

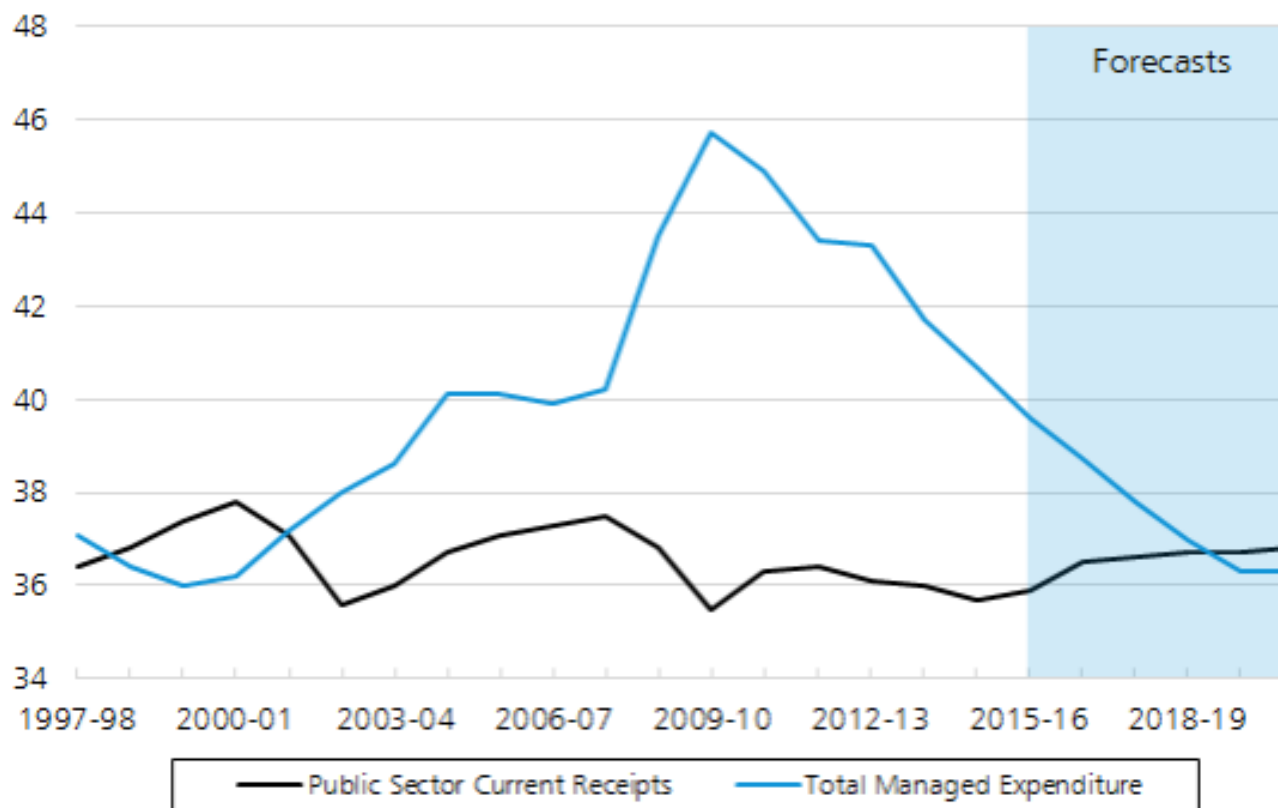
# CIPFA Conference

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Anita Charlesworth

21<sup>st</sup> October 2015

## Total public sector spending and receipts (per cent of GDP)



Source: Office for Budget Responsibility

## Consolidation plans over this Parliament (£ billion)

	2016-17	2017-18	2018-19	2019-20
<b>Discretionary consolidation<sup>1</sup></b>	<b>9</b>	<b>20</b>	<b>31</b>	<b>37</b>
<b>of which announced at Summer Budget 2015<sup>2</sup></b>	<b>6</b>	<b>9</b>	<b>13</b>	<b>17</b>
of which welfare reform	5	7	9	12
of which tax avoidance and tax planning, evasion and compliance, and imbalances in the tax system	1	2	4	5
<b>Remaining consolidation</b>	<b>3</b>	<b>11</b>	<b>18</b>	<b>20</b>

<sup>1</sup> Discretionary consolidation is calculated as the sum of: receipts from avoidance and tax planning, evasion and compliance and imbalances in the tax system and welfare policy decisions announced at Summer Budget 2015; and the additional reduction in spending (or equivalent increase in taxes) needed to meet the government's overall fiscal path, compared to a counterfactual in which RDEL excluding depreciation grows in line with whole economy inflation from its 2015-16 level (excluding the OBR's allowance for shortfall) and all other spending (and receipts) follows the OBR's July 2015 Economic and fiscal outlook forecast.

<sup>2</sup> Total welfare policy decisions and total receipts from avoidance and tax planning, evasion and compliance, and imbalances in the tax system as set out in Table 2.1 of Summer Budget 2015.

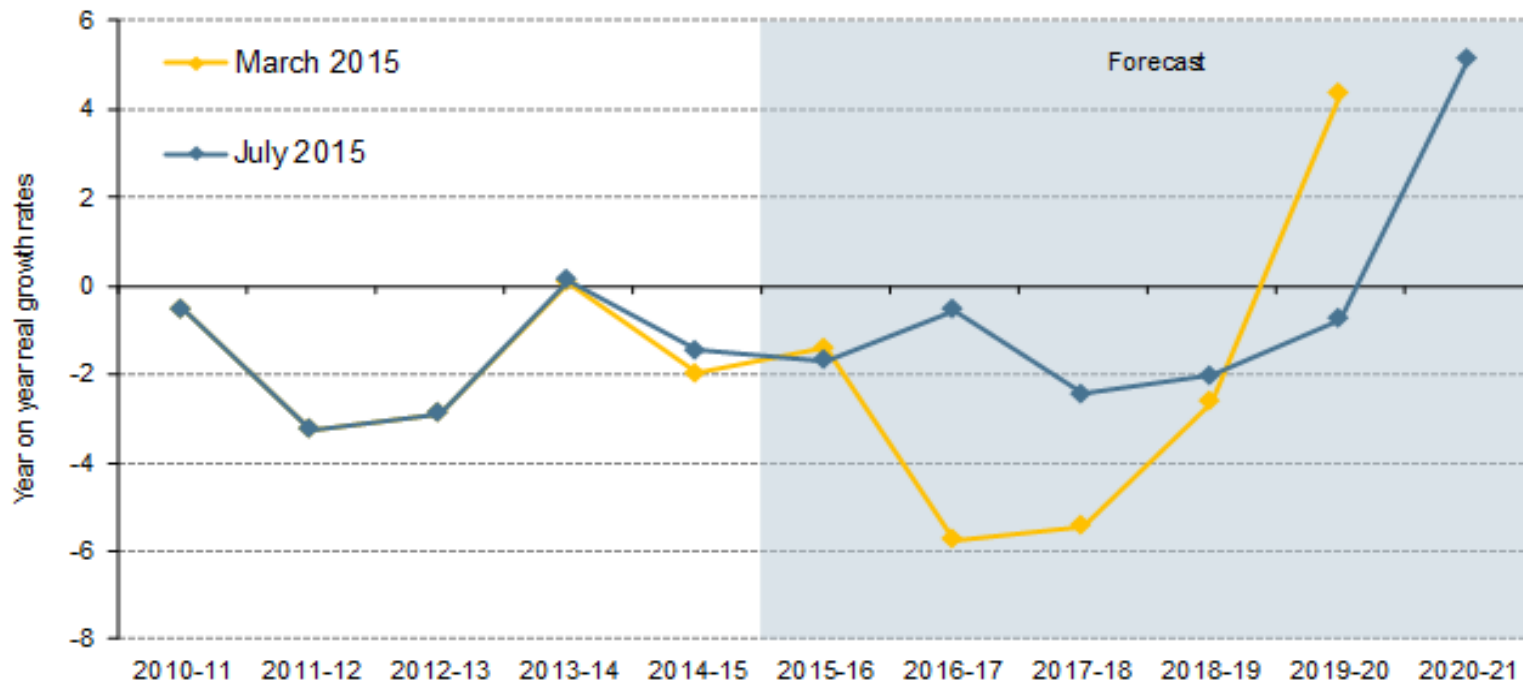
## Latest forecasts for total departmental spending

£ billion, 2015–16 prices	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21
Total public spending (TME)	742.3	741.7	741.8	743.4	746.8	764.9
<i>of which:</i>						
Annually managed expenditure (AME)	384.9	386.0	393.3	396.6	400.7	402.4
Departmental expenditure limits (DEL)	357.5	355.7	348.4	346.8	346.2	362.4
<i>DEL % change on previous year</i>		–0.5%	–2.0%	–0.4%	–0.2%	4.7%
<i>DEL % change since 2015–16</i>		–0.5%	–2.5%	–3.0%	–3.2%	1.4%
<i>DEL % change since 2010–11</i>		–9.9%	–10.3%	–12.2%	–12.7%	–8.6%

Note: To provide a consistent comparison over time, figures for AME and DEL in 2010–11 are adjusted for the subsequent movement of the Network Rail grant, council tax benefit and localised business rates.

Source: 2010–11 estimated based on HM Treasury, *Public Expenditure Statistical Analyses*. 2015–16 onwards are from table 2.2 of HM Treasury, *Summer Budget 2015* (DEL is resource DEL excluding depreciation plus capital DEL; AME is resource AME plus depreciation plus capital AME). Deflated using GDP deflators from Office for Budget Responsibility, *Economic and Fiscal Outlook: July 2015*.

## Summer Budget Year-on-year real growth in resource DEL



Note: RDEL series excludes major historical switches with AME. Details are in the supplementary fiscal tables on our website.  
Source: OBR

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
March 2015	0.0	-18.2	-34.5	-41.9	-30.0	-2.5
July 2015	0.0	-1.7	-9.4	-15.6	-17.9	-2.5

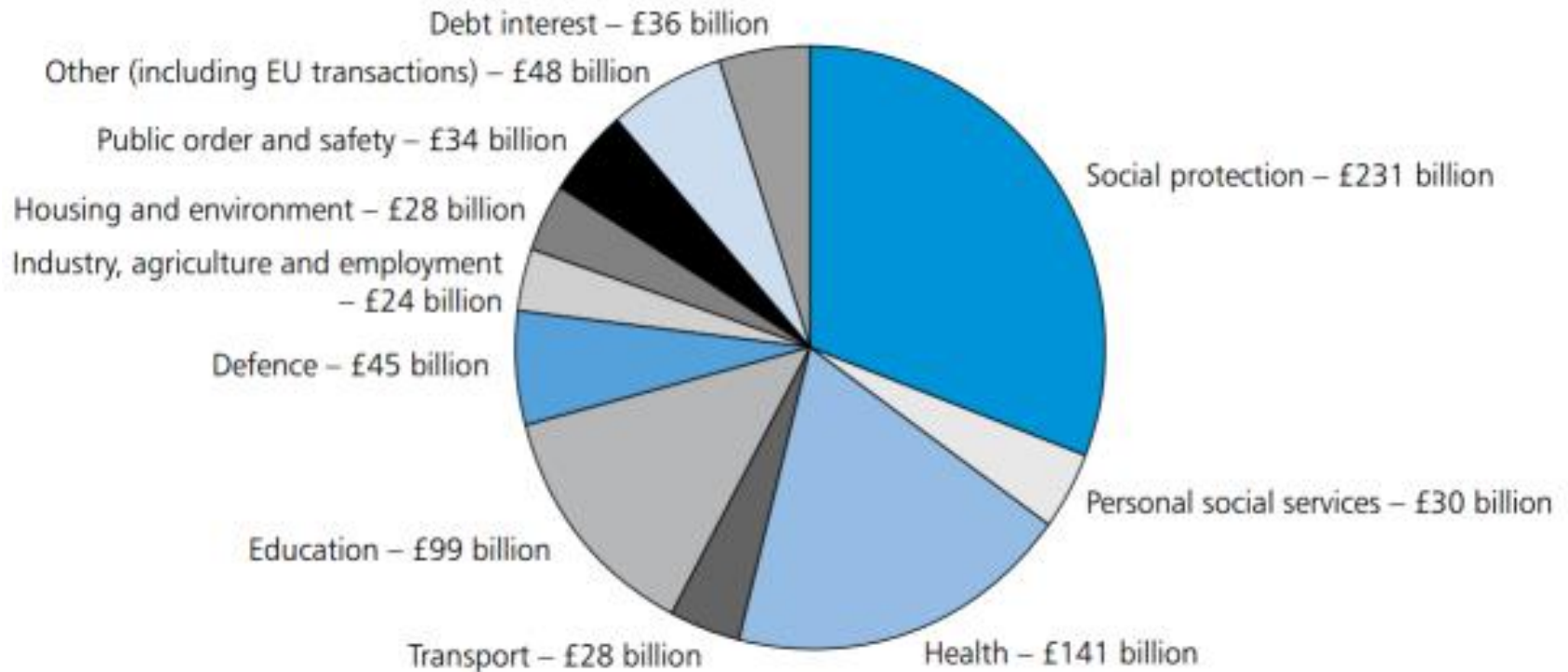
## Latest forecasts for resource and capital departmental spending

£ billion, 2015–16 prices	2010–11	2015–16	2016–17	2017–18	2018–19	2019–20
<b>Total departmental spending</b>	<b>396.7</b>	<b>357.5</b>	<b>355.7</b>	<b>348.4</b>	<b>346.8</b>	<b>346.2</b>
<i>Of which:</i>						
<b>Resource DEL</b>	<b>346.5</b>	<b>315.1</b>	<b>313.8</b>	<b>306.6</b>	<b>300.9</b>	<b>298.9</b>
<i>% change on previous year</i>			–0.4%	–2.3%	–1.9%	–0.6%
<i>% change since 2015–16</i>			–0.4%	–2.7%	–4.5%	–5.1%
<i>% change since 2010–11</i>		–9.1%	–9.4%	–11.5%	–13.2%	–13.7%
<b>Capital DEL</b>	<b>50.2</b>	<b>42.4</b>	<b>41.9</b>	<b>41.8</b>	<b>46.0</b>	<b>47.3</b>
<i>% change on previous year</i>			–1.2%	–0.2%	9.9%	2.8%
<i>% change since 2015–16</i>			–1.2%	–1.4%	8.4%	11.5%
<i>% change since 2010–11</i>		–15.5%	–16.5%	–16.7%	–8.4%	–5.9%

Note: To provide a consistent comparison over time, figures for AME and DEL in 2010–11 are adjusted for the subsequent movement of the Network Rail grant, council tax benefit and localised business rates.

Source: 2010–11 estimated based on HM Treasury, *Public Expenditure Statistical Analyses*. 2015–16 onwards are from table 2.2 of HM Treasury, *Summer Budget 2015* (DEL is resource DEL excluding depreciation plus capital DEL; AME is resource AME plus depreciation plus capital AME). Deflated using GDP deflators from Office for Budget Responsibility, *Economic and Fiscal Outlook: July 2015*.

## Public sector spending, 2015-16



Source: Office for Budget Responsibility 2015-16 estimates. Illustrative allocations to functions are based on HMT analysis including capital consumption figures from the Office for National Statistics. Figures may not sum due to rounding.

## Summary of main spending commitments pre-announced

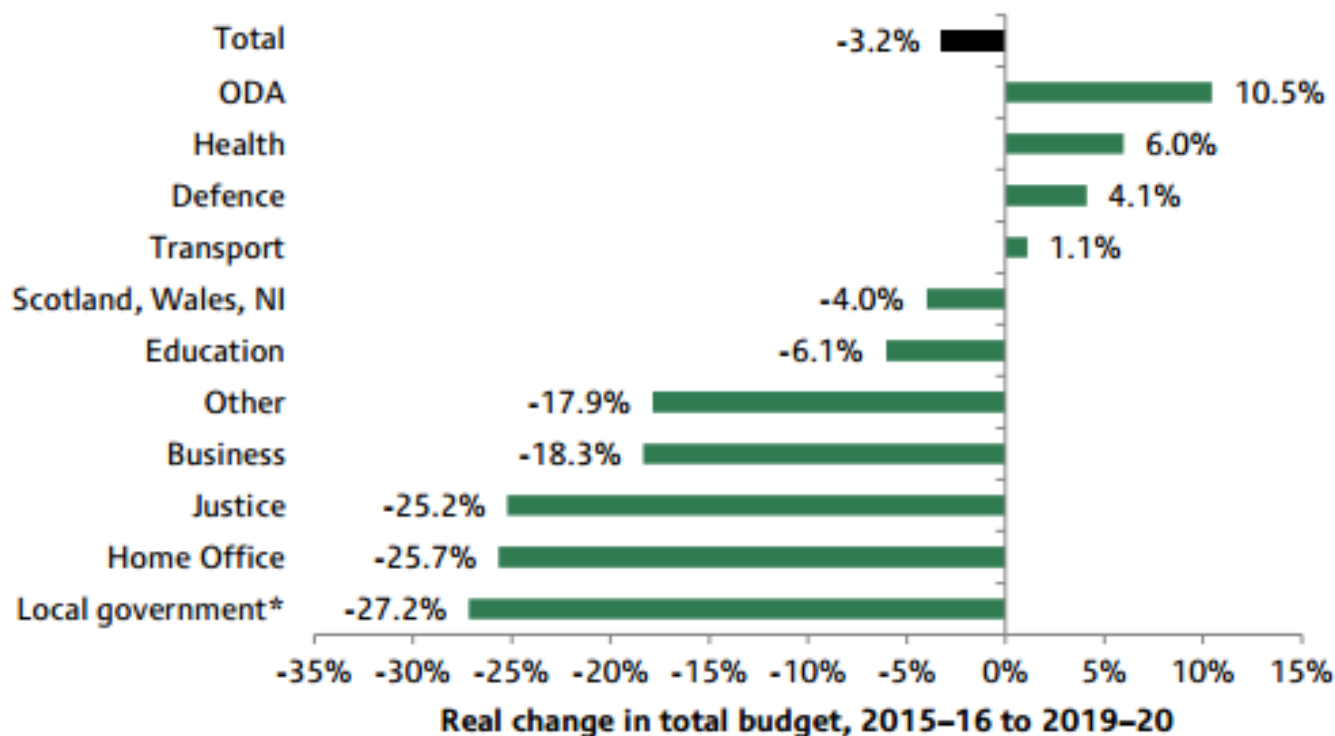
	Budget in 2015–16 (£bn)	Change 2015–16 to 2019–20		Change 2010–11 to 2019–20	
		£bn (2015–16 prices)	%	£bn (2015–16 prices)	%
<b>Resource DEL</b>	<b>315.1</b>	<b>-16.2</b>	<b>-5.1</b>	<b>-47.6</b>	<b>-13.7%</b>
<i>of which:</i>					
Health	111.9	+6.4	+5.7%	+14.2	+13.7%
Schools	39.5	-0.3	-0.6%	+2.0	+5.4%
Defence	28.1	+0.6	+2.0%	-1.7	-5.5%
ODA	9.2	+0.9	+9.3%	+2.8	+38.3%
Implied other RDEL	126.3	-23.7	-18.8%	-64.9	-38.8%

Note: 'Health' is the Department of Health budget, 'Schools' is spending on ages 5–16 schooling, 'Defence' is the Ministry of Defence budget (including estimated outlay on operations) and 'ODA' is estimated spending on official development assistance.

Source: Authors' calculations based on HM Treasury, *Public Expenditure Statistical Analyses 2015* (for total resource DEL, health and defence), Conservative Campaign Headquarters (for schools), Department for International Development, *Statistics on International Development 2014* (for ODA) and OBR, *Public Finances Databank* (for deflators).



## Illustrative example of one possible spending allocation



Note: Scenario assumes that all departments (except Scotland, Wales and Northern Ireland) receive a 12.3% increase in their capital budgets and that all unprotected departments (except Scotland, Wales and Northern Ireland) receive a 27.2% cut to their resource budgets. The budgets of Scotland, Wales and Northern Ireland are determined according to the Barnett formula, which given the scenario above implies an average increase in capital DEL of 5.8% and an average cut to resource DEL of 5.2%. ODA is official development assistance.  
\* 'Local government' is the central government grant to local authorities. Note that local authorities also receive revenue from council tax and business rates.

**Estimated budget for English NHS in 2019/20 and 2020/21 according to the manifesto commitment, assuming inflation rises as assumed for GDP Deflator, July 2015**

	2015/16	2019/20	2020/21
<b>TDEL plus real terms £8bn increase by 2020/21 (2015/16 prices)</b>	£116.6bn	£122.9bn	£124.6bn
<b>TDEL plus real terms £8bn increase by 2020/21 (cash terms)</b>	£116.6bn	£132.4bn	£137.5bn

## Budget Fiscal Forecasts

	Percentage change on previous year unless otherwise specified						
	Outturn		Forecast				
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Real GDP	3.0	2.2	2.5	2.4	2.4	2.4	2.4
CPI (September) <sup>6</sup>	1.2	0.0	1.2	1.7	1.8	1.9	2.0
Average earnings <sup>7</sup>	2.8	2.3	3.6	3.9	4.0	4.2	4.4
Public sector pay	■	■	1.0	1.0	1.0	1.0	■

<sup>6</sup> Q3 forecast used as a proxy for September

<sup>7</sup> Wages and Salaries divided by employees

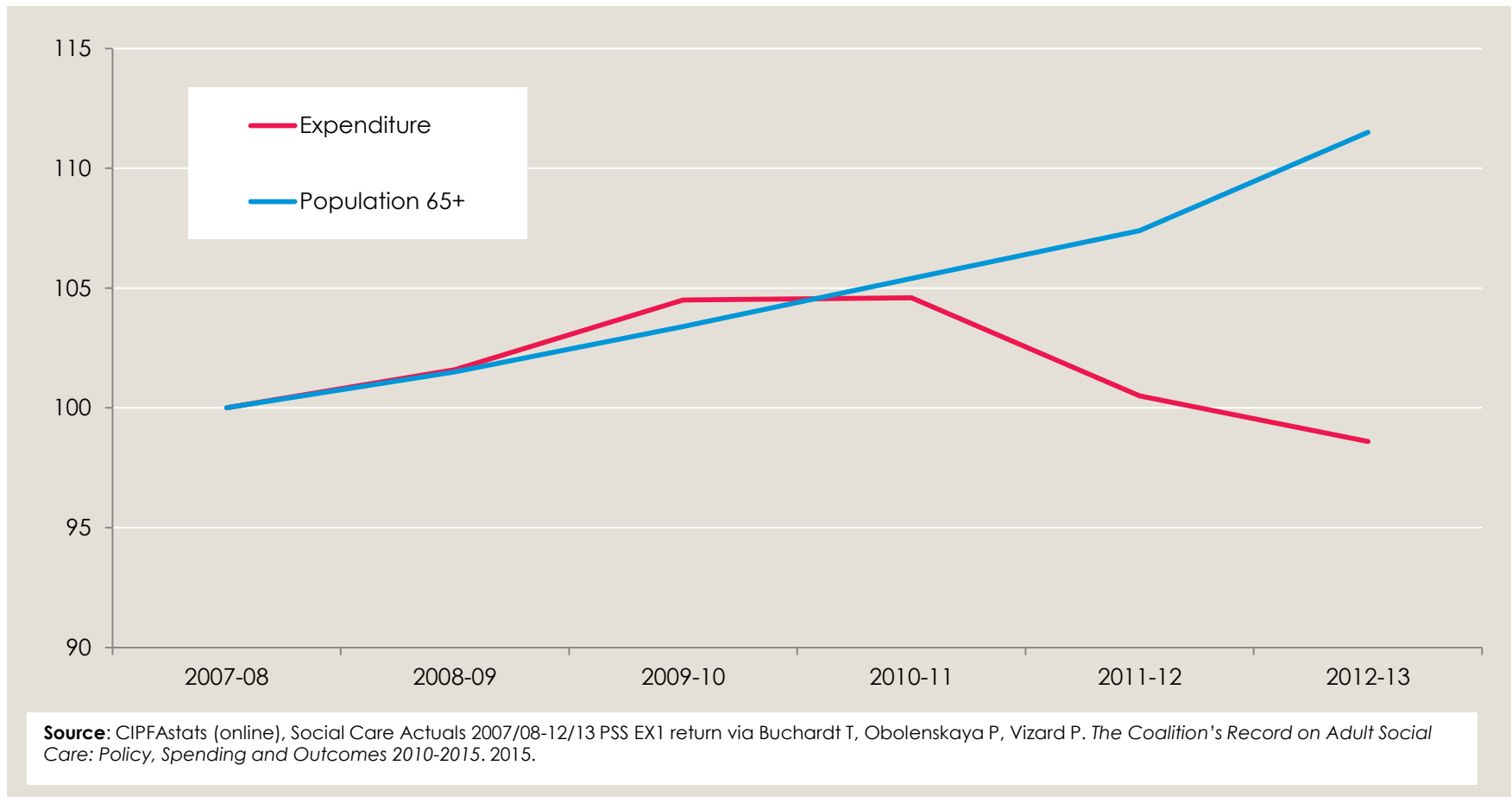
## The affordability challenge as set out in Monitor planning guidance

	2014/15	2015/16	2016/17	2017/18	2018/19
<b>Total affordability challenge</b>	3.1%	6.6%	5.5%	4.7%	4.6%
<b>Provider efficiency</b>	2.0%	2.5%	2.0%	2.0%	2.0%
<b>System efficiency</b>	1.0%	2.0%	0.1%	1.0%	1.0%
<b>Remaining challenge</b>	0.1%	2.1%	2.5%	1.7%	1.6%
<b>Remaining Challenge (£)</b>		£1.46bn	£1.7bn	£1.26bn	£1.26bn

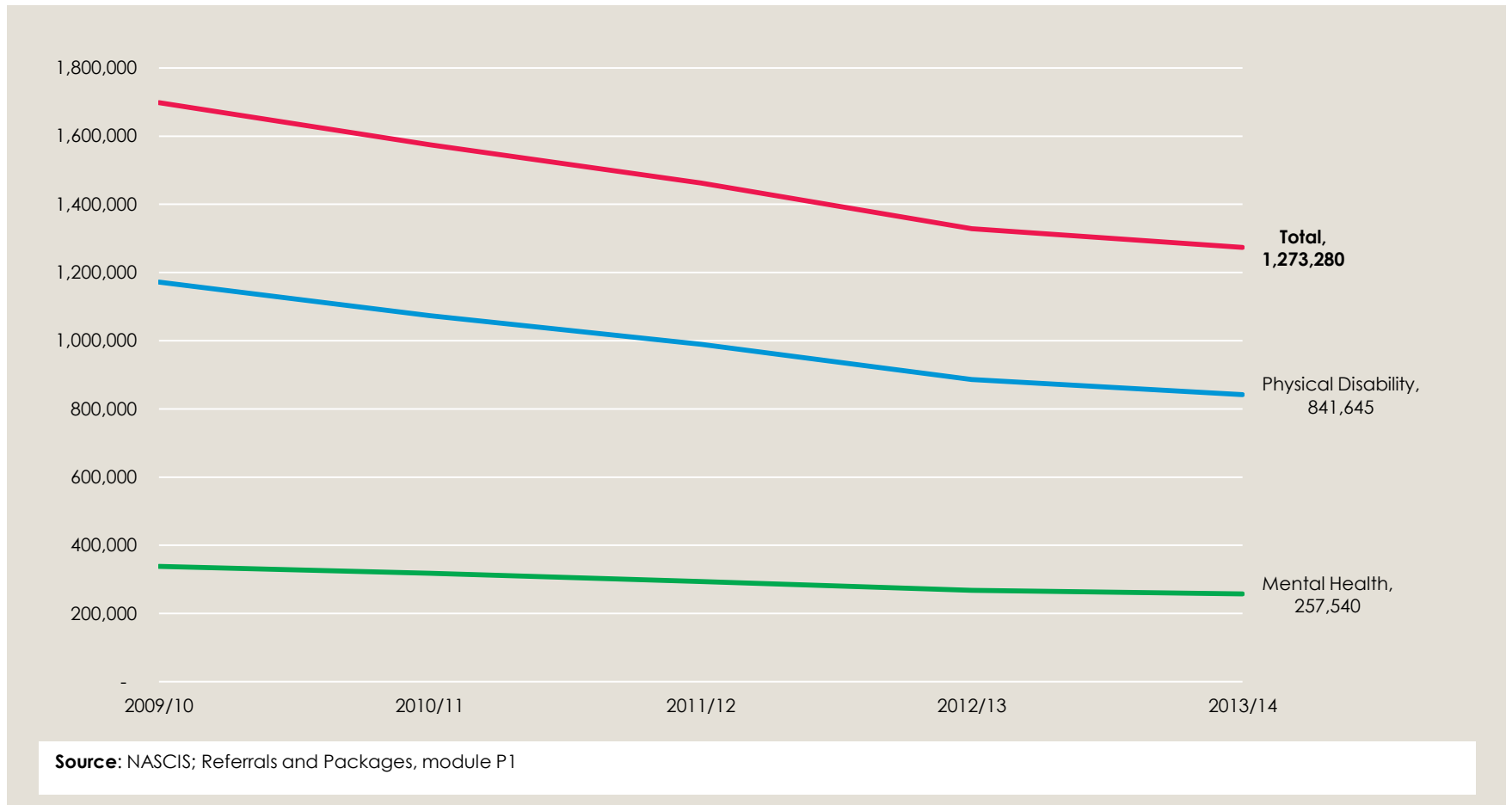
## Transformation Fund costs, 2016/17 to 2020/21 (2015/16 prices)

	2016/17	2017/18	2018/19	2019/20	2020/21
Efficiency Strand	£1.1bn	£1.1bn	£1.1bn	£1.1bn	£1.1bn
Development Strand	£0.4bn	£0.8bn	£1.0bn	£1.0bn	£0.7bn
Total Transformation Fund	£1.5bn	£1.9bn	£2.1bn	£2.1bn	£1.8bn

## Indexed growth in real total gross expenditure on Adult Social Care in England and demographic pressure, 2007-08 to 2012-13



## Number of clients receiving services (community-based services, residential care or nursing care) provided or commissioned by local authorities with social services responsibilities, by client type, 2009/10 to 2013/14, England

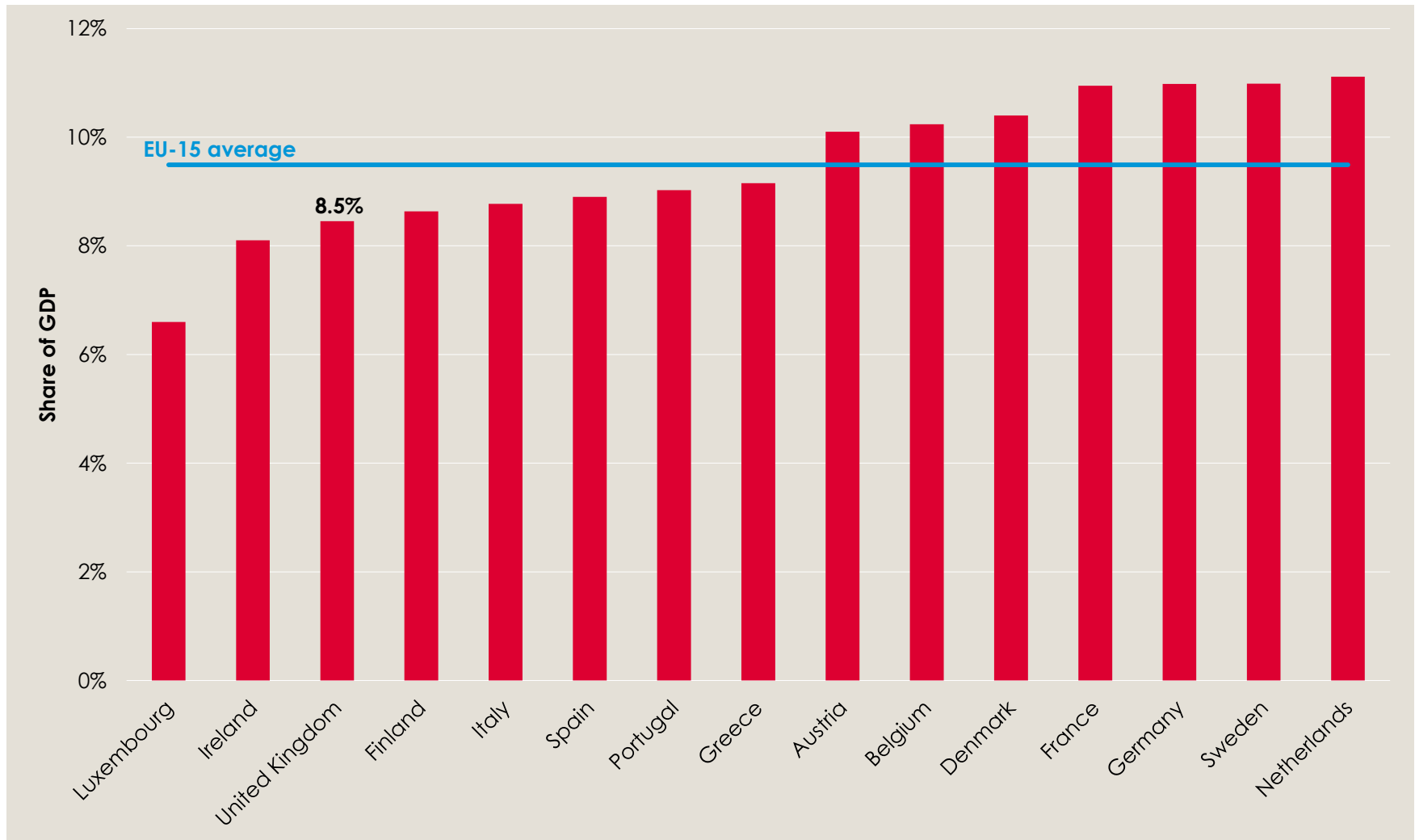


## Need for and receipt of help with Activities of Daily Living (ADLs) in the last month, by equivalised household income and sex





## Current expenditure on health, % of GDP, public and private spending, 2013



Source: OECD

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