GLAECONOMICS

2025 Spending Review Overview and Analysis

June 2025

MAYOR OF LONDON

copyright

Published by
Greater London Authority
City Hall
Kamal Chunchie Way
London E16 1ZE

www.london.gov.uk
Tel 020 7983 4000

Minicom 020 7983 4000

Cover photograph

For more information about this publication, please contact:

GLA Economics

Tel 020 7983 4000

Email glaeconomics@london.gov.uk

GLA Economics provides expert advice and analysis on London's economy and the economic issues facing the capital. Data and analysis from GLA Economics form a basis for the policy and investment decisions facing the Mayor of London and the GLA group. GLA Economics uses a wide range of information and data sourced from third party suppliers within its analysis and reports. GLA Economics cannot be held responsible for the accuracy or timeliness of this information and data. The GLA will not be liable for any losses suffered or liabilities incurred by a party as a result of that party relying in any way on the information contained in this report.

Contents

Issue

On June 11, 2025, Chancellor Rachel Reeves made a series of announcements as part of a comprehensive review of departmental spending over this parliamentary term. This report lists the key announcements and identifies potential implications for London and Londoners based on the announcements made and preliminary information available.

Key Points

- Key announcements from the Spending Review (henceforth SR) include:
    - A total of £39 billion would be dedicated nationally to the Affordable Homes Programme (AHP) over 10 years of starts from 2026-27 to 2035-36, in addition to a rent settlement for social housing that enables providers to borrow and invest in new and existing homes, while also ensuring that existing and future social housing tenants are appropriately protected.
    - £15.6 billion in transport infrastructure investment across the UK and an additional £2.3 billion investment in the Local Transport Grant.
    - A near-£5 billion investment in skills-related programmes (including £1.2 billion per year for upskilling, training and apprenticeships and an additional £3.5 billion in employment support to promote skills uptake and reduce inactivity).
    - Investment in nuclear power, in addition to £8.3 billion in home-grown clean power, and £2.6 billion to decarbonise transport.
    - Increased inflation-adjusted funding for schools and nurseries as well as defence.
    - A £29 billion increase in funding to finance day-to-day expenditure of the NHS.
    - £86 billion to fund research and innovation in areas such as drug treatments, artificial intelligence (AI) and batteries.
    - The introduction of a simplified and shortened Green Book with a focus on place-based business cases to appraise projects.
- There were several London-related announcements, key amongst them being:
    - A commitment to provide Transport for London (TfL) with the largest multi-year settlement for London in over a decade, with £2.2 billion of funding between 2026-27 and 2029-30 for its capital renewals programme.
    - Another commitment made to explore "options for delivery" of the Docklands Light Railway (DLR) to Thamesmead, while allocating £25.3 billion to progress delivery of HS2 from Birmingham Curzon Street to London Euston.
    - Confirmation that London will receive an Integrated Settlement (details to be finalised in due course) from the 2026-27 fiscal year.
- Certain announcements are likely to benefit London and Londoners.
    - For example, as a region with higher relative poverty rates and childcare costs, London is likely to benefit from expanding childcare support for working parents and direct assistance via the Healthy Starts scheme.
    - The SR also allocates over £1 billion in industrial support to sectors where London retains a national and global competitive advantage (e.g., creative industries and life sciences) and those where London is experiencing acute labour-market shortages (e.g., construction).

- The transport-related commitments are also in line with the GLA's asks for transport-related support for projects such as the DLR to Thamesmead.

- The extent to which London would benefit from some of the key SR announcements (e.g., London's share of the AHP funding and the nature of its Integrated Settlement) remains unclear at this stage but is something the GLA would analyse as information becomes available.

Analysis by Theme

Economy and fiscal position

Announcements made:

- Day-to-day spending (i.e., operating expenditure) will rise by an average of 1.2% for each of the three years covered by the SR. Investment will increase by an average of 1.3% a year for four fiscal years.

- Total departmental spending will grow by 2%-3% in real terms over the current parliamentary term, with wide variation between departments (see Annex).

- There was an announcement of savings made from reducing spending on consultancies and selling publicly-owned buildings (i.e., using the proceeds from asset sales to offset the increase in public spending given the difficult fiscal situation).

- An allocation of £9.6 billion to provide financial instruments such as loans and equity investments to support growth. This has enabled the government to expand the financial capacity of the British Business Bank and Great British Energy, and to confirm £4.8 billion in financial transactions from 2026-27 to 2029-30 to catalyse private investment in house building.

Potential implications for London:

- The overall real-terms increase in day-to-day operating expenditure would need to be financed via a rise in taxation, in accordance with the fiscal rules the Chancellor has set for herself in 2024. Certain commentators (e.g., the Institute for Fiscal Studies) have already warned that the upcoming Budget would include a rise in taxation. The form these tax rises would take is unknown at this stage, but as the region with the highest share of tax revenue generated in the UK, London may see its contribution to the tax intake increase as a result.

- At present, the UK's relatively low productivity and growth since the 2008 Financial Crisis is constraining real-terms public expenditure. A key factor in this picture is London's relatively low year-on-year productivity growth. It is important to address London's productivity and growth problem in order to effectively support the UK government's wider growth mission.

- Some of the public buildings sold to generate savings were London estates which housed civil servants, while thousands of civil servants will move to work locations outside of London. More civil servants will now be working outside of London, which will likely reduce the size of the 'public administration' sector in London.

Devolution

Announcements made:

- Home nations received additional allocations over the course of this parliamentary term: £52 billion for Scotland, £20 billion for NI and £23 billion for Wales.

- The government also confirmed that the Integrated Settlement will be expanded to London from 2026-27 fiscal year.

- Devolved governments (Scotland, Wales and NI) will receive, on average, an additional £4.8 billion per year for day-to-day operating expenditure between 2026-27 and 2028-29, and £930 million in capital funding per year between 2026-27 and 2029-30 through the operation of the Barnett formula.

  - This includes £2.4 billion on expenditure and £510 million on capital for the Scottish Government, £1.4 billion on expenditure and £200 million on capital for the Welsh Government and £1 billion on expenditure and £220 million on capital for the Northern Ireland Executive.

- Establishing a new 'Local Growth Fund' that includes a 10-year capital component, targeted at certain North and Midlands Mayoral Combined Authorities.

- For 2026-27 to 2028-29, funding for Scotland, Wales and Northern Ireland across these schemes will be at the same overall level in nominal terms as under the UK Shared Prosperity Fund (SPF) in 2025-26. In other words, devolved governments are retaining their UKSPF funds for the 2025-26 fiscal year.

- The SR allocated a 1.1% increase in grant funding to local government and said total spending power for councils would rise by 2.6%. That includes the funds councils can raise from council tax, as well as items like business rates. The table below provides a summary of the departmental expenditure limits reported in the Review for key departments (a more detailed version is available in the Annex to this note).

Summary of departmental expenditure limits

	Total Departmental Expenditure Limits (DEL) (average real annual growth: 2026-27 to 2028-29)	Resource Departmental Expenditure Limits (RDEL) (average real annual growth: 2026-27 to 2028-29)	Capital Departmental Expenditure Limits (CDEL) (average real annual growth: 2026-27 to 2028-29)
Health & Social Care	2.7%	2.8%	0.0%
Education	0.8%	0.7%	1.3%
Home Office	-1.4%	-1.7%	0.7%
Justice	2.0%	1.8%	-2.1%
MHCLG Local Government	1.1%	1.1%	-
MHCLG Housing, Communities and Local Government	-0.6%	-1.4%	0.0%
Culture, Media and Sport	-1.4%	-1.2%	-2.8%
Science, Innovation and Technology	0.9%	7.4%	0.5%
Transport (excl. High Speed 2)	0.5%	(For the entire Department: -5%)	3.9%
Transport- High Speed 2	-9.3%		-7.9%
Energy, Security and Net Zero (excl. Sizewell C)	2.7%	(For the entire Department: 0.5%)	2.6%
Energy, Security and Net Zero (Sizewell C)	-3.7%		-0.7%
Environment, Food and Rural Affairs	-2.3%	-2.7%	-1.8%
Business and Trade	3.0%	-1.8%	4.1%
Work and Pensions	-0.2%	0.4%	-10.4%

Potential implications for London:

- Aside from the commitment to an Integrated Settlement in the 2026-27 fiscal year, most of the devolution-related announcements did not directly impact London.
    - That said, the government is committed to expanding the scope of the Integrated Settlement, with a default presumption that relevant funding for these institutions is routed through their settlements. The final scope and quantum of the settlement will be set out in due course.
- The SR confirmed the government intends to maintain the core referendum threshold for local authorities at 3%, with an additional 2% for adult social care (applying to London boroughs). This aligns with some reports that councils will increase council tax by 5% in the coming years as a result of the SR. No details for the threshold for increasing the police element of the precept are provided.
    - In the case of the GLA, it is anticipated – but not confirmed – that the core 3% limit will apply to the Mayor's non-police precept. It is possible, however, that a different limit could apply for the GLA and Mayoral combined authorities and this may not be confirmed until the provisional settlement in November or December.
    - No referendum limit was announced for policing – which accounts for over 70% of the Mayor's precept – and again the figure may not be confirmed until the provisional police settlement.
- Some economists noted that if English councils do raise council taxes by the 5% maximum – and most are likely to do so – council tax bills look set to rise at their fastest rate over any parliament since 2001-05[1]. Analysis suggests that the majority of the assumed increase in 'core spending power' for local authorities and policing is accounted for by council tax rather than additional government grants[2].
- With the devolved authorities in Scotland, Wales and NI retaining their 2025-26 UKSPF funding shares, there could be a case for London to have the growth funding component of its UKSPF 2025-26 allocation included as part of its Integrated Settlement.

Housing

Announcements made:

- The SR confirmed £39 billion for a successor to the Affordable Homes Programme (AHP) over 10 years of starts from 2026-27 to 2035-36. This includes the ability to make contractual commitments over the full 10 years where providers want long-term certainty. The £39 billion is over and above the £12.3 billion budget for the AHP between 2021 and 2026 and includes the £2 billion 'Bridge' funding in 2026-27.
- A long-term (10-year) rent settlement at CPI+1% and consultation on rent convergence.
- £4.8 billion allocated to financial transactions to increase housing supply.

[1] https://www.lancs.live/news/cost-of-living/warning-issued-over-council-tax-31851904
[2] https://ifs.org.uk/sites/default/files/2025-06/Spending_Review_analysis_impacts_for_public_services_MW.pdf

- Equal access to building safety funds for social landlords.

- £2.5 billion in low interest loans for social housing providers to boost capacity and invest in new developments.

- £100 million in additional funding for early interventions to prevent homelessness, including from the Transformation Fund.

- £950 million for the Local Authority Housing Fund from 2026-27 to 2029-30, targeted at temporary accommodation.

- £13.2 billion between 2025-26 and 2029-30 to extend the Warm Homes Plan and upgrade millions of homes. This is expected to save households £600 per year via lower bills.

Potential implications for London:

- London's share of the £39 billion affordable homes funding will be negotiated with HM Government in the coming weeks. Overall, a move to a longer-term programme could be beneficial for complex, long-term projects that are more commonly found in London.

- The Rent Settlement announcement offers help to restabilise the finances of London landlords and responds to key asks of the Mayor's Housing Delivery Taskforce.

- The Warm Homes Plan has been allocated a total of £13.2 billion this parliamentary term, doubling the previously planned investment. In a very tight fiscal context, this settlement reflects the importance of this issue. Further details on individual areas that would benefit will be provided in October as part of the Warm Homes Plan itself.

- There are elements relevant to housing in London that were not covered (or perhaps not covered in much detail) in the SR, but could be important over the coming weeks and months, such as:

    - Details on social housing providers' access to building safety funding,

    - Confirmation on how the GLA would collaborate with Homes England on channelling their funding to best uses in London,

Transport and infrastructure

Announcements made:

- An investment of £15.6 billion for transport infrastructure in mayoral authorities across the Midlands, the North and the South West.

    - The funding represents a more-than-double real-terms increase in capital spending on local transport by 2029-30 compared with 2024-25.

    - Tram investment is the focal point of this announcement, with Greater Manchester getting £2.5 billion to extend its network to Stockport and add stops in Bury, Manchester and Oldham, and the West Midlands getting £2.4 billion to extend services from Birmingham city centre to the new sports quarter. The investment in South Yorkshire's tram network will link employment and housing areas in Sheffield and Rotherham.

- Transport for London is receiving a 4-year settlement for capital funding.

- Investing £2.3 billion in the Local Transport Grant over Phase 2 for local transport improvements including bus lanes, cycleways and congestion improvement measures in places outside of those areas receiving Transport for City Regions settlements. This is a fourfold increase in funding in 2029-30 compared to 2024-25.

- £3.5 billion investment for the TransPennine Route.

- £2.5 billion in extra funding for the East-West Rail connecting Oxford and Cambridge.

- £445 million allocated for transport funding in Wales.

- Extending the £3 National Bus Fare Cap by over a year to March 2027.

- £25.3 billion is provided to progress delivery of HS2 from Birmingham Curzon Street to London Euston.

Potential implications for London:

- The TfL settlement represents the largest multi-year settlement for London in over a decade, with £2.2 billion of funding between 2026-27 and 2029-30 for TfL's capital renewals programme. It is unclear if this in addition to the capital investment provided through the business rates system. The duration also provides stability to TfL's capital funding situation.

- As boosting London's productivity is a key component of boosting national growth, funding of transport projects in the capital is essential to boosting regional and national productivity and fulfilling the government's growth agenda.

- Fares are capped locally in the case of London, and so Londoners won't necessarily be impacted by the extension in the Bus Fare Cap. Londoners are more likely to use public transport (as are Londoners in general compared to individuals in other UK regions).

- The additional funding and support for extending the HS2 terminus to Euston could support addressing existing delivery challenges.

Skills and education

Announcements made:

- £1.2 billion per year for upskilling, training and apprenticeships, including support for over 1.3 million 16–19-year-olds to access high-quality training – with 65,000 additional learners per year by 2028-29. The government will set out further details on its plans in a strategy for post-16 education and skills later in the year.

- Over £2 billion to drive the AI Action Plan, including a 20-fold increase in support for compute capacity, with £160 million for TechFirst (i.e., skills-related) to ensure people have the right skills to deliver technological change. The rest of the funding pertains to innovation and AI.

- Funding for the trailblazer (youth and inactivity) extended. Details yet to be disclosed.

- Increase the funding for employment support to over £3.5 billion by 2028-29, helping people access the skills they need to progress, tackling inactivity and ensuring more people are in better jobs.

- Continue to roll out Connect to Work. This is a work programme in England and Wales to help disabled people, those with health conditions and people with complex barriers to employment, to find sustainable work.

- The Department for Digital, Culture, Media and Sport's (DCMS) National Youth Strategy will set out how the government will empower young people and support them to build connections and skills.

- The UK government plans to increase the Immigration Skills Charge (ISC) by 32% in 2025 as well as introduce a levy on international student fees. The funds collected will be used to support skills training and upskilling the domestic workforce. This increase is part of broader efforts to reduce net migration and address skills shortages in the UK. The increased funds will be allocated through the SR to support skills initiatives in priority sectors.

Potential implications for London:

- The £1.2 billion per year (cash terms) funding for upskilling, training and apprenticeships comes against a backdrop of wider pressures and a long-term decline in adult skills investment through much of the 2010s, with London in particular suffering from relatively low apprenticeship uptake over recent years. Population projections suggest the number of 16-18-year-olds will grow over the next few years, so part of the uplift is necessary to keep up with this demographic change. Real-term gain per student may therefore be limited. Meanwhile, staffing and pay pressures in further education remain a challenge in London.

- The specific details on London's allocation of the £2 billion AI Action Plan funding remain unclear, and regional allocation mechanisms require further collaboration between the GLA and central government.

    - Moreover, it is unclear whether HM Government has the skills and personnel needed to deliver the programmes funded by this Plan.

    - The AI Action Plan includes improving data capabilities and access, developing AI talent, reforming regulation and driving adoption in both public and private sectors. As London is at the heart of the UK's AI sector, it is likely to benefit from this support.

- The increase in funding for employment-related support could help London address employment-related challenges, including among young people and those experiencing health-related inactivity.

    - On the £3.5 billion allocation, it is not clear whether this is new funding or a reflection of increased Connect to Work investment as more areas "go live". It is worth noting that the Department for Work and Pensions' budget decreased by 0.2% overall in this SR (from 2025-26 to 2028-29).

- With regards to Get Britain Working (GBW), the government is extending funding for eight youth guarantee trailblazers and nine inactivity trailblazers, as set out in the Get Britain Working white paper.

    - In London, the GLA is the accountable body for five GBW trailblazers. No mention of timescales or funding attached to this extension is made.

- London businesses typically contribute a considerable share (£221m in 2022-23 FY) to the Immigration Skills Charge, as they tend to recruit more highly-skilled overseas workers. In addition, London universities have a large number of international students and would be impacted by the levy on international student income.

- According to the 2021 Census, more than one-third of international students (127,000) in England and Wales lived in London.

- DCMS' National Youth Strategy is likely to support young people from all backgrounds to thrive. In particular, it could support Londoners with protected characteristics, who tend to underperform on key social and educational outcomes[3].

- On the Immigration Skills Charge, many of the priority sectors in the London Growth Plan[4] are reliant on workers born outside of the UK.

    - The GLA will continue monitoring how these sectors' skills needs would be addressed in the meantime while accounting for the government's upskilling agenda for the domestic workforce.

Environment, energy and net zero

Announcements made:

- The SR commits to substantial investment in the rollout of nuclear power.

    - The government will invest £14.2 billion in building the Sizewell C nuclear power station in Suffolk. It will also spend £2.5 billion to build the UK's first Small Modular Reactors (Rolls Royce was procured to deliver them).

    - There is also a commitment to investment in nuclear fusion and a prototype energy plant in Nottinghamshire (£2.5 billion).

- Invest in Great British Energy, to be headquartered in Aberdeen.

- Invest more than £8.3 billion over this Parliament term in homegrown clean power.

- Fund the first commercial scale Carbon Capture plant in Merseyside, and allocate £9.4 billion to Carbon Capture, Usage and Storage (CCUS) over the SR period. This includes support for the Acorn and Viking carbon capture clusters (in Scotland and Humberside respectively) and providing development funding to advance their delivery.

- Allocate £80 million over the SR period for port investment to support floating offshore wind deployment in Port Talbot, subject to final due diligence.

- £2.6 billion in capital investment to decarbonise transport from 2026-27 to 2029-30.

    - Includes £1.4 billion to support the continued uptake of electric vehicles (e.g., vans and HGVs) and £400 million to support the rollout of charging infrastructure.

    - Supporting the production of sustainable aviation fuel in the UK.

---

[3] See the State of London (2025) report for more information: https://data.london.gov.uk/dataset/state-of-london/

[4] http://growth.london

    - Extending the Advanced Fuels Fund through the SR period and, allocating £616 million for Active Travel England from 2026-27 to 2029-30 to support local authorities to build and maintain walking and cycling infrastructure.

- Investing more than £2.7 billion a year in sustainable farming and nature's recovery until 2028-29.

- Investing £4.2 billion from 2026-27 to 2028-29 to build and maintain flood defences.

Potential implications for London:

- London is not a major hub for nuclear power as such, and hence it is unlikely to receive a significant share of the funding allocated to nuclear power.

- The promotion of clean energy aligns with the Mayor's priority to make London carbon-neutral by 2030.

- The SR notes that the environmental announcements made could lead to an additional 10,000 jobs being supported across the UK, including 1,500 apprentices.

    - While it is not clear how many of these positions will be London-based, London is likely to form part of the supply chain supporting the delivery of renewable energy and is thus likely to get at least a proportionate share of these jobs and apprenticeship positions.

- There may be opportunities for London-based businesses and universities to engage in CCUS-related initiatives, programmes or supply chains to support their delivery.

- The investment to upgrade homes could directly benefit Londoners, particularly in low-income or energy-inefficient housing stock across the capital[5].

- London may benefit from the additional support for charging infrastructure, walking and cycling infrastructure. This aligns with the Mayor's Transport Strategy which aims to reduce Londoners' dependency on cars and increase the proportion of trips that are active, efficient and sustainable - walking, cycling and public transport[6].

- On the funding for sustainable farming and flood defences, it remains unclear how London will access this funding. London is particularly vulnerable to flooding risks from the Thames, and strengthened flood defences are critical to protect infrastructure, homes, and businesses.

Industrial support

Announcements made:

- British Business Bank (BBB): Receives a 66% increase in funding (to £25.6 billion).

- Government and public administration: The government will continue to relocate more Civil Service roles out of London, and, by 2030, will reduce the number of civil servants based in London by 12,000 and have 50% of UK-based senior civil servants in regional offices across the UK.

---

[5] For more information, see: https://www.london.gov.uk/programmes-strategies/environment-and-climate-change/net-zero-energy/warmer-homes
[6] For more information, see: https://tfl.gov.uk/corporate/about-tfl/the-mayors-transport-strategy

- Construction: £625 million allocated between 2025-26 and 2028-29 to train up to 60,000 skilled construction workers, as announced at Spring Statement 2025.

- Advanced manufacturing: Over £3 billion allocated to R&D and capital funding over the next four years to unlock investment in this sector across the UK.

- Creative industries: Significant increase in funding to support regional growth and drive innovation, develop creative places, and ensure the UK's creative industries sector remains world-leading.

- Life sciences: Up to £600 million from 2026-27 to 2029-30 in collaboration with the Department for Science, Innovation and Technology (DSIT) and the Wellcome Trust to launch the world's first Health Data Research Service to accelerate the discovery of life-saving drugs, and up to £520 million in life sciences manufacturing funding from 2025-26 to 2029-30 to build resilience for future health emergencies.

- Professional business services: Significant additional support to cement the UK's position as a global leader.

- Freeports: the SR protects existing local growth investment plans for freeports (including the one in Thames Estuary).

Potential implications for London:

- In 2023, 3,696 of smaller businesses funded by the BBB were London-based. They received 17% of total funds (or £600M). This is roughly similar to the share of UK businesses based in London.

- While the SR mentions the drive towards reduced Civil Service employment in London, it is worth noting that there will still be 83,000 London-based full-time equivalent public-sector jobs at the end of the decade[7].

- Increased funding to train construction workers could benefit London, given that London's construction sector has acute labour-market shortages and a skills deficit.

- London enjoys both a national and global competitive advantage in the life sciences, creative industries, and professional business services sectors. These sectors also receive strong attention in the London Growth Plan and form part of the so-called 'frontier economy' industries that are meant to drive sustainable economic productivity and growth in the future.

- In terms of the funding announced at SR, the Health Data Research Service will be based in Cambridge and the life sciences manufacturing support is likely to be channelled to clusters outside London. More details should be presented in the government's Industrial Strategy (to be published later this year) on how the funds support these initiatives and whether London would benefit.

- According to the Thames Estuary Growth Board, the freeport "has the potential to contribute £190 billion to the national economy by 2050 and provide 1.3 million new jobs. A freeport is a huge step towards delivering this"[8].

[7] See: https://www.civilserviceworld.com/professions/article/londonbased-civil-service-headcount-to-be-cut-by-12000
[8] https://thamesestuary.org.uk/freeport-bid/

Health

Announcements made:

- Investing £410 million per year by 2028-29 to expand Free School Meals in England to all children with a parent receiving Universal Credit, lifting 100,000 children in the UK out of poverty by the end of Parliament.

- Increasing the budget for technology implementation in the NHS by 15%.

- Investment in the NHS App to make it more versatile and useful to patients.

- Expanding mental health support teams to 100% of schools in England by 2029-30.

    - Through the Families First Partnership programme, the government is giving families and children access to better local support services to break the cycle of late intervention and help more children and families to stay together.

- Cash investment in the NHS that represents a real-terms increase of 3% every year of the SR, or a £29 billion real-terms increase for day-to-day operating of the NHS.

- £2.3 billion real-terms increase in Department of Health and Social Care (DHSC) annual capital budgets to 2029-30 to invest in the NHS (invest in items such as new technology, hospitals and primary care).

Potential implications for London:

- Expanding Free School Meal eligibility could potentially free up some funds from London's own Universal Free School Meals programme to spend on other priorities, seeing as how some of London's children will get the meals from central government.

    - Based on recently-published DWP data, there will be 196,000 London-based pupils in Years 3-6 who would be eligible for government FSMs as a result of this expansion. If their meals are funded by central government, this could reduce the GLA's core UFSM costs by as much as 25%[9].

- There are just under 45,000 pupils in London with social, emotional and mental health needs. They represent over 1 in every 8 such pupils in the UK, and are likely to benefit from the expansion in mental health support teams.

- The 2025 State of London report reveals that London continues to experience unequal health outcomes by borough and demographic characteristic, while the capital's infant mortality rate has recently been rising[10]. Increased real-terms funding for NHS operations is likely to support London's efforts to address these challenges.

[9] This figure is based on Universal Credit claimant data from November 2024, so by the time this eligibility change is implemented (the 2026/27 academic year), the number of claimants will likely have changed, and there will be other external factors affecting this number, like population change, which have not been accounted for.
[10] https://data.london.gov.uk/dataset/state-of-london/

Innovation

Announcements made:

- In addition to the AI Action Plan cited earlier, the SR committed a package of £86 billion to fund research and innovation initiatives in areas such as drug treatments, artificial intelligence and batteries.
    - This package also includes £500 million directed to the regions through Local Innovation Partnerships Funds (LIPFs).
    - Research and development (R&D) funding for universities will be increased to £22 billion per year by the end of the SR period.

Potential implications for London:

- The GLA should receive at least £30 million from this fund, although the final figure is not clear.
- In terms of the £500 million package through the LIPFs, there would be 10 direct awards to Mayoral Strategic Authorities (including London) of at least £30 million each, and the remainder of the fund would be allocated through a competitive tender process for other cities and areas. It is unclear yet whether the £30 million per direct award is over a four or five-year allocation period.
- As London has the biggest share of Top 50 universities in the world, it is likely to disproportionately benefit from the £22 billion R&D funding. By how much remains to be seen.
- Under the previously-mentioned AI Action Plan (see the Skills section), there is a commitment to set-up AI Growth Zones and 200 expressions of interest were received. These are likely to favour areas with lower existing grid congestion, and hence there is a low likelihood of success for London-based bids.
    - The level of funding available for these is not yet known, but is likely to include some relief to encourage private sector investment.
- London-based institutions are the largest beneficiaries of UKRI spending and stand to gain from the overall R&D package announced. They received nearly £2 billion in 2023-24[11].

Communities

Announcements made:

- Winter fuel payments will be made to three-quarters of pensioners this year as a result of increasing the means test threshold for Winter Fuel Payments to £35,000 from 2025-26.
    - The change will cost approximately £1.25 billion in England and Wales.
- Funding is allocated to improve parks, youth facilities and councils' fightback against graffiti in regions primarily outside London.

[11] https://www.ukri.org/publications/2022-to-2023-and-2023-to-2024-geographical-distribution-of-funding/geographical-distribution-of-ukri-funding-financial-years-2022-to-2023-and-2023-to-2024/

- Investing in up to 350 deprived communities across the UK, to fund interventions including community cohesion, regeneration and improving the public realm.

- The government is also establishing a Growth Mission Fund to directly support local economic growth. This fund will invest £240 million of capital from 2026-27 to 2029-30 in projects that enable local job creation and the economic regeneration of local communities. Further detail on this fund and the criteria that will be applied for project selection will be set out later this summer.

- The SR allocates £842 million per year (£1 billion including Barnett Formula impact) to reform crisis support. This includes the first ever multi-year settlement, merging the Household Support Fund into a new Crisis and Resilience Fund, which would also incorporate Discretionary Housing Payments.

- Funding to deliver world-class major sporting events to unite communities across the United Kingdom. Following on from plans to host the Women's Rugby World Cup this summer, this settlement will secure the UK's position in the delivery of major sporting events by delivering on plans for the Grand Départ for the Tour de France and Tour de France Femmes in 2027.

- £132.5 million of dormant assets will be unlocked to support disadvantaged young people to access new opportunities in their communities, schools, or libraries and increase access to welcoming safe spaces.

- Increased employment support funding to over £3.5 billion in 2028-29 and £1 billion in 2029-30.

- Additional £1.6 billion per year by 2028-29 to continue the expansion of government-funded childcare for working parents.

- Assistance for families most at risk of poverty through the Healthy Start scheme.

Potential implications for London:

- GLA analysis of the Family Resources Survey indicates that 66% of pensioners in London (643,000) will receive the Winter Fuel Payment from 2025-26. Nevertheless, 336,000 pensioners will continue to remain ineligible, since their incomes exceed the £35,000 per annum threshold.

- With youth disenfranchisement becoming an increasingly difficult problem in London, lack of funding for London could see youth satisfaction rates in the capital decrease from recent levels reported in the 2025 State of London report.

    - For example, the 2023-24 Community Life Survey shows that London scores lower than England on metrics such as "Satisfaction with local area as a place to live" and "Feedback on attractiveness of local area".

- With respect to the reforms in crisis support, while the funding will be ring-fenced and multi-year, merging the two existing types of funding could present challenges to administration and delivery while risking overall funding levels and not retaining some of the advantages of existing programmes (e.g., the Household Support Fund).

- As a global cultural destination, London is a likely beneficiary of additional support to deliver world-class major sporting events in spite of the distribution of funding across the UK. To what extent remains to be seen.

  - A new report shows that major sporting events delivered a £230 million boost to London's economy[12].

- With London having a higher proportion of youth who are not in employment, education or training (NEET), and with higher social and economic inequality than other regions, funding to unlock support for disadvantaged young people could prove beneficial.

- Funding to support childcare and families at risk of poverty is also likely to benefit London, as childcare costs in London tend to be over 25% more expensive than the national average, according to the Child Poverty Action Group (CPAG)[13]. Meanwhile, London tends to have a higher incidence of relative poverty[14].

Children and young people

Announcements made:

- Extra funding allocated for nurseries (£370 million for school-based nurseries), while capping the cost of school uniforms.

- £4.5 billion of additional funding in the core schools budget by the end of the SR.

- The government will increase the core schools budget by £2 billion in real terms over this SR (2023-24 to 2028-29).

- The School Rebuilding Programme will continue with £2.4 billion invested annually over the next four years, committing to the current programme of rebuilding over 500 schools across all regions of England.

- Department for Education (DfE) Total Departmental Expenditure Limits to increase by 0.8% in real terms between 2025-26 and 2028-29.

- £370 million for school-based nurseries and £555 million for children's social care over the course of the SR.

- Encourage the take-up of music and the protection of libraries.

Potential implications for London:

- In 2024, there were 9,670 childcare and early year providers in London, more than 17% of the UK total. As the region with the highest inequality, London is likely to benefit more from increased support for social care and youth-related amenities.

- According to the 2024 State of London report, between August 2015 and August 2023, there was a 26% decrease in the number of registered early years providers across London (from 12,057 to 8,867), compared to a 32% decrease across England (from 71,310 to 48,143).

---

12 https://www.london.gov.uk/New%20report%20reveals%20major%20sporting%20events%20delivered%20%C2%A3230%20million%20boost%20to%20London%E2%80%99s%20economy%2C%20attracting%20over%20200%20million%20global%20viewers

13 See https://cpag.org.uk/news/cost-child-london

14 See Economic Fairness – Population in Poverty – London Datastore

- o Although the number of providers in London decreased, the total number of spaces they provided increased by 12% during the same period. This is due to a shift to larger childcare providers on domestic premises, while the number of smaller providers (childminders) decreased by 43%, driving the reduction in the number of providers.

Crime and policing

Announcements made:

- £7 billion for 14 thousand prison places and reform of probation services.
- Real-term increase for police "core spending power" by 1.7% per year on average (2025-26 to 2028-29). 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. Full details of annual police funding will be set out in the Police Funding Settlement."
- 13 thousand extra police, PCSOs and special constables in England and Wales
- Deliver programme of police reform (raising standards, harnessing technology, increasing efficiency, and improving accountability as part of Police Reform White Paper).
- Probation Service to receive up to £700 million in additional funding per year by 2028-29, compared to 2025-26, to deliver recommendations of Independent Sentencing Review.
- Up to £450 million of additional investment per year for the courts system by 2028-29, compared to 2025-26, increasing Crown Court sitting days.

Potential implications for London:

- On the commitment to provide an extra 13 thousand police officers, PSCOs and special constables, the SR does not mention how these commitments will be funded.
- MOPAC shares the concerns made jointly between the APCC and NPCC that the settlement as announced would not cover much more than inflationary costs, that funding the additional 13,000 neighbourhood police officers based on the announced settlement alone will be "incredibly difficult", and that there is still no confirmed capital investment for the MPS.
- The GLA looks forward to the provisional police settlement in December, which will confirm the allocation of funding to each police form, and confirm the position on what assumptions have been made in the SR about the Mayoral precept.
- The GLA will continue to make the case to Government about London's National and International Capital City requirement and for full funding for special grants (in particular for investigations of national importance such as Northleigh (Grenfell) and capital funding).

Defence and security

Announcements made:

- Defence spending will rise from 2.3% of gross domestic product (GDP) to 2.6% from 2027 (including the contribution of intelligence agencies), an increase of around an extra £5 billion a year. This will be paid for by cutting the overseas aid budget. Ministers want to increase defence spending to 3% by 2034.

- A £600 million uplift to security and intelligence agencies.
- Investment in new submarines.
- Up to £280 million a year in extra funding for border security command.
- An end to using hotels for asylum seekers to save taxpayers £1 billion per year.
- A reduction in the inflation-adjusted Home Office budget allocation.

Potential implications for London:

- While most of the defence-related investments and jobs supported would be based outside London, London may still benefit as it is part of the defence industry's wider supply chain.
    - Defence is a reasonably significant industry in London. Major aerospace and engineering firms like Rolls Royce and BAE are headquartered in London, while universities such as Imperial have R&D capabilities and links with the defence industry (e.g., the MoD's Defence and Security Accelerator has a London Office at White City).
    - Furthermore "dual use" technologies like AI, cyber, quantum, and robotics are increasingly crucial to modern warfare. In these aspects, London might see some modest growth benefits from this increase in defence spending.
- In 2023-24, Ministry of Defence (MoD) expenditure in London was worth over £2 billion, about 7% of its UK-wide expenditure. So it is likely that London would benefit from some of the MoD's increase in expenditure, especially in activities related to R&D and innovative technologies.

Green Book Review

Announcements made:

- HM Treasury (HMT) will publish a simplified and shortened Green Book. It will introduce the concept of 'place-based business cases' that enable the joint appraisal of projects needed in an area, rather than on an individual basis as is currently more common.
    - Complementary to this will be improved guidance on assessing the potential for 'transformational change' in an area. HMT says the new Green Book will also make clear that it does not make decisions solely based on the Benefit Cost Ratio (BCR) of a project, nor does it endorse the use of 'arbitrary BCR thresholds' for which projects it deems value for money: "A BCR of less than 1 should not automatically constitute poor value for money".

Potential implications for London:

- The Green Book sets out Government rules for assessing the costs, benefits and risks of options to deliver Government Objectives, but it does not set the objectives or make decisions for ministers. There were six primary findings and actions:
    - Insufficient emphasis on place-based objectives.
    - Ineffectiveness at assessing transformational change.
    - Continued over-emphasis on benefit-cost ratios (BCR) in decision making.

- Overly long and complicated guidance.
- Inadequate capacity and capability across the public sector.
- Poor transparency of government business cases.

- HMT consulted with the GLA and TfL for the Green Book Review and have taken on board some of our feedback, including the need for more proportionate appraisals. A Taskforce on place-based business cases will be established and HMT say they will work with regional government on this, and also help to build local capacity and capability around Green Book appraisal.

- TfL is already internally attempting to implement some of the items raised by HMT in the Green Book Review. A number of initiatives are underway or are already embedded at TfL around the Green Book Review findings:

    - BCR: TfL does not place undue emphasis on the BCR. It is still, however, a useful value for money metric and where impacts are excluded from it, TfL recommends including quantitative or qualitative evidence alongside it to inform the overall value for money rating. It is a useful check to make sure that the impacts, objectives and desired outcomes are represented in the BCR and if not, represent them alongside it and adjust the value rating appropriately. In addition to this, it is sensible to largely rank similar types of schemes by value rating, but for business planning, it is also sensible to ensure there is a good representation and performance against all of the business outcome objectives and not just select those schemes with the highest BCR. TfL already does this.

    - Higher level portfolio/outcome, or "Mission" focused business cases, are critical for delivering both place-based and transformational change and to help with resource capacity issues. As opposed to individual scheme cases, they allow for significant changes to be captured that cannot be attributed to an individual scheme. They capture how schemes can work together to deliver the change and they can help show the best prioritised approach to delivering individual schemes. This can take the analytical burden away from individual schemes – which become much less onerous, but may still be needed at a reduced level to answer scheme-specific decision-making.

    - The TfL Investment Appraisal team has also been busy simplifying its guidance (The Business Case Development Manual), scaling templates and paving the way for a simpler workflow with improved analysis capability by developing the Business Case Repository on the Central Projects List.

- The SR said that the reforms to the Green Book were about "providing objective, transparent advice on public investment across the country, including outside London and the South East". This suggests that many of the changes were designed to support business cases in the North and Midlands. However, place-based business cases and improved guidance on transformational change also have the potential to help strengthen business cases in London.

Annex: Real annual growth in budget allocations [15]

	Total Departmental Expenditure Limits (DEL) (average real annual growth: 2026-27 to 2028-29)	Resource Departmental Expenditure Limits (RDEL) (average real annual growth: 2026-27 to 2028-29)	Capital Departmental Expenditure Limits (CDEL) (average real annual growth: 2026-27 to 2028-29)
Health and Social Care	2.7%	2.8%	0.0%
Education	0.8%	0.7%	1.3%
Home Office	-1.4%	-1.7%	0.7%
Justice	2.0%	1.8%	-2.1%
Law Officers' Departments	5.3%	1.4%	-14.0%
Defence	3.8%	0.7%	7.3%
Single Intelligence Account	3.7%	3.7%	0.1%
Foreign, Commonwealth and Development Office	-8.3%	-6.9%	-6.8%
MHCLG Local Government	1.1%	1.1%	-
MHCLG Housing, Communities and Local Government	-0.6%	-1.4%	0.0%
Culture, Media and Sport	-1.4%	-1.2%	-2.8%
Science, Innovation and Technology	0.9%	7.4%	0.5%
Transport (excl. High Speed 2)	0.5%	(For the entire Department: -5%)	3.9%
Transport- High Speed 2	-9.3%		-7.9%
Energy, Security and Net Zero (excl. Sizewell C)	2.7%	(For the entire Department: 0.5%)	2.6%
Energy, Security and Net Zero (Sizewell C)	-3.7%		-0.7%
Environment, Food and Rural Affairs	-2.3%	-2.7%	-1.8%
Business and Trade	3.0%	-1.8%	4.1%
Work and Pensions	-0.2%	0.4%	-10.4%
HM Revenue and Customs	-1.5%	0.7%	-24.3%
HM Treasury	-1.9%	-1.7%	-19.2%
Cabinet Office	0.4%	2.7%	-18.5%
Scottish Government	0.8%	0.8%	0.3%
Welsh Government	0.7%	0.9%	-0.9%
Northern Ireland Executive	0.5%	0.4%	0.7%
Small and Independent Bodies	-0.5%	-0.7%	0.1%
Growth Mission Fund	-	N/A	-
Reserves	-	-	-

[15] Taken from: https://www.gov.uk/government/publications/spending-review-2025-document

	Total Departmental Expenditure Limits (DEL) (average real annual growth: 2026-27 to 2028-29)	Resource Departmental Expenditure Limits (RDEL) (average real annual growth: 2026-27 to 2028-29)	Capital Departmental Expenditure Limits (CDEL) (average real annual growth: 2026-27 to 2028-29)
Provision for intra-governmental leases	-	N/A	-
ALL DEPARTMENTS	**1.5%**	**1.2%**	**1.8%**

GLAECONOMICS

Greater London Authority
City Hall
Kamal Chunchie Way
London E16 1ZE

Tel 020 7983 4000
Minicom 020 7983 4000
Email glaeconomics@london.gov.uk

MAYOR OF LONDON