Public spending: delaying the squeeze

Carl Emmerson
Budget changes to day-to-day departmental spending

Source: Office for Budget Responsibility.
Successive forecasts for day-to-day departmental spending

Resource DEL (£bn, 2017–18 prices)

Source: Office for Budget Responsibility.
Day-to-day departmental spending per capita

£10bn would be needed to keep spending p.c. constant at 2017–18 level

Source: Office for Budget Responsibility.

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Boost to NHS spending in 2017–18, 2018–19 and 2019–20 and on course to meet manifesto commitment

Still consistently the toughest decade for the NHS

Source: Author’s calculations using Office of Health Economics, HMT PESA 2017, Autumn Budget 2017, OBR Nov 2017 EFO.
Real spending essentially unchanged between 2009–10 and 2022–23 after accounting for population growth and ageing

Implications of NHS budget increases

Day-to-day departmental spend p.c. to be cut by 3.2% over next 5 yrs

NHS day-to-day spending increasing in real terms
  • spend per capita could increase by around 2.4%
  • (though age-adjusted spending per capita broadly constant)

Implies other areas of day-to-day spending cut by more
  • by 6.5% between 2017–18 and 2022–23 rather than by 3.2%
  • £13bn needed to keep non-NHS spending p.c. at 2017–18 level
Public sector pay now forecast to stabilise relative to private sector pay .... but would require £2.8bn extra in 2020–21

Source: Office for Budget Responsibility; Author’s calculations using data from the Labour Force Survey.
OBR forecasts imply additional £2.8bn needed in 2020–21
• of which, roughly, £0.9bn NHS, £0.8bn schools, £1.1bn other

Will additional funds come from Treasury, or will public sector employers have to find it from existing budgets?

So far Treasury commitment to fund only covers NHS Agenda for Change contracts
• these are about ¾ of NHS staff costs ≈ £0.7bn in 2020–21, not included in the forecasts
Investment planned to increase to levels not sustained in 40 years

Public sector net investment

Source: Office for Budget Responsibility.
Capital share of departmental spending to increase to highest level in last 15 years

Source: Office for Budget Responsibility.
Summary

Short term funding bung for NHS and Brexit

Squeeze on day-to-day departmental spending extended to 2022–23
  • implies cut of real spending per capita of 3.2% over next 5 years, maintaining current level would cost £10bn

Spending yet to be allocated between departments beyond 2019–20
  • non-NHS day-to-day departmental spending p.c. could be cut by 6.5%, maintaining current level would cost £13bn

Public sector pay cap lifted
  • OBR forecasts imply additional £2.8bn needed in 2020–21

Net investment planned to increase to high levels compared to recent history