



HM Treasury

Institutionalization of the Spending Review Process

Spending Review seminar, 2 September 2025

Overview

1. The introduction of Spending Reviews, and how they sit within the UK's fiscal framework
2. Spending Reviews over time
3. What the overall Spending Review process looks like
4. Ongoing innovations and reforms



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Spending reviews were then introduced in 1998 as part of a wider set of reforms to the UK macroeconomic framework

. The aim in introducing was to:



provide **greater certainty**;



encourage **longer-term planning**;



enable PM/CX to **consider competing pressures on the government finances in the round**;



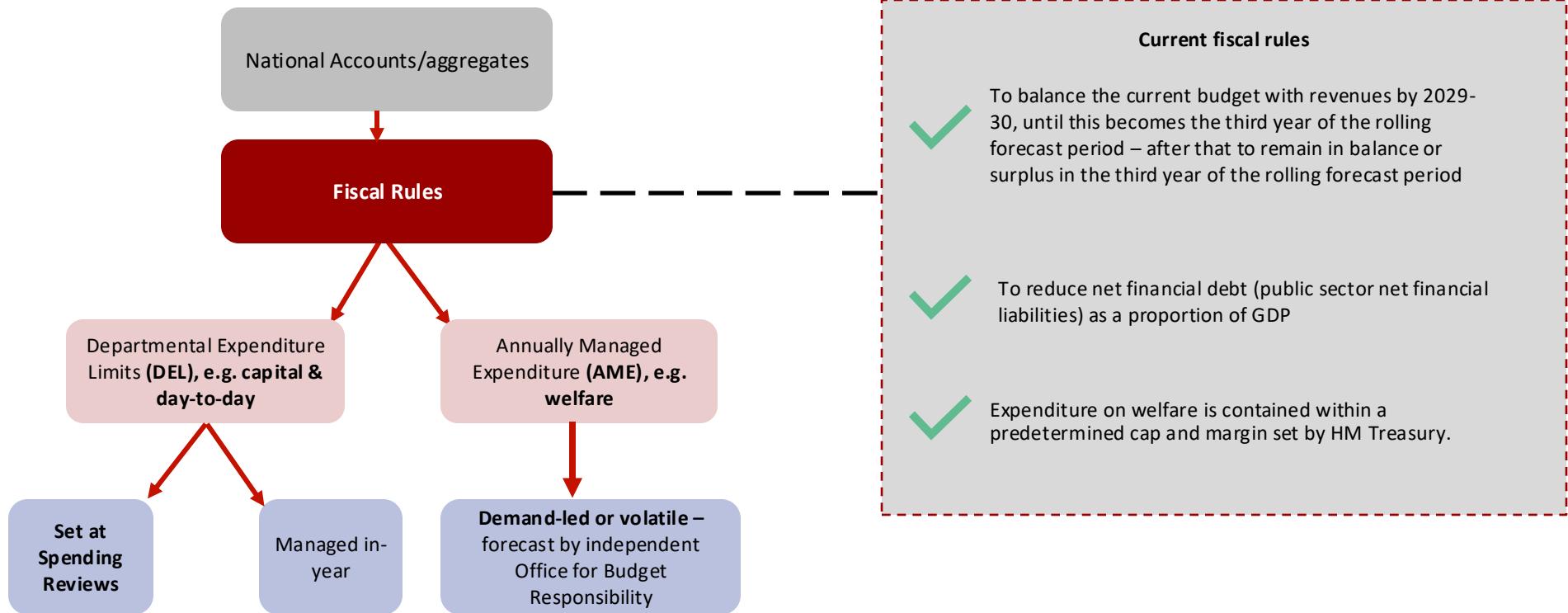
and allow for **greater flexibility**, such as moving spending between years and allowing individual departments to plan strategically over the medium term.



“We will conduct a central spending review and departmental reviews to assess how to use resources better, while rooting out waste and inefficiency in public spending.” 1997 Labour manifesto



Fiscal rules determine the government's optimal balance of tax, spend and borrowing – and therefore the government's planned level of spending



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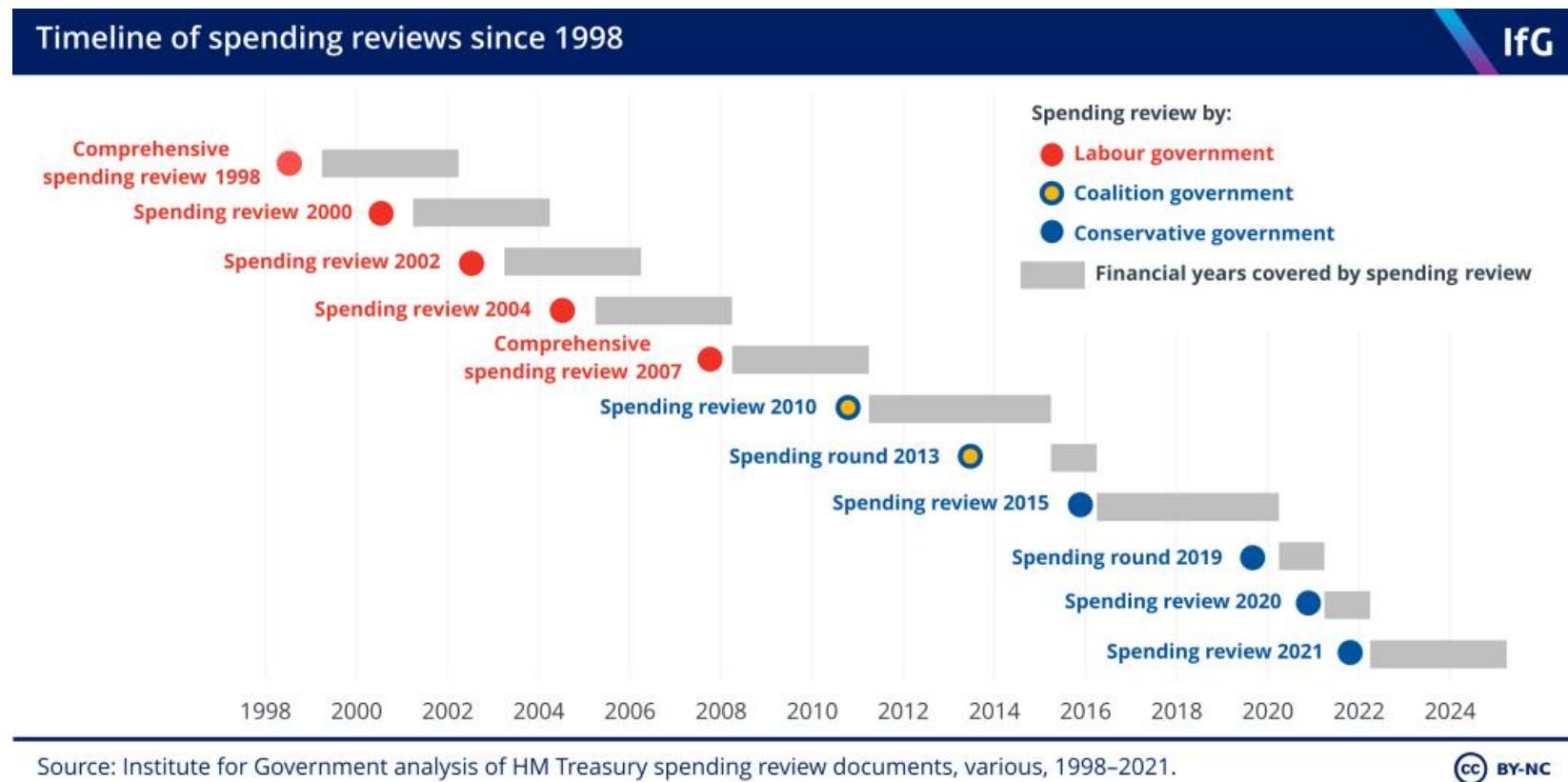


Since 1998, governments have taken different approaches to the length and scope of SRs (1)

SR year	SR10	SR13	SR15	SR19	SR20	SR21	SR25
SR length	4 years RDEL and CDEL (2011/12-2014/15)	1 year RDEL and CDEL (2015/16)	4 years for RDEL in most cases (2016/17-2019/20) and 5 years for CDEL (2016/17-2020/21)	1 year RDEL in most cases (2020/21)	1 year RDEL in most cases (2021/22), multi-year settlements for select infrastructure projects, MOD, NHS and schools	3 years RDEL and CDEL (2023/24)	4 years RDEL (2025-26 to 2028-29) 5 years CDEL (2025-26 to 2029-30)
Planned RDEL and CDEL changes	RDEL: -3% a year on average CDEL: -29.0% over SR period	RDEL: -3% CDEL: +1.3% over SR period	RDEL: -1.3% a year on average CDEL: +6.4% over SR period	RDEL: +4.1% CDEL: +5.0%	RDEL: +3.8% real a year from 2019-20 to 2021-22 CDEL: £30 billion cash increase from 2019-20 to 2021-22	RDEL: 3.3% a year from 2021-22 to 2024-25 CDEL: average annual real increase of 6.7% from 2019-20 to 2024-25	RDEL 1.7% CDEL: 3.6% a year from 2023-24 to 2028-29



Since 1998, governments have taken different approaches to the length and scope of SRs (2)



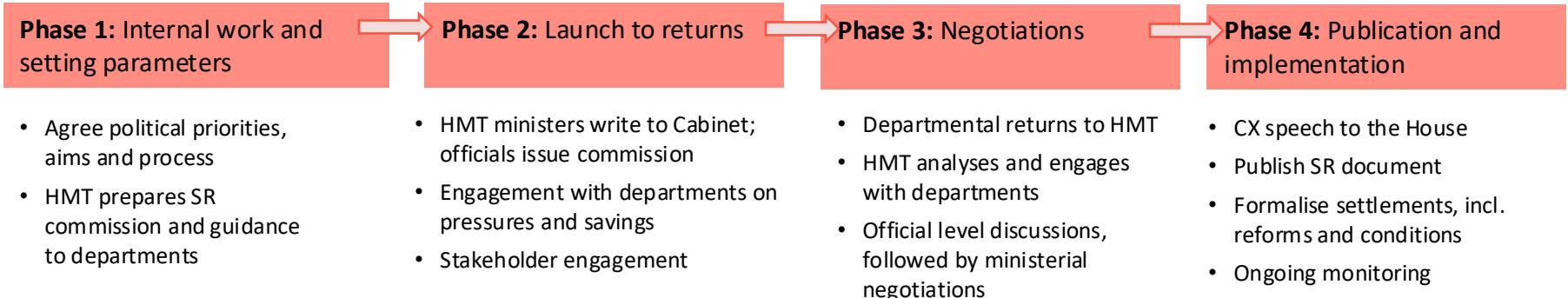
From 2024, the government introduced an obligation to hold an SR every two calendar years, setting budgets for at least three years for resource and capital spending.

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In the build-up to recent Spending Reviews, there have been four key phases of work, led by HMT



Spending breakdown		Budget (£m)					
Level 1 [spending areas]	Level 2 [spending breakdown]	Department View (RDELex)			Department View (RDELex) o/w Admin		
		26-27	27-28	28-29	26-27	27-28	28-29
Please input in pink cells							
Stacking up spending/income under scenario A ex.ODA							
Spending/income line 1	Spending/income line 1.1						
Spending/income line 1	Spending/income line 1.2						
Spending/income line 1	Spending/income line 1.3						
Spending/income line 1	Spending/income line 1.4						
Spending/income line 1	Spending/income line 1.5						
Spending/income line 2	Spending/income line 2.1						
Spending/income line 2	Spending/income line 2.2						
Spending/income line 2	Spending/income line 2.3						
Spending/income line 2	Spending/income line 2.4						
Spending/income line 2	Spending/income line 2.5						
Spending/income line 3							
Spending/income line 4							
Spending/income line 5							
Spending/income line 6							
Spending/income line 7							
<i>Add any new rows above this line ex. ODA</i>							
Comparison with scenario A							
RDELex scenario A Total		0	Yes	0	Yes	0	
Lower than scenario A							
Difference (£m) to A							
Additional spending/income proposed under scenario B ex. ODA							
Spending/income line 1	Spending/income line 1.1						
Spending/income line 2							
Spending/income line 3							
Spending/income line 4							
<i>Add any new rows above this line</i>							
Comparison with scenario B							
RDELex scenario B Total		0	Yes	0	Yes	0	
Lower than scenario B							
Difference (£m) to B							



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Phase 1: Internal work and setting parameters

- Agree political priorities, aims and process
- HMT prepares SR commission and guidance to departments

Phase 2: Launch to returns

- HMT ministers write to Cabinet; officials issue commission
- Engagement with departments on pressures and savings
- Stakeholder engagement

Phase 3: Negotiations

- Departmental returns to HMT
- HMT analyses and engages with departments
- Official level discussions, followed by ministerial negotiations

Phase 4: Publication and implementation

- CX speech to the House
- Publish SR document
- Formalise settlements, incl. reforms and conditions
- Ongoing monitoring

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Spending/income line 1	Spending/income line 1.1						
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Spending/income line 3							
Spending/income line 4							
Spending/income line 5							
Spending/income line 6							
Spending/income line 7							
Add any new rows above this line ex. ODA							
Comparison with scenario A							
RDELex scenario A Total		0	0	0	0		
Lower than scenario A		Yes	Yes	Yes	Yes		
Difference (£m) to A							
Additional spending/income proposed under scenario B ex. ODA							
Spending/income line 1		Spending/income line 1.1					
Spending/income line 2							
Spending/income line 3							
Spending/income line 4							
Add any new rows above this line							
Comparison with scenario B ex. ODA							
RDELex scenario B Total		0	0	0	0		
Lower than scenario B		Yes	Yes	Yes	Yes		
Difference (£m) to B							

Chapter 1 How to use this document

This document, approved by the Chancellor of the Exchequer and Chief Secretary to the Treasury (CST), sets out the context and instructions for departments to complete the accompanying templates and evidence notes as part of Phase 2 of Spending Review 2025 (SR25). It is divided into the following sections:

- 1 **Introduction:** the context and process for Phase 2 of SR25
- 2 **Departmental submissions:** information requests and what departments are being asked to provide in their SR25 returns

Departments should complete and return the following to HM Treasury (HMT). Spending Teams will advise the CST on the overall quality and completeness of department submissions.

- a) **RDEL Zero-based review (ZBR)** – sheet 1 in the unified template
- b) **Lower priority (20%) ZBR** – sheet 2 in the unified template
- c) **RDEL Targeted ZBR** – sheet 3 in unified template
- d) **RDEL Technical Efficiency** – sheet 4 in the unified template
- e) **Technical Efficiency delivery plan** – separate delivery plan sheet
- f) **RDElex** – sheet 5 in the unified excel template
- g) **CDEL** – sheet 6 in the unified excel template and a Business Case Summary Sheet (separate template) as agreed with HMT Spending Teams
- h) **Official Development Assistance (ODA) TEL** – sheet 7 in the unified template
- i) **ODA evidence note** – separate 'ODA' evidence note
- j) **Joint budgets** – sheet 8 in the unified excel template
- k) **Pay and workforce costs** – sheet 9 in the unified excel template
- l) **Strategic Workforce Projections** – quantitative and qualitative workforce data (separate template)
- m) **Regional distribution** – sheet 10 in the unified excel template
- n) **Equalities impacts** – sheet 11 in the unified excel template
- o) **Public service reform** – reform proposal template only where commissioned or relevant (separate 'public service reforms' sheet)



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Press release

Chancellor: Every pound spent will deliver Plan for Change

Chancellor of the Exchequer launches second phase of the Spending Review.

From: [HM Treasury](#), [The Rt Hon Darren Jones MP](#) and [The Rt Hon Rachel Reeves MP](#)

Published 12 December 2024



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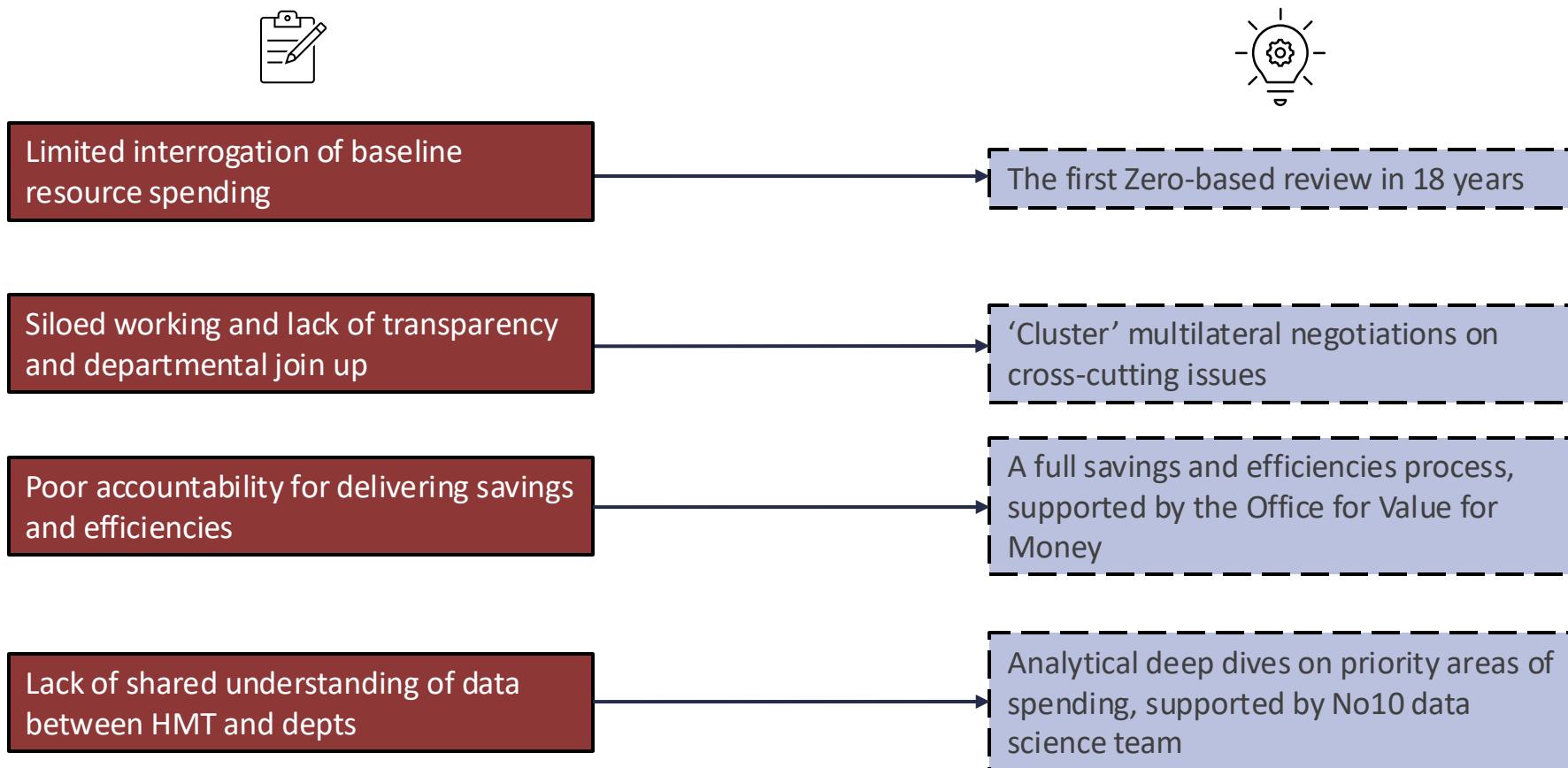
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At each SR, we make changes to try and improve the process and outcomes

At SR25, we implemented a number of reforms to the process, to try and address some of the limitations of previous SRs:



Conclusions

1. Spending Reviews are a core part of the UK fiscal landscape and have held up over time as a way of setting and holding ourselves to spending plans
2. The process generally functions well, and can flex to accommodate different political strategic goals and preferences
3. There are still limitations and weaknesses in the process which we will keep innovating to try and improve outcomes