

## The Cost of the British State

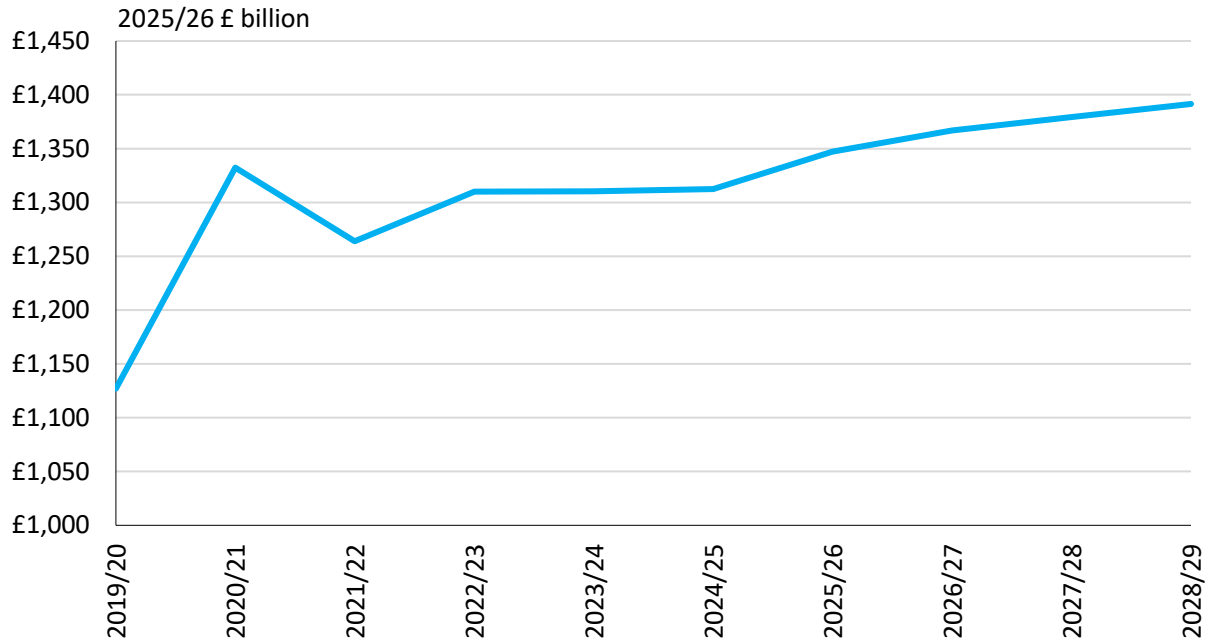
*By Daniel Herring*

- In the wake of the Spending Review, public spending is still on course to reach almost £1.5 trillion in nominal terms and £1.4 billion in today's money by 2028/29 – representing a real-terms increase of 23% on 2019/20.
- This means that Government spending per adult is set to reach around £24,190 in today's money by 2028/29. This would be a 13% (£2,830) real-terms increase on 2019/20, when spending per adult was around £21,360.
- The three big drivers of this increase in spending since the pandemic are healthcare, welfare and debt. Government spending is on track to increase by £2,830 per adult between 2019/20 and 2028/29, with debt spending accounting for 39% of this increase, healthcare spending 26% and welfare spending 15%. In comparison, the planned increase in defence spending accounts for just 9% of the rise.
- Under the plans set out in the Spending Review, health spending will equate to around 7.4% of GDP by 2028/9, up from 6.2% in 2019/20. That is £4,046 per adult, versus £3,328 in 2019/20. However, waiting lists remain elevated and NHS productivity is still 20% below pre-pandemic levels – and there is little sign of improvement on this front.<sup>1</sup>
- Beyond the Spending Review, there remain intense pressures on the public finances. Debt interest alone will average around £2,000 per adult annually between now and the end of the decade.
- The welfare bill will also continue to rise – by the end of the decade, we are set to be spending almost £6,000 per adult on welfare. Over half of that will be on pensions, though most of the increase in the welfare bill will be due to economic inactivity among those of working age.
- There is no guarantee that a bigger state will mean better public services. Polling published by the Adam Smith Institute this week found that only 5% of Brits are 'highly confident' that their taxes are well spent.
- Overall, government is on course to grow by 23% from 2019/20 to 2028/29 – more than double the projected rate of economic growth (11%) over the same period.
- It has sometimes been said that Britain is becoming a health service with a nuclear deterrent attached. It would perhaps be more accurate to say that the state is becoming a combination of health service, benefit office and debt collection agency – with all other functions squeezed to compensate. If we are to avoid this, we need to fundamentally reconsider the role and reach of the state, while at the same time getting serious about radical, pro-growth reforms.

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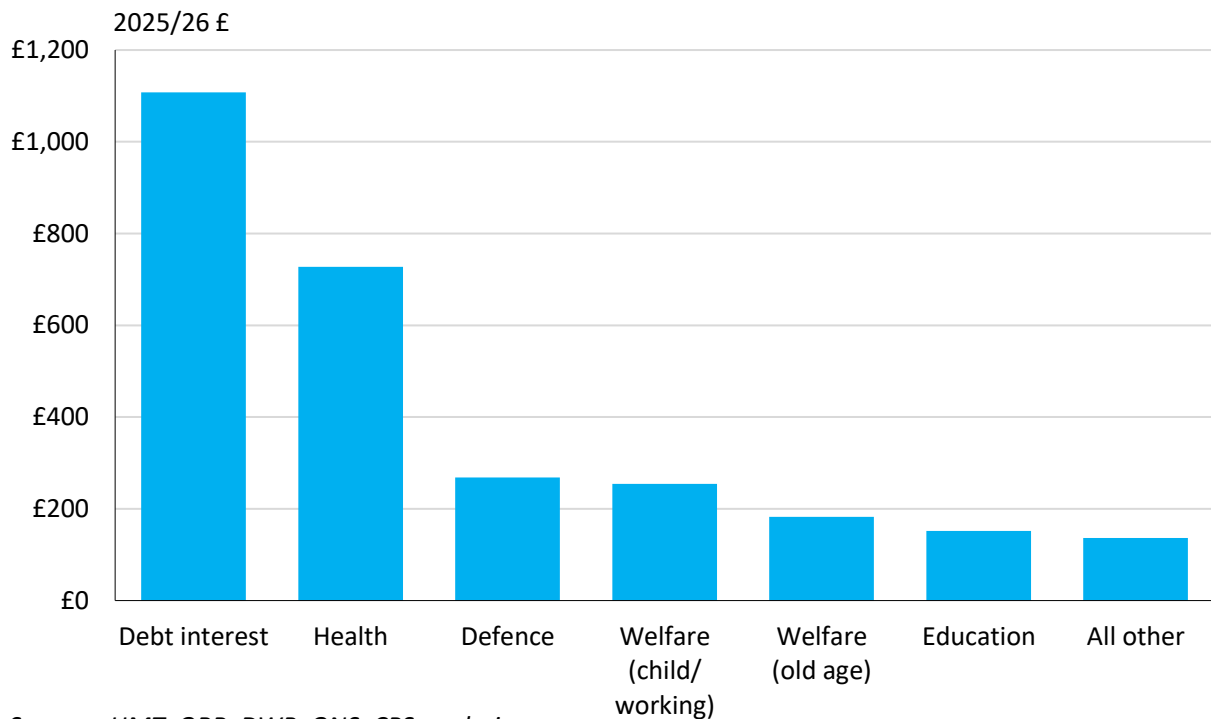
<sup>1</sup> V. Romej, 'NHS productivity plunged after the pandemic, data shows', *Financial Times* (10 February 2025). [Link](#)

## Real terms Total Managed Expenditure (TME), 2019/20 – 2028/29



Source: HMT

## Increase in per adult government spending, 2028/29 vs 2019/20



Sources: HMT, OBR, DWP, ONS, CPS analysis.

## Methodology

Unless otherwise stated, we used OBR data from the Spring Statement in 2025 (using the [Historical official forecasts database – March 2025](#)). We used the OBR’s GDP deflator to convert the amounts into 2025/26 prices (obtained from Table 4.3 of [March 2025 Economic and fiscal outlook – detailed forecast tables: expenditure](#)).

The data on total welfare spending is taken the OBR. Old age welfare is taken from from DWP’s [Benefit expenditure and caseload tables 2025](#). We subtracted old age spending from the total welfare spending to get spending on adults and children.

The data on health, defence and education spending is taken from the [Spending Review](#) on 11 June 2025. Data prior to 2023-24 is taken from the [Public Expenditure Statistical Analyses 2024](#). Health, education and defence spending is Total Departmental Expenditure Limits, which includes current and capital expenditure but excludes Annually Managed Expenditure.

[Historic](#) and [projected](#) population figures are taken from the ONS. We have used ‘per adult’ spending to indicate the proportion of spending per likely taxpayer.

Real spending per person 18+ (2025/26 £)	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026-/27	2027/28	2028/29
<b>Total government spending</b>	21,361	25,195	23,774	24,416	24,042	23,757	24,095	24,176	24,170	24,189
<b>Debt interest</b>	935	561	1,247	2,352	2,086	1,955	1,989	1,938	1,991	2,042
<b>Total welfare</b>	5,457	5,584	5,564	5,509	5,793	5,817	5,833	5,953	5,893	5,894
Welfare (old age)	2,977	2,862	2,919	2,926	3,043	3,059	3,128	3,192	3,153	3,159
Welfare (child + working age)	2,480	2,722	2,645	2,583	2,750	2,757	2,705	2,761	2,739	2,734
<b>Health</b>	3,328	4,338	4,266	3,837	3,685	3,807	3,856	3,915	3,968	4,056
<b>Education</b>	1,643	1,661	1,730	1,723	1,718	1,763	1,805	1,855	1,821	1,795
<b>Defence</b>	1,029	1,029	1,123	1,192	1,136	1,204	1,193	1,228	1,286	1,297
<b>All other</b>	8,969	12,021	9,845	9,801	9,624	9,211	9,419	9,287	9,212	9,105