



Government Spending Review: Does It Matter For My Finances?

The Government has published its latest Spending Review, but does it matter to individual finances?

Chancellor Rachel Reeves delivered the headline announcements to Parliament for the Government's Spending Review on 11 June.

Contained in the news was a slew of spending commitments and departmental budget tweaks. All of these will have consequences for the economy and could affect public services such as the NHS.

But less clear is whether the Spending Review will have a direct impact on household budgets. The answer isn't straightforward.

The Spending Review

The Spending Review is the process by which the Government (regardless of political party) looks at how it spends its budgets, making efficiency savings or changing commitments to different areas.

It is different from the Autumn Budget, which happens between September and November typically, or the Spring Statement which takes place before the end of the tax year, typically in March.

The Budget typically contains new spending measures and changes the way in which the Government collects money for this spending – such as through taxation or borrowing. The Spring Statement is a follow-up to this with fresh updated figures and occasionally further announcements.

The Spending Review does not implement measures to bring new money in, such as making tax changes. As such it is less relevant than the Budget when considering our personal finances.

Financial implications

However, measures taken in the Spending Review can allude to pressure down the line on Government to raise fresh funds in order to stick to its plans.

This can happen if the economy doesn't grow enough to increase tax income, or if it struggles to borrow money at cheap enough rates.

Sarah Coles, a financial industry expert explains: "The government is pinning its spending plans on growth, which would boost the tax take and mean there was enough money to go around.

"If that growth doesn't materialise, and a potential funding gap emerges in the coming months, we're going to get another round of speculation over which taxes might be in the frame. The Government may well have to explore its options, but it also needs clarity as quickly as possible. The risk is that the debate encourages knee-jerk reactions, as people panic about potential changes, which leave them worse off in the long run."

So while the Spending Review contains no immediate pressures for household budgets, it could create issues down the line.

Unfortunately, we won't know anything new until the Autumn when the Chancellor next delivers a Budget.

As Ms Coles says, it is essential to not overreact to major Government announcements – especially when they contain few tangible changes to policy.

Instead, working alongside a financial planner like ourselves to ensure the long-term sustainability of your financial plans is essential, taking into account changes to rules, economic news and other issues as part of a bigger picture.