CPPR
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CPPR Briefing Note: UK Spending Review 2013 & the Scottish Government's budget

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This Briefing Note starts by considering the implications for Scotland from the 2013 UK Spending Review (SR) and in particular, the confusing multiplicity of ways to calculate how the 2015-16 settlement compares with that for 2014-15.

The Note then puts the new 2013 Spending Review into perspective by considering the most up-to-date longer run Scottish Budget profile, from 2009-10 to 2017-18.

1. The out-turn for Scotland from the 2013 UK Spending Review

We start by reflecting on the differences in the various estimates of the Scottish Government's discretionary spending (i.e., Departmental Expenditure Limits or DEL) as a result of the 2013 UK Spending Review (SR). Such an analysis is necessary as the Scottish Barnett consequential settlement was complicated by a number of non-standard budgetary changes being included and by the use of different baselines by various government bodies from which to calculate year-on-year changes.

This note, therefore, attempts to explain and simplify what actually took place.

- Table 1 shows the main Scottish budget lines in both cash and real, inflation adjusted, terms, and calculates year-on-year changes in comparison to the 2014-15 budget spending levels, as set out at the time of the 2013 UK Budget in March 2013 (i.e., including any Barnett consequentials that emerged since the 2010 Spending Review).

- Table 2 shows the levels and changes in comparison to the 2014-15 budget spending levels, as set out at the time of the 2010 UK Spending Review (i.e., excluding any Barnett consequentials that emerged since that SR)[1].

- Finally, Annex 2 includes an analysis, at the UK level, of how and why the financial conditions changed between the two Spending reviews.

The use of real terms data over cash terms data is preferable in terms of highlighting any shift in actual spending power of the Scottish Budget between the two years shown[2].

The use of the latest (2013) UK Budget figures gives a more accurate reflection as to how the position has changed as a result of the 2013 Spending Review. As a result, the figures shown in Table 1 are the most relevant in relation to considering real terms shifts to the Scottish Government's effective Budget position.

The reason we show the results in both cash and real terms and using different baselines is in order to highlight the variety of the different interpretations that were published by various bodies at the time of the 2013 Spending Review.

As can be seen from Tables 1 and 2, the change to the Scottish Budget (2014-15 to 2015-16) can differ quite significantly depending on the baseline used and on what changes are incorporated and this makes it difficult for even well informed observers to get a clear

[1] Using the 2010 Spending Review baseline gives an interesting view as to the long terms changes but it is normal practice in a Budget, Autumn Statement or Spending Review to concentrate on the changes made in that announcement rather than the cumulative effect over a number of budget related announcements.
[2] Note that budget holders, who receive their allocations in cash, will also be interested in the cash terms figures shown in the tables.

perspective on what has actually happened[3]. This lack of a clear and undisputed baseline is becoming an increasing problem in terms of interpretation of Scottish and UK budget settlements and was raised by the IFS at the UK level in their post 2013 Spending Review analysis.

Table 1: Scottish Budget levels and changes using latest Treasury Budget figures as the baseline, £ million, excluding depreciation

	CASH 2014-15	2015-16	REAL 2014-15	2015-16
Resource DEL	25,692	25,655	25,692	25,201
Capital DEL – grants	2,654	2,652	2,654	2,605
Capital DEL – loan support	182	311	182	306
Total Capital DEL	2,836	2,964	2,836	2,911
Total DEL – exc Capital DEL loan support	28,346	28,307	28,346	27,806
Total DEL – inc Capital DEL loan support	28,528	28,618	28,528	28,112
Borrowing capacity	-	296	-	291

	Change 2015-16 over 2014-15			
	CASH £m	(%)	REAL £m	(%)
Resource DEL	-37	(-0.1)	-491	(-1.9)
Capital DEL – grants	-2	(-0.1)	-49	(-1.8)
Capital DEL – loan support	129	(71)	124	(68)
Total Capital DEL	127	(4.5)	75	(2.6)
Total DEL – exc Capital DEL loan support	-39	(-0.1)	-540[4]	(-1.9)
Total DEL – inc Capital DEL loan support	90	(0.3)	-416	(-1.5)
Borrowing capacity	296	(n/a)	291	(n/a)

Note: changes between years in all Tables may not sum due to rounding.

Sources: SPICe, HM Treasury.

Returning to our interpretation of the 2013 Spending Review for Scotland, Table 1 shows:

- A further real (and cash) terms fall in resource (day-to-day) spend, but a rise in capital (investment) spend for Scotland, if the new category of 'Financial Transactions' (hereafter referred to as loan support[5]) is included.

- Such 'loan support' is intended to engender more private sector activity. In particular this relates to Scotland's (Barnett related) share of the UK CLG department's funding

[3] As a simple example of this, the 2013 Spending Review document published by HM Treasury shows a real terms % change for Scotland on the resource DEL side of -1.5% (which is consistent with RDEL shown in Table 2) while on the capital side the figure is +2.7% (which is consistent with CDEL shown in Table 1).

[4] The press release issued by the Scottish Government included a figure for the real terms cut of -£333m, instead of the -£540m figure shown in Table 3 above. This is because the Scottish Government is referring to DEL including depreciation rather than, as above, excluding it.

[5] The Scottish Government can use these consequentials for different investment options but they must be repaid from Scotland's DEL in future years. As such it is more accurate to describe such funds as 'loan support'.

for affordable housing and from UK BIS department's funding for initiatives including the Green Investment Bank.

- However, this use of 'loan support' means we are seeing a departure from the more traditional funding source of 'Scottish Budget' capital allocation, as loan support will need to be repaid to UK Treasury[6].

- Its importance to answering the question "is Scotland's capital budget set to rise or fall?" is significant; including the loan support means CDEL rises in both cash and real terms, however, removing it means there is a further cash and real terms fall in CDEL (investment) spend for Scotland.

- Also on the capital side, the Scottish Government now has the potential to access a higher level of borrowing from 2015-16, although this too will need to be serviced and ultimately repaid[7].

Hence, it is possible to argue that the Scottish Budget has both fallen and risen in cash terms, albeit that in the latter case there is an increasing need to raise private funds or encourage spending in other ways to secure the full value of the spending power available. However, even if utilised in full, these alternative funding sources would not be sufficient to fully offset the real terms fall seen in the spending power of the Total Scottish Budget (see Table 1).

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[6] The terms of this loan support are still being established. However, it is anticipated that these loan support (CDEL) repayments will be top sliced from Capital DEL grant allocations in future years.

[7] CPPR will be issuing a separate paper considering the impact of these new sources of capital funding on the Scottish Budget in due course.

Table 2: Scottish Budget levels and changes using Treasury 2010 Spending Review Budgets as the baseline, £ million, excluding depreciation

	CASH 2014-15	2015-16	REAL 2014-15	2015-16
RDEL	25,602	25,655	25602	25201
CDEL – grants	2,318	2,652	2,318	2,605
CDEL – loan support	0	311	0	306
Total CDEL	2,318	2,964	2,318	2,911
Total DEL – exc CDEL loan support	27,920	28,307	27,920	27,806
Total DEL – inc CDEL loan support	27,920	28,618	27,920	28,112
Borrowing capacity		296		291

	Change 2015-16 over 2014-15			
	CASH £m	(%)	REAL £m	(%)
RDEL	52	(0.2)	-401	(-1.5)
CDEL – grants	334	(14.4)	287	(12.4)
CDEL – loan support	311	(-)	306	(-)
Total CDEL	646	(28)	593	(26)
Total DEL – exc CDEL loan support	387	(1.4)	306	(1.1)
Total DEL – inc CDEL loan support	698	(2.5)	611	(2.5)
Borrowing capacity	296	(-)	291	(-)

Notes: *(i) Beyond the DEL changes shown above there were also changes to the Depreciation/Impairment (from £639m to £729m) and the Student Loans (from £181m to £302m) lines associated with Scotland (not shown here).*
(ii) Within the 'Change' totals there is an element (+£32m in RDEL and -£21m in CDEL) that relates to non-Barnett consequentials. On the RDEL side this relates to (a) a top-up in relation to the Independent Living Fund and (b) to the freeze in Council Tax in England, which was announced in SR2010 but not previously included the Barnett Consequential baseline. The non-Barnett CDEL reduction is a one-off change that relates to capital spending previously brought forward by the Scottish Government with the UK Government's agreement (for the Forth Replacement Crossing).
Sources: SPICe, HM Treasury.

How these SR2013 changes to 2015-16 fit into the bigger budgetary picture is considered in Section 2.

2. Projections of the Scottish Budget to 2017-18

Tables 3 and 4 and Figure 1 outline the likely looking budget scenario for the Scottish Government to 2017-18. The most noteworthy findings from Table 3 are:

- Time-wise we are half-way through the 8 year adjustment period currently outlined by the UK Government and have experienced just over half (57%) the total real terms funding cuts expected (see Table 4).

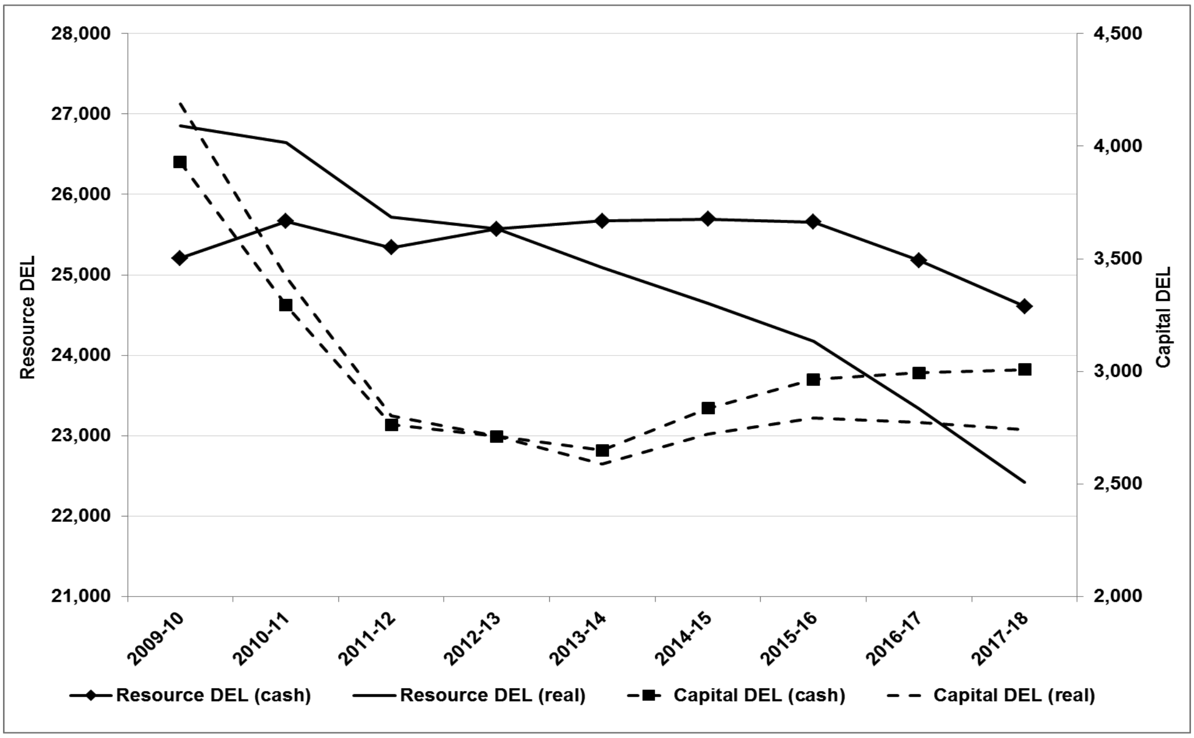
Table 3: Scottish DEL 2009-10 to 2017-18, £ billion (cash and 2012-13 prices[8]), excluding depreciation[9]

	Outturn Years				Forecast Years			Projections	
	09-10	**10-11**	**11-12**	**12-13**	**13-14**	**14-15**	**15-16**	**16-17**	**17-18**
DEL Resource									
Cash	25.2	25.7	25.3	25.6	25.7	25.7	25.7	25.2	24.6
£ billion change		0.5	-0.3	0.2	0.1	0.0	-0.0	-0.5	-0.6
% change		1.8%	-1.3%	0.9%	0.4%	0.1%	-0.1%	-1.8%	-2.2%
2012-13 prices	26.9	26.6	25.7	25.6	25.1	24.6	24.2	23.3	22.4
£ billion change		-0.2	-0.9	-0.1	-0.5	-0.4	-0.5	-0.8	-0.9
% change		-0.8%	-3.5%	-0.6%	-1.9%	-1.8%	-1.9%	-3.5%	-3.9%
DEL Capital									
Cash	3.9	3.3	2.8	2.7	2.6	2.8	3.0	3.0	3.0
£ billion change		-0.6	-0.5	-0.1	-0.1	0.2	0.1	0.0	0.0
% change		-16.2%	-16.1%	-1.8%	-2.3%	7.1%	4.5%	1.0%	0.5%
2012-13 prices	4.2	3.4	2.8	2.7	2.6	2.7	2.8	2.8	2.7
£ billion change		-0.8	-0.6	-0.1	-0.1	0.1	0.1	-0.0	-0.0
% change		-18.3%	-18.0%	-3.3%	-4.5%	5.1%	2.6%	-0.7%	-1.2%
TOTAL DEL									
Cash	29.1	29.0	28.1	28.3	28.3	28.5	28.6	28.2	27.6
£ billion change		-0.2	-0.9	0.2	0.0	0.2	0.1	-0.4	-0.6
% change		-0.6%	-3.0%	0.6%	0.1%	0.7%	0.3%	-1.6%	-2.0%
2012-13 prices	31.0	30.1	28.5	28.3	27.7	27.4	27.0	26.1	25.1
£ billion change		-1.0	-1.5	-0.2	-0.6	-0.3	-0.4	-0.9	-0.9
% change		-3.1%	-5.1%	-0.8%	-2.1%	-1.1%	-1.5%	-3.2%	-3.6%

Sources: Figures for 2009-10 to 2015-16 from Scottish Government sources. In some years adjustments have been made to make the series more comparable over time, e.g., in relation to Council Tax Benefits; 2016-17 to 2017-18 calculated by CPPR using adjusted growth rates shown in Table 4.16 of the Office of Budget Responsibility's Economic and Fiscal Outlook for the UK 2013 Budget.

[8] Figures for all years in Table 3 have been revised in comparison to previous such tables published by CPPR (for example, see www.gla.ac.uk/media/media_264529_en.pdf). This is due to the large revisions made recently by the ONS to the GDP deflator. In addition, the figures shown here are higher overall as they now include Council Tax Benefit, which has been transferred to Scotland.
[9] See Table A1 for figures including depreciation.

Figure 1: Resource and Capital DEL projections, £ million (cash and 2012-13 prices)



Source: Figs for 2009-10 to 2015-16, Scottish Government; 2016-17 and 2017-18 CPPR calculations

Table 4: Changes in Scottish DEL, £ billion (cash & 2012-13 prices)

	DEL Resource		DEL Capital		Total DEL	
	Cash	**2012-13**	**Cash**	**2012-13**	**Cash**	**2012-13**
2009-10 to 2017-18						
£ billion	-0.6	-4.4	-0.9	-1.4	-1.5	-5.9
% change	-2.4%	-16.5%	-23.5%	-34.7%	-5.2%	-18.9%
2009-10 to 2013-14						
£ billion	+0.5	-1.8	-1.3	-1.6	-0.8	-3.4
share of total cut		40%		>100%		57%
2013-14 to 2017-18						
£ billion	-1.1	-2.7	+0.4	+0.2	-0.7	-2.5
share of total cut		60%		<0%		43%

Sources: Same as for Table 3

- However, the experience is very different looking between resource spend and capital spend. On the resource side, only 40% of the cuts have been undertaken by 2013-14, while on the capital side the cuts are over, with net cash and real terms rises expected post 2013-14 to 2017-18, when new loan support funds are included.

- Looking at total spend across the 8 year period, the pattern of retrenchment falls into three distinct periods: a period of deep cuts in the first two years; followed by four years of relatively small cuts; followed by a further two years of deep cuts.

- Decisions on where this second wave of cuts will fall, in terms of UK Departments, will not be made public until after both the next UK election and the Scottish independence referendum.

- While Table 3 contains the CPPR's best estimates of how the Scottish Budget may develop, it remains the case that it is the overall spending profile that should be concentrated on, as opposed to the precise year-by-year changes shown.

<u>Box: Variants</u>

It is important to emphasise that the profile shown in Table 3 is just one way of presenting changes to the Scottish Budget.

Table 3 illustrates the Budget totals consistent with those shown in Tables 1 and 2, i.e., excluding non-cash DEL. This is more in line with the total budget that the Scottish Government has decision-making control over.

An alternative way of illustrating change is to include depreciation (i.e. non-cash DEL), as shown in the Scottish Government's annual Budget publication (see Table A1). Usually this has little impact on year-to-year changes but it can be important, for example as seen in DEL Resource in 2015-16.

A further variant, shown in Table A2, is to show the budget out-turn time series for past years instead of planned budgets. Again, for most years this makes little difference in terms of year-on-year changes, but it can do, as seen for CDEL in 2012-13.

<u>NHS versus non-NHS cuts in Resource DEL</u>

On the resource spend side it is important to differentiate between the protected NHS budget and all other, non-protected, budgets. Table 5 illustrates the significant difference that this makes.

Table 5: Changes in Scottish Resource DEL, £ billion (cash & 2012-13 prices)

	Total Cash	**2012-13**	**Non NHS Cash**	**2012-13**	**NHS Cash**	**2012-13**
2009-10 to 2017-18						
£ billion	-0.6	-4.4	-2.2	-4.8	+1.6	+0.3
% change	-2.4%	-16.5%	-12.0%	-24.8%	+22.1%	+4.4%
2009-10 to 2013-14						
£ billion	+0.5	-1.8	-0.4	-2.0	+0.9	+0.2
2013-14 to 2017-18						
£ billion	-1.1	-2.7	-1.7	-2.8	+0.7	+0.1

Sources: Same as for Table 3

Notes: the' Total' columns are consistent with the Resource figures shown in Table 4, while the NHS resource budget is here defined as the total Territorial Boards' resource budget and figures are taken from Scottish Draft Budget reports. The non-NHS figures equal the residuals left when the NHS figures are subtracted from the Total resource figures, in each case.

Table 5 illustrates clearly the extra pressure that is being put on non NHS resource budgets as a result of the NHS being protected in inflationary terms.

As is evident from the table, by inflation proofing the NHS resource budget, the real terms cuts to the resource budgets of non-NHS spending areas over the full period shown (i.e., 2009-10 to 2017-18) increases by half as much again, going from just over 16% to almost 25%.

Next UK Spending Review

Assuming that the next UK Spending review comes immediately after the next UK election then it is likely to occur in mid-to-late 2015. Some very big decisions have been left for it to accommodate as a result of this year's SR covering only a single year. For example, the Resource DEL cuts implied by the current UK government plans for 2016-17 and 2017-18 are potentially bigger than we will see in any of the years up to then (see Table 3 above).

It may be that, post-election, the UK government budget is brought more into balance by raising taxes instead of applying such deep cuts. This would be consistent with past patterns of when tax rises are introduced, i.e. immediately post-election, and would also be consistent with a return to an 80:20 ratio between spending cuts and tax rises (which currently looks more like 85:15 by 2017-18).

However, in a meeting with the UK House of Commons Treasury Committee on the 11th July 2013, the current Chancellor, George Osborne, stated that, in order to bring finances under control, "I am clear that tax increases are not required to achieve this. It can be achieved with spending reductions." Furthermore, in an interview with Andrew Marr (21/07/13), the Prime Minister, David Cameron, went even further by suggesting that he would like to see taxes falling post the next election.

The Labour Party meanwhile has committed itself to matching the coalition's spending plans for 2015-16, (they have also suggested that more might be spent on the capital budget but details of how much and where are sketchy at present). Given that the next UK election is not likely to happen until Spring 2015, such a commitment is not particularly surprising or game-changing. In the event of a Labour victory it will be interesting to see if such a commitment extends to keeping all the policy changes and Departmental cuts made up to that point e.g., will it retain the introduction of a cap on universal credit.

Alternatively, a new UK Government, of whatever political makeup, might seek to further extend the period over which debt consolidation is to be achieved, thus reducing the severity of the still needed spending cuts.

Thus far, the Scottish Government has also avoided outlining where it would seek to make the implied cuts post 2015-16. This may be explained by the potential change of circumstances brought about by a YES vote on the referendum, although, even then, greater clarity will be needed on a medium term budgeting strategy for an independent Scotland, including the role played by any Oil Fund.

At present the UK Government has outlined high level budget figures up to 2017-18. However, it may well be that real terms cuts continue beyond this point, particularly if economic growth remains at current low levels. Furthermore, even if real terms growth returns, should the NHS and schools budgets continue to be favoured, then it may be the case that other budgets continue to face real terms cuts post 2017-18.

3. Summary and Conclusions

The 2013 UK spending review has confirmed two important budget issues. First, the fiscal consolidation is set to be at least 8 years in duration (compared to 6 in the coalition's original budget of 2010). Secondly, the resource budget cuts still to come include some of the harshest annual reductions seen over this period. However, just who is facing this budget onslaught is unclear.

This lack of clarity makes it difficult to know if Scotland will be a relative winner or loser. If Health and Education remain favoured (as they have been up until now) then Scotland is likely to emerge a relative (and it important to stress that this is only relative) winner through the operation of the Barnett formula.

Nonetheless, realistic projections of Scotland's DEL budget lines confirm the challenges facing those reliant on DEL resource funding. The £2.7 billion real terms projected cut in Resource DEL still to come will be increasingly hard to accommodate, especially given the £1.8 billion already experienced since 2009-10.

Annex 1

Table A1: Scottish DEL 2009-10 to 2017-18, £ billion (cash and 2012-13 prices[10]), including depreciation[11]

	Outturn Years				Forecast Years			Projections	
	09-10	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18
<u>DEL Resource</u>									
Cash	25.8	26.3	26.0	26.3	26.4	26.5	26.7	26.2	25.6
£ billion change		0.5	-0.4	0.3	0.2	0.1	0.2	-0.5	-0.6
% change		2.0%	-1.3%	1.2%	0.7%	0.3%	0.7%	-1.8%	-2.2%
2012-13 prices	27.5	27.3	26.3	26.3	25.8	25.4	25.1	24.3	23.3
£ billion change		-0.2	-1.0	-0.1	-0.4	-0.4	-0.3	-0.9	-0.9
% change		-0.6%	-3.6%	-0.3%	-1.6%	-1.6%	-1.1%	-3.5%	-3.9%
<u>DEL Capital</u>									
Cash	3.9	3.3	2.8	2.7	2.6	2.8	3.0	3.0	3.0
£ billion change		-0.6	-0.5	-0.1	-0.1	0.2	0.1	0.0	0.0
% change		-16.2%	-16.1%	-1.8%	-2.3%	7.1%	4.5%	1.0%	0.5%
2012-13 prices	4.2	3.4	2.8	2.7	2.6	2.7	2.8	2.8	2.7
£ billion change		-0.8	-0.6	-0.1	-0.1	0.1	0.1	-0.0	-0.0
% change		-18.3%	-18.0%	-3.3%	-4.5%	5.1%	2.6%	-0.7%	-1.2%
<u>TOTAL DEL</u>									
Cash	29.7	29.6	28.7	29.0	29.1	29.3	29.6	29.2	28.6
£ billion change		-0.1	-0.9	0.3	0.1	0.3	0.3	-0.5	-0.6
% change		-0.4%	-3.0%	0.9%	0.4%	0.9%	1.0%	-1.6%	-2.0%
2012-13 prices	31.7	30.7	29.1	29.0	28.4	28.1	27.9	27.0	26.1
£ billion change		-1.0	-1.6	-0.2	-0.5	-0.3	-0.2	-0.9	-1.0
% change		-2.9%	-5.2%	-0.6%	-1.9%	-1.0%	-0.8%	-3.2%	-3.6%

Sources: Figures for 2009-10 to 2015-16 from Scottish Government sources. In some years adjustments have been made to make the series more comparable over time, e.g., in relation to Council Tax Benefits and to one-off adjustments for income contingent loans; figures for 2016-17 to 2017-18 have been calculated by CPPR using adjusted growth rates shown in Table 4.16 of the Office of Budget Responsibility's Economic and Fiscal Outlook for the UK 2013 Budget.

[10] Figures for all years in Table 3 have been revised in comparison to previous such tables published by CPPR. This is due to the large revisions made recently by the ONS to the GDP deflator over a long run of years. Furthermore the figures shown here are higher overall as they now include Council Tax Benefit, which has been transferred to Scotland.

[11] Depreciation is here (as in other Scottish and UK Government publications) used as shorthand for non-cash RDEL and also includes student loan impairments. The total is determined by Barnett consequentials from changes to non-cash RDEL budgets in comparable Whitehall Departments. Non-cash budgets are ring-fenced and are allocated by HM Treasury under a separate control total.

Table A2: UK Treasury / PESA: Scottish DEL 2008-09 to 2012-13, including depreciation £ billion (cash and 2012-13 prices)

	09-10	10-11	11-12	12-13
DEL Resource				
Cash	25.5	26.2	25.8	26.1
£ billion change		0.7	-0.3	0.3
% change		2.6%	-1.3%	1.2%
2012-13 prices	27.2	27.2	26.2	26.1
£ billion change		0	-1.0	-0.1
% change		0%	-3.5%	-0.3%
DEL Capital				
Cash	3.9	3.3	2.7	2.9
£ billion change		-0.6	-0.6	0.2
% change		-16.4%	-16.8%	7.6%
2012-13 prices	4.2	3.4	2.8	2.9
£ billion change		-0.8	-0.6	0.2
% change		-18.5%	-18.7%	6.0%
TOTAL DEL				
Cash	29.4	29.4	28.5	29.1
£ billion change		0	-0.9	0.5
% change		0%	-3.0%	1.8%
2012-13 prices	31.3	30.6	29.0	29.1
£ billion change		-0.8	-1.6	0.1
% change		-2.5%	-5.2%	0.3%

Sources: HM Treasury, PESA tables.

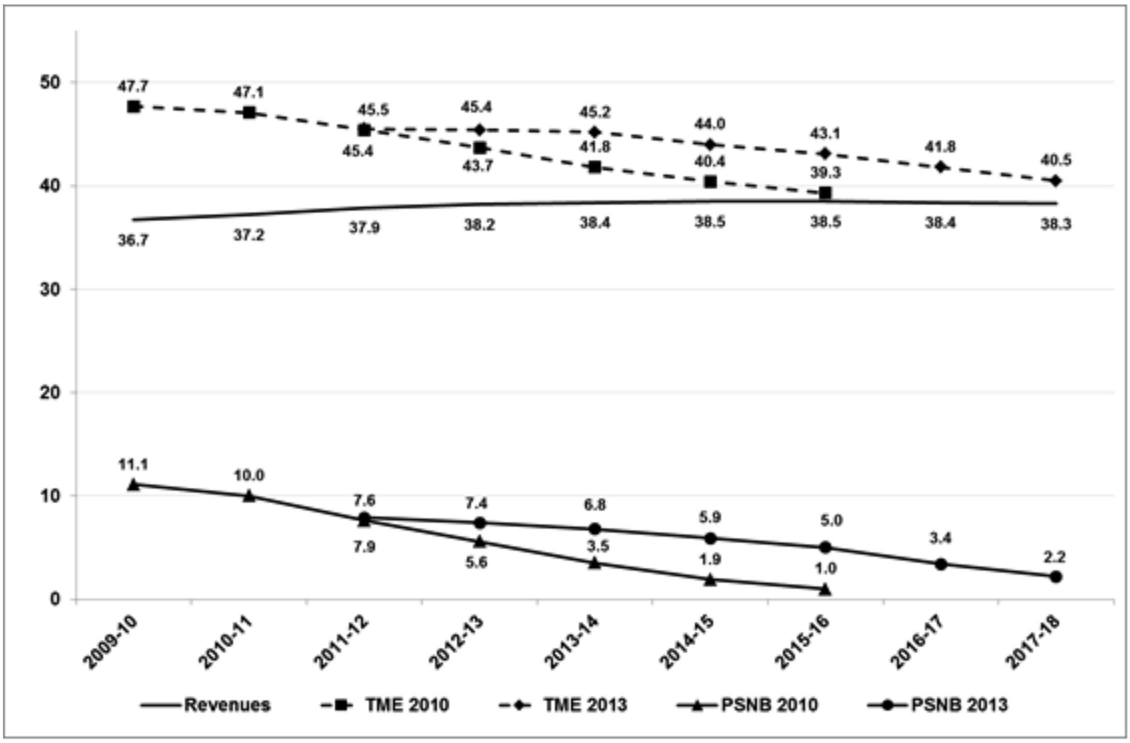
Annex 2

A comparison of the 2013 UK Spending Review with what was proposed at the time of the 2010 UK Spending Review

It is worthwhile to use the opportunity of a new Spending Review to look back at how the UK Government's long term plans have changed since it published the 2010 Spending Review.

Figure A1 shows the revisions to total spending planned, total revenues raised and the resultant net borrowing position, all shown as a share of GDP.

Figure A1: Public Sector Revenues, Spending & Borrowing, % GDP



Note 1: TME refers to Total Managed Expenditure and PSNB to Public Sector Net Borrowing.
Note 2: There is only one Revenue projection since differences between SR2010 & SR2013 are only marginal
Source: OBR, OEF November 2010 & March 2013

As Figure A1 above indicates, while the revenue side is very much on track, expenditure is higher than expected, which also results in borrowing being higher than expected. This slower than anticipated reduction of borrowing by the UK Government has led to the extension by 3 years of the period by which near rebalancing is projected to come about.

The major reason for spending and borrowing overshooting is the poor performance of the economy. For example, in 2010 the economy was forecast to grow by over 5% by 2012, whereas, in fact, growth has only amounted to 1.5% and growth in future years is also now forecast to be lower than had been expected.

This lower GDP growth has had a roughly equivalent effect in lowering tax revenues (hence revenues as a share of GDP are unchanged). However, public expenditure has not been revised down (hence as a share of GDP it is now higher) and so the wider than expected funding gap between revenues and spending has had to be made good by higher borrowing.

Thus, in fiscal consolidation terms, while the UK Government has not relented on its targets in terms of allowing for increased public expenditure to provide some degree of greater fiscal stimulus, it has weakened its targets in terms of allowing more time for the same degree of consolidation to come about.

Hence, instead of the UK Government closing the funding gap between 2009-10 and 2015-16 from over 11% of GDP to just 1%, it is now expected only to close to 5% and to still be as high as 2.2% by 2017-18. In other words, a near rebalancing of government finances which was anticipated to take 6 years is now planned to take at least 8 years, a considerable lengthening of the austerity timeframe.

This in turn implies equally as tough, or tougher, cuts to come in some spending areas than had been expected in the years covered by the 2010 SR, as shown in Table A3. In particular resource DEL looks set to fall even faster post 2015-16.

Table A3: Average annual real terms public spending growth rates across UK spending measures

	SR 2010 - to 2014-15	**SR 2013 - to 2017-18**	**Cumulative change 2010-11 to 2017-18**
TME	-0.5	-0.2	-2.7
- AME	+2.1	+2.7	+17.8
- DEL	-3.0	-3.4	-20.0
- RDEL	-2.5	-3.6	-19.2
- CDEL	-5.8	-1.8	-25.4

Note: TME = Total Managed Expenditure; AME = Annually Managed Expenditure, RDEL = Resource Departmental Expenditure Limit; CDEL = Capital Departmental Expenditure Limit.

Source: OBR EFO March 2013, Table 4.16 (revised version).

In summary, the UK coalition Government's 2010 plans for fiscal consolidation have been put off-track by the absence of any serious economic recovery. This has led to the period of intended consolidation being extended. If the economy remains in the doldrums then this period of adjustment could be extended further.