



BRIEFING SHEET | NOVEMBER 2024

Austerity postponed?

The impact of Labour's first budget on public services

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Spending is up

- **2002**

The last spending review at which a chancellor raised day-to-day spending as generously as Reeves did for 2024/25 and 2025/26 (£23bn and £39bn respectively)

- **MoJ, DWP, MHCLG, DHSC, DfE**

The budget increased funding for some of the departments hit hardest by cuts since 2010 (as well as the 'usual suspects' of DHSC and DfE)

But long-term performance might not improve

- **1.4%**

Average annual real-terms spending increase planned for 2025/26 to 2029/30 – implying *cuts* to unprotected areas including the criminal justice system and local government

Key questions for the government to answer in its first spending review

Can the government recruit and retain staff without busting budgets?

- Despite approving relatively large increases in pay since taking office, Labour still face potentially difficult workforce relations. Key staff groups are still paid less in real terms than in 2010.
- Higher pay awards could require cuts to other parts of services' budgets.

Will the government sustain higher capital spending – and use it well?

- The backlog in capital underinvestment will not been fixed in a single year of higher capital budgets. It will require sustained investment through this parliament.
- Capital budgets need to be spent well, on areas like maintenance, outdated IT hardware, and 'fixing the data plumbing'.

Will we see a missions-led spending review?

- The current spending review process does not incentivise the cooperation needed for a missions-based approach. Labour needs to encourage more cross-departmental spending bids and allocations for each mission.

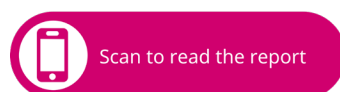
Will the government shift spending towards prevention?

- The budget included some steps towards more prevention – e.g. with an increase in the Soft Drinks Industry Levy and restricting the advertising of junk food.
- But there was also overt prioritisation of acute services like hospitals and prisons.
- The spending review will be the next opportunity to see if the dial can be shifted towards prevention.

What role will devolution play in improving public services?

- There is a good case for giving local areas more freedom to design, deliver and fund public services as they see fit.
- But despite this, government is still very centralised. The government says it wants to support local areas, but there are many questions as to how this will work in practice, including:

- Will it reorganise structures, or improve existing one?
- How will it incentivise collaboration?
- How can it avoid unnecessary disruption?



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