All Party Parliamentary Group for Social Science and Policy

SUMMARY

Comprehensive Spending Review

Tuesday 10 June 2025, House of Lords

The APPG on Social Science and Policy convened on 10 June 2025 to discuss the Comprehensive Spending Review. The event was supported by the Economic and Social Research Council.

Chaired by **Yuan Yang MP, Lord Norton of Louth, and Lord Wallace of Saltaire**, the group heard from **Ben Zaranko,** Associate Director at the Institute for Fiscal Studies.

Context

The UK faces one of the most challenging financial positions since the 1950s. Economic growth has been slow for almost 20 years, while the cost of paying off government debt is high. In the past, governments have usually only been faced with one of these issues.

This situation and the government's borrowing rules limit the Chancellor's options. They mean that even small economic downgrades could force unpopular policy changes in the future. This means every spending decision is having to be scrutinised even more than usual.

The APPG for Social Science and Policy is sponsored by the UKRI's Economic and Social Research Council and the secretariat delivered by Palace Yard

What is the CSR?

The CSR is not about new taxes or borrowing, it's about how to divide up an already agreed amount of spending.

The review allocates departments' budgets for the next three years, and is separate from the main Budget process.

Key facts:

- Day-to-day spending will grow by 1.2% per year.
- Investment (known as capital) spending will grow by 1.3% per year.
- This is real-terms growth, but it is much slower than in recent years. The government is front-loading spending increases, meaning departments will get bigger cash injections now, before tightening again in coming years.

Health and Defence

Health and defence are the two major protected areas:

The NHS receives around 40% of all public service spending and is expected to grow by 2.8% per year, in line with long-term trends. While this is enough to keep up with the needs of an ageing population, it is not enough to meet NHS ambitions.

Defence spending is rising from 2.3% to 2.5% of GDP by 2027, mostly for investment in equipment like submarines and drones.

If defence spending rises to 3% or 3.5% of GDP (as some NATO discussions propose), the impact would be significant. A 1% of GDP spending increase (for example from 2.5% to 3.5% of GDP) translates to almost £900 per household of tax rises, borrowing or spending cuts.

These two areas account for most of the upcoming growth in spending. If NHS or defence allocations were to increase further, other departments would face even deeper cuts.

Other Services

Because health and defence will be taking up a rising share of the budget, other departments are likely to see either flat or falling budgets (after accounting for inflation).

The most exposed areas include:

- Justice and courts: which is already below 2002 spending levels.
- Home Office: asylum spending may be cut to preserve police budgets.
- Local government: grants are likely to shrink leaving councils more reliant on council tax and local business rates.
- Various smaller departments.

Many of these services are already struggling with staff shortages, backlogs, and underperformance. For example, the courts system remains heavily disrupted post-pandemic, and youth justice services are stretched. Any further cuts reduce performance even further.