



# Institute for Fiscal Studies



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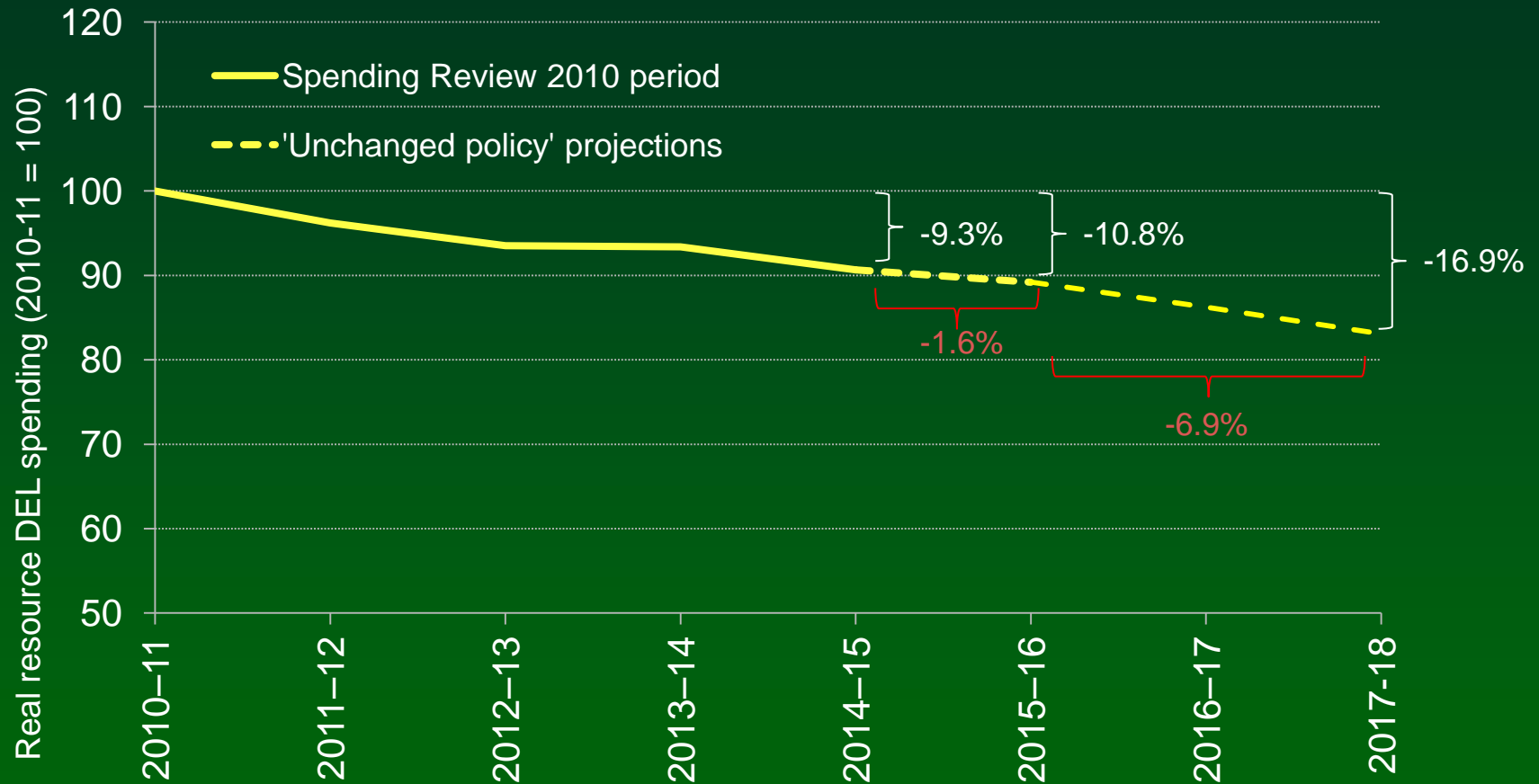
Department spending post 2014-15: more  
cuts to come

Rowena Crawford

# Introduction

- Focus of this presentation is on resource departmental expenditure limits (DELs)
  - Non-investment spending by Whitehall departments on administration and the delivery of public services
- Autumn statement announced some changes to resource DELs in the SR 2010 period
  - Measures that reduced resource DELs
  - OBR forecasting an underspend each year
- Government firmed up plans for 2015-16
- Extra year of cuts pencilled in for 2017-18

# Real change in resource DEL



Note: Figure shows resource Departmental Expenditure Limits (DELs) including depreciation under current policies, assuming no further changes to welfare policies or total government spending.



# General government employment

- OBR produces a forecast for general government employment (GGE) based on:
  - Growth of total paybill (assumed to move in line with non-investment departmental spending)
  - Growth of paybill per head (depends on average earnings growth, wage drift, pay settlements)
- Spending cuts in 2017-18 add around 200,000 to fall in general government employment between 2011 and 2018
  - OBR now forecasting total fall in GGE between 2011 and 2018 of 1.1 million (929,000 excluding recent classification change)

# Spending Review to come early next year

- “Spending on health, schools and ODA will be protected from further reductions”

	Total DEL	<i>Of which:</i>			
		NHS	Schools	Aid	Other DEL
Real percentage change in resource spending between 2014-15 and...					
... 2015-16	-1.6				

Notes: Projected spending cuts assume no further welfare spending cuts or changes to total government spending. 2014-15 spending baselines used are English NHS budget and DfID budget from PESA 2012, and schools spending from Chowdry and Sibieta (2011),

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... 2015-16	-10.8	2.9	0.6	34.0	-20.9

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... 2017-18	-16.9	2.9	0.6	41.7	-31.5

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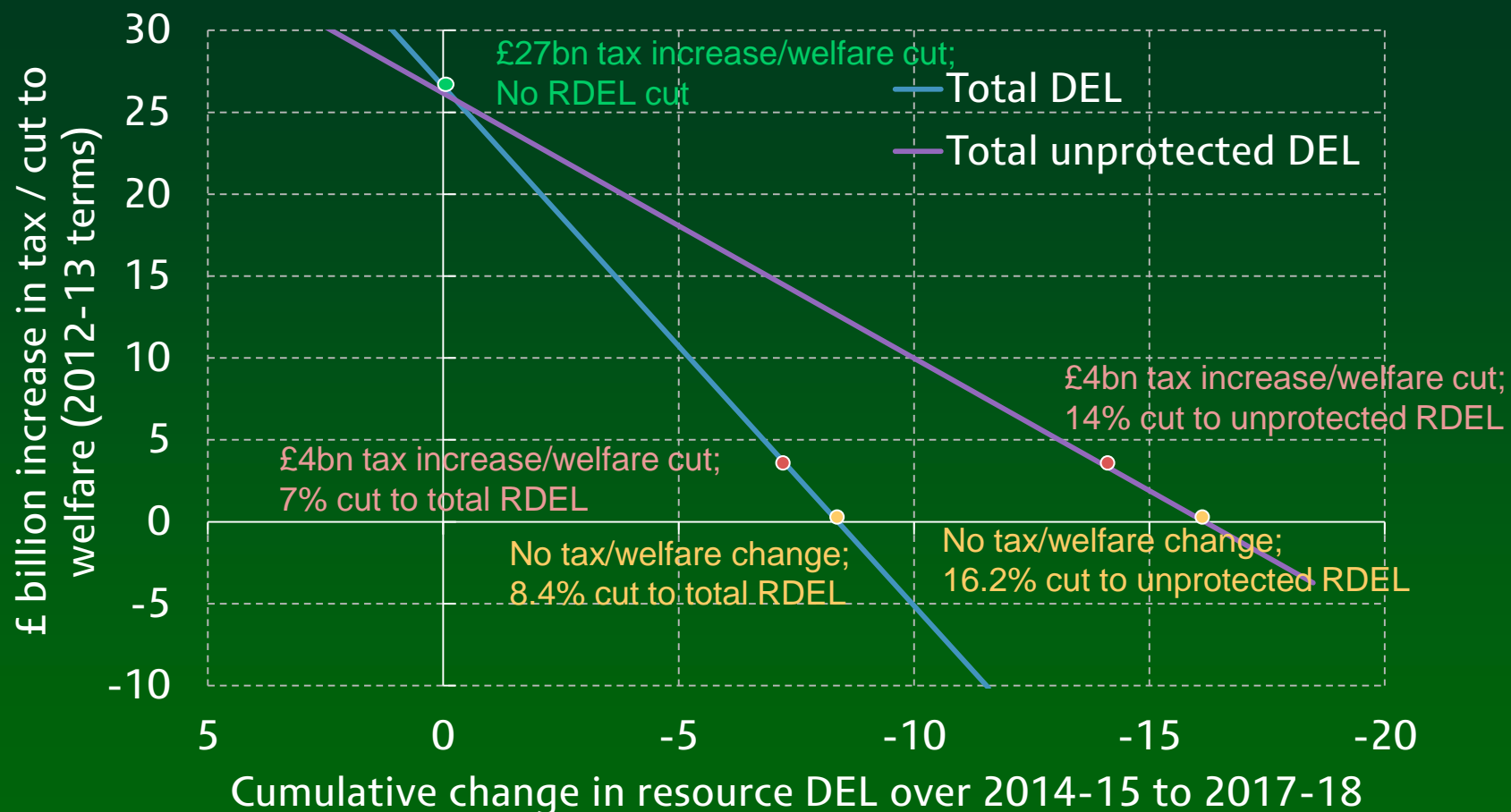
## Where could cut in ‘unprotected DEL’ fall?

- Real cut of 3.2% to ‘unprotected’ resource DEL in 2015-16 equates to a total budget reduction of £5.5 billion
- (Cut of 16.2% would equate to a cut of £28 billion)
- Where could such a budget reduction come from given that the protected elements account for 46.9% of resource DEL?

<b>Department</b>	<b>2014-15 Budget</b> (£ billion, 2012-13 prices)
Defence	32.1
CLG Local Government	21.0
Business, Innovation and Skills	16.5
Education (excluding schools)	12.5
Home Office	7.5
Work and Pensions	7.5
Justice	7.2
Transport	5.2

Note: Devolved administrations and departments with 2014-15 budgets of less than £5 billion are not shown

# Cuts to resource DELs could be reduced by tax increases and/or welfare cuts



# Summary

- Spending Review in early 2013 to set departmental budgets for 2015-16
  - Total resource DEL to be cut by 1.6% in real terms
  - Government pledged to protect NHS, schools and aid spending, leaving other ‘unprotected’ resource DEL facing cuts of 3.2%
  - Total real cut to ‘unprotected’ resource DEL since 2010-11 of 20.9%
- Further real cuts to departmental spending to come in 2016-17 and 2017-18
  - Without tax increases or welfare cuts then if NHS, schools and aid still protected, ‘unprotected’ resource DELs would face cumulative cut of 31.5% since 2010-11
- Tax increases or welfare spending cuts could reduce the pressure on resource DELs in 2016-17 and 2017-18
  - Cutting resource DELs at the same rate as over the SR2010 period (7% real cut over the two years) would require £4 billion to be raised
  - Would still leave ‘unprotected’ resource DELs facing a cut of 29.7% since 2010-11