

General election analysis 2019

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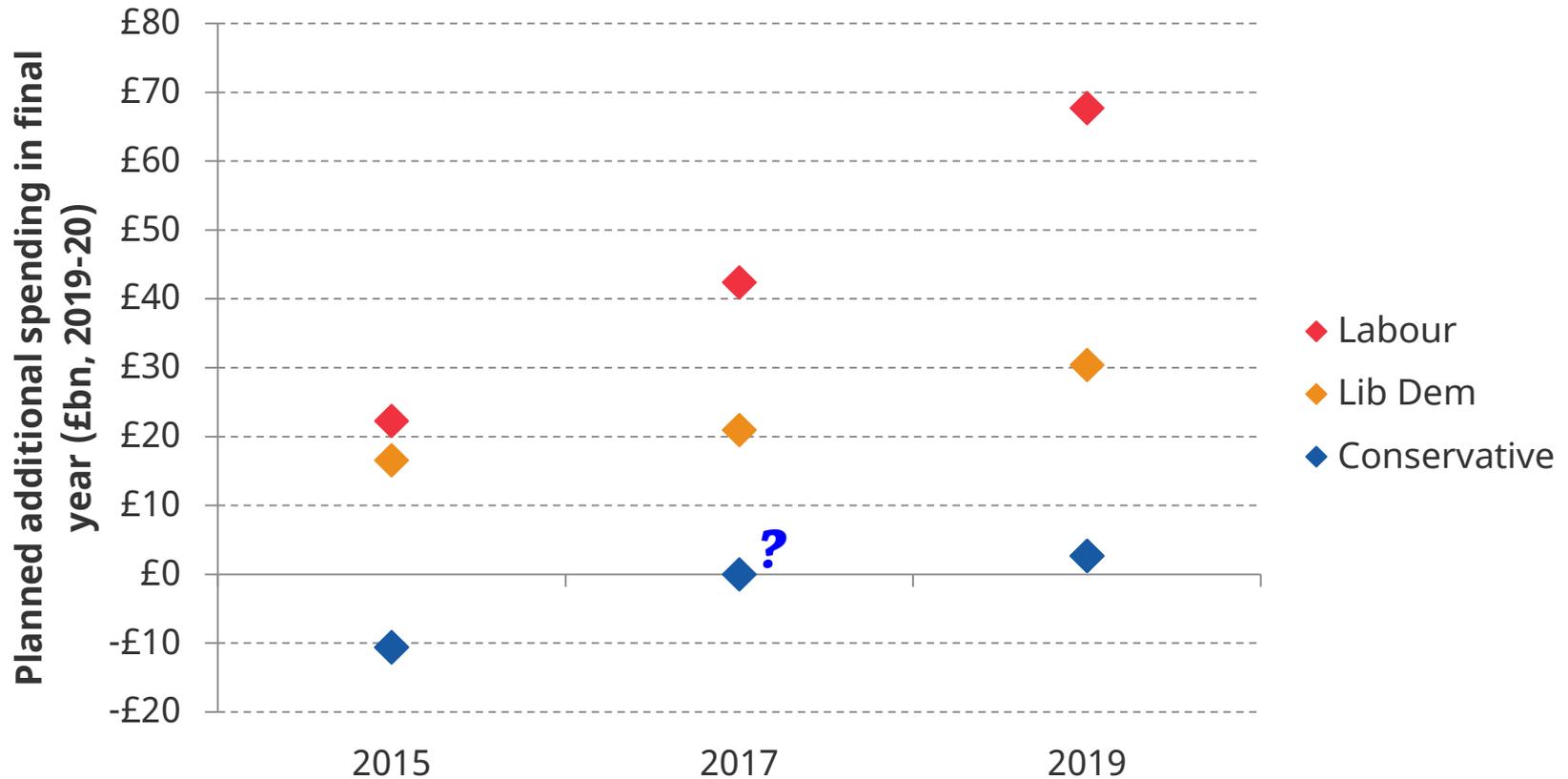
 Institute for Fiscal Studies

Spending on public services

Christine Farquharson

This election offers voters a big choice on public service spending

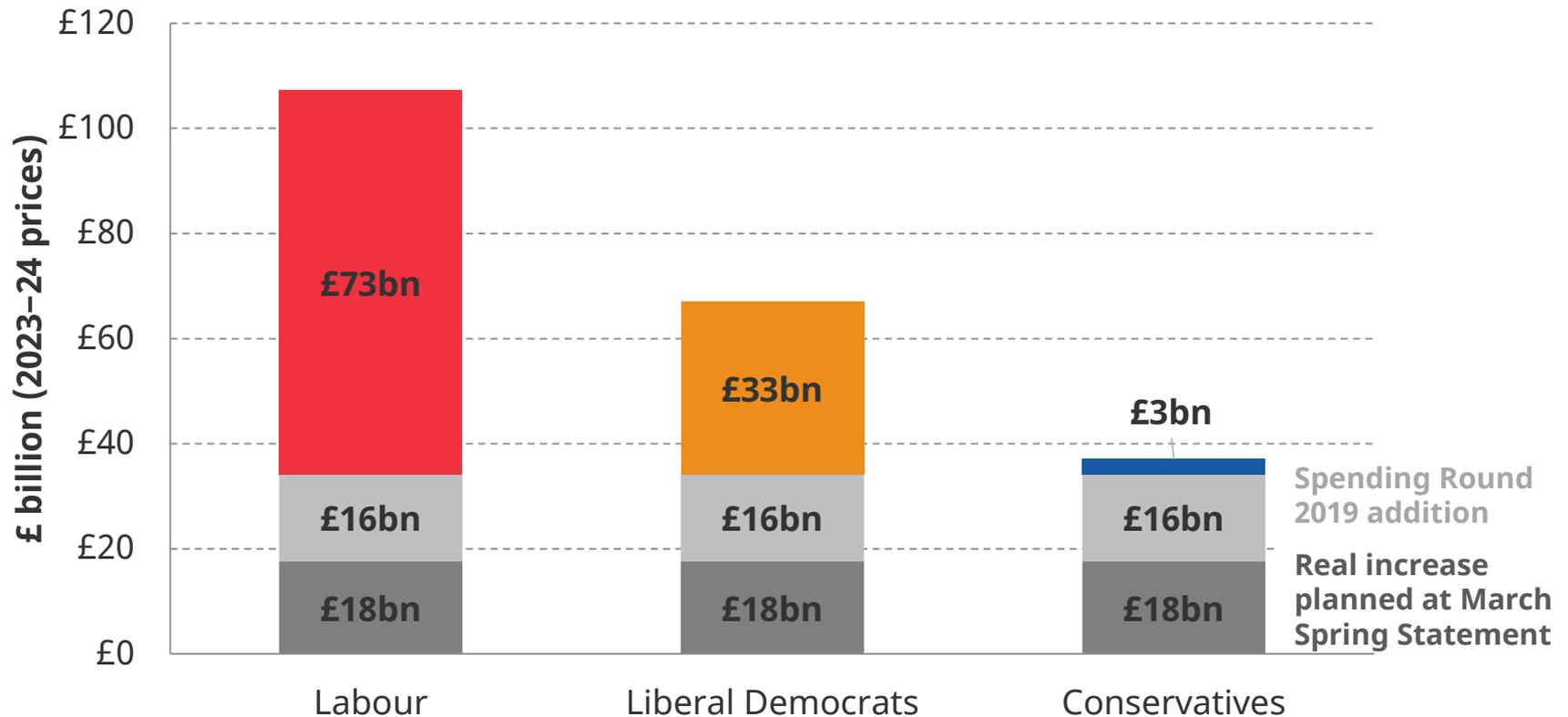
Total day-to-day public service spending manifesto promises



Note: 2017, 2019 based on parties' own costings of all promises in day-to-day departmental expenditure limits. 2015 based on Table A.6 of [Crawford, Emmerson, Keynes and Tetlow \(2015\)](#). Commitments are shown for the same year for all parties each election: 2019-20 for the 2015 election, 2021-22 for the 2017 election, and 2023-24 for the 2019 election. Detailed costings for the Conservatives were not available in the 2017 election.

There is a huge gulf in the parties' plans for day-to-day spending on public services

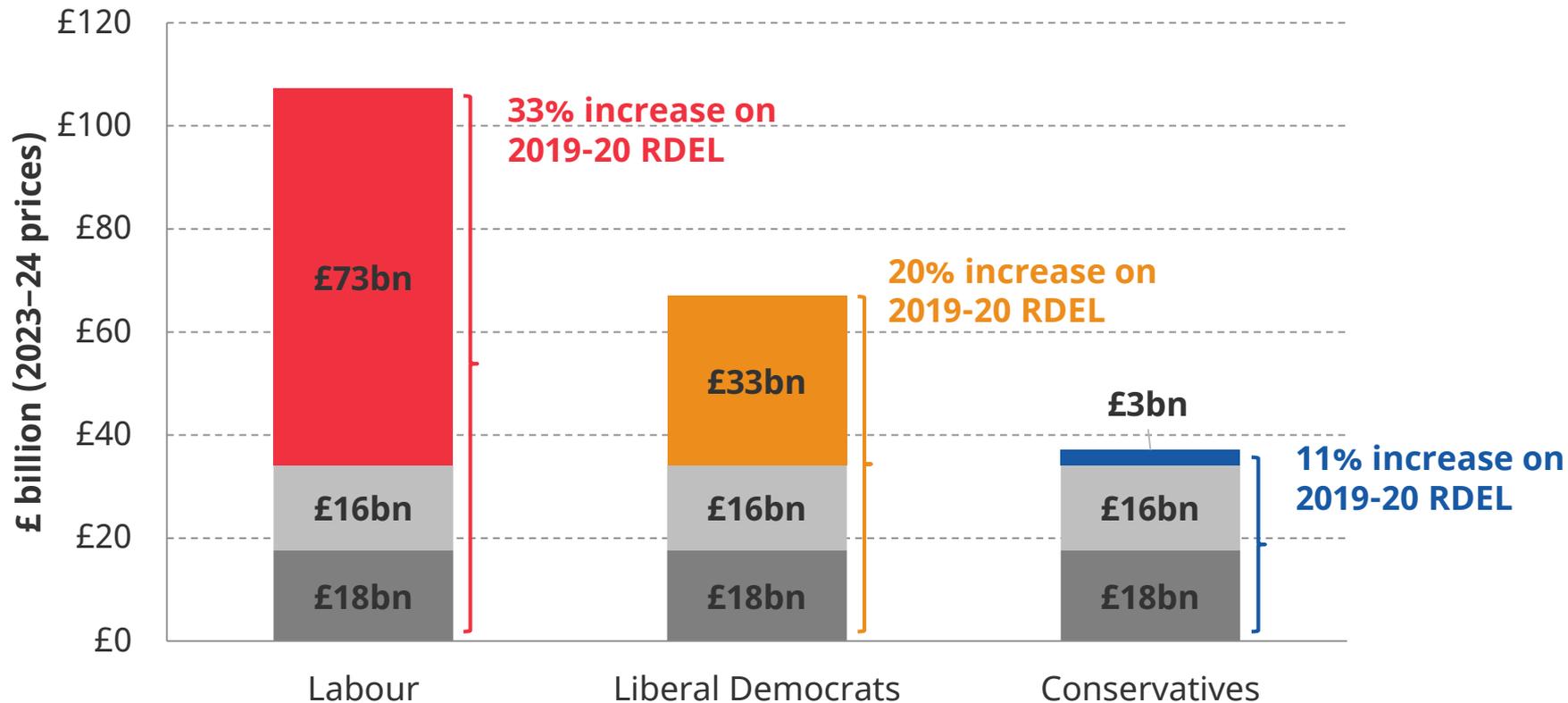
Planned increase in day-to-day departmental spending, 2019–20 to 2023–24



Note: All figures in 2023–24 prices and exclude spending on social security measures that would fall within annually managed expenditure (AME). Liberal Democrat scenario does not include the spending already announced at the 2019 Spending Round, and assumes that by 2023–24 four-fifths of the spending ultimately planned by 2024–25 has been delivered.

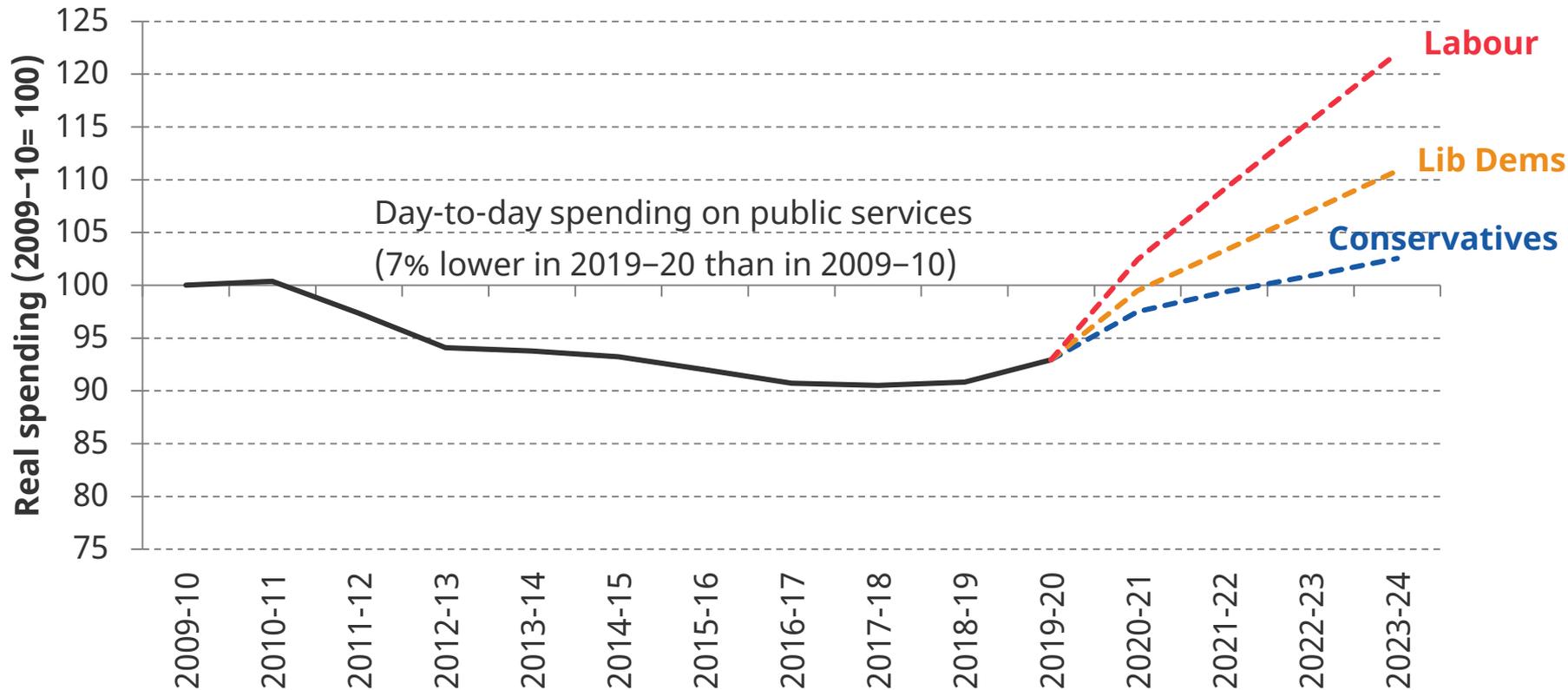
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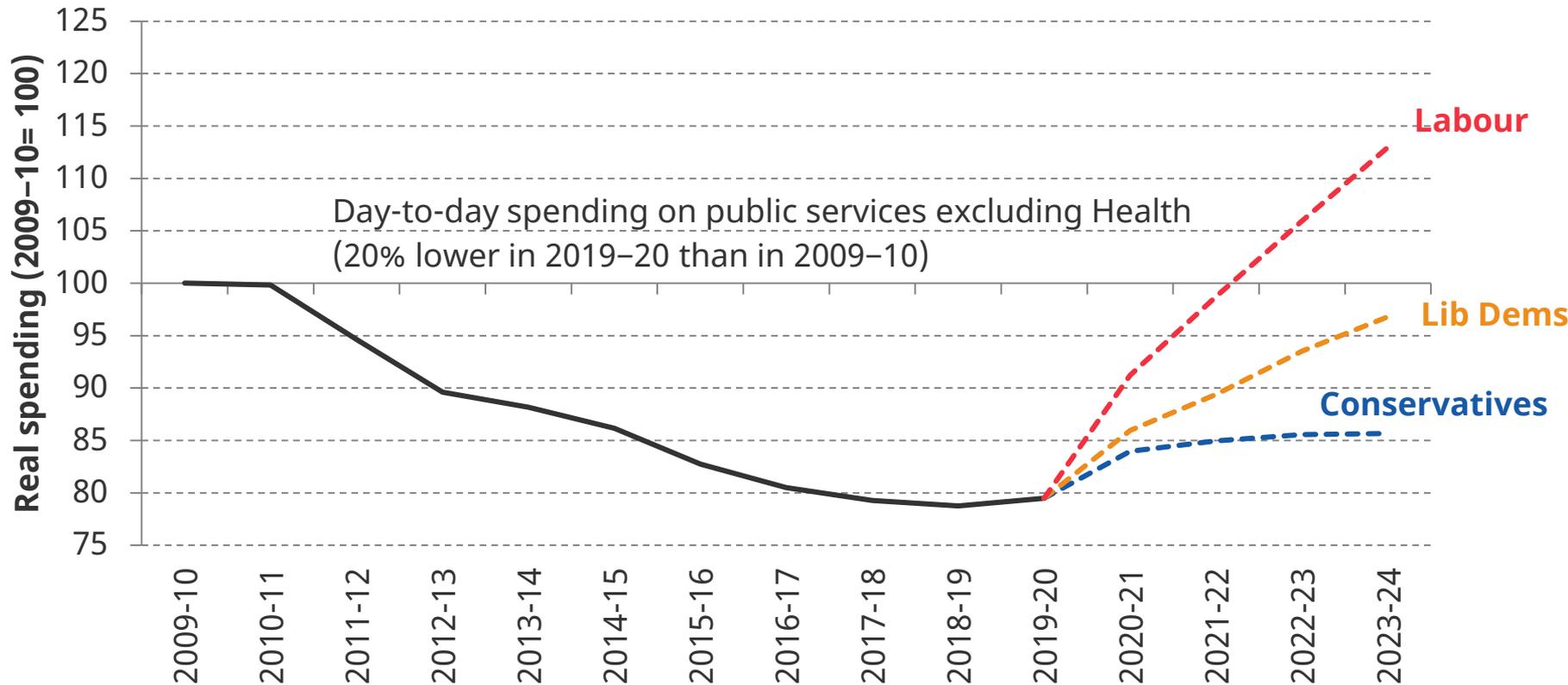
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Whoever wins the election, public service spending is set to rise above 2010 levels



Note: All figures denote public sector current expenditure in resource DEL (PSCE in RDEL). Government spending plans do not exist beyond 2020-21: we assume that in the absence of the election, the government would have frozen all spending outside of the NHS and schools in England in real terms between 2020-21 and 2023-24; this is consistent with the Conservative manifesto. All figures are calculated relative to this baseline and exclude spending on social security measures that would fall within annually managed expenditure (AME). Liberal Democrat scenario does not include the £12.4 billion of spending already announced at the 2019 Spending Round, and assumes that by 2023-24 four-fifths of the spending ultimately planned by 2024-25 has been delivered.

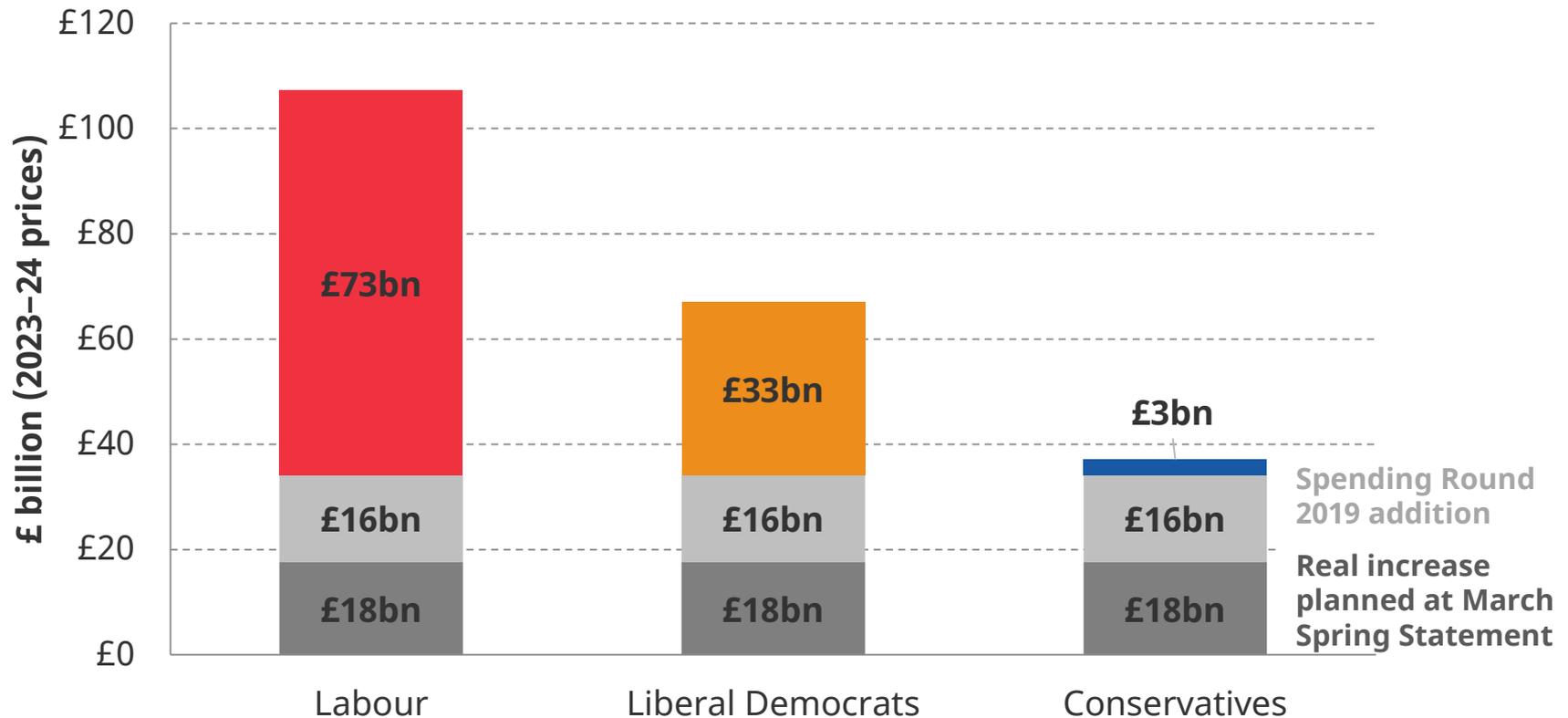
But under the Conservatives' and Liberal Democrats' plans, day-to-day spending on public services outside of health won't return to its 2010 peak



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Where is the extra day-to-day spending going?

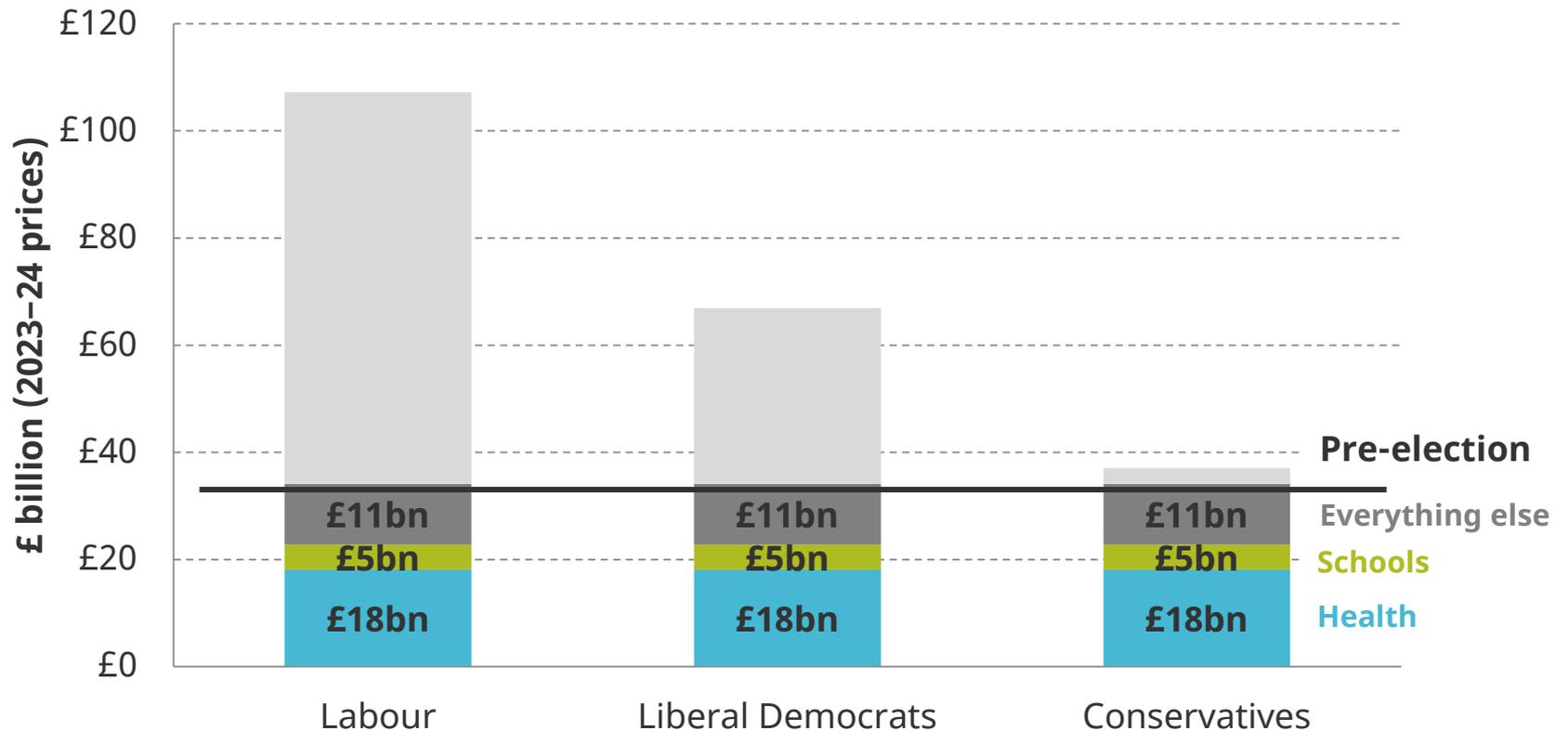
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Health and education have been big winners...

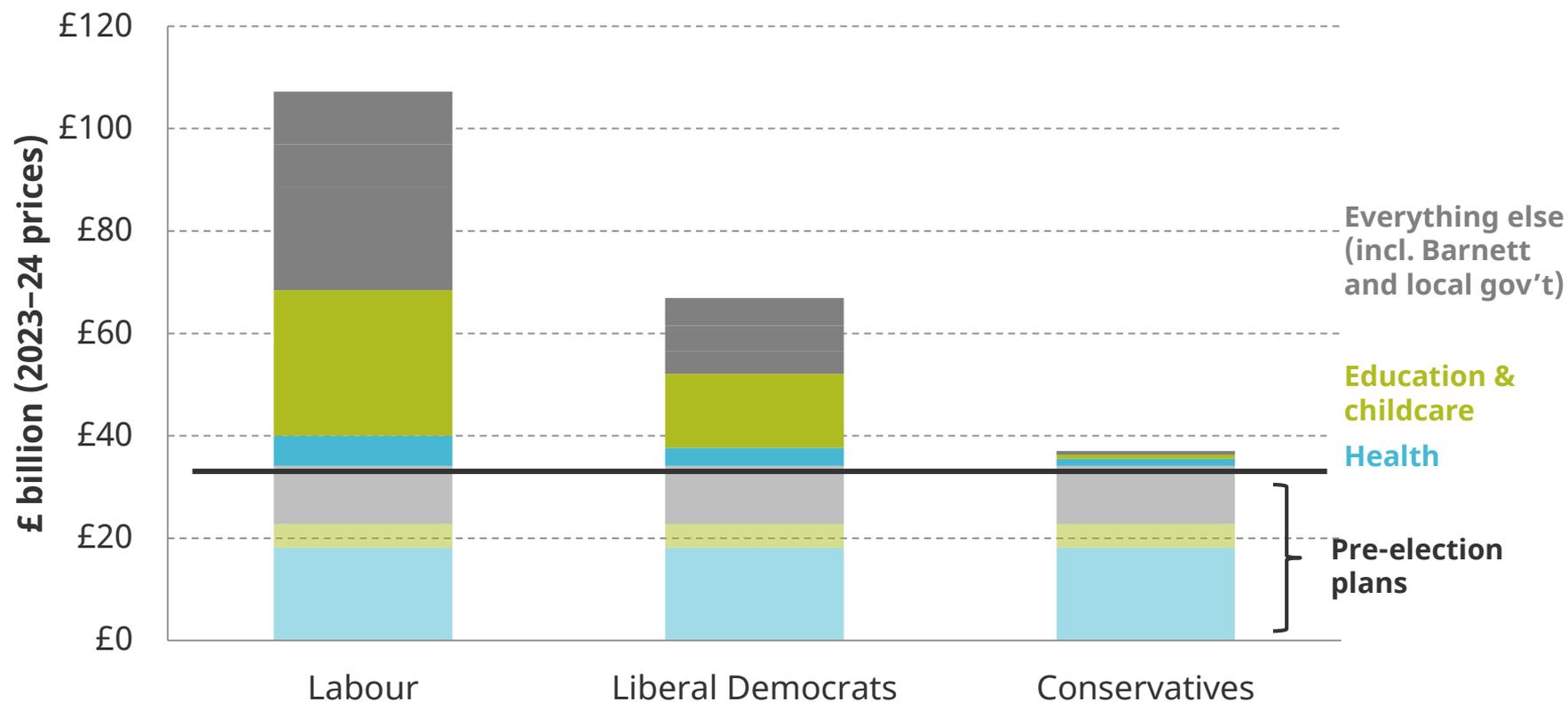
Planned increase in resource departmental spending, 2019–20 to 2023–24



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... And that looks set to continue in the manifestos

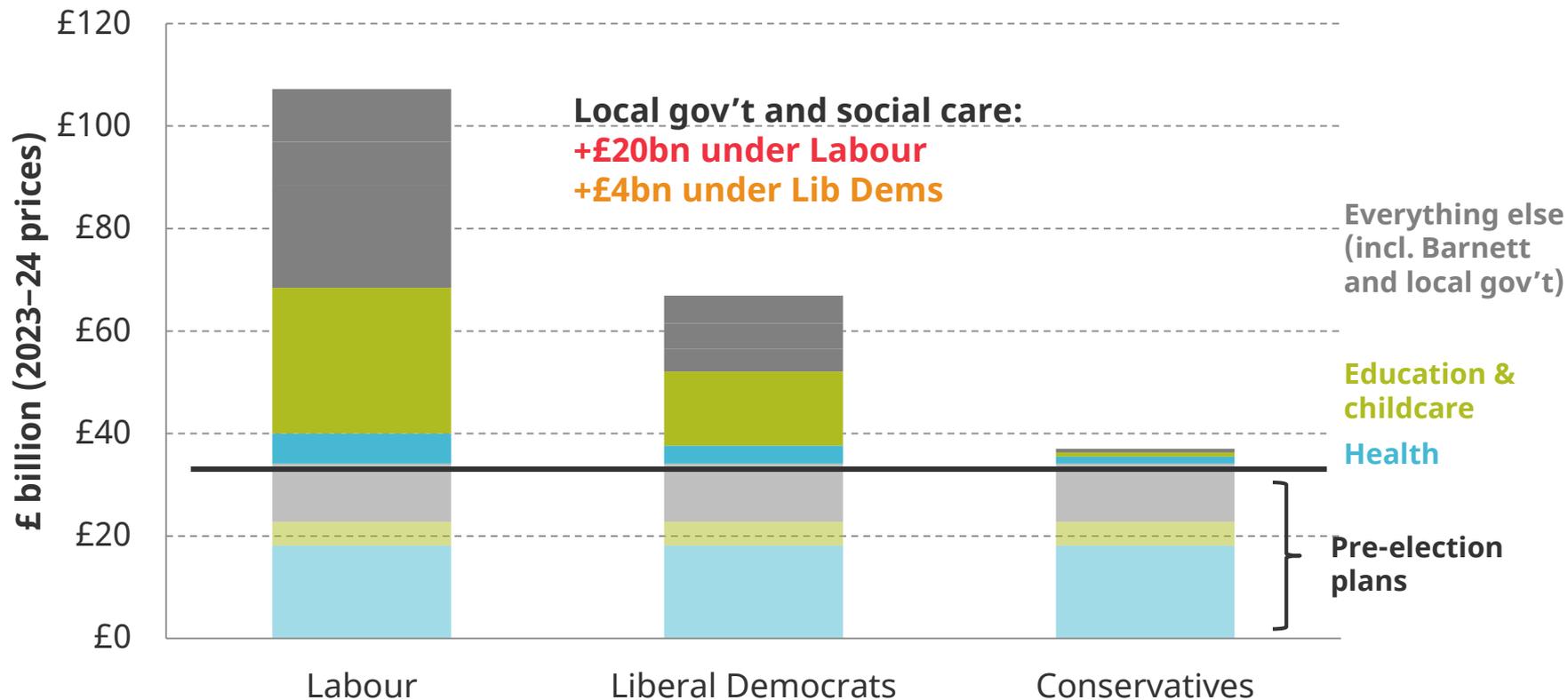
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Though local gov't will also gain under Labour and the Lib Dems

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Manifesto commitments on education (on top of pre-election plans)



Early years



Schools



Higher ed.



Further ed.
and skills

Conservative



Labour



Liberal Democrat



Note: Cash-terms spending in 2023-24, based on IFS calculations using parties' own manifesto costings. Assumes that four-fifths of Liberal Democrat policies are implemented by this point, except Sure Start spending (which is assumed to be introduced immediately) and spending on schools (which is interpolated between 2022 and 2024). Excludes spending commitments made in the Spending Round, which are assumed to continue. Includes local government spending on Sure Start and youth services in early years and FE respectively. Conservatives: School spending includes arts premium, physical education spending, and childcare funding for wrap-around care. FE and skills spending includes National Skills Fund. Figures shown here exclude Barnett consequentials.

Labour: FE and skills includes EMA, 16-19 funding, lifelong learning, and the National Youth Service.

Liberal Democrats: Schools spending is above the post-Spending Round baseline. HE spending includes maintenance grants. FE and skills spending includes skills wallets, FE, skills, and youth services.

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Extensive – and expensive – early years promises

Lib Dems promise 35 hours of free childcare a week x 48 weeks a year

- Three times the number of annual hours under the current universal entitlement
- For all 2- to 4-year-olds, and younger children in ‘working’ families

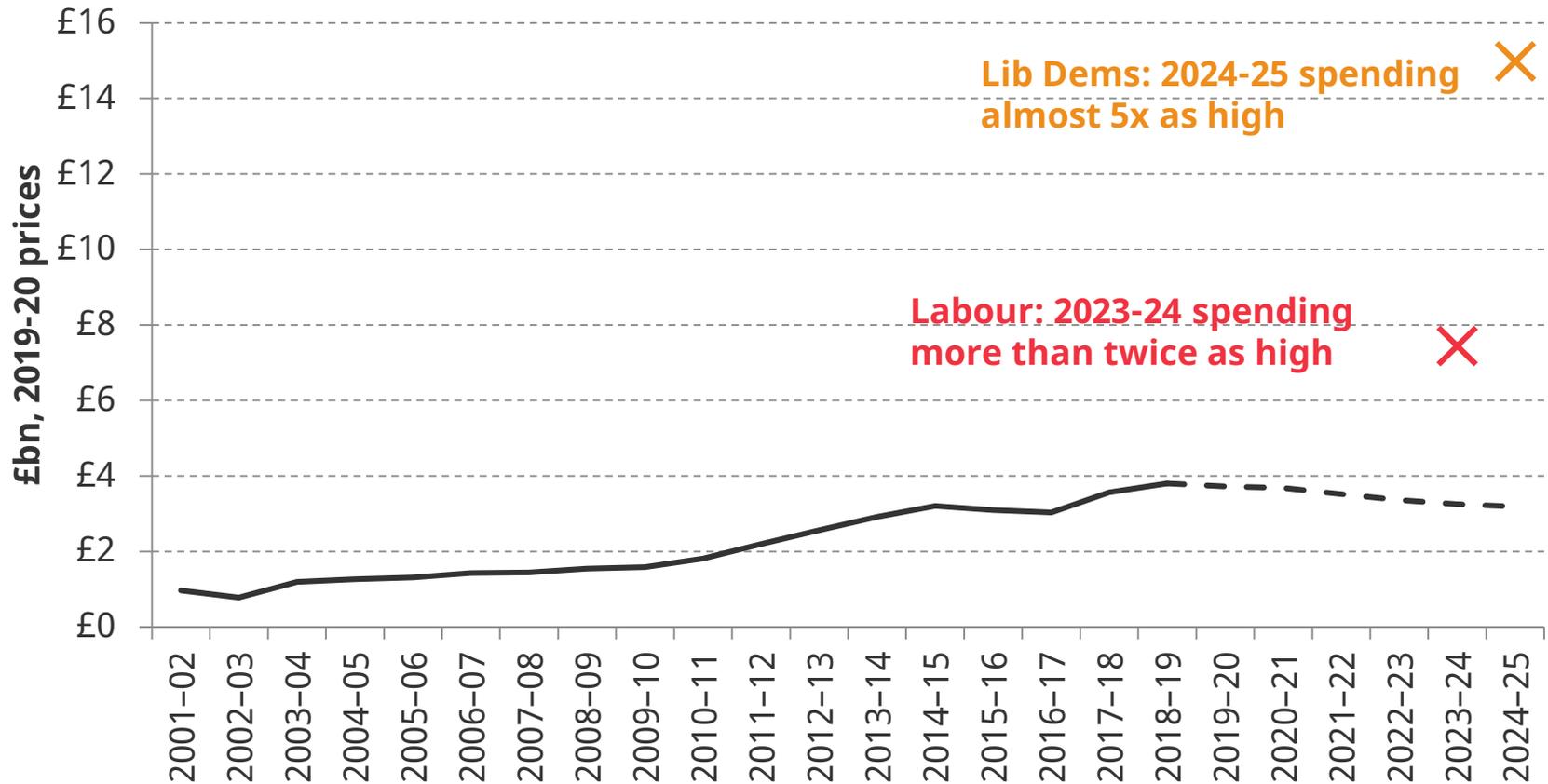
Labour also promising a big boost to free childcare

- 30 hours a week in term-time, for all 2- to 4-year-olds

Both parties are promising (much) higher funding/hr, especially for 2yos

Extensive – and expensive – early years promises

Spending on free childcare in England



Note: Forecast spending assumes a cash-terms freeze in per-hour spending after 2020 (consistent with previous policy). Parties' spending plans are based on their own costings. Labour's plans include spending on subsidised hours. Plans exclude Sure Start spending. Costings for the Liberal Democrats assume four-fifths of planned spending is in place by 2023-24.

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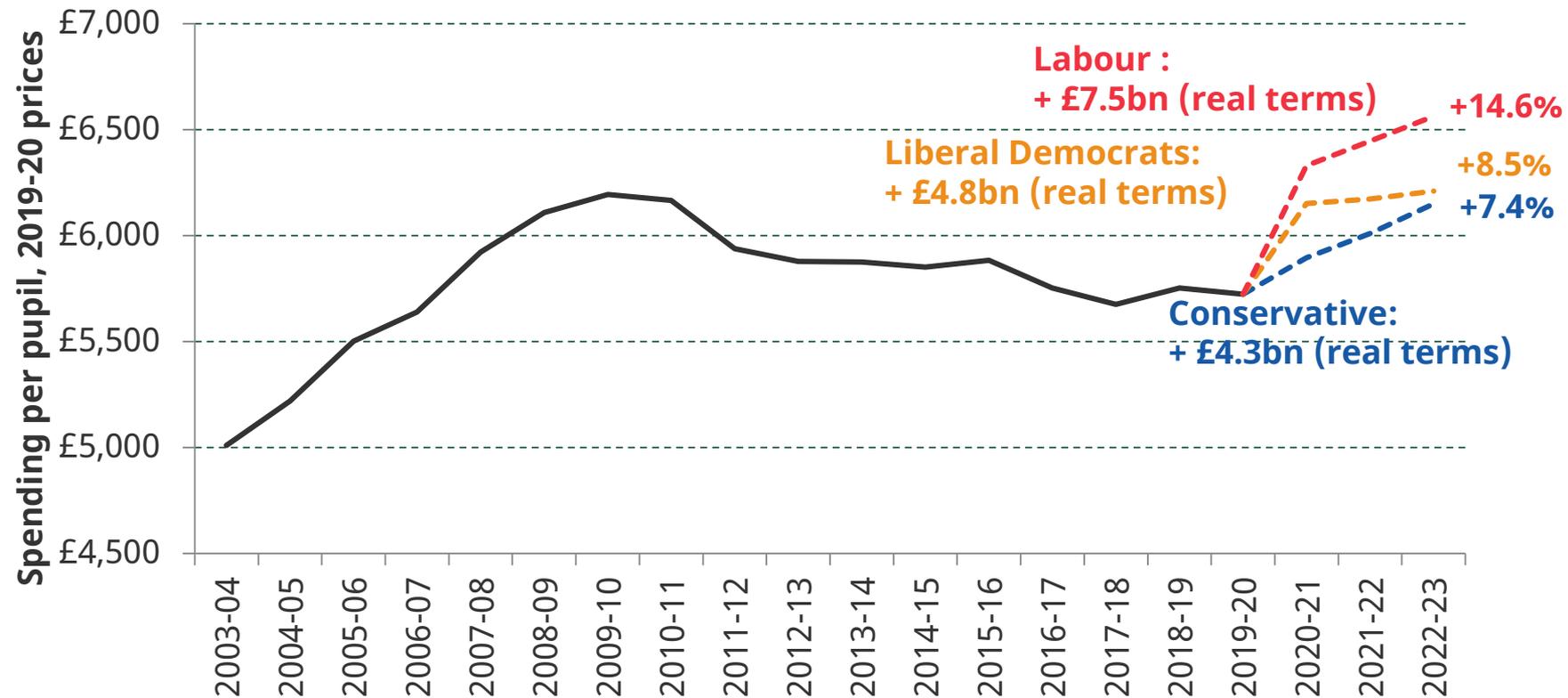
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Families will certainly benefit from lower childcare costs, but evidence suggests this won’t transform working patterns or child development

Big boost across the board to school spending in England over the next parliament



Notes and sources: Figures for spending per pupil in England up to 2019-20 are taken from IFS 2019 Annual Report on Education Spending in England 2019 (<https://www.ifs.org.uk/publications/14369>). Figures are then projected forwards based on Conservative proposals for a £7.1bn cash-terms rise in school spending up to 2022-23, £10.5bn under Labour proposals and £7.6bn under Liberal Democrat proposals. Figures exclude spending on other schools-related manifesto commitments, such as Labour and Liberal Democrats' plans to extend free school meals.

Labour repeats free university tuition pledge

Labour has repeated its promises on free tuition and maintenance grants

- Still no definite promise on stock of student debt – beyond “dealing with it”
- Small saving from freezing university resources in cash terms until 2022

Very modest offerings from the Liberal Democrats and the Conservatives

- Liberal Democrats plan to spend £0.9bn on maintenance grants
- Conservatives will “consider” the Augar Review recommendations

Scrapping tuition fees will almost entirely benefit middle- and high-earning graduates

- Under Labour’s plans, the highest earners will pay £20k rather than £80k

Adult education: back on the agenda?

Total spending on adult skills and apprenticeships fell by 37% in real-terms between 2009-10 and 2018-19

- Modest offer from the Conservatives: £0.6bn 'National Skills Fund' reverses around a fifth of the cuts

Labour and the Lib Dems have made much bigger promises in this area

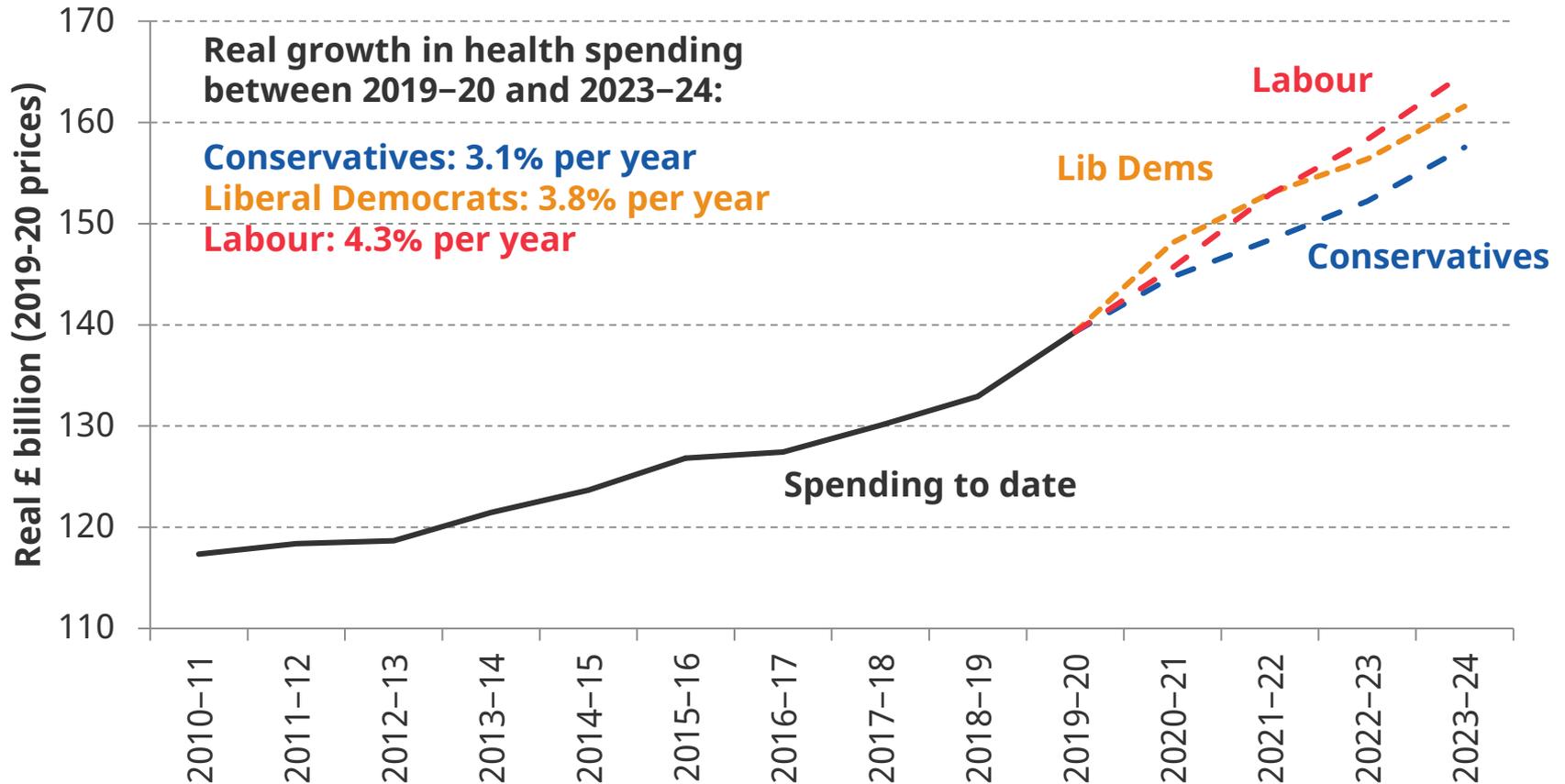
- Labour: Everyone eligible for 6 years of lifelong learning, with maintenance grants for disadvantaged students (they cost at ~£3bn)
- Liberal Democrats: £10,000 skills wallets for all adults (£1.6bn in 2024-25)

Big expansions come with risks:

- Potential for high take-up to lead to overspending
- Without tight regulation, risk of spending on low-quality courses or even fraud

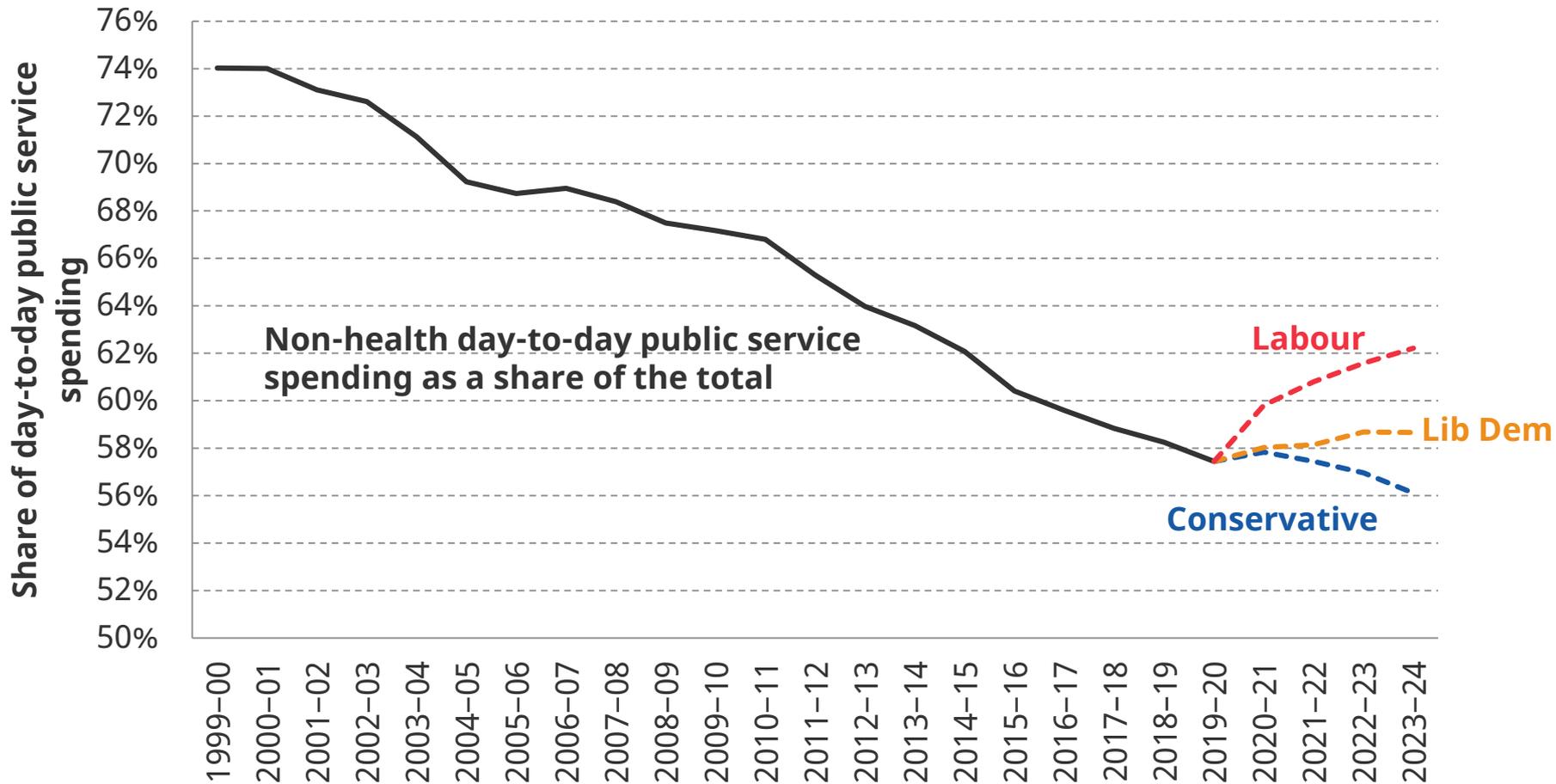
All parties are promising more for the NHS

Real terms Department of Health and Social Care spending plans



Note: Figures denote Department of Health and Social Care total DEL, and include additional funding for pension costs. The Conservative scenario assumes that non-NHS England resource DEL and DHSC capital DEL is frozen in real terms between 2020-21 and 2023-24, with additional funding for staff recruitment and capital spending for car parking expansions as set out in the 2019 Conservative manifesto.

Spending on health has grown as a share of public service spending – Labour’s plans would start to undo this



Big differences in generosity to local gov't

Local government has seen big cuts since 2009-10

- Down 24%, after population growth and changing responsibilities
- 4% increase at Spending Round will undo at most a fifth of this

Parties' plans would put spending on very different paths

- Conservatives → **further cuts to services** even if council tax up 4% a year
- Lib Dems: Real-terms increase in general funding, plus more for social care, Sure Start, youth services and buses
 - **will meet demand** if council tax up 2% a year
- Labour: Big increase to general revenues (£5bn), plus more money for local gov't services and social care
 - **can increase service provision**, but not to pre-2010 levels

Unfunded increase in adult social care spend

All parties propose more funding for adult social care system

- Conservatives: ~£0.5bn (£1bn split between children and adults)
- Lib Dems: ~£0.5bn + £2.2bn by 2023-24
- Labour: ~£0.5bn + ~£4bn by 2023-24 for the current system

Labour also plans £7bn to bring in universal free personal care for over-65s

But questions remain about other commitments

- Conservatives' promised plans to "fix" social care are still unclear; pledge to exempt housing from means test – even after death – is big unfunded giveaway
- Labour and the Lib Dems' proposal to cap overall costs would add insurance, but these commitments are also currently unfunded

Summing up, part 1: the sums

Labour has promised 7% real growth in day-to-day public service spending each year – faster than at any point under New Labour in the 2000s

- Crucial question is whether the party can spend this much money on this short a timescale – and spend it well

The Conservatives' offer for public services is very modest

- Spending outside of health close to flat from next year
- Quite a few commitments (e.g. police, defence) that aren't costed in the manifesto or Spending Round
- **Funding these promises while keeping within the fiscal rule means tax rises or cuts to other public service spending**

Summing up, part 2: the risks

Labour & Lib Dems are promising more universal programmes

- Big programmes like HE, childcare, skills and personal care
- But also smaller promises like universal free school meals, prescriptions

New entitlement programmes come with risks, like delivery challenges

- And universalism typically benefits the better-off more

A big focus on health and education from all three parties

- But some struggling areas, like prisons, haven't had much attention

And demographic change means ongoing pressure to continue shoring up existing services, especially health and social care

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