

June 11th, 2025

Spending Review Summary



To All our Clients and Friends,

Chancellor Rachel Reeves has faced some difficult choices in today's Spending Review, which sets the budgets for all government departments over the next few years. The review confirms how much taxpayers' money will be spent on the NHS and other public services used by millions, as well as how much money the government plans to invest in projects like new public transport schemes.

In October she set department budgets for 2025-26, and now confirms spending allocations for the following years. Reeves has already set out what is known as the "spending envelope" - how much total government spending will rise by over the period. Now this is broken down by department. Treasury sources have said they would still spend £190bn more over the five-year parliament than the Conservatives' spending plans – meaning more than £300bn will be distributed among departments.

"My driving purpose since I became chancellor is to make working people, in all parts of our country, better off," she says. "So at the Budget last October and again in the Spring, I made the choices necessary to fix the foundations of our economy."

Home Secretary Yvette Cooper was the last to fix a deal on Monday afternoon, following public warnings from police chiefs, calling for more money. Housing Secretary Angela Rayner reached a deal with Reeves and the Treasury on Sunday evening.

Reeves has loosened Treasury borrowing rules to free up about £113bn for investment in infrastructure projects, but will need to squeeze budgets elsewhere in order to meet her own rules, which include not borrowing to fund day-to-day spending.

"In this spending review, total departmental budgets will grow by 2.3% a year in real terms," Reeves now says, hitting out at the Tories for their "choice for austerity".

The review covers two categories of spending:

- day-to-day spending which includes things like salaries, supplies and other administration costs. This is known as "resource" spending
- investment which includes funding for infrastructure as well as building things like new schools, hospitals and roads. This called "capital" spending

The financial buffer that allows Reeves to meet the government's two self-imposed fiscal rules is very slim. The rules are that:

- day-to-day government spending should be paid for with tax revenue, not borrowing, and
- the amount of government debt should fall as a share of national income by the end of the current parliament in 2029-30. The government is currently forecast to have a budget surplus of £9.9bn at that point - which is the third-smallest on record.



Defence & Security

Briefly on defence spending, the chancellor says it will rise to 2.6% of GDP by April 2027 - something we already knew.

Reeves says this includes the contribution of Britain's intelligence agencies.

"That investment will deliver not only security, but also renewal in Aldermaston and Lincoln; Portsmouth and Filton; On the Clyde and in Rosyth," Reeves says.

"Investment in Scotland. Jobs in Scotland. Defence for the United Kingdom, opposed by the Scottish National Party - delivered by Labour."

The boost in defence spending, which was announced in February, will be paid for in part by cutting the overseas aid budget. Ministers want to increase defence spending to 3% of GDP by 2034 - but there's no precise date for this.

She says she already announced £150m of funding to establish the new Border Security Command at the Budget - and today she can announce further funding of **"up to £280m more per year by the end of the Spending Review for our new Border Security Command"**.

Alongside that, the government is **"tackling the asylum backlog"**, she says.

In a further announcement, Reeves says the government will use the extra funding today to **"end the costly use of hotels to house asylum seekers"** in this Parliament - using funding she has provided today.



Energy

Reeves says **"energy security is national security"**, noting the vulnerability of the UK to the energy price hikes in the wake of Russia invading Ukraine in 2022.

"This government is investing in the biggest rollout of nuclear power for half a century, a £30bn commitment to our nuclear-powered future," the chancellor says, before pointing to yesterday's £14bn investment in the Sizewell C nuclear plant.

The chancellor re-announced investments in Sizewell, Rolls Royce small modular reactors (smaller nuclear power plants), and new research in fusion. There were also new announcements for carbon capture projects in Scotland and Humberside - but not clear numbers. We may have to wait for the infrastructure strategy published next week for the details.

Reeves mentions various schemes in Merseyside and Teesside, before saying the government will next support the Acorn project in Aberdeenshire.

"I am determined to make sure that the energy technologies of the future are built here and owned here and that those jobs come to Britain," she says, adding: **"This Spending Review invests in the wholly publicly owned Great British Energy - headquartered in Scotland."**



Housing

The other major spending review row has been over deep dissatisfaction from Angela Rayner – the deputy prime minister and housing secretary – with the level of funding for social homes.

Reeves says she is **"proud to announce the biggest cash injection new social and affordable homes in 50 years"**.

The chancellor unveiled a "new Affordable Homes Programme", which she says will get an investment of £39bn in the next decade. **"Direct government funding that will support housebuilding, especially for social rent and I am pleased to report that towns and cities including Blackpool, Preston, Sheffield and Swindon already have plans to bring forward bids to build new houses."**



Science & Technology

Now, Reeves turns to industry, saying she's "backing our innovators" by raising R&D funding to a "record high" of over £22bn per year by the end of the Spending Review period. She also announces £2bn for the government's AI Action Plan, which is overseen by the secretary of state for science and technology.

All of this, she says, forms part of the government's aim to invest in **"training and upskilling our young people"**. The government will invest £1.2bn a year on this, she announces, saying this will **"support over a million young people into training and apprenticeships so that their potential, their drive and their ambition is frustrated no longer"**.



Health

Wes Streeting's department is set to be one of the big winners of the spending review and it will lay the groundwork for the NHS 10-year plan, which will be published imminently after the spending review. The department will get one of the biggest boosts to funding as others face real-terms cuts. The funding for the plan prioritises three key areas, moving care from hospitals to communities, increasing the use of technology, and prioritising prevention.

She says the UK must have a publicly funded health service, free at the point of use, rather than an insurance-based model. The chancellor says the government has, in less than a year, recruited 1,700 more GPs, delivered 3.5 million more appointments, and cut waiting lists by more than 200,000.

Reeves announced she is **"increasing the NHS technology budget by almost 50%"**, with £10bn of investment to **"bring our analogue health system into the digital age, including through the NHS app"**.

Reeves says she is proud to announce the government is making a "record" cash investment in our NHS ***"increasing real-terms, day-to-day spending by 3% per year for every year of this Spending Review". "An extra £29bn per year for the day-to-day running of the health service."***



Home Affairs

The biggest row of the spending review has been between Reeves and the home secretary, Yvette Cooper, over policing, which one source describes as being a "huge headache".

She reeled off some figures to address the prison system, including ***"£7bn to fund 14,000 new prison places"*** and ***"up to £700m per year into reform of the probation system"***. There will also, Reeves pledges, be an increase in police spending ***"by an average 2.3% per year in real terms over the Spending Review period"***. She says this totals ***"more than £2bn"*** and meets the commitment of putting 13,000 additional police officers, PCSOs and special constables into neighbourhood policing roles across England and Wales.



Transport

Reeves says the "£15bn of investment" announced last week to connect cities and towns is "the biggest of its kind". This consists of metro extension in Birmingham, Tyne and Wear and Stockport, as well as backing for Doncaster Airport.

She also announced a four-year settlement for Transport for London ***"to provide certainty and stability for our largest local transport network to plan for the future"***.

The chancellor then talked about other connections between towns in the north of England, and says in the coming weeks, she will ***"set out this government's plans to take forward our ambitions on Northern Powerhouse Rail"***.

Reeves announced further transport plans, including ***"a further £2.5bn for the continued delivery of East-West rail"***, which will connect Oxford and Cambridge. And she pledges £445m for railways in Wales over 10 years. These plans will ***"undo a generation of underfunding and neglect"***, she says.

The chancellor has said the Liverpool-Manchester "Northern Powerhouse Rail" scheme will be going forward - but we will have to wait, probably until the Infrastructure Strategy, for the details.

Reeves is also extending the £3 bus fare cap until at least March 2027, she adds.



Education

Any child in England whose parents receive universal credit will be able to claim free school meals from September 2026, the government has said. Parents on the credit will be eligible regardless of their income. The government says the change will make 500,000 more pupils eligible.