Spending Review 2013 and beyond
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The outlook for spending

Note: DEL and AME figures from 2013-14 are adjusted for changes for local government funding for Business Rates Retention and Council Tax Benefit localisation.
Departmental spending: SR2013 and beyond

Real DEL spending (2010–11 = 100)

- Spending Review 2010 period
- 'Unchanged policy' projections

2010–11: 100
2011–12: 91.1%
2012–13: 82.2%
2013–14: 73.3%
2014–15: 64.4%
2015–16: 55.5%
2016–17: 46.6%
2017–18: 37.7%

Note: DEL figures from 2013-14 are adjusted for changes for local government funding for Business Rates Retention and Council Tax Benefit localisation.
The outlook in context: DEL over time

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The outlook in context: DEL over time

Real terms (2009-10 = 100)

% national income (left-hand axis)

Real terms (right-hand axis)

Percentage of national income

15% 20% 25% 30%

Real terms (2009-10 = 100)

110 100 90 80 70 60 50


Note: DEL figures from 2013-14 are adjusted for changes for local government funding for Business Rates Retention and Council Tax Benefit localisation.
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:
  – (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

- No new tax rise or social security cuts: 7.6% total DEL cut
- No new tax rise or social security cuts: 14.5% ‘unprotected’ DEL cut
- ‘Unprotected’ DEL cut at same rate as over SR2010: £8 billion policy action
- Total DEL cut at same rate as over SR2010: £9 billion policy action
- No real cuts to total DEL: £23 billion policy action
Public Sector Net Investment

Average: 1.6%

Average: 1.7%
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