GENERAL
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2024

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When to run the next spending review

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Summary

The current spending review period runs to the end of the 2024/25 financial year, on 31 March 2025. That is when large parts of budgets for all UK government departments, local authorities, devolved administrations and arm's length bodies – totalling around half a trillion pounds – effectively run out. To give these organisations time to plan ahead, governments have typically set new budgets no later than the end of the preceding November. But this year will be different.

The next general election will take place at the earliest in June 2024 and at the latest in January 2025, and the Sunak government has ruled out conducting a spending review before going to the polls. This means running a spending review to set budgets for 2025/26 will be among the first tasks the government elected in that vote, of whatever party or make-up, must address. This is no small task and one that will become more urgent the later the election is.

Whichever date the prime minister chooses for the election, it will be closer to the point at which budgets expire than any in more than 40 years – potentially much closer in the case of an autumn or winter vote.* The growing uncertainty as the end of the financial year approaches will frustrate departments' and other bodies' planning, and makes December 2024 something of a 'cliff edge'. Completing the spending review process any later than this would put the next government in uncharted territory.

That next government should be pragmatic. Rather than attempting a multi-year spending review in what would be a matter of months or even weeks, budgets for 2025/26 should be set through an expedited, single-year spending round; following this, a separate, comprehensive spending review should set multi-year budgets for the subsequent years of the parliament.

This comprehensive review should be about more than simply setting budgets for departments – rather it should be a key vehicle for ensuring government spending is aligned with long-term political priorities and delivers value for money. This requires those priorities to be set, and existing policy to be reviewed in depth; doing this effectively can take a year or more.

The current economic climate will not be on ministers' side. Any new policy agenda, from either party and of any scale, will need to be pursued in the context of acute structural challenges in the fiscal position and poor performance of public services. The challenge would be even more acute following a transition of government – an incoming Labour Party would not only be returning to power for the first time in 14 years, but has said it would structure its policy programme around a series of missions that are complex in form and ambitious in scope.

* The next general election will be later in the year than any since 1974, apart from 2019, when polling day was in December. In 2019, however, spending plans had already been set for the following financial year at the spending round held in September.

Perhaps most important is that the preparation for this next spending review, which will have already begun in some form, be sufficiently resourced. Current ministers, though they are likely to be reluctant to help the 'next' government too keenly, should ensure civil servants have their full backing to undertake this vital work. That work, as a priority, should include agreeing reasonable baselines (the cost of maintaining existing services against future demand) to best equip the government, whoever is in power, for the first days and weeks after the election.

For their part, shadow ministers should be realistic about the time they will have to allocate funds should they be voted in and, following our recommendations in this paper, consider their policy priorities for 2025/26 and the spending plans needed to deliver them, before turning to a comprehensive multi-year review.

How and when to run the next spending review – recommendations in brief

Whenever the general election is held, the next government will have less time than any of its recent predecessors to set budgets for the upcoming financial year – let alone to conduct a full multi-year spending review. To resolve this tension, that government should conduct two spending reviews over its first year of the parliament: first a **one-year spending round** to allocate budgets for 2025/26, followed by a **comprehensive multi-year spending review**.

The **one-year spending round** should:

- be launched within the first few weeks of the new parliament and **completed by December 2024**, if possible
- adjust budgets in light of changes in cost and demands, and revise spending plans in a small number of areas to help **deliver immediate priorities**
- potentially provide longer-term **certainty for capital budgets** in a small number of priority areas to support long-term planning.

Then, a **comprehensive spending review** should:

- be a **strategic and comprehensive** multi-year spending review that is completed by summer/autumn 2025
- review existing policy and **set budgets for the remainder of the parliament** that align with the government's priorities.

Introduction

Spending reviews set medium-term budgets for government departments. But what sounds like quite a technical exercise is much more than that. In allocating all predictable government expenditure – around half a trillion pounds, captured in 'departmental expenditure limits' (DELs) – they affect every area of government policy and part of the country. They are the vehicle through which governments implement their overall strategy and are forced to confront big and difficult trade-offs. This involves political choices. Spending reviews implicitly reveal a judgment on, for example, how a government weighs the benefits of education versus health, or security versus housing.

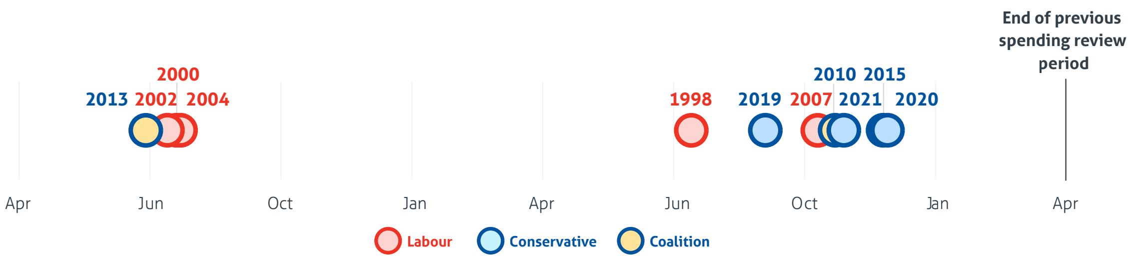
Getting a spending review right has always been important but will be even more so for whoever wins the next election. The next government will face enormous challenges on the overall fiscal position and poor performance of public services. All of these will make implementing its vision for the country harder. Spending reviews – done well – can help a government tackle this.

December presents a 'cliff edge' for spending plans

The most recent spending review, announced in October 2021, set departmental budgets up to the end of the 2024/25 financial year. Government departments, local authorities and devolved administrations therefore do not know how much they will have to spend from April 2025 – and will not, under the Sunak government's plans, until after the election takes place.

As Figure 1 shows, no government since at least 1998 has ever left it later than November to set budgets for the next financial year. This points to the negative consequences of uncertainty, which grow the more time passes without spending plans being set but would be particularly damaging beyond December. Were the election to be held this November, the next government would have only weeks to complete a spending review before December – while an election during December or in January would make this impossible.

Figure 1 **Timing of final spending review settlement announcements 1998–2021**

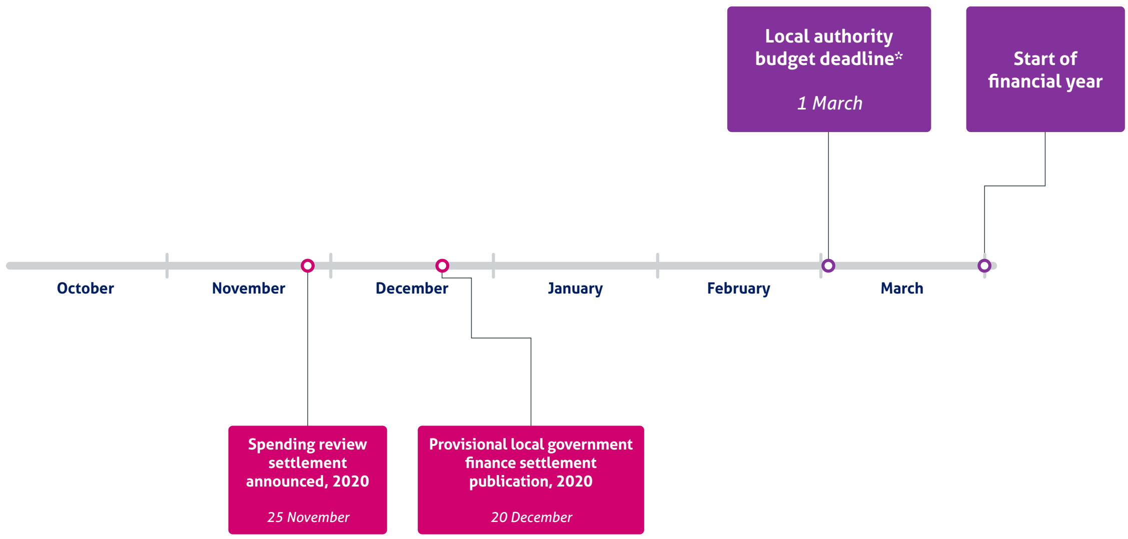


Source: Institute for Government analysis of various HM Treasury spending review documents.

Whatever the timing of the general election, the next government will need to complete a spending review rapidly to provide certainty over budgets for 2025/26. While the start of the next financial year in April looms large, there are other timing constraints on the process that need to be considered:

- Each local authority must finalise its budget for the financial year ahead in **early March**.* These are based on the local government finance settlement – set by central government in January or February, but published in provisional form in **November or December**.[1] This provisional settlement is crucial to local authorities' ability to plan their budgets. While it may be possible to delay publication of the provisional settlement until January, this would mark a break from the norm and would, in the words of one senior local government adviser, make setting budgets "extremely challenging".
- The UK is unusual in requiring minimal parliamentary scrutiny before the government spends money, with parliament's approval of spending plans largely taking place during the financial year as part of the estimates process. However, the government does ask for approval of spending in the first few months of the financial year through the 'votes on account' process in **February**.**

Figure 2 **UK spending review timings**



Source: Institute for Government analysis of the 2020 spending review and various local government finance settlement documents. Notes: The 2020 spending review settlements and 2020 provisional local government finance settlement were the latest announced since at least 1998. * The exact statutory deadline for setting budgets varies by type of local authority in England: 1 March for precepting authorities and 11 March for billing authorities.

* The exact statutory deadline for setting budgets varies by type of local authority: 1 March for precepting authorities and 11 March for billing authorities. This is set out in the Local Government Finance Act 1992, section 30.

** This is usually a formality with minimal debate, though would be subject to considerably more scrutiny and debate if it were presented without the government having laid out overall budgets for departments in the upcoming year.

A December or January election would take the UK into uncharted territory

Holding an election in December or January would mean a running a spending review later than ever before, leading to levels of uncertainty over spending plans not seen in the UK in decades. In this scenario, the next government would be forced to set departmental budgets through an extremely accelerated process – possibly including the provisional local government finance settlement being announced in advance of the full spending review.

Running a spending review in this scenario would be hugely destabilising for the government and its various bodies in the weeks following an election – while the prolonged period of uncertainty ahead of finalising settlements carries its own consequences.

Prolonged uncertainty can lead to delayed and inefficient spending

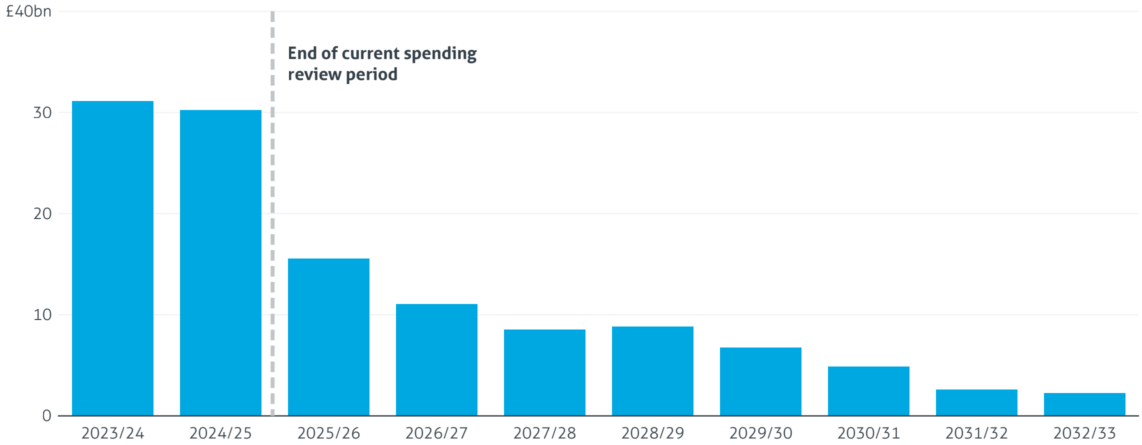
A lack of certainty limits the ability of governments to plan ahead, leading to delays in approving programmes and forcing reallocation of resources to contingency planning for funding potentially being stopped.[2] Devolved administrations and local authorities may also need to adjust their own plans for raising revenue once they know the level of funding they will receive from central government.

Approaching a cliff edge like this presents many difficult decisions over these organisations' work programmes – does a department, public body or local authority continue to fund their projects, with the obvious financial risk should funding be stopped, or prepare to wind certain ones down? Preparing to wind down a programme takes time and resource: staff may need to be made redundant, delivery infrastructure reallocated or sold, or delivery of essential services transferred to other parts of the system. This uncertainty can put departments in a position where spending is less effective than if either ongoing funding or an end to funding had been confirmed further in advance.

The December cliff edge for setting spending plans also results from the internal allocation processes that follow a spending review. Once high-level budgets have been set, there are myriad further stages of business planning within a department, public body, local authority or devolved administration that must be carried out before money is spent on individual projects. Public organisations may be unwilling to commit funding to a programme before both their overall settlement and internal allocation process is complete. Delays can be substantial when programmes have complex delivery chains or involve commercial contracts requiring additional levels of approval.

Capital spending projects can be particularly badly hit by uncertainty. Figure 3 shows current planned public investment in infrastructure falling by almost 50% in 2025/26, immediately after the current spending review period ends.[3] This is understandable – such projects are among the largest and most complex government takes on – but this 'stop-start' effect can lead to delays in approval of infrastructure projects and makes capital spending less efficient.

Figure 3 **Planned pipeline of public investment 2023/24–2032/33 (2022/23 prices)**



Source: Institute for Government analysis of HM Treasury and Infrastructure and Projects Authority, Analysis of the National Infrastructure and Construction Pipeline 2023, February 2024.

The government should not rush into a multi-year spending review

The UK's spending review process is not set in stone

For such a fundamental part of the way government spending is set, the UK spending review is a remarkably flexible and changing process. The first was held in 1998 and built on the previous system of public expenditure surveys, which set departmental budgets annually.[4] Spending reviews have no statutory basis and therefore no series of steps that *must* be followed, and have been used by different governments in different ways depending on economic and political circumstances. But a common feature of all UK spending reviews is that they set 'expenditure ceilings' for each government department. In public finance jargon, this means they are an exercise in medium-term, top-down budgeting.

In other countries, a spending review typically refers to a process that examines *existing* policies to identify ways in which policy areas can be better aligned with government priorities, redesigned to be more efficient, or scaled back or cut to reduce spending on them. There are different models for doing this. For example, the Netherlands conducts spending reviews of specific policy areas (typically fewer than 10) every year; occasionally it runs 'comprehensive' spending reviews that examine 20–30 policy areas.[5]

UK spending reviews have variously tried to achieve all of these objectives alongside setting medium-term spending plans. This has its merits, but often means that broad reviews of existing policy are packed into a compressed timeframe, which constrains effective implementation.[6] Instead, the reviews can often be focused on making marginal adjustments to departmental budgets rather than fully reviewing existing policy.

Neither the length of the spending review process nor the period covered are fixed. They can range from a high-level, top-down process taking only a few weeks that sets budgets for just a single year to a comprehensive review process lasting more than a year, setting budgets for multiple future years, with in-depth analysis that also reviews a large swathe of existing policy. This flexibility means the process can be adapted to meet various objectives and contexts – which will be of great use to the next government given timing of the next general election.

Box 1 **UK spending reviews, 1998-2021**

1998–2004: In January 1997, Labour announced its intention to run a multi-year spending review while still in opposition.[7] This comprehensive spending review was formally launched in June 1997, with settlements announced 13 months later.[8] Each of the four spending reviews conducted in this period (1998, 2000, 2002, 2004) set spending plans for three years, but were done on a two-year rolling basis, with settlements announced in July of these years.

2007: The 2007 spending review concluded towards the end of the three-year period, rather than on the previous two-yearly cycle. This was also a comprehensive review, and took around two and a half years to complete. A number of departmental budgets were settled well ahead of the final settlement being announced, with five departments settling more than 18 months in advance.[9]

2010–2015: The 2010 spending review was completed by the coalition government within six months of the general election. However, the review was expected given that departmental settlements were due to run out less than a year after the election, and the Treasury had already begun preparing for it prior to the election.[10] The 2013 spending round set one-year settlements for 2015/16, the period that included the general election. The 2015 spending review was then completed within seven months of the election, but with preparation prior to the election and continuity of prime minister and chancellor.

2019–2020: In 2019, the government was preparing for a multi-year spending review. However, the timing was not confirmed due to uncertainty around Brexit negotiations.[11] Following Boris Johnson becoming prime minister in July 2019, an 'accelerated exercise' was announced to agree one-year budgets, for resource spending only.[12] Settlements from that one-year spending round were announced less than a month later, in September 2019. A multi-year spending review was planned for 2020, but the pandemic led this to be postponed in October, and the Treasury running an expedited spending review process to agree one-year settlements, with multi-year certainty given in just a few areas, which was announced in November 2020.[13]

2021: A multi-year spending review was announced in the March 2021 budget, with departments receiving written confirmation of the process prior to the summer recess.[14] Settlements were then announced in October 2021.

Rushing a multi-year spending review carries risks

When it takes office, the next government will want to quickly show that it is making progress against its objectives – a multi-year spending review may seem an attractive option for doing this. While articulating a grand plan might secure the headlines, a multi-year spending review has not been completed in less than five months since their introduction in 1998, and for good reason: running an effective process to set multi-year budgets takes time. Rushing this process carries risks.

The 2015 spending review, completed within seven months of the election, did not achieve the fiscal savings it set out to and was criticised for not properly incentivising long-term value for money.[15] The 2021 spending review has more recently come unstuck in the context of crumbling public services and higher than expected inflation.[16]

Put simply, a rushed multi-year spending review is unlikely to help the government deliver on its objectives. The spending plans may become unstuck, undermining the benefits of long-term budgets for services and meaning that government risks getting stuck into a fiscal firefighting mode, whereby it is continually having to top up departments' budgets – as seen in the years following both the 2015 and 2021 reviews. This limits the ability for strategic thinking and undermines the credibility of budgets set in the spending review process. It also risks failing to deliver on the government's ambitions for the parliament if insufficient resource is put into strategic reprioritisation of existing policies.

The government should run a one-year spending round followed by a multi-year spending review

Given the context of the election's timing, we believe the next government should run two spending reviews in its first year in office. The first would be a relatively quick exercise that sets firm budgets for the next year, itself a pressing concern, which would leave the government flexibility over what happens in future years. The second, which could conclude in summer or autumn 2025, would then be a comprehensive and strategic spending review for the government to set out how it will achieve its objectives for the parliament. There are difficult choices to be made about what exactly this first spending review should look like – the right course of action will be determined by the amount of time available and extent of prior preparation.

The first priority should be to provide certainty for next year's budgets

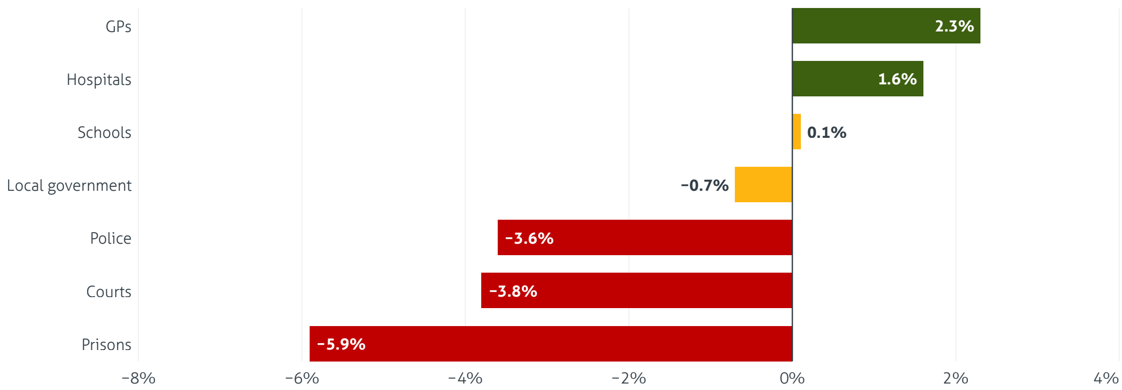
Providing certainty for the 2025/26 financial year will not be an easy task. After factoring in government commitments on the NHS, schools, defence, childcare and international development (which Labour has said it would stick to if elected), spending on other areas is set to fall by 2.6% per year in real terms from 2024/25 to 2028/29, once the recent commitment to increase defence spending is factored in.[17]

One option would be to maintain budgets at their real 2024/25 level, requiring an increase in funding relative to what is currently pencilled in. This would be quite a crude approach, though, and therefore unlikely to capture the genuine requirements of public services over the next financial year. Producing 'baselines' – estimates of future expenditure on the assumption that current policies remain unchanged – is more complex than adjusting past years' spending for overall inflation. Following good practice, a government should:

- produce a detailed disaggregation of spending by policy or programme
- engage in (often quite contentious) negotiations between departments and the Treasury about which policies are ongoing and therefore included in the baseline, and which are time-limited and should therefore be excluded
- carefully apply specific measures of changes in cost or volume to the ongoing policies within the baseline.

Adjusting for demand and cost is particularly important in the current context. Institute for Government analysis shows that spending is expected to fall relative to simple projections of demand in several areas between 2024/25 and 2028/29. This includes, for example, the prisons budget, which is projected to fall by 5.9% relative to demand over that period. Changes in cost should be measured in greater level of detail than simply the GDP deflator (the measure used to calculate the 'real' value of headline capital and resource departmental expenditure limits, CDEL and RDEL). Adjusting for factors like this will be important if the first spending review is to address quite urgent issues in public services. The civil service should begin the analysis needed to inform the setting of baselines at the next spending review, given the limited time there may be to do this in the event of an autumn or winter election.

Figure 4 **Average annual real-terms change in spending between 2024/25 and 2027/28 under current government plans, relative to demand**



Source: Institute for Government analysis of HM Treasury, Spring budget 2024 ('Table 2.1: Resource departmental expenditure limits (DEL) excluding depreciation') and Cabinet Office, 'Defending Britain' (Table 'Annex – Spending detail'), April 2024. Notes: Local government covers neighbourhood services, children's social care and adult social care. This chart accounts for the government's defence spending announcement in April 2024.

The first spending review can still provide some multi-year certainty

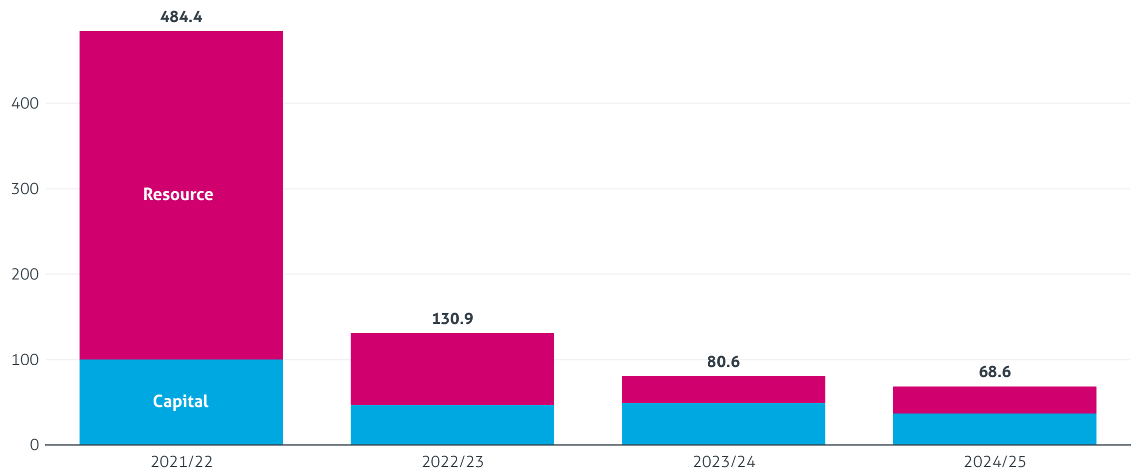
The first review should not seek to set firm budgets across all spending for the years following 2025/26; the government should maintain flexibility on these years' settlements in a later review.

In the 2019 spending round, budgets were set at a departmental level for only the following financial year, with no indication of spending plans thereafter. This was done in response to high levels of uncertainty relating to Brexit negotiations and a change in prime minister. The government, justifiably or not, felt that it could only provide one year of certainty over departmental budgets.

In practice, there are options in between this and setting multi-year budgets across all departments. The approach to the 2020 spending review illustrates how government could go about providing multi-year certainty in areas where it is most beneficial. That review, as well as providing firm budgets for 2021/22, provided longer settlements for:

- the core schools budget for two years up to 2022/23
- defence spending – including both capital and resource – for four years up to 2024/25
- a range of multi-year capital projects across transport, digital infrastructure, climate change, housing, hospitals, prisons and defence.[18]

Figure 5 **2020 spending review settlements, departmental expenditure limit (DEL) totals per year (£bn)**



Source: Institute for Government analysis of the 2020 spending review, HM Treasury. Notes: The 2020 spending review settlements include only departmental expenditure limits (DEL), not annual managed expenditure (AME), which is more demand-led. There were no settlements for years beyond 2024/25. The 2021/22 settlements include core spending allocations only (excluding Covid-19 spending).

There are other variations of this 'partial certainty' approach. For example, the government could set some capital (CDEL) budgets over multiple years while fixing resource spending (RDEL) for only a year; as noted above, capital spending particularly benefits from multi-year certainty. This would still require a substantial volume of work, however, particularly since it is more difficult to do a straightforward 'roll over' of CDEL because it typically contains more time-limited budgets. This could only be done effectively with several months to run the process, meaning for the next spending review it would only be a potential option in the case of a summer or early autumn election.

Even with sufficient time, a major downside of a partial settlement that only sets CDEL is that, in practice, much of CDEL spending also requires increased RDEL spending to fund the activity needed to use capital effectively (for example, staff and running costs). Where possible, it is preferable to make decisions regarding capital and resource spending allocations together.

Another option is to set firm budgets for the first year, and then indicative totals (or 'allowances') for subsequent years. Indicative multi-year spending totals for departments could support their capacity to plan for the longer term, but only if the centre makes them sufficiently certain that departments feel confident to do this planning. A government looking to use spending strategically to deliver on its priorities, however, should only provide this degree of longer-term certainty after a comprehensive process of analysing existing policy, and strategically allocating funding in line with its priorities. Any government taking office after summer 2024 would not have enough time to complete such a process. This, then, also points to multi-year spending settlements for departments being held back for a truly 'comprehensive' spending review in 2025.

In principle, it is best to make spending decisions simultaneously so that all trade-offs can be considered as part of the same process, meaning none of these approaches is ideal. It is likely, however, that it will be beneficial to provide a greater degree of certainty in a limited number of key areas, such as some capital spending projects. For any of the approaches outlined above, or other variations of them, the government will need to consider which specific areas of spending will benefit most from multi-year certainty, and whether it is willing to exclude those from a second, more strategic, spending review.

New policies could still be funded in a one-year spending round

Though a one-year spending round would necessarily (and sensibly) be less broad in scope or ambition than a multi-year review, a government wanting to show early action after the election could, beyond estimating a reasonable baseline, use it to set in motion some new policies.

In deciding which policies to prioritise in this first spending round, there is a key trade-off that is largely for the centre to judge: how much they involve their colleagues in this process. The 2019 process was able to conclude within weeks, for example, because there was not much of a 'bidding' process and minimal negotiation (the little that did take place was resolved at official level). However, the fact that all budgets were increased made this easier than it would have been otherwise.

The bidding process and negotiations (between officials and ministers) are important parts of the process. They are the key vehicles through which the government can ensure that spending review outcomes are based on the best possible evidence and subject to collective agreement by other ministers. Spending less time on them may be a necessity if the next government finds itself in a situation where it only has a few weeks to complete the first spending review, but this carries both political and delivery risks, particularly if, unlike in 2019, some budgets are going down rather than up.

Preparation for this scenario ahead of the election – setting priorities and agreeing on an expedited review process – could be crucial in helping to mitigate these risks, particularly for the opposition, who don't have access to the civil service to support development of these plans.

The government should then conduct a comprehensive multi-year spending review – this would take around a year

Having set spending plans for 2025/26, the government should then, early in the parliament, begin a spending review that examines the set of policies and programmes in place and how well they deliver long-term value for money and align with their key objectives. This would conclude in summer or autumn 2025.

Both main political parties are likely to have ambitious plans for what they want to achieve in the next parliament if they win the election. The Conservatives' determination to cut taxes implies a reduction in the functions of the state: productivity and efficiency drives can help, but the cuts already made in the 2010s coupled with the pressures of an ageing population mean that these alone cannot be sufficient to get the tax burden as a share of GDP falling in a meaningful way. As things stand, even assuming the current spending plans can be delivered (which is far from certain), taxes are set to rise – not fall – relative to the size of the economy over the next five years.[19]

The Labour Party, meanwhile, has a set of ambitious missions, including on crime, net zero and the NHS. Aligning spending plans with these missions would be important for their delivery. Given that Labour has been out of government for over 14 years, a further important reason for conducting a comprehensive review of spending if Labour won the election would be to ensure that allocations align with the party's governing philosophy. This would be similar to the motivation behind Labour's first comprehensive spending review, in 1998, as Ed Balls recalls:

> **"The allocation of public resources reflected the political preferences of a series of Conservatives who had held office over that period… we needed a process to make [new cabinet ministers] examine and justify their existing budgets from the bottom up."**[20]

Delivering either of these strategies will require the government to identify how resources can be freed up to deliver them. That is because there are serious structural fiscal and public service issues that are also placing pressure on the public finances:

- **The UK is in a weak fiscal position.** A succession of crises has increased the UK's public debt from around 40% of GDP in the 2000s to 88.8% of GDP in 2023/24.[21] Government will also need to respond to structural increases in future demand for public spending arising from an ageing population.
- **The performance of public services is suffering**. The 2023 Institute for Government/CIPFA *Performance Tracker* shows that performance in most services is worse than before the pandemic, and much worse than it was in 2010. Problems are particularly acute in prisons, hospitals, general practice and adult social care.[22]

Dealing with existing structural issues while credibly delivering a new vision necessitates a comprehensive review of public spending. This will take time. For example, the 1998 comprehensive spending review involved nine months of spending ministers appearing before a public spending sub-committee of the cabinet to set out how they could achieve efficiency savings and how their budgets were delivering on manifesto commitments.[23] This happened even before the Treasury announced the envelope in the budget the following spring (by then much better informed about pressures on spending and likely necessary budgets). And only then did negotiations about how to allocate that budget between departments begin.

The task now is no less daunting. Allocating around a year to this, given the scale of other pressures, real-world events and the need to fit all spending plans in with wider policy agendas, would give the next government the best chance of making a success of its first parliament.

Preparation must begin now

Civil servants should be able to begin planning for the next spending review now

Government ministers are understandably reluctant to engage directly in preparing for a spending review before the general election, given the political difficulties of the review process and potential uncertainty over their own positions following that election. Civil service preparations, however, should not be affected by these factors.

This important work has usually started by now – including for reviews taking place in election years. In 2010, civil servants began preparations under Gordon Brown's Labour government, which then contributed to the coalition's first spending review. Preparations for the 2015 spending review began almost a year ahead of the general election.[24]

In those reviews, settlements were announced in October and November respectively – more than five months after the elections, both held in early May, and more than four months before existing budgets expired. The next general election will be later than May 2024, and therefore closer to the point at which budgets run out than in 2010 and 2015, potential substantially closer in the event of an autumn or winter election. The drawbacks of this short, and shortening, timeframe were outlined earlier in this paper.

Some preparation for the spending review will already be taking place, such as strategic reviews of policy areas within departments. However, the current government has been clear that the next spending review will take place after the next election, meaning officials do not necessarily have political cover to devote substantial resource to planning for it. Given the challenges the next spending review may have to tackle, and pace at which it may need to be conducted, the current government should give the civil service its full backing to devote resource to planning for it. This would allow it to, for example, begin discussing reasonable spending baselines that would be needed to continue running existing services to meet future population demands, and reviewing areas of spending to improve value for money, which would benefit whoever wins the election. This work should start now.

Politicians should also begin preparations now

Ministers and shadow ministers need to be aware that the next spending review, whatever form it takes, will be one of the first tasks the next government will face after the election. It will also be one of the most important: how well the process is run will have a real impact on how well it is able to deliver on its priorities in government.

This will be particularly important for the opposition should it enter government. Less than a third of the current shadow cabinet have previously served as ministers, and the context for each department would be markedly different to when they were last in power 14 years ago. As highlighted by our *Preparing for government* report, it is important that opposition politicians gearing up for an election set policy priorities and work through trade-offs at the centre, complete a review of existing commitments, and build out the detail of their most immediate priorities.[25] To extend this specifically to preparing for the spending review or reviews, shadow ministers should:

- familiarise themselves with the fiscal context: what do current 'pencilled in' plans imply for their department?[26]
- get to grips with their departmental budget (detail can be found in departmental annual accounts and supply estimates). Which policies are time-limited and therefore not likely to be included in their RDEL baseline? Are the remaining areas of 'ongoing' spend aligned with their priorities for department?
- What are the key pressures for the department and what do they mean for the likely path of spending on 'ongoing' programmes? For public services this could include, for example, analysis of the likely future path of demand.[27]
- Which new policies (for example, salient manifesto commitments) should be prioritised in the first spending review so they can begin to deliver on them? The leader of the opposition and shadow chancellor, and their teams, should work through trade-offs to ensure a unified understanding of immediate policy priorities that are clearly defined and, where possible, costed.
- Shadow teams should use access talks to help them further understand the budgets they may inherit. Shadow Treasury ministers and the leader of the opposition, meanwhile, should use the talks to discuss the timing implications of the spending review process.

This work should be co-ordinated by the centre of the opposition party so that plans for each department are consistent with one another and overall strategy for levels of tax and spend in the year covered by the first review.

Conclusion

The next election, whenever it takes place, will be closer to the point at which government budgets expire than any in more than 40 years – potentially much closer in the case of an autumn or winter vote. In normal times the end of November marks the latest point at which these budgets are set ahead of the next financial year. The damaging consequences of setting departmental budgets any later than this makes December 2024 something of a 'cliff edge'.

Whichever party is in power after the election – and especially if it is Labour, out of government for 14 years – will need to be pragmatic in the way it approaches the next spending review. Given the context of the election's late but still uncertain timing, coupled with a highly unfavourable economic climate, we propose running two spending reviews in the first year of the parliament: a one-year spending round to allocate budgets for 2025/26, so desperately needed by departments, public bodies, local authorities and devolved administrations; followed by a comprehensive spending review to set multi-year budgets that are closely aligned to the next government's strategic priorities.

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