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Public services spending

Soumaya Keynes

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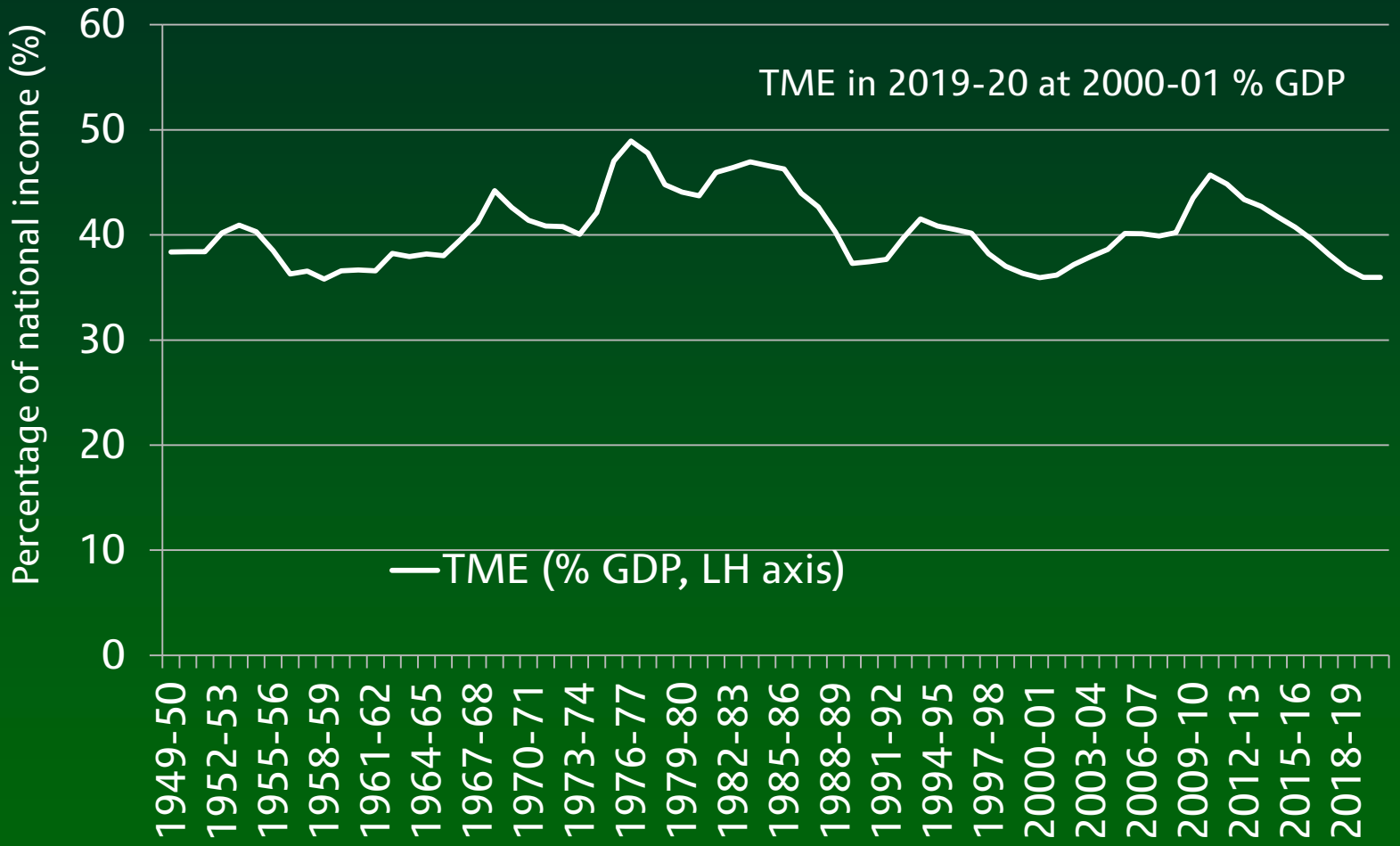
The changing size of the state (coalition plans)



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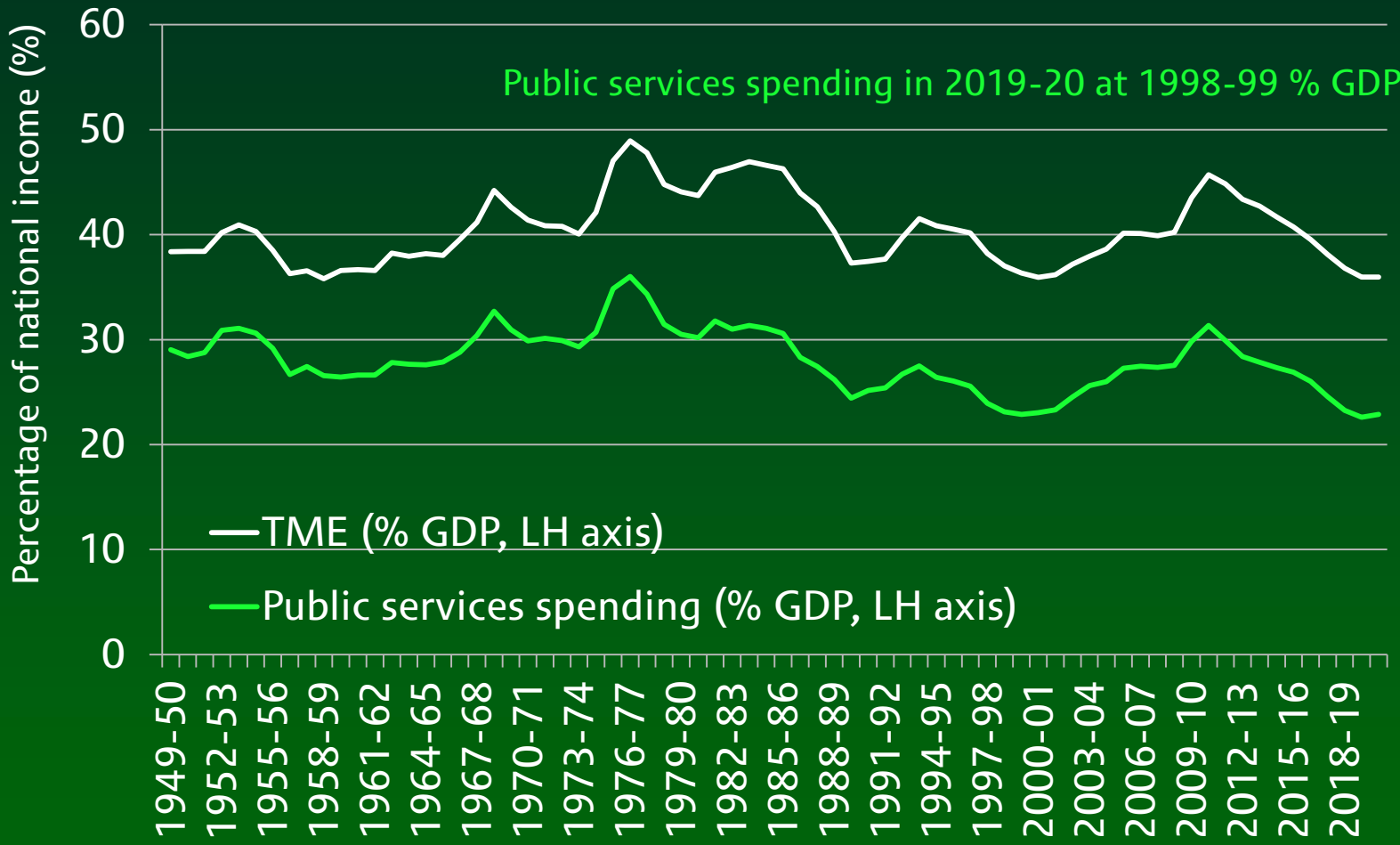
The changing size of the state (coalition plans)



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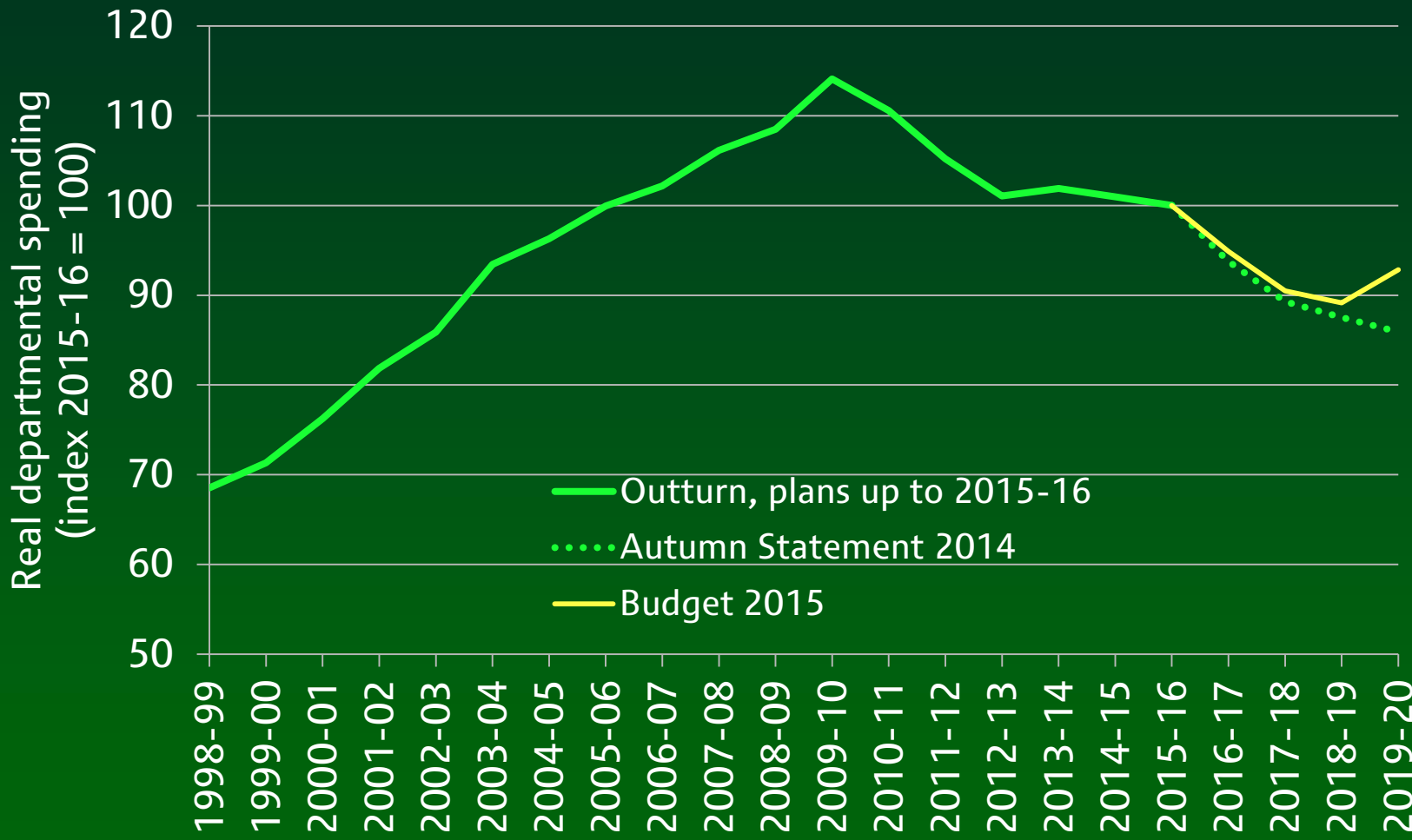
Departmental spending

9.7% cut 2010-11 to 2015-16

AS2014: 14.1% cut 2015-16 to 2019-20

B2014: 7.2% cut 2015-16 to 2019-20



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£30bn of cuts by 2017-18?

- Coalition plans imply a £30.5bn cut to TME less debt interest between 2015-16 and 2017-18
- George Osborne has said that he would achieve this in a different way to coalition plans
  - £12bn/£5bn/£13bn of welfare cuts/tax avoidance measures/DEL cuts
- Coalition plans imply £34.6bn of DEL cuts up to 2017-18
  - Other areas of spending are rising over the period
  - So £12bn of welfare cuts and £5bn of tax avoidance would require closer to £18bn of DEL cuts
- Liberal Democrats want £9bn smaller tightening, £12bn tax rises, £3.5bn welfare cuts, leaving roughly £10bn of DEL cuts
- Labour: profile less clear, rolling mandate currently requires current balance in 2017-18, but 2018-19 by post-election budget

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Departmental spending up to 2019-20

- Budget plans imply 0.3% GDP surplus and assume no further tax/social security changes
  - Assume implement Simon Stevens' recommendations for NHS spend
  - Assume ODA increases with GDP
  - Assume protect cash schools spend per pupil (in line with Conservative pledge)

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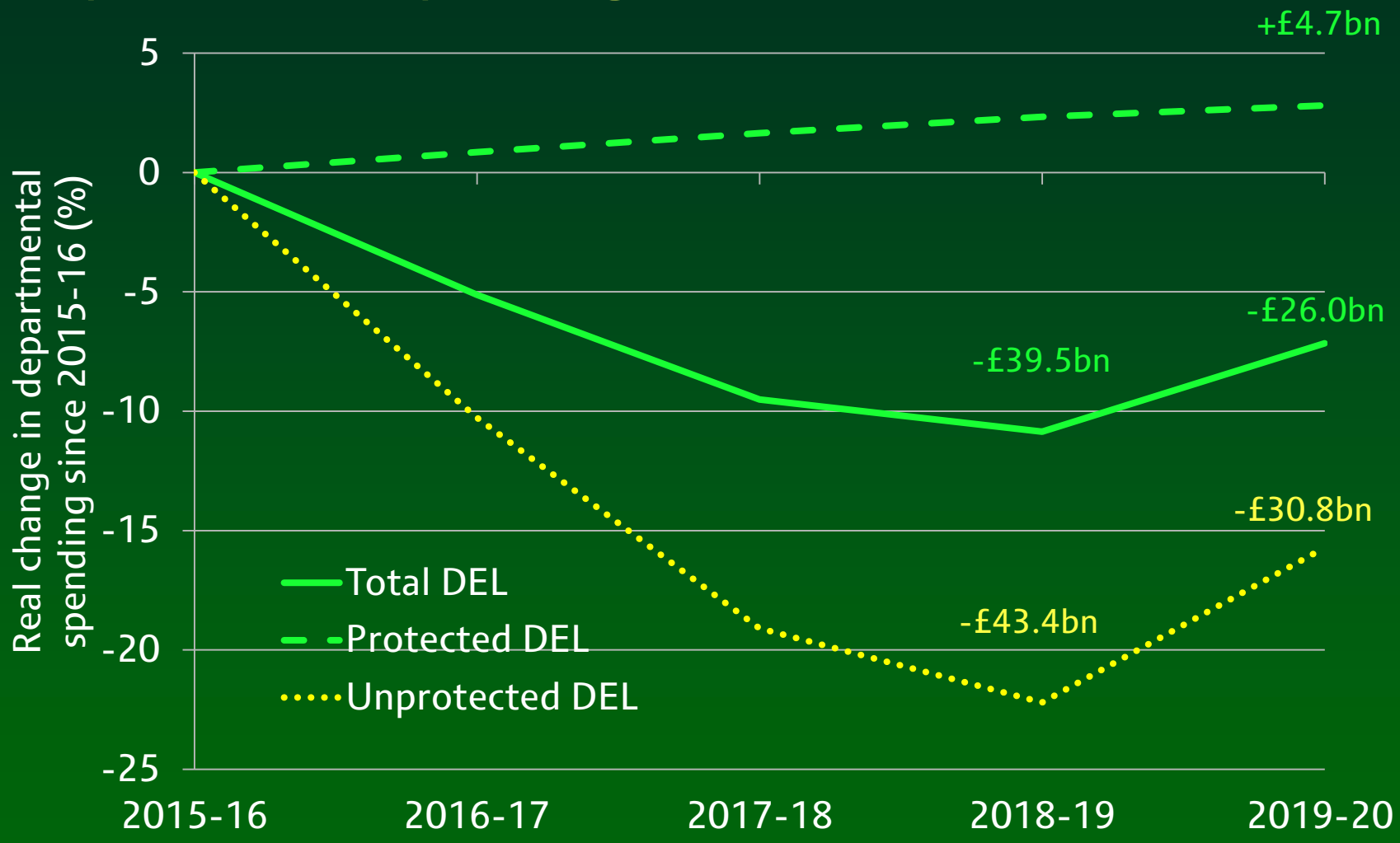
Departmental spending



Protected departments include NHS England, schools and Official Development Assistance

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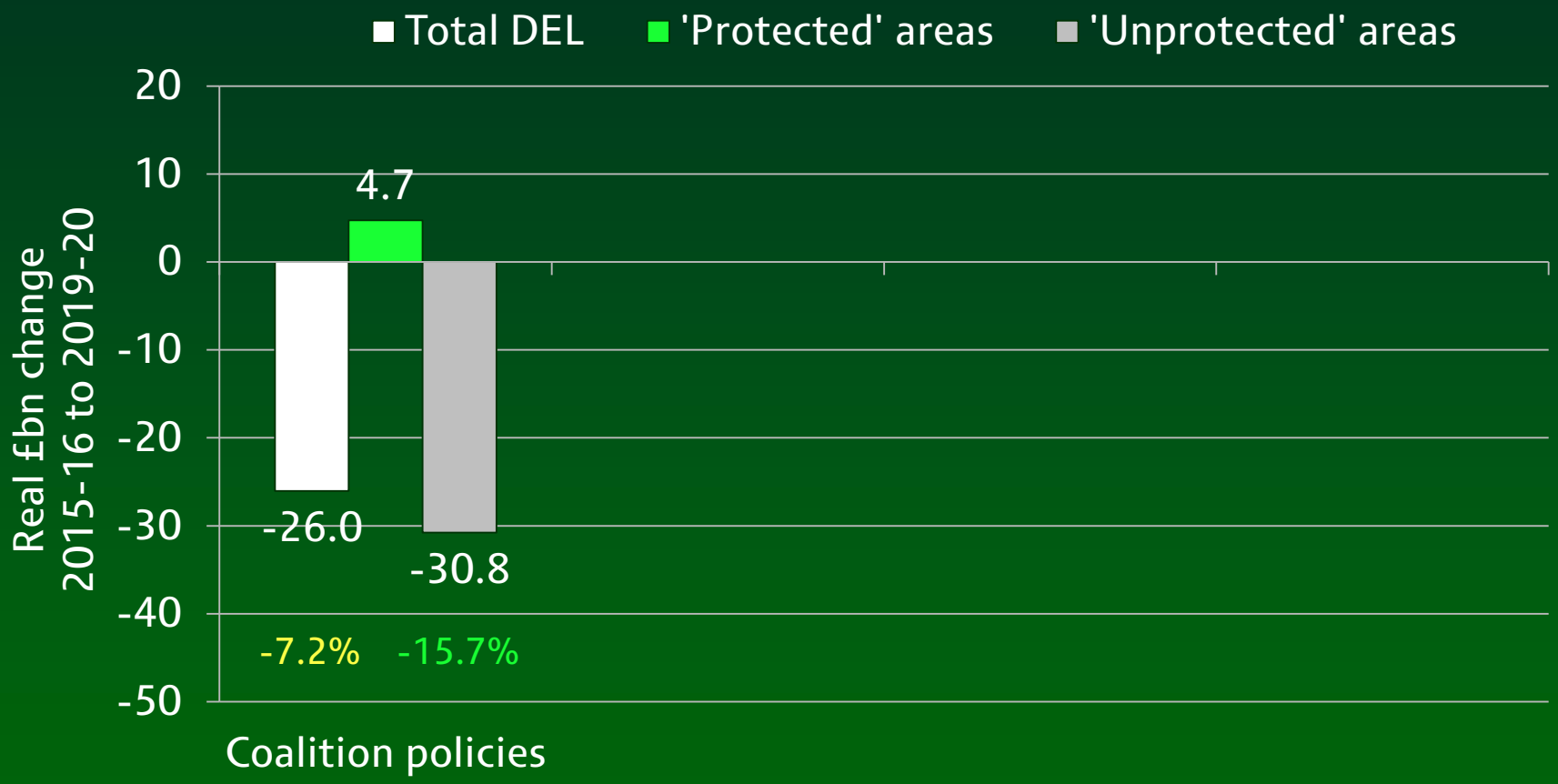
Departmental spending 2015-16 to 2019-20



Total departments' % change

Unprotected departments' % change

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Cuts up to 2019-20?

- Budget plans imply 0.3% GDP surplus and assume no further tax/social security changes
  - Assume implement Simon Stevens' recommendations for NHS spend
  - Assume ODA increases with GDP
  - Assume protect cash schools spend per pupil
- Conservatives committed to budget balance in next parliament
  - Aspiration for £12bn social security cuts (largely unspecified)
  - Proposed personal tax cuts of around £6bn
  - Excluding £5bn of avoidance (no details given and other parties would implement)

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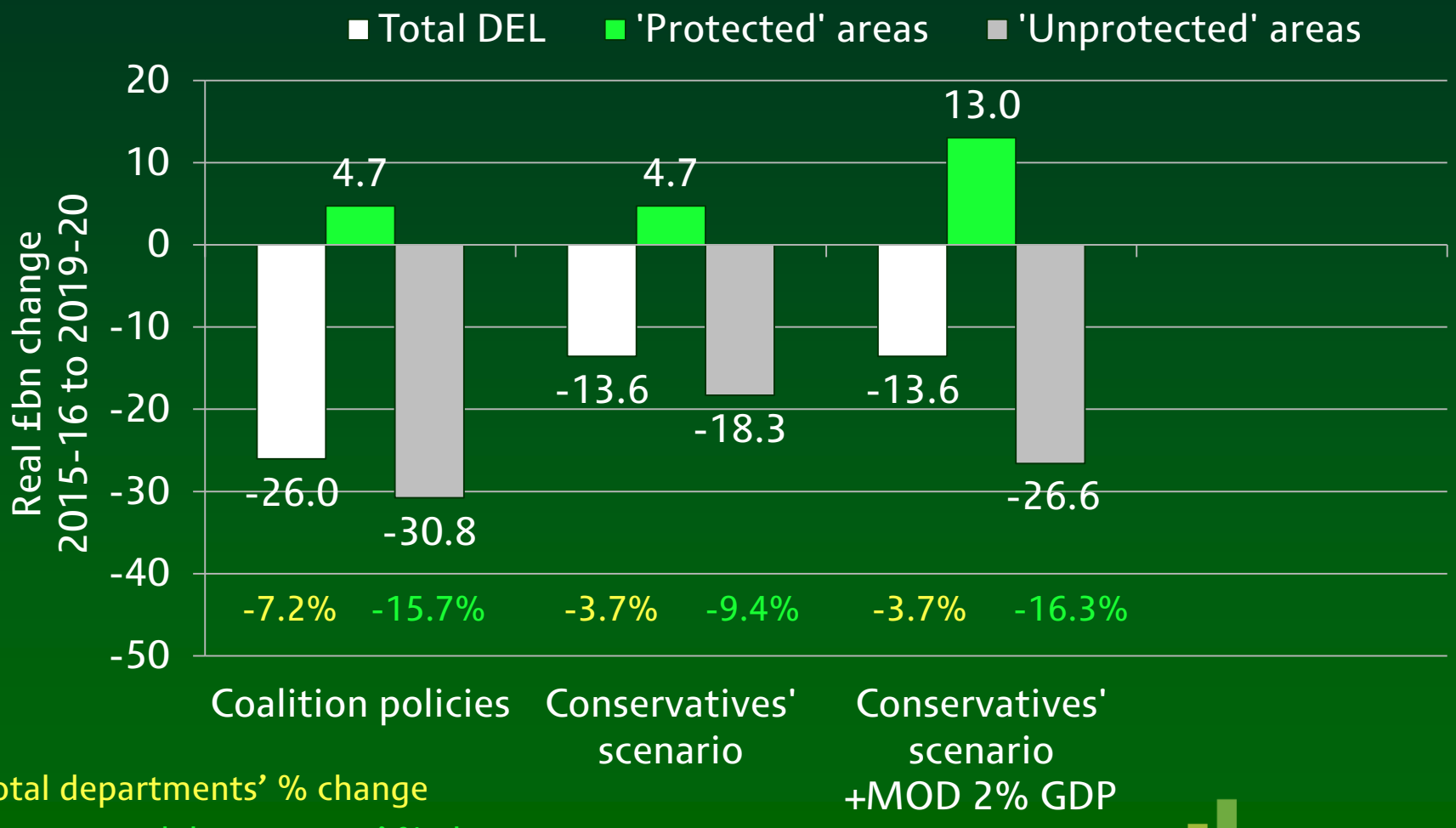
Departmental spending 2015-16 to 2019-20



Total departments' % change

Unprotected departments' % change

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Policies beyond 2015-16

- Budget plans imply 0.3% GDP surplus and assume no further tax/social security changes
  - Assume implement Simon Stevens' recommendations for NHS spend
  - Assume ODA increases with GDP
  - Assume protect cash schools spend per pupil
- Conservatives committed to budget balance in next parliament
  - Aspiration for £12bn social security cuts (largely unspecified)
  - Proposed personal tax cuts of around £6bn
- Labour committed to current budget balance by end of parliament
  - Net tax and benefit takeaway £1.2bn (mansion tax)
  - Protection for entire education budget

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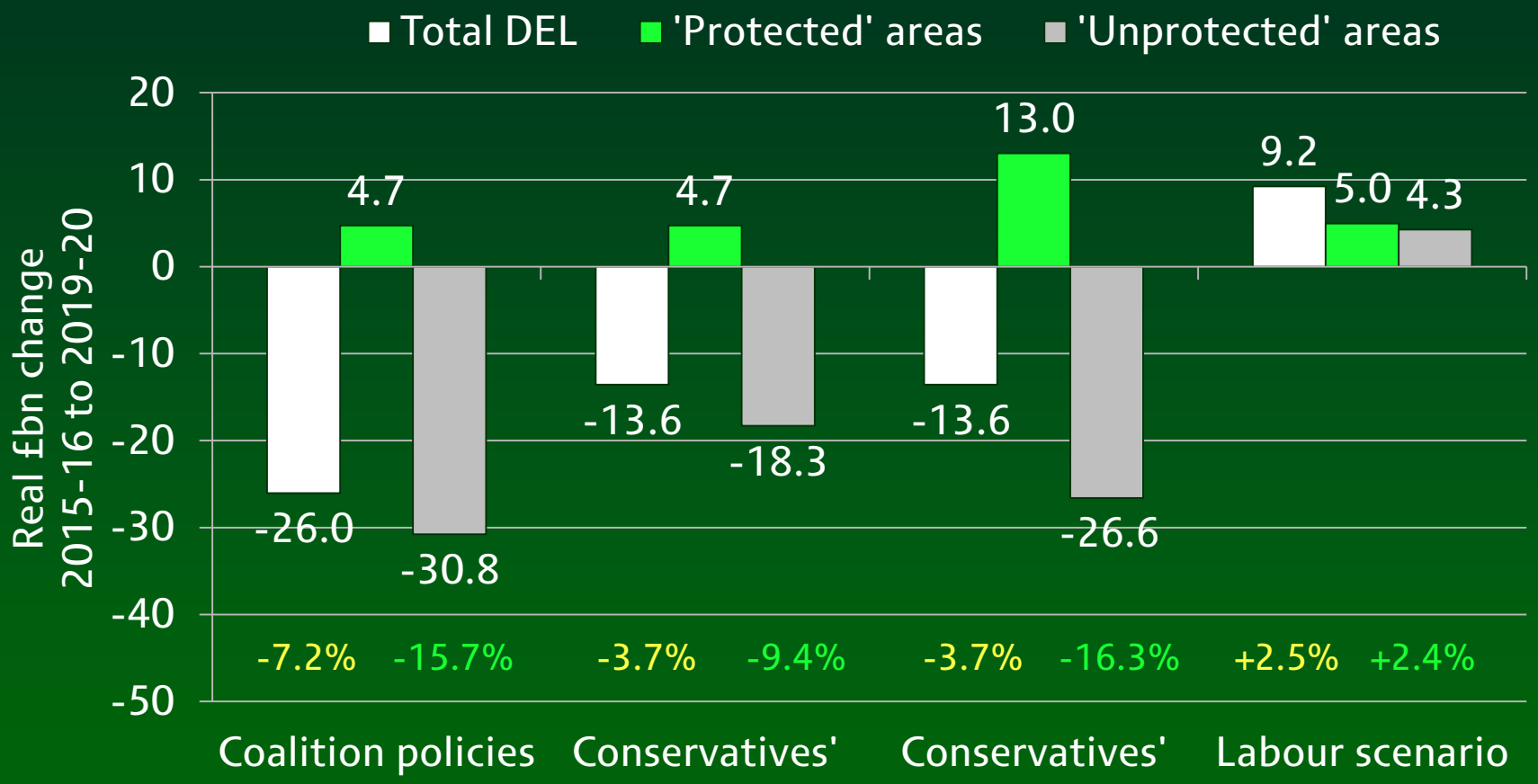
Departmental spending 2015-16 to 2019-20



Total departments' % change
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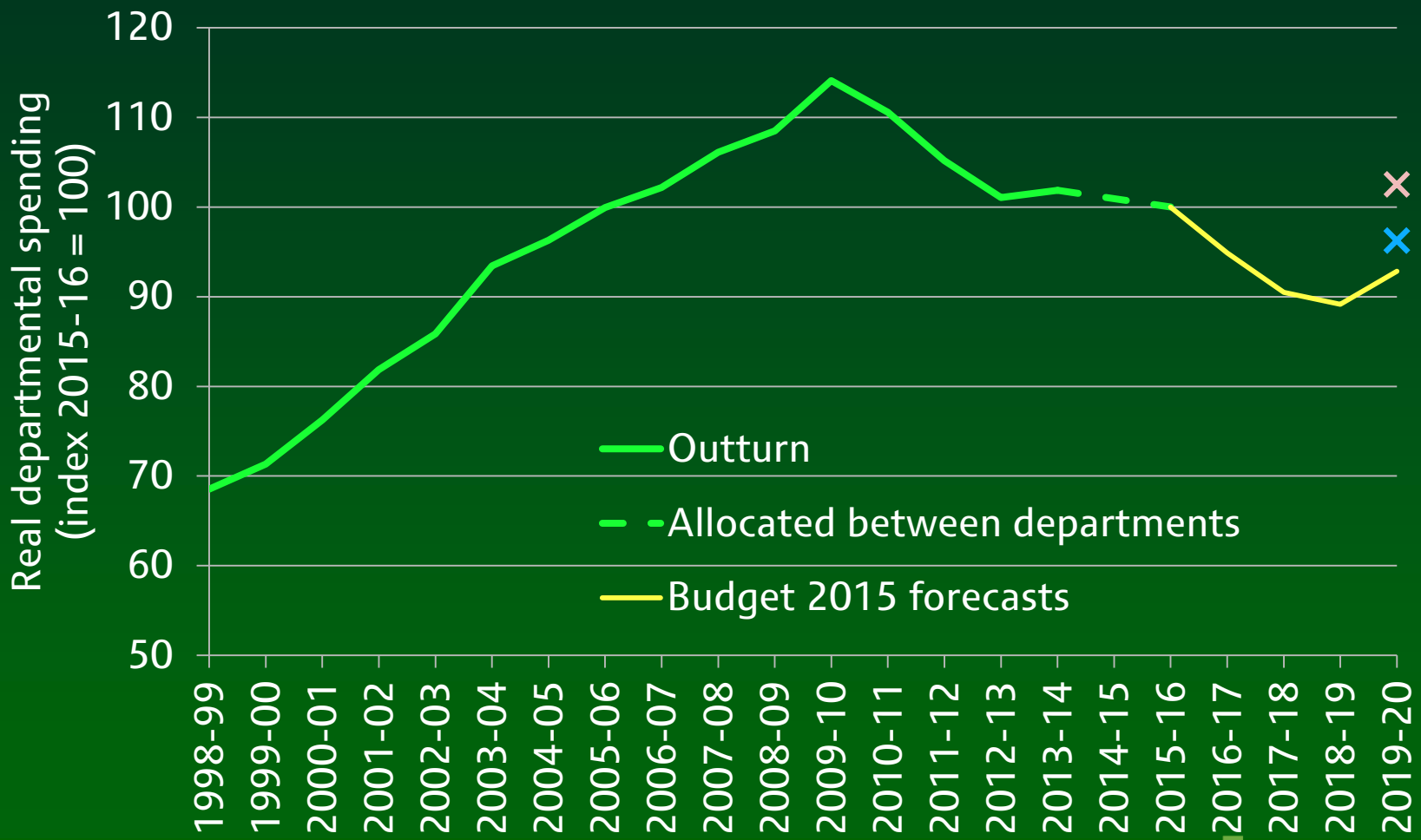
Departmental spending



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Pressures on departments

- Ending contracting out increases public sector employer NICs (£3.7bn)
- Higher contributions to public service pension schemes (£1.1bn)
- Dilnot social care funding (£1.0bn)
- Tax-free childcare (£0.8bn)
- Mental health funding (£0.3bn)

- Public sector wage pressures as private sector wages start to increase
- Pressures of a growing and ageing population on demand for public services

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Summary

- Coalition plans imply £26bn cut from departments
  - £40bn cut to 2018-19 followed by an increase
  - Compares to £39.0bn 2010-11 to 2015-16
- Reversed plan to cut departmental spending in 2019-20, leading to a 'roller-coaster' profile
  - But real terms increases would always have started at some point
- Conservatives could cut by less: £13.6bn to 2019-20
- Labour could *increase* departmental spending by £9.2bn up to 2019-20
- Borrowing and therefore debt would fall by end of parliament under all three main UK parties, but fastest under Conservatives

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