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Bargaining and Campaigns

UNISON Scotland

Public Spending Cuts

June 2015

The UK government has decided to cut a further £3bn from this year's UK departmental budgets. The Scottish Government said the consequential cut to the 2015/16 Scottish budget was £176.8m, although the Treasury has reduced that number today to £107m. Scotland has already suffered an overall revenue budget cut of 9% and the capital budget has been cut by 25% since 2010.

The next stage of cuts will probably be confirmed in the emergency summer budget on 8 July. On current plans the UK government will slash a further £30bn, with big cuts in fiscal years 2016 and 2017, to stabilise in 2018 and rebound in 2019. The Barnett consequentials of this will depend on where they cut in England.

The IFS published a pre-budget analysis of the spending challenges this will create for the UK government last week. They point to underlying pressures that are increasing spending in other areas including debt interest, NI contributions and pensions. You also have to add Conservative manifesto spending commitments on the NHS, extension of free childcare, the new tax-free childcare scheme, the removal of the cap on higher education student numbers and the Dilnot social care funding reforms.

£12bn of the £30bn plus cuts are to come from welfare spending. A separate IFS analysis shows just how difficult that is to achieve. Cuts of this scale amount to almost 10% of unprotected benefits. Finding such a reduction without cutting child benefit, which Cameron has now ruled out, would mean that even more significant cuts would likely be required to spending on one or more of tax credits, housing benefit and disability & incapacity benefits.

The remaining cuts will not be evenly spread. Spending on overseas aid and the NHS in England is set to continue increasing in real terms, while schools' spending in England per pupil is to be protected in cash terms. All this requires cuts elsewhere averaging 15.3%. Although protected spending in these areas does at least help the Barnett consequentials.

A new analysis published by the Scottish Government today highlights the flexibility the UK Government has to increase spending on public services above its current plans - by £8 billion in 2016-17 then up to £36 billion in 2019-20 - and still meet its Charter for Budget Responsibility targets. That would allow a total of £93 billion of additional UK investment over the next four years as a whole when compared to current UK Government plans, providing up to £7 billion in additional investment for devolved public spending in Scotland.

Even the OECD have cautioned against making deep cuts in 2016 and 2017 because of the impact on growth in the economy. It said: "While there are some countries where clearly debt needs to be brought down, there are others which are in a more comfortable position to fund themselves at exceptionally low interest rates, and which could indeed simply live with their debt (allowing their debt ratio to decline through growth or windfall revenues)."

This summary confirms that the Chancellor's cuts have more to do with an ideological drive to cut the state than deficit reduction.

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