# Spending Review tensions rise as government faces hard choices on public services and defence



As Westminster prepares for the impending Spending Review, the stakes have inexplicably soared. Scheduled for announcement on June 11, this review will dictate government spending until 2029, but there’s an unsettling sense of foreboding surrounding the decisions being made. Chancellor Rachel Reeves and her deputy, Darren Jones, are embroiled in crucial discussions with Cabinet ministers, yet the prevailing atmosphere is one of anxiety. Insiders fear that the government’s focus on health and defence will overshadow essential services such as education, policing, and social care—areas that should be receiving far more attention.

The government's insistence on "living within our means" may sound reasonable, but it’s an alarming mantra that foreshadows significant cuts to vital public services. While overall spending is nominally set to increase, considerable sums are again being funnelled towards health and defence at the expense of day-to-day operations. Sources lament, “there are services in real danger,” signalling a worrying neglect of the less glamorous, yet absolutely critical, components of public service as the Chancellor prioritises large capital investments over urgent needs.

Moreover, the current negotiations underscore a critical challenge: ministers are seemingly losing the battle to secure adequate funding for local services, which are teetering on the brink of financial collapse due to soaring demands and chronic underfunding. Deputy Prime Minister Angela Rayner's fight for increased investment in local councils reflects a desperate urgency, yet it also underscores the government’s apparent failure to grapple with the very real crises facing those councils. Advocates argue that neglecting local services now could lead to even more substantial costs in the future—a reckless approach that could only be exacerbated by the government’s hesitance to change course.

Despite earlier assurances from Treasury representatives, the budget negotiations feel chaotic. Insiders depict the situation as a “bunfight,” revealing discord among key players as they wrestle with funding priorities amidst a history of austerity. The Labour government's challenge is evident: they must somehow reconcile fiscal restraint with immediate public needs, made all the more complex by internal divisions over welfare cuts and the likelihood of tax increases.

Adding to the difficulties is the escalating demand for defence spending, pitting international obligations against domestic needs. Recent assessments from the Ministry of Defence suggest that a significant increase—rising to 3.6% of GDP—is essential to modernise the military and meet NATO commitments. Yet, there’s widespread concern about whether this is viable given the current financial climate. Labour leader Sir Keir Starmer’s promise to increase defence spending to at least 2.5% while conducting a review of military capabilities has drawn criticism. Skeptics argue that without substantial funding increases, the government’s ambitious military agenda is unachievable.

The situation becomes even more troubling as costs for incapacity and disability benefits spiral, surpassing even defence spending. This surge starkly illustrates the pressing need for welfare reforms but also exposes broader fiscal challenges that the government cannot ignore. With renewed calls for tightened eligibility criteria, the effects on vulnerable populations loom large. Policymakers face a daunting hurdle in balancing welfare considerations with the immediate fiscal reality created by Labour’s choices.

Ultimately, the Spending Review represents much more than a simple financial exercise; it’s a defining moment for the government as it gears up for the next election. Decisions made in the coming weeks will significantly impact public services and alter the political landscape. Striking a delicate balance between capital investment and the pressing daily operational needs is paramount if the government hopes to maintain public confidence. As one insider commented, the need for clear communication has never been greater; without it, the fallout could be disastrous.

As the government strives to position itself positively, the narrative surrounding the Spending Review holds as much weight as the financial choices being made. With conflicting interests and intensifying public demands, the outcome will likely resonate well beyond Westminster, shaping public discourse and potentially leading to even greater repercussions in the years to come.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.bbc.com/news/articles/c0eqp9ejjvdo> - Please view link - unable to able to access data
2. <https://www.ft.com/content/865d781b-2814-4854-ae7f-b3f486989653> - Deputy Prime Minister Angela Rayner is engaged in a contentious struggle with the UK Treasury to secure funding for local services in the final phase of the government’s multiyear spending review. Multiple officials describe the process as disorganized and intense, dubbing it a 'chaotic bunfight,' though Treasury representatives refute this characterization, claiming several budgets, such as for the Ministry of Justice and transport, have already been settled. Rayner, alongside Home Secretary Yvette Cooper, is reportedly at odds with Chancellor Rachel Reeves, particularly over welfare cuts and tax proposals aimed at the wealthy. Rayner’s ministry is fiercely advocating for urgent funding to stabilize failing local councils and care services, arguing for upfront investments to yield long-term savings. The spending review, due for formal announcement on June 11, sets departmental spending until 2029 and capital budgets to 2030, with emphasis on the NHS, border security, and defense. Contentious negotiations continue with departments like the Home Office, energy, and environment. Fiscal restraint and broader spending cuts, paired with targeted capital investment and efficiency measures, remain central to Reeves’ approach, despite pressure from within the Labour Party to increase public funding.
3. <https://www.ft.com/content/42912734-5688-41ea-9194-d759c321da52> - The UK's Ministry of Defence has calculated that the UK needs to allocate 3.6% of its GDP to defence to modernize its military, maintain its nuclear deterrent, and fulfill NATO commitments. This represents a 56% increase from current spending levels, which stand at 2.3% of GDP. Such a spike in the military budget is considered unrealistic given the UK's financial constraints. Labour leader Sir Keir Starmer has pledged to increase defence spending to 2.5% and is conducting a review of military capabilities. Without increased funding, the UK may need to scale back some military ambitions and obligations. Despite higher proposed figures being discussed, there is significant skepticism about the feasibility and effectiveness of increased defence spending. The National Audit Office and other officials have criticized current spending plans as unaffordable, recommending internal efficiency reforms within the Ministry of Defence. The UK's current defence budget is heavily strained by the costs of maintaining and modernizing the nuclear deterrent, paying for military personnel, funding new defense programs, and meeting NATO commitments.
4. <https://www.ft.com/content/da59ba85-ecd2-4c9a-81f5-4b72966b5b5d> - The UK faces a challenging fiscal environment as Chancellor Jeremy Hunt prepares for the upcoming Budget. Local authorities, like those in Manchester, struggle with increasing demands for public services such as housing and healthcare, exacerbated by inflation and previous budget restraints. National issues, such as large backlogs in the state-run healthcare system and local government insolvency concerns, highlight the pressures on public spending. With voters demanding improvements in public services over tax cuts, the Conservative government is torn between reducing taxes before the next election and addressing the severe deficiencies in public services. Both Conservative and Labour parties are cautious in their fiscal promises, with future public spending and taxation paths uncertain. Increased public sector efficiency is posited as a potential solution, but economic growth predictions remain modest, complicating the financial outlook even further.
5. <https://www.reuters.com/world/uk/uk-lords-call-action-disability-bill-tops-defence-spending-2025-01-20/> - The House of Lords Economic Affairs Committee has urged the UK government to reform incapacity and disability benefits, which now cost more than the country’s defense spending. These benefits have surged by 40% since 2013, reaching £64.7 billion last year—20% more than defense expenditure. The committee warns that costs may hit £100 billion by 2029/30, threatening the government’s goal of balancing the budget. Approximately 3.7 million Britons receive health-related benefits, an increase of 1.2 million since the pandemic, but the committee disputes claims that poorer health or longer NHS wait times are behind the rise. Instead, they suggest that more generous benefits incentivize long-term claims over seeking work. They call for tougher medical assessments and better integration of health and unemployment benefits but advocate leniency for disabled individuals trying unsuitable jobs. The work and pensions ministry supports welfare reform to enhance fairness and aims to detail benefit changes soon.
6. <https://www.reuters.com/world/uk/uk-defence-spending-reach-25-gdp-by-2027-pm-starmer-says-2025-02-25/> - British Prime Minister Keir Starmer announced a significant increase in UK defense spending to 2.5% of GDP by 2027, with hopes to reach 3% in the future. This decision is seen as an attempt to strengthen European security in anticipation of peace talks with Russia regarding its ongoing conflict in Ukraine. The increase will be funded by cutting the international aid budget by 40%, a move Starmer described as necessary despite his reluctance. The objective is to demonstrate solidarity with the U.S.-led NATO alliance and support Kyiv. Starmer's announcement precedes his visit to Washington to meet with U.S. President Donald Trump. NATO Secretary General Mark Rutte and other European leaders have also urged increased defense contributions from member states. Starmer aims to assure Trump of Europe's commitment to supporting Ukraine and securing a U.S. 'backstop' to prevent future Russian aggression. This defense boost is expected to enhance the UK's industrial base, create jobs, and foster economic growth.
7. <https://www.defensenews.com/global/europe/2024/03/08/uk-militarys-10-year-spending-plan-isnt-affordable-committee-finds/> - A powerful U.K. parliamentary committee has reported what it says is the 'largest affordability gap' since 2012 between the Defence Ministry’s budget and equipment requirements. The Public Accounts Committee’s review, released March 8, comes two days after the government opted not to allocate extra funding for the military in its 2024 budget. The deficit for the 10-year equipment plan, which the ministry published late last year and begins in 2023, will amount to £16.9 billion (U.S. $21.5 billion), the committee found. However, that could grow by a further £12 billion if the individual armed services each took the same approach to stating their equipment requirement costs, the committee noted. The committee reviews the 10-year defense equipment plan annually as part of its role in overseeing how the government spends taxpayers’ money. The committee has consistently cast doubt on the affordability of the ministry’s equipment plans, but the latest report is especially critical. The 10-year plan, based on financial data from March 31, 2023, saw the ministry allocate an equipment budget of £288.6 billion over the following decade to 2033 — a £46.3 billion rise on the figures presented from 2022.