

Effects on public finances

6. The financial crisis has had a pronounced effect on public spending, which first became apparent in the 2008 Pre-Budget Report (PBR), published on November 24th, 2008.
7. The Pre-Budget Report announced that it would slow growth in spending after the 2010-11 fiscal year. Previously, the Government had planned to increase spending by an average of 2 percent each year (in real terms – that is, accounting for inflation). The PBR announced that this rate of growth would be reduced to 1.2 percent real growth. Put another way, Government departments could expect to get £5 billion less in public money than previously projected.
8. To pay for this, the Government is requiring £5 billion in ‘efficiency savings’. This could include the privatisation of some Government agencies – the *Financial Times* suggested these could include the Met Office, the Royal Mint, the Oil and Pipelines Agency and the Queen Elizabeth II Conference Centre. The Treasury had already committed to £26.5 billion in efficiency savings after the 2004 Gershon Review into the subject. Local governments will be required to make £4.9 billion in efficiency savings, though their funding will increase still grow at a fairly healthy rate (by 4.2 percent in 2009-10, and 4.4 percent in 2010-11).
9. Capital spending will be frozen ‘*in cash terms*’ after 2011. As a result, ‘£3 billion of public investment will be brought forward from 2010-11 to 2008-09 and 2009-10, the years when the impact of the shocks is likely to be greatest’. This includes £800 million for improving school facilities and £442 million for upgrading college and university campuses.
10. However, the House of Commons Select Committee on Children, Schools and Families stated in a January 2009 report that it feared the Government would have to curtail its major capital programme for schools, the Building Schools for the Future programme. This programme aims to renovate or rebuild every secondary school in England, and intends to have projects underway in every local authority by 2016. As this programme extends beyond 2010, and involves sums much greater than the £800 million mentioned before, it might eventually be subject to cuts.
11. Of course, one caveat attaches to these budget forecasts: Labour must win the next general election, to be held this year or the next, to enact them. The Conservatives plan still more stringent spending cuts. According to a December 2008 statement by Conservative leader David Cameron, the Conservatives would limit most Government departments to a real-term expenditure increase of 1 percent in the 2009-10 fiscal year. Only defence, health, schools (presumably meaning DCSF) and international development would be exempt from this ceiling.