

Spending Review 2025 – implications for local economic development

Stephen Martin

Head of Economy and Skills, Hampshire County Council

Joint Leaders Board, 16 June 2025

SPENDING REVIEW 2025

- **SR25 sets departmental budgets for day-to-day spending until 2028-29, and until 2029-30 for capital investment**
- **Budgets set at this Spending Review for 2028-29 and 2029-30 will be reviewed at the next Spending Review in 2027**



APPROACH TO ECONOMIC GROWTH

- ***This Spending Review (SR) marks a key next step in the growth mission, allocating substantial new capital investment to ensure growth is felt across the country, creating good jobs and raising living standards. (4.4)***
- ***This additional investment means public sector net investment (PSNI) averages 2.6% over the Parliament, compared to the previous government's plans to reduce PSNI to 1.7% of GDP. (4.5)***



DEFENCE AND SECURITY

- *The government will ensure that its substantial increase in defence spending helps boost economic growth. (2.8)*
- **Upcoming Defence Industrial Strategy (2.8), including Defence Growth Deals, leveraging defence investment to create regional industrial clusters (4.51)**
- **Expansion of the National Security Strategic Investment Fund (NSSIF), to invest in companies addressing national security and defence capability requirements (2.22)**



TRANSPORT

- **Local Transport Grant – fourfold increase in funding in 2029-30 compared to 2024-25 (4.15)**
- **£15.6 billion in total by 2031-32 for elected mayors of some city regions via Transport for City Regions (TCR) settlements (4.15)**
- **Funding for major projects e.g. Transpennine Route Upgrade, East West Rail (Oxford to Cambridge Growth Corridor) (4.16)**



HOUSING

- *Delivering the biggest boost to investment in social and affordable housing in a generation (4.19)*
- **£39 billion for a new 10-year Affordable Homes Programme**



INNOVATION

- *R&D investment will also contribute to the success of the growth-driving sectors, and the places in which they cluster, as will be set out in the modern Industrial Strategy. (4.22)*
- **Above-inflation increase for R&D funding (4.23)**
- **£500 million for the new R&D Missions Accelerator Programme, addressing innovation challenges that support the government's missions (4.24)**
- **New £410 million Local Innovation Partnerships Fund, giving local leaders a central role in co-creating R&D programmes (4.25)**



EMPLOYMENT AND SKILLS

- **Increased funding for employment support (4.33)**
- **£1.2 billion of additional investment in skills per year by 2028-29, including:**
 - **funding to support over 1.3 million 16-19 year olds to access high-quality training**
 - **£625 million between 2025-26 and 2028-29 to train up to 60,000 skilled construction workers (4.36)**



REGIONAL GROWTH AND DEVOLUTION

- **New local growth fund, including a 10-year capital settlement “for specific mayoral city regions in the North and Midlands with the highest productivity catch-up and agglomeration potential”. (4.39)**
- **Funding for up to 350 deprived communities across the UK, for community cohesion, regeneration and public realm improvements (4.39)**
- **New Growth Mission Fund will invest £240 million of capital from 2026-27 to 2029-30 in projects that enable local job creation and economic regeneration. Further detail to be set out later this summer. (4.45)**



ENERGY AND CLIMATE

Including funding for:

- **Carbon Capture, Usage and Storage**
- **Decarbonisation of transport, including electric vehicle uptake and charging infrastructure, and research funding**
- **Sustainable aviation fuels**
- **Active travel**
- **Upgrading homes through the Warm Homes Plan (4.58)**
- **Sustainable farming and nature recovery (4.61)**



INDUSTRIAL STRATEGY

- To be published “later in June” (4.47)
- **Growth-driving sectors: advanced manufacturing, clean energy industries, creative industries, defence, digital and technologies, financial services, life sciences, and professional and business services (4.48) – with support for each sector set out in a sector plan (4.49)**
- **For example:**
 - **over £3 billion funding from 2026-27 to 2029-30 for the advanced manufacturing sector (5.98)**
 - **up to £520 million life sciences manufacturing funding over the SR period (5.113)**



OTHER

- **£2.9 billion for the British Business Bank to support business start-ups and growth, enabling a two-thirds increase in support (5.98)**
- **£1.9 billion over the SR period for Building Digital UK – gigabit-capable broadband to reach 99% of UK premises by 2032 (5.110)**



ON THE WAY

- **10-Year Infrastructure Strategy**
- **Defence Industrial Strategy, and Defence Investment Plan in the autumn**
- **Strategy for post 16 education and skills**

