Creative UK

Member Briefing: Spending Review 2025

On Wednesday 11 June, the Chancellor delivered the 2025 Spending Review, setting departmental budgets for the next three years. The Chancellor's Spending Review announcement will be followed by the publication of a White Paper on the UK Government's 10-year Industrial Strategy, which is expected in the w/c 23 June, and the Creative Industries Sector Plan.

This briefing takes a closer look at what was – and what wasn't – in the Spending Review and how it might impact the UK's cultural and creative industries.

Supporting documentation for HM Treasury's 2025 Spending Review can be found below:

- Spending Review 2025
- Departmental Efficiency Delivery Plans
- Green Book Review 2025

HEADLINES

The British Business Bank's (BBB) total financial capacity will be increased to £25.6bn, representing a two-thirds increase

- Creative UK is strongly supportive of the increase in BBB's total financial capacity to £25.6bn – a two-thirds increase. Access to appropriately structured growth finance is critical to the success of the creative industries, where 93.4% of businesses in the sector are SMEs and micro-businesses.
- Creative UK's own Creative Growth Finance (CGF) fund was recently accredited under the BBB's Growth Guarantee Scheme. This marks an important milestone in ensuring that creative businesses can access UK Government-backed growth finance through delivery partners with deep understanding of the sector's needs.
- As the BBB's capacity grows, it is crucial that the allocation of investment reflects the creative industries' true economic contribution: a £125bn GVA sector and one of the eight priority growth sectors in the UK's Industrial Strategy. Creative businesses must be fully included in the Bank's growth finance offer.

R&D funding increased to £22.6bn per year by 2029-30

- The announcement of an above-inflation increase to R&D funding is welcome, including increased support for UK Research and Innovation (UKRI) and a new £410 Local Innovation Partnerships Fund to give local leaders a central role in co-creating R&D programmes to support local economies. As ever though, the devil will be in the detail.
- R&D investment is a vital driver of innovation – not just within the cultural and creative industries but across other Industrial Strategy priority sectors. Crucially, creative R&D plays a hugely important role in driving innovation in those sectors, including defence and life sciences. To support the spillover benefits of creative R&D across the wider economy, HM Revenue & Customs (HMRC) needs to explicitly recognise Arts, Culture, Humanities and Social Sciences (AHSS) in its definition of R&D, therefore enabling such research to be eligible for tax reliefs.

- Creative UK has been advocating for this recognition and will engage with HM Treasury, HMRC and UKRI as part of the forthcoming implementation phases of the Industrial Strategy to ensure that our sector can benefit from the uplift in R&D investment.

Updated HM Treasury Green Book guidance and place-based investment

- The Chancellor announced that updated HM Treasury Green Book guidance will introduce 'place-based business cases', which will support place-based creative clusters and enterprises to receive the public investment they need to bring transformative benefits to their local communities.
- This is an important opportunity. Creative UK will engage with HM Treasury, DCMS and the Combined Authorities to ensure that this guidance extends to and incorporates investment in cultural assets as integral to local growth strategies. This includes leveraging DCMS' £270 million Arts Everywhere Fund announced in February 2025.

£132.5 million to improve young people's participation in music, drama and sport through the new Dormant Assets Scheme Strategy

- Earlier this month, DCMS announced that the first-ever Dormant Assets Scheme Strategy would unlock £440 million for communities across the UK, including £132.5 million to give young people in disadvantaged communities new chances to take part in music, sport and drama.
- The Chancellor reaffirmed this commitment during the Spending Review. Creative UK will support DCMS by ensuring these opportunities not only distribute opportunities to underserved communities, but that they build skills for the future and sustain a diverse talent pipeline that delivers for the creative industries both now and in the future.

UK's skill system to receive £1.2bn in additional investment per year by 2028-29

- The Chancellor's identification of skills and SME support as growth priorities in the Spending Review is welcome.
- However, it is crucial that the UK Government's ambitions to improve the skills system are not contradicted by other government announcements, such as the discrepancy between the strategic direction set out in the Skills England Sector Skills Needs Assessment for the Creative Industries (June 2025) and the most recent guidance from the Office for Students (OfS) concerning high-cost subject funding.
- The Skills England report highlights the creative industries as a cornerstone of the UK's economy and cultural identity, contributing over £124 billion to the economy and employing 2.4 million people. It emphasises significant skills shortages across multiple areas, particularly in professional and associate roles and underscores the need for investment in training routes into the sector, including higher education pathways.
- Despite this, the OfS's latest guidance suggests a deprioritisation of high-cost subject funding for courses in media studies, journalism, publishing and information services. This approach appears to contradict the Skills England report's findings and risks undermining efforts to address the identified skills shortages in the creative industries.
- Creative UK is already engaging with both the Department for Education and DCMS to ensure that future funding decisions are informed by up-to-date labour market intelligence and genuinely reflects the needs of employers and learners alike.

£2bn for technology and AI adoption over Spending Review period

- At the Spending Review, the Chancellor announced an allocation of £2bn to implement the AI Opportunities Action Plan.
- Creative UK welcomes plans to support digital and technology adoption across the wider economy, but urges the UK Government to recognise the role of creative technology (CreaTech) and creative AI in driving economic growth.
- The deployment of technology, including AI, across all parts of the economy must be done responsibly, with the creative industries playing a key advisory role alongside tech developers. We are engaging closely with the UK Government on the forthcoming Technology Adoption Review to ensure that creative SMEs are supported through the transition and that AI deployment across the economy is done so ethically.

DEPARTMENTAL ALLOCATIONS

Alongside the 2025 Spending Review, HM Treasury has published an overview of departmental efficiency targets and delivery plans for the Spending Review period. This comes off the back the Autumn Budget in October 2024, where the Chancellor announced a new Office for Value for Money (OVfM) to assess where and how to improve efficiency across government departments to inform Spending Review decisions.

Department for Culture, Media and Sport (DCMS)

- HM Treasury has set DCMS a £52 million target in annual efficiency gains by 2028-29, equivalent to **3.4%** of its 2025-26 Resource Departmental Expenditure Limit (RDEL) baseline.
- This is compared to a cross-government average of **4.0%**. HM Treasury has proposed measures relating to workforce reform (including consolidation and restructuring of department staff), financial management and grants (including automation and fraud prevention, and streamlined grant approval processes), digital reform (including a modernisation of IT systems and joining the UK Government's shared services programme), communications and marketing (including merging websites and restructuring teams), and estates (including leasing out spare museum storage space and energy efficiency improvements) as ways DCMS can meet its efficiency savings target.
- While DCMS' target is not exceptional compared to other government departments, it remains significant given that a large proportion of DCMS' budget goes to Arms-Length Bodies (ALBs).
- As such, we will engage with DCMS and seek to ensure that efficiency savings are not delivered in a way that undermines the core cultural and creative infrastructure of the UK. This will include efforts to ensure ALBs and cultural institutions are not subject to disproportionate cuts.

Department for Business and Trade (DBT)

- HM Treasury has set DBT a £75 million target in annual efficiency gains by 2028-29, equivalent to **4.2%** of its 2025-26 RDEL baseline.
- HM Treasury has proposed measures relating to organisational design (including restructuring the Office for Investment and focusing on priority sectors and core markets), digital improvements to services (including the launch of the Business Growth Service), and procurement efficiencies (such as greater use of the Procurement Act) as ways DBT can meet its efficiency savings target.

Department for Education (DfE)

- HM Treasury has set DfE a £248 million target in annual efficiency gains by 2028-29, equivalent to **0.8%** of its 2025-26 RDEL baseline, but **3.2%** of non-frontline services.
- HM Treasury has proposed measures relating to non-frontline efficiencies (including contracting and procurement improvements), corporate and digital initiatives (including increasing use of AI and related digital tools), and enhanced support for front-line providers (including reform in children's social care to reduce crisis spending and efficiency support for FE providers) as ways DfE can meet its efficiency savings target.

SUMMARY

The Spending Review 2025 presents real opportunities for the cultural and creative industries, particularly through:

- Expanded finance capacity via the BBB
- Enhanced R&D and innovation funding
- Stronger business cases for place-based cultural investment
- Responsible technology adoption
- Investment in skills and talent pathways

However, the sector must remain vigilant – both to ensure that efficiency savings are implemented in ways that protect the UK's core cultural and creative infrastructure. It is also vital that the wider measures announced in the Spending Review – from place-based investment to skills, innovation and SME support – are designed and delivered in ways that fully serve the needs and potential of the sector.

Creative UK will press for new investment flows from the BBB and R&D programmes to be structured so that creative businesses can access and benefit from them in practice, not just in principle. We will also continue to engage with the UK Government to ensure that future skills funding decisions are aligned with labour market intelligence and industry needs – and that policies in other areas do not undermine efforts to address critical skills gaps in the cultural and creative industries.

As the AI Opportunities Action Plan is implemented, it will be essential to ensure that the UK's approach supports responsible AI innovation – recognising both the commercial opportunities for the creative industries and the need to uphold the value of creative content.