



Bee Boileau

12th June 2025

@TheIFS

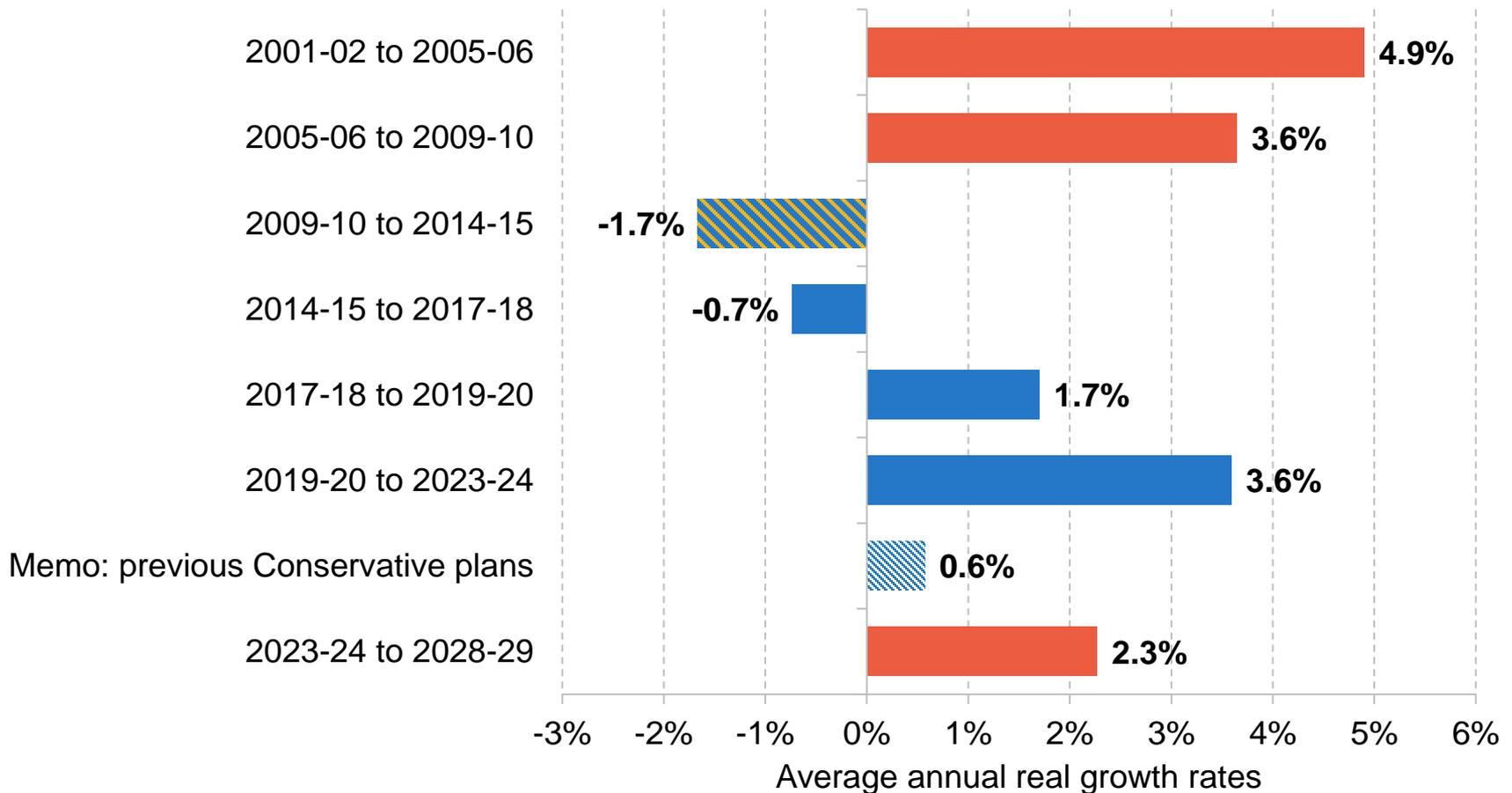
Spending Review analysis: big picture choices



Economic
and Social
Research Council

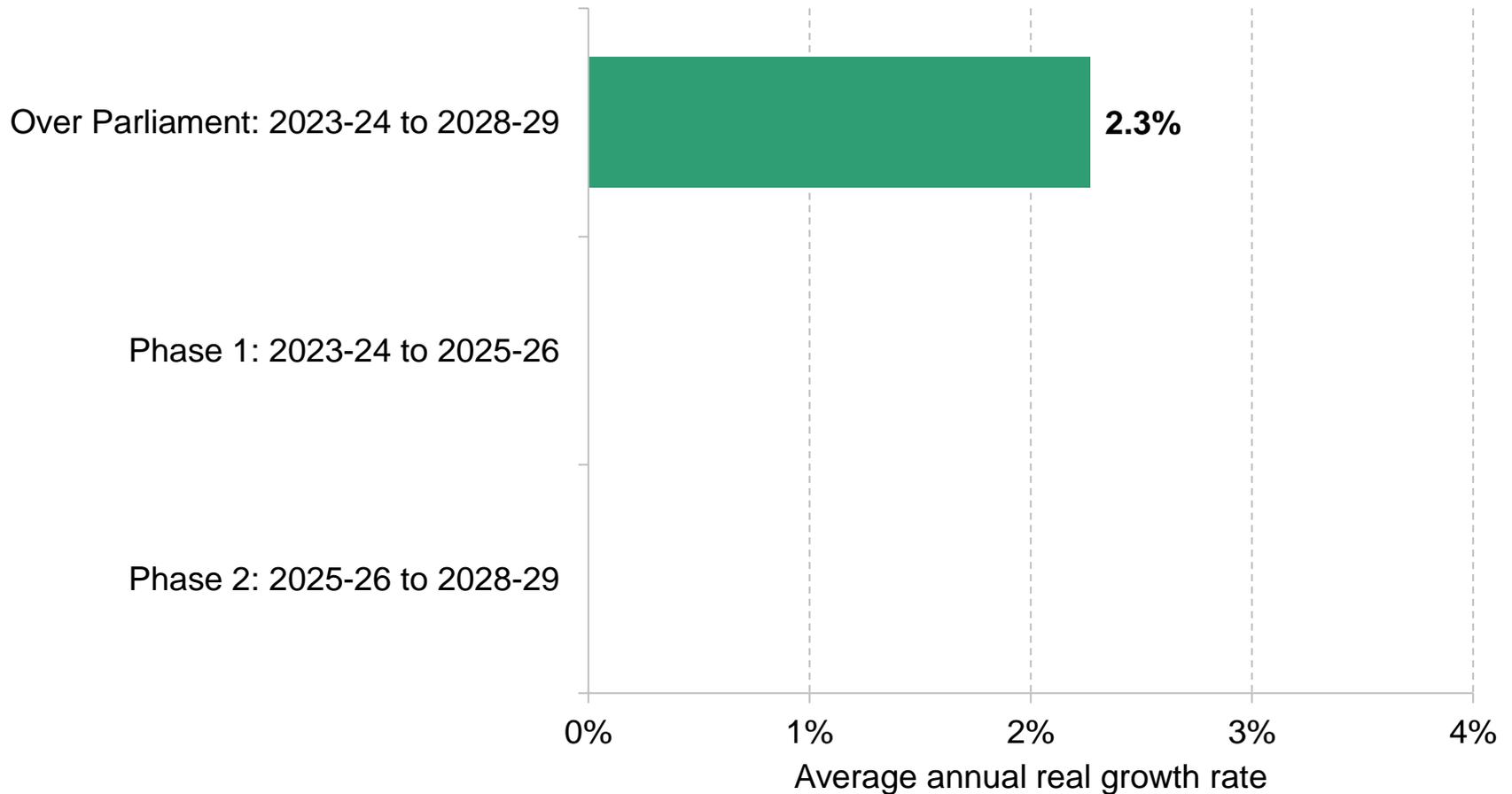
Spending in historical context

Average annual real growth in total departmental spending



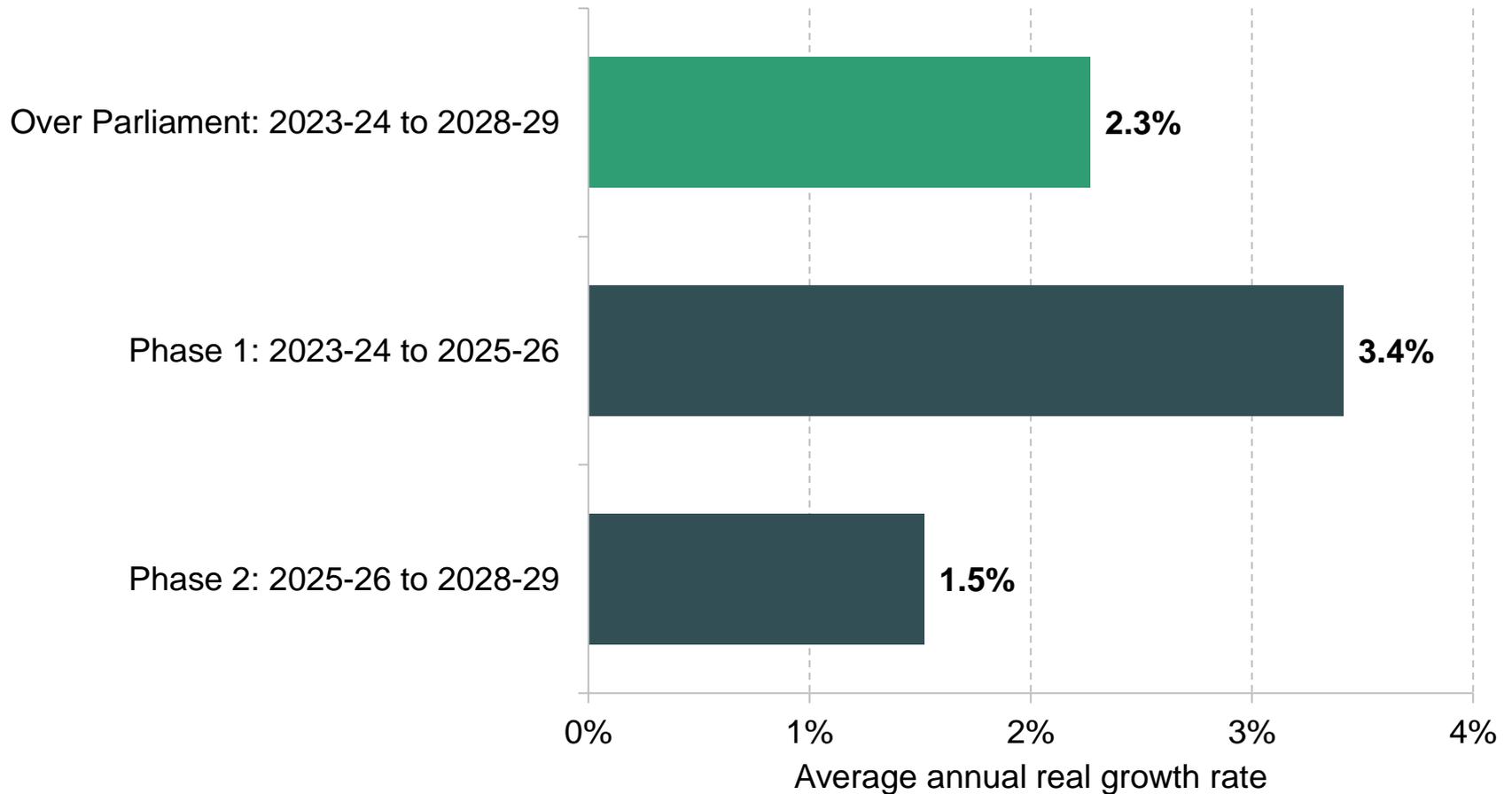
Going through a phase

Average annual real growth in total departmental spending



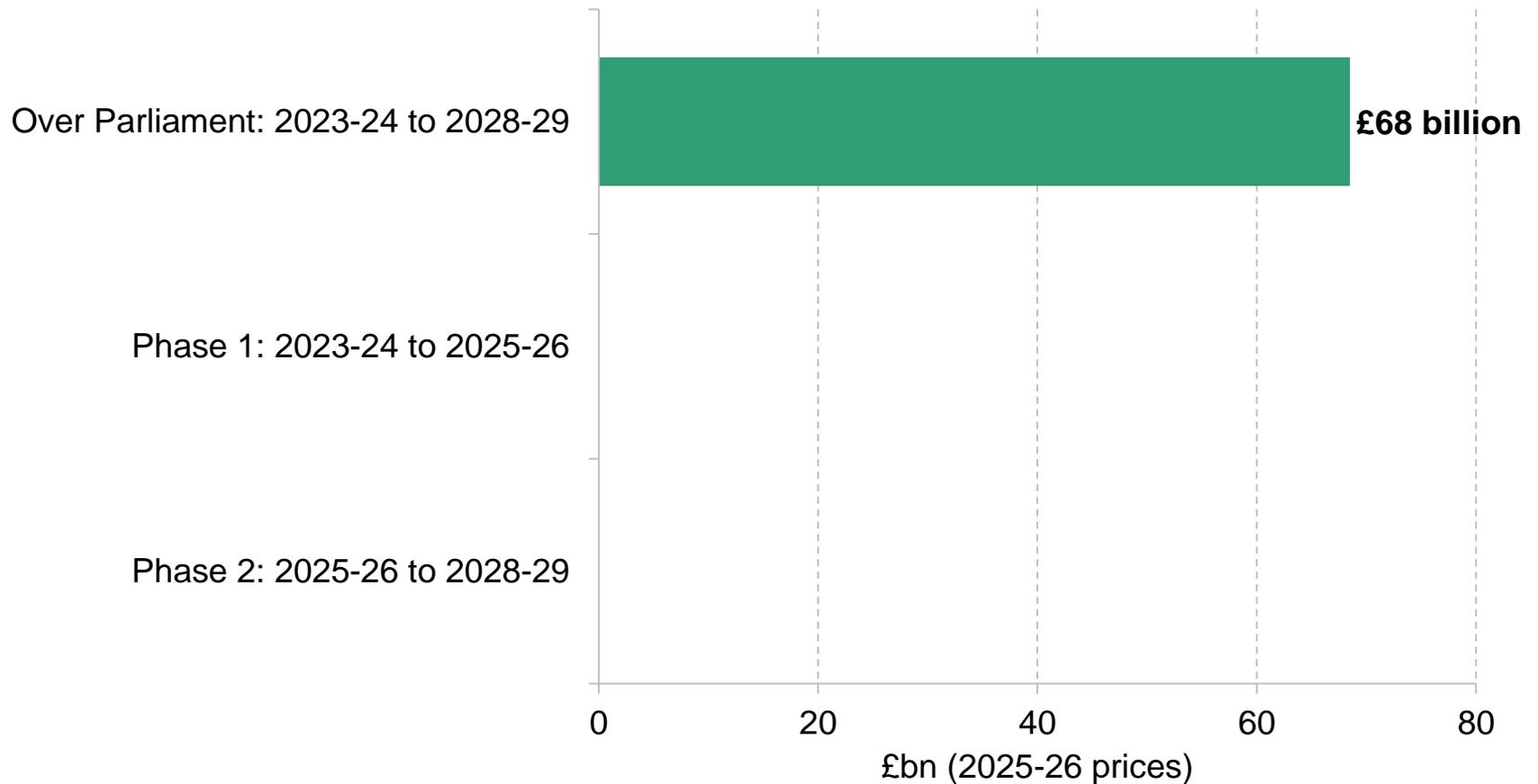
Going through a phase

Average annual real growth in total departmental spending



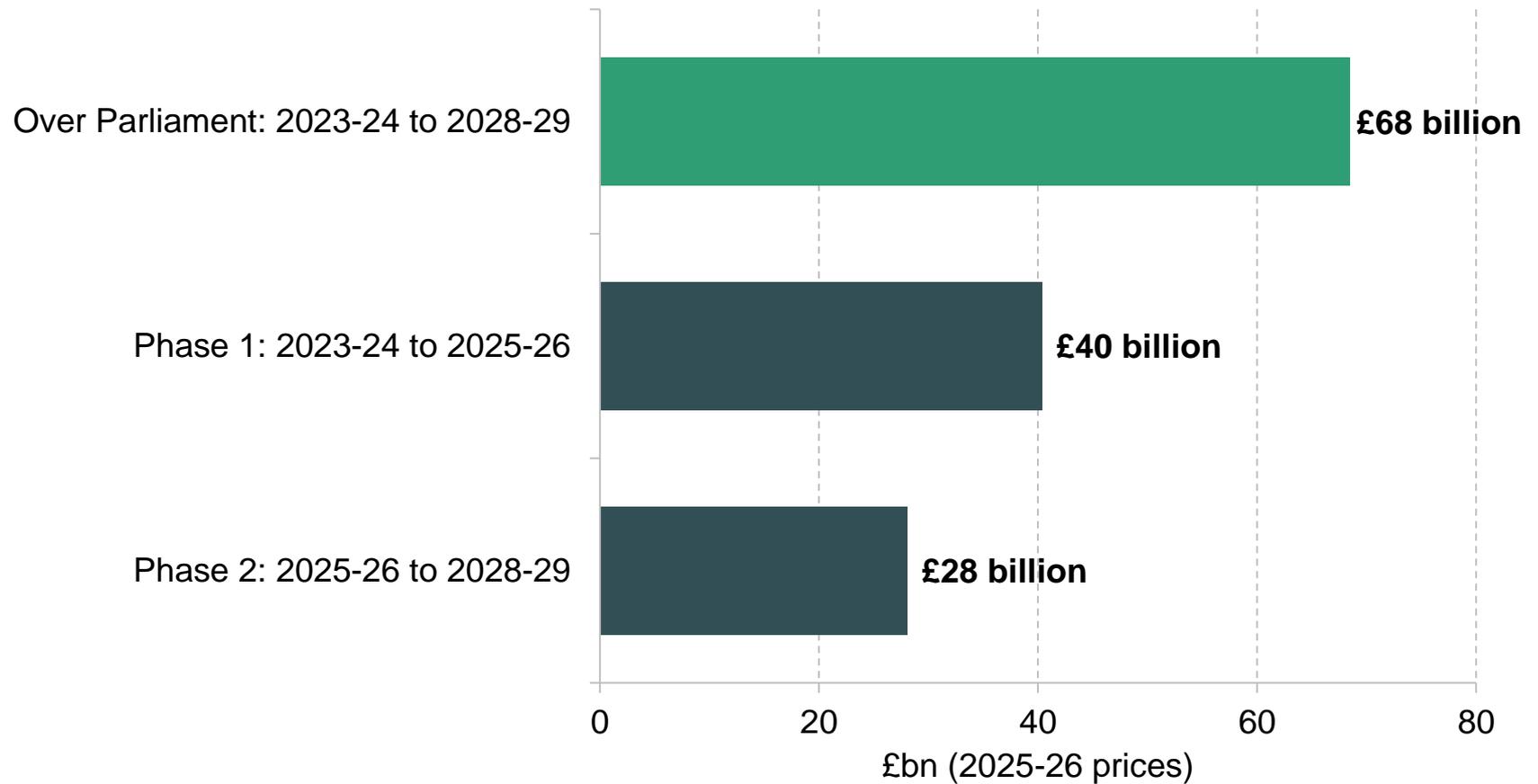
Going through a phase

£ billion change in total departmental spending excluding devolved governments, by phase (2025-26 prices)



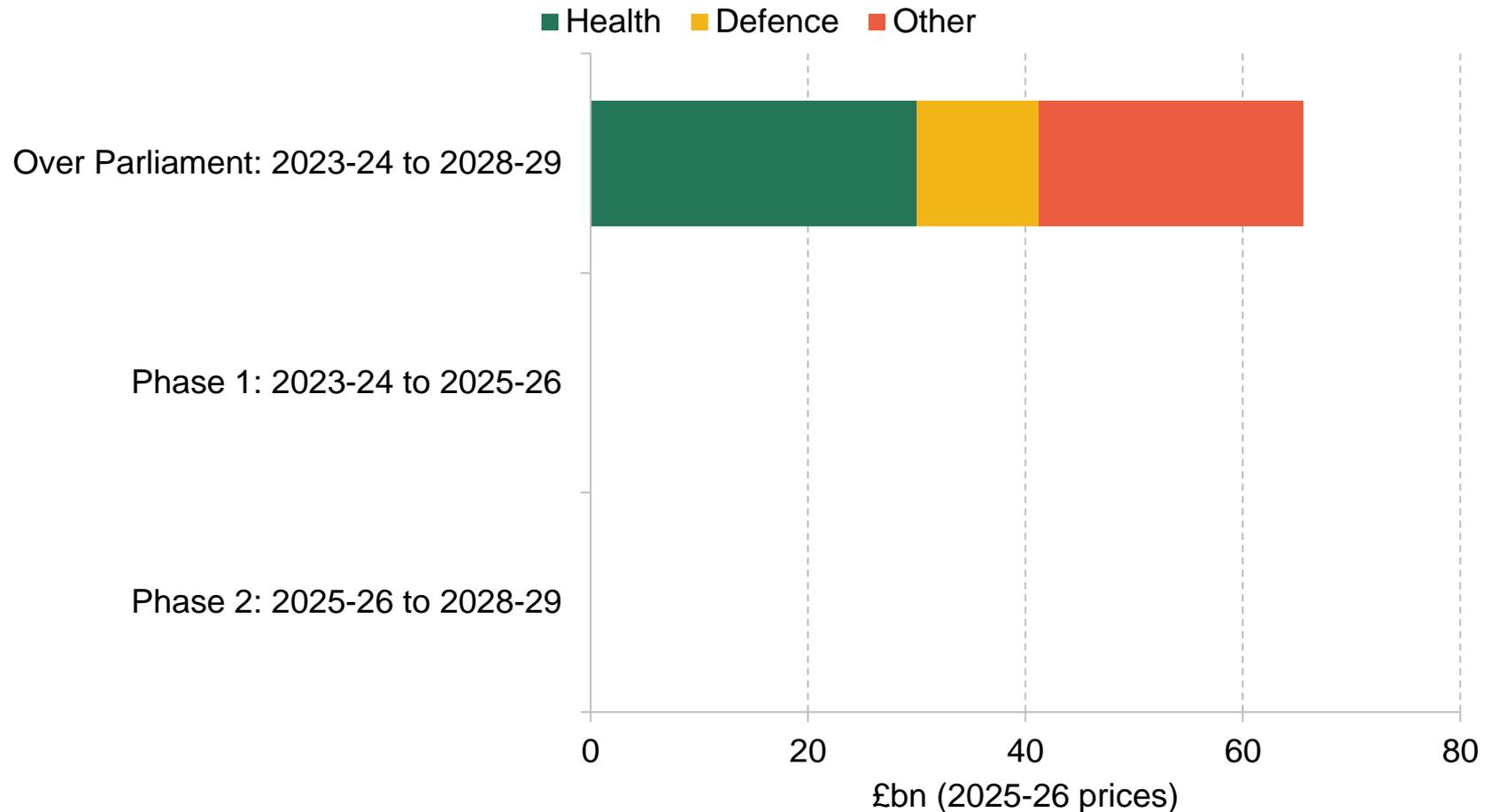
Going through a phase

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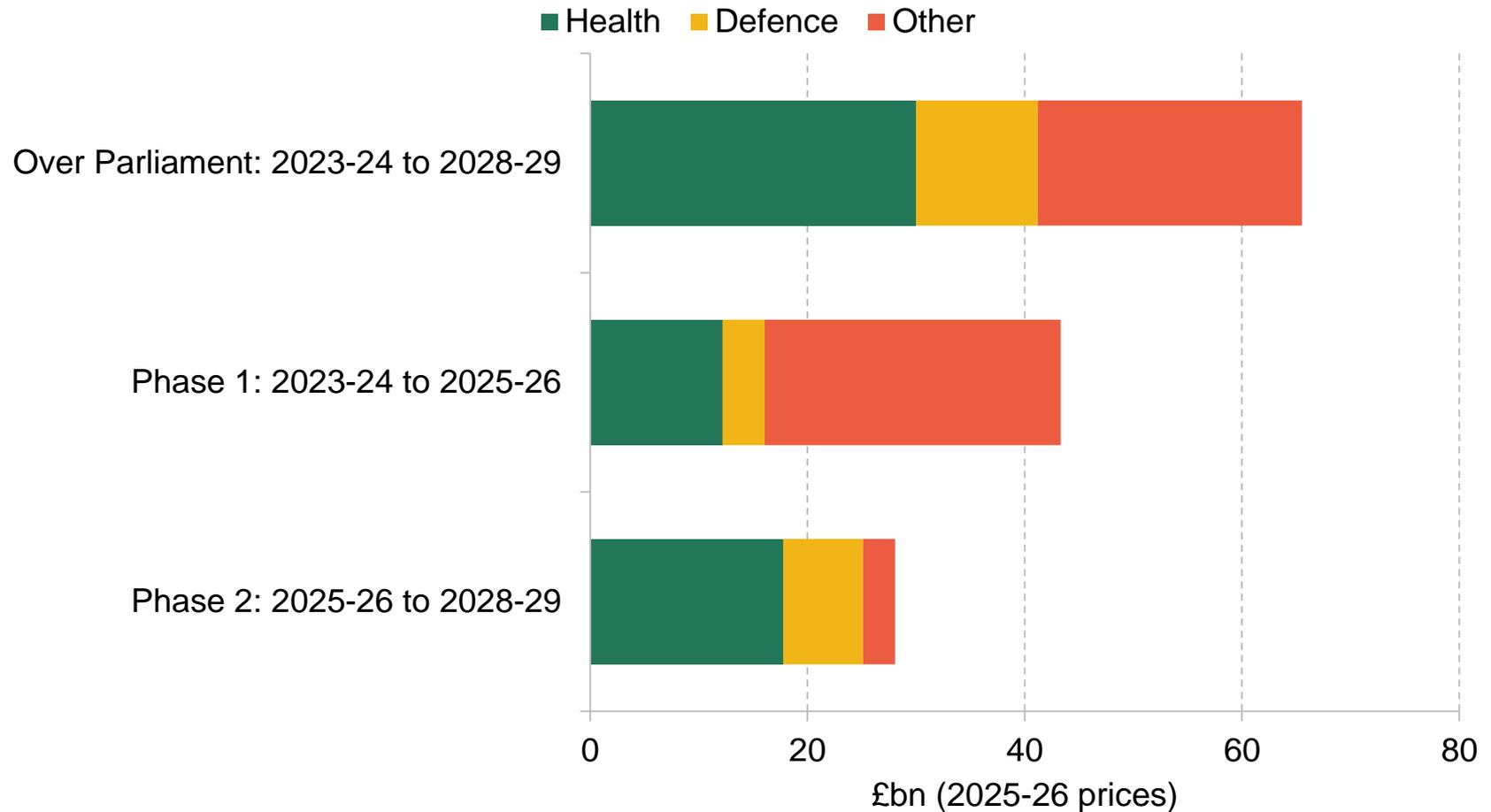
Going through a phase

£ billion change in total departmental spending excluding devolved governments, by phase (2025-26 prices)



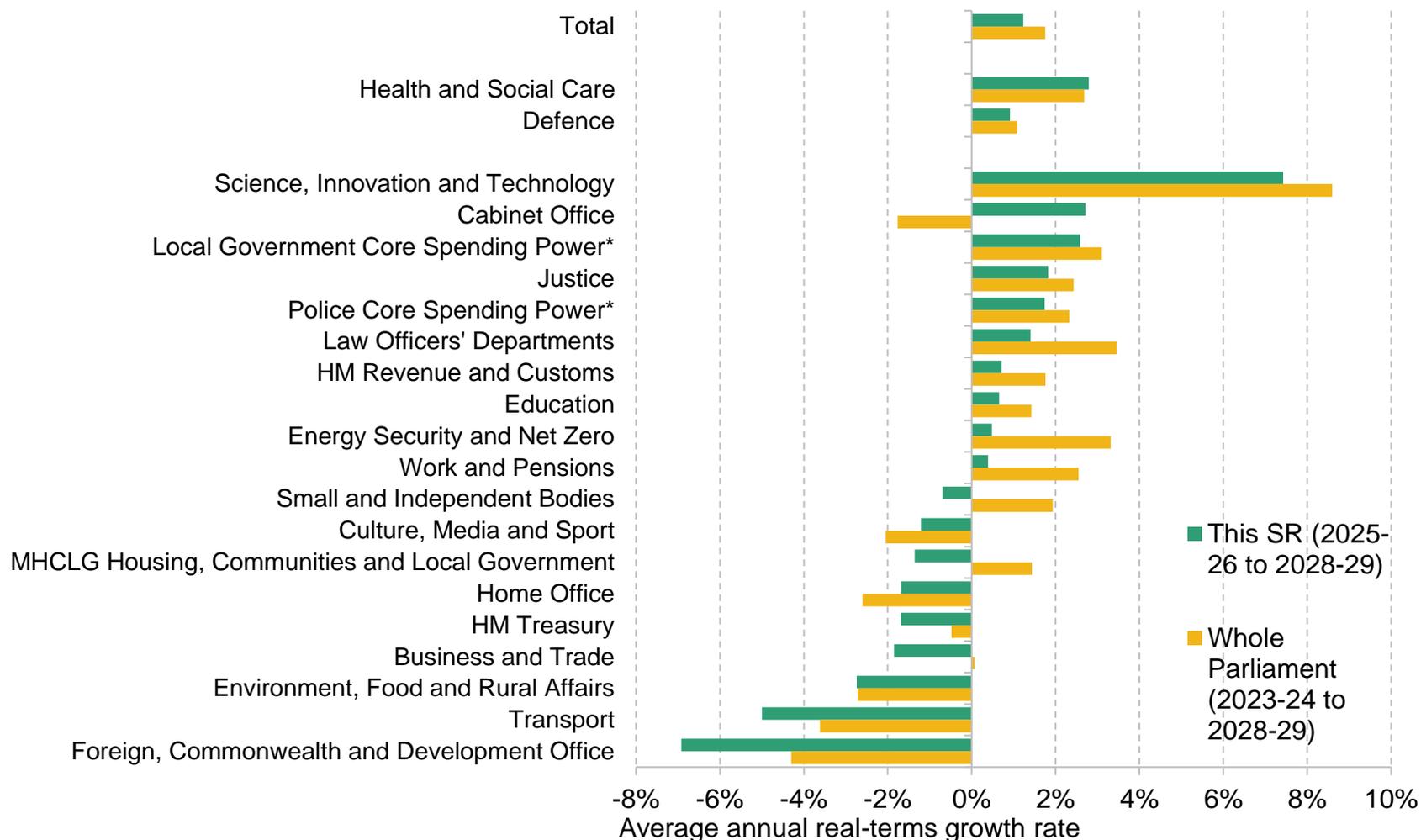
Going through a phase

£ billion change in total departmental spending excluding devolved governments, by phase (2025-26 prices)



Day-to-day spending

Average annual real-terms growth in day-to-day spending by department

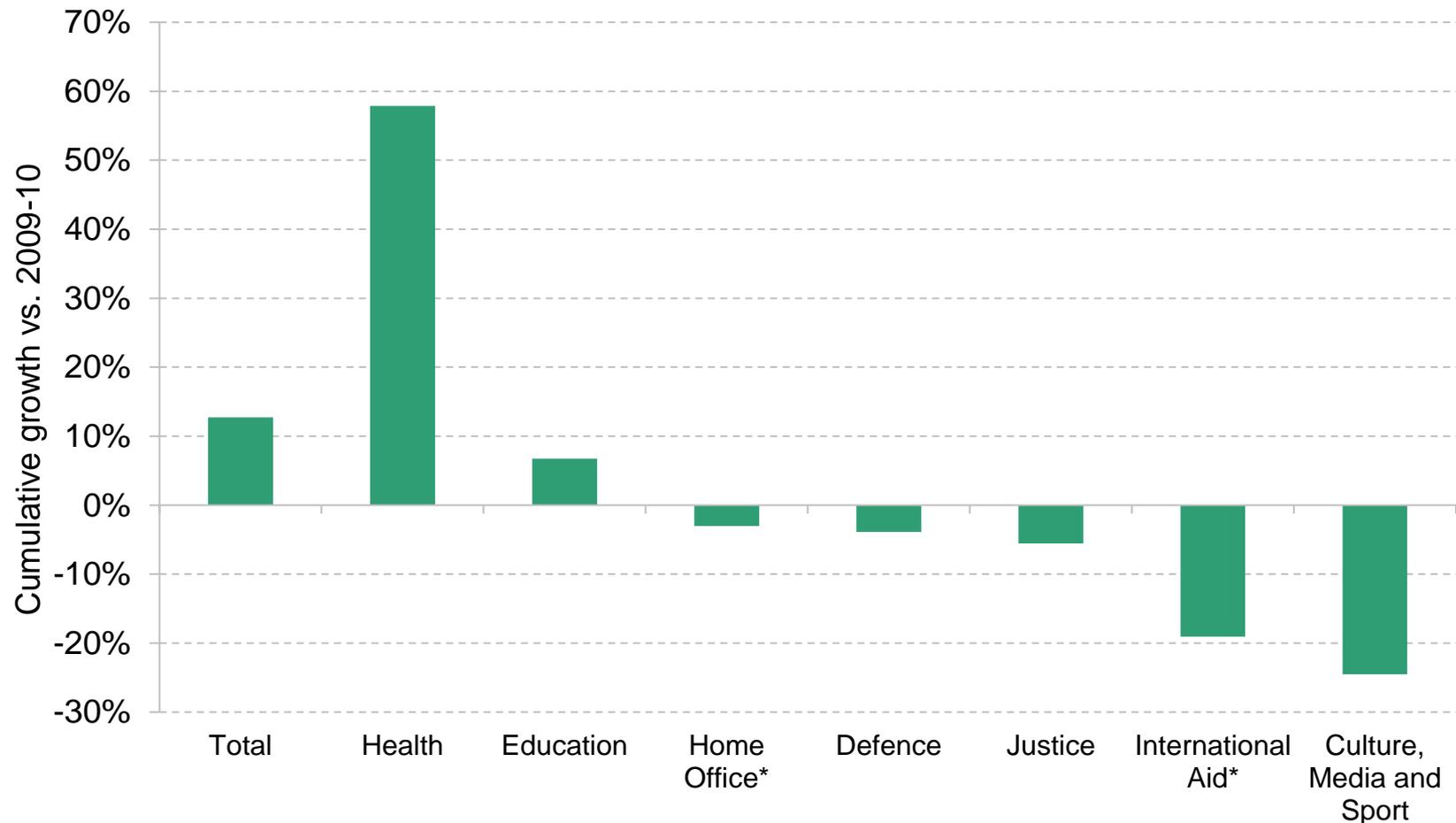


Note: Defence spending combines Ministry of Defence and Single Intelligence Account.

* Police and Local Government Spending Power also reflects additional revenue from (assumed) increases in local taxes.

Since 2010...

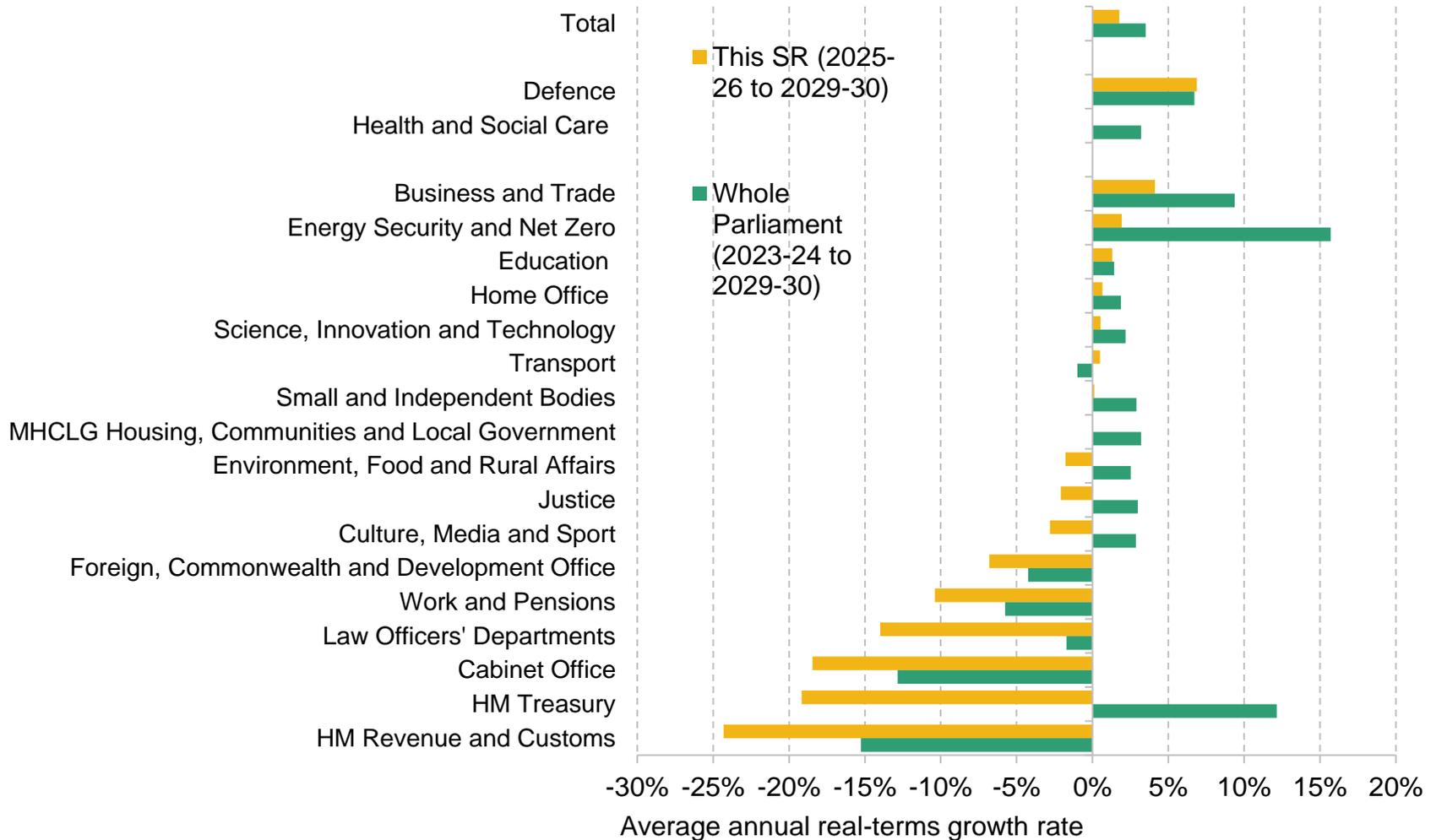
Cumulative real-terms growth in day-to-day spending by selected departments, 2009–10 to 2028–29



*International aid includes capital spending; Home Office is since 2010-11 due to changes in classification; defence here refers only to the Ministry of Defence

Capital spending

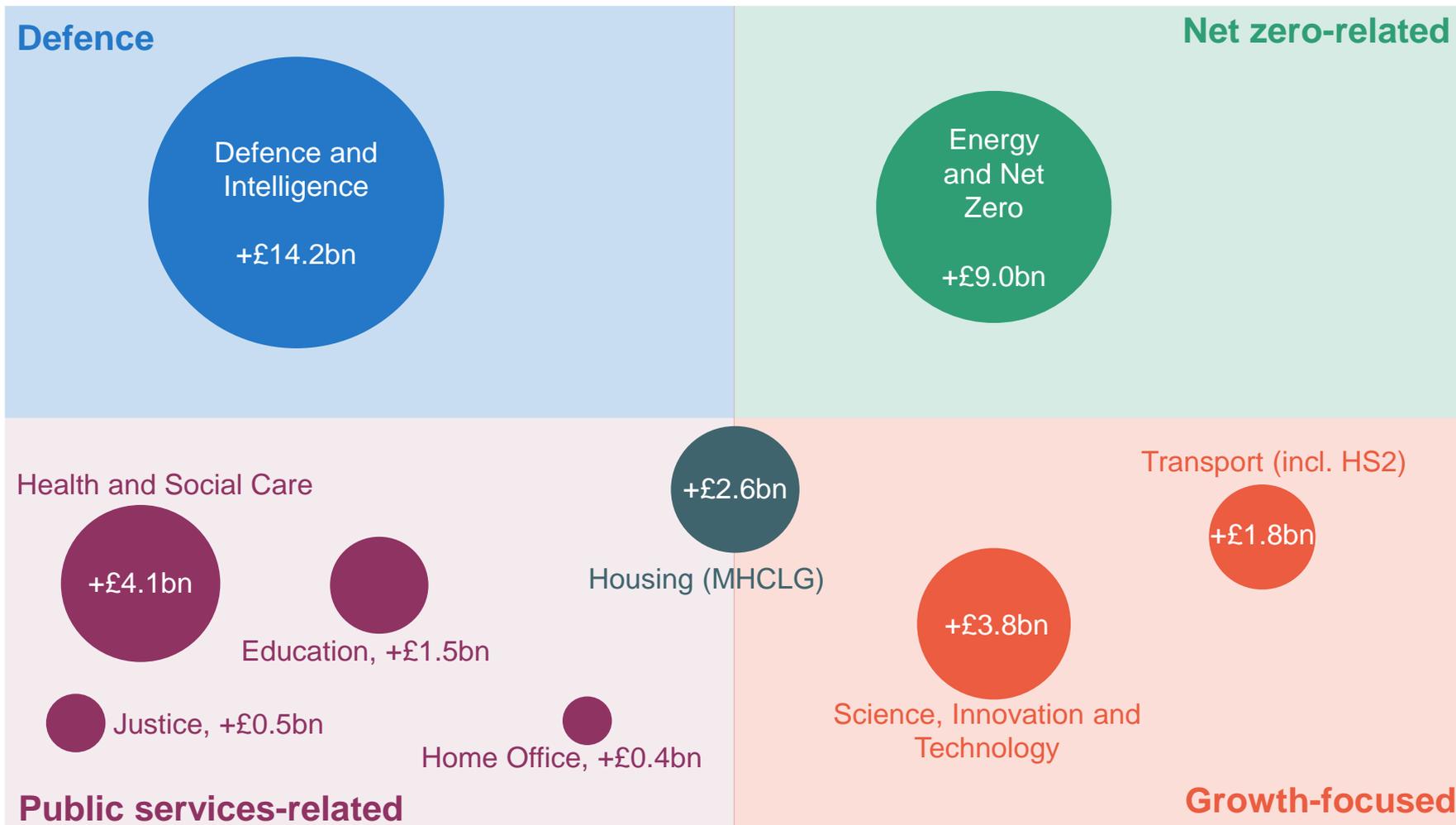
Average annual real-terms growth in capital spending by department



Note: Defence spending combines Ministry of Defence and Single Intelligence Account

Investment priorities?

Cash increase in capital DEL, 2023–24 to 2029–30, by broad category



Note: Circle sizes correspond to the size of the cash £ billion increase over the period. Energy and Net Zero figures are inclusive of Sizewell C.

- SR confirmed previous plans to increase defence spending to **2.5% of GDP** by 2027–28 (2.6% including security services)
- Spending to be held at 2.6% of GDP after 2027–28
 - No efforts to progress further towards “ambition” of spending 3% of GDP some time in the next parliament
 - Plans for later years may be revisited at SR 2027
 - Especially if NATO target is increased to 3.5% of GDP
- Most notable feature of SR defence announcements is the capital intensity of the additional spend

Defence capital intensity

Ministry of Defence capital budget as % of total Ministry of Defence spending

