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# Spending review: initial analysis

The government has announced the results of its spending review, which sets broad totals for public spending to 2014-15. This briefing highlights some key issues for public services and UNISON members.

## Headline summary

- as expected, the government plans **historically unprecedented spending cuts** – hardest hit are local government, housing, further and higher education, but supposedly ‘protected’ areas like NHS and schools will also be stretched
- in response to widespread anxiety over the future of public services, relatively small amounts of extra money have been found for a few symbolic areas, and an extra £7.5bn has been cut in state benefits, to avoid deeper cuts to public services
- the full implications for public service workers will take time to emerge, but the government estimates that **490,000** jobs will be lost over four years and aims to reduce its funding for public sector pensions by **£1.8bn** a year by 2014-15

## The deficit and the economy

The coalition government argues that these cuts will be distributed fairly and are necessary to meet its objective of eliminating the budget deficit by 2014-15. However this rationale has been questioned by numerous economists:

- Osborne’s argument that Britain’s borrowing puts it ‘at the brink of bankruptcy’ has been rejected by economists such as Martin Wolf of the *Financial Times*
- UNISON estimates that cutting 500,000 public service jobs could cost the government around **£4.6bn** in lost tax revenue and **£6.1bn** in extra benefits
- the government’s own figures as well as PricewaterhouseCoopers suggest planned spending cuts could cost an additional **400,000** private sector jobs
- the negative ‘multiplier’ effect will weaken recovery and could result in a ‘double-dip’ or ‘lost decade’ of persistent unemployment and stagnation

## Implications for key service areas

- **local government** funding will be cut by 27% over 4 years. This is more than would be the result of ending all support for older people over 65; or all local government spending on children and families; or all local government spending on cultural, regulatory and environmental services

- **affordable housing** will be hit by a **50%** cut in the budget for affordable homes as well as cuts to housing benefit and changes to tenancy agreements
- the **Home Office** and **Justice Department** budgets are each to be cut by 23% over four years, which will entail major cuts and reorganisations for police, probation and associated services including tens of thousands of job losses
- **further education** will be hit by a **25%** cut to adult education funding over four years, including abolition of the adult entitlement to a free level 2 or level 3 course – increased fees and loans are a likely consequence
- **higher education** funding will be cut by **40%**; around 80% of the teaching grant will be replaced by higher fees; research funding also cut.
- **bus service** subsidies to be cut by **20%**; administration to be ‘streamlined’
- **Sure Start** funding will be frozen – a real terms cut of **5-10%** over four years
- **schools** spending will grow by less than 1% over four years, *including* the £2.5bn ‘pupil premium’ recently announced by Nick Clegg – this will be against a background of rising primary rolls and cuts to ‘unprotected’ spending programmes such as transport, truancy support and school buildings; schools support staff will be especially vulnerable with the government now looking at dismantling current negotiating arrangements
- **NHS** spending will grow by just **1.3%** over four years – lower than at any time in its history and wholly insufficient to meet rising demand, drug costs and demographic pressures – hence the demand for 20% “efficiency savings” already translating into recruitment freezes and treatment restrictions in many trusts. If combined with the reorganisations proposed in the NHS White Paper the effects on equity and continuity of care could be catastrophic.
- **Scotland, Wales, and Northern Ireland** will see their funding cut by **6.8%, 7.5%** and **6.9%** respectively, to be allocated by devolved administrations

[Analysis commissioned by UNISON and the TUC](#)

(<http://www.tuc.org.uk/extras/wherethemoneygoes.pdf>) has shown that cuts of this magnitude are likely to have a severe impact on the living standards of ordinary families and will hit poorer households, women and vulnerable groups hardest. An updated analysis of the impact of spending review announcements will be released shortly.

### **Additional issues**

- the government is looking to increase **outsourcing and privatisation**: the Chancellor highlighted increased use of personal budgets, ‘new payment mechanisms for prisons, probation, and community health services’, and ‘new providers in adult social care, early years and road management’
- the Chancellor proposed a reduction in spending on **public sector pensions** of £1.8bn a year by 2014-15, though it is not clear how this will be achieved given his promise to protect ‘the lower paid’ and avoid a ‘race to the bottom’
- the Chancellor reaffirmed his commitment to a **two-year public sector pay freeze** from 2011-12 (with a flat £250 for the lowest paid), on top of the pay freeze already imposed on *all* local government workers this year

**Further details, analysis and responses will be released over the coming days.**