



HM TREASURY

# **UK spending reviews**

Richard Curtis, HM Treasury

UNCLASSIFIED

# Overview

---

- Evolution of UK spending reviews
- SR10 and SR13: scale of the challenge
- Transparent processes
- Choices and outcomes
- Resource budget reductions: 2010-11 to 2014-15
- Success stories and lessons learned



# Evolution of UK spending reviews

---

Prior to  
1992

- Public Expenditure Surveys
- Annual bilateral negotiations between the Treasury and departments

1992-1998

- More top-down approach
- Overall 'control total' set each year for the next three years
- But only the first year set in stone

1998-2010

- Budgets separated into current and capital and Departmental Expenditure Limits and Annually Managed Expenditure
- Firm and fixed multi-year budgets



## SR10 and SR13: scale of the challenge

Table 1.3: Total consolidation plans over this Parliament

|  | £ billion |           |            |            |
|--|-----------|-----------|------------|------------|
|  | 2012-13   | 2013-14   | 2014-15    | 2015-16    |
| <b>Total discretionary consolidation</b>   | <b>76</b> | <b>90</b> | <b>105</b> | <b>128</b> |
| Spending <sup>1,2,3</sup>                  | 56        | 65        | 82         | 102        |
| Tax <sup>2,3</sup>                         | 21        | 25        | 23         | 26         |
| <i>Spending share of consolidation (%)</i> | <i>73</i> | <i>72</i> | <i>78</i>  | <i>80</i>  |

**October  
2010**

- £80bn of savings between 2011-12 and 2014-15
- £20bn annual efficiency savings by 2014-15

**June  
2013**

- £11.5bn additional savings from current spending in 2015-16
- Average 8% reduction to unprotected departmental resource budgets



# Transparent processes

---

## Departmental engagement

- Spending review framework confirmed at preceding Budget
- HMT sets guidance and issues planning assumptions
- Departmental submissions returned three months before spending review

## Ministerial engagement

- Bilaterals
- PEX Cabinet Committee
- Quad (PM, Deputy PM, Chancellor and Chief Secretary)

## External engagement

- Independent Challenge Group
- Internet portal
- Independent reviews (e.g. public service pensions and Higher Education tuition fees)



# Choices and outcomes

---

## Priorities

- Health, schools and Official Development Assistance protected
- Key themes: growth, public service reform, efficiency and fairness
- Other 2010 election manifesto commitments (e.g. pupil premium)

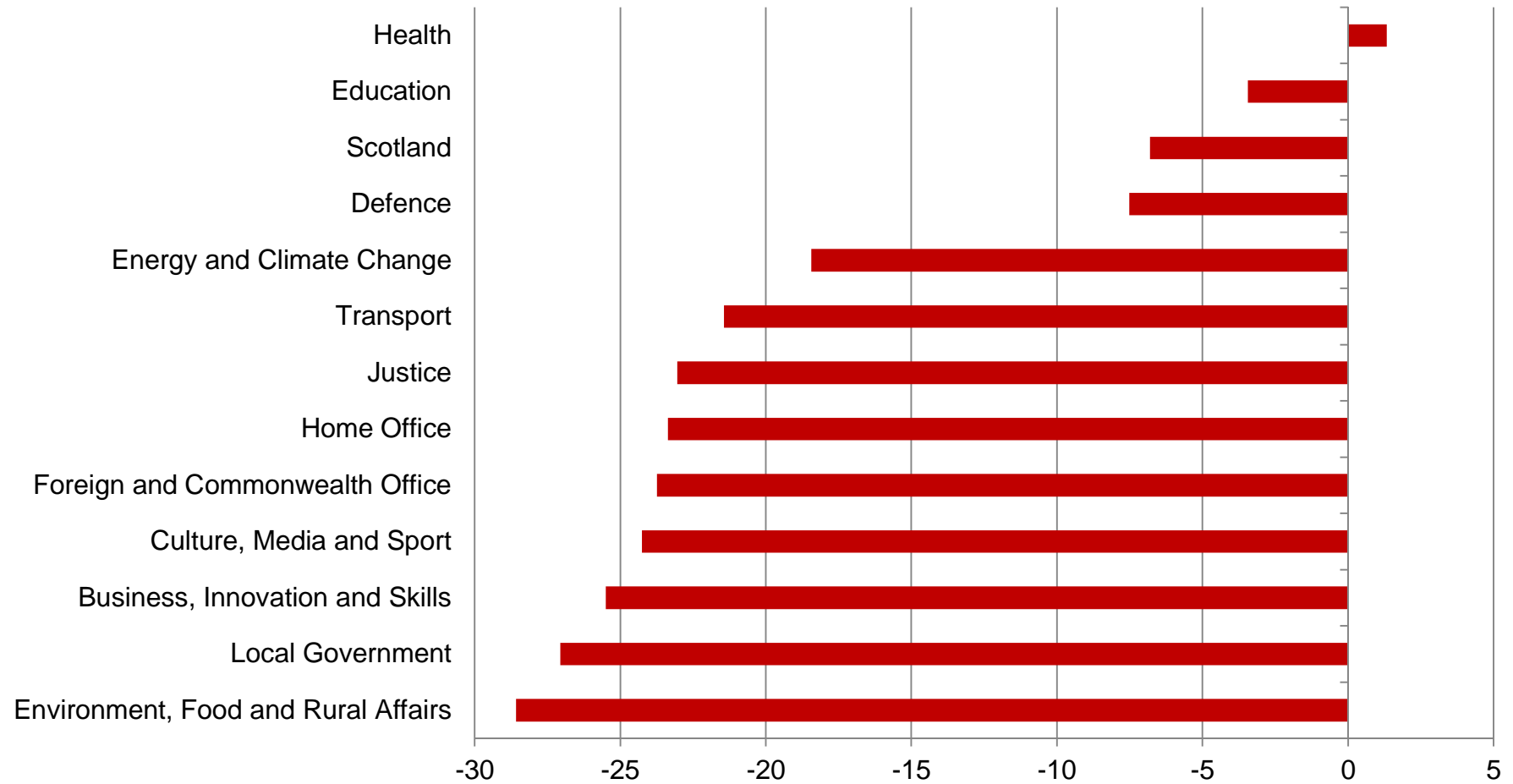
## Major savings and reforms

- Welfare (including benefit uprating) (£18bn)
- Public sector pay (2 year pay freeze and increases of <1%)
- Public sector pensions
- Higher Education tuition fees (c.£3bn)
- Central government administration (£6bn)



# Resource budget reductions: 2010-11 to 2014-15

## Cumulative % real terms reduction



# Success stories and lessons learned: framework

---

## Fixed four-year plan

- Supports market credibility and provides additional certainty for departments in planning delivery of reforms

## Zero-based review of capital projects

- Review overseen by panel of senior economists
- Underpins focus on growth and delivering best VFM

## Long-term capital allocations

- Mitigates against short-term decision making, uncertainty in funding and financing, and failures in delivery

## Efficiency and Reform Group

- Concentrates expertise on efficiency and facilitates cross-government benchmarking





## Success stories and lessons learned: delivery

---

### Early external engagement

- Manages expectations of stakeholders
- Generates support for consolidation and makes it stick

### External scrutiny of policy costings

- Office for Budget Responsibility scrutiny of policy costings adds transparency and credibility

### Strengthened financial management

- Helps identify spending risks earlier
- Improves data and information sharing

### Support for long-term sustainability

- Long-term savings support sustainability of consolidation (e.g. switching benefits uprating from RPI to CPI)

