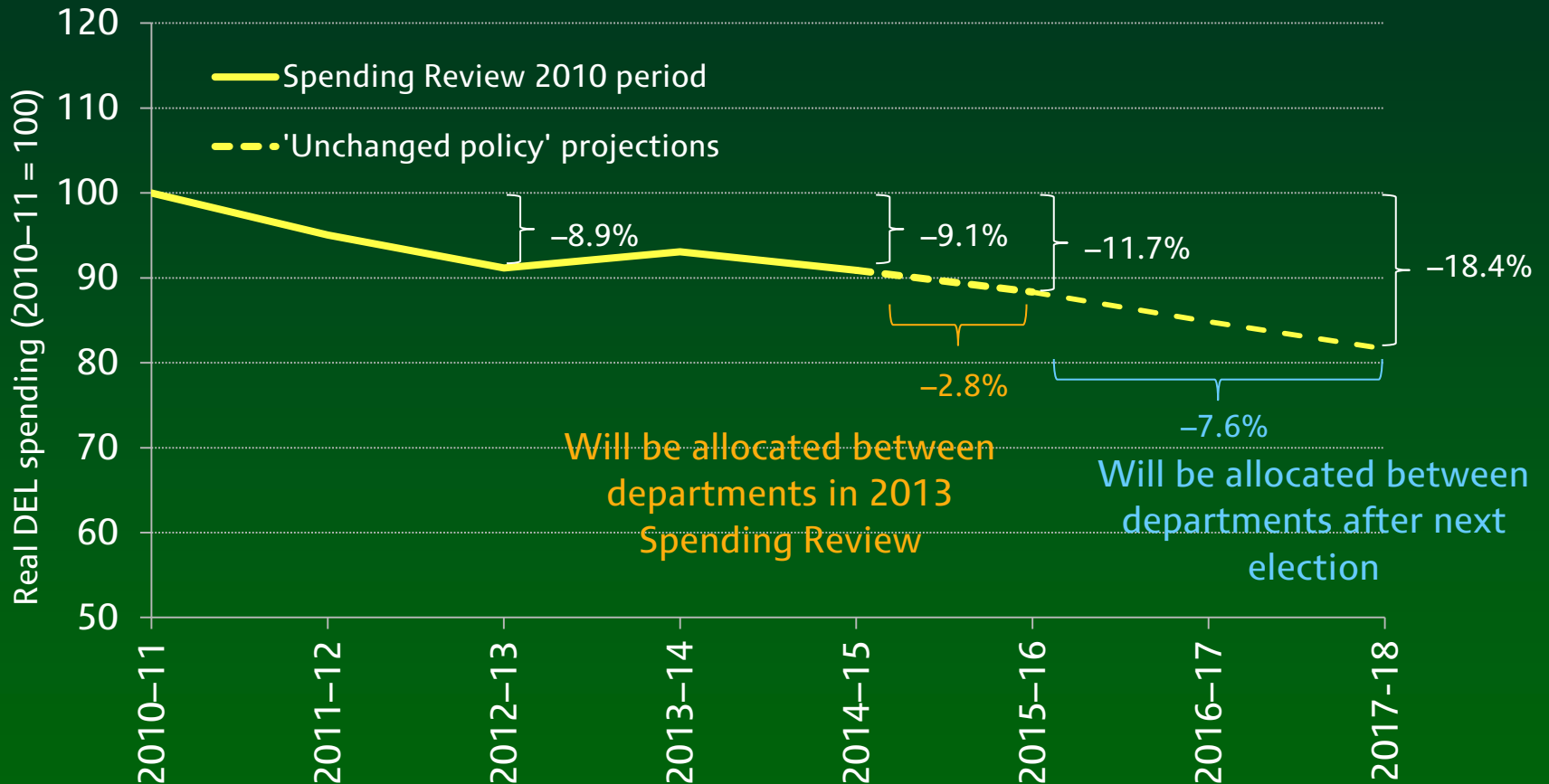
Spending Review 2013 and beyond

Rowena Crawford

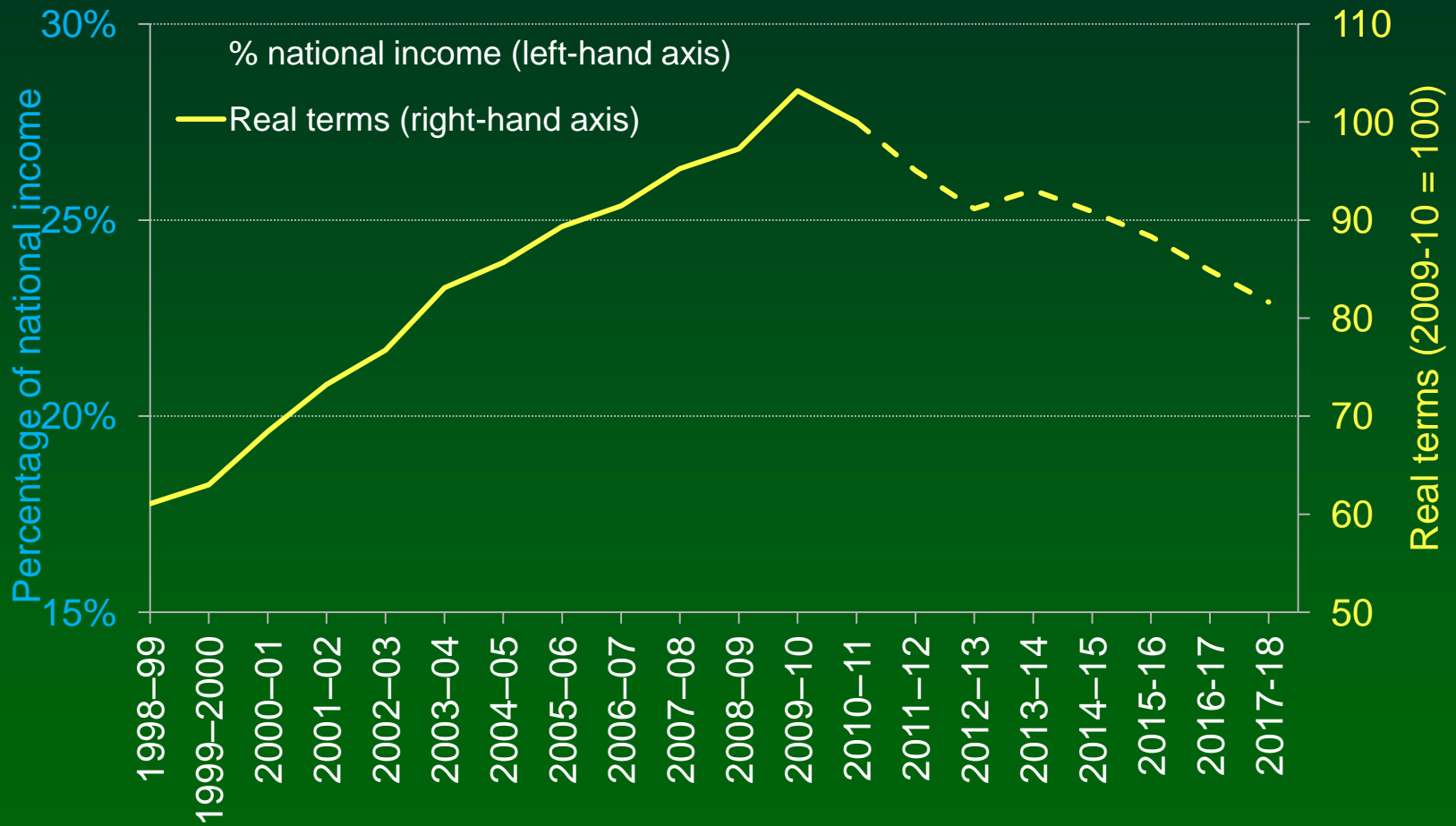
The outlook for spending



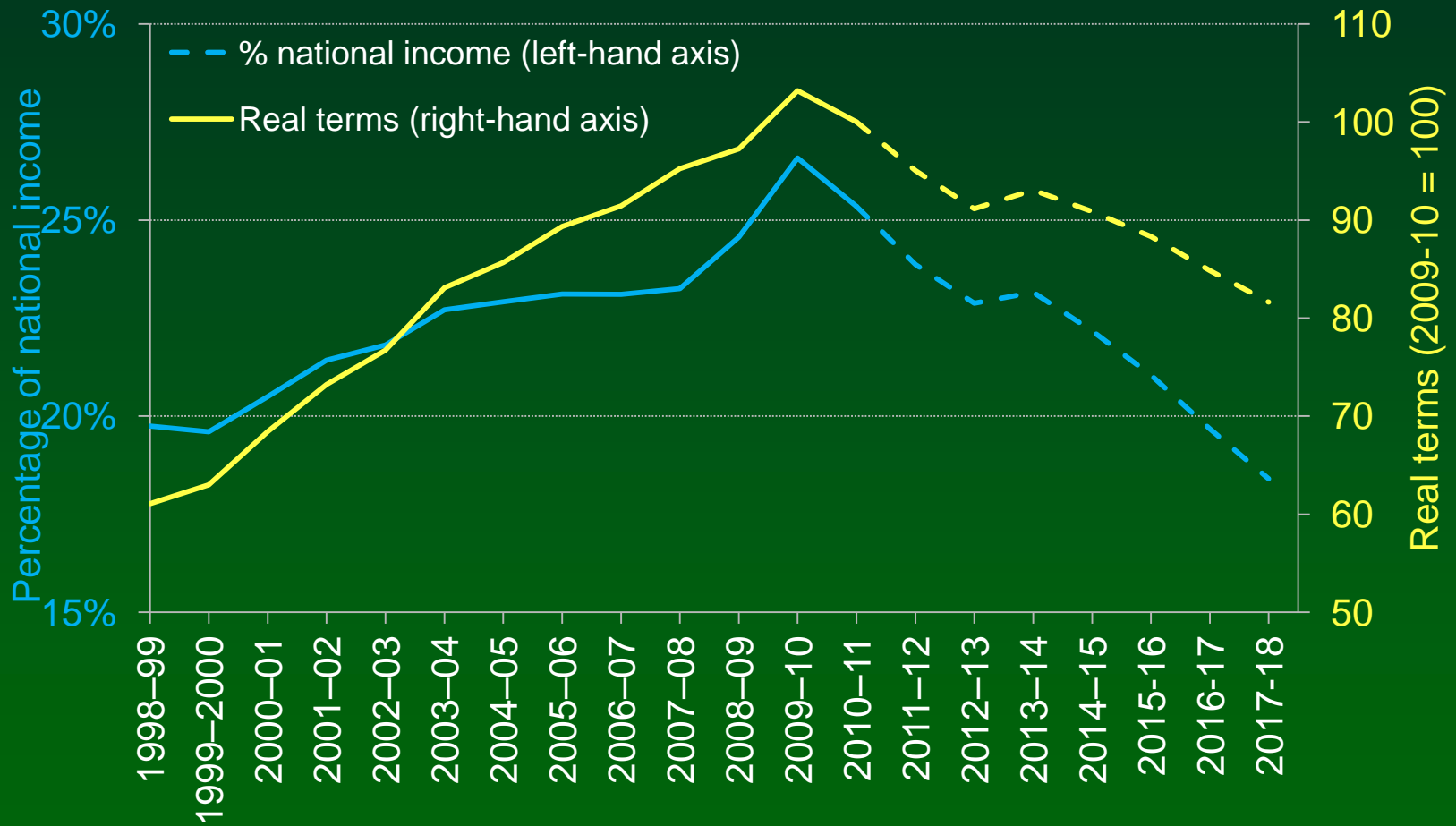
Departmental spending: SR2013 and beyond



The outlook in context: DEL over time



The outlook in context: DEL over time



Spending Review 2013

- Budget 2013 set the total spending envelope for 2015-16
- Given OBR forecast for non-departmental spending:
 - Total DEL will be cut by 2.8% in real terms (compared to 2.4% a year over SR2010)
 - Resource DEL by 2.7%, Capital DEL by 3.3%
 - To return to 2.4% real cut would require an extra £1 billion from welfare spending/other non-departmental spending (or tax increases)
 - To avoid any real cut to DEL would require an extra £9 billion

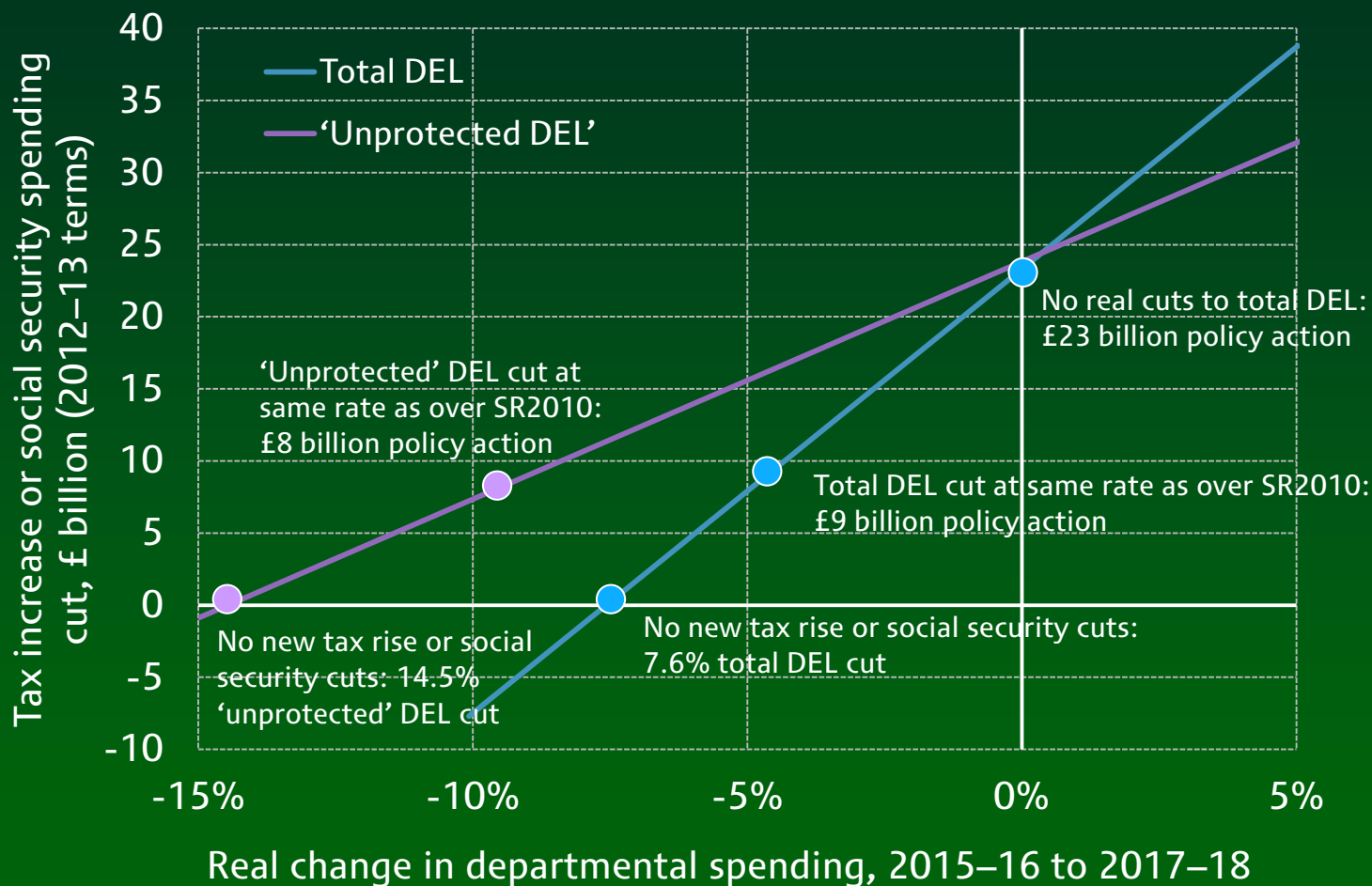
Spending Review 2013

- Spending Review on June 26 to allocate DEL between departments
 - “Health, schools and Official Development Assistance will be protected”
 - Average cut across all other areas will be 5.2% (5.5% resource and 4.0% capital) assuming no change to total DEL forecast
 - If also protect defence, average cut across other areas would be 6.2% (6.4% resource and 5.2% capital)
- Do-It-Yourself spending review spreadsheet available online for you to make your own allocations:
 - http://www.ifs.org.uk/ff/spending_review2013.xlsm
 - (Note: you need to enable macros for the buttons to work!)

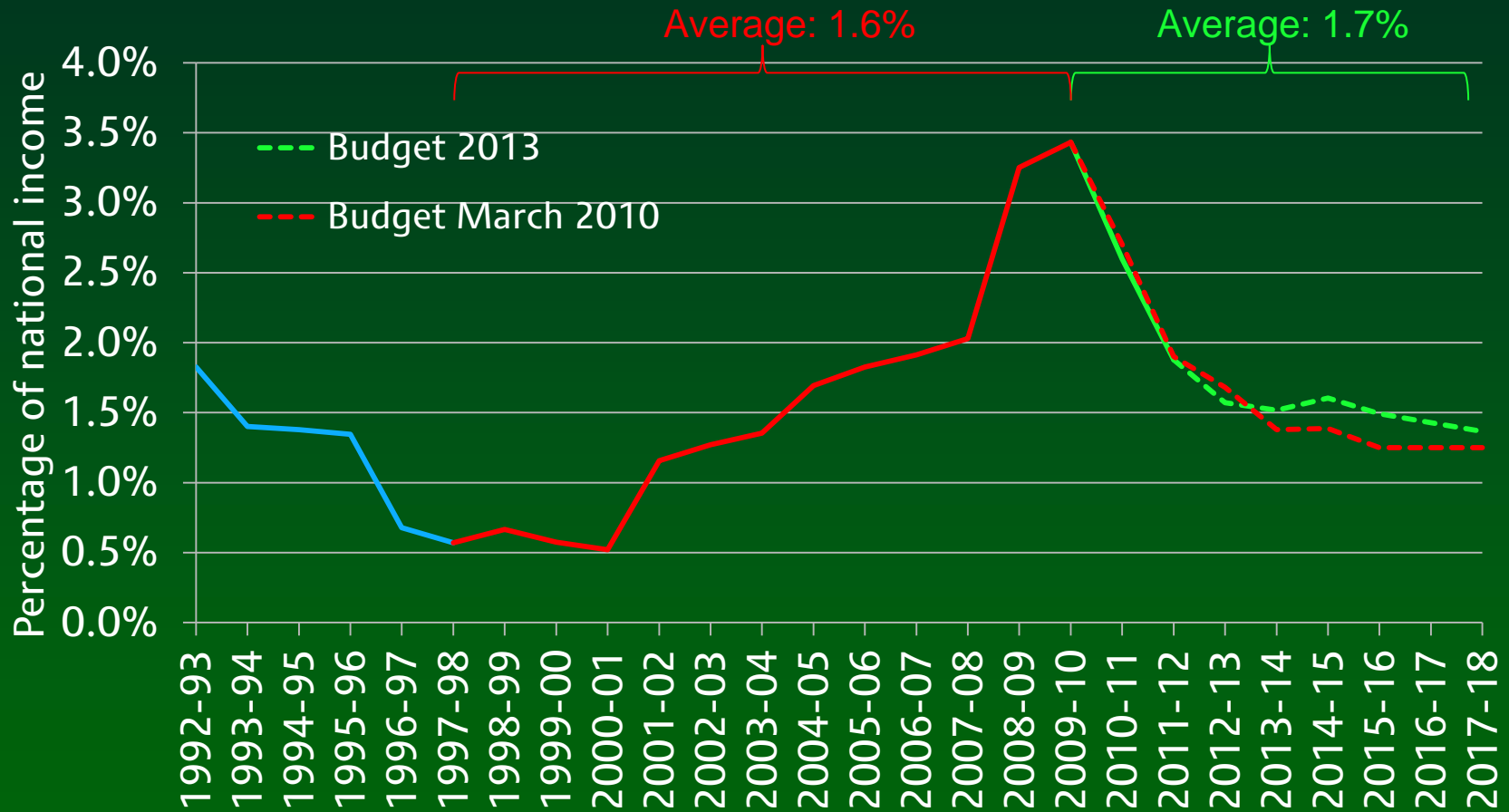
Beyond SR 2013

- In the absence of further policy action, departmental spending implied to be cut by 7.6% between 2015-16 and 2017-18
- Budget 2013 states: “Fiscal consolidation for 2016-17 and 2017-18 is expressed as a reduction in TME. It would, of course, be possible to do more of this further consolidation through tax instead”

Beyond SR 2013: Trade off between DEL cuts and other policy action



Public Sector Net Investment



Summary

- Departmental spending forecast to be at similar level in real terms in 2014-15 as in 2012-13
- Departmental spending forecast to be cut by more than 18% in real terms from its 2010-11 level by 2017-18
 - Back to around 2002-03 level of real spending and pre-1998 level as % of national income
- Spending envelope for 2015-16 means that in the absence of policies to reduce non-departmental spending:
 - Total DEL will be cut by 2.8% in 2015-16, unprotected DEL by 5.2%
- Maintaining SR2010 average of 2.4% annual cut to DEL beyond 2014-15 would require:
 - Additional £1 billion non-departmental spending cut in 2015-16
 - Further £9 billion non-departmental spending cut / tax increase / borrowing increase by 2017-18

