HEADLINES

- An average increase of 2.3% per year (2023-24 to 2028-29), in real terms, over the SR period. This equates to 1.7% over the period from 2026-27 to 2028-29
- £200 million Transformation Fund to try and end the use of asylum hotels in this Parliament.
- £280 million RDEL per year for the establishment of a Border Security Command.
- Precept levels included in Core Spending Power Estimates, but not outlined. More information to be made available at the Police Financial Settlement.

INTRODUCTION

On 11 June 2025, the Chancellor of the Exchequer, Rachel Reeves MP, announced the outcome of the Spending Review 2025 (SR2025). The Spending Review sets out revenue funding allocations for each Government department over the next three years (2026-27 to 2028-29) with an additional fourth year for capital allocations. The Spending Review is the first multi-year Spending Review since 2021, and the first to happen outside of a pandemic since 2015.

As this Spending Review is taking place outside of the fiscal event process, there are no accompanying updated forecasts by the Office for Budget Responsibility. The SR2025 documents provide a breakdown of the funding decisions.

BACKGROUND

Spending reviews are conducted by HM Treasury to allocate public funds across Government departments and services. They shape multi-year budgets, and HMT aims to use them to ensure that resources are used efficiently while aligning with economic priorities and policy objectives. SRs set out the quantum of available funding for each Government department to spend or allocate in grants.

The Spending Review 2025 sets out plans for Resource Departmental Expenditure Limits (RDELs) for three years and Capital Departmental Expenditure Limits (CDELs) for four years, beginning from 2026-27 onwards. Annual Managed Expenditure (AMEs) will be published alongside the Budget in autumn.

IFS Pre-Spending Review Briefing Summary

Ahead of the SR, the Institute for Fiscal Studies (IFS) highlighted four major decisions that will shape the 2025 Spending Review. These include:

1. **Balancing NHS and Other Public Spending** – The Government faces a choice between increasing healthcare funding or maintaining spending across other departments. The NHS accounts for a significant portion of day-to-day departmental spending, and any increase in its budget could lead to cuts in unprotected areas.
2. **Defence Spending Commitments** – The Government has pledged to raise defence spending to 2.5% of GDP by 2027, with discussions about further increases (the stated aim being 3% of GDP). This could limit available funds for other priorities.
3. **Public Service Investment** – While capital spending remains historically high, most of the increase has already been allocated to defence. This makes it difficult to prioritise additional investments in public services, net zero initiatives, and economic growth.

4. **Fiscal Constraints and Tough Choices** – Manifesto promises, and fiscal rules means the Chancellor has limited room for borrowing or tax increases, meaning spending decisions must be carefully managed.

Zero-Based Review

In her speech, the Chancellor highlighted that the Spending Review was zero-based, meaning that instead of starting from an assumption of no change, each line of spending was assessed. It is unclear exactly what level of detail the Chancellor went to, but the suggestion is that this was a higher level of detail than previous years. The Chancellor was said to have judged each line of spend on whether it represents value for money and meets the Government's priorities with budget proposals being scrutinised by so-called "challenge panels" of independent experts. The zero-based review will mean the sale of some government buildings and a reduction in spend on consultants.

Machinery of Government - Transfer of Fire from Home Office to MHCLG

Fire and rescue settlement funding, including Revenue Support Grant (RSG) which is within Settlement Funding Assessment (SFA), will continue to be allocated through the Local Government Departmental Expenditure Limit (LG DEL). Grants previously allocated to Fire and Rescue Authorities (FRAs) by the Home Office (HO), are moved to MHCLG but, as in previous spending reviews, specific funding for fire and rescue is not delineated as a separate line, rather it is included within the overall RDEL figure for its department (now MHCLG). The Technical Support Team understands that whilst a baseline has been agreed as part of the Machinery of Government (MoG) changes, this has not been publicised.

RDEL and CDEL figures set out include MoG changes throughout the SR25 document. Although Table B.5 does not include MoG there isn't quite enough information to be certain about the precise value of the fire and rescue baseline.

Regarding the Emergency Services Mobile Communications Programme (ESMCP), the overarching programme will remain under the HO's oversight. While internal arrangements for the Fire contribution to the programme require resolution, this will not impact FRAs.

KEY ANNOUNCEMENTS

POLICING

According to the Spending Review, police spending power will increase by an average of 2.3% per year (2023-24 to 2028-29), in real terms, over the SR period. This Chancellor said this funding will be used to support frontline policing levels and help restore public confidence. This reflects the Government's Plan for Change commitment to put an additional 13,000 police officers, PCSOs, and special constables into neighbourhood policing roles over the course of this parliament.

Below are the Capital Departmental Expenditure Limits for policing. Please note that real- terms figures for Spending Review 2025 use the OBR's Spring 2025 GDP deflator forecast. Additionally, police core spending power refers to the projected total police settlement funding including counter terrorism funding. This includes projected spending from additional income, including estimated funding from the police council tax precept. The RDEL average annual growth rates have also been adjusted to account for employer NIC changes and increased pension contributions [page 63]. This means that a simple calculation cannot be used to show the real terms increase or change between years.

Despite including income from council tax precept in the Police Core Spending Power estimates, there is no indication of the level precept increase used in the calculations for future years – that said the Home Office has hinted that it has assumed it to be at roughly the same level as it has been in the last few years. Further details will be provided in the Police Financial Settlement.

£ Billions (current prices)	Outturn 2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Police Core Spending Power	16.5	17.6	18.7	19.6	20.3	20.8
Absolute change between years		6.7%	6.2%	4.8%	3.6%	2.5%
GDP Deflator [table B.6]	6.1	3.8	2.6	1.7	2.0	1.9

As was noted after the Autumn Budget, additional funding appears to be front loaded, with the absolute increase reducing on each year of the Spending Review. The IFS analysis of the Autumn Budget goes into detail about how this may affect funding in future years.

£ Billions (current prices)	Outturn 2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Real terms average change over SR
Resource DEL	19	18.4	20.5	20.9	20.4	20.6		-2.6%
Home Office	14.3	14.5	16.9	17.3	17.5	18.1		-0.1%
Police Core Spending Power	16.5	17.6	18.7	19.6	20.3	20.8		2.3%
Capital DEL	1.3	1.8	1.5	1.7	1.7	1.7	1.7	1.9%
Total DEL	20.3	20.2	22	22.6	22.1	22.3		-2.2%

The Home Office settlement provides a total DEL of £22.3 billion in 2028-29. This is a real term decline, on average, of 2.2% over the SR. However, the SR document states that "the reduction in the Home Office's budget that will result from the planned reductions in asylum support costs, [means that] the Home Office's total DEL grows in real terms".

The SR also includes a £200 million Transformation Fund to try and end the use of asylum hotels in this Parliament, and accelerate transformation of the asylum system by clearing the backlog and increasing appeals capacity.

Moreover, there is an additional £280 million RDEL per year for the establishment of a Border Security Command, as part of the Plan for Change, to help tackle the people smuggling gangs.

Safer Streets

Phase Two of the settlement supports the government's Safer Streets mission. Phase two refers to the period starting in 2025-26 and ending in 2028-29 for Resource DEL and Total DEL, and 2029-30 for Capital DEL. During this period there will be an average 1.7% increase in police spending power per year. In addition to the Plan for Change commitment to put an additional 13,000 officers, PCSOs and special constables into neighbourhood policing roles, the government aims to deliver a programme of policing reform. The aims include: raising standards, harnessing technology, increasing efficiency, and improving accountability. These reforms will be outlined in a forthcoming Police Reform White Paper.

Counter Terrorism

Phase Two also provides *at least* £100 million a year by 2028-29 to support current national security priorities. As with previous releases, this funding will not appear in the Home Office DEL baseline for security reasons.

MINISTRY OF JUSTICE

The SR provides The Ministry of Justice (MoJ) with a total DEL funding of 15.6bn by 2028-29. This means an average real terms annualised increase of 3.1% per year.

£ Billions (current prices)	Outturn 2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	Real-terms average change over SR
Resource DEL	10.4	11.2	11.9	12.6	12.9	13.2	2.4%
Capital DEL	1.5	1.7	2.0	2.3	2.3	2.3	3.0%
Total DEL	**11.9**	**12.9**	**13.9**	**14.9**	**15.3**	**15.6**	**3.1%**

As with the policing tables, the average annual growth rates for RDEL have also been adjusted to account for employer NIC changes and increased pension contributions.

The MoJ plans to expand prison, probation and courts capacity to record levels over the course of the SR. The government is providing £7 billion between 2024-25 and 2029-30 to deliver the commitment to build 14,000 new prison places by 2031.

Phase Two of the settlement will see the probation service receive up to an additional £700 million funding per year by 2028-29 compared with 2025-26. According to the SR document, this will deliver transformative reforms recommended through the Independent Sentencing Review.

Phase Two will also provide *up to* £450 million a year for the courts system by 2028-29 when compared with 2025-26 with plans to increase Crown Court sitting days to record levels and help implement the recommendations from the Independent Review of Criminal Courts.

The MoJ has committed to delivering at least 5% savings and efficiencies over Phase 2 of the SR period. The MoJ has worked with the Office for Value for Money (OVFM) to identify £360 million of technical efficiencies by 2028-29.

LOCAL GOVERNMENT

The Spending Review announces an additional £3.2bn of grant funding by 2028-29 when compared to 2024-25. The document claims that this is worth an average annual yearly increase of 3.1% in Core Spending Power (i.e. including assumed council tax increases) across the Spending Review Period.

The paper goes on to say that *"...wider reforms will ensure funding is effectively targeted, based on an updated assessment of need, and will consolidate funding to give local authorities greater flexibility to innovate"*. There is no more detail on these reforms and the report says that more information will be forthcoming at the Provisional Settlement.

Transformation Fund Allocations for Local Government

The Chancellor has set out details of the £3.25bn Transformation Fund – see Box 1.D/Table 1.2 in the main Spending Review document. (replicated below)

Transformation Fund Allocations (Plans) **£ million (current prices)**	**2025-26**	**2026-27**	**2027-28**
Digital			

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Transformation Fund Allocations (Plans) £ million (current prices)	2025-26	2026-27	2027-28
Support for the Digital Centre of Government and cross-cutting digital priorities	13	194	116
Cross-government shared services and finance systems	–	59	58
Enhanced technology for probation officers	–	50	50
Improved HMRC customer services and IT	–	210	88
Transformation in Defra ALBs	–	17	9
Prevention			
Reform of children's social care through earlier intervention	79	271	207
Reform of the SEND system to improve pupil outcomes	–	547	213
Support for adults with complex needs (community help partnerships)	15	40	45
Prevention of homelessness and rough sleeping	–	52	35
Productivity and efficiency			
Reform of the asylum system	–	150	50
Implementation of the Post Office's strategic transformation plan	–	86	–
Civil Service transformation	–	25	25
Civil Service employee exit schemes	73	70	–
Funding announced at Spring Statement 2025			
Recruitment of a further 400 new fostering households	10	13	–
New technology for probation officers	–	8	–
Frontier AI exemplars	41	–	–
Devolved Governments			
Allocations through the Barnett formula	21	210	106
Total	**250**	**2,000**	**1,000**

The Table shows £555m of funding for the reform of **children's social care** over the Spending Review Period (£79m, 271m, 207m in each year respectively). There also appears to be £760m over 2026-27 and 2027-28 for the **reform of SEND** to "*make the system more inclusive and improve outcomes for all children and young people*" (see SEND above). Additionally, homelessness funding of c.£87m is earmarked for 2026-27 and 2027-28 (£52m plus £35m)

MHCLG Local Government DEL

Table 5.17 confirms the following DELs for Local Government (including FRAs) within the MHCLG settlement.

£bn (current prices)	Outturn 2023-24	Plans 2024-25	Plans 2025-26	Plans 2026-27	Plans 2027-28	Plans 2028-29	Av. Annual Real Growth 2526 to 2829
Resource DEL	9.6	11.4	15.0	15.4	15.6	15.8	1.1%
Local Gov. CSP	60.4	65.0	69.4	73.2	76.1	79.3	2.6%
Capital DEL	0	0	0	0	0	0	
Total DEL	**9.6**	**11.4**	**15.0**	**15.4**	**15.6**	**15.8**	**1.1%**

Settlement Indications

Core Spending Power (CSP) plans show a larger real terms increase then most DELs. This is because it includes council tax and business rates. **Council tax is confirmed to be increasing each year by 3% core referendum principle and 2% for the adult social care precept**. The figure quoted in the paper for the real terms increase is higher, 3.1%, because the HMT are comparing it with 2023-24 rather that 2025-26 as in the table above.

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In the 2025-26 Settlement, CSP was worth £69.4bn (as per the table above). Within this, £38.3bn was from council tax. Assuming council tax increases by 5.8% a year (as it did between 2024-25 and 2025-26) gives the following indications.

£billion	2025-26	2026-27	2027-28	2028-29	Cash terms Increase 2025-26 to 2028-29	Real Terms Increase 2025-26 to 2028-29
CSP	69.4	73.2	76.1	79.3	14%	9.3%
Of which council tax	38.3	40.5	42.8	45.3	18%	11.9%
CSP excluding Council Tax	**31.1**	**32.7**	**33.3**	**34.0**	**9%**	**3.3%**

Once you use the council tax assumptions and exclude that from the CSP figure the remaining grants are expected to increase by 3.3% over the Spending Review Period in real terms. This would appear to suggest that are no surplus resources to smooth the transition to a new funding formula, if it is implemented, following this summer's review.

Devolution & Local Government Reorganisation

Very little detail on this in the Review documentation – simply that Government will "*continue to deliver against the commitments in the English Devolution white paper to move to a single tier of local authorities in all parts of the country*".

The Chancellor confirmed that integrated settlements will be expanded to five further MCAs – a single pot for Mayors to invest in growth and public services. The Government remain committed to the Devolution Priority Programme.

Adult Social Care

The Spending Review allows for an increase of over £4 billion of funding available for adult social care in 2028-29 compared to 2025-26. This includes an increase to the NHS' minimum contribution to adult social care via the Better Care Fund, in line with DHSC's Spending Review settlement. Further details will be set out shortly.

Pothole Funding

The only announcement with any bearing on potholes and local roads is "£*24 billion of capital funding between 2026-27 and 2029-30 to maintain and improve motorways and local roads across the country. This funding increase will allow National Highways and local authorities to invest in significantly improving the long-term condition of England's road network, delivering faster, safer and more reliable journeys*"

OTHER ANNOUNCEMENTS

Education

Free school meals extended to all children with a parent receiving Universal Credit. The Treasury will provide £410m per year by 2028-29 and a further £80m for early years and post-16 settings. This is reported to lift 100,000 children out of poverty by the end of the Parliament.

Excluding this funding for the expansion of Free School Meals, the core schools' budget will grow by an average of 0.9% per pupil in real terms each year.

The government will increase the core schools budget by £2bn in real terms over this SR, a £4.7bn cash increase per year by 2028-29, compared to 2025-26.

The settlement also provides significant capital funding for schools, including:

- Around £2.4 billion per year for the School Rebuilding Programme over the next four years. As part of the 10 Year Infrastructure Strategy, the Government will also commit to expand the programme, providing long-term certainty out to 2034-35;
- An increase in annual maintenance investment per year in line with inflation, rising to around £2.3 billion in 2029-30 to improve the condition of the school estate, an increase of over £400 million per year by 2029-30, compared with 2024-25; and
- Making available £2.6 billion from 2026-27 to 2029-30 to fund provision of mainstream school places needed to meet future demographic needs.

Deprived Communities
Investing in up to 350 "deprived" communities across the UK, to fund interventions including community cohesion, regeneration and improving the public realm. Parks, Leisure Centres, libraries for example.

Environment
£4.2bn over three years (2026-27 to 2028-29) to build and maintain flood defences, protecting communities across England from flooding.

Warm Homes
The Spending Review announced a total of £13.3bn (including Barnett consequentials) over the SR period for the Warm Homes Plan – which aims "*to cut bills, tackle fuel poverty and accelerate to net zero*".

The document explains that this investment will be allocated across schemes that support the rollout of heat pumps, alongside energy efficiency measures and other low-carbon technologies, such as solar and batteries. Further details will be confirmed by October.

Defence
Spending will rise from 2.3% of GDP to 2.5% by 2027-8, being paid in part by reducing the overseas aid budget. There's also a pledge to increase this further to 3%, but the government is yet to give a precise date for when that may happen.

Energy
£30bn commitment for nuclear power. This sum includes yesterday's commitment to invest £14.2bn in building the Sizewell C nuclear power station, in Suffolk, to fuel UK homes. Construction will take a decade, but this money only covers the next four years.

Industry
Raising R&D funding to over £22bn per year by the end of the Spending Review period. Reeves also announced £2bn for the government's AI Action Plan. The government will also invest £1.2bn a year in "training and upskilling our young people".

Housing
A "new Affordable Homes Programme" investing £39bn in social and affordable housing between 2026 and 2036, an average of £3.9bn a year over the period compared to £2.3bn currently.

Transport
The Chancellor confirmed in her speech that the £3 bus fare cap will be extended until March 2027, "*to bring down cost of living pressures for working families*".

Transport for London will receive a four-year settlement whilst £15.6bn is being invested in the extension of trams, trains and buses in Greater Manchester, the Midlands and Tyne-and-Wear. £2.5bn for the continued delivery of East-West rail, which will connect Oxford and Cambridge and £445m for railways in Wales over 10 years. Plans to take forward the Northern Powerhouse Rail will be announced in the coming weeks.

NHS
Increasing day-to-day spending by 3% in real terms on average over the next three years, to £226bn by 2029. £10bn of investment to bring the analogue health system into the digital age, including through the NHS app.

Winter fuel
Partial reverse of cuts to winter fuel payments, at a cost of around £1.2bn. More than three-quarters of pensioners will now receive the payment – those with income under £35,000.

Science
£86bn to fund research into areas such as drug treatments and longer-lasting batteries.

OTHER PUBLICATIONS PUBLISHED ALONGSIDE THE SPENDING REVIEW
"Trailblazer Neighbourhoods" - 25 trailblazer neighbourhoods that will receive up to £20m over the next decade as part of a new fund announced at the Spending Review. Neighbourhoods in areas such as Hull, Blackpool, Glasgow, Swansea and Belfast will lead the way in community-led regeneration and renewal, receiving long-term investment for communities and early support to prepare for investment from a dedicated team.

Mayoral Strategic Authorities - Strategic Authorities designated at the Established Mayoral level of devolution will receive Integrated Settlements. This document sets out the policy principles of the Integrated Settlements and how they will be implemented from 2026-27 onwards.

Green Book Review 2025: Findings and actions - GOV.UK

Key changes include place-based business cases, simplifying and updating guidance by 2026, eliminating arbitrary benefit-cost ratio thresholds, and improving evaluation of transformational change for growth.