UK chancellor announces a further £11.5 billion in cuts

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The Spending Round outlined by UK Conservative Party chancellor George Osborne this week will force through a further £11.5 billion of cuts on top of the £155 billion already passed by the Conservative/Liberal Democrat coalition since its election in 2010.

Unlike previous Spending Rounds, the latest covers a single financial year, 2015/2016, and is specifically designed to ensure any future government is tied to it. Osborne confirmed that the government is to introduce, for the first time in Britain, a cap on welfare spending in order to "control the overall costs of the benefits bill".

The chancellor added, "In future, when a government looks set to breach the Cap because it is failing to control welfare, the OBR [Office for Budget Responsibility] will issue a public warning. The government will then be forced to take action to cut welfare costs or publicly breach the Cap."

The cap will be set in cash terms every four years and include housing benefit, disability benefit, tax credits and pensioner benefits—but not, at this stage, the state pension.

Osborne announced that a further 144,000 jobs in the public sector are to be lost by 2015-2016. This is on top of the hundreds of thousands already shed since 2010. Osborne boasted that in his review of 2010, "I said then that around half a million posts in the public sector were forecast to have to go. That is indeed what has happened—and we're saving £2 billion pounds a year, with a civil service now smaller than at any time since the war."

Those public sector workers who still have a job face further pay cuts as a 1 percent cap on public sector pay rises is imposed and the system of automatic progression pay is terminated.

The Spending Round slashes local authority funding even further, this time by 10 percent—equivalent to £30 million for every local council. Funding to the Scotland, Wales and Northern Ireland Offices, the Department of Environment, Food and Rural Affairs, and the departments of Justice and Transport has been cut by a similar amount.

The Business, Skills and Universities department resource budget is cut by 6 percent, which means higher education and further education spending decreases by £400 million in 2015/2016. The department oversees the student maintenance grants, which are being frozen, saving £60 million, and the national scholarship programme, which is being cut from £150 million to £50 million. The departments' science budget at £4.6 billion, held flat since 2010, remains frozen.

The privatisation of the public education system is furthered with new money being made available for 180 new "free" schools, which are state-funded but privately run outside of Local Education Authority control. They are able to set their own terms and conditions for teaching staff and buy in private services.

The Department for Culture, Media and Sport is cut by 7 percent, with the budget of the Arts Council England (ACE) and national museums cut by 5 percent. ACE's budget, which funds 696 arts organisations across England, was slashed by 30 percent in 2010, and the latest reduction will result in many arts organisations losing funding and going under.

The one area where spending will be increased is the UK's vast spying network, which the former US whistleblower Edward Snowden has revealed already operates on a larger scale than its US counterpart. Osborne announced a 3.4 percent funding increase to the security services, bringing the total in 2015/2016 to

£1.7 billion.

The Spending Round was cautiously welcomed by business leaders, who responded in unison that more, severe austerity was necessary. It was the Confederation of British Industry that demanded beforehand many of the measures Osborne detailed, including the ending of automatic progression pay. They are now calling for further cuts including an end to ring-fencing of certain areas of public expenditure such as health, saying, "It is encouraging to see that Government will have greater control of the welfare budget through the new cap. The next big challenge to address is the issue of ring-fencing to ensure that efficiency flows across all parts of the public sector."

The Institute of Directors said far more was required, claiming that business was "feeling like Oliver Twist. More please, Chancellor. Please could you go further and faster with spending restraint? Please could you widen the welfare cap to include pensions? But please could you also do less ring-fencing of spending in departments such as the NHS."

The right-wing *Daily Telegraph* also criticised Osborne for being too timid, declaring, "reductions of £11.5 billion in the context of a £745 billion budget. That amounts to barely 1.5 percent, which is a statistical rounding error".

"We will soon need a chancellor with the will and the guts to make the big cuts in the major spending departments. That means targeting pensioners, tackling the National Health Service, shaving foreign aid and seriously cutting the welfare bill."

Even before Osborne spoke in Parliament, the opposition Labour Party had signed up to whatever spending cuts he would announce. Labour shadow chancellor Ed Balls declared, "[W]e have agreed with the Shadow Cabinet that each of them is going inherit these plans and work with them for the next two years. That is our starting point."

However, Labour has one caveat: in alliance with the most vociferous sections of the ruling elite, it also wants pensions to be included in the future cap on welfare spending.

Balls noted that Osborne's welfare cap will only apply for three years and responded, "Whether you call that a cap or not, any long-term control regime for long-term welfare spending in 20, 30 or 40 years of course needs to have pensioner spending in it as it relates to people who are at the moment in their 20s, 30s and 40s and how long they will have to work. The chancellor acknowledged that".

Labour's programme is now distinguishable from that of the Tories only insofar as it demands deeper austerity. Its policies are now falling into line with traditionally conservative think tanks, including the Policy Exchange, who also insist that welfare cuts going forward must entail the drastic erosion of pensions.

A Policy Exchange paper written by former Treasury official Matthew Oakley notes, "If Britain is to tame its public debt and constrain growth in the state, welfare spending must be controlled." The paper adds, "But it has to include the full range of benefits, including pensioner benefits and the state pension. Without this, any proposed cap would be meaningless and fail to recognise the real drivers of rising costs."