

# BEYOND THE BUBBLE: THE IPSOS SPENDING REVIEW BRIEFING

MAY 2025

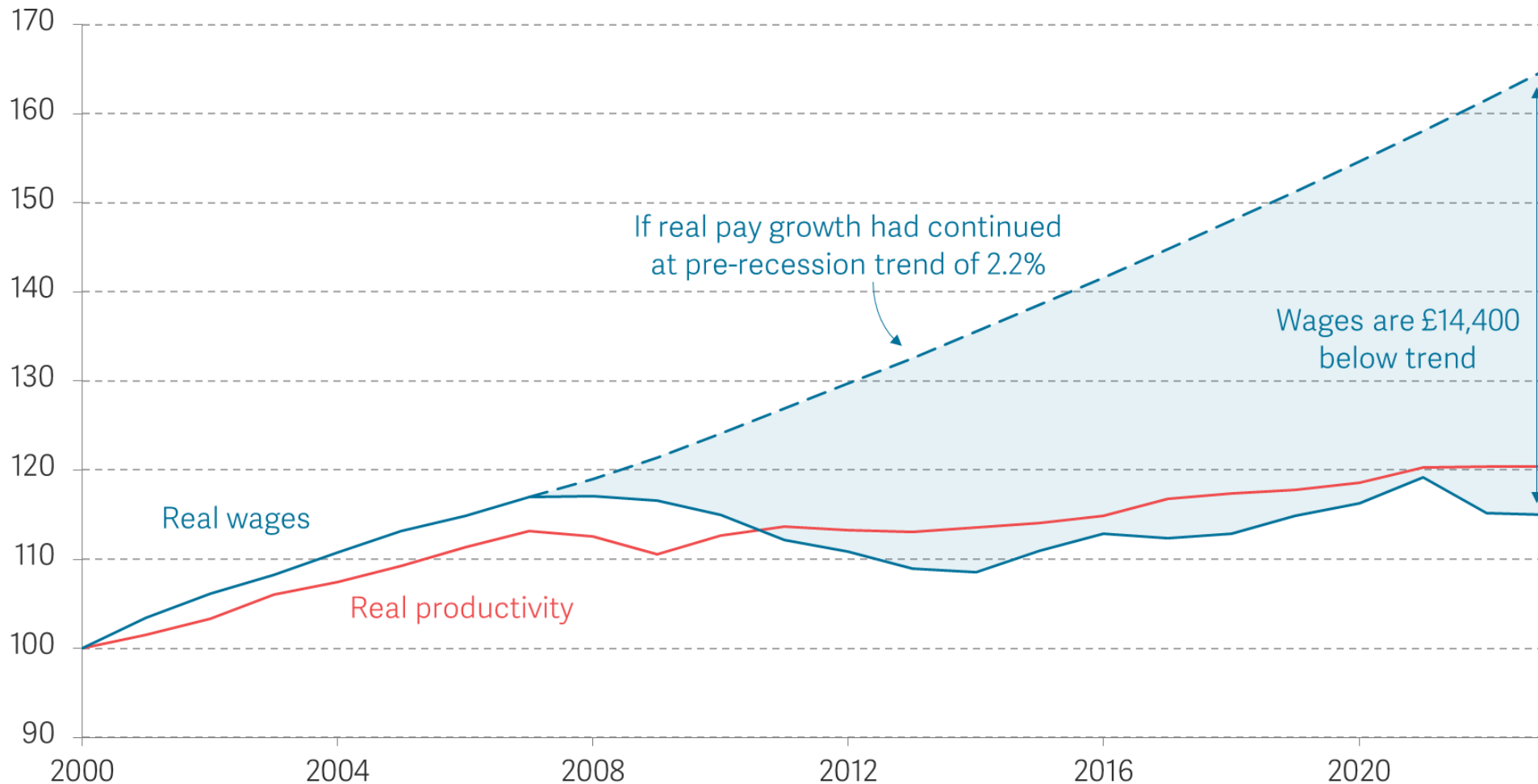
# Ipsos Spending Review Briefing

3 June 2025

**James Smith**, Research Director, Resolution Foundation

# The problem facing this government: stagnating growth

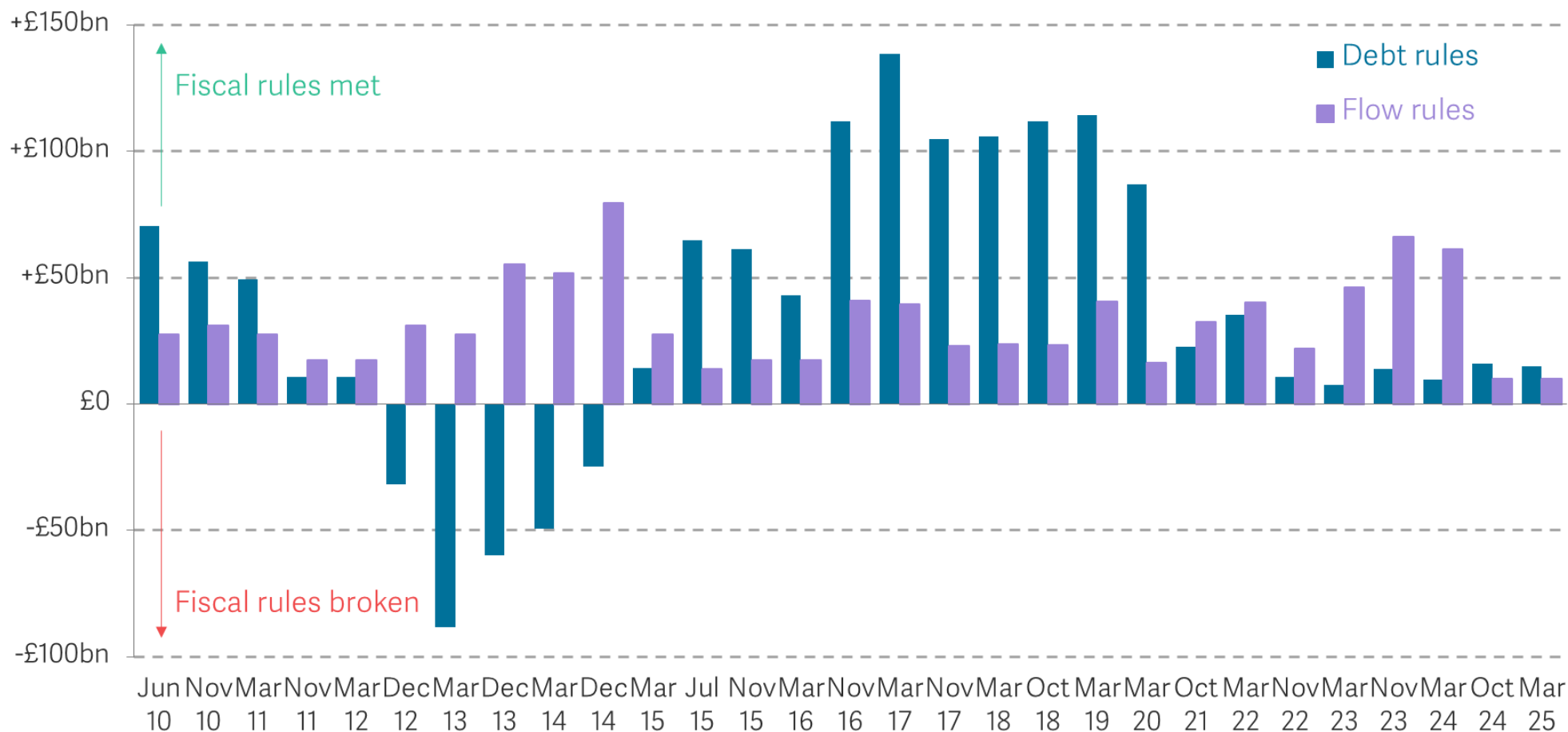
Indices of real annual wages (actual and pre-recession trend) and real output per hour worked (2000 = 100): GB/UK



Notes: Converted to real terms using a seasonally adjusted CPI index. Pay is regular pay, i.e. excludes bonuses and arrears. Earnings data covers Great Britain only; productivity data covers the whole of the UK.  
Source: RF analysis of ONS, Output per hour worked; ONS, Average weekly earnings.

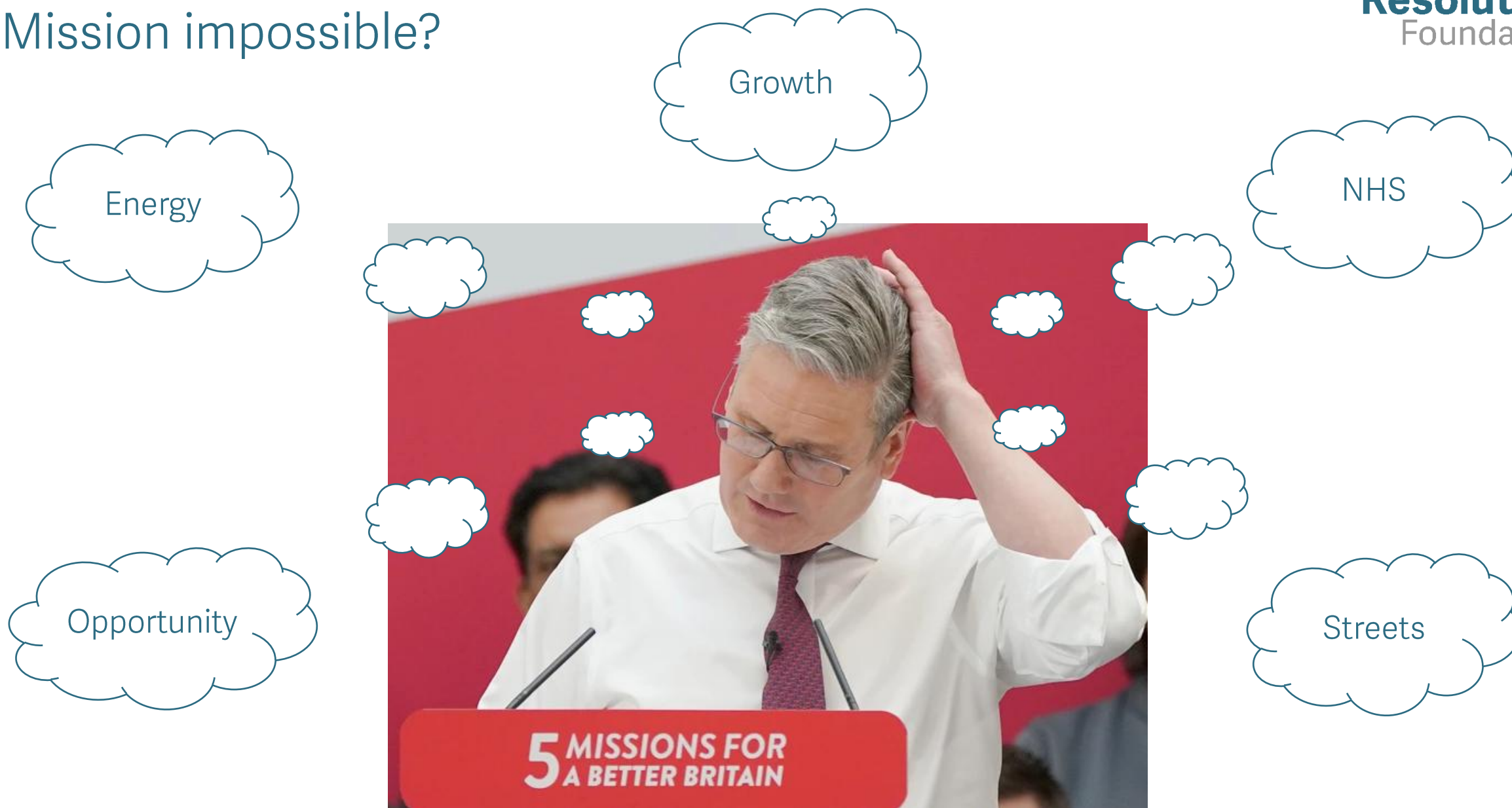
# The fiscal challenges are severe

Headroom against 'debt' and 'flow' fiscal rules, by fiscal event: UK



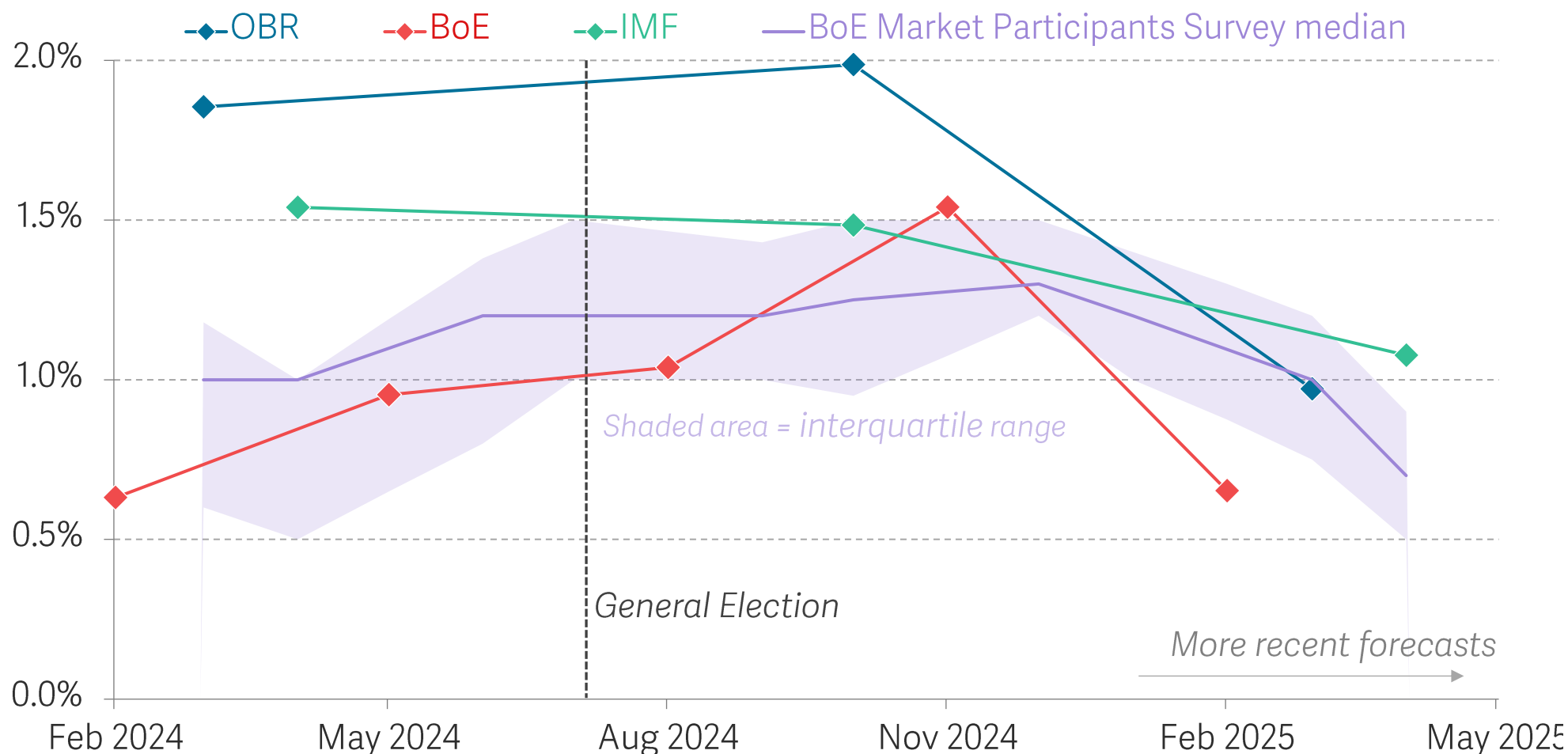
Notes: Past headroom has been calculated in per cent of GDP and multiplied by the March 2025 forecast for nominal GDP (£ billion) in 2029-30. Debt rules use nominal GDP centred end-March in 2029-30. This chart excludes fiscal events during the pandemic (November 2020 and March 2021), during which the fiscal rules were being broken by a significant margin. In July 2015, November 2016, March 2020, October 2021, November 2022 and October 2024, we have measured headroom against the government's proposed fiscal rules which had not yet been legislated for. The debt target between July 2015 and March 2016 was for debt to fall as a percentage in each year, so for these years the figure is the average yearly headroom to debt increasing (this target was not met in March 2016 as debt was not falling in each year). Source: RF analysis of OBR, Economic and Fiscal Outlook, various.

# Mission impossible?



# Growth expectations fell after the election...

Forecasts for UK GDP growth in 2025, by date of forecast: UK

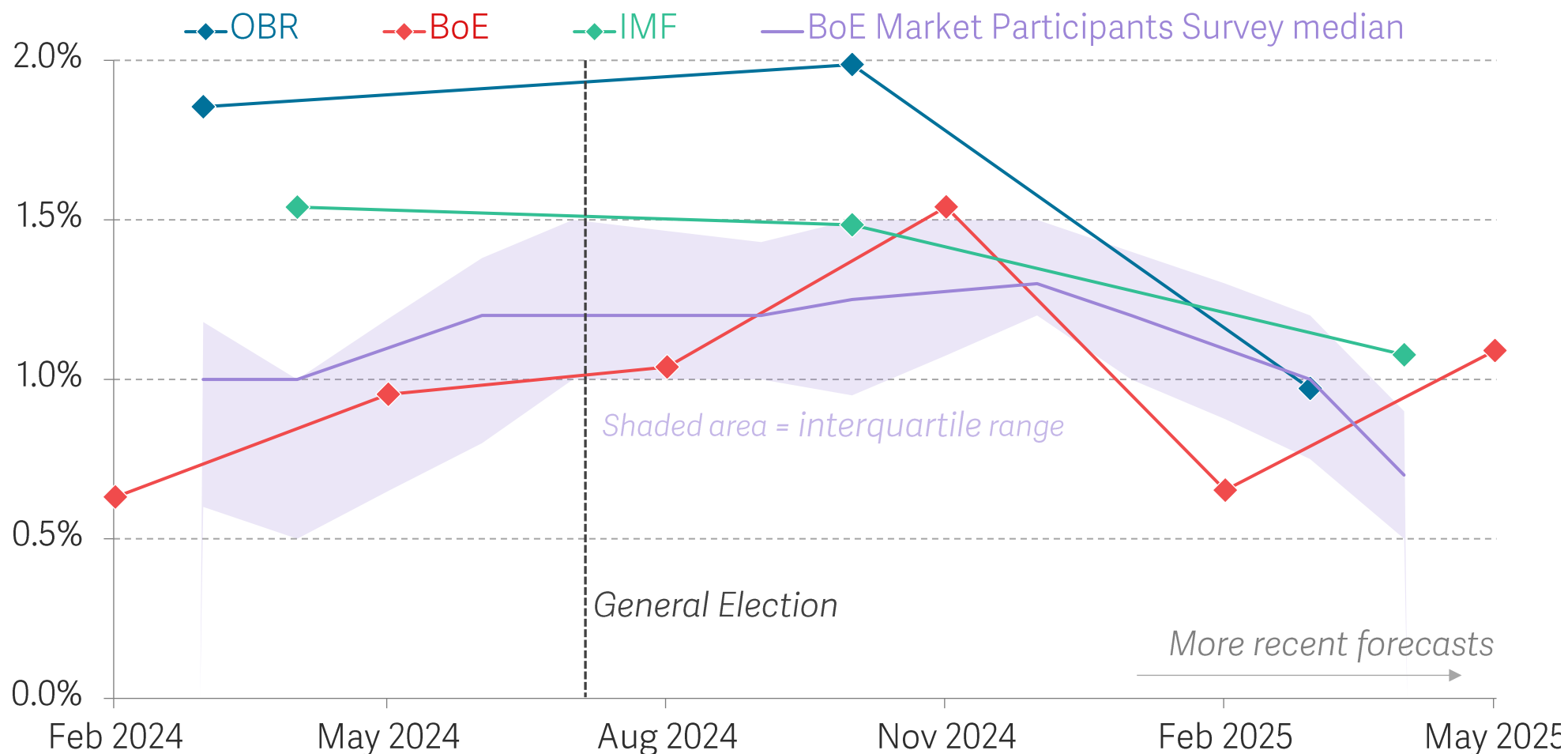


Growth was briefly the fastest in the G7 before falling back last year...

...there was a fall in confidence during the same period

# ...but the mood music has changed

Forecasts for UK GDP growth in 2025, by date of forecast: UK

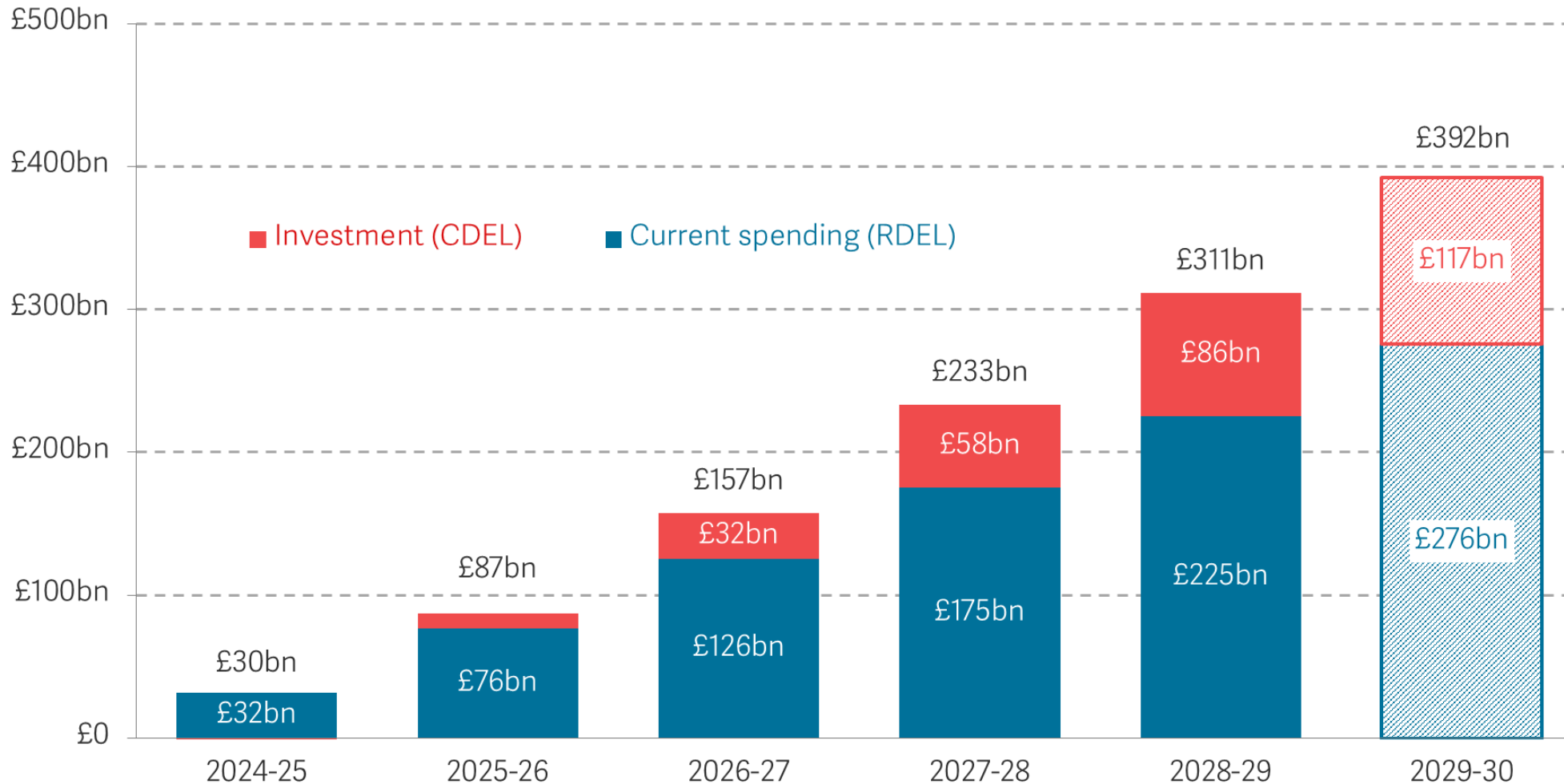


Growth was 0.7%  
in Q1 2025 with  
the UK (again)  
the fastest  
growing economy  
in the G7...

...and the  
Government has  
concluded three  
trade deals

# And now there are least some spending goodies to give out

Cumulative change in departmental spending plans between March 2025 Spring Statement and March 2024 Spring Budget, 2025-26 prices: UK



Notes: Comparison for 2029-30 assumes March 2024 spending continued at 2028-29 growth rates.  
Source: HMT, Spring Statement 2025 and Spring Budget 2024.



# BEYOND THE BUBBLE: THE IPSOS SPENDING REVIEW BRIEFING

**Gideon Skinner**

Senior Director UK Politics

Ipsos

**NO CHANGE IN THE  
GLOOMY PUBLIC MOOD**

**= GROWING  
DISAPPOINTMENT  
WITH LABOUR**

# 73%

think British economy is in a  
poor state (of whom  
**56%** blame Labour)

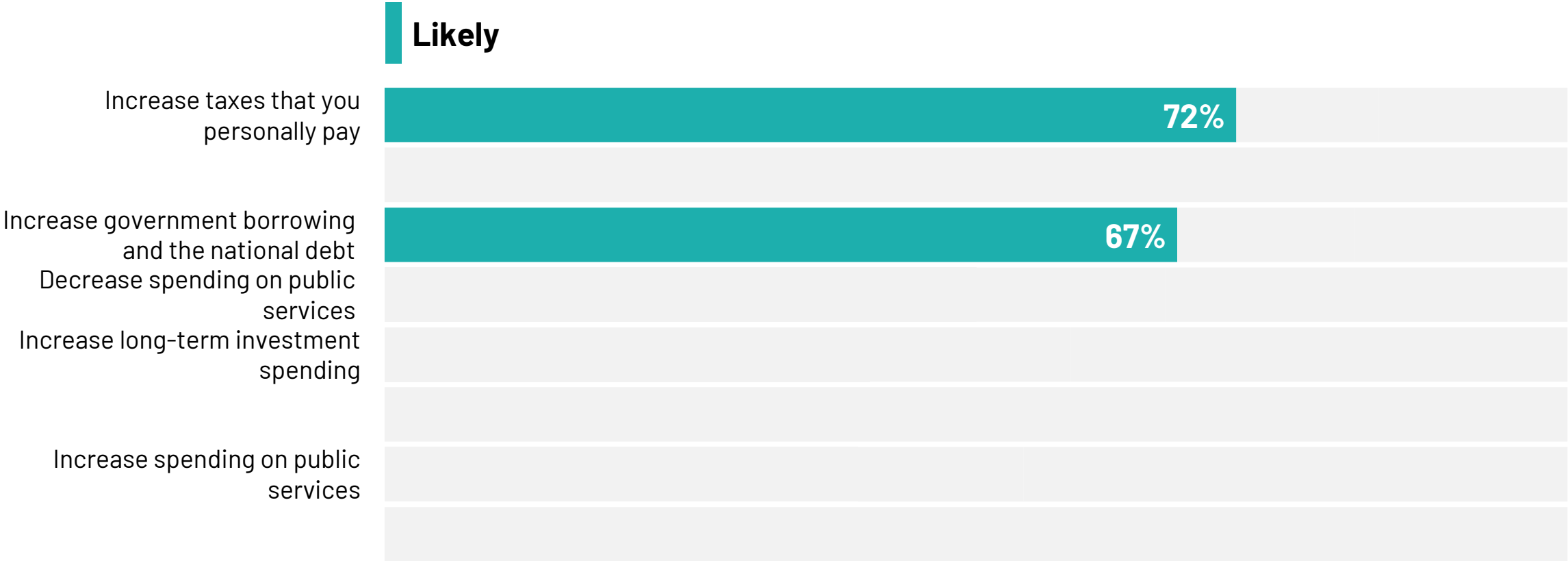
# 16%

think Rachel Reeves is doing a  
good job – **the same** as Kwasi  
Kwarteng in Sept 2022



# Labour isn't delivering the change people were hoping for

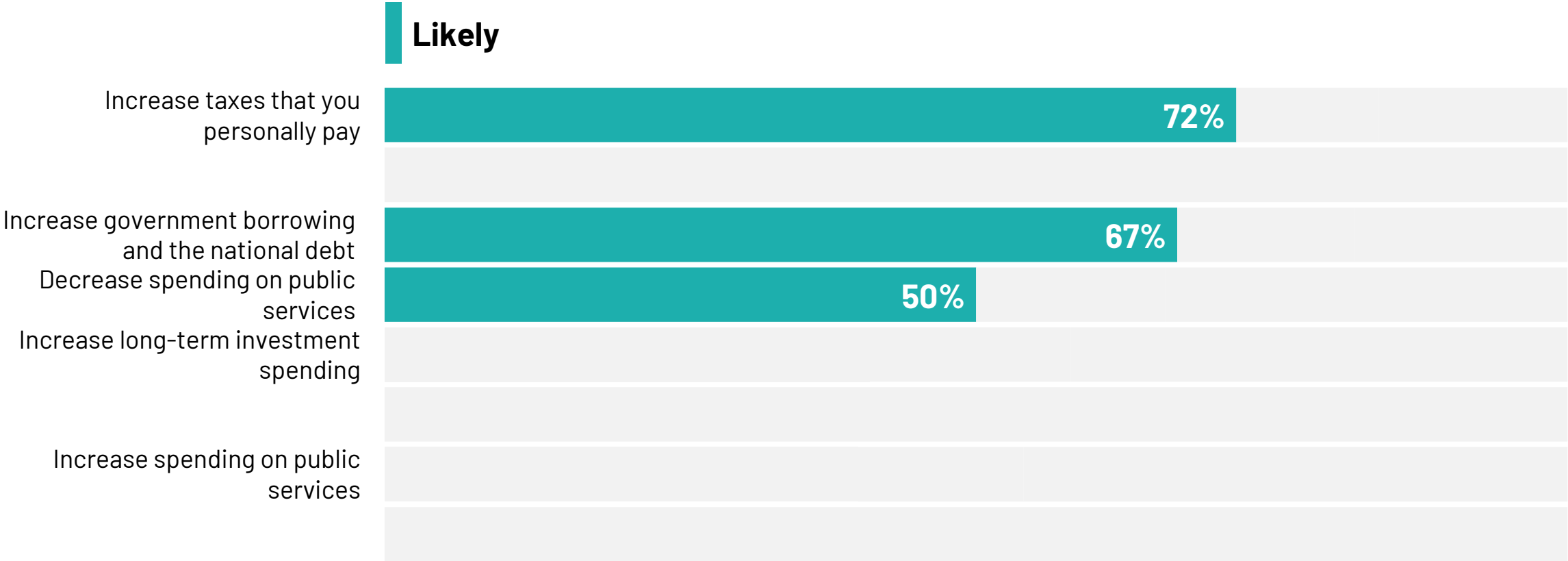
How likely, if at all, do you think the Labour party will be to do each of the following over the next year?



Base: 1094 Online British adults aged 18-75, 23-26 May 2025

# Labour isn't delivering the change people were hoping for

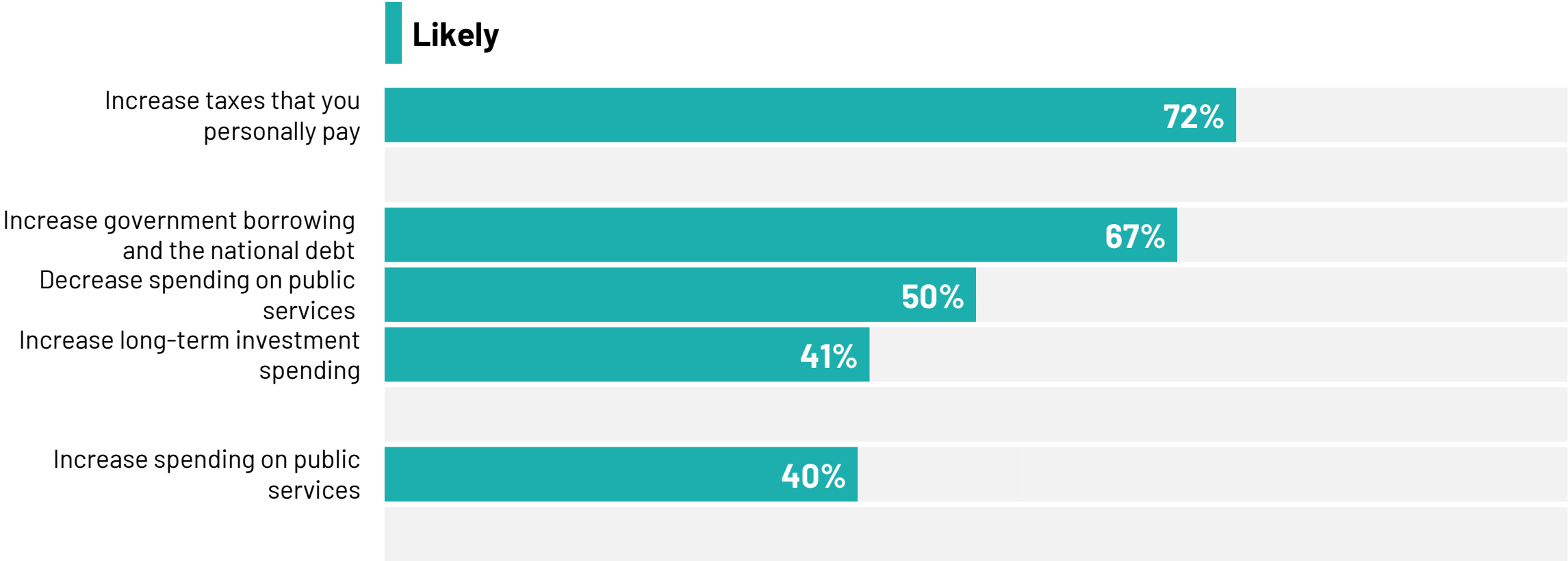
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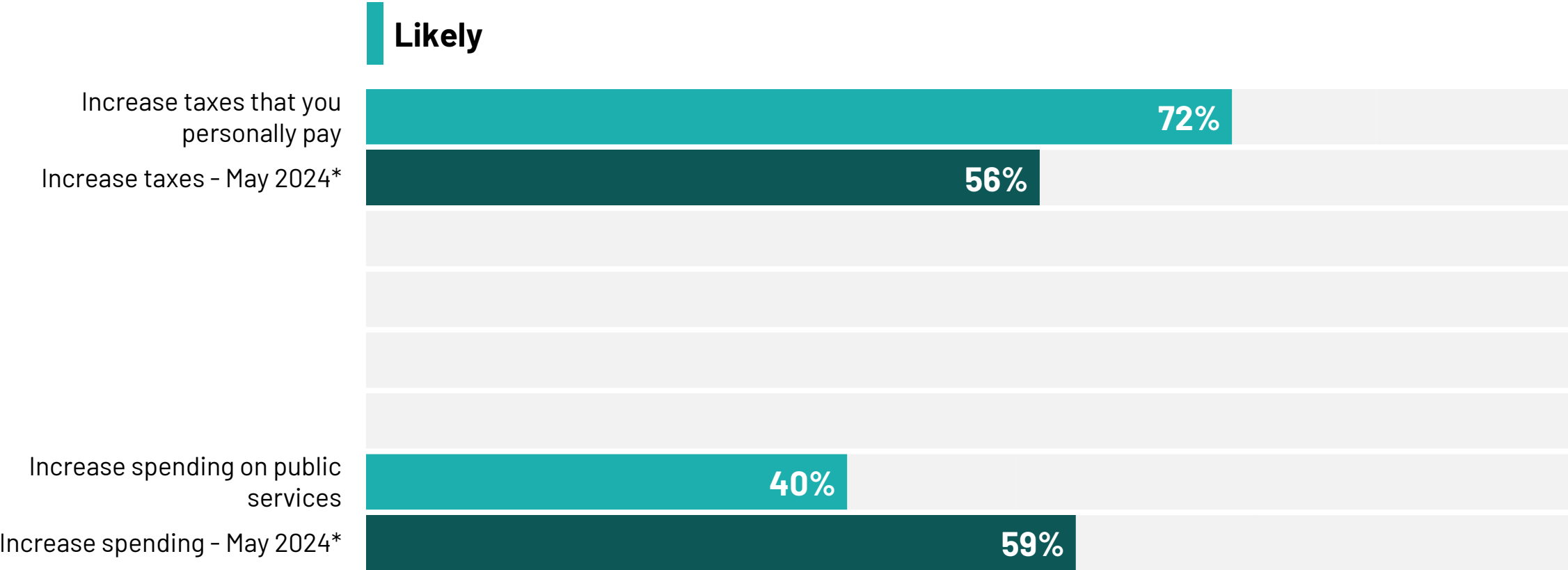


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# Labour isn't delivering the change people were hoping for

How likely, if at all, do you think the Labour party will be to do each of the following over the next year?

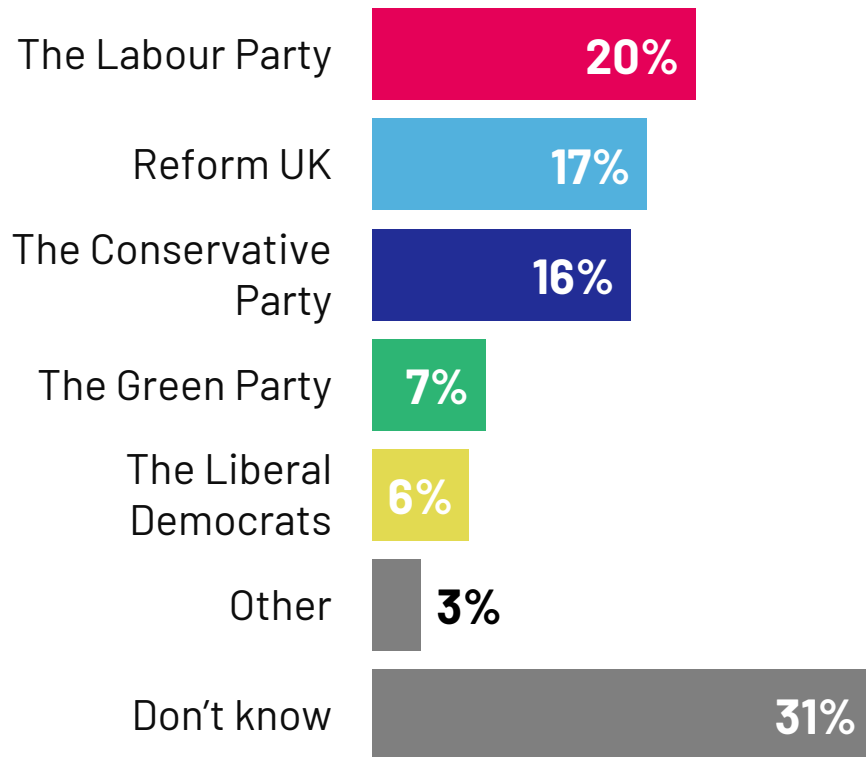


Base: 1094 Online British adults aged 18-75, 23-26 May 2025. \*How likely, if at all, do you think the Labour party / Conservative party would be to do each of the following if they were to win the next election?

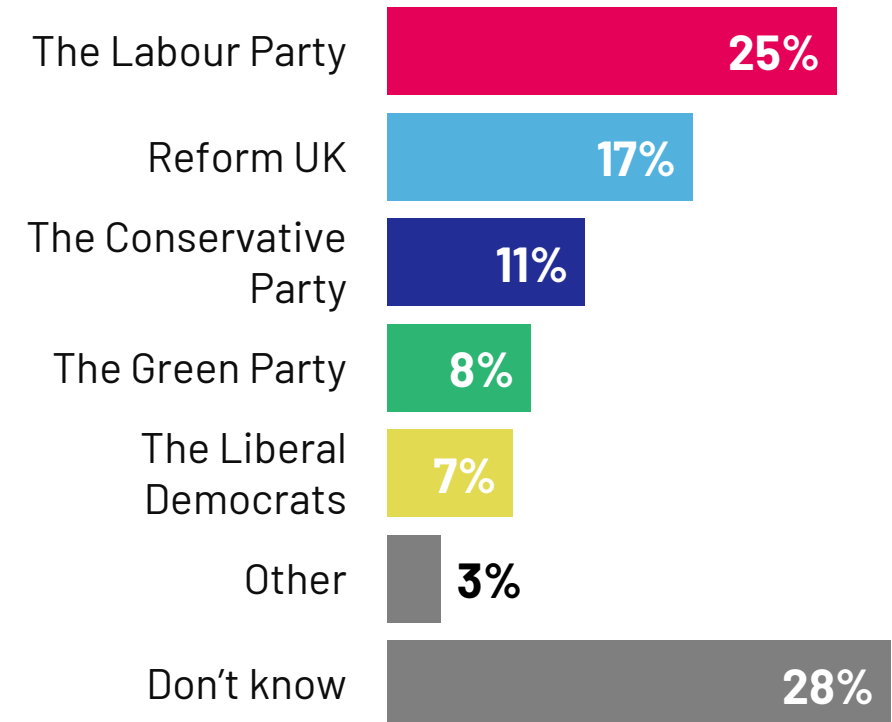


# Labour are still – but only just – most trusted on the economy and public services, but Reform are close behind

Which party, if any, do you trust most to manage Britain's economy?



Which party, if any, do you trust most to improve Britain's public services?



Base: 1094 Online British adults aged 18-75, 23-26 May 2025



# WHAT DOES THE PUBLIC THINK ABOUT THE BIG DECISIONS FACING THE CHANCELLOR?



# What are people's hopes from the Spending Review?

What would you most like to see announced in the Spending Review?

**Verbatim responses**

**Measures to address the cost of living**

*"Cut the tax we pay as people can't afford to live as it is and making working people pay more tax is just not good."*

**Increased spending on public services – especially the NHS**

*"The NHS is in a state and if we invested better money... we could fix health better than sticking plaster fixes"*

**Tax cuts – especially for lower/middle income earners**

*"I just want to pay less tax on a salary that's about 30k a year."*

**Action on immigration/asylum seekers**

*"The most obvious way to increase the amount of money we have is to stop boats crossing the channel. Stop putting people up in hotels and handing out benefits."*

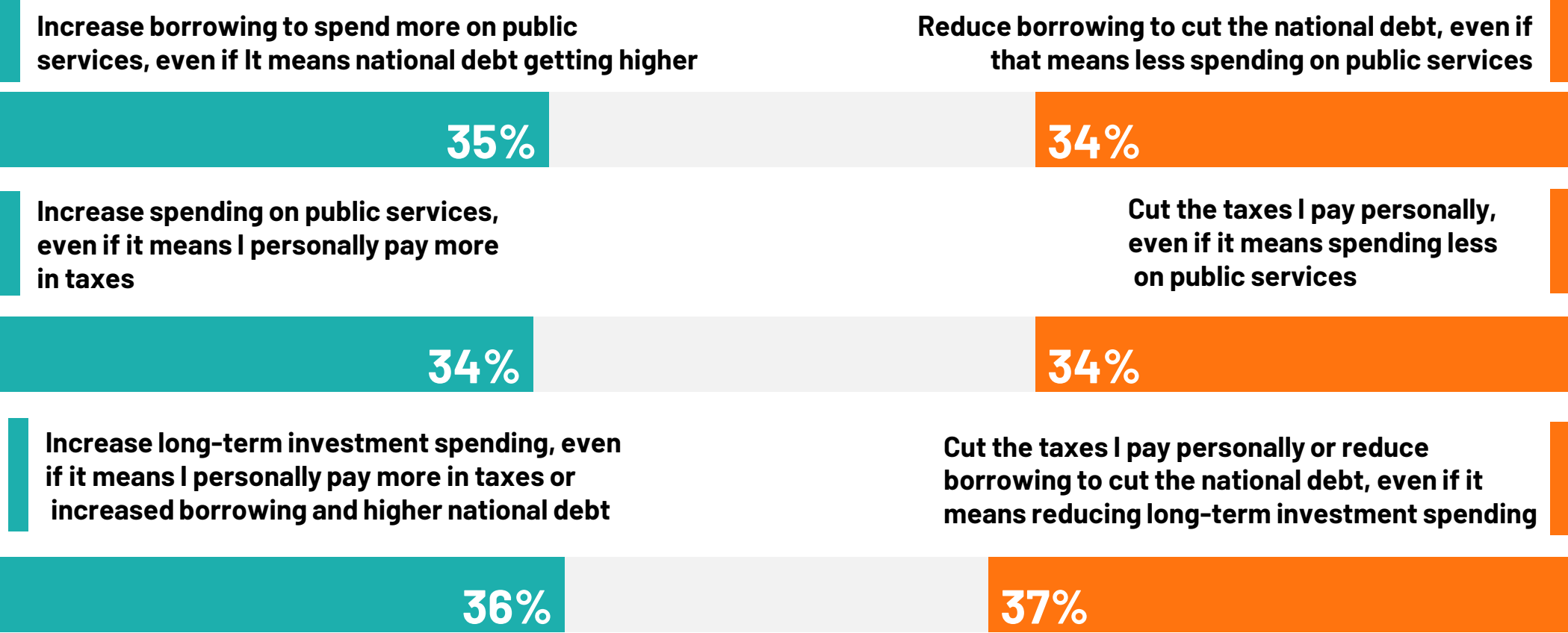
**Reinstate the Winter Fuel Allowance**

*"Give all those pensioners who lost their winter fuel payments back, back-dated in full."*

**Base: 619** Online British adults aged 18-75 who gave verbatim answers to the question 23-26 May 2025. Respondents gave answers in their own words, which have been coded into themes using the Ipsos secure AI-assistant Ipsos Facto

# But Britons are split down the middle on all the key trade-offs

Imagine the Chancellor had the choice between ..... Which of the following would you prefer?

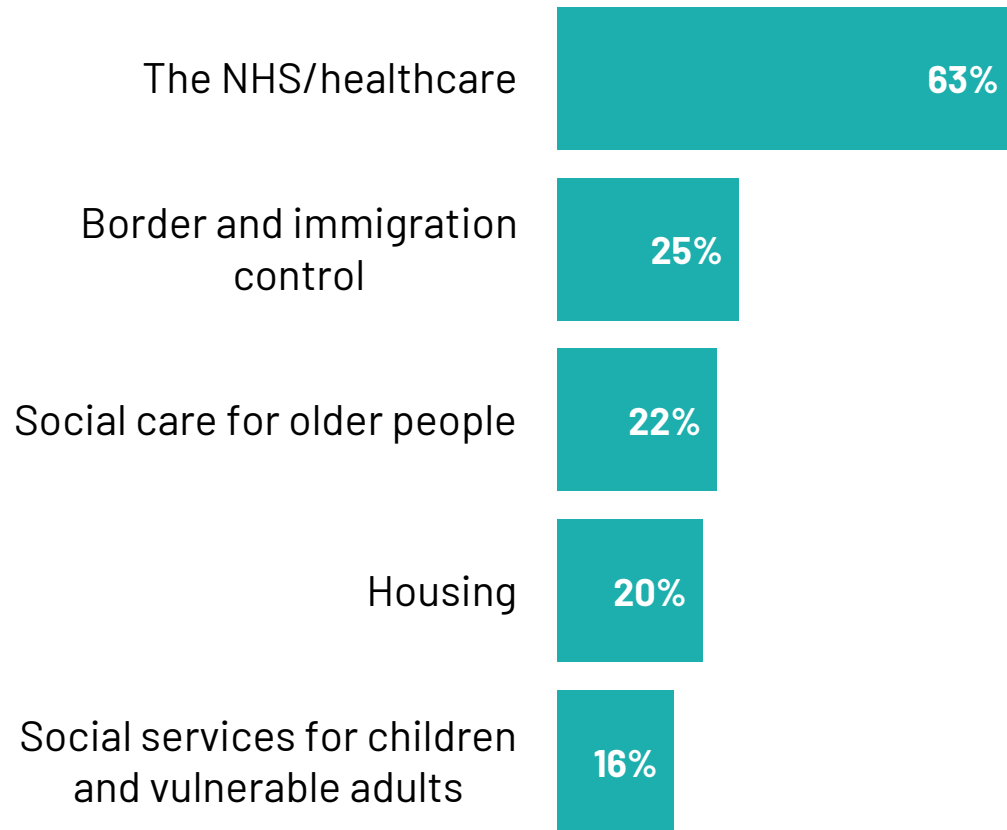


Base: 1094 Online British adults aged 18-75, 23-26 May 2025

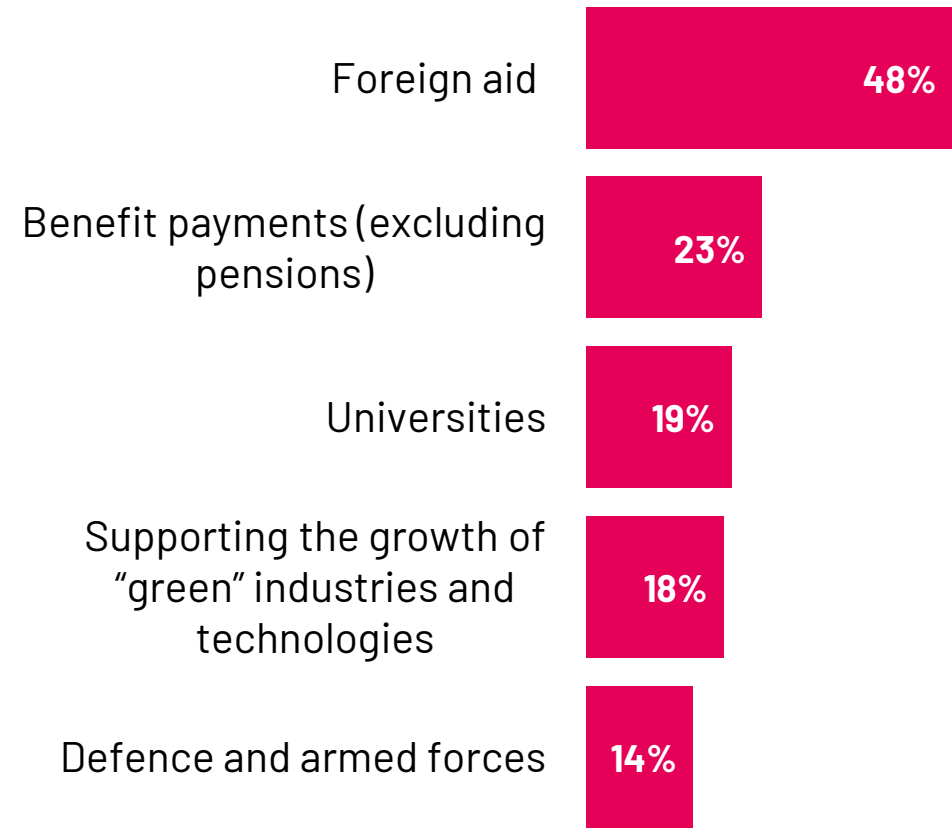
# The public do give a steer on which public services they want prioritised – and where they think cuts can be made

Which two or three, if any, of the following areas do you think should be prioritised to receive more/ less public spending in the future?

## Should receive more public spending (top 5)



## Should receive less public spending (top 5)



Base: 1094 Online British adults aged 18-75, 23-26 May 2025

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# ARE WE -THE PUBLIC - THE PROBLEM?



# We say we want more spending on the NHS – but only if it doesn't negatively impact other public services.....

How much, if at all, would you support or oppose each of the following in order to increase spending **on the NHS?**

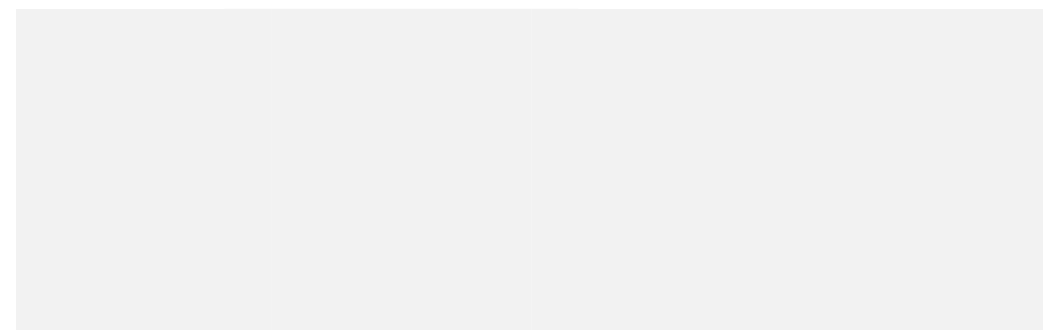
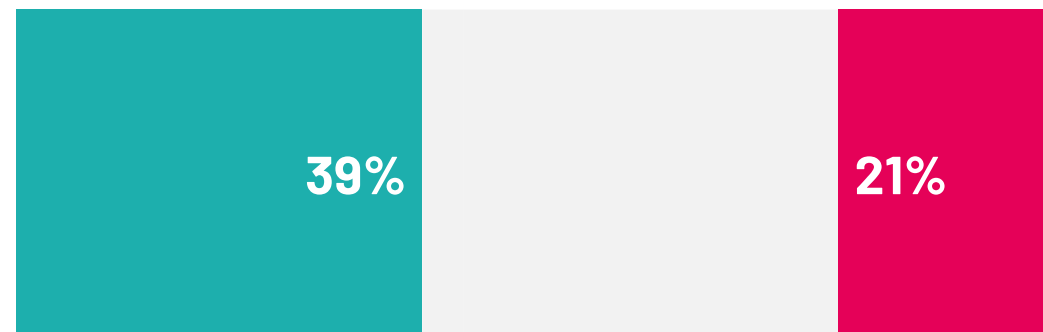
Base: 1094 Online British adults aged 18-75, 23-26 May 2025

Reducing spending on other public services (eg prisons, policing, local council services, education, public transport, etc) in a way that DOES NOT reduce their quality or availability

Reducing spending on other public services (eg prisons, policing, local council services, education, public transport etc) in a way that DOES reduce their quality or availability

Support

Oppose



# We say we want more spending on the NHS – but only if it doesn't negatively impact other public services.....

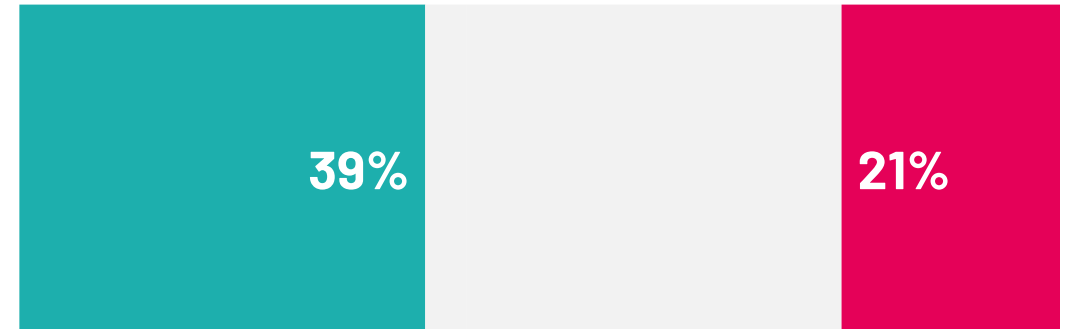
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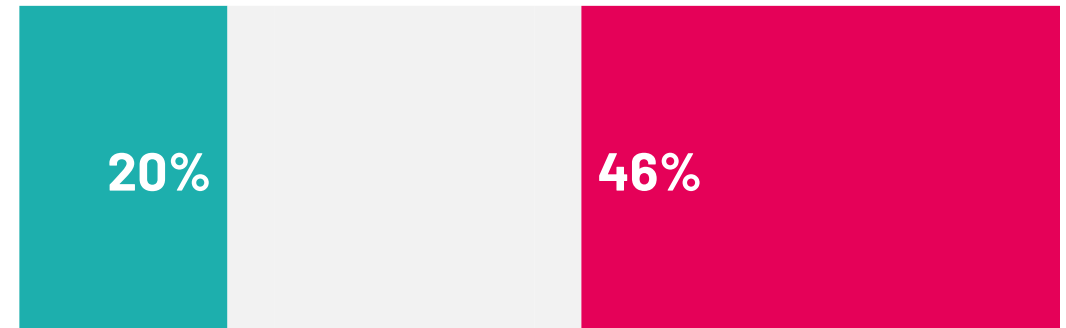
Reducing spending on other public services (eg prisons, policing, local council services, education, public transport, etc) in a way that DOES NOT reduce their quality or availability

Support

Oppose



Reducing spending on other public services (eg prisons, policing, local council services, education, public transport etc) in a way that DOES reduce their quality or availability



# There is a tendency to believe extra spending can be found just through efficiencies – but a lack of confidence this can be achieved

Imagine that in order to pay for more spending on the NHS and defence, the government needed to reduce spending on other public services (such as prisons, policing, local council services, education, public transport, and so on). Which of the two statements below, if either, is closest to your views?

It is possible to find the extra money for the NHS and defence by forcing other public services to become more efficient, so reducing spending on these other services doesn't have to mean reducing their quality or availability

45%

Efficiency savings from other services won't cover the extra money spent on the NHS and defence, so reducing spending on these other services will mean a reduction in their quality or availability

31%

But **55%** of this group aren't confident it would happen

Base: 1094 Online British adults aged 18-75



**SO... WHAT DOES  
IT MEAN?**

**LITTLE SIGN OF THE  
GLOOM LIFTING –**

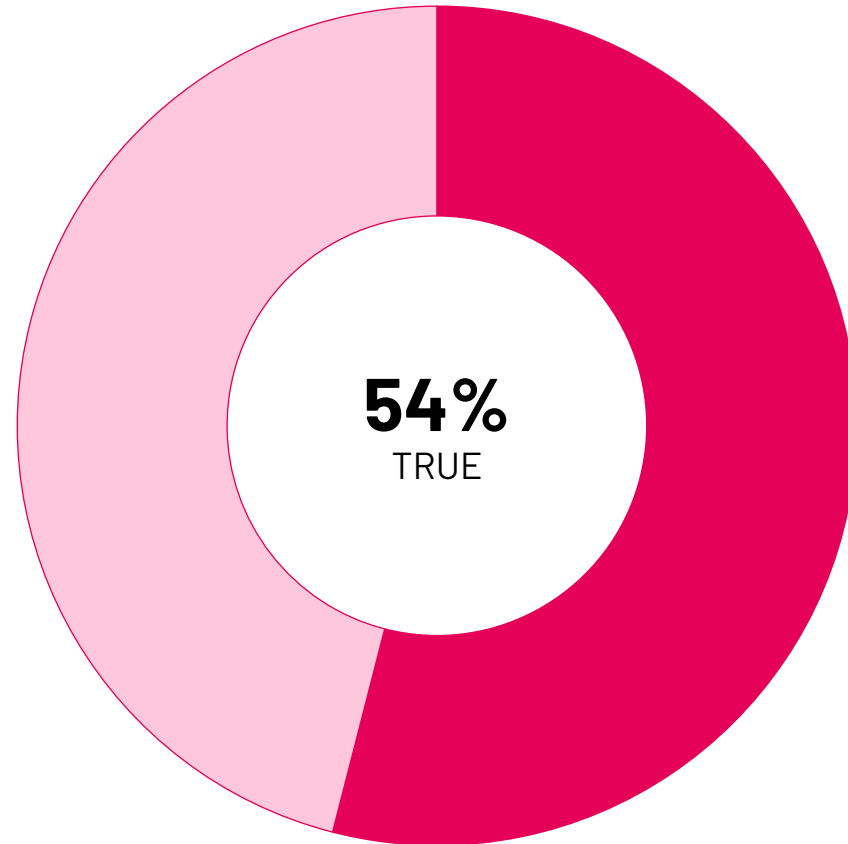
**THE PUBLIC WANT  
TO SEE RESULTS!**



# Few are confident the Spending Review will improve things – and over half believe we are already experiencing austerity.....

From what you know or have heard, do you think the following statement is true or false?

**The UK is currently experiencing a period of austerity**

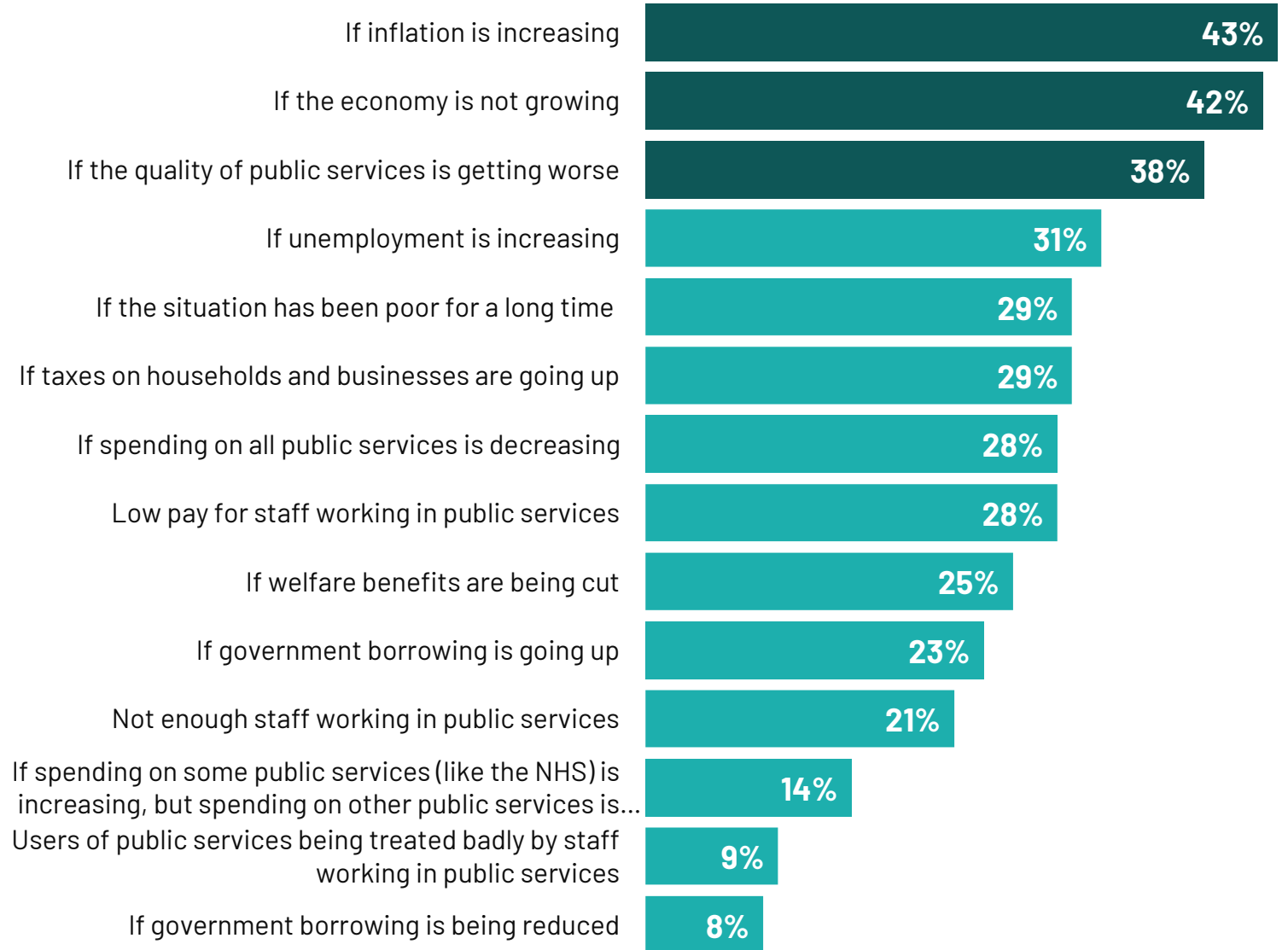


**Base:** 1094 Online British adults aged 18-75, 23-26 May 2025

# But when we ask what austerity means, it shows the public's focus on tangible outcomes where Labour needs to deliver

What types of things are you thinking about when considering whether the UK is experiencing a period of austerity?

Please pick all that apply.



Base: 1094 Online British adults aged 18-75, 23-26 May 2025

# CAN LABOUR SOLVE THE DILEMMA?



[I most want to see] **some way out of the hole we are in without making one thing or another worse.** I don't want to pay more tax but I don't want public services, particularly the NHS, to suffer as it is already on its knees.



Ben Zaranko

3 June 2025

@TheIFS

# Key decisions for the 2025 Spending Review



Economic  
and Social  
Research Council

# Four key decisions

1. How much to spend on health?
2. How fast, and how far, to increase defence spending?
3. What to squeeze – and how?
4. More public investment, but in what?



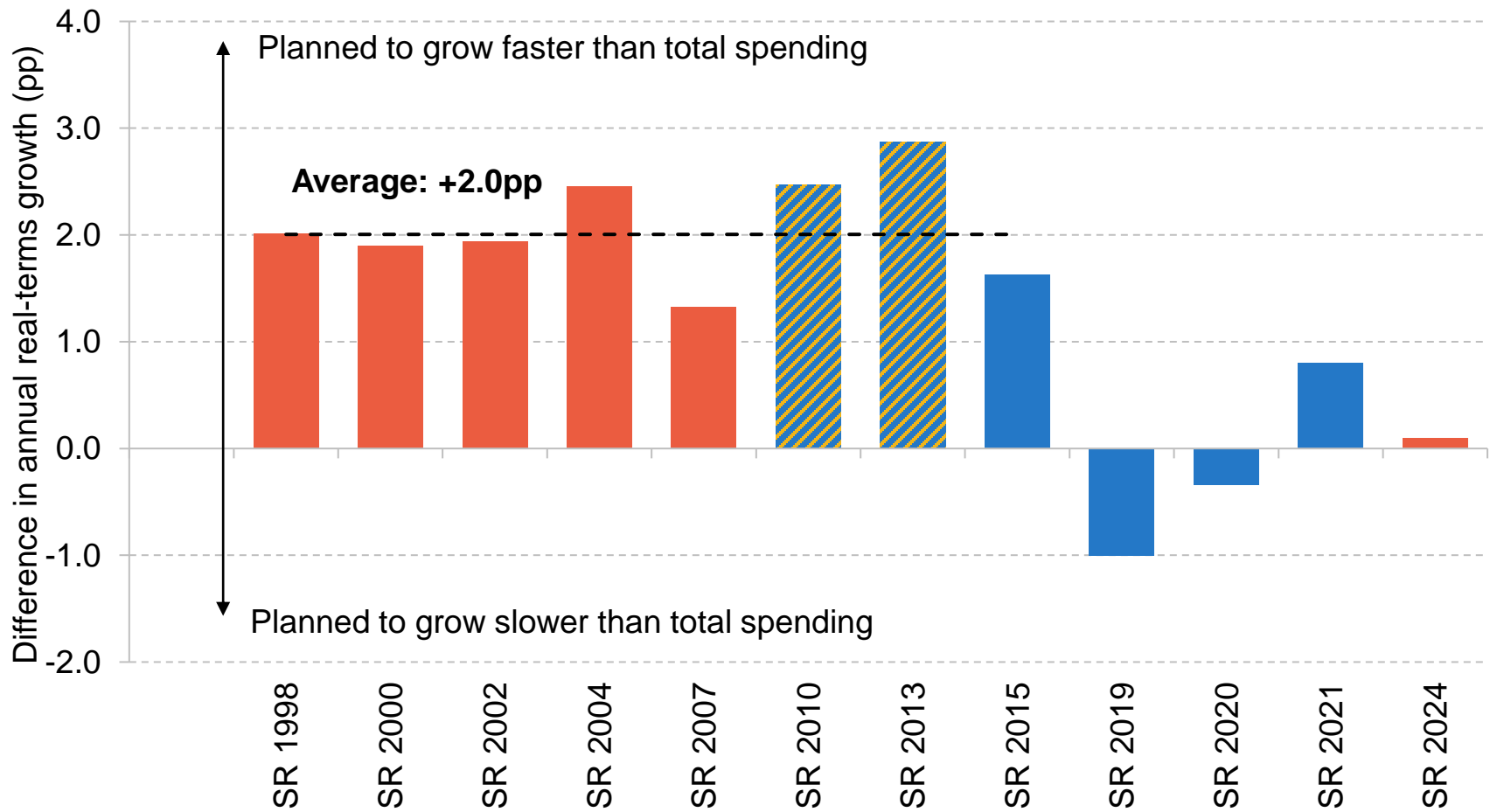
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# How much to spend on health?

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# The health budget generally rises faster than average

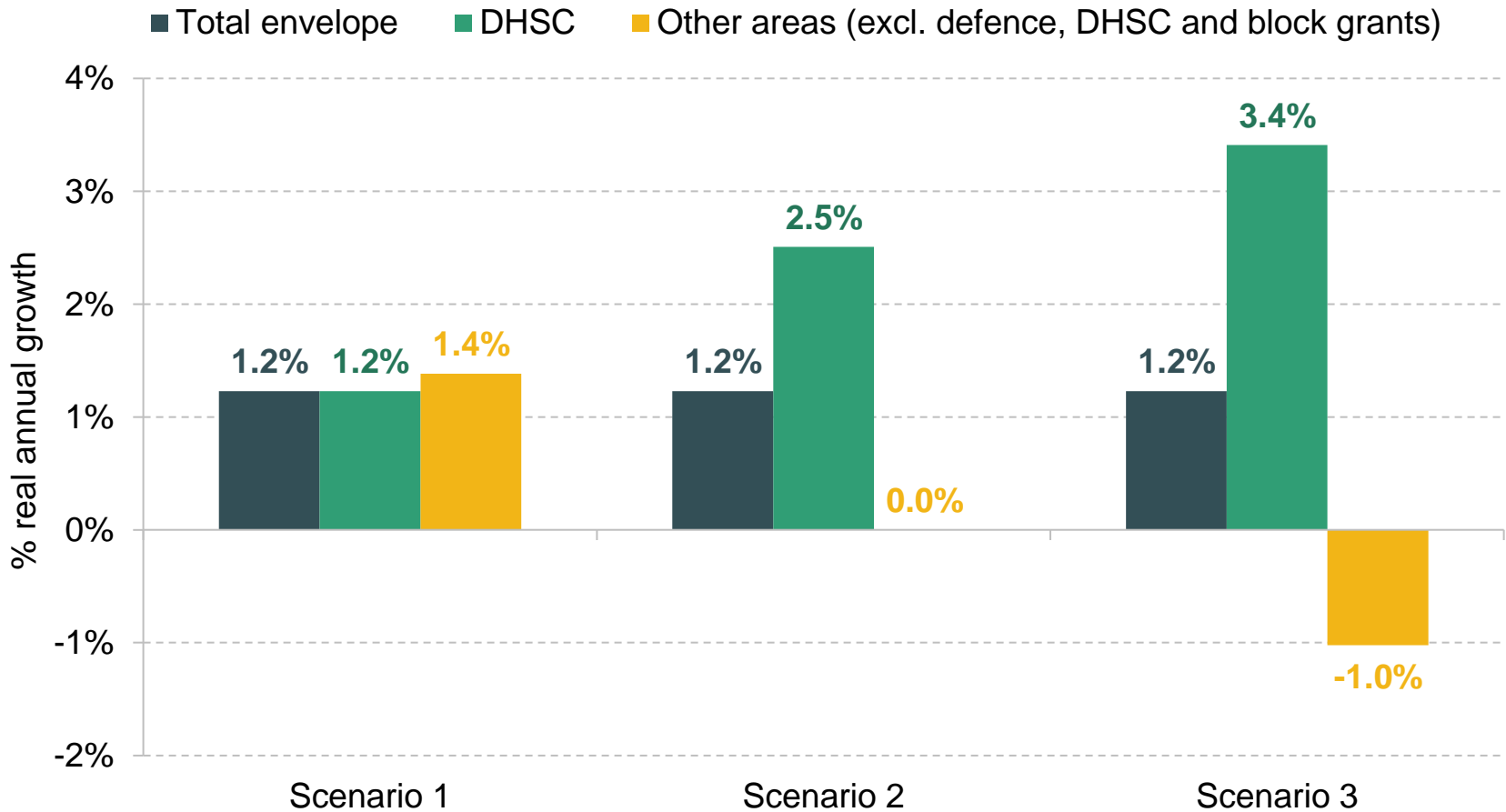
Difference in planned annual average real day-to-day spending growth between health and total spending at recent Spending Reviews





# Settlement for health determines what happens elsewhere

Spending growth under alternative scenarios for health spending





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# How far and fast to increase defence spending?

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# Path for defence spending already set out

Defence expenditure as a proportion of national income



# But pressures may force a reassessment...



## Lib Dems push for 3% of national income on defence

News > UK > UK Politics

## UK to send hundreds of thousands of military drones to bolster Ukraine war effort

SHARE

## NATO's Rutte embraces 5 percent defense spending goal

The new target is expected to be agreed at next month's NATO summit.

SHARE

≡ Bloomberg UK

Politics

## NATO Chief Rutte Says Members Moving Toward 5% Spending Target

NEWS > DEFENSE

## Europe splits on Trump's call to dramatically boost defense spending

New U.S. president aims to more than double the alliance's spending target.

## UK announces further £450m military support to Ukraine

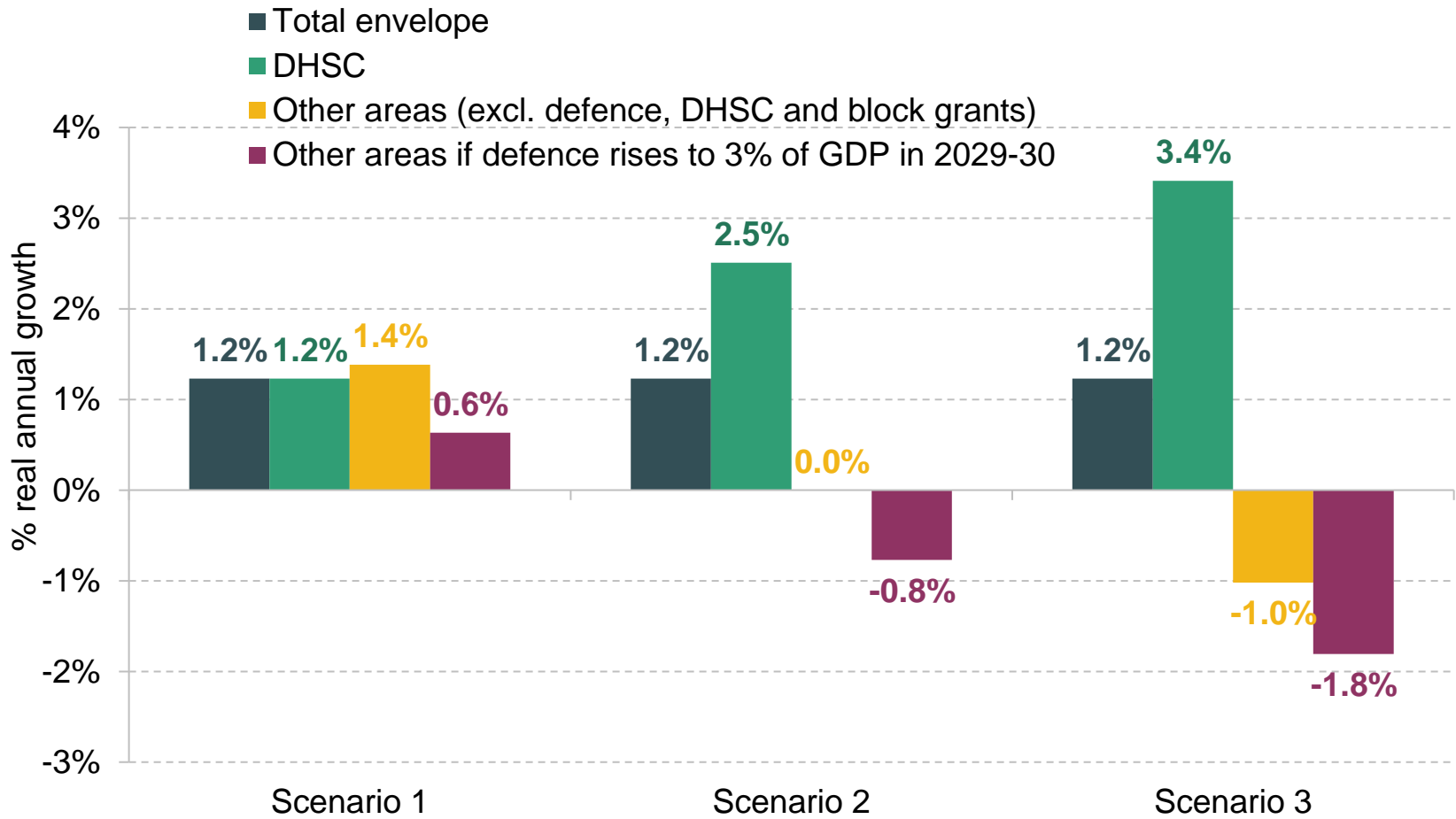
Defence

## Trump asks Europe again for more defence cash, leaves NATO strategy elusive

Rutte visits White House while Trump piles Ukraine and European capitals with threats

# If defence rises faster, the squeeze elsewhere is worse

Spending growth under alternative scenarios for health and defence spending





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# What to squeeze – and how?

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# Two ways to cut budgets...

- **Productivity improvements:** deliver the same services with lower budgets
  - Desirable, should absolutely aim for this – but need to be realistic
  
- **‘Actual’ cuts:** reduce the level of services offered
  - Politically challenging but this is what ‘ruthless prioritisation’ entails
  
- **Public sector pay and workforce** bound up with these decisions
  - Pay restraint/slow employment growth/heroic cuts to non-staffing costs likely to be needed



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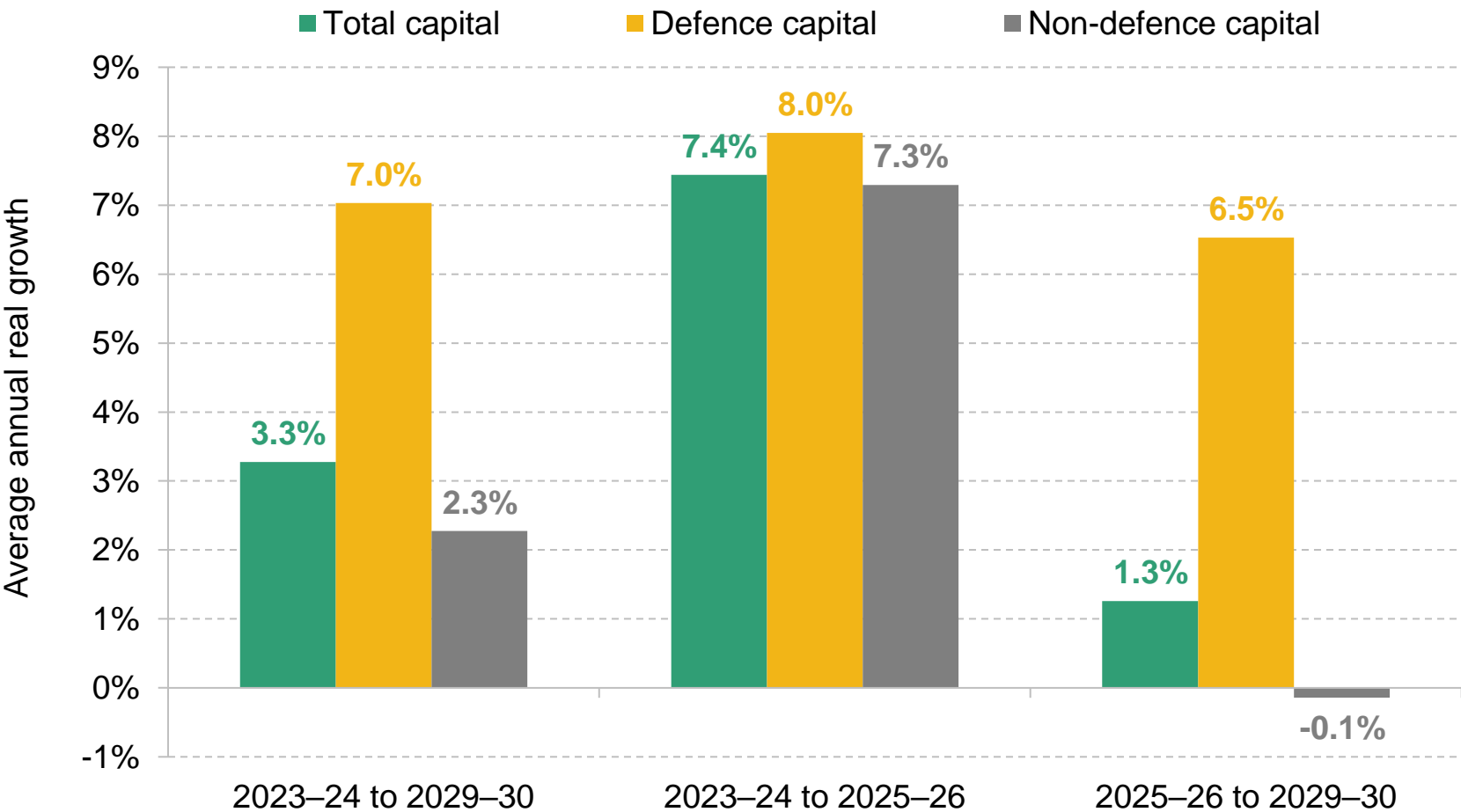
# More public investment, but in what?

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# Defence spending will likely take up room for increases elsewhere

Average annual real growth in capital budgets



# Conclusions

- Spending Review is where fiscal reality hits, and the government's priorities become clear
- Real-terms cuts to some areas almost inevitable
  - Huge amount depends on what happens to health and defence
  - Huge amount depends on scope for productivity improvements
- Capital spending will be sustained at high levels – lots to go around
  - But all the real-terms increase in capital spending over this period has been implicitly allocated to defence
  - Big choices: net zero vs transport vs science vs public services

The Institute for Fiscal Studies  
7 Ridgmount Street  
London  
WC1E 7AE

[www.ifs.org.uk](http://www.ifs.org.uk)



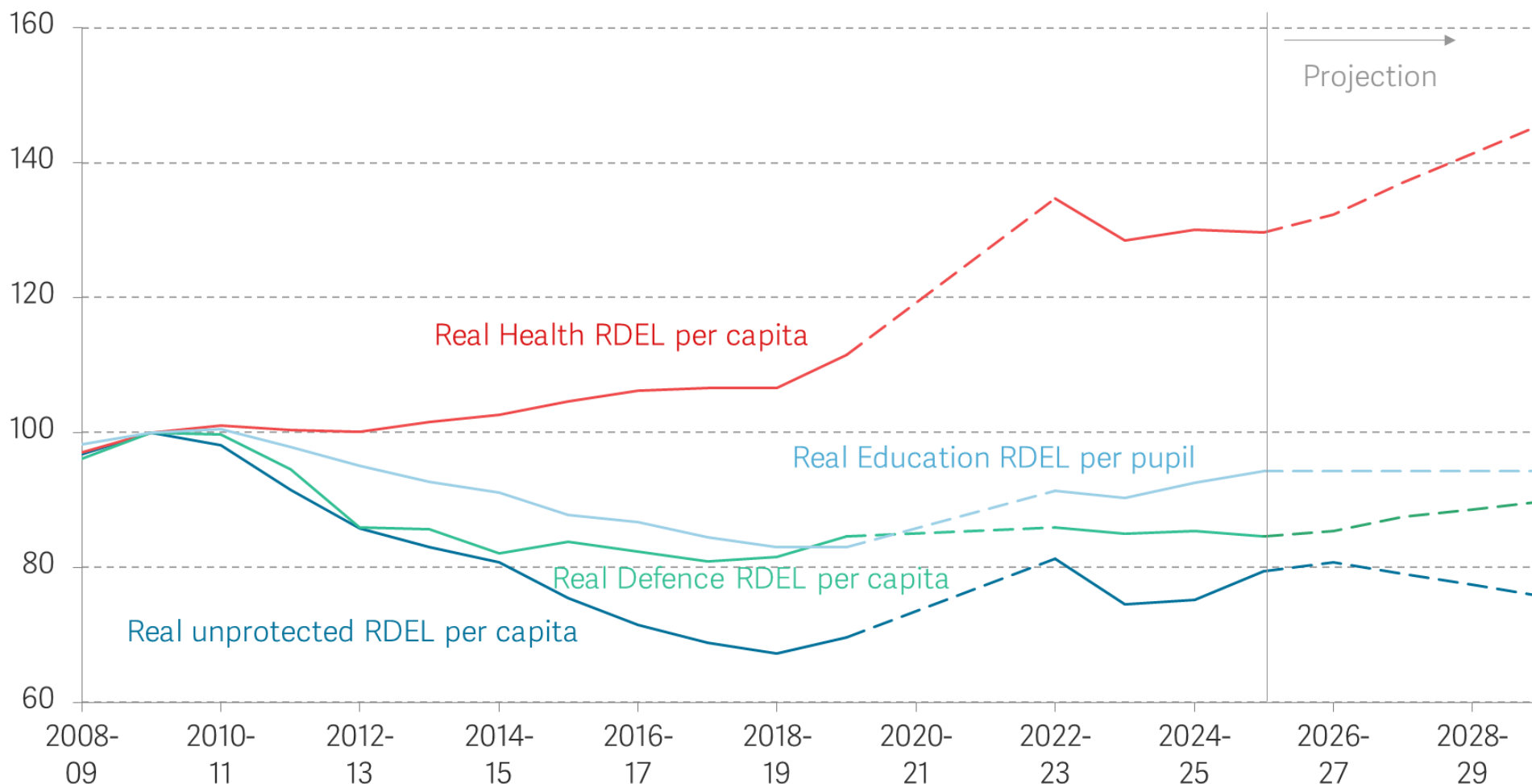
# Distributional impact of Government spending

3 June 2025

**James Smith**, Research Director, Resolution Foundation

# Health spending will again dominate

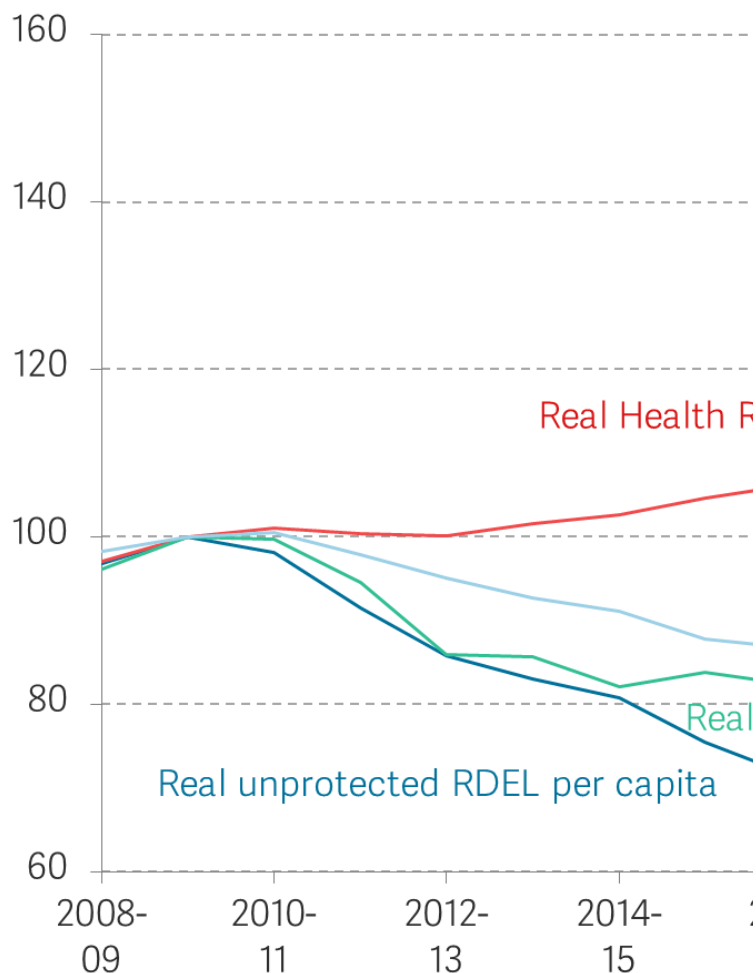
Indices of real GDP deflator per-capita resource departmental expenditure limits (2009-10=100), all departments, 'unprotected' departments and 'protected' departments



Notes: Deflated using the OBR forecast for the GDP deflator to 2025-26 cash terms.  
Source: RF analysis of OBR, Economic and Fiscal Outlook, various; HM Treasury, Budget and Spending Review documents, various.

# Health spending will a

Indices of real GDP deflator per-capita departments, 'unprotected' depart



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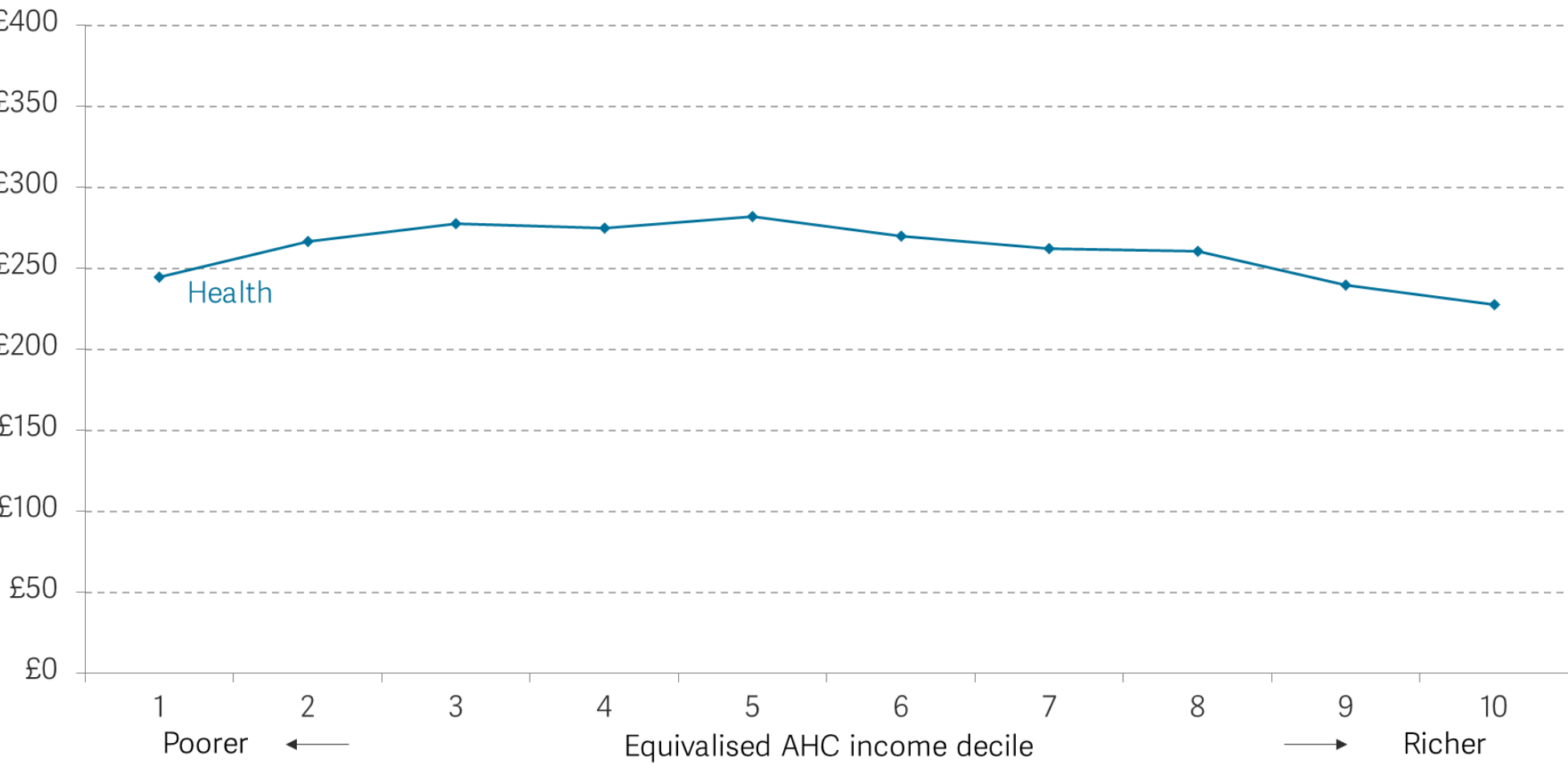
2028-29

## But spending can boost services used by poorer households

- Boost **NHS** productivity by increasing both day-to-day and capital spending.
- Set a £2 wage floor above the National Living Wage for **adult social care** workers for fair pay and care quality
- Fund **free school meals** for all families on Universal Credit, lifting 100,000 children out of poverty.
- Remove barriers to **Education, Health and Care Plans (EHCPs)** in poorer areas.
- Provide sufficient **employment support** to cut economic inactivity, reduce youth NEET rates, and partially ease the impacts of benefit cuts.

# A low-to-middle income settlement raises in-kind benefits for those who need it most

Annual real terms increase in in-kind benefits by household income decile (£ 2025-26): England, 2025-26 to 2028-29

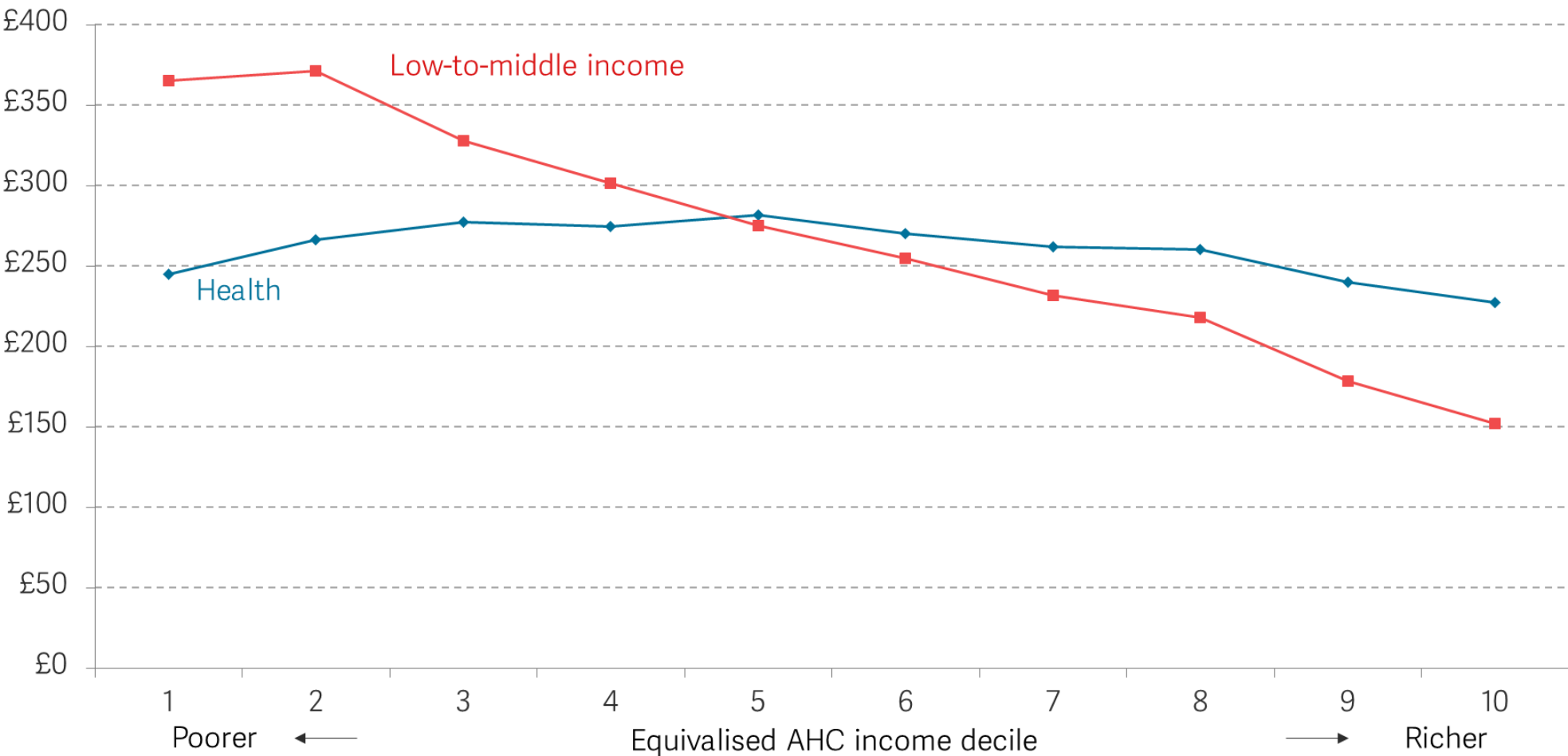


Notes: See Annex 1 for assumptions.  
Source: RF Analysis of DWP, Households Below Average Income; Family Resources Survey; ONS, Wealth & Assets Survey; Understanding Society; National Travel Survey.



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# Q&A