

The Spending Plan

Summary of the TaxPayers' Alliance plan to reduce spending



This report sets out a detailed and robust plan to reduce spending. And if politicians disagree with our proposals, then the question is clear: what would you do instead?

Getting spending under control is about much more than dealing with a tough fiscal climate. Reducing public spending should be part of a big picture strategy: it would mean lower taxes for families across Britain, less debt for future generations and faster economic growth, generating prosperity for all. And yet we would still have a large government – comparable in size to Australia, New Zealand or Switzerland – that provides defence, law and order, healthcare and education as well as pensions for all and substantial welfare for those who need it.

**Andrew Allum, chairman & co-founder,
TaxPayers' Alliance**

The Office for Budget Responsibility has forecast that public spending as a share of GDP will be 35.2 per cent by 2019–20, down from 40.5 per cent in 2014–15. That trend is welcome, both for the public finances in general and taxpayers who have to fund the spending. The question then is: what do policy-makers do to reach that goal?

The best way to eliminate the deficit is to reduce spending. The Spending Plan sets out practical proposals that will help any government meet the OBR's forecast. An economy

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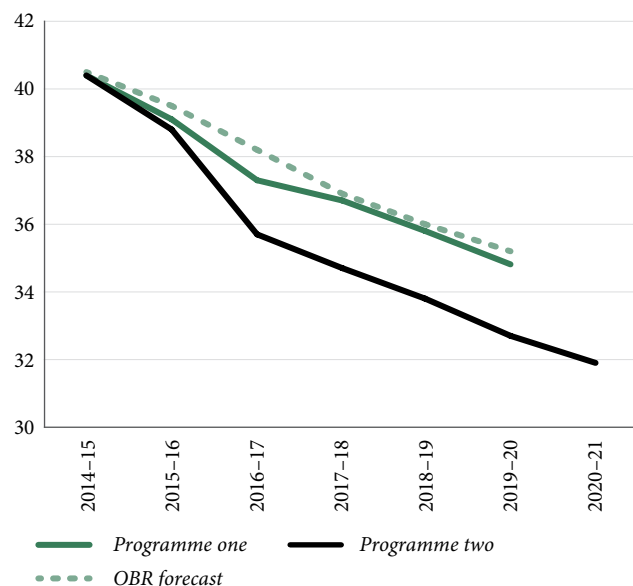
with a relatively low spending to GDP ratio will not only grow faster and provide a better standard of living, but also be fairer and more ethical.

This report is also a complement to *The Single Income Tax*, the final report of the 2020 Tax Commission. It advocated a programme of tax reform that would drastically simplify taxes and reduce the burden for individuals and businesses. *The Spending Plan* shows how to bring spending down to a level to allow for the comprehensive tax reform package recommended by the Commission.

With a reduction in spending followed by serious tax reform, the UK would be in far more stable and sustainable fiscal position. A low tax, low spend economy would create better incentives to work, save and invest. And we could leave more money in the pockets of those who earned it.

This should be the defining vision for our economy in an internationally competitive world.

Figure 1: total managed expenditure (% of GDP)



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Policy measures to reduce spending to 35 per cent of GDP by 2019–20

In table 1, 24 policy measures show what action the government could take to meet the overall spending levels set out in Autumn Statement 2014, where total managed expenditure rises from £737 billion in 2014–15 to £780 billion in 2019–20 (and falls as a share of GDP from 40.5 per cent to 35.2 per

cent). Spending not covered by policy measures in both programmes are assumed to rise in line with inflation except for central government debt interest payments, where the Office for Budget Responsibility's forecasts are available and have been used.

Table 1: programme one measures, savings relative to projected spending, £ million

Measure	2015–16	2016–17	2017–18	2018–19	2019–20
Abolish BIS and reassign necessary functions	274	4,112	4,203	4,286	4,371
Abolish child benefit and increase the child element of the child tax credit to address child poverty concerns	0	2,858	2,915	2,980	3,058
Abolish DECC and reassign necessary functions	0	0	338	344	351
Abolish free TV licences	644	655	701	759	835
Abolish the Christmas bonus	154	153	152	150	148
Abolish the Department for Culture, Media and Sport	0	2,743	2,743	2,743	2,743
Abolish the pensions 'triple lock' and link state pension to CPI	0	1,200	2,700	4,800	6,800
Cut annual leave entitlements where overly generous	1,448	1,383	1,420	1,408	1,401
Cut Scotland's grant to match its relative prosperity compared to Wales	4,300	4,260	4,248	4,312	4,385
Establish an excess sickness rate penalty to bring public sector rates into line with the private sector	849	810	788	782	778
Flatten housing benefit rates across expensive areas to cut 10 per cent off bills	0	2,529	2,579	2,638	2,680
Freeze benefits for two years then uprate with CPI	0	722	1,839	1,906	1,962
Means test winter fuel payments	1,479	1,474	1,459	1,446	1,443
Reduce the welfare cap to £20,000	735	735	748	763	778
Relax planning restrictions that inflate housing costs to cut housing benefit bills	0	885	1,805	2,770	3,752
Repeal the Equality Act 2010	0	46	47	48	49
Replace grants to local authorities with devolved taxes to encourage better local spending	804	1,713	2,652	3,710	4,885
Scrap national pay bargaining	0	1,510	2,938	4,372	5,800
Scrap trade unions' subsidies of facility time, grants and office space	105	103	102	100	99
Scrap the childcare subsidy programme named "tax-free childcare"	300	700	800	900	900
Scrap the remaining contributory benefits	0	1,631	1,663	1,638	1,634
Cut the number, scope and budgets of quangos and public bodies	0	367	373	381	389
Stop paying over the odds to borrow money	331	370	527	598	688
Target free bus passes for the elderly on those who genuinely need them	530	548	567	565	560
Sum total of measures	11,953	31,507	38,307	44,399	50,489
Programme total after overlap adjustments	11,904	30,934	37,453	43,413	49,370

Policy measures to reduce spending to the 2020 Tax Commission target share of GDP by 2020–21

In table 2, 41 policy measures show how the government could bring spending down further still, to meet the level recommended by the TaxPayers' Alliance and Institute of Directors' 2020 Tax Commission, enabling the government to implement the commission's tax policy proposal outlined

in its final report, *The Single Income Tax*. This second programme ends a year later in 2020–21, when it suggests that total managed expenditure should have fallen slightly in cash terms, from £737 billion in 2014–15 to £732 billion.

Table 2: programme two measures, savings relative to projected spending, £ million

Measure	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21
Abolish BIS and reassign necessary functions	274	4,112	4,203	4,286	4,371	4,459
Abolish DECC and reassign necessary functions	0	0	338	344	351	358
Abolish DfID, scrap development aid and transfer humanitarian responsibilities to the FCO and MoD	0	6,844	13,284	13,921	14,598	15,276
Abolish the Department for Culture, Media and Sport	0	2,743	2,743	2,743	2,743	2,743
Abolish child benefit and increase the child element of the child tax credit to address child poverty concerns	0	2,858	2,915	2,980	3,058	3,138
Abolish free TV licences	644	655	701	759	835	919
Abolish the Christmas bonus	154	153	152	150	148	147
Cut child tax credits to their 2003–04 level in real terms	0	5,254	5,458	5,629	5,765	5,905
Freeze benefits for two years then uprate with CPI	0	722	1,839	1,906	1,962	2,018
Means test winter fuel payments	1,479	1,474	1,459	1,446	1,443	1,440
Reduce the welfare cap to £20,000	735	735	748	763	778	794
Scrap the childcare subsidy programme named "tax-free childcare"	300	700	800	900	900	900
Scrap the remaining contributory benefits	0	1,631	1,663	1,638	1,634	1,630
Target free bus passes for the elderly on those who genuinely need them	530	548	567	565	560	553
Flatten housing benefit rates across expensive areas to cut 10 per cent off bills	0	2,529	2,579	2,638	2,680	2,720
Relax planning restrictions that inflate housing costs to cut housing benefit bills	0	885	1,805	2,770	3,752	4,764
Amend repayment terms on student loans to make them more affordable	2,692	2,692	2,692	2,692	2,692	2,692
Return the compulsory school leaving age to 16 and scrap the 16–19 bursary scheme	1,113	1,126	1,146	1,169	1,192	1,216
Return the pupil premium to 2011 levels	1,846	1,868	1,900	1,938	1,955	1,973
Scrap universal free school meals for pupils in reception to year 2	377	769	789	810	832	855
Increase the extent of charges in the NHS	0	8,997	8,322	8,690	9,077	9,359
Raise the efficiency of NHS estates to match the top 25 per cent	660	1,335	2,039	2,773	3,536	3,606
Reform patient list auditing to cut NHS 'ghost patients'	0	132	135	139	143	147
Renegotiate contracts to cut excessive pay for GPs	0	527	1,072	1,094	1,115	1,137

Measure	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Stop prescribing branded medicines where generics are suitable	158	166	176	187	199	211
Repeal the Equality Act 2010	0	46	47	48	49	50
Replace grants to local authorities with devolved taxes to encourage better local spending	804	1,713	2,652	3,710	4,885	6,198
Shrink grants to Scotland, Northern Ireland and Wales in line with England and cut Scotland's grant to match its relative prosperity compared to Wales	5,291	5,143	5,429	6,981	8,684	10,408
Cut the number, scope and budgets of quangos and public bodies	0	367	373	381	389	396
Withdraw UK funding for EU agriculture and fisheries and spend it directly	0	2,791	2,791	2,791	2,791	2,791
Cut annual leave entitlements where overly generous	1,448	1,383	1,420	1,408	1,401	1,395
Establish an excess sickness rate penalty to bring public sector rates into line with the private sector	849	810	788	782	778	774
Scrap national pay bargaining	0	1,510	2,938	4,372	5,800	5,771
Freeze the basic state pension and minimum income guarantee in 2016-17, then uprate with CPI	0	2,400	3,900	6,000	8,000	10,000
Raise state pension age to 67 by 2021	0	0	108	1,034	2,227	2,380
Scrap trade unions' subsidies of facility time, grants and office space	105	103	102	100	99	97
Stop paying over the odds to borrow money	331	370	527	598	688	795
Abolish rail operator subsidies and increase premiums by 33 per cent by deregulating fares	0	721	1,006	1,038	1,434	1,434
Abolish the bus service operators' grant	0	279	284	290	296	302
Scrap HS2	490	1,886	1,693	3,300	4,000	4,498
Scrap operating subsidies to TfL	0	179	365	557	756	769
Sum total of measures	20,280	69,156	83,949	96,320	108,597	117,018
Programme total after overlap adjustments	20,226	68,573	83,073	95,253	107,285	115,549



Rory Meakin,
editor,
The Spending Plan

The Spending Plan represents the most detailed – and the only fully-costed – set of practical, deliverable proposals to bring spending down to a level that taxpayers can afford. It shows how *The Single Income Tax* – the award-winning final report of our 2020 Tax Commission – could be delivered by 2020.

It also explores why an economy with a lower spending to GDP ratio not only grows faster and provides a better standard of living, but is also fairer and more ethical.

Painstakingly researched and written over the course of the past 10 months, our plan includes a programme to show how the next government could significantly reduce public spending.

Get involved

Please return this form to: The TaxPayers' Alliance, 55 Tufton Street, London, SW1P 3QL
e-mail info@taxpayersalliance.com or visit www.taxpayersalliance.com for more information

Mr/Mrs/Miss/Ms First Name: _____ Surname: _____

Address: _____

Postcode: _____

Tel: _____ Mob: _____ E-mail: _____

- I wish to receive regular email updates about the TPA campaign to implement *The Spending Plan*
- I wish to get involved as a grassroots activist fighting wasteful spending in my area
- I am interested in booking a TPA spokesman to talk about *The Spending Plan* in my area
- I wish to make a donation to support the TPA campaign to implement *The Spending Plan*