AUTUMN BUDGET 2024

FIXING THE FOUNDATIONS TO DELIVER CHANGE

Return to an Order of the House of
Commons dated 30 October 2024.

Copy of the Budget Report – October 2024
as laid before the House of Commons
by the Chancellor of the Exchequer when
opening the Budget.

James Murray
His Majesty's Treasury
30 October 2024

Ordered by the House of Commons to be
printed 30 October 2024

HC 295

This publication is available at www.gov.uk/official-documents

Any enquiries regarding this publication should be sent to us at public.enquiries@hmtreasury.gov.uk

ISBN 978-1-5286-5212-4
E03189500 10/24
PU 3460

Printed on paper containing 40% recycled fibre content minimum

Printed in the UK by HH Associates Ltd on behalf of the Controller of His Majesty's Stationery Office.

Contents

Executive summary

This is a Budget to fix the foundations of the economy and deliver change by protecting working people, fixing the NHS and rebuilding Britain.

In July the government published an audit of public spending. This set out £22 billion of in-year pressures. These pressures were not limited to 2024-25, with the vast majority recurring in future years.

Compensation payments for victims of the Post Office Horizon IT and Infected Blood scandals had also not been fully accounted for. The government is providing compensation to the victims in full averaging £2.3 billion a year over the forecast period.

There has additionally not been a Spending Review since 2021, so departmental budgets have not been systematically re-planned to account for the recent spike in inflation and other factors that have caused significant cost pressures.

Plans set at Spring Budget 2024 were for day-to-day departmental spending to fall from 16.7% of GDP in 2023-24 to 16.0% in 2028-29 and for public sector net investment to fall from 2.5% of GDP in 2023-24 to 1.7% in 2028-29. This was in the context of declining public service performance and GDP per capita lower than at the start of the last Parliament.

The government is taking a different approach. Autumn Budget 2024 is:

- Putting the public finances on a sustainable path by strengthening the fiscal framework, including announcing new fiscal rules, and taking difficult decisions on tax, welfare and spending.
- Growing day-to-day departmental spending at an average of 2.0% per year in real terms between 2023-24 and 2029-30 to support public services, including to deliver 40,000 extra elective appointments a week and reduce NHS waiting lists.
- Boosting capital investment by over £100 billion over the next five years, including in transport, housing and research and development (R&D), with a greater focus on value for money and delivery to help unlock long-term growth.

The Office for Budget Responsibility (OBR) has assessed the impact of the government's decisions. In the OBR's Economic and Fiscal Outlook, growth is forecast to increase to 2.0% in 2025 before moderating to 1.6% by 2029.

Public sector net investment averages 2.6 % of GDP over the Parliament. The OBR judges that higher investment will add to GDP during the forecast period, and if sustained will increase the size of the economy in the long term.

Strengthening the fiscal framework

To support economic and fiscal stability, the government is confirming a set of responsible reforms to the fiscal framework that improve certainty, transparency and accountability.

This includes announcing new fiscal rules:

- **Stability rule:** to move the current budget into balance, so day-to-day spending is met by revenues, and the government will only borrow for investment.
- **Investment rule:** to reduce net financial debt (public sector net financial liabilities) as a proportion of GDP. This rule keeps debt on a sustainable path while allowing the step change needed in investment, by capturing not just the debt that government owes, but also financial assets that are expected to generate future returns.

This is the last year that the fiscal rules will target the fifth and final year of the forecast. The rules must be met by 2029-30 at this Budget, and until 2029-30 becomes the third year of the forecast, at which point both rules will target the third year of the rolling forecast period.

The OBR confirms that the government is meeting the stability and investment rules. The current budget is in surplus and net financial debt falls as a share of the economy by 2029-30. Both rules are met early with the current budget in surplus from 2027-28 and net financial debt falling by 2027-28. Public sector net debt also falls as a share of the economy by 2029-30.

The fiscal rules are set out in a new Charter for Budget Responsibility, which implements a more stable and transparent framework. This includes committing to one major fiscal event a year, more regular Spending Reviews, and improved sharing of departmental spending information with the OBR.

Fixing the foundations

The government is driving efficiencies and reducing wasteful spending. The Budget sets a 2% productivity, efficiencies and savings target for government departments and has formally launched the Office for Value for Money to realise benefits from every pound of public spending.

The government will shortly appoint a Covid Corruption Commissioner. They will lead work to recover public funds from companies that took unfair advantage of government schemes during the COVID-19 pandemic.

The government is reforming its approach to welfare, including setting a new welfare cap for 2029-30 with strengthened accountability, to support spending control and ensure that welfare spending is sustainable in the medium term.

Fraud and error in the welfare system costs the government almost £10 billion a year. The government is cracking down on this with a package of measures saving £4.3 billion in 2029-30. The government will set out reforms to health and disability benefits early in 2025 to ensure the system supports people who can work to remain in or start employment, in a way that is fair and fiscally sustainable.

The government is ensuring that tax that is owed is paid by introducing the most ambitious ever package to close the tax gap, raising £6.5 billion in additional tax revenue per year by 2029-30.

Supporting people with the cost of living

The government is boosting wages for the low paid by accepting the recommendations of the Low Pay Commission in full, meaning the National Living Wage will increase. This represents an increase of over £1,400 to the annual earnings of a full-time worker on the National Living Wage and is expected to benefit over 3 million low paid workers across the UK.

To protect vulnerable people, the government will provide £1 billion, including Barnett, to extend the Household Support Fund and Discretionary Housing Payments in 2025-26, which will be used by local authorities to address immediate hardship and crisis.

The government will maintain the State Pension Triple Lock for the duration of this Parliament. The basic and new State Pension will increase by 4.1% in 2025-26, in line with earnings growth, meaning over 12 million pensioners will receive up to £470 per year. Working age benefits will be uprated in full in 2025-26 by the September 2024 Consumer Price Index (CPI) inflation rate of 1.7%.

The government is also creating a new Fair Repayment Rate, which caps debt repayments made in Universal Credit, allowing 1.2 million households to keep more of their Universal Credit award. The Carer's Allowance weekly earnings limit will also be raised to improve financial security for carers to support them into work or to work more hours if they choose.

Protecting working people

Despite challenging fiscal circumstances and the need to raise additional revenue to repair the public finances, the government is protecting working people.

The government has committed to not increase taxes on working people, which is why it is not increasing the basic, higher or additional rates of income tax, National Insurance contributions (NICs) or VAT.

The government is freezing fuel duty and extending the temporary 5p cut for one year, at a cost of £3 billion next year, to support hard-working families and businesses. This will save the average car driver £59 in 2025-26.

The government will not extend the freeze to income tax and National Insurance contributions thresholds. From April 2028, these personal tax thresholds will be uprated in line with inflation.

Supporting businesses

The government will deliver a fairer business rates system through permanently lower business rates multipliers for retail, hospitality and leisure (RHL) properties from 2026-27. The Budget also provides £1.9 billion of support to small businesses and the high street in 2025-26 by freezing the small business multiplier and providing 40% relief on bills for RHL properties, up to a £110,000 cash cap.

To recognise the economic and cultural importance of British pubs, and commitment to supporting smaller brewers, the government is cutting alcohol duty on draught products from February next year, reducing it by 1 penny per average strength pint. Alcohol duty on non-draught products will increase in line with Retail Price Index (RPI) inflation from the same date.

The government is supporting spirits producers, such as the Scotch Whisky industry, by removing mandatory duty stamps for spirits and increasing investment in the Spirit Drinks Verification Scheme, which allows producers to verify the geographic origin of their products.

The government is providing stability and predictability to support businesses to invest by publishing a Corporate Tax Roadmap, which confirms that the government will cap the rate of Corporation Tax at 25%, the lowest in the G7, for the duration of the Parliament.

Raising revenue to fund public services

To repair the public finances and help raise the revenue required to increase funding for public services, the government is taking the difficult decision to increase the rate of employer NICs by 1.2 percentage points to 15%. The per-employee threshold at which employers start to pay National Insurance will be reduced from £9,100 per year to £5,000 per year. These changes will apply from 6 April 2025.

To support small businesses with these changes, the government is increasing the Employment Allowance from £5,000 to £10,500 and removing the £100,000 threshold, expanding this to all eligible employers. This means that 865,000 employers will pay no NICs next year.

The Budget increases the lower rate of Capital Gains Tax (CGT) from 10% to 18% and the higher rate from 20% to 24%. This ensures asset owners pay their fair share whilst keeping the UK tax system internationally competitive, with lower rates than comparable EU countries. CGT rates for Business Asset Disposal Relief and Investors' Relief will rise gradually to 14% from 6 April 2025 and match the main lower rate of 18% from 6 April 2026, to allow business owners time to adjust to the changes.

The government is making the inheritance tax system fairer by applying inheritance tax to unspent pensions pots and restricting the generosity of agricultural property relief and business property relief for the wealthiest estates.

To ensure Air Passenger Duty (APD) revenues remain sustainable, the government will adjust all APD rates in 2026-27, adding £2 for those flying economy to short-haul destinations. Higher rates for private jets will increase by 50% and the government is consulting on extending the higher rate to include more private jets.

To help drive the transition to electric vehicles (EVs) the government is strengthening incentives to purchase EVs by widening the differentials in Vehicle Excise Duty First Year Rates between EVs and hybrids or internal combustion engine cars. The government is also maintaining EV incentives in the Company Car Tax regime and extending 100% First Year Allowances for zero emission cars and EV chargepoints for a further year.

Delivering on tax commitments

The government is delivering on its commitments to make the tax system fairer and raise revenue to fund public services.

The Budget is closing loopholes in the tax system, including ending the unfair current treatment of carried interest and replacing the non-dom tax regime with a new residence-based system to make sure that everyone who makes their home in the UK pays their taxes here.

The government is supporting first-time and main home buyers by increasing the Higher Rates for Additional Dwellings in Stamp Duty Land Tax on the purchases of second homes, buy-to-let residential properties, and companies purchasing residential property, from 3% to 5% from 31 October 2024.

To help make the UK a clean energy superpower, oil and gas companies will contribute more to support the energy transition. The government is increasing the rate of the Energy Profits Levy (EPL) from 35% to 38%, removing the 29% investment allowance, and extending the levy until 31 March 2030. To provide certainty and to support a stable energy transition, 100% first-year allowances in the EPL will remain and the government will consult in early 2025 on how the oil and gas tax regime should respond to price shocks once the EPL ends in 2030.

To help fund the government's priorities for education and young people it is delivering on its commitment to charge VAT on private school fees and to remove business rates charitable relief in England.

Fixing the NHS and reforming public services

Through Phase 1 of Spending Review 2025 the government is resetting public spending for 2024-25 and setting departmental budgets for 2025-26.

The government is providing an additional £22.6 billion of resource spending in 2025-26, compared to 2023-24 outturn, for the Department of Health and Social Care. This will support the NHS in England to deliver an additional 40,000 elective appointments a week and make progress towards the commitment that patients should expect to wait no longer than 18 weeks from referral to consultant-led treatment.

The government is boosting capital investment in public services in 2025-26 including £1.5 billion to deliver capacity for more than 30,000 NHS procedures, over 1.25 million more diagnostic tests and new beds across the NHS estate, and £1 billion to reduce the backlog of critical NHS maintenance, repairs and upgrades. The government is also investing £1.4 billion to help rebuild schools, £1.2 billion to deliver extra prison places, and almost £1.6 billion in local roads maintenance.

The government is delivering on its other first steps, including supporting recruitment of 6,500 new teachers in England through a £2.3 billion increase to the core schools budget, launching Great British Energy and a new Border Security Command, and cracking down on antisocial behaviour by supporting neighbourhood policing.

The Budget fixes the envelope for Phase 2 of the Spending Review, which will deliver a new mission-led, technology-enabled, and reform-driven settlement for public services. The Spending Review will conclude in late spring 2025.

Rebuilding Britain

The government is delivering its growth mission by prioritising stability, investment and reform to drive prosperity across the UK. The Budget takes the difficult decisions to put the public finances on a sustainable path to create the conditions for growth.

Supported by the new fiscal framework, the Budget increases public investment by more than £100 billion over the next five years to boost growth and help crowd in private investment in the long run. Capital investment will increase by £13 billion next year, taking total departmental capital spending to £131 billion in 2025-26.

This includes investing in transport, kickstarting the delivery of 1.5 million homes, supporting new industries and job creation, and protecting record R&D funding. The Budget also increases investment in public services, recognising that a well-functioning NHS and education system are critical to the economy.

With new guardrails that will govern the approach to capital spending, and new and strengthened institutions, the government is reforming the way it plans, assures, delivers and evaluates capital spending. These changes will provide greater certainty for departments, investors and supply chains, and greater assurance that investment achieves value for money, is well delivered and supports growth.

The government will work in partnership with the private sector to further increase investment. The government has created the National Wealth Fund to catalyse over £70 billion of private investment, set out plans for a modern Industrial Strategy to support investment in growth-driving sectors, and launched a pensions review to unlock greater investment in UK growth assets.

The government is making the reforms needed to deliver sustained growth in the long-term. These include ambitious planning reforms to remove barriers to growth, the development of a 10-year infrastructure strategy to be published alongside Phase 2 of the Spending Review, the forthcoming publication of the Get Britain Working White Paper, and the establishment of Skills England to ensure we have the highly-trained workforce needed to deliver economic growth.

The government's growth policy priorities, under the framework of stability, investment and reform, have been structured into seven pillars, as illustrated in chapter 3. These priorities are being taken forward in partnership with business, and backed by a continuous focus on delivery supported by a Growth Delivery Unit established in HM Treasury.

Autumn Budget 2024 is fixing the foundations of the economy and beginning a decade of national renewal. The government is protecting working people, fixing the NHS, and boosting investment to deliver growth and prosperity for all parts of the country.

Autumn Budget 2024

1 Economic and fiscal context

Summary

1.1 Since 2010, the UK economy has experienced low productivity growth, rising debt levels, and declining public service performance. In July, the government published an audit of public spending which set out £22 billion of in-year spending pressures, the vast majority of which are recurring costs.[1]

1.2 The government is fixing the foundations by supporting economic and fiscal stability, boosting investment, increasing spending on public services, and setting the public finances on a sustainable path. These are essential foundations for long-run economic growth.

1.3 The government is announcing robust fiscal rules, which the independent Office for Budget Responsibility (OBR) confirms the government is on track to meet:

- **Stability rule:** to move the current budget into balance so that day-to-day spending is met by revenues.
- **Investment rule:** to reduce net financial debt as a share of the economy.

1.4 To support economic stability and underpin the commitment to fiscal responsibility, the government is confirming a set of responsible reforms to the fiscal framework that improve certainty, transparency and accountability. The government is publishing a new Charter for Budget Responsibility and 'A strong fiscal framework', setting out the detail of the fiscal rules and these wider changes.[2,3]

1.5 The Budget completes Phase 1 of Spending Review 2025, which resets departmental budgets for 2024-25 and sets budgets for 2025-26. Phase 1 focuses on stabilising and supporting public services and delivers a real terms increase in departmental spending of 4.3% per year on average over 2024-25 and 2025-26.

1.6 The Spending Review (SR) now moves to Phase 2, which will conclude in late spring 2025. Phase 2 will take a mission-led, reform-driven, technology-enabled approach to funding public services while investing in long-term growth. To mobilise private investment, and achieve higher long-run growth, and start to rebuild Britain, the government is announcing over £100 billion of additional capital investment over the next five years.[4]

[1] Fixing the Foundations: public spending audit 2024-25, HM Treasury, August 2024. Details of numerical references, including National Statistics, used in this chapter can be found in 'Autumn Budget 2024 data sources'.
[2] 'Charter for Budget Responsibility', HM Treasury, October 2024.
[3] 'A Strong Fiscal Framework: Explaining the government's new fiscal framework and rules', HM Treasury, October 2024.
[4] This is based on a comparison with Spring Budget 2024 capital spending plans to 2028-29 and the forecast pre-measures assumption that capital spending rises with nominal GDP in 2029-30.

1.7 The economy is expected to continue its recovery from a recession in 2023 and weak performance since the Global Financial Crisis (GFC). Growth is set to increase to 2.0% in 2025 and 1.8% in 2026, before settling close to its trend rate in the later years of the forecast. The OBR judges that this Budget will, if sustained, permanently increase the size of the economy in the long term.

Fiscal and economic context

Fiscal context

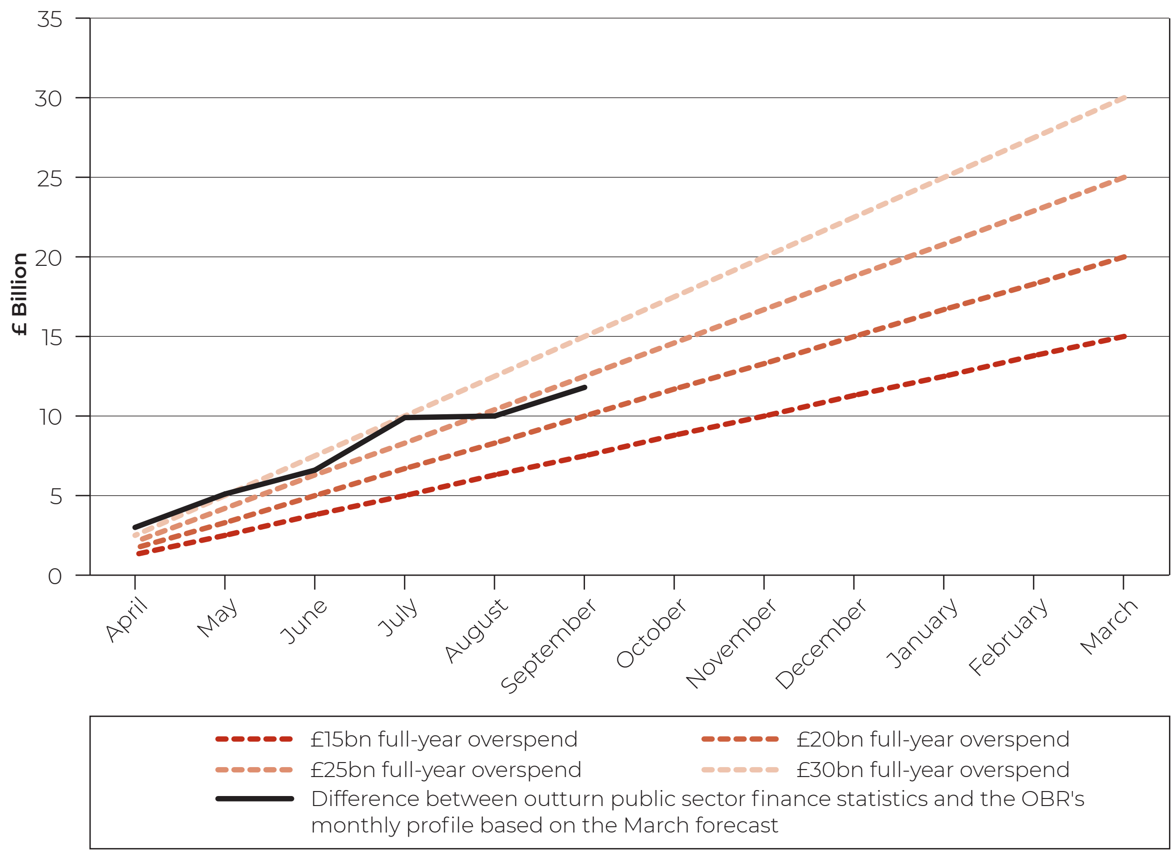
1.8 Economic and fiscal instability creates uncertainty for households, businesses, and markets. UK economic policy uncertainty has been higher than the global measure in recent years.[5] Over the same period, the public finances deteriorated, and debt increased. Public sector net debt (PSND) as a proportion of gross domestic product (GDP) is at its highest level since the early 1960s, at 98.5% in September.[6] Public sector net financial liabilities (PSNFL) – net financial debt for short – as a proportion of GDP remains close to its highest recorded level reached in the COVID-19 pandemic.

1.9 Without a spending review since 2021, departmental budgets did not account for the significant spike in inflation and other factors. It also meant departmental planning horizons had shrunk to less than one year.

1.10 In July the audit of public spending set out £22 billion of in-year pressures against departmental budgets for 2024-25.[7] The government has published the full breakdown of the £22 billion pressure in the 'Government Response to the OBR Review of DEL Forecasting'.[8] As shown in Chart 1.1 below, the effect of these pressures is apparent in published public sector finances data, where current spending for the first half of the year is £11.8 billion higher than predicted in the OBR's March 2024 forecast profile.[9]

[5] Economic Policy Uncertainty Index for the United Kingdom, Baker, Bloom, & Davis, retrieved from FRED, Federal Reserve Bank of St. Louis, October 2024.
[6] Public Sector Finances, Office for National Statistics, October 2024.
[7] Fixing the Foundations: public spending audit 2024-25, HM Treasury, August 2024.
[8] Government Response to the OBR Review of DEL Forecasting, HM Treasury, October 2024.
[9] Public Sector Finances, Office for National Statistics, October 2024.

Chart 1.1: Year-to-date central government current expenditure compared to the OBR Spring 2024 forecast profile and indicative overspend trajectories



Source: Office for National Statistics, Office for Budget Responsibility and HM Treasury calculations.

1.11 The vast majority of pressures identified by the audit are recurring costs in future years, including public sector pay settlements, health pressures, asylum and illegal immigration costs, rail passenger service and maintenance costs, and a significant majority of the 'Normal Reserve Claims'. In addition, compensation payments for victims of the Infected Blood and Post Office Horizon IT scandals had not been fully accounted for by the previous government and will cost an average of £2.3 billion a year over the next forecast period.

1.12 Plans set at Spring Budget 2024 were for day-to-day spending to fall from 16.7% of GDP in 2023-24 to 16.0% of GDP in 2028-29 and for public sector net investment (PSNI) to fall from 2.5% in 2023-24 to 1.7% of GDP in 2028-29.[10] Public services performance had reached historic lows across health, education, housing, police, justice, and social care services.[11] These outcomes do not just affect people directly, but can also drag on the wider economy. In the latest data, output in the health sector remains nearly 16% below its pre-pandemic level.[12]

Economic context

1.13 The UK economy has flatlined in recent years. On a per-capita basis, GDP remains lower than pre-pandemic levels. Low productivity (GDP per hour) growth since 2010 has driven the UK's weak growth over that period, as outlined in Box 1.A. Weak economic performance has undermined living standards and contributed to

[10] Economic and Fiscal Outlook, Office for Budget Responsibility, March 2024.
[11] Fixing the Foundations: public spending audit 2024-25, HM Treasury, August 2024.
[12] GDP output approach – low level aggregates, Office for National Statistics, September 2024.

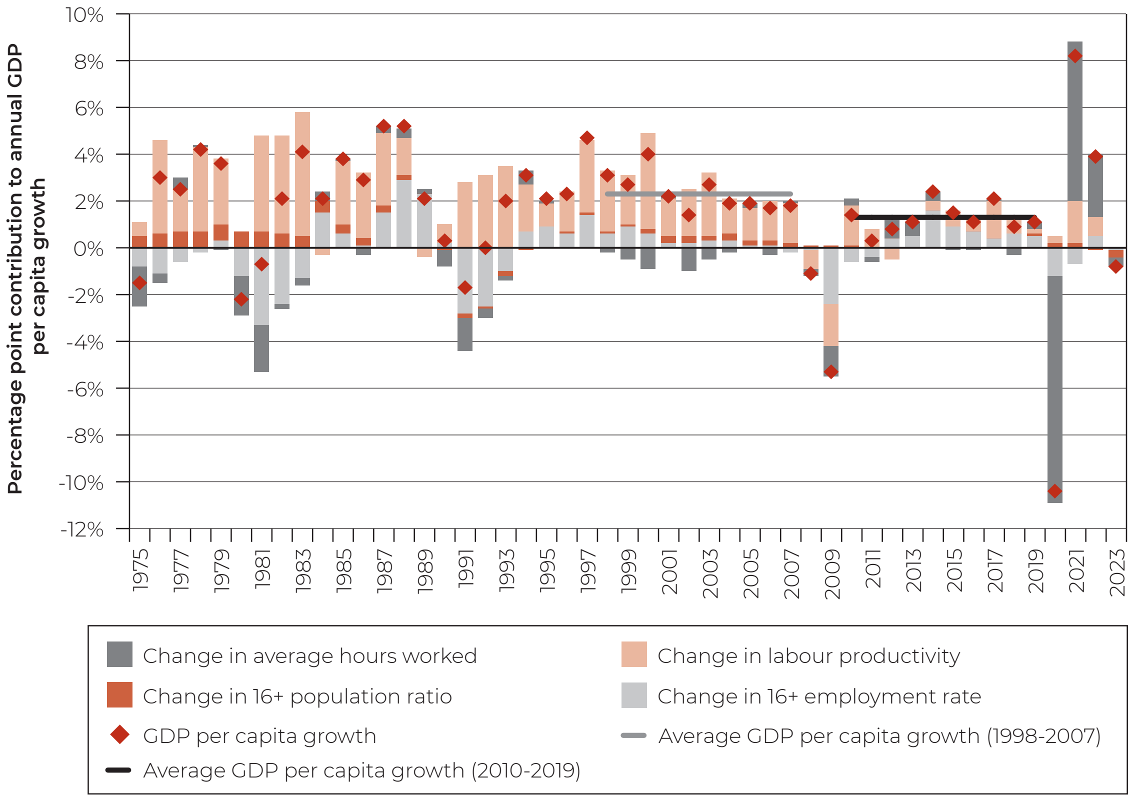
the challenging fiscal position. If the UK economy had grown at the average rate of Organisation for Economic Co-operation and Development (OECD) economies over the past 14 years, then GDP would be £171 billion larger.[13]

Box 1.A UK growth performance since the GFC

UK economic growth since the GFC has been substantially lower than in previous decades. GDP per capita grew at only 1.3% annually in the decade after the GFC, a fall of around 1 percentage point from the decade prior to the GFC (1998-2007). Other advanced economies experienced a similar slowdown, but the reduction in the UK's growth rate was more pronounced than in France (0.8 percentage points), Germany (0.1 percentage points) and the US (0.4 percentage points).[14]

GDP per capita growth can be decomposed into growth in the 16+ population ratio (16+ population as a share of total population), the employment rate, average hours worked, and productivity. While a rising employment rate supported GDP per capita growth in the decade following the GFC, productivity growth slowed even more sharply than GDP per capita growth. Annual productivity growth fell by around 1.5 percentage points, from an average of 2.1% in the decade prior to the GFC, to 0.6% between 2010 and 2019.

Chart 1.2: Contributions to annual GDP per capita growth



Source: HM Treasury calculations based on Office for National Statistics data.

[13] HMT calculations based on ONS and OECD data: UK GDP would have been £171 billion larger, in real terms, at 2022 prices and on an annualised basis in 2024Q2 if it had grown at the OECD average from 2010Q2 to 2024Q2.
[14] HMT calculations based on OECD Quarterly GDP per capita.

Productivity and wages are highly correlated; higher productivity enables higher wages and living standards. The slowdown in productivity growth in the decade following the GFC has been observed across advanced economies, but it has been particularly sharp in the UK. In the decade prior to the GFC, the UK's average productivity growth rate exceeded that of Germany and France, and was only slightly lower than that of the US. The UK's average rate of productivity growth in the decade after the financial crisis (0.6%), was slower than in France (0.9%), Germany (1.2%), and the US (0.9%).[15]

The productivity slowdown can be decomposed into three components: capital deepening (growth in the capital stock, both private and public, available to workers), labour composition (characteristics of those employed, such as industry, age, and education), and Total Factor Productivity (TFP – a measure of the efficiency with which labour and capital are combined in the production process). Slower growth in capital deepening has played a larger role in the UK's slowdown compared to other countries.[16]

Business investment, a key component of capital deepening, has been particularly weak in the UK relative to other countries over the past few decades. Since Q2 2010, real business investment in the UK has averaged 9.6% of GDP, the lowest level in the G7.[17] There are several factors that may have accounted for this, but it is likely that elevated levels of economic policy uncertainty in recent years have been a major contributor (Box 1.B) and public investment has been low historically with frequent changes to planned spending.

1.14 The UK's lower productivity growth compared to Germany and the US in the decade following the GFC has increased existing sizeable productivity gaps to these countries.[18] The benefits of closing these productivity gaps are significant. If the UK were as productive as Germany, GDP per capita would be around £8,000 higher in today's prices. If it reached US levels, it would be around £9,000 higher.[19]

1.15 The UK economy has many enduring strengths. It has high-quality research institutions, many innovative firms, a recognised set of strong institutions for regulation and competition, a pro-entrepreneurial environment, a highly skilled workforce, and investment opportunities across the country. Coupled with its status as a global trading nation with comparative advantage in high-value sectors across services and manufacturing, these strengths mean the UK can close the gap on peer nations. However, policy uncertainty has held back growth.

1.16 Employment growth, previously a strong positive contributor to GDP growth, has stalled since the start of the pandemic. Weak employment growth has reflected an increase in the rate of economic inactivity. The UK is the only country in the G7 to not have returned to pre-pandemic levels.[20] The working-age inactivity rate has increased steadily from 20.8% in 2019 Q4 to 22.2% in 2024 Q2,

[15] HMT calculations based on OECD Productivity Database.
[16] Cracking the Productivity Code: An international comparison of UK productivity, Van Reenen, J., and Yang, X., June 2024.
[17] HM Treasury calculations based on published data from national statistics agencies.
[18] HM Treasury calculations based on OECD Productivity Database.
[19] HM Treasury calculations based on ONS and OECD data: UK GDP per head at current market prices in 2023 (ONS IHXT) uplifted by the percentage difference in UK and Germany/US output per hour worked (OECD Productivity levels, US dollars per hour PPP converted, current prices).
[20] OECD Infra-annual labour statistics. The UK economic inactivity rate is 1.4 percentage points higher than before the pandemic (2024 Q2 vs 2019 Q4), making it the only G7 economy where the inactivity rate has not returned to pre-pandemic levels.

largely accounted for by a rise in inactivity due to ill-health.[21] Long-term sickness related inactivity has risen to a record high of 2.8 million people in 2024. Reducing economic inactivity will be essential to reaching the government's ambition of an 80% employment rate.

1.17 Looking ahead, several trends will fundamentally reshape the UK and global economy. Technological advancements, shifts in global trade, the transition to a low-carbon economy, and demographic change all present opportunities and risks. Adapting to these trends is key to securing sustainable growth and improving living standards.

Delivering economic stability

1.18 The UK economy has faced unprecedented shocks, including the pandemic and Russia's illegal invasion of Ukraine, which contributed to the largest increase in inflation in almost 50 years. The policy response shaped the economic effect of these shocks. External shocks have been exacerbated by UK-specific factors, resulting in elevated levels of domestic policy uncertainty that have far outstripped global trends. This is why the government is taking action to restore stability, to protect working people and create the necessary conditions for investment and growth. Box 1.B sets out in more detail the importance of a stable macroeconomic environment.

Box 1.B Macroeconomic stability and growth

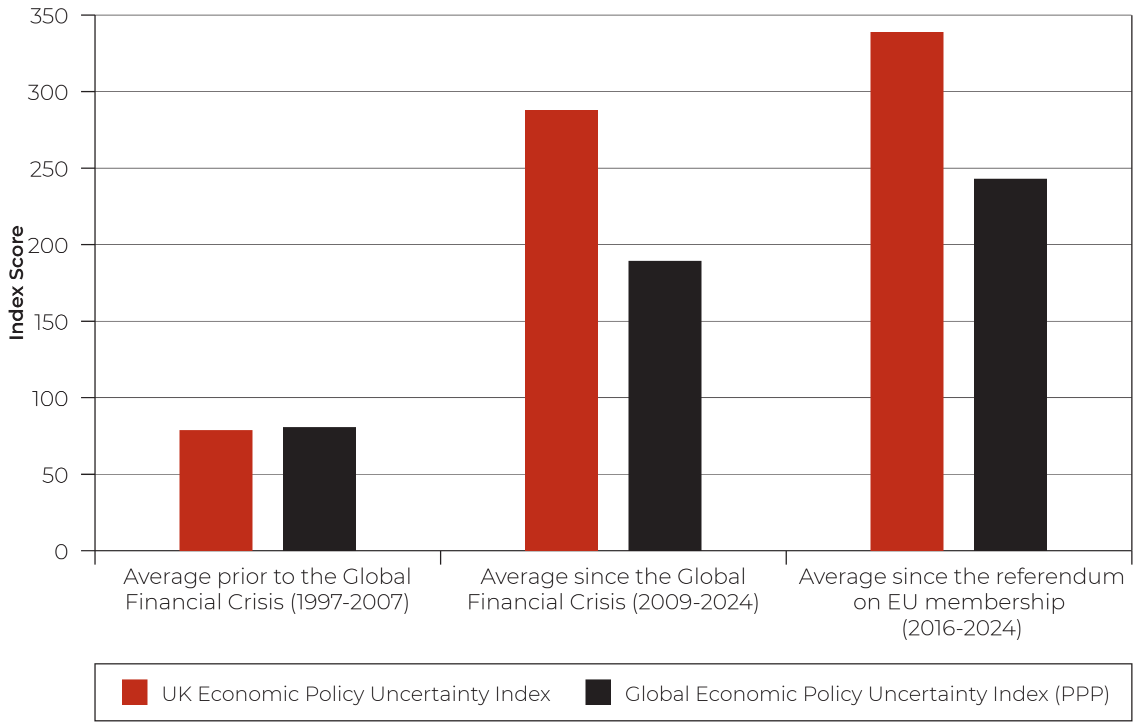
Macroeconomic and policy stability influences economic growth directly and indirectly.

- Economic stability provides certainty for firms and households to plan spending and investment. Households may respond to certainty by increasing consumption and reducing precautionary saving.[22] Firms may accelerate or increase investment due to the increased predictability of future returns, driving capital accumulation and productivity.[23,24,25]
- Stable public finances and a robust fiscal framework can support growth by avoiding crises, helping to anchor inflation expectations, lowering borrowing costs, and protecting investment.[26]
- Clear and well-executed policy encourages investors by giving confidence about the role the public sector will play in supporting growth.[27]

[21] Summary of Labour Market Statistics, Office for National Statistics, October 2024.
[22] 'Precautionary Saving and the Marginal Propensity to Consume', Kimball, July 1990.
[23] 'Investment under Uncertainty', Dixit & Pindcyk, 1994.
[24] 'The Impact of Uncertainty Shocks', Bloom, 2009., Econometrica, Vol. 77, No. 3, 623–685.
[25] 'Uncertainty Shocks in a Model of Effective Demand', Basu, & Bundick, 2017., Econometrica, Vol.85, No.3, 937-958.
[26] The Economic Impact of Fiscal Policy Uncertainty: Evidence from a New Cross-Country Database, IMF Working Papers, September 2024.
[27] OECD Economic Surveys: United Kingdom, Organisation for Economic Co-operation and Development, September 2024.

Measures of uncertainty, such as the Economic Policy Uncertainty Index, have been elevated globally in recent years (Chart 1.3).[28] UK policy uncertainty has been higher than global policy uncertainty for most of the past 15 years. There was a noticeable spike around the time of the referendum on the UK's membership of the European Union in 2016. UK policy uncertainty has continued to be elevated since then. This suggests that wider domestic factors have played an important role in the UK's uncertain outlook.

Chart 1.3: Economic Policy Uncertainty Index (UK compared to Global index)



Notes: Dates used for calculating averages; (1) pre-Global Financial Crisis: Jan 1997–Jul 2007, (2) since the Global Financial Crisis: Jan 2009–Sep 2024, (3) since the referendum on EU membership: Jul 2016–Sep 2024

Source: Baker, Bloom and Davis, Economic Policy Uncertainty Index, retrieved from FRED, Federal Reserve Bank of St. Louis.

Governments cannot completely mitigate the impact of broad, global macroeconomic fluctuations, just as they cannot entirely prevent all forms of uncertainty. However, institutional arrangements can support businesses and households to manage these shocks.

1.19 Low and stable price inflation is an essential element of a stable macroeconomic environment, and a pre-requisite for sustainable economic growth and improving living standards. Consumer Prices Index (CPI) inflation is normalising after an inflationary shock resulted in it peaking at 11.1% in October 2022, and spending 33 consecutive months above target. While inflation may rise slightly in the near term, the OBR expects it to remain close to the 2% target throughout the forecast.

1.20 The government is strengthening the UK's independent institutions, including through its reforms to the fiscal framework. Independent operation of monetary policy, targeting low and stable inflation, is at the heart of the

[28] Economic Policy Uncertainty Index for the United Kingdom, Baker, Bloom, & Davis, retrieved from FRED, Federal Reserve Bank of St. Louis, October 2024.

macroeconomic framework that delivers stability and protects working people. When the government updates the remit for the Monetary Policy Committee (MPC) at Mansion House on 14 November, it will maintain the MPC's target of two per cent inflation, as measured by the 12-month increase in the CPI. The government is supporting low and stable inflation by reducing borrowing year on year after 2024-25. New remit letters for the Financial Policy Committee, Prudential Regulation Committee, Financial Conduct Authority, and Payment Systems Regulator will also be published alongside Mansion House.

A strong fiscal framework

1.21 The government's objective for fiscal policy is to support sustainable economic growth and the provision of high-quality public services and investment across the UK, through the effective management of the public finances and sustainable taxes and borrowing. At Autumn Budget 2024 the government is publishing a new Charter for Budget Responsibility, implementing its reforms to the fiscal framework to strengthen the public finances and improve transparency.

1.22 The government is announcing its fiscal rules:

- **Stability rule:** to move the current budget into balance, so that day-to-day spending is met by revenues.
- **Investment rule:** to reduce net financial debt as a share of the economy.

Stability rule

1.23 The stability rule (which is the government's fiscal mandate) requires that the current budget must be in surplus in 2029-30, until 2029-30 becomes the third year of the forecast period. From that point, the current budget must then remain in balance or in surplus from the third year of the rolling forecast period, where balance is defined as a range: in surplus, or in deficit of no more than 0.5% of GDP. This range will support the government's commitment to a single fiscal event every year by avoiding the need for policy adjustment at forecasts outside of fiscal events. If the range is used between fiscal events, the current budget must return to surplus from the third year at the following fiscal event.

1.24 The current budget excludes borrowing for capital investment, measuring the difference between current receipts and all other expenditure. Balancing the current budget means that the government's day-to-day spending is met by revenues and so ensures that, over the medium term, borrowing is only for investment. This means future generations will not be burdened with the costs of public services today. The transition to targeting the third year of the forecast will provide a strong anchor for fiscal sustainability, while providing the necessary flexibility to respond to macroeconomic shocks.

Investment rule

1.25 The government is increasing investment in the economy to support growth, while ensuring debt is on a sustainable trajectory.

1.26 The government's fiscal mandate is supplemented by a target to ensure debt, defined as public sector net financial liabilities (PSNFL or net financial debt for short), is falling as a share of the economy by 2029-30, until 2029-30 becomes the third year of the forecast period.[29] Debt should then fall by the third year of the rolling forecast period.

Box 1.C What is net financial debt?

Net financial debt, defined as public sector net financial liabilities (PSNFL), is an official statistic that has been published by the Office for National Statistics since 2016, based on international statistical guidance.

Net financial debt includes all the debt and assets counted within PSND but is a broader and more comprehensive measure.[30] In addition to the government's stock of debt captured in PSND, it includes all other financial liabilities (including funded pensions obligations and standardised guarantees). In addition to the liquid assets (like cash and deposits) captured in PSND, it also recognises illiquid financial assets (such as equity holdings and loans), which are netted off the debt held to calculate the overall measure of the public sector balance sheet.[31] Net financial debt does not include non-financial assets like school and hospital buildings.

Compared to PSND, in 2023-24 net financial debt included an additional £1,058 billion of financial assets, principally loan and equity assets, and an additional £667 billion of liabilities, principally around £507 billion worth of funded public sector pensions liabilities.[32]

Public sector net borrowing (PSNB) is one of the best-understood flow measures of the surplus or deficit of the public finances. One simple way to think of net financial debt is as the stock measure that corresponds to the flow of PSNB.

The path for net financial debt has broadly tracked PSND over time. This is because the assets and liabilities captured in PSND make up the majority of those included in net financial debt. Year-on-year changes to both measures are primarily driven by PSNB. Further detail is set out in 'A strong fiscal framework'.[33]

1.27 Targeting net financial debt allows the government to deliver a step change in investment spending, while maintaining a strong fiscal anchor. Net financial debt:

- Strengthens fiscal management by providing a fuller account of what government owes and owns. The Institute for Fiscal Studies notes that net financial debt provides a 'more complete picture of the government's financial position, while removing some of the perverse incentives associated with a narrow focus on PSND'.[34]

[29] Autumn statement: Supplementary fiscal aggregates, Office for National Statistics, November 2016.
[30] Public sector net debt (PSND) includes government debt liabilities for currency and deposits, debt securities and loans. It is presented net of assets treated as 'liquid' in UK public finance statistics.
[31] As defined by international guidance: European System of Accounts and The System of National Accounts.
[32] Public Sector Finances, Office for National Statistics, October 2024.
[33] 'A Strong Fiscal Framework: Explaining the government's new fiscal framework and rules', HM Treasury, October 2024.
[34] Fiscal rules and investment in the upcoming Budget, Institute for Fiscal Studies, September 2024.

- Recognises the value of financial assets. Unlike PSND, net financial debt reflects that financial investments, like loans, have a positive value. Not recognising the value of government's financial assets could overly constrain public investment.
- Enables investments in financial assets, such as those delivered by the National Wealth Fund, that are expected to grow the economy while delivering a positive return for the Exchequer. Using a debt metric that does not recognise financial assets creates an incentive for government to forgo profitable investments. Where investments make a return above the government's cost of finance they lower (not increase) the debt burden.

1.28 Before the measures announced in Autumn Budget 2024, the OBR forecast that the margin against net financial debt falling as a share of GDP in 2029-30 would be £8.7 billion higher than for PSND, and £20.9 billion higher than PSND excluding the Bank of England (PSND ex BoE).[35] This gap has narrowed relative to the OBR's March 2024 forecast, when it had been £37.1 billion and £53.0 billion in the fifth year respectively. This reflects changes by the OBR to the forecast methodology for net financial debt to capture the effects of asset purchase facility (APF) sales and redemption losses, as well as other changes to the underlying pre-measures forecast for both metrics. The change is detailed in the OBR's October 2024 Economic and Fiscal Outlook.

A reformed fiscal framework for stability and transparency

1.29 The government is reforming the fiscal framework to support stability by creating a predictable fiscal policy-making environment and to increase transparency. Robust guardrails will ensure investments are consistent with fiscal sustainability and decisions represent value for money. Box 1.D provides details on the new framework.

Box 1.D The strong fiscal framework

The improvements to the fiscal framework are set out in 'A strong fiscal framework'[36] and include:

- New guiding fiscal principles to move towards only borrowing for investment, and to keep debt on a sustainable path.
- The new stability and investment rules, which implement these principles.
- A move away from five-year targets, which have been widely criticised for enabling continual delays to fiscal consolidation.[37,38]
- Improvements to fiscal management by monitoring a wide range of metrics.
- A commitment to hold one major fiscal event per year to give families and businesses stability and certainty on upcoming tax and spending changes.

[35] In the OBR October 2024 forecast, figures presented as a % of GDP (for both outturn and forecast) are based on the vintage of nominal GDP data that was available when the OBR closed the pre-measure forecast, so do not reflect upward revisions in the latest Quarterly National Accounts published on 30 September.
[36] 'A strong fiscal framework: Explaining the government's new fiscal rules and framework', HM Treasury, October 2024.
[37] Strengthening the UK's fiscal framework, Institute for Government, February 2024.
[38] How do the parties' policy proposals fit in with their fiscal rules?, Institute for Fiscal Studies, June 2024.

- Committing to hold a Spending Review every two years, setting departmental budgets for a minimum of three years. According to the IMF, this will 'improve the credibility of the medium-term fiscal framework'.[39]
- Confirming the details of the fiscal lock, as already legislated for,[40] to ensure that no government can announce fiscally significant measures without being subject to an independent assessment by the OBR.
- Accepting all 10 recommendations in the OBR's review of the March 2024 forecast for Departmental Expenditure Limits, including improving the transparency and consistency of the spending information the Treasury shares with the OBR.
- Requiring the OBR to report on the long-term economic impacts of capital investment and government policies in its forecast.
- Committing to publish an annual report on the government's contingent liabilities (such as guarantees, insurance contracts, and provisions).
- An escape clause that provides a strengthened role for the OBR when the government assesses there is a need to temporarily suspend the fiscal rules due to economic shocks.

The investment rule is accompanied by guardrails to strengthen controls on public spending on financial assets, such as loans and equity. These are set out in the Financial Transaction Control Framework.[41] The core principles are that:

- The established spending control framework in Managing Public Money and Consolidated Budgeting Guidance remains in full. [42,43]
- New financial transactions (FTs) should generate a return at a portfolio level that at least covers their cost of financing, or when they do not, the costs of loss-making investments will be transparently recognised in departmental budgets.
- All large-scale FTs and guarantees should be delivered by expert institutions including the National Wealth Fund, UK Export Finance, and the British Business Bank.
- The government will publish an annual report on its financial assets using asset values audited by the National Audit Office (NAO).
- Standardised risk controls for FTs and guarantees will be introduced.

1.30 The government is reforming how it plans, assures, delivers, and evaluates capital spending and will underpin these reforms with new and strengthened institutions. These changes will provide greater certainty and greater assurance that investment is high-quality and well delivered, including by:

- Publishing a 10-year infrastructure strategy alongside Phase 2 of the Spending Review, outlining the government's long-term approach.

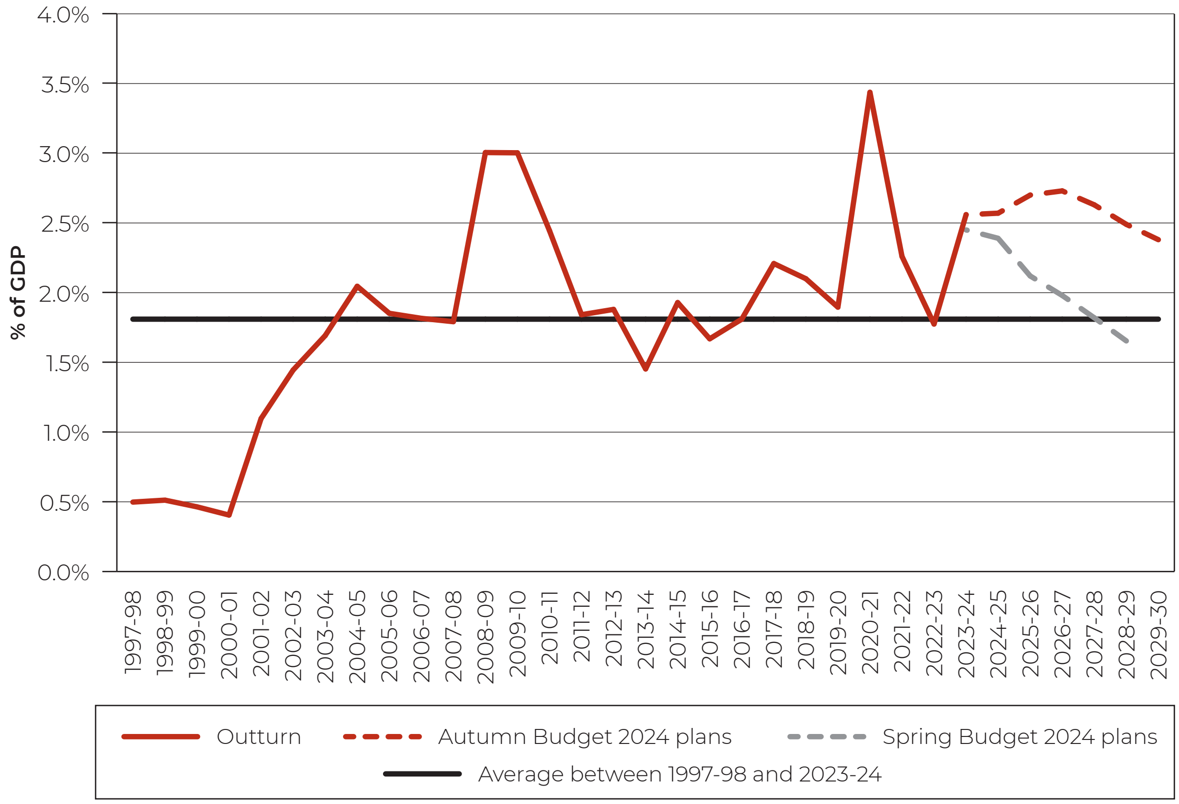
[39] United Kingdom: 2024 Article IV Consultation, International Monetary Fund, July 2024.
[40] Budget Responsibility Act 2024, UK General Public Acts, September 2024.
[41] 'Financial Transactions Control Framework', HM Treasury, October 2024.
[42] Managing Public Money, HM Treasury, May 2012.
[43] Consolidated Budget Guidance, HM Treasury, March 2023.

- Setting five-year capital budgets and extending them every two years at regular spending reviews to avoid funding 'cliff edges' and give more certainty.
- Increasing the transparency of investment decisions by publishing business cases for major projects and programmes.
- Establishing the National Infrastructure and Service Transformation Authority (NISTA) to drive more effective delivery of infrastructure across the country. Alongside existing assurance mechanisms, NISTA will have an enhanced role in supporting major projects, including validating business cases prior to HM Treasury funding approval.
- Formally launching the Office for Value for Money (OVfM), with the appointment of an independent chair.
- Working with the NAO to benefit from their scrutiny of capital projects and learn lessons which can be applied to future projects.

Investing for growth

1.31 Supported by the new fiscal framework, the Budget significantly increases public investment and helps to crowd in private investment in the longer term. Public sector net investment will average 2.6% of GDP over the Parliament, in contrast to the previous government's plans to reduce PSNI to 1.7% of GDP. This is supported by over £100 billion of additional investment over the next five years. This includes an increase of £13 billion next year, taking total departmental capital spending to £131 billion in 2025-26. This investment will be underpinned by clear guardrails to ensure that the increased capital spending is high quality and well delivered.

Chart 1.4: Public sector net investment



Source: Office for National Statistics and Office for Budget Responsibility.

1.32 Public investment is a crucial driver of long-term economic growth. The government will invest in transport to get Britain moving, build 1.5 million homes to unlock growth, support new industries and job creation, and back innovation through protecting record research and development (R&D) investment. The Budget also increases funding for public services, recognising that a well-functioning NHS and education system are critical to the economy. By contributing to the stock of capital in the economy, higher public investment increases levels of capital per worker and productivity. The returns to public capital investment can be high, and it can also crowd in private sector investment. The OBR assumes that in the long run, higher public investment has a positive impact on business investment of around £0.30 for every £1 increase in public investment spending. The economic effect of public investment is outlined further in Box 1.E.

1.33 Public investment in the UK has historically been low and inconsistent. The UK's public capital stock as a share of GDP is the joint lowest in the G7, and more than 10 percentage points below the G7 median.[44] While most G7 countries' public capital stock as a share of GDP has fallen since the 1980s, the UK has seen a steeper decline than most (both due to declining investment and privatisation).

1.34 Plans set at Spring Budget 2024 were for public sector net investment (PSNI) to fall from 2.6% in 2023-24 to 1.7% of GDP in 2028-29. The planned reduction in public investment would have undermined long-term growth, and the uncertainty over these plans is likely to have dampened the confidence of the private sector to invest alongside government. The IMF have noted that "cuts in public investment

[44] Investment and Capital Stocks Dataset, IMF, 2024. Median of G7 countries excluding the United Kingdom, data up to 2019.

have severe effects on growth".[45] Under the government's new spending plans, public sector net investment will now average 2.5% of GDP over the next five years supported by £100 billion additional capital investment.

Box 1.E How public investment affects potential output

The OBR's discussion paper 'Public investment and potential output' (2024) sets out a framework for accounting for the effects of changes in public investment on GDP.[46] The OBR identified and modelled two key channels affecting short, medium, and long-run potential output from a sustained increase in public investment: a boost to demand in the economy in the near term that dissipates over time, and a permanent increase in the capital stock and productivity leading to higher potential output within and beyond the five-year forecast horizon.

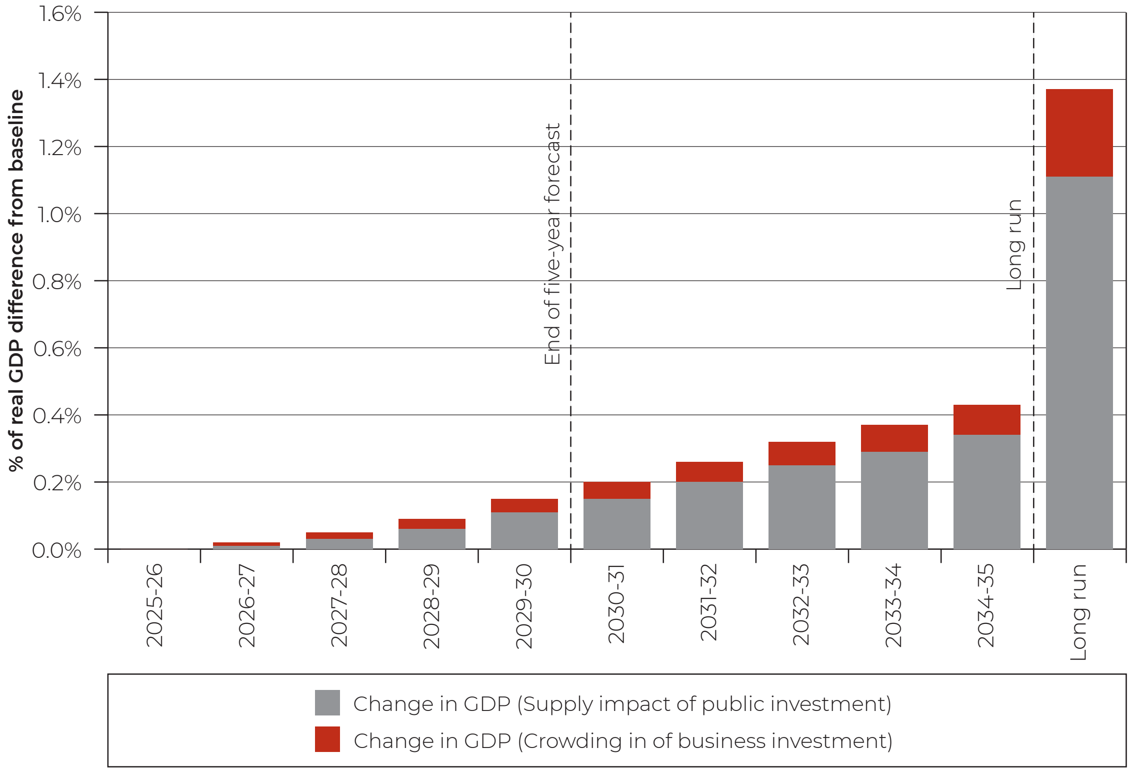
Using this framework, the OBR has estimated that the additional public investment in Autumn Budget 2024 will directly increase potential output by 0.1% after five years and if sustained, three times as much (0.3%) after ten years.

The OBR assumes these potential output effects grow over time, reflecting the time taken to spend, complete, and operationalise public investment. This means much of the growth benefit relating to spend within the five-year forecast continues to build up well beyond this horizon. The OBR estimates GDP would be around 1.1% higher in the long run (50-year horizon) if the increase in public investment announced in Autumn Budget 2024 over and above the previous government's plans is maintained.[47]

The OBR notes that higher public investment could additionally raise returns in the private sector and labour market, resulting in crowding-in effects. Commentary from leading economists has emphasised that additional crowding-in effects could be significant.[48] The OBR expects the crowding-in of private investment from the public investment package to increase potential output by 0.1% after ten years and 0.3% in the long-run. This represents a boost of around a quarter to the already significant direct effect of the additional public investment. Taken together, the additional public investment, if sustained, is expected to increase GDP by 0.4% after ten years and by 1.4% in the long run.

[45] Fiscal Monitor, International Monetary Fund, October 2024.
[46] OBR, Discussion paper no.5: Public investment and potential output, 2024.
[47] The long-term impacts assume that public investment remains constant as a share of GDP beyond the forecast period.
[48] Public investment and potential output, National Institute of Economic and Social Research, October 2024: Section: "General equilibrium effects".

Chart 1.5: Long-term impacts of sustained public investment



Source: 'Economic and Fiscal Outlook', OBR, October 2024.

Economic Outlook

1.35 The government's decisions in Autumn Budget 2024 will boost investment and drive a higher level of output in the long run. The measures in the Budget form part of the wider growth mission, underpinned by seven pillars (outlined in Chapter 3).

Summary of the Economy Forecast

1.36 The OBR forecasts the economy to grow by 1.1% in 2024, before increasing to 2.0% and 1.8% in 2025 and 2026. Growth then returns to around the OBR's estimate of its potential rate, at 1.5%, 1.5% and 1.6% over 2027, 2028 and 2029 respectively. The OBR judges that policies announced at Autumn Budget 2024 boost output in the near term and expect the package as a whole to have a net positive effect on potential output beyond the forecast horizon.

1.37 The OBR expects annual CPI inflation to remain close to the 2% target throughout the forecast period. The OBR forecasts inflation to average 2.5% in 2024, before increasing to 2.6% in 2025. It is expected to fall towards target across the final three years of the OBR forecast. Reflecting the impact of policy on inflation and demand, the OBR has adjusted its assumed path for Bank Rate, resulting in a slower reduction in interest rates over the forecast.

1.38 The OBR forecasts business investment to reach 10% of GDP in 2029, up from 9.7% of GDP in 2023 in the latest GDP statistics. The OBR judges that the Budget package as a whole will both crowd-in private investment (via increased public investment as set out in Box 1.E) and crowd-out private investment, as higher government spending is offset in the short term by lower private sector activity.

1.39 The unemployment rate is forecast to average 4.3% in 2024, a small increase on 2023, before remaining close to 4.0%. The employment rate (for those aged 16 and over) is expected to remain close to 60% over the forecast. The OBR expects part of the additional costs from the employer NICs rise to be passed through to lower real wages, which would reduce the supply of labour, and partly through to lower profits.

1.40 Real household disposable income (RHDI) per capita, a measure of living standards, is forecast to grow by 1.4% in 2024-25 and 1.1% in 2025-26 and is no longer set to decline in the near term. RHDI per capita increases by 2.1% over the forecast period as a whole. RHDI captures only household income net of taxes and benefits and therefore does not reflect the benefits to households of investment in public services. GDP per capita, an alternative measure of living standards that captures higher spending on public services, is set to grow more rapidly than RHDI per capita, rising 5.9% between 2024-25 and 2029-30.

1.41 Global developments continue to weigh on the outlook for growth and inflation. Putin's illegal war in Ukraine and ongoing conflict in the Middle East pose risks to the UK and global economies. Any material escalation that further disrupts energy and goods trade could contribute to higher oil prices and increased shipping costs.

1.42 Taken together, the measures in Autumn Budget 2024 fix the foundations of the economy and permanently boost economic output in the longer term. Sustainable public finances will contribute to a more stable business environment, supporting businesses and households to make long-term decisions, boosting investment and output. While some of the decisions taken at this event affect inflation and output within the five-year forecast, the government has prioritised investments that will pay off in the long term.

Table 1.1: Overview of the OBR's economic forecast[1]

	Outturn	Forecast					
	2023	2024[2]	2025	2026	2027	2028	2029
GDP growth	**0.1**	**1.1**	**2.0**	**1.8**	**1.5**	**1.5**	**1.6**
GDP growth per capita	**-0.8**	**0.2**	**1.4**	**1.3**	**1.0**	**1.0**	**1.1**
Potential output growth	**1.3**	**1.6**	**1.6**	**1.5**	**1.7**	**1.6**	**1.7**
Main components of GDP							
Household consumption[3]	0.3	0.4	1.7	1.9	1.7	1.7	1.7
General government consumption	0.5	3.0	4.0	1.6	1.6	1.8	1.8
Total fixed investment	**2.2**	**-0.3**	**-1.7**	**2.6**	**2.3**	**1.5**	**1.8**
Business investment	5.5	-0.4	-1.2	0.5	1.2	1.4	1.9
General government investment	7.7	2.0	-0.7	6.1	1.1	-1.3	-1.4
Private dwellings investment[4]	-7.6	-1.6	-3.3	4.8	5.5	3.8	3.7
Change in inventories[5]	-0.9	-0.1	0.2	0.0	0.0	0.0	0.0
Exports	-0.5	-1.1	0.6	0.5	0.4	0.5	0.7
Imports	-1.5	-0.6	-0.8	0.7	1.1	1.0	1.1
Consumer Prices Index (CPI) inflation	**7.3**	**2.5**	**2.6**	**2.3**	**2.1**	**2.1**	**2.0**
Employment (millions)	**33.2**	**33.1**	**33.4**	**33.7**	**33.9**	**34.1**	**34.3**
Unemployment (% rate)	**4.0**	**4.3**	**4.1**	**4.0**	**4.1**	**4.1**	**4.1**
Productivity – output per hour	**0.0**	**0.0**	**1.0**	**1.2**	**1.1**	**1.1**	**1.1**

[1] All figures in this table are rounded to the nearest decimal place. This is not intended to convey a degree of unwarranted accuracy. Components may not sum to total due to rounding and the statistical discrepancy.
[2] Forecast from Q2 2024. The OBR's economy forecast closed to new data on 18 September.
[3] Includes households and non-profit institutions serving households.
[4] Includes transfer costs of non-produced assets.
[5] Contribution to GDP growth, percentage points.

Source: Office for Budget Responsibility and Office for National Statistics.

Fiscal outlook

1.43 The decisions taken at Autumn Budget 2024 set realistic plans for public spending while putting the public finances on a sustainable path. The current budget deficit increases this year compared to the OBR March 2024 forecast. The government's tax reforms and other measures then move the public finances to a position where day-to-day spending is matched by current receipts, and both net financial debt and PSND are falling as a share of the economy.

Controlling borrowing and day-to-day spending

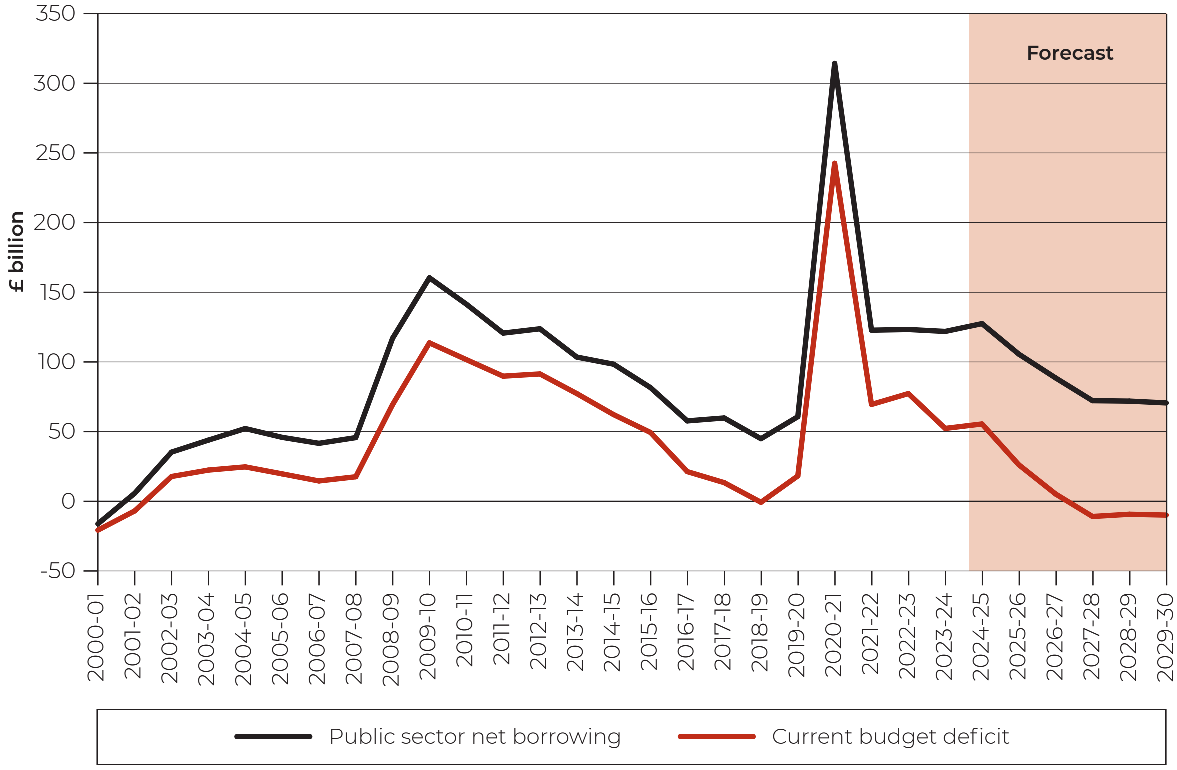
1.44 The current budget deficit is forecast to be £55.5 billion in 2024-25. As shown in Chart 1.6, from 2027-28 the current budget is in surplus, which means the government is only borrowing for investment. At £10.9 billion in 2027-28 it is almost double the surplus projected in the OBR's March 2024 forecast for that year. If achieved, it would be the largest since 2001-02.[49]

1.45 PSNB peaks at £127.5 billion, 4.5% of GDP, in 2024-25. PSNB then falls to £105.6 billion, 3.6% of GDP, in 2025-26. Borrowing is forecast to fall as a share of GDP by an average of 0.5 percentage points of GDP per year across the forecast.

[49] Public Sector Finances, Office for National Statistics, October 2024.

By 2029-30, PSNB is £70.6 billion, 2.1% of GDP. As set out in Box 1.F, this reduction in borrowing from year to year means that fiscal policy is helping to reduce inflationary pressure, supporting the independent MPC in returning inflation sustainably to target.

Chart 1.6: Public sector net borrowing and current budget deficit



Source: Office for National Statistics and Office for Budget Responsibility.

1.46 Borrowing and the current budget deficit are higher in 2024-25 than the OBR forecast in March 2024, as shown in Table 1.2. This reflects both the £22 billion of in-year pressure and forecast changes, including higher debt interest costs.

1.47 The central government net cash requirement (CGNCRex),[50] which affects how much the government will borrow in financial markets, has only increased by around half as much, from £142.8 billion in March to £165.1 billion in 2024-25. The difference between PSNB and CGNCRex is largely due to the accounting treatment on index-linked gilts and the APF. On average, CGNCRex is forecast to be £22.7 billion per year higher than was expected in the spring, a smaller increase than the £28.4 billion average increase to the PSNB forecast.

1.48 The Debt Management Office's (DMO) net financing requirement for 2024-25 is forecast to be £299.9 billion. The remit for the DMO has been updated to reflect this, increasing by £22.2 billion.[51] This will be financed through £296.9 billion of gilt sales and a £3 billion contribution from sales of Treasury bills. National Savings and Investments will continue to have a net financing target of £9 billion in 2024-25, within a range of plus or minus £4 billion. The government's financing plans for 2024-25 are summarised in Annex A.

[50] Central government net cash requirement excluding NRAM ltd, Bradford & Bingley, and Network Rail.
[51] Revision to the DMO's Financing Remit 2024-2025, UK Debt Management Office, October 2024.

Table 1.2: Changes in borrowing since March 2024

	£ billion					
	Forecast					
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
March 2024 Forecast	87.2	77.5	68.7	50.6	39.4	
October 2024 Forecast	127.5	105.6	88.5	72.2	71.9	70.6
Difference	**40.3**	**28.1**	**19.8**	**21.6**	**32.5**	
of which:						
Underlying forecast differences	**20.7**	**-0.9**	**-7.8**	**9.8**	**-5.2**	
of which:						
Receipts	-1.5	-15.7	-16.1	-15.5	-9.9	
Debt interest spending	14.4	9.7	4.0	1.4	-1.7	
Other spending	7.8	5.1	4.2	4.3	6.5	
Direct effect of policy package[1]	**23.7**	**34.8**	**32.4**	**33.4**	**35.7**	**30.1**
of which:						
Additional resource spending	26.5	44.4	48.3	51.8	55.1	55.2
Additional capital investment	-1.8	15.4	19.4	23.8	25.7	23.1
Net revenue from tax decisions	-1.2	-24.0	-34.8	-39.1	-39.7	-41.2
Other policy decisions	1.2	3.8	2.4	0.1	-2.3	-4.1
Non-scorecard changes	-1.0	-4.7	-2.9	-3.2	-3.0	-2.9
Indirect effects of decisions[2]	**-4.1**	**-5.9**	**-4.8**	**-2.0**	**1.9**	**5.9**

Note: This table uses the convention that a negative figure means a reduction in PSNB i.e. an increase in receipts or a reduction in spending will have a negative effect on PSNB.
Figures may not sum due to rounding.
[1] Differences between the direct impacts of the policy measures as set out in Table 5.1 of the Budget, and how the OBR incorporate these into their forecast are explained in the OBR's EFO Table 3.1.
[2] This includes some behavioural impacts and second round economy effects of the Autumn Budget package.

Source: Office for Budget Responsibility.

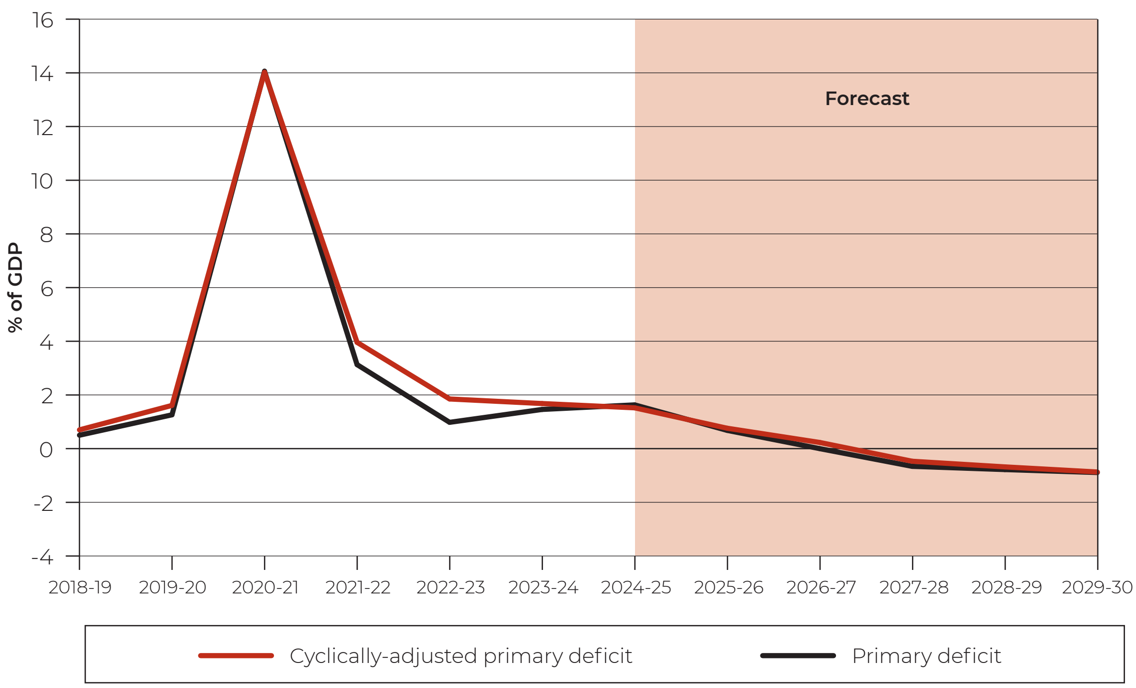
Box 1.F Fiscal stance

Fiscal policy influences growth and inflation by adding or withdrawing demand to and from the economy. The fiscal stance can be assessed using several borrowing metrics.

The primary deficit (PD), which subtracts net interest costs from borrowing, provides a measure of the effect of taxation and government expenditure on the economy. This is because interest costs are not a useful indicator of how fiscal policy affects economic activity and prices. The PD is higher in 2024-25 than forecast in March 2024. From 2024-25 the PD falls by an average of 0.5 percentage points of GDP per year over the forecast. The PD falls by 2.3 percentage points of GDP in the three years from 2024-25, reflecting a larger consolidation effort than forecast in March 2024 over this period, and reaches a primary surplus of 0.7% of GDP in 2027-28. This helps to reduce inflationary pressure and supports the independent MPC in returning inflation sustainably to target. Higher tax revenues contribute two-thirds to the overall reduction in the primary deficit over the forecast horizon with lower spending accounting for one third.

Another measure is the cyclically adjusted primary deficit – this removes the impact of the economic cycle from the primary deficit. This has been higher than the PD in recent years, reflecting that demand has been greater than supply. It also falls over the forecast, with a consistently downward path.

Chart 1.7: Fiscal Stance



Source: Office for National Statistics and Office for Budget Responsibility.

The government is meeting its fiscal rules

1.49 The OBR has confirmed that the government is on track to meet its stability rule and investment rule. The current budget is in surplus by £9.9 billion in the target year, 2029-30, and the rule is met two years early. Net financial debt falls in the final year of the forecast with a £15.7 billion buffer. The rule is also met two years early in 2027-28. Net financial debt is slightly lower at the end of the OBR's forecast (2029-30) than at the start (2024-25), at 83.4% and 83.5% of GDP respectively, showing the path of debt is stabilised.

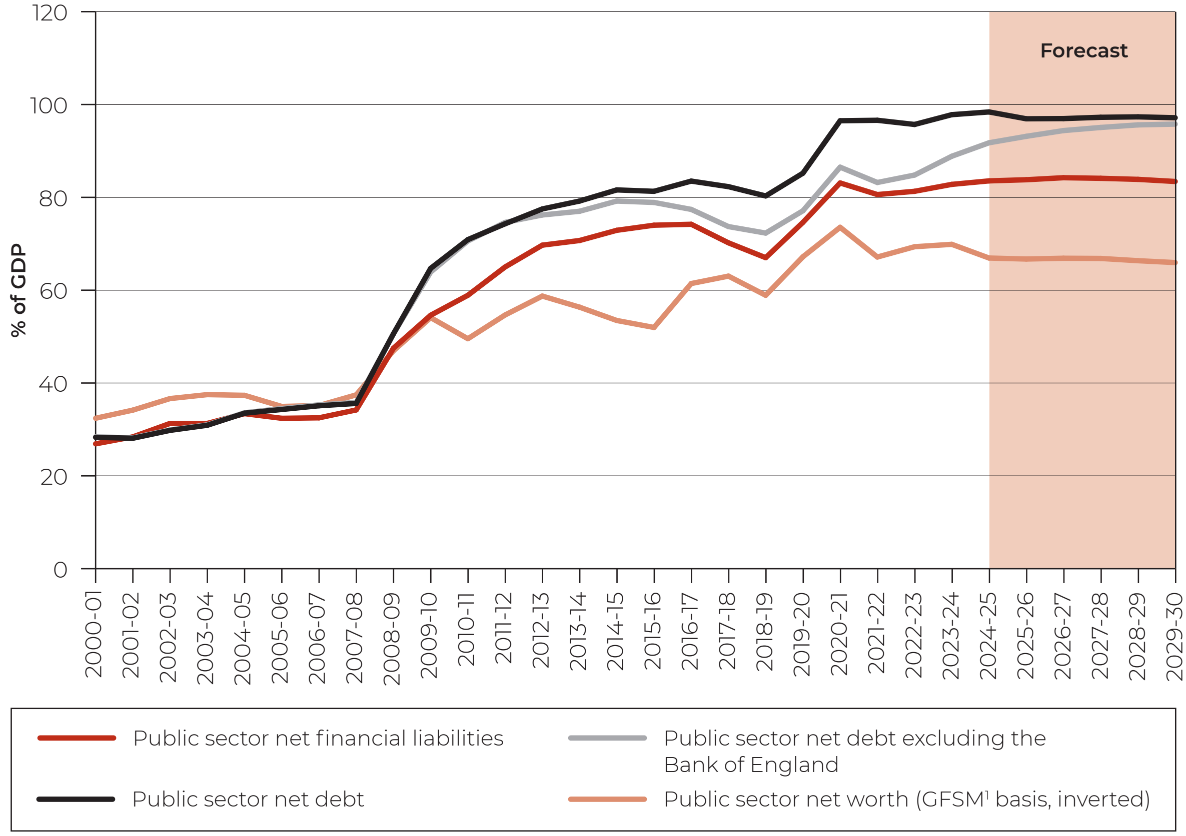
Keeping debt on a sustainable path by monitoring a broad range of fiscal metrics

1.50 In addition to its fiscal rules, the government has committed to consider a wide range of metrics to inform a full assessment of the sustainability of the public finances, and will seek to improve sustainability over time.

1.51 PSND accounts for the public sector's total stock of debt liabilities (net of liquid assets), including those of the Bank of England. PSND is forecast to be lower by the end of forecast than the start, falling from 98.4% of GDP in 2024-25 to 97.1% of GDP in 2029-30. It also falls in the final year. PSND ex BoE is forecast to be rising slightly by the end of the forecast to 95.8% of GDP in 2029-30.

1.52 Public sector net worth (PSNW), the difference between the value of all public sector assets (financial and non-financial) and liabilities, is expected to strengthen from -69.6% of GDP in 2024-25 to -67.9% of GDP in 2029-30.

Chart 1.8: Four measures of the public sector balance sheet



[1] Government Finance Statistics Manual.

Source: Office for National Statistics and Office for Budget Responsibility.

1.53 General government gross debt (GGGD) is the most used metric for international comparisons, allowing the government to compare the UK's debt to that of its peers. The IMF forecasts that UK general government gross debt will be 101.8% of GDP in 2024, lower than that of all G7 peers other than Germany.[52] GGGD includes only liabilities held by central and local governments.

1.54 Net interest costs are broadly stable as a percentage of GDP over the forecast at 2.9% then 3.0% in the final two years of the forecast. This is a reduction from 3.9% in 2022-23, which was the highest level since the 1980s.[53] The debt-interest-to-revenue ratio will fall this year to 7.4% and remain broadly stable, reaching 7.2% by the end of the forecast.

1.55 The OBR forecasts that there is a 54% probability the current budget will be in balance or surplus in 2029-30. There are risks to any forecast, but the government's robust fiscal framework is designed to respond to these risks if they materialise and ensure fiscal sustainability.

1.56 The OBR projects PSND will grow significantly over the next half a century because of longer-term pressures such as demographic changes, which are increasingly important in a number of major economies.[54,55] The government's focus on economic growth is an essential component of mitigating this long-run risk and ensuring the public finances remain sustainable. The OBR estimates that every 0.1% increase in productivity growth reduces the rise in the debt-to-GDP ratio by 25 percentage points over the next 50 years, if it does not result in higher public spending.[56]

1.57 The government will transparently report any new commitments that may result in future costs, known as contingent liabilities. This is in line with best practice fiscal management as these liabilities are not all included in debt metrics. PSND does not include any contingent liabilities, while net financial debt does include the value of standardised guarantees. There have been two new material contingent liabilities taken on since the last update at Spring Budget 2024 with £282 million of total exposure and £86 million of net expected loss. These are the government's ENABLE build and the Private Rental Sector Guarantee Scheme.

Table 1.3: Newly-approved contingent liabilities since Spring Budget 2024

Department	Number of quantified contingent liabilities	Reasonable worst case exposure (£ billion)	Expected loss (£ billion)	Expected income (£ billion)
Ministry of Housing, Communities and Local Government	2	0.3	0.1	0.2
Total	**2**	**0.3**	**0.1**	**0.2**

Source: HM Treasury contingent liability database.

[52] Fiscal Monitor, International Monetary Fund, October 2024. The OBR forecasts GGGD in 2024 to be 103.0% of GDP, which would not change this relative ranking.
[53] Public Sector Finances, Office for National Statistics, October 2024.
[54] Fiscal Risks and Sustainability Report, Office for Budget Responsibility, September 2024.
[55] OECD Economic Outlook, Volume 2024 Issue 1, Organisation for Economic Co-operation and Development, May 2024.
[56] Fiscal Risks and Sustainability Report, Office for Budget Responsibility, September 2024.

1.58 The OBR has confirmed the government's use of FTs has remained broadly stable since the March 2024 forecast. The government is committed to using FTs in a fiscally responsible way, as set out in the FT Control Framework published alongside the Budget.

Table 1.4: Changes in financial transactions forecast since March 2024

	£ billion					
	Forecast					
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
March 2024	12.6	13.5	17.4	17.8	18.3	
October 2024	10.5	13.1	18.6	17.7	17.7	18.0
Difference	**-2.1**	**-0.4**	**1.2**	**-0.1**	**-0.6**	

Source: Office for Budget Responsibility.

Fiscal forecast summary

Table 1.5: Overview of the OBR's fiscal forecast (% GDP)

	Forecast					
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Public sector net financial liabilities[1]	83.5	83.8	84.2	84.1	83.9	83.4
Public sector net debt[1]	98.4	96.9	97.0	97.2	97.3	97.1
Public sector net debt ex Bank of England[1]	91.8	93.1	94.4	95.1	95.6	95.8
Public sector net worth[1,2,3]	69.6	69.3	69.2	68.7	68.4	67.9
General government gross debt	103.9	104.4	105.2	105.7	106.0	106.1
Current budget deficit	2.0	0.9	0.2	-0.3	-0.3	-0.3
Public sector net investment	2.6	2.7	2.7	2.6	2.5	2.4
Public sector net borrowing	4.5	3.6	2.9	2.3	2.2	2.1
Cyclically-adjusted public sector net borrowing	4.4	3.7	3.1	2.5	2.3	2.1
Primary deficit	1.6	0.7	0.0	-0.7	-0.8	-0.9
Cyclically-adjusted primary deficit	1.5	0.8	0.2	-0.5	-0.7	-0.9
Central government debt interest net of the APF	3.7	3.6	3.5	3.6	3.6	3.6

[1] Stock values at end of March; GDP centred on end of March.
[2] IMF Government Finance Statistics Manual (GFSM) basis.
[3] PSNW has been inverted to facilitate comparisons with the other stock metrics.

Source: Office for Budget Responsibility.

Welfare cap

1.59 The government has inherited a welfare cap that was introduced in 2014 to limit the amount spent on certain social security benefits and tax credits (set out in Annex B). The government is reforming this cap and is committed to ensuring that welfare spending is sustainable in the medium term.

1.60 Performance against the cap will be formally assessed by the OBR at the first fiscal event of the next Parliament. The government will seek to manage spending internally, based on monitoring between HM Treasury and Department for Work and Pensions (DWP), to ensure progress is being made to meet the cap. To strengthen the welfare cap's effectiveness, DWP will publish a new annual report on welfare spending, which sets out the department's plan to ensure welfare spending is on a sustainable path as well as progress against the cap. In relevant years, it will also provide a government response to the OBR's Welfare Trends Report.

1.61 The level of the welfare cap will be reset for 2029-30 using the OBR's latest forecast for the benefits in scope. The cap will apply to spending in 2029-30 and will feature a margin that rises from 0.5% above the forecast in the first year to 5% in 2029-30, to avoid the government having to take short-term decisions in response to unavoidable fluctuations in spending.

1.62 The OBR has assessed spending against the previous government's welfare cap. In line with recent informal assessments, total relevant spending in 2024-25 is forecast to breach that welfare cap and margin by £8.6 billion.

Table 1.6 New welfare cap (in £ billion, unless otherwise stated)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Cap						194.5
Pathway	161.7	166.8	172.6	179	186.4	
Margin (per cent)	0.5	1.0	2.0	3.0	4.0	5.0
Margin	0.8	1.7	3.5	5.4	7.5	9.7
Welfare cap and pathway plus margin	**162.5**	**168.5**	**176.0**	**184.4**	**193.8**	**204.2**

Source: Office for Budget Responsibility, Economic and Fiscal Outlook, October 2024.

Public spending

1.63 Phase 1 of the Spending Review (SR) resets UK government departments' resource and capital DEL budgets and the devolved government block grants for 2024-25 and sets budgets for 2025-26. This includes providing targeted funding to stabilise and support public services and delivering a significant increase in public investment in the economy.

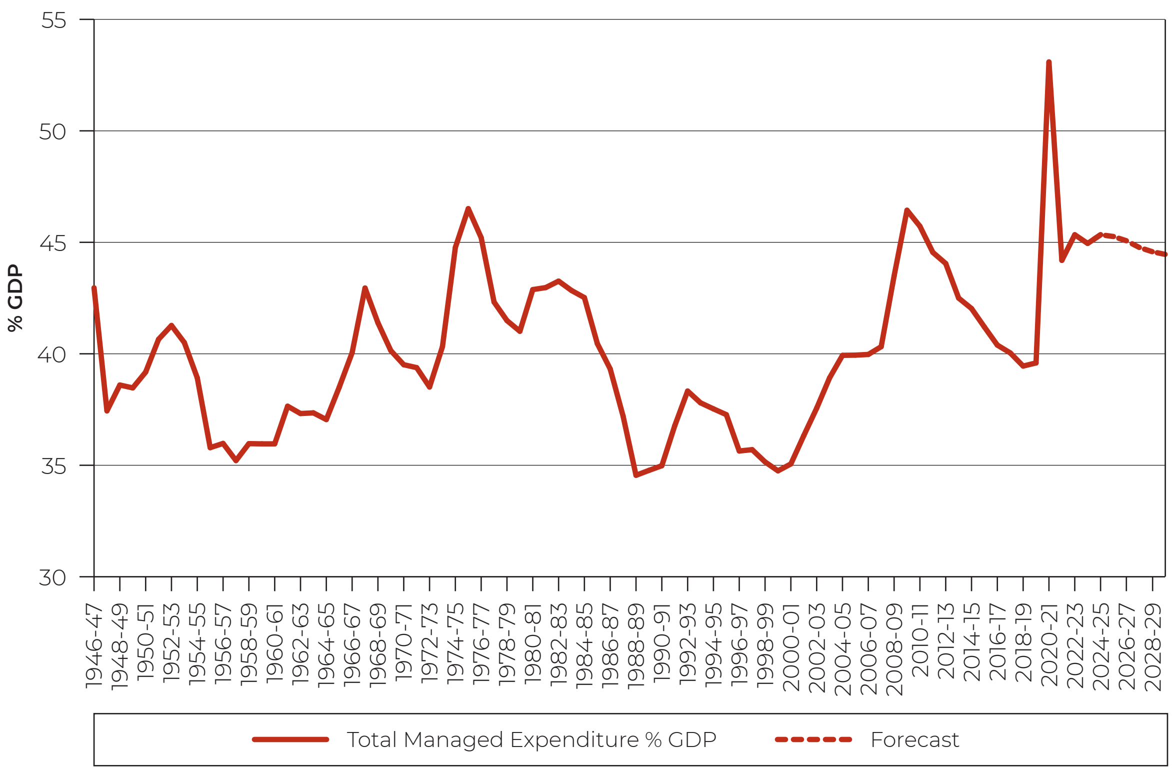
Table 1.7: Total Managed Expenditure (TME)[1]

£ billion (current prices)	Outturn 2023-24	Plans 2024-25	Plans 2025-26	Plans 2026-27	Plans 2027-28	Plans 2028-29	Plans 2029-30
Current Expenditure							
Resource AME	596.8	601.8	618.6	637.9	655.4	678.9	705.6
Resource DEL excluding depreciation	452.2	488.2	517.2	534.2	551.6	569.5	588.5
Ringfenced depreciation	38.9	44.5	47.1	48.4	50.1	51.7	53.4
Total Public Sector Current Expenditure	**1,087.8**	**1,134.4**	**1,182.8**	**1,220.5**	**1,257.2**	**1,300.1**	**1,347.5**
Capital Expenditure							
Capital AME	28.1	25.1	21.0	20.2	19.6	19.2	18.9
Capital DEL	106.8	116.6	131.3	138.4	141.4	142.4	144.1
Total Public Sector Gross Investment	**134.9**	**141.7**	**152.2**	**158.5**	**161.0**	**161.5**	**163.0**
Total Managed Expenditure	**1,222.7**	**1,276.2**	**1,335.1**	**1,379.0**	**1,418.1**	**1,461.7**	**1,510.5**
Total Managed Expenditure % of GDP	*44.9%*	*45.3%*	*45.3%*	*45.1%*	*44.8%*	*44.6%*	*44.5%*
o/w Total DEL	*558.9*	*604.8*	*648.4*	*672.6*	*693.0*	*711.9*	*732.6*

[1] See Annex C for full footnotes.

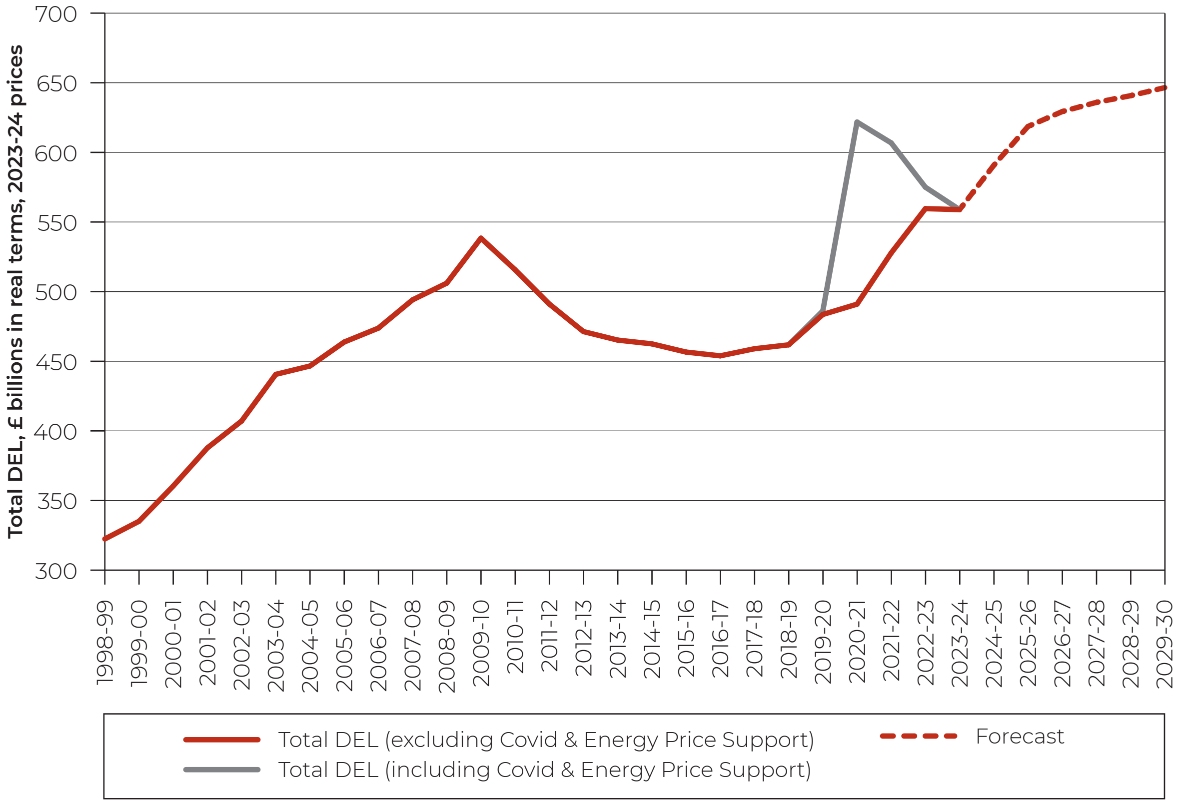
Source: HM Treasury Calculations and Office for Budget Responsibility.

Chart 1.9: Total Managed Expenditure (% GDP)



Source: Office for National Statistics and Office for Budget Responsibility.

Chart 1.10: Total Departmental Spending (DEL)



Source: HM Treasury Calculations and Office for Budget Responsibility.

Table 1.8: Total Departmental Expenditure Limits (DEL) excluding depreciation[1]

£ billion (current prices)	Outturn 2023-24	Baseline 2024-25	Plans 2025-26	Average annual real terms growth 2023-24 to 2025-26
Health and Social Care	188.5	201.9	214.1	3.8%
Education	87.9	94.3	99.7	3.4%
Home Office	20.3	22.6	22.1	-2.7%
Justice	11.9	12.7	13.8	5.6%
Law Officers' Departments	0.9	1.0	1.1	7.5%
Defence	53.9	56.9	59.8	2.3%
Ukraine – Extraordinary Revenue Acceleration	-	0.8	0.8	-
Single Intelligence Account	4.2	4.2	4.5	2.4%
Foreign, Commonwealth and Development Office	11.1	11.2	12.2	1.8%
MHCLG Local Government	9.6	12.5	14.3	10.2%
MHCLG Housing, Communities and Local Government	10.1	12.3	12.6	9.7%
Culture, Media and Sport	2.1	2.4	2.3	2.6%
Science, Innovation and Technology	12.7	13.7	15.1	6.5%
Transport	30.0	28.8	30.0	-2.5%
Energy Security and Net Zero	6.4	9.0	10.3	22.0%
Energy Security and Net Zero – construction costs for expected on-balance sheet CCUS and Hydrogen projects – subject to decision	-	1.4	3.7	-
Environment, Food and Rural Affairs	6.8	7.1	7.5	2.7%
Business and Trade	2.6	3.5	3.3	10.0%
Work and Pensions	9.0	9.7	10.8	6.3%
HM Revenue and Customs	6.7	5.9	6.7	4.5%
HM Treasury	0.4	0.4	0.5	1.3%
Cabinet Office	1.3	1.2	1.4	-5.4%
Scottish Government	43.4	45.2	47.7	2.3%
Welsh Government	19.5	20.1	21.0	1.3%
Northern Ireland Executive	16.9	17.2	18.2	1.3%
Small and Independent Bodies	2.7	3.0	3.2	7.1%
Reform and Innovation Fund	-	-	0.2	-
Reserves	-	2.8	6.8	-
Adjustment for Budget Exchange	-	-1.2	-	-
Total DEL excluding depreciation and allowance for direct impact of tax changes	**558.9**	**600.8**	**643.7**	**4.3%**
Allowance for direct impact of tax changes	-	-	4.7	-
Total Resource DEL excluding depreciation	**558.9**	**600.8**	**648.4**	**-**

[1] See Annex C for full footnotes.

Source: HM Treasury Public Spending Statistics, HM Treasury DEL plans, and Office for Budget Responsibility.

1.64 As Table 1.8 shows, total departmental spending is set to grow by an average of 4.3% per year in real terms between 2023-24 and 2025-26, which will stabilise and support public services, and help to rebuild Britain. Total departmental spending will continue to grow in real terms over the remainder of the forecast period, resulting in an average annual real terms growth rate of 2.2% from 2023-24 to 2029-30.

1.65 The plans set out in the Budget, and detailed in Table 1.9, mean that departments' day-to-day spending will increase by an average of 2.0% in real terms over the forecast period – a real terms increase of £62 billion between 2023-24 and 2029-30.

1.66 Effective public services are vital to supporting the health, wellbeing and prosperity of people across the UK, as well as underpinning economic growth. Under the new spending plans set out in the Budget, key public service delivery departments, such DfE, MOJ and DHSC, will see real terms increases in spending over Phase 1 of the Spending Review (2024-25 and 2025-26). This will enable them to deliver better public services and improve public service performance, including increasing elective activity to reduce the NHS waiting list.

1.67 The Budget increases capital spending by over £100 billion over the next five years, with a £13 billion increase next year (a real terms increase of 9.9%), taking total capital DEL spending to £131 billion in 2025-26 as set out in Table 1.10, this equates to an average annual real increase in capital DEL of 3.0% between 2023-24 and 2029-30. This investment will be underpinned by a clear strategy and plan for delivery to ensure that increased public investment is high-quality and delivered effectively.

1.68 The government's capital plans include investment in transport – unlocking growth-enhancing schemes like East West Rail – kickstarting the delivery of 1.5 million homes, supporting new industries and job creation, protecting record government research and development (R&D) funding and increases investment in public services.

1.69 Spending Review 2025 now moves to Phase 2, which will build on the progress made in Phase 1, with an approach that is mission-led, reform-focused and technology-enabled. Phase 2 will set out long-term plans for improving public services, achieving value for money for taxpayers, and investing to bring about a decade of national renewal.

Table 1.9: Resource Departmental Expenditure Limits (DEL) excluding depreciation[1]

£ billion (current prices)	Outturn 2023-24	Baseline 2024-25	Plans 2025-26	Average annual real terms growth[1] 2023-24 to 2025-26
Health and Social Care	177.9	190.1	200.5	3.4%
of which: NHS England	171.0	181.4	192.0	4.0%
Education	81.8	88.8	93.0	3.5%
of which: core schools	57.7	61.6	63.9	1.8%
Home Office	19.0	20.8	20.6	-3.2%
Justice	10.4	11.0	11.8	4.3%
Law Officers' Departments	0.8	0.9	1.0	7.6%
Defence	34.8	37.5	38.4	1.7%
Single Intelligence Account	2.8	2.8	3.0	2.8%
Foreign, Commonwealth and Development Office	7.7	8.4	8.3	0.6%
MHCLG Local Government	9.6	12.5	14.3	10.2%
MHCLG Housing, Communities and Local Government	3.3	3.8	3.8	7.5%
Culture, Media and Sport	1.5	1.5	1.5	-2.5%
Science, Innovation and Technology	0.3	0.4	0.4	12.4%
Transport	7.9	8.2	8.2	-0.7%
Energy Security and Net Zero	1.3	1.6	1.9	8.8%
Environment, Food and Rural Affairs	4.7	4.8	4.8	-1.9%
Business and Trade	1.6	1.8	1.8	3.7%
Work and Pensions	8.4	9.0	10.1	6.4%
HM Revenue and Customs	6.0	5.2	5.8	4.1%
HM Treasury	0.4	0.3	0.4	0.7%
Cabinet Office	0.9	0.8	0.8	-7.4%
Scottish Government	37.4	39.3	41.1	2.3%
Welsh Government	16.4	16.9	17.7	1.3%
Northern Ireland Executive	14.8	15.2	16.0	1.5%
Small and Independent Bodies	2.4	2.6	2.8	6.8%
Reform and Innovation Fund	0.0	0.0	0.2	-
Reserves	0.0	0.0	4.1	-
Total Resource DEL excluding depreciation and allowance for direct impact of tax changes	**452.2**	**484.2**	**512.4**	**3.3%**
Allowance for direct impact of tax changes	0.0	0.0	4.7	-
Total Resource DEL excluding depreciation	**452.2**	**484.2**	**517.2**	**-**
OBR Allowance for Shortfall	0.0	0.0	-6.4	-
Total Resource DEL excluding depreciation, post Allowance for Shortfall	**452.2**	**484.2**	**510.8**	**-**

[1] See Annex C for full footnotes.

Source: HM Treasury Public Spending Statistics, HM Treasury DEL plans, and Office for Budget Responsibility.

Table 1.10: Capital Departmental Expenditure Limits (DEL)[1]

£ billion (current prices)	Outturn 2023-24	Plans 2024-25	Plans 2025-26	Average annual real terms growth 2023-24 to 2025-26[1]	Real terms growth 2024-25 to 2025-26
Health and Social Care	10.5	11.8	13.6	10.9%	12.8%
Education	6.2	5.5	6.7	2.2%	19.3%
Home Office	1.3	1.9	1.5	5.2%	-20.9%
Justice	1.5	1.8	2.0	14.9%	11.0%
Law Officers' Departments	0.0	0.1	0.1	2.4%	7.1%
Defence	19.1	19.5	21.4	3.4%	7.6%
Ukraine – Extraordinary Revenue Acceleration	0.0	0.8	0.8	-	-
Single Intelligence Account	1.4	1.4	1.5	1.7%	6.1%
Foreign, Commonwealth and Development Office	3.4	2.8	3.9	4.3%	35.3%
MHCLG Housing, Communities and Local Government	6.8	8.5	8.8	10.7%	0.9%
Culture, Media and Sport	0.5	0.8	0.7	16.2%	-11.3%
Science, Innovation and Technology	12.4	13.3	14.7	6.4%	7.6%
Transport	22.1	20.6	21.8	-3.1%	3.3%
Energy Security and Net Zero	5.1	7.5	8.4	25.2%	10.1%
Energy Security and Net Zero – construction costs for expected on-balance sheet CCUS and Hydrogen projects – subject to decision	0.0	1.4	3.7	-	-
Environment, Food and Rural Affairs	2.1	2.3	2.7	12.6%	16.8%
Business and Trade	1.0	1.7	1.5	19.8%	6.1%
Work and Pensions	0.6	0.7	0.7	5.0%	-1.2%
HM Revenue and Customs	0.7	0.7	0.9	7.1%	22.0%
HM Treasury	0.0	0.0	0.1	-	-2.3%
Cabinet Office	0.4	0.4	0.5	-1.1%	0.5%
Scottish Government	6.0	6.0	6.5	2.3%	7.1%
Welsh Government	3.1	3.2	3.4	1.3%	2.4%
Northern Ireland Executive	2.1	2.0	2.2	-0.3%	6.6%
Small and Independent Bodies	0.3	0.4	0.4	9.6%	1.8%
Reserves	0.0	2.8	2.7	-	-
Adjustment for Budget Exchange	0.0	-1.2	0.0	-	-
Total Capital DEL	**106.8**	**116.6**	**131.3**	**8.3%**	**9.9%**
Remove Capital DEL not in PSGI	-4.2	-5.0	-3.9	-	-
OBR Allowance for Shortfall	-	-6.7	-9.7	-	-
Public Sector Gross Investment in Capital DEL	**102.5**	**104.9**	**117.6**	**-**	**-**
Memo: Reduction in non-fiscal Capital DEL for intra-government leases	-	-	-1.9		

[1] See Annex C for full footnotes.

Source: HM Treasury Public Spending Statistics, HM Treasury DEL plans, and Office for Budget Responsibility.

2 Fixing the foundations

2.1 This is a Budget to fix the foundations of the economy and deliver change by protecting working people, fixing the NHS and rebuilding Britain.

2.2 The government is achieving this by taking difficult decisions on tax, spending and welfare to repair the public finances and increase investment in public services and the economy, to rebuild Britain and unlock long-term growth.

Delivering value for money in public spending

2.3 The government is committed to ensuring that taxpayers' money is spent effectively. The government took immediate steps as part of the audit of public spending carried out in July to reduce waste and enact structural reforms to drive efficiency.[57]

2.4 The Budget formally launches the Office for Value for Money (OVfM), with the appointment of an independent Chair. As a first step, the Chair will advise the Chancellor and the Chief Secretary to the Treasury on decisions for Phase 2 of the Spending Review. This will include conducting an assessment of where and how to root out waste and inefficiency, undertaking value for money studies in specific high-risk areas of cross-departmental spending, and scrutinising investment proposals to ensure they offer value for money.

2.5 The OVfM will also develop recommendations for system reform, informed by lessons learned from the past, international best practice, and the views of external organisations. This will underpin a ruthless focus within government on realising benefits from every pound of public spending.

2.6 The government will shortly appoint a Covid Corruption Commissioner. The Commissioner will lead work to recover public funds from companies that took unfair advantage of government schemes during the COVID-19 pandemic.

2.7 The Budget also confirms that the government is progressing the savings commitments announced as part of the audit of public spending in July:

- Action has already been taken to stop all non-essential spending on consultancy in 2024-25, with an aim to halve spending in future years. The government expects to deliver the £550 million in-year savings target set in July based on HM Treasury forecast figures and planned Departmental expenditure. The government will continue to bear down on consultancy spending in 2025-26 in line with existing commitments;
- The Government Communications Service is expecting to save £85 million from reducing unnecessary communications spend – exceeding the £50 million target set out in July; and

[57] Fixing the Foundations: Public Spending Audit 2024-25 – HM Treasury

- The government will continue to dispose of surplus estate and can confirm that it will set a target of at least £1 billion of receipts by 2030.

2.8 In Phase 1 of the Spending Review, the government has taken a ruthless approach to prioritising spending and identifying opportunities for savings. Examples of this include:

- Taking additional actions since cancelling the Migration and Economic Development Partnership with Rwanda, which are forecast to deliver £2.2 billion of savings in 2024-25 and 2025-26 by reducing the asylum backlog. Compared to the previous trajectory of spending, this represents a total saving of over £4 billion on asylum across the two years; and
- Delivering significant efficiencies across departments, including £107 million savings in HM Revenue and Customs (HMRC) in 2025-26 through continuous improvement and more than £250 million in the Department for Work and Pensions (DWP) in savings and efficiencies in 2025-26, including through its service modernisation programme.

2.9 The government has placed a renewed focus on public sector productivity in Phase 1 of the Spending Review. The government has set departments a 2% productivity, efficiency and savings target for next year. This will ensure that departments are focusing on the delivery of what matters most. The government will monitor the delivery of this target through the Government Efficiency Framework.

2.10 To continue to drive value for money, the government will also use the new Procurement Act to create a simpler and more transparent regime for public sector procurement that will deliver better value for money and reduce costs for business and the public sector. The government will implement the Act in February 2025 with further reforms including a new National Procurement Policy Statement.

2.11 The government is putting fraud prevention at the heart of public spending decisions, with the Public Sector Fraud Authority (PSFA) assessing Initial Fraud Impact Assessments (IFIAs) submitted by departments on their highest risk priority projects. This will make sure that counter-fraud activity is considered in all major spending decisions.

2.12 The government is also developing a strategic plan for a more efficient and effective civil service, including through improving skills and harnessing digital technology to drive better outcomes for public services.

Tackling fraud and error in the welfare system

2.13 Fraud and error in the welfare system costs the government nearly £10 billion a year.[58] The government is committed to tackling this to fix the public finances and invest in public services. That is why the government is announcing the biggest welfare fraud and error budget package in recent history, saving £4.3 billion in 2029-30.[59]

2.14 This package includes programmes that will prevent, detect, and correct fraud and error in the benefit system. This includes 3,180 additional fraud and error staff across DWP and HMRC saving £800 million in 2029-30, new investment to

[58] Fraud and error in the benefit system, Financial Year Ending (FYE) 2024, DWP, 2024
[59] OBR policy measure data base, OBR, April 2024.

verify changes in Universal Credit (UC) claims saving £250 million in 2029-30 and extending the Targeted Case Review to help spot incorrect UC claims saving £2.5 billion in 2029-30.

2.15 DWP also continues to use data from across government and the private sector to tackle fraud and error. The forthcoming Fraud, Error and Debt Bill will introduce new powers to check benefits are being paid correctly using data shared by banks and financial institutions, saving £475 million in 2029-30. The Bill will also strengthen DWP's powers to recover debt, saving £260 million in 2029-30. DWP will continue to collaborate with other government departments such as HMRC, the Home Office and Department for Science, Innovation and Technology to further strengthen data sharing and explore new data innovations to tackle fraud and error

Table 2.1: Total gross savings from actions confirmed at Autumn Budget 2024 on welfare fraud and error (£ million)[1]

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Cumulative savings
Investment in additional 3,000 fraud and error staff in DWP	0	80	380	565	660	705	2,390
New investment to verify Universal Credit claimant changes	0	105	225	225	235	250	1,040
Extending Targeted Case Review of Universal Credit claims[2]	0	0	0	0	1,345	2,540	3,885
Investment in additional 180 welfare counter-fraud staff in HMRC	0	30	65	100	100	95	390
New benefit eligibility verification powers[3]	0	0	10	115	335	475	935
Total welfare savings (PSNB)	**0**	**215**	**680**	**1,005**	**2,675**	**4,065**	**8,640**
New powers to recover debt[4]	0	0	20	95	190	260	565
Total savings (PSNB and PSNCR)	**0**	**215**	**700**	**1,100**	**2,865**	**4,325**	**9,205**

[1] This table shows the gross savings of these measures. Measures on the scorecard are presented net of DEL costs.
[2] Targeted Case Review was previously scored at Autumn Statement 2022 up until 2027-28. Autumn Budget 2024 confirms the extension of the programme by two years.
[3] This replaces a similar measure that was scored at Autumn Statement 2023, but has been revised in scope and now reflects a revised delivery plan through the forthcoming Fraud, Error and Debt Bill.
[4] This has a PSNCR impact, not a PSNB impact, given it is increasing the amount of debt that is recovered. The measure is being taken forward through the forthcoming Fraud, Error and Debt Bill.

Closing the tax gap

2.16 Before considering any tax changes to repair the public finances, the government is ensuring that everyone is paying the tax that they owe. This is fair, essential for a well-functioning economy and will help to keep taxes on working people as low as possible. To stop people taking unfair advantage of the system, the government is announcing the most ambitious ever package to close the tax gap, raising £6.5 billion in additional tax revenue per year by 2029-30. To deliver this and wider reform, the HMRC Board has been refocused with the Exchequer Secretary to the Treasury as its ministerial chair for the first time.

2.17 As part of this package, the government is recruiting an additional 5,000 compliance staff – with the first 200 starting training in November – and providing funding for 1,800 debt management staff. This will ensure more of the tax that is owed is paid and that more taxpayers pay outstanding tax due.

2.18 The government is also investing in modernising IT and data systems to improve HMRC's productivity and improve taxpayers' experience of dealing with the tax system, delivering the modern and digital service businesses and individuals expect.

2.19 The government will legislate to close loopholes in company car tax rules by ending contrived car ownership schemes, and encourage taxpayers to pay tax on time by increasing the interest rate charged on overdue tax debts. The government is also committed to taking stronger action on the most egregious tax fraud, including by expanding HMRC's criminal investigation work and legislating to prevent abuse in non-compliant umbrella companies.

2.20 The Budget also sets out the first steps of the government's longer-term ambition to design out opportunities for non-compliance and make the tax system easier to deal with, through making better use of data and raising the standards of tax advisers who interact with HMRC.

Supporting people with the cost of living

2.21 Fixing the foundations will create the necessary conditions for growth, as well as providing the economic stability working people need. The choices made in the Budget also mean that the government will provide support to the people who need it the most, delivering on its commitments to protect working people, spend taxpayers' money more sustainably, and provide a welfare system that supports people to work, where they can.

2.22 Rewarding work with a fair wage is the best way to improve living standards, while also providing people with the security of knowing they will be able to pay their bills now and in the future.

2.23 That is why the government swiftly updated the remit of the Low Pay Commission (LPC) in July to ask them to recommend a National Living Wage (NLW) that, for the first time, takes into account the cost of living.

2.24 The government has accepted the recommendations in full and the NLW will increase by 6.7% to £12.21 per hour from April 2025. This represents an increase of £1,400 to the annual earnings of a full-time worker on the NLW and is expected to benefit over 3 million low paid workers across the UK.[60,61]

2.25 Over time, the government intends to create a single adult wage rate, and therefore also asked the LPC to recommend a minimum wage for 18-20 year olds that would begin to close the gap with the main NLW rate, eventually giving them the same wage for the same day's work. In accepting the recommendation from the LPC, from April 2025, the National Minimum Wage (NMW) for 18-20 year olds will be £10.00 per hour, an increase of 16.3%, the largest ever increase in both cash and percentage terms. This means a boost to annual earnings of over £2,500 for nearly 200,000 young people across the UK.[62,63]

2.26 The government is also giving carers greater flexibility to work and increase their financial security by raising the Carer's Allowance Weekly Earnings Limit to the equivalent of 16 hours at the NLW. The changes will support those receiving

[60] This is based on the assumption that a full-time worker on NLW works 35 hours a week, 52 weeks a year.
[61] Department for Business and Trade calculations – for further details see Data Sources.
[62] This is based on the assumption that a full-time worker on the 18-20 NMW works 35 hours a week, 52 weeks a year.
[63] Department for Business and Trade calculations – for further details see Data Sources.

Carer's Allowance, 70% of which are women, to start work or work more hours.[64] This is an increase of £45 per week and will allow over 60,000 more carers to access Carer's Allowance.[65] This will be the largest increase to the earnings limit since Carer's Allowance was introduced in 1976.

2.27 The government also recently announced an independent review into overpayments of Carer's Allowance, which will consider how they occurred and what operational changes can be made to minimise the risk of future overpayments. Alongside this, the government will also carry out further work on the earnings limit to explore what more can be done to help support more carers into work.

2.28 The government will accelerate the migration of claimants onto UC from Employment and Support Allowance (ESA), bringing the start date forward from 2028 to September 2024. This move will bring more people into a modern benefit regime, continuing to ensure they are supported to look for and move into work. Around half of ESA claimants will receive more financial support on UC, while others will receive transitional protection to ensure nobody is worse off at the point at which they move over to UC.

2.29 The government recognises that additional support continues to be needed to improve economic security and resilience for those families who need it most. The government will provide £1 billion, including Barnett impact, to extend both the Household Support Fund in England and Discretionary Housing Payments in England and Wales in 2025-26. This will be used by local authorities to help low-income households facing hardship and financial crisis, including supporting them with the cost of essentials such as food, energy and water.

2.30 In addition, the government is helping low-income households on UC by allowing them to pay off their debts over a longer timeframe and keep more of their UC each month. The government is creating a new Fair Repayment Rate which caps debt repayments made through UC at 15% of the standard allowance. This will benefit around 1.2 million households as they will keep more of their UC award each month, with households expected to be better off by £420 a year on average. Around 700,000 of the poorest families with children will benefit as a result of this change, supporting the government's ambition to tackle child poverty.[66]

2.31 The government will also extend the current Help to Save scheme until April 2027. With effect from April 2025, eligibility will be extended to all UC claimants who are in work. A delivery consultation, including proposals for a reformed and improved scheme, has been published alongside the Budget.

2.32 The government is committed to delivering a welfare system that provides a safety net for when people need it and supports living standards for those on the lowest incomes. The government will therefore uprate all working age benefits for 2025-26 in full, by the September 2024 CPI rate of 1.7%. This will provide 5.7 million families on UC with an average annual increase of £150 in 2025-26.[67]

---

[64] Department for Work and Pensions, Carer's Allowance cases in payment, Stat X-plore, February 2024.
[65] This is the number of carers who are expected to make a successful new claim to Carer's Allowance between April 2025 and March 2030. It has been calculated by inflating forcasted inflows in employment by the proportion of carers falling between the baseline earnings limit and in the increased earning limit (according to the earnings distribution), and applying a take-up assumption to reflect the likelihood of making a claim.
[66] Department for Work and Pensions analysis (Ad hoc statistical analyses 2024), Department for Work and Pensions, October 2024
[67] Department for Work and Pensions analysis (Ad hoc statistical analyses 2024), Department for Work and Pensions, October 2024

2.33 The government will maintain the State Pension Triple Lock for the duration of this parliament. The basic and new State Pension will increase by 4.1% from April 2025, in line with earnings growth, meaning over 12 million pensioners will gain up to £470 each in 2025-26.[68,69]

2.34 The Pension Credit Standard Minimum Guarantee will also increase by 4.1% from April 2025, meaning an annual increase of £465 in 2025-26 in the single pensioner guarantee and £710 in the couple guarantee.[70]

Tax and working people

2.35 Repairing the public finances and increasing funding for public services requires difficult decisions on tax to raise additional revenue. The government has committed to not increase taxes on working people, which is why it is not increasing the basic, higher or additional rates of income tax, National Insurance contributions or VAT

2.36 The government will not extend the freeze to income tax and National Insurance contributions thresholds. From April 2028, these personal tax thresholds will be uprated in line with inflation.

2.37 The cost of living remains high, with potential fuel price volatility amid global uncertainty. Therefore, the government will protect motorists by freezing fuel duty at current levels for one year to support hard-working families and businesses. The 5p cut will be extended for a further 12 months and the planned increase in line with inflation for 2025-26 will be cancelled. This represents a saving of £59 in 2025-26 for the average car driver.[71]

2.38 The government will also facilitate competition in the road fuels market, improve transparency and empower drivers to find the cheapest fuel prices by accepting the Competition and Markets Authority's recommendations to implement Fuel Finder, an open data scheme for fuel prices and a market monitoring function by the end of 2025. While fuel price reactions are inevitably uncertain and sensitive to wider global factors, by increasing transparency and encouraging competition between forecourts, scenario modelling by the government suggests pump prices could reduce by 1-6p per litre as a result of these measures, helping to ensure that drivers get a fair deal for fuel across the UK[72.]

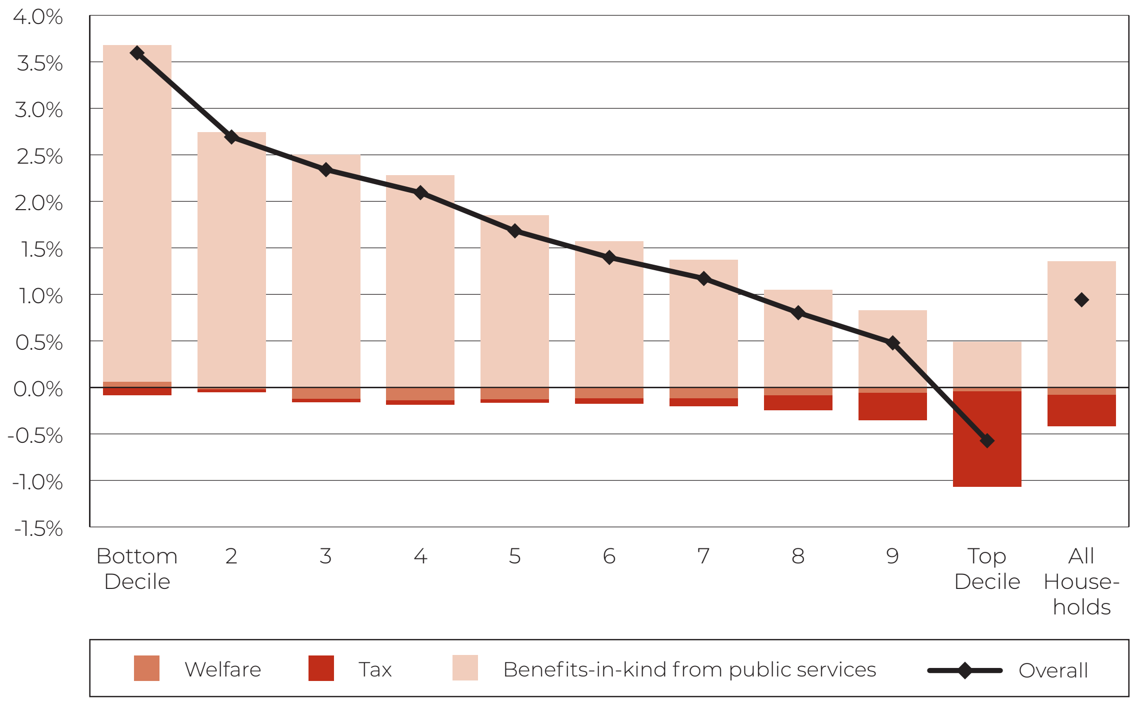
---

[68] Department for Work and Pensions, State Pension Caseload, Stat X-plore, May 2023.
[69] A new full State Pension will increase from £221.20 a week in 2024-25 to £230.25 a week in 2025-26. This is an increase of £9.05 a week, or £470.60 a year if a pensioner receives 52 weeks of State Pension.
[70] The Standard Minimum Guarantee for single pensioners will increase from £218.15 a week in 2024-25 to £2,27.10 a week in 2025-26 – an increase of £8.95 a week or £465.40 over 52 weeks. The Standard Minimum Guarantee for pensioner couples will increase from £332.95 a week in 2024-25 to £346.60 a week in 2025-26 – an increase of £13.65 a week or £709.80 over 52 weeks.
[71] HMRC KAI calculations use Vehicle Licensing Statistics Data Table 1103a (DfT, DVLA) and Hydrocarbon Oils Bulletin (HMRC) quantities, split into fuel use by vehicle type using HMRC KAI's OBR certified Fuel Duty Forecast Model. The baseline duty rate uses RPI consistent with the OBR October 2024 forecast.
[72] Road fuel retail market consultation: impact assessment, DESNZ, 2024.

Box 2.A Impact on households

Increases in spending on public services, such as health and education, benefit households on lower incomes the most. The distributional analysis published alongside the Budget shows that on average, households in the lowest income deciles in 2025-26 will benefit most from the policy decisions as a percentage of net income and increases in tax will be concentrated on the highest income households. Overall, on average, all but the richest 10% of households will benefit as a percentage of income from policy decisions in 2025-26.

Chart 2.1: Impact of decisions at Autumn Budget 2024 and Spending Review 2025, Phase 1 on households in 2025-26, as a percentage of net income, by income decile



Source: HM Treasury Distributional Analysis model.

See the 'Impact on Households' publication for more details on the impact of the Budget and Phase 1 of the Spending Review on households across the income distribution.

Raising revenue to fund public services

2.39 Public service outcomes have been declining and are at historic lows. The previous government had planned for day-to-day departmental spending to fall significantly as a proportion of the economy in the coming years. The government is taking a different approach and taking difficult decisions on tax to raise revenue and deliver the increased investment that public services need.

2.40 The government is increasing the rate of employer National Insurance contributions (NICs) from 13.8% to 15% and reducing the per-employee threshold at which employers become liable to pay National Insurance (the Secondary Threshold) from 6 April 2025 to £5,000. After these changes the UK's total revenue as a share of GDP from employer Social Security Contributions and payroll taxes will remain below the OECD average and third lowest in the G7, below France, Italy, Germany and Japan, based on the latest available OECD data.[73]

2.41 At the same time, the government is increasing the Employment Allowance – raising revenue in a fair way, while protecting the smallest businesses. The current Employment Allowance gives employers with NICs bills of £100,000 or less a discount of £5,000 on their employer NICs bill. The government will protect the smallest businesses by increasing the Employment Allowance to £10,500 next year.[74] The government will also expand the Employment Allowance by removing the £100,000 eligibility threshold, to simplify and reform employer NICs so that all eligible employers now benefit. Taken together, this means that 865,000 businesses will pay no NICs at all, and more than half of employers with NICs liabilities will either see no change or will gain overall next year.[75]

Supporting businesses and providing stability

2.42 In raising revenue to repair the public finances, the government is committed to creating the conditions for economic growth. The UK is forecast to be in the middle of the pack in the G7. There is mixed evidence linking a country's tax-to-GDP ratio and growth performance and there is no causal link between the two.[76,77] The government recognises that a stable and predictable tax system is essential for long-term growth and is taking steps to restore stability whilst supporting the high street and small businesses.

2.43 The government is committed to supporting small businesses and the high street, by taking the following action:

- Transforming business rates in England over this Parliament to deliver a fairer system that protects the high street, better incentivises investment, and is fit for the 21st century. To meet the first of these objectives, the government intends to introduce permanently lower business rates multipliers for high-street retail, hospitality and leisure properties (RHL) from 2026-27. To make sure this tax cut is fiscally sustainable, the government intends to fund it through a higher multiplier for the most valuable properties. This measure will provide certainty and support for the high street.
- Supporting the high street and small businesses in England during the interim period – for 2025-26, the small business multiplier will be frozen. Together with Small Business Rates Relief this will protect over a million small properties from inflationary bill increases, and RHL businesses will receive 40% relief (up

[73] Comparative tables of Revenue Statistics in OECD member countries, combining calendar year total revenue from employer Social Security Contributions and Payroll taxes based on the latest dataset for G7 countries OECD Data Explorer • Comparative tables of Revenue Statistics in OECD member countries; OBR October 2024 Economic and Fiscal Outlook forecast for fiscal year 2025-26 Employer NICs and Apprenticeship Levy receipts.
[74] HMT Calculations of National Insurance Liabilities on four full time workers on the National Minimum Wage. Based on four workers being paid the 2025-26 National Minimum Wage, working 35 hours per week for 52 weeks a year.
[75] HMRC modelling based on taxpayer data.
[76] The tax to GDP ratio is forecast to reach 38.2% of GDP in 2029-30, which is in the middle of the pack in the G7 based on the latest data – lower than France (46.1%), Italy (43.0%) and Germany (39.3%), above Japan (34.1%), Canada (33.2%), and the US (27.7%). Comparative tables of Revenue Statistics in OECD member countries, OECD Data Explorer • Comparative tables of Revenue Statistics in OECD member countries
[77] Do Tax Structures Affect Aggregate Economic Growth? Empirical Evidence From A Panel Of OECD Countries, Arnold, OECD, 2008.

to £110,000 per business). English local authorities will be fully compensated for the loss of income and administration costs resulting from these business rates measures.

- Consulting with businesses – alongside the Budget, a business rates Discussion Paper has been published, setting out the government's priority areas for these reforms, and inviting industry to help co-design a fairer business rates system.

2.44 The government recognises the economic and cultural importance of British pubs, and is committed to supporting smaller brewers. The Budget is therefore reducing duty on qualifying draught products, which represent approximately 60% of alcoholic drinks sold in pubs.[78] This measure reduces duty bills by over £85 million a year, cutting duty on an average strength pint by a penny. To support small producers, the government will make the Small Producer Relief more valuable. The government will also consult on ways to encourage small brewers to retain and expand their access to UK pubs, maximising drinkers' choice and local economies, including through provisions to enable more 'guest beers'.

2.45 The government will always support the UK's high-quality food and drink producers and is therefore announcing the end of mandatory duty stamps for spirits, removing an outdated regulatory burden which provided minimal tax assurance. The government will also consult with industry to establish how the government can better support the delivery of the Spirit Drinks Verification Scheme, which allows spirit producers to verify the geographic origin of their products. This will include the government making an investment of up to 5 million to support and look to reduce bureaucracy for existing and prospective producers who may wish to join.

2.46 To provide stability and predictability for business, the government is publishing the Corporate Tax Roadmap. Central to the Roadmap is a competitive and sustainable main rate of Corporation Tax capped at 25%, which is the lowest in the G7, as well as a commitment to maintain the UK's generous R&D tax reliefs and world-leading capital allowance offer.

Box 2.B Tax policy making and simplification

A stable and predictable tax system is vital to create the conditions for sustained economic growth: it provides businesses with the stability and certainty needed to make long-term investment decisions, it ensures that taxpayers pay the right amount of tax the first time round, and it reduces the administrative burden on taxpayers allowing businesses and workers to focus on adding value to the economy.

The government will engage with stakeholders over the coming months to understand their views on where the tax policy making process works well, and what could be improved. The government is committed to a single major fiscal event per year.

The government will simplify the tax system and will take this forward as part of its three strategic priorities for HMRC: closing the tax gap, modernisation and reform, and improving customer service.

[78] ONS and industry data, via the British Beer and Pub Association, 2024

The government will announce a package of measures to simplify tax administration and improve the customer experience in spring 2025 with a focus on reducing burdens on small businesses. The government will meet stakeholders to understand the priorities for administration and simplification, ensuring that this work is driven by the views of taxpayers.

Moving to a fairer and more sustainable tax system

2.47 Repairing the public finances and increasing funding for public services means raising more revenue, but the government is doing this in a way that protects working people and makes the tax system fairer and more sustainable.

2.48 The government is raising revenue by increasing Capital Gains Tax (CGT), while ensuring that the UK tax system remains internationally competitive, with headline rates below France, Germany and Italy. CGT, which is paid on the increase in value of an asset when it is disposed of, is paid by fewer than 1% of adults each year. The main rates of CGT are currently charged at a lower rate of 10% and a higher rate of 20%, and these will be increased to 18% and 24% respectively from 30 October 2024. These new rates will match the residential property rates, which are not changing.

2.49 There are two reliefs which offer access to a lower rate of CGT: Business Asset Disposal Relief (BADR), and Investors' Relief (IR). The rate for both BADR and IR will increase gradually, to give business owners time to adjust to the changes. The BADR and IR rates will rise to 14% from 6 April 2025, and will match the main lower rate of 18% from 6 April 2026. Phasing in the BADR and IR rate increases demonstrates the government's commitment to a predictable tax system. The government is committed to creating a positive environment for entrepreneurship and will work with leading entrepreneurs and venture capital firms on how policy supports that, including the role of the existing tax schemes.

2.50 The vast majority of estates currently pay no inheritance tax, and that will continue to be the case after the reforms announced at Budget.[79] The government recognises that people want to pass on their assets to their families, but the government is making the inheritance tax system fairer by ensuring that wealthy estates contribute more to the public finances. The current inheritance tax thresholds are due to be frozen until April 2028, and the government is extending these threshold freezes for a further two years to April 2030.

2.51 The government will reform agricultural property relief and business property relief from April 2026. In addition to existing nil-rate bands and exemptions, the 100% rate of relief will continue for the first £1 million of combined agricultural and business assets to help protect family farms and businesses, and will be 50% thereafter. The government will also reduce the rate of business property relief to 50% in all circumstances for shares designated as "not listed" on the markets of a recognised stock exchange, such as AIM. This will affect around 0.3% of estates each year.[80] The government is also removing the opportunity for individuals to use pensions as a vehicle for inheritance tax planning by bringing unspent pots into the scope of inheritance tax from April 2027, which will affect around 8% of estates each year.[81]

[79] 'Economic and Fiscal Outlook', Office for Budget Responsibility, October 2024.
[80] HMRC internal analysis based on 'Economic and Fiscal Outlook', Office for Budget Responsibility, October 2024.
[81] HMRC internal analysis based on 'Economic and Fiscal Outlook', Office for Budget Responsibility, October 2024.

2.52 The government is committed to fixing the NHS, which means focusing on prevention, including disincentivising activities that cause ill health. The government will renew the Tobacco Duty escalator of RPI+2% for the remainder of this Parliament and will increase duty by a further 10% on hand-rolling tobacco this year. A new Vaping Products Duty will be introduced from 1 October 2026 at a flat rate of £2.20 per 10ml vaping liquid, accompanied by an equivalent further one-off increase in Tobacco Duty to maintain the financial incentive to switch from tobacco to vaping.

2.53 To help tackle obesity and other harms caused by high sugar intake, the government will ensure that the Soft Drinks Industry Levy increases to maintain incentives for soft drinks manufacturers to reduce their sugar content. The government will also review the current sugar thresholds and the exemption for milk-based drinks.

2.54 While the government is cutting duty on draught products, it has also heard representations to increase alcohol duty by more than inflation to tackle increasing alcohol-related deaths, as well as economic inactivity. The government is also mindful of the cost of living pressures on people who drink moderately and responsibly. Balancing these pressures, the government will uprate alcohol duty in line with RPI, except for most drinks in pubs. Increasing the non-draught rates of alcohol duty while reducing draught rates will encourage responsible drinking in social, controlled settings.

2.55 Air Passenger Duty rates have fallen behind inflation, and private jets are relatively undertaxed. For 2026-27, the government will adjust all APD rates to help correct for below-inflation uprating in recent years. This will equate to £2 more for those flying to short-haul destinations in economy class. The higher rate for larger private jets will rise by a further 50%, and the government will consult on extending this rate to all private jets within the APD regime.

Delivering tax commitments

2.56 Everyone who makes their home in the UK should pay their taxes here. The government is removing the outdated concept of domicile status from the tax system and replacing it with a new internationally competitive residence-based regime from 6 April 2025. This includes ending the use of offshore trusts to shelter assets from Inheritance Tax and scrapping the planned 50% tax reduction for foreign income in the first year of the new regime.

2.57 Carried interest is a performance-related reward received by a small population of fund management executives. Unlike other forms of compensation, carried interest can be subject to Capital Gains Tax (CGT), where certain conditions are met. The government believes there is a compelling case for reform in this area. From April 2026, carried interest will be taxed fully within the Income Tax framework, with bespoke rules to reflect its unique characteristics – providing for fairer and more sustainable outcomes, while safeguarding the strength of the UK as a fund management hub. Ahead of this, the CGT rates currently applied to carried interest will be increased to 32% from April 2025.

2.58 The government is supporting first-time and main home buyers by increasing the Higher Rates for Additional Dwellings of Stamp Duty Land Tax from 3% to 5% from 31 October 2024. These higher rates apply to purchases of second homes, buy-to-let residential properties and companies purchasing residential property and the increase will provide those looking to move home or purchase their first property with a comparative advantage over those purchasing additional property. This is expected to result in 130,000 additional transactions over the next five years by first-time buyers and other people buying a primary residence.[82] Those who exchanged contracts prior to 31 October 2024 are not affected by this rate increase.

2.59 One of the government's key missions is to make the UK a clean energy superpower. To achieve that, it is essential that oil and gas companies contribute more to the energy transition: this is why the government is making changes to the Energy Profits Levy (EPL) including increasing its rate by three percentage points to 38%, removing the 29% investment allowance, and extending the time the levy applies until 31 March 2030.

2.60 The government is committed to managing the energy transition in a way that supports jobs in existing and future industries and so will retain the availability of 100% first year capital allowances within the EPL. As announced in July, the decarbonisation allowance will also remain in order to incentivise the sector to invest in cleaner, lower-emission technologies and will be set at 66% to maintain its cash value.

2.61 After a period of change, the government also recognises the importance of providing the oil and gas industry with long-term certainty on taxation. The government will publish a consultation in early 2025 on how the taxation of offshore oil and gas will respond to price shocks once EPL ends in 2030. In addition, the government is today publishing a consultation on new environmental guidance for assessing end use emissions related to oil and gas projects. This consultation seeks to provide stability for the oil and gas industry, support investment, protect jobs and ensure a fair, orderly and prosperous transition in the North Sea in line with our climate and legal obligations.

2.62 The government is committed to ensuring that every child has access to high-quality education. To secure additional funding to help deliver commitments relating to education and young people, the government will introduce 20% VAT on education and boarding services provided for a charge by private schools from 1 January 2025. The government will also remove business rates charitable rate relief from private schools in England from April 2025. Together, these policies are expected to raise £1.8 billion per year by 2029-30. The impact on the state education system as a whole is expected to be very small.

2.63 To support pupils with special educational needs that can only be met in a private school, local authorities and devolved governments that fund these places will be compensated for the VAT they are charged on those pupils' fees. Private schools which are "wholly or mainly" concerned with providing full time education to pupils with an Education, Health and Care Plan will remain eligible for business rates charitable relief.

Fixing the NHS and reforming public services

2.64 Phase 1 of Spending Review 2025, which concludes alongside Autumn Budget 2024, provides significant additional investment to reset departmental budgets, and support public services. Improving the performance of public services forms a core part of the government's plan for driving growth.

[82] HMT calculation based on OBR certified costing.

2.65 At Autumn Budget 2024, the government is committing to one major fiscal event a year. The government has fixed the envelope for Phase 2 of the Spending Review consistent with the fiscal rules. It will conclude in late spring 2025.

Supporting public services

2.66 Phase 1 of the Spending Review focuses on delivery of the government's first steps for change, including:

- Reducing waiting times by supporting the NHS to deliver 40,000 extra elective appointments a week and make progress towards the commitment that patients should expect to wait no longer than 18 weeks from referral to consultant-led treatment.
- Securing the UK's borders by establishing a new Border Security Command to tackle criminal gangs, reducing both irregular migration and the flow of illicit commodities towards the UK, and safeguarding victims of trafficking and smuggling.
- Increasing powers to address anti-social behaviour, strengthening neighbourhood policing and establishing the first trailblazer Young Futures Hubs in England.
- Further supporting recruitment of 6,500 new teachers in England, through increases to the core schools budget of £2.3 billion.
- Establishing Great British Energy with £125 million in 2025-26.

2.67 Beyond these first steps, Phase 1 of the Spending Review confirms 2024-25 and 2025-26 budgets for all departments, providing the targeted funding necessary to stabilise and support public services.

Fixing the NHS

2.68 The NHS is a source of immense national pride, and this government wants to ensure that the healthcare system is there for people when they need it. That is why in his first week, the Secretary of State for Health and Social Care commissioned Lord Darzi to conduct an immediate and independent investigation of NHS performance and the challenges facing the healthcare system.

2.69 Lord Darzi's report clearly set out the scale of the challenge – he found the NHS was in "critical condition".[83] The waiting list for elective treatment currently stands at 7.6 million, people are waiting too long to get the GP or NHS dentist appointments they need, and 10% of patients are now waiting for 12 hours or more in A&E.[84,85] This is in part due to a wider set of challenges: the health of the nation has deteriorated and there are significant inequalities in health and care. Restoring the health service will therefore take time and will require the drivers of performance that Lord Darzi identified to be addressed.

2.70 The government is prioritising the NHS in Phase 1 of the Spending Review. The settlement means resource spending for the Department of Health and Social Care (DHSC) will increase by £22.6 billion from 2023-24 to 2025-26. This provides a two year average real terms NHS growth rate of 4.0%, the highest since before 2010

[83] 'Independent investigation of the NHS in England - Lord Darzi's report on the state of the National Health Service in England', Department of Health and Social Care, September 2024.
[84] 'Statistical Press Notice - NHS referral to treatment (RTT) waiting times data', NHS England, October 2024.
[85] 'A&E Activity and Performance Summary' published in 'A&E Attendances and Emergency Admissions', NHS England, October 2024.

excluding COVID-19 pandemic years.[86] The settlement will reduce waiting times by supporting the NHS to deliver 40,000 extra elective appointments a week and make progress towards the commitment that patients should expect to wait no longer than 18 weeks from referral to consultant-led treatment. This includes an additional £1.8 billion to support elective activity since July. In tandem, patient care pathways will be reformed to ensure patients are seen in settings which can deliver better patient experience for lower cost, enhancing patient choice and embedding best practice right across the country.

2.71 Lord Darzi found the NHS had been "starved of capital" funding during the 2010s – a £37 billion shortfall – and that this has prevented hospitals being productive. The government will take significant steps to address this. Phase 1 of the Spending Review provides record levels of capital investment for health with an increase of £3.1 billion in 2025-26 compared to 2023-24 outturn, rising to £13.6 billion, a two-year average real terms growth rate of 10.9%. This will:

- Support NHS performance across secondary care with around £1.5 billion capital funding in total for new surgical hubs and diagnostic scanners to build capacity for over 30,000 additional procedures, and over 1.25 million diagnostic tests as they come online; new beds to create more treatment space in emergency departments, reduce waiting times and help shift more care into the community; and £70 million to invest in new radiotherapy machines to improve cancer treatment.
- Begin to reverse the trend of capital underfunding of the last 15 years identified by Lord Darzi, with over £1 billion to tackle dangerous reinforced autoclaved aerated concrete (RAAC) and make inroads into the existing backlog of critical maintenance, repairs and upgrades across the NHS estate – protecting staff and patients and boosting NHS productivity.
- Invest more than £2 billion in NHS technology and digital to run essential services and drive NHS productivity improvements, to free up staff time, ensure all Trusts have Electronic Patient Records, improve cyber security and enhance patient access through the NHS App. In implementing the settlement, DHSC (including the NHS) will deliver 2% productivity next year.
- Establish a dedicated fund to deliver around 200 upgrades to GP surgeries across England, supporting improved use of existing buildings and space, boosting productivity and enabling practices to deliver more patient appointments.
- Continue delivery of the New Hospital Programme on a more sustainable and deliverable footing, moving swiftly to rebuild hospitals wholly or primarily built with RAAC or which are in build. Remaining schemes will be delivered through a rolling programme of major investment as part of the government's commitment to providing hospital infrastructure investment. Further details regarding the Programme review and next steps will be set out by DHSC in due course.
- Strengthen the UK's pandemic preparedness and health protection with £460 million of investment to address the risk posed by future health emergencies and implement the lessons learnt from the pandemic by

[86] 2019-20 to 2021-22.

replenishing personal protection equipment (PPE), vaccine and medicines stockpiles, and investing in critical health protection infrastructure, such as high-containment laboratories.

- Provide £26 million to open new mental health crisis centres, reducing pressure on A&E services. The government is committed to tackling the root causes of mental health problems and supporting people to remain in, return to or find work.
- Protect core R&D budgets with a real terms increase in funding for the National Institute for Health and Care Research to support the NHS and wider health and care system in driving a revolution in research, life sciences, med tech and data. This will strengthen the UK clinical trial network, supporting better patient outcomes, and bolster the life sciences investment environment.

2.72 The government will support local authority services through a real terms increase in core local government spending power of around 3.2%, including at least £600 million of new grant funding to support social care.[87] This is alongside an £86 million increase to the Disabled Facilities Grant to support 7,800 more adaptations to homes for those with social care needs to reduce hospitalisations and prolong independence.

2.73 Investment alone will not fix the current state of the NHS. The government's 10 Year Health Plan will focus on the hard work of reform, increasing productivity and ensuring every pound of taxpayers' money is spent wisely through three shifts in how healthcare is delivered:

- In shifting care from hospital to community the government wants to see more care delivered through Neighbourhood Health Services. These will provide more proactive and personalised care that will be better for patients and deliver better value for taxpayers. The government will also reform delivery of elective activity and patient care pathways, including a shift to lower cost settings wherever appropriate.
- In transforming the NHS from analogue to digital, the government is investing to deliver NHS productivity improvements, by harnessing technological opportunities that will transform the patient experience, free up staff time and improve the quality of care.
- In moving from a model of sickness to prevention, the government is taking action against childhood and adult obesity and creating the first smoke-free generation. The government will restrict junk food advertising on TV and online to reduce the number of children living with obesity; and gradually end the sale of tobacco products across the country, ban vapes from being deliberately branded and advertised to children, and deliver an ambitious package of support to help current smokers to quit.

Education

2.74 The Department for Education's (DfE) settlement means resource spending on the education system in England will increase by £11.2 billion from 2023-24 levels by 2025-26, a 3.5% real terms increase. This funding demonstrates the government's commitment to schools, giving every child the best start in life, supporting disadvantaged children, and investing in further education (FE), through:

[87] The underlying figure for core spending power is an estimate and subject to data changes. Final figures will be published as part of the 2025-26 Local Government Finance Settlement.

- Increasing funding for the core schools budget by £2.3 billion, increasing per pupil funding in real terms. £1 billion of this funding will go towards supporting the special educational needs and disabilities (SEND) system.
- Allocating an additional £1.8 billion to continue the expansion of government funded childcare, providing young children with high-quality early education. Along with £30 million being provided for the rollout of free breakfast clubs in thousands of primary schools, this will also help parents, and particularly mothers, to stay in and return to work.
- Providing an additional £300 million for FE to ensure young people are developing the skills they need to succeed and taking steps to transform the Apprenticeship Levy into a Growth and Skills Levy through £40 million investment. This will help to deliver on the commitment to launch shorter and foundation apprenticeships in key sectors.

2.75 The government is also providing £6.7 billion of capital funding in 2025-26 for education in England, a real terms increase of 19% from 2024-25. This includes £1.4 billion for the school rebuilding programme, an increase of £550 million on this year. The settlement also invests over £2 billion into maintenance for schools and £950 million for skills capital.

Crime and justice

2.76 The government will begin to repair the justice system by providing an additional £1.9 billion total departmental spending to the Ministry of Justice (MoJ) in 2025-26 – an average real terms increase of 5.6% each year from 2023-24 to 2025-26. Total Home Office (HO) funding will increase from £20.3 billion in 2023-24 to £22.1 billion in 2025-26.

- Continued investment to support frontline policing levels across the country and put us on track to start to deliver more neighbourhood police officers and Police Community Support Officers (PCSO).
- £2.3 billion of investment in prison expansion over 2024-25 and 2025-26, ensuring thousands of new prison places open over the next two years.
- A minimum £500 million additional investment across prisons and probation in 2025-26 to recruit thousands of new prison and probation staff, keeping prisons safe and managing offenders in the community.
- £220 million investment in prison and probation service maintenance in 2024-25 and up to £300 million in 2025-26, keeping prisons safe and secure.
- 106,500 Crown Court sitting days in 2024-25 to bring offenders to justice. MoJ will work closely with the senior judiciary to set court capacity in 2025-26 to continue bringing access to justice for victims.

Defence and intelligence

2.77 The settlement provides £2.9 billion of additional total funding to the Ministry of Defence (MoD) compared to 2024-25, growing the defence budget by 2.3% per year on average in real terms compared to 2023-24. This underlines the government's commitment to strengthening the Armed Forces and protecting national security during a period of geopolitical instability.

2.78 This means the defence budget will grow in line with the economy in 2025-26, ensuring the UK comfortably exceeds the NATO spending target of 2% of GDP. The government will set a path to spending 2.5% of GDP on defence at a future fiscal event. This funding will:

- Enable the UK to modernise the Armed Forces and to continue to play a leading role in NATO, including through the nuclear deterrent, combat and surveillance aircraft, surface and submarine fleets, forward land forces, Special Forces and cyber and space capabilities.
- Guarantee continued support to Ukraine, committing £3 billion per year in support for Ukraine for as long as it takes.

2.79 The government will also provide funding to DCMS to commemorate the 80th anniversary of VE and VJ day, to remember those who gave their lives and honour those who served at home and abroad.

2.80 In addition to growing the defence budget, the settlement will increase spending on the Single Intelligence Account (SIA) by around £340 million between 2023-24 and 2025-26. This funding increase will boost the UK's national security, ensuring that the UK intelligence community maintains its world-leading capabilities – protecting the UK and advancing the country's interests at home and overseas.

Local government

2.81 Local government is essential to the running of the country and delivers a wide range of vital services. The government is committed to returning the sector to sustainability through a comprehensive set of measures to support local authorities in England, including:

- Increasing core spending power by around 3.2% in real terms in 2025-26, with £1.3 billion of new grant funding including at least £600 million new grant funding for social care.[88]
- Reforming the approach to funding allocations within the Local Government Finance Settlement by redistributing funding to ensure that it reflects an up- to-date assessment of need and local revenues.
- Investing in children's services to put them on a sustainable trajectory, with a £1 billion uplift for SEND and alternative provision funding as an important step in realising the government's ambition to reform the system, and new funding for kinship and fostering measures ahead of more fundamental children's social care reform in Phase 2.
- Continuing the UK Shared Prosperity Fund at a reduced level for a further year, providing £900 million; this transitional arrangement will allow local authorities to invest in local growth, in advance of wider funding reforms.
- Providing £233 million of additional spending in 2025-26 to prevent homelessness, taking total spending to £1 billion in 2025-26. This will help to prevent rises in the number of families in temporary accommodation and help to prevent rough sleeping.

[88] The underlying figure for core spending power is an estimate and subject to data changes. Final figures will be published as part of the 2025-26 Local Government Finance Settlement.

Devolved governments

2.82 The devolved governments will receive an additional £6.6 billion through the operation of the Barnett formula in 2025-26. This includes £3.4 billion for the Scottish Government, £1.7 billion for the Welsh Government and £1.5 billion for the Northern Ireland Executive. This will enable substantial investment into schools, housing, health and social care, and transport across Scotland, Wales and Northern Ireland.

2.83 In Wales, the government is providing the Welsh Government with £25 million to support essential work to keep disused coal tips maintained and safe. In Northern Ireland, the government is also providing £730,000 to support schools as they work towards integrated status, and a further £45.8 million for the Police Service of Northern Ireland's Additional Security Fund and the Executive Programme on Paramilitarism and Organised Crime. In Scotland, the government is providing funding to deliver 'Brand Scotland' to champion Scottish culture, products and services across the world.

Compensation

2.84 The government is addressing the historic wrongs of the past and compensating the victims of the Post Office Horizon IT and Infected Blood scandals:[89]

- The government is committed to providing full and fair financial redress to the victims of the Horizon IT Scandal as quickly as possible. Around £1.8 billion has been set aside for costs from 2024-25, with around £200 million already paid to victims in previous years.[90]
- The government has set out plans to compensate the victims of the infected blood scandal, following recommendations from the Infected Blood Inquiry and Sir Robert Francis KC.[91,92,93] The Budget includes £11.8 billion of funding committed to the end of the Parliament to make compensation payments. This is based on estimates of the number of people who are eligible and will apply, with the Infected Blood Compensation Authority aiming to process and make payments as soon as possible. The government expects the Authority to begin processing a small number of payments this year, scaling up in 2025.

Public Sector Pay

2.85 The government launched the 2025-26 Pay Review Body (PRB) process in September. This meant the 2025-26 PRB process started three months earlier in the year than for 2024-25. This is a step towards restoring confidence in the PRB process and ensuring public sector workers receive more timely pay awards. The PRBs are expected to deliver their recommendations for 2025-26 pay awards in the spring.

---

[89] In both cases the costs from 2024-25 onwards will be classified as Annually Managed Expenditure, and the funding set out in the Budget is neither a target nor a limit - those eligible will receive the compensation they are due.
[90] Costs calculated on cash basis using the management information that was used to calculate 'Post Office Horizon financial redress data as of 31 March 2024', Department for Business and Trade, October 2024.
[91] 'Infected Blood Compensation Scheme Summary: August 2024', Infected Blood Compensation Authority, Cabinet Office, August 2024.
[92] 'The Inquiry Report', Infected Blood Inquiry, May 2024. 'Second Interim Report', Infected Blood Inquiry, April 2023.
[93] 'Recommendations to the government from Sir Robert Francis KC', Infected Blood Compensation Authority, August 2024.

2.86 Accepting the independent PRBs' recommendations for 2024-25 – and providing the first meaningful real terms pay increases for years – was not a decision the government took lightly.[94] While it was the right decision, it required difficult trade-offs. The government has taken further difficult decisions across tax, spending and welfare through the Budget and Phase 1 of the Spending Review in order to repair the public finances.

2.87 The government remains committed to delivering fair and timely pay awards for public sector workforces in 2025-26. However, it will need to carefully consider the trade-offs required to afford pay awards. Over the medium-term, above inflation pay awards are only affordable if they can be funded from improved productivity.

2.88 Departmental settlements for 2025-26 will need to fund the next round of public sector pay awards, and departments will set out their affordability evidence to the PRBs in the usual way, taking account of expected inflation over the next financial year, forecast by the OBR to be 2.6%.[95] If the PRBs recommend pay awards above the level departments have budgeted for, the government will have to consider the justification – for example where there are especially acute recruitment and retention demands, or where productivity improvements can unlock further funding.

Spending Review 2025 Phase 2

2.89 At the Budget, the government has fixed the envelope for Phase 2 of the Spending Review, which will conclude in the late spring. It will deliver a new settlement for public services, marking a fundamental change in how the government approaches public spending, supports growth, and delivers public services.

2.90 Phase 2 will be mission led, technology enabled and reform driven. It will take a long-term approach, supporting delivery of the government's plans for a decade of national renewal. It will also embed greater spending discipline by implementing a zero-based approach, ensuring that every pound of taxpayers' money is targeted towards the government's priorities.

2.91 Phase 2 will also embed greater spending discipline by implementing a zero- based approach to spending, ensuring that every pound of taxpayers' money is targeted towards the government's priorities.

Mission-led

2.92 To fundamentally change the way public services are delivered, departments must work together to deliver key priorities in a more effective and efficient way, breaking out of siloes and focusing on driving forward the government's core objectives.

2.93 The government will take a mission-led approach to Phase 2. Departments will work together to develop a shared strategy for delivering the government's missions.

2.94 The government will support missions to drive collaboration across government and its partners and to target spending on the priorities that will deliver the biggest impact for citizens.

[94] All 2024-25 PRB reports are available at Office for the Pay Review Bodies - GOV.UK.
[95] 'Economic and Fiscal Outlook', Office for Budget Responsibility, October 2024.

Technology-enabled

2.95 Phase 2 will focus on ensuring the public sector makes the best use of technology, in order to digitise public service delivery, enhance productivity and improve outcomes.

2.96 The Chancellor of the Duchy of Lancaster, Secretary of State for Science, Innovation and Technology and Chief Secretary to the Treasury lead the Digital Centre of Government. The Department for Science, Innovation and Technology will continue to drive towards a renewed strategy for digital transformation across the public sector to ensure that fundamental reforms in public services are prioritised and digital-led. This will inform a centralised and coherent approach to digital investment at Phase 2 of the Spending Review.

Reform-driven

2.97 Phase 2 of Spending Review will focus on reforming the public sector, in order to improve outcomes whilst keeping public spending at sustainable levels. The government will take a more preventative approach to public service delivery, alongside devolving more power to communities to deliver more efficiently and effectively for citizens.

2.98 The government has therefore identified a number of priority areas for reform, which it will build on in Phase 2:

- **Health:** The government will publish a 10 Year Health Plan for the NHS in Spring 2025, investing in and transforming the existing model of health care, and delivering the government's mission to build an NHS fit for the future. This plan will be shaped by the experiences, views and ideas of the public, clinicians, and experts. The plan will set out reforms transform the NHS from analogue to digital and more from model of sickness to prevention shift care from hospital to community.
- **Local government and devolution:** The government is introducing the first integrated settlements for Greater Manchester and the West Midlands Combined Authorities from 2025-26, and announcing the next Mayoral Combined Authorities eligible to receive them from 2026-27, giving mayors meaningful local control over funding in a single flexible pot. The government will also simplify the wider local funding landscape, reducing the number of grants and consolidating them into the Local Government Finance Settlement, as well as moving towards a multi-year settlement for local government so local authorities can plan more effectively.. The upcoming English Devolution White Paper will set out more detail on the government's devolution plans, including on working with councils to move to simpler structures that make sense for their local areas, with efficiency savings from council reorganisation helping to meet the needs of local people.
- **Children's social care:** Building on existing reform pathfinders, and the new investment in kinship and fostering announced in Phase 1 of the Spending Review, the government will set out plans for fundamental reform of the children's social care system in Phase 2. This will include promoting early intervention to help children to stay with their families where possible and fixing the broken care market.

- **SEND:** Phase 1 of the Spending Review provides a £1 billion uplift for SEND and alternative provision funding, equivalent to 6% real growth. This is an important step towards realising the government's vision to reform England's SEND provision to improve outcomes and return the system to financial sustainability, which will be built on through Phase 2.
- **Homelessness:** Phase 1 commits to additional funding for homelessness to help to prevent rises in the number of families in temporary accommodation and help to prevent rough sleeping. In Phase 2 the Treasury will work with MHCLG and others in the cross-government taskforce to address homelessness and rough sleeping.
- **Police:** HM Treasury will work with the Home Office through Phase 2 to drive police efficiencies and improve overall police productivity in England, ending wasteful contracts and enabling officers to spend more time on the frontline tackling crime. This will form part of a wider police reform package to rebuild confidence in policing.
- **Prisons:** To bring an end to the crisis in prisons, the government will examine tough alternatives to custody to make sure these sentences cut crime while making the best use of taxpayers' money. Along with the prison building programme, the government will bring the criminal justice system onto a sustainable and affordable footing and ensure there is always the space in prison for the most dangerous offenders.
- **Asylum:** The government has already ended the Rwanda Migration and Economic Development Partnership and is reforming the asylum system by streamlining capacity to process asylum seekers and returning those that do not have the right to stay in the UK. This will start the process of ending the use of hotels for asylum seekers.
- **Defence:** In Phase 2, the government will transform the defence operating model, establishing a new Strategic Military Headquarters and National Armaments Director role to create clearer accountability, faster delivery, less waste and deliver greater value for money.
- **Transport:** The government will improve the performance and reliability of rail services, ensuring the rail sector can operate effectively and become financially sustainable. The Secretary of State for Transport's plans for reform, will look at changes to fares, services and workforce practices to deliver a modern railway that meets how people now want to travel. These will increase efficiency and reduce costs, while boosting ridership and revenue and improving performance, laying the groundwork for the transition to Great British Railways.
- **Civil Service:** The civil service is a key enabler to support improved productivity across the UK's public services. This government is therefore taking forward work to deliver a civil service workforce plan and underpinning reform proposals for a more efficient and effective civil service, including bold options to improve skills, harness digital technology and drive better outcomes for public services.

2.99 The Budget also announces a new Public Sector Reform and Innovation Fund, to support the development of a new approach to improving public services. The Budget allocates £165 million of this to a range of projects in 2025-26, including to support foster carer recruitment and planning reform. In addition the Budget allocates £100 million of this over the next three years to deliver innovative projects, partnering with Mayors and local leaders, and developing new approaches to public service reform with a focus on experimentation and learning. This will complement and inform ongoing reform programmes and activities being delivered by departments.

2.100 Further detail of specific reforms and investments announced at the Budget are set out in the Departmental Settlements chapter of this document.

3 Rebuilding Britain

3.1 The government is committed to delivering a decade of national renewal by fixing the foundations of the economy and rebuilding Britain, making every part of the country better off.

3.2 The growth mission is the central mission of the government. Through the growth mission, the government is restoring stability, increasing investment, and reforming the economy to drive up prosperity and living standards across the UK.

3.3 **Stability**: Autumn Budget 2024 supports economic and fiscal stability and puts the public finances on a sustainable path. These are essential foundations for growth and for increasing public and private investment in the UK.

3.4 **Investment**: Investment will be a vital part of addressing the growth challenge. The Budget begins rebuilding Britain by increasing public investment and unlocking private investment. Public sector net investment will average 2.6% of GDP over the Parliament, with over £100 billion of additional capital investment over the next five years. This will strengthen the UK economy over the long term.

3.5 The Budget shows that the government is prioritising the investment that matters most. This includes investment in transport – unlocking growth-enhancing schemes like East West Rail – kickstarting the delivery of 1.5 million homes, supporting new industries and job creation, and protecting record government research and development (R&D) funding. In addition, the Budget increases investment in public services, recognising that a well-functioning NHS and education system are critical to the economy.

3.6 The government is ensuring an even greater focus on high-quality investment and delivering value for money for the taxpayer. With the guardrails that will govern the approach to capital spending and new and strengthened institutions, the government is reforming the way it plans, assures, delivers and evaluates capital spending. These changes will provide greater certainty for departments, investors and supply chains, and greater assurance that investment is high quality and well delivered.

3.7 The government will work in partnership with the private sector to further increase investment. The government has created the National Wealth Fund to catalyse over £70 billion of private investment, set out plans for a modern Industrial Strategy to support investment in growth-driving sectors, and launched a pensions review to unlock greater investment in UK growth assets. The international business community has already put its confidence in the UK's growth potential, committing £63 billion across 22 projects around the International Investment Summit and supporting the creation of close to 38,000 additional jobs.[96]

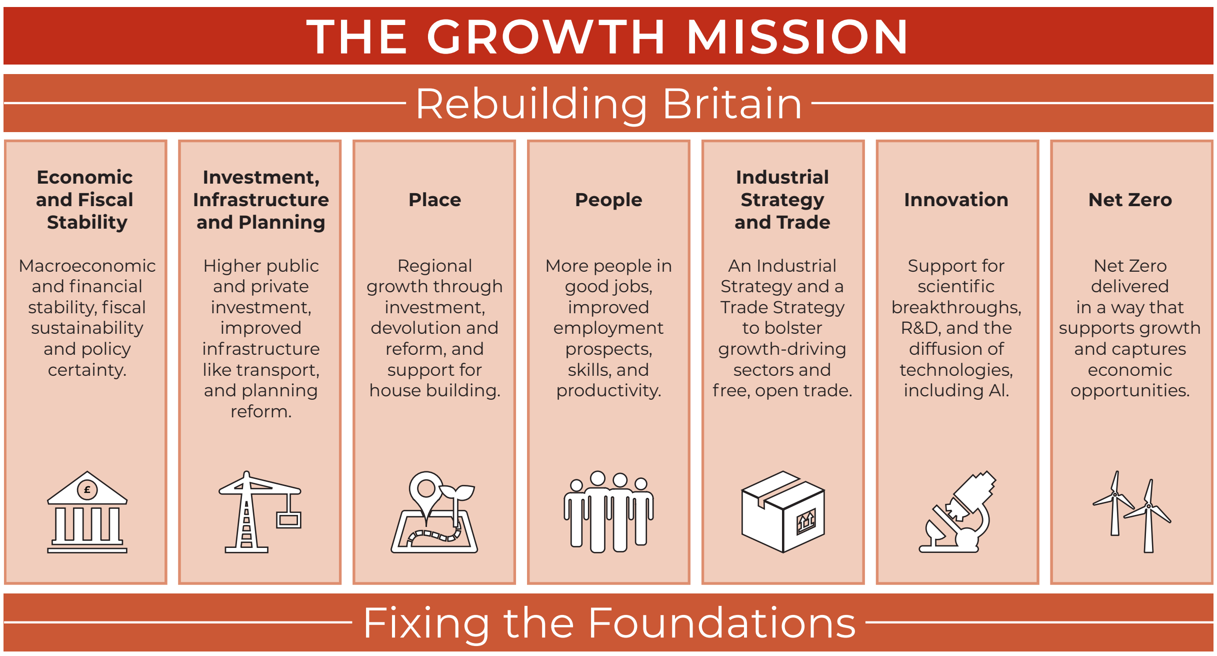
[96] https://www.gov.uk/government/news/record-breaking-international-investment-summit-secures-63-billion-and-nearly-38000-jobs-for-the-uk.

3.8 Reform: The government is making the reforms needed to deliver sustained growth in the long-term. These include ambitious planning reforms to remove blockages to growth, the development of a 10-year infrastructure strategy to be published alongside Phase 2 of the Spending Review, the publication of the Get Britain Working White Paper shortly, and the establishment of Skills England to ensure there is the highly-trained workforce needed to deliver economic growth.

3.9 While the impacts of many of these measures are not captured in the OBR forecast, the government expects them to have a positive impact on growth. This reflects the feedback received from businesses, economists, and other stakeholders on the impact of the measures themselves and the challenges they are tackling. The OBR notes that the proposed changes to the National Planning Policy Framework, which are not captured in the forecast, "may enable greater delivery of new housing and infrastructure projects, which would boost the associated investment flows, as well as increasing productivity over the longer term".[97]

3.10 The OBR has set out the positive economic impact that the Budget could have over the long term. The OBR's projections for the economy are covered in more detail in Chapter 1.

3.11 The government's growth policy priorities, under the framework of stability, investment and reform, can be structured into seven pillars, as illustrated below. These priorities will be developed in partnership with business, and backed by a continuous focus on delivery, supported by a new Growth Delivery Unit established in HM Treasury. The remainder of this chapter sets out the government's plans within each pillar.



Economic and Fiscal Stability

3.12 Economic, fiscal, and financial stability are pre-requisites for the economy to grow, as they give UK businesses and households the confidence to make decisions on future investments and consumption. This encourages innovation and growth over the long term. As set out in Box 1.B in Chapter 1, measures of uncertainty have been elevated in recent years, reflecting global and UK specific

[97] Economic and Fiscal Outlook, Office for Budget Responsibility, October 2024.

factors. This instability has weighed on economic activity, as firms postponed investment decisions and households reduced consumption in favour of precautionary saving.

3.13 At the Budget, the government is: announcing robust fiscal rules; taking difficult decisions on tax, welfare, and spending to put the public finances on a sustainable path; and implementing the most significant strengthening of the fiscal framework since the inception of the OBR. Details of these actions are set out in Chapter 1.

3.14 In addition, the government is ensuring it fosters stability across all the pillars of the growth mission by providing long-term certainty in its plans for businesses and the wider economy. As set out below, this includes a commitment to a modern Industrial Strategy and a long-term plan for infrastructure.

Investment, Infrastructure and Planning

3.15 Investment today drives future productivity growth and higher living standards. In the last 14 years, however, the UK has fallen further behind its peers, with productivity 16% below Germany and 14% below France in 2023.[98]

3.16 Since July, the government has taken decisive action to increase investment in the UK economy and drive growth, including:

- Launching the National Wealth Fund, the UK's new impact investor, which will mobilise billions of pounds of investment into the UK's world leading clean energy and growth industries and support the delivery of the Industrial Strategy.
- Committing to update relevant National Policy Statements within 12 months to provide certainty to industry on the objectives for nationally significant infrastructure.
- Acting to progress infrastructure projects through the planning system. Since the election, the government has approved six Nationally Significant Infrastructure Projects, including: construction consent for four solar farms, which will provide almost two gigawatts of electricity generating capacity; consent to reinforce the electricity transmission network between Bramford substation in Suffolk and Twinstead Tee in Essex; and development consent for a new roll-on/roll-off facility in Immingham Eastern Ro-Ro Port Terminal.
- The Deputy Prime Minister has also used powers to take decision-making responsibility for a number of appeals below the threshold for Nationally Significant Infrastructure Projects, including three data centres, two solar sites, and two film studios. Seven cases have been sent to ministers for a decision on whether to grant planning permission, and all decisions have been made inside the 13-week target, giving developers and other stakeholders certainty within the right timescales. This includes approving the expansion of London City Airport, in line with the government's position to support airport expansions where they contribute to economic growth, whilst balancing environmental objectives, and three large housing development sites in Cambridgeshire, West Sussex and Durham, leading the way for thousands of new homes.

---

[98] Output per hour for the year 2023, using US$ current prices adjusted for PPP, OECD.

- Reforming and expanding the Office for Investment, which will sit under the joint HMT-DBT Minister for Investment, improving the government's ability to land transformational investments by originating deals, clearing barriers and working with local leaders to develop investable propositions.
- £63 billion of private sector investment across 22 projects was announced around the October International Investment Summit, demonstrating the increased confidence of international investors in the UK and supporting the creation of close to 38,000 additional jobs.[99]

3.17 The Budget builds on this progress and decisively shifts the UK's course on public investment. Instead of cutting investment, the government is increasing investment in real terms. The government will spend 2.6% of GDP on public sector net investment on average over the Parliament, with an increase of over £100 billion in capital investment over the next five years.

3.18 Capital investment will increase by £13 billion next year, taking total departmental capital spending to £131 billion in 2025-26. Taken together, the government will invest over £35 billion in economic infrastructure in 2025-26. The OBR judges that if sustained beyond the forecast horizon, the combination of higher capital investment and crowding in increases potential output by 0.4% after 10 years and 1.4% in the long run.

3.19 This public investment will get Britain moving and spur regional growth and innovation, through:

- Securing the delivery of priority transport schemes, which will transform rail connectivity across the country.
    - The Transpennine Route Upgrade between York and Manchester, via Leeds and Huddersfield, will transform northern rail connectivity and lay the ground for Northern Powerhouse Rail.
    - East West Rail will connect Oxford, Milton Keynes, and Cambridge and unlock land for housing and laboratories, supporting the wider Cambridge life sciences cluster. The first East West Rail services will begin operations next year, running between Oxford, Bletchley, and Milton Keynes. The acceleration of the Marston Vale Line will ensure these services extend to Bedford from 2030. To deliver the next stages of East West Rail the government is launching a consultation.
    - Progressing HS2 Phase One to improve connectivity between London and Birmingham, and increase capacity on the West Coast Mainline, while delivering the Secretary of State for Transport's commitments to control costs and bring the project back on track.
    - HS2 trains will run to Euston, with funding provided for tunnelling to the central London terminus, catalysing private investment into the station and local area. Investment at Euston will be further supported through the appointment of Bek Seeley to chair the Euston Housing Delivery Group, to drive forward an ambitious housing and regeneration initiative for the local area.

[99] https://www.gov.uk/government/news/record-breaking-international-investment-summit-secures-63-billion-and-nearly-38000-jobs-for-the-uk.

- Providing a nearly 50% increase, on 2024-25, in funding for local roads maintenance. This will go further than the government's commitment to fix an additional one million potholes across England each year, investing almost £1.6 billion to maintain and renew the nation's roads, an increase of £500 million on 2024-25.[100]

- Building more homes to unlock growth. The government is adding £500 million to the Affordable Homes Programme to kickstart the biggest increase to social and affordable housebuilding in a generation, putting us on the path to building 1.5 million homes over this Parliament.

- Delivering and protecting record levels of government R&D investment, with £20.4 billion allocated in 2025-26.

- Investing over £500 million in 2025-26 to deliver Project Gigabit and Shared Rural Network to drive the rollout of digital infrastructure to underserved parts of the UK, including delivering full gigabit broadband coverage by 2030.

- Leveraging £8 billion of private investment in Carbon Capture, Usage and Storage infrastructure, continuing funding for the development of Sizewell C, and providing funding to kickstart Great British Energy. The Net Zero section below provides further details of the government's investments in the Net Zero transition.

- Providing record levels of capital investment for health, which will start to address some of the key findings of the Darzi review and includes £1 billion in additional capital for the NHS to address critical maintenance, repairs, and upgrades across the estate, £1.5 billion for NHS beds and diagnostic and surgical capacity in England to help bring down waiting lists and support people back into work, £1 billion for technology to boost NHS productivity, and over £2 billion for health R&D to drive innovation and support the UK's leading life sciences sector.[101]

- Investing in schools to support learning, which is the bedrock of future growth and opportunity. The government is providing £1.4 billion for the school rebuilding programme, representing an increase of £550 million on this year to support the current programme, including plans for 100 projects to begin delivery across England next year.

- Confirming long-term funding for growth-driving sectors as part of the Industrial Strategy, including £975 million for the aerospace sector over 5 years, over £2 billion over 5 years to support the automotive sector, and up to £520 million for a new Life Sciences Innovative Manufacturing Fund.

3.20 The government is taking steps to ensure an even greater focus on high-quality investment and delivering value for money for the taxpayer. As part of the guardrails set out in Chapter 1, the government is reforming the way it plans, assures, delivers and evaluates capital spending. These changes will provide greater certainty for departments, investors and supply chains, and greater assurance that the investment is high quality and well delivered. These reforms include:

[100] Baseline funding for highways maintenance in 2024-25 is made up of the following funding pots: Highways Maintenance Block (HMB) needs, Highways Maintenance Block (HMB) incentive, Potholes funding, 2024-25 Network North Uplift. The baseline does not include the City Region Sustainable Transport Settlements equivalent levels in the HMB and Potholes funding pots, which are accounted for elsewhere, and does not include the Integrated Transport Block because it is not dedicated spend on highways maintenance. These are published online. In 2025-26, £500 million has been allocated on top of that baseline.
[101] https://www.gov.uk/government/publications/independent-investigation-of-the-nhs-in-england.

- Publishing the 10-year infrastructure strategy alongside Phase 2 of the Spending Review, outlining the government's long-term approach.
- Setting five-year capital budgets, to be extended every two years at regular spending reviews. This will eliminate damaging 'cliff edges' in budgets, giving departments and supply chains more certainty.
- Increasing the transparency of investment decisions by publishing business cases for major projects and programmes.

3.21 The government will underpin these reforms with new and strengthened institutions, including:

- Establishing the National Infrastructure and Service Transformation Authority (NISTA) to drive more effective delivery of infrastructure across the country. NISTA will combine the functions of the National Infrastructure Commission and the Infrastructure and Projects Authority. NISTA will be operational by spring 2025 and will implement the government's infrastructure strategy in conjunction with industry and, alongside existing assurance mechanisms, will have an enhanced role in supporting major projects, including validating business cases prior to HMT funding approval.
- Formally launching the Office for Value for Money (OVfM), with the appointment of an independent chair. As a first step, the chair will advise the Chancellor and Chief Secretary to the Treasury on decisions for the multi-year Spending Review. This will include an assessment of where and how to root out waste and inefficiency, value for money studies in high-risk areas of cross-departmental spending, and scrutiny of investment proposals to ensure they offer value for money.
- Working with the National Audit Office (NAO) to benefit from their scrutiny of capital projects and learn lessons which can be applied to future projects.

3.22 The government will continue to take action to ensure that the planning system supports public and private investment. This includes:

- Responding to the National Planning Policy Framework consultation before the end of the year to confirm pro-growth reforms to the planning system.
- Implementing legislative changes to ensure a simplified and streamlined planning system, through the Planning and Infrastructure Bill to be introduced in Parliament early next year.
- Providing an additional £5 million to deliver improvements to the planning regime for Nationally Significant Infrastructure Projects, as well as £46 million to boost capacity and capability in local planning authorities.
- Allocating £70 million in 2025-26 to support infrastructure and housing development while boosting nature's recovery.

3.23 In addition to these ambitious planning reforms, the government will take further measures to catalyse private investment in the economy. This includes creating the National Wealth Fund to catalyse over £70 billion of private investment in the UK's clean energy and growth industries, and using the Pensions Investment Review, along with the British Growth Partnership, to unlock more pension fund investment into UK growth assets.

3.24 The government will also mobilise private investment to deliver positive social impacts through the development of a social impact investment vehicle. Industry will be engaged on the design of this vehicle, with further details to be announced at Phase 2 of the Spending Review.

3.25 The UK has historically made less use of government-issued financial instruments (e.g. loans, equity, and guarantees) than many advanced economies. These are tools that can be used to support growth while also generating a positive return for the taxpayer. The government's new debt rule will recognise the value created by these investments, thereby supporting growth policies in a fiscally sustainable way.

3.26 To provide stability and predictability for business, the government is publishing the Corporate Tax Roadmap. Central to the Roadmap is a competitive and sustainable main rate of Corporation Tax, capped at 25%, which is the lowest in the G7, as well as a commitment to maintain the UK's generous R&D tax reliefs and competitive capital allowance offer. The government will also consult on a mechanism for providing investors in major projects with greater tax certainty in advance, and consult on the tax treatment of pre-development costs.

Place

3.27 The growth mission is based on creating good jobs and spreading prosperity across the United Kingdom, working closely with local leaders and the devolved governments. The UK economy is an estimated £77 billion – or 3.4% – smaller because of the underperformance of city regions outside the Greater South East.[102] The government's strategy for regional growth will address this, supporting local leaders to drive growth in city regions and make the most of the opportunities in each part of the country. The government will work in partnership with devolved governments to drive economic growth across the country as part of the growth mission.

3.28 The government has established the Council of Nations and Regions and Council of the Mayors; is working with local areas in England on the upcoming English Devolution White Paper and as they develop Local Growth Plans; and is putting 'place' at the heart of Invest 2035: A Modern Industrial Strategy.[103]

3.29 The devolved governments will receive an additional £6.6 billion through the operation of the Barnett formula in 2025-26. This includes £3.4 billion for the Scottish Government, £1.7 billion for the Welsh Government and £1.5 billion for the Northern Ireland Executive.

3.30 The Budget delivers the next steps in the government's approach to regional growth, through investment, devolution and reform. On investment, this includes:

- Shifting the dial on growth in our great northern cities, including confirming investment in the Liverpool Central Docks to deliver up to 2,000 homes and transform the waterfront. The government is also increasing the City Region

[102] HMT analysis of ONS Subnational Productivity data 2022 (nominal values). The increase in nominal UK GDP is estimated by increasing the productivity of the UK's nine largest cities (measured by productivity jobs) outside of London and Edinburgh to the national average. https://www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures/datasets/subregionalproductivitylabourproductivitygvaperhourworkedandgvaperfilledjobindicesbycityregion.

[103] Invest 2035: Industrial Strategy Green Paper, Department for Business and Trade and HM Treasury, October 2024. https://www.gov.uk/government/consultations/invest-2035-the-uks-modern-industrial-strategy/invest-2035-the-uks-modern-industrial-strategy.

Sustainable Transport Settlements, which are funding projects such as Liverpool's Baltic Railway Station, the renewal of Sheffield's Supertram system and the continued development of West Yorkshire Mass Transit.

- Securing delivery of the Transpennine Route Upgrade and maintaining momentum on Northern Powerhouse Rail by progressing planning and design works to support future delivery. The government will set out further details in due course.
- Unlocking transformational growth in the Oxford, Milton Keynes and Cambridge corridor through £10 million of funding to enable the Cambridge Growth Company to develop an ambitious plan for the housing, transport, water, and wider infrastructure Cambridge needs to realise its full potential, and by taking the next steps to deliver East West Rail. This will support life sciences companies and unlock private investment, cementing Cambridge's status as a globally renowned centre of excellence and its important role within the Industrial Strategy.
- Investing in growth and regeneration projects across the UK. The Budget confirms funding for the Investment Zones and Freeports programmes UK-wide, including approval of the East Midlands Investment Zone to support advanced manufacturing and green industries, and the designation of five new customs sites in existing Freeports. The UK Shared Prosperity Fund will continue at a reduced level for a further year with £900 million of funding; this transitional arrangement will provide as much stability as possible in advance of wider local growth funding reforms. The Long-Term Plan for Towns will be retained and reformed into a new regeneration programme.
- Proceeding with the Mid South West and Causeway Coast and Glens City and Growth Deals. The Budget confirms £162 million of investment over 15 years, subject to value for money assessments of business cases, supporting economic growth in Northern Ireland's rural regions. The government also confirms £25 million for the 10-year investment in the Argyll and Bute City and Growth Deal to drive inclusive and sustainable economic growth, subject to a value for money assessment on business cases. The government will work with the devolved governments to agree an appropriate level for this. The government also confirms £80 million of funding for the Port Talbot Transition Board, with work already underway to support workers and businesses affected by decarbonisation at Tata Steel.
- Confirming £125 million for Great British Energy, which will be headquartered in Aberdeen. The government has also confirmed support for two electrolytic hydrogen projects in Scotland, in Cromarthy and Whitellee, and two in Wales, in Milford Haven and Bridgend, to support low carbon hydrogen production and directly create good quality, local jobs.
- Supporting Scottish trade by providing £0.75 million to establish Brand Scotland, a programme run by the Scotland Office to promote Scottish investment opportunities and exports across the globe.
- Designating tax sites in Celtic Freeport in South Wales, meaning businesses will be able to start to benefit from tax reliefs on new investment and employment in those sites in November, supporting the Freeport to create good, highly skilled jobs in an area that needs them.

3.31 On devolution, the government is working closely with local leaders on the upcoming English Devolution White Paper, and the Budget introduces the first integrated settlements for the West Midlands and Greater Manchester from 2025-26. The integrated settlements will deliver a single flexible pot of funding with a single outcomes framework to support MCAs to deliver growth. The government wants more regions to benefit from integrated settlements and is confirming the MCAs that are eligible to receive integrated settlements from 2026-27: the North East, South Yorkshire, West Yorkshire Mayoral Combined Authorities, and Liverpool City Region Combined Authority. The government will also explore how an integrated settlement could apply to the Greater London Authority from 2026-27.

3.32 The government will reform the local growth funding landscape at Phase 2 of the Spending Review: rationalising the number of funds, moving away from competitions, and better supporting local leaders to drive growth. The government will also set out more detail on its strategy for regional growth alongside, and integrated with, plans for infrastructure, investment, and the Industrial Strategy.

Housing

3.33 Affordability of housing has fallen drastically, particularly in major cities, as too few houses have been built, especially in low-affordability areas. Building houses in the right places is vital to long-term economic growth, allowing our towns and cities to grow, and providing the homes people want near good jobs. The government has already taken swift action to kickstart the delivery of 1.5 million homes, including: launching the National Planning Policy Framework consultation, the New Homes Accelerator, and New Towns Taskforce. The government is also seeking views on a 'brownfield passport' to ensure that suitable projects get a swift and straightforward approval for development.

3.34 The Budget sets out a series of new investments to promote housing market stability and to kickstart the biggest increase to social and affordable housebuilding in a generation. This is an important step to providing the conditions needed for the market to deliver 1.5 million homes:

- A £500 million boost to the Affordable Homes Programme to build up to 5,000 additional affordable homes.
- The government will set out details of future grant investment beyond the current Affordable Homes Programme at Phase 2 of the Spending Review, to support greater investment in new affordable housing from social housing providers. Investment will run for at least the duration of this Parliament, and will support a mix of tenures, with a focus on delivering homes for social rent.
- A consultation on a new long-term social housing rent settlement of CPI+1% for 5 years will offer long-term certainty for social housing providers, giving the sector the confidence to build tens of thousands of new social homes. The government will consult on whether further potential measures, such as a 10-year settlement, could provide more certainty.
- Reducing discounts on the Right to Buy scheme and enabling councils in England to keep all the receipts generated by sales will deliver on the government's manifesto commitment to protect existing council housing stock and boost council capacity to ensure that vital social housing is available to those who need it most.
- £3 billion of additional support for SMEs and the Build to Rent sector, in the form of housing guarantee schemes, to support the private housing market.

3.35 The Budget also supports delivery of tens of thousands of new homes:

- **Planning**: Housing delivery cannot be achieved at the scale the country requires without reforms to the planning system and ensuring sufficient capacity exists to support wider economic growth. The government will provide £46 million of additional funding to support recruitment and training of 300 graduates and apprentices into local planning authorities, accelerate large sites that are stuck in the system, and boost and upskill local planning authority capacity to deliver the government's wider reform agenda.
- **Unblocking delivery of homes**: The government is already taking decisive action to get more homes built in order to support growth, including confirming £56 million to unlock over 2,000 new homes at Liverpool Central Docks, along with a £25 million investment in a new joint venture to deliver 3,000 energy-efficient new homes across the country, with a target of 100% of these being affordable. The Budget also confirms £47 million of funding to support the delivery of up to 28,000 homes that would otherwise be stalled due to nutrient neutrality in affected catchments.

3.36 The government will be engaging with industry over the autumn on the mortgage guarantee scheme and plans to make it permanently available to support lending at 95%, ending the stop-start availability of the scheme and giving lenders confidence throughout the cycle, while making it easier for first-time buyers to realise the dream of home ownership. The government will bring forward further details in Phase 2 of the Spending Review.

3.37 The government is committed to improving building safety and accelerating remediation of unsafe housing in response to the Grenfell Tower fire. Investment in remediation will rise to over £1 billion in 2025-26. This includes new investment to speed up remediation of social housing. The government will set out further steps on remediation later this autumn.

People: skills and workforce

3.38 Increasing the number of people in good jobs is central to the government's ambition to drive growth. Since the pandemic, economic inactivity has increased and ill-health related inactivity has increased to a record high of 2.8 million. Reducing these levels of inactivity will be important in reaching the bold, long-term ambition of an 80% employment rate, which would mean over 2 million more people in work today, boosting the economy and public finances.[104]

3.39 To support this long-term ambition, the government introduced the Employment Rights Bill on 10 October 2024, the first phase of delivering the Plan to Make Work Pay. This legislation will modernise the UK's employment rights framework in response to the changing world of work, including by making flexible working the default, establishing a new right to bereavement leave, and making paternity and parental leave available from day 1 of starting a new job.

3.40 Through the Budget, the government is providing record levels of capital investment in health to deliver capacity for more diagnostic and surgical procedures and to help reduce the elective waiting list in England, thereby supporting people into work.

[104] HMT calculation based on Labour Force survey data for the three months to August 2024 where an employment rate of 80% is multiplied by the UK population aged 16-64 (42.4 million) and the actual UK employment level (31.8 million) is subtracted from this figure. Data: ONS Labour Market Table A01.

3.41 The Budget also provides an additional £1.8 billion to continue the expansion of government-funded childcare support for working parents in England, bringing total spending on childcare to over £8 billion in 2025-26. This will support parents, and particularly mothers, to stay in and return to work, with the OBR forecasting that an additional 60,000 will enter work by 2028.

3.42 As part of the Get Britain Working White Paper, which will be published shortly, the government is investing £240 million to trial new ways of getting people back into work. The government will test new approaches and collect robust evidence on how to tackle the root causes of ill-health related inactivity, support young people who are 'not in education, employment or training' (NEET), and help people to develop their careers.

3.43 The Get Britain Working White Paper will:

- Establish eight trailblazer areas across England and Wales that bring together health, employment, and skills services to improve the support available to those who are inactive due to ill health and help them return to work. This will include NHS England Health and Growth Accelerators in at least three Integrated Care Systems to develop evidence of the impact of targeted action on the top health conditions driving economic inactivity.
- Establish eight Youth Guarantee Trailblazers areas to test new ways of supporting young people into employment or training, by bringing together and enhancing existing programmes in partnership with local areas.

3.44 The government will invest £115 million in 2025-26 to deliver Connect to Work, a new supported employment programme matching people with disabilities or health conditions into vacancies and supporting them to succeed in their roles. From 2026-27, this will support nearly 100,000 people a year. Local authorities will be able to tailor their delivery of Connect to Work in ways that meet their local needs. Greater Manchester and West Midlands Combined Authorities will receive even greater flexibilities, with funding included in their Integrated Settlement.

3.45 The government will set out reforms to the health and disability benefits system early in 2025 to ensure the system supports people who can work to remain in or start work, in a way that is fair and sustainable.

3.46 The government is committed to addressing skills challenges, which are holding back growth across the country, alongside supporting people into work. The government has already established Skills England to begin addressing these challenges. In the Budget, the government is going further by providing an additional £300 million for further education in England, while increasing the core schools budget by £2.3 billion, which increases per pupil funding in real terms.

3.47 The government will also take steps to transform the Apprenticeship Levy into a more flexible Growth and Skills Levy by investing £40 million, which will help to deliver new foundation and shorter apprenticeships in key sectors. The reformed levy will be developed in partnership with employers, providers, and learners. Skills England will take the time to consult with a wide range of partners to ensure that levy-funded training meets the needs of employers, providers, and learners, and secures good value for money.

3.A Women in the economy

The government is committed to increasing women's labour market participation, addressing pay inequalities, and ensuring women can realise their full potential and progress in the workplace. Equalising women's participation rates with those of men would add 1.3 million people of working age to the workforce.[105]

The measures the government is taking will ensure that work pays:

- Women, who represent around 60% of minimum wage jobs, will especially benefit from the 6.7% increase in the National Living Wage.[106]
- Women's employment rights will be strengthened, including enhanced dismissal protections for pregnant women and new mothers, and through the Employment Rights Bill, the government will make it easier for parents to share childcare responsibilities, making flexible working the default and providing guaranteed day-one parental leave.
- Large employers will also be required to take proactive steps to address their gender pay gaps and support employees through the menopause.
- Carers, who are predominantly women, will have greater flexibility to manage both employment and caregiving responsibilities through reforming Carer's Allowance to increase the weekly earnings limit to the equivalent of 16 hours at the National Living Wage.

In addition, reforms to childcare will better support working families and help more mothers participate in the workforce:

- 60,000 parents, and particularly mothers, in England are expected to re-enter the workforce and 1.5 million mothers are expected to increase their working hours by 2028 as a result of the expansion of government-funded childcare.[107]
- 3,000 new school-based nurseries will improve the accessibility and affordability of childcare for parents.
- Breakfast clubs in thousands of schools in England will further assist working parents, while ensuring that more children start their school day ready to learn.
- Reviews of the parental and carer's leave systems offer further opportunities to better support women and working families.

[105] HMT calculation based on Labour Force survey data for the three months to August 2024, equal to the difference between the current female participation level (16.2 million) and the participation level that would result from multiplying the female population aged 16-64, by the participation rate of men aged 16-64 (81.2%). https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes#datasets#employment/unemploymentandeconomicinactivityforpeopleaged16andoverandagedfrom16to64seasonallyadjusteda02sa

[106] The National Living Wage (Amendment) Regulations 2024 Impact Assessment, Department for Business and Trade, January 2024.

[107] Economic and Fiscal Outlook, Office for Budget Responsibility, March 2023.

The government is partnering with business to maximise women's contribution to the economy. For example, in line with the ambition of the Invest in Women Taskforce to expand access to funding for female entrepreneurs, the British Business Bank is investing £50 million in women-led funds. HMT's Women in Finance Charter is supporting financial services firms to make the most of their female talent.

Industrial Strategy and Trade

3.48 As a central part of the growth mission, the Industrial Strategy will deliver the certainty and stability businesses need to invest in the UK's growth-driving sectors. Its primary objective is to drive growth. It will also look to shape the type of growth being pursued: to support Net Zero, regional growth, and secure and resilient growth.

3.49 The government launched a green paper on its modern Industrial Strategy earlier this month.[108] It set out the eight growth-driving sectors (advanced manufacturing, creative industries, clean energy industries, defence, digital and technologies, financial services, life sciences, and professional and business services) and announced that the government will produce plans for each sector as part of its commitment to help them thrive.

3.50 To help ensure the Industrial Strategy is long term in nature, the government is establishing an Industrial Strategy Advisory Council chaired by Clare Barclay. The Council will monitor and advise the government on the delivery of the Strategy, working closely with business, trade unions, devolved governments, local leaders, academia, and other stakeholders.

3.51 The Budget confirms the Industrial Strategy's commitment to target interventions to drive growth where the UK has, or could develop, a comparative advantage. It prioritises long-term funding for growth-driving sectors ahead of the full modern Industrial Strategy's publication next year, including:

- £975 million for the aerospace sector over 5 years to fund vital research and development for the latest aerospace technology.
- Over £2 billion over 5 years to support the automotive sector including the zero emissions vehicle manufacturing sector and supply chain, providing the long-term certainty that industry need to invest in advanced, greener technologies.
- Up to £520 million for a new Life Sciences Innovative Manufacturing Fund to drive growth and build resilience for future health emergencies.
- Tax reliefs for world-leading creative industries, which will provide £15 billion of support over the next 5 years.
- The government will continue to broaden and diversify the talent pipeline in the creative industries by providing £3 million to expand the Creative Careers Programme, giving school children the opportunity to learn more about career routes and directly engage with the workplace.

[108] Invest 2035: Industrial Strategy Green Paper, Department for Business and Trade and HM Treasury, October 2024. https://www.gov.uk/government/consultations/invest-2035-the-uks-modern-industrial-strategy/invest-2035-the-uks-modern-industrial-strategy.

- £25 million funding for the North East Mayoral Combined Authority (NEMCA) has been confirmed. NEMCA plans to use the funding to remediate the Crown Works Studio site. This will support the North East's creative industries and is expected to lead to around 8,000 new jobs in the region.

3.52 Further growth-driving sectors are benefitting from decisions made by the government:

- Of the £56.9 billion defence budget in 2024-25, around £25 billion will be spent on UK industry, supporting advanced manufacturing in aircraft, radars, submarines, and other key industrial capabilities.
- The UK's clean energy sector will benefit from £3.9 billion of funding in 2025-26 for Carbon Capture, Usage and Storage Track-1 projects to decarbonise industry and contracts with 11 green hydrogen producers.
- The Chancellor will shortly set out her vision for the financial services sector in her Mansion House speech, building on new remit letters to the financial services regulators which support the growth and competitiveness of the sector, and ensuring we make the most of the talent in the sector through the Women in Finance Charter.
- Further detail on support for the digital and technologies sector is provided in the Innovation section below.

3.53 The Budget also ensures support for these sectors is distributed across the UK. As noted above, the Investment Zones and Freeports programmes will continue. The government is announcing the approval of the East Midlands Investment Zone, which will use its funding envelope to drive growth in green industries and advanced manufacturing. Funding was also released earlier this month for Investment Zones supporting advanced manufacturing in the West Midlands and life sciences in West Yorkshire, supporting major clusters in the Industrial Strategy's growth-driving sectors. In addition, the Cambridge life sciences cluster is being supported by taking the next steps in delivering East West Rail, to connect the laboratories, industrial parks, and housing needed.

3.54 The Industrial Strategy and sector plans will be published alongside Phase 2 of the Spending Review. To inform them, the government will engage widely throughout the development of the Strategy and is asking stakeholders to respond to the green paper published earlier this month.

3.55 Closely aligned with this work, the government will task the Government Chief Scientific Adviser (GCSA), Professor Dame Angela McLean, with the National Technology Adviser (NTA), Dr Dave Smith, to lead a review on barriers to the adoption of transformative technologies that could enhance innovation and productivity, with a focus on the growth-driving sectors identified by the Industrial Strategy Green Paper. Reinforcing the government's growth mission, the review's recommendations will directly inform the development of the Industrial Strategy and sector plans.

Small business and entrepreneurship

3.56 Thriving small businesses are essential for the growth mission and for communities across the UK. The government is committed to supporting businesses of all sizes to help them realise their ambitions.

3.57 The government is committed to making it easier for start-ups and scale-ups to access external sources of financial support. This includes extending the Enterprise Investment Scheme and Venture Capital Trust schemes to 2035; committing over £250 million in funding in 2025-26 for the British Business Bank's small business loans programmes; ensuring small businesses can access UK Export Finance's support and exploring the need for new products to support small exporters to access the insurance and finance they need; and publishing post-implementation reviews of the Bank Referral Scheme and Commercial Credit Data Sharing Scheme. The government now intends to consult on enhancing both policies to better support SME access to finance.

3.58 To support more small businesses' digitisation efforts, the government will extend the SME Digital Adoption Taskforce and it will produce an interim report early in 2025. The Department for Business and Trade will soon announce details of a £4 million pilots package to encourage tech adoption for SMEs.

3.59 The government will also extend the Made Smarter Innovation programme with up to £37 million funding in 2025-26. Funding for the Made Smarter Adoption programme will double to £16 million in 2025-26, supporting more small manufacturing businesses to adopt advanced digital technologies and enabling the programme to be expanded to all nine English regions.

3.60 Late payments can bring cash-flow challenges for small businesses, so from 1 October 2025, companies bidding for government contracts over £5 million per annum will be excluded from the procurement process if they do not pay their own suppliers within an average of 45 days. The government also views increasing its procurement spend with small businesses as an important economic growth lever, with further details on implementing this to be set out in the National Procurement Policy Statement next year.

3.61 The government will maintain the Corporation Tax Small Profits Rate and marginal relief at their current rate and thresholds. This means 9 in 10 actively trading companies, including a majority of SMEs, will have a Corporation Tax rate lower than 25%. The £1 million Annual Investment Allowance will also be kept in place to provide the certainty businesses need to invest.

3.62 The government will also commit to funding for two key growth-driving programmes in 2025-26: Growth Hubs in England and Help to Grow: Management across the UK, which help businesses and entrepreneurs unlock their potential through bespoke support and resources.

3.63 Looking ahead, the government will bring forward a Small Business Strategy Command Paper next year, setting out the government's vision for support for small businesses. This will complement the forthcoming Industrial Strategy and Trade Strategy.

Trade Strategy

3.64 The government will publish a Trade Strategy in 2025. This will renew the UK's commitment to free and open trade, support the government's Industrial Strategy and Net Zero ambitions, and enhance economic security. To support this strategy, the government will work with the European Union to identify areas where we can strengthen cooperation for mutual benefit, including the economy, energy, security, and resilience. The government is committed to engaging businesses and stakeholders to support the development of this strategy.

3.65 In developing the Trade Strategy, the government is committed to making use of every lever available to drive economic growth. Free Trade Agreements (FTAs) are one important lever, and the government has already progressed its FTA negotiations programme by recommencing talks with the Gulf Co operation Council.

3.66 UK Export Finance (UKEF) will now be able to provide financial support to UK companies supplying critical minerals to UK exporters in high-growth sectors such as EV battery production, clean growth, aerospace, and defence, furthering the government's Net Zero ambitions and building supply chain resilience.

Innovation

3.67 Supporting scientific breakthroughs and spurring innovation are central to progressing the government's missions to rebuild Britain and to delivering the Industrial Strategy. The UK has extraordinary strengths in science and innovation, however we are not doing enough to capitalise on these strengths. The government will support R&D and the adoption and diffusion of innovation across the country to drive a sustained increase in productivity and improve citizens' lives.

3.68 The UK's science base is a crucial national asset. To fully harness its potential and foster a dynamic investment economy, the Budget protects record levels of government R&D investment with £20.4 billion allocated in 2025-26. This includes at least £6.1 billion of support for core research.[109] The government's R&D investment also fully funds Horizon association, meaning that UK researchers and businesses can participate confidently in the world's largest programme of research cooperation, worth more than £80 billion.

3.69 The government will also provide stability and long-term certainty for key R&D activities through 10-year budgets, which will create an environment for productive long-term partnerships with industry. These will be set out as part of Phase 2 of the Spending Review.

3.70 The government will ensure these benefits are felt across the country, including through Innovation Accelerators, which the government will extend into 2025-26 to continue to bolster high-potential innovation clusters in the Glasgow City Region, Greater Manchester, and the West Midlands.

3.71 Reflecting the importance of R&D to the delivery of the government's missions, through the Budget the government is announcing:

- At least £25 million in 2025-26 to launch a new multi-year R&D Missions Programme to solve targeted problems that will crowd in private and third sector investment to accelerate delivery of each mission.
- A real terms uplift to the budget of the National Institute for Health and Care Research (NIHR) as part of over £2 billion of R&D funding, supporting life sciences innovation and accelerating the delivery of the health and growth missions.
- Significant support in 2025-26 for UK fusion energy research, to build on the UK's position as a global leader in sustainable nuclear energy.

[109] Core research for these purposes covers Research England, Research Council, UKRI talent, UKRI international subscriptions, and National Academies funding.

3.72 It is critical to the growth mission that our most innovative companies are supported to start, scale, and grow in the UK. The government is supporting commercialisation of our world-class university research by providing at least £40 million over 5 years for proof-of-concept funding and improvements to support for researchers spinning out the UK's cutting-edge research into firms of the future. Through the establishment of the British Growth Partnership and the undertaking of the pensions review, the government is seeking to encourage more investment from pension funds into UK growth assets.

3.73 Science and innovation are critical to the delivery of the government's modern Industrial Strategy. This includes maximising the growth benefits of the UK's thriving digital and technology sectors. The government:

- Will shortly publish the Artificial Intelligence Opportunities Action Plan setting out a roadmap to capture the opportunities of AI to enhance growth and productivity and better deliver services for the public.
- Is creating a National Data Library to unlock the full value of our public data assets. This will provide simple, ethical, and secure access to public data assets, giving researchers and businesses powerful insights that will drive growth and transform people's quality of life through better public services and cutting-edge innovation, including AI.

Net Zero and Clean Energy

3.74 Transitioning to Net Zero and delivering on the government's clean energy superpower mission is central to ensuring sustainable and resilient long-term growth. The government will deliver this transition in a way that captures economic opportunities, securing investment and growth in clean energy industries across the UK.

3.75 The government has already taken steps to unblock and drive investment into the UK's clean energy industries.

- Reversed the de facto ban on onshore wind in England, which will help deliver cheap, reliable, and clean energy across the UK.
- Approved four major solar projects of nearly 2GW, enabling the creation of thousands of jobs.
- Significantly increased the budget for the sixth Contracts for Difference allocation round, resulting in a record number of contracts.[110]
- Secured £34.8 billion of private investment into the UK's clean energy industries around the International Investment Summit.[111]

3.76 The Budget builds on these first steps and seeks to maximise the growth opportunities of the Net Zero transition and grow UK clean energy industries by:

- Providing £3.9 billion of funding in 2025-26 for Carbon Capture, Usage and Storage Track-1 projects to decarbonise industry, support flexible power generation, and capitalise on the UK's geographic and technical strengths.

---

[110] Contracts for Difference (CfD) Allocation Round 6: Results, Department for Energy Security and Net Zero, 2024.
[111] https://www.gov.uk/government/news/record-breaking-international-investment-summit-secures-63-billion-and-nearly-38000-jobs-for-the-uk.

- Delivering on the first steps of the clean energy superpower mission, with £125 million in 2025-26 for Great British Energy, which will be headquartered in Aberdeen.
- New nuclear will play an important role in helping the UK achieve energy security and clean power, while securing thousands of good, skilled jobs. This settlement provides £2.7 billion of funding to continue Sizewell C's development through 2025-26. The equity and debt raise process for this project will shortly move to its final stages and will conclude in the spring. As with other major multi-year commitments, a Final Investment Decision on whether to proceed with the project will be taken at Phase 2 of the Spending Review.
- The government will provide support for the first round of electrolytic hydrogen production contracts, harnessing renewable energy to decarbonise industry across the length and breadth of the UK.

3.77 Accelerating grid connections and building new network infrastructure is central to unblocking private investment, delivering growth in clean energy industries and other growth sectors like AI, data centres, and manufacturing. The government is working with the new National Energy System Operator (NESO) and Ofgem to develop a robust grid connection process, to ensure viable projects are connected in a timely manner.

3.78 Making buildings and homes cleaner and cheaper to run is essential for meeting Net Zero and supporting energy security and resilience. Through the Budget, the government is providing support to both the public sector and households by:

- Delivering hundreds of local energy schemes to help decarbonise the public estate through the Public Sector Decarbonisation Scheme, with over £1 billion of funding over three years.
- Taking the first step towards a Warm Homes Plan, committing an initial £3.4 billion towards heat decarbonisation and household energy efficiency over the next three years. This includes £1.8 billion to support fuel poverty schemes, helping over 225,000 households reduce their energy bills by over £200. The government will increase funding for the Boiler Upgrade Scheme in England and Wales this year and next, following the high demand for the scheme. The government is also providing funding to grow the heat pump manufacturing supply chains in the UK to support the plan.

3.79 To support existing firms to decarbonise and grow, the government has also confirmed £163 million to continue the Industrial Energy Transformation Fund over 2025-26 to 2027-28.

3.80 The transition to electric vehicles (EVs) is crucial to decarbonising transport and will support growth and productivity across the UK. There are now more than 1 million electric cars on our roads.[112] The government has committed to phasing out new cars that rely solely on internal combustion engines by 2030 and that from 2035 all new cars and vans sold in the UK will be zero emission. The government is building on this by:

[112] Vehicle licensing statistics: April to June 2024, Department for Transport, 2024.

- Investing over £200 million in 2025-26 to accelerate EV chargepoint rollout, including funding to support local authorities to install on-street chargepoints across England. This will build on the UK's existing charging network, which continues to grow at pace with over 70,000 public chargepoints.[113]
- Providing £120 million in 2025-26 to support the purchase of new electric vans via the plug-in vehicle grant and to support the manufacture of wheelchair accessible EVs.
- Maintaining tax incentives to purchase electric cars through Vehicle Excise Duty First Year Rates and the Company Car Tax regimes, as well as by extending 100% First Year Allowances for electric cars and chargepoints for a further year.

3.81 The government is also committed to realising the benefits that aviation decarbonisation offers for Net Zero and growth. To support the development and production of innovative advanced fuels to decarbonize aviation, the government will extend the Advanced Fuels Fund for a further year.

3.82 The government will also invest in the natural environment and in climate mitigation and adaptation to protect the economy from the impacts of climate change. The Budget confirms £5 billion over two years to support the transition towards a more productive and environmentally sustainable agricultural sector in England and over £400 million of support for tree planting and peatland restoration. The government will invest £2.4 billion over two years in flood resilience to support the building of new flood defences alongside the maintenance of existing assets to protect communities.

3.83 The government is committed to securing the UK's place as a global leader in clean energy, protecting consumers and driving economic growth. The government has commissioned advice from NESO on 2030 delivery and, using this, will publish its own more detailed Clean Power 2030 Action Plan. The government will also respond to the Climate Change Committee's Progress Report, publish an updated Carbon Budget Delivery Plan, and capitalise on UK clean energy strengths through the new Industrial Strategy.

[113] EV charging statistics 2024, zapmap, 2024.

4 Departmental settlements

Department of Health and Social Care

Table 4.1 Department of Health and Social Care

£ billion (current prices)	Outturn 2023-24	Baseline 2024-25	Plans 2025-26	Average annual real terms growth[1] 2023-24 to 2025-26
Resource DEL	177.9	190.1	200.5	3.4%
of which: NHS England[2]	171.0	181.4	192.0	4.0%
Capital DEL	10.5	11.8	13.6	10.9%
Total DEL	**188.5**	**201.9**	**214.1**	**3.8%**

[1] The RDEL average annual real terms growth rate has been adjusted to account for Budget Cover Transfers in 2023-24 that will be processed in-year in 2025-26, and increased pensions contributions (SCAPE) that commenced in 2024-25.
[2] This growth rate is adjusted for £2.7 billion of transfers DHSC made between NHS and non-NHS budgets in 2023-24 to manage in-year spending.

4.1 The Department of Health and Social Care (DHSC) settlement provides total DEL funding of £214.1 billion in 2025-26. This is equivalent to an annual average real-terms growth rate of 3.8% from 2023-24 to 2025-26. Resource spending is set to increase by £22.6 billion in 2025-26 compared to 2023-24 outturn. This provides a two-year average real-terms growth rate for NHS England of 4.0%, the highest since before 2010 excluding COVID-19 years.[114]

4.2 In July, the government accepted the Pay Review Body (PRB) recommendations for all NHS staff, in addition to separate agreements with consultants, resident doctors and specialty and associate specialist (SAS) doctors. Alongside this, the government funded £1.5 billion of other in-year pressures, including additional elective activity.

4.3 The government is prioritising the NHS in Phase 1 of the Spending Review through extra investment and plans for reform to help put it on a sustainable footing and ensure it is fit for the future. The settlement will reduce waiting times by supporting the NHS to deliver 40,000 extra elective appointments a week and make progress towards the commitment that patients should expect to wait no longer than 18 weeks from referral to consultant-led treatment. This includes an additional £1.8 billion to support elective activity since July. The settlement will also support reform to patient care pathways to deliver better patient experience for lower cost, enhancing patient choice and embedding best practice right across the country.

4.4 The settlement also supports social care through at least £600 million of new grant funding, as part of the broader estimated real terms increase to core local government spending power of around 3.2%.[115] This is alongside an £86 million

[114] This excludes 2019/20 – 2021/22.
[115] The underlying figure for core spending power is an estimate and subject to data changes. Final figures will be published as part of the 2025-26 local Government Finance Settlement.

increase to the Disabled Facilities Grant to support around 7,800 more adaptations to homes for those with social care needs to reduce hospitalisations and prolong independence. To support unpaid carers, from April 2025 the government will increase the Carer's Allowance weekly earnings limit from £151 a week to the equivalent of 16 hours at the National Living Wage.

4.5 The settlement also confirms capital spending for DHSC will increase by £3.1 billion in 2025-26 compared to 2023-24 outturn, rising to £13.6 billion, representing record levels of capital investment into health and a two-year average real terms growth rate of 10.9%. This includes:

- £1.5 billion for new surgical hubs and diagnostic scanners to build capacity for over 30,000 additional procedures and over 1.25 million diagnostic tests as they come online; new beds across the estate to create more treatment space in emergency departments, reduce waiting times, and help shift more care into the community; and £70 million to invest in new radiotherapy machines to improve cancer treatment.
- Over £1 billion will be invested to tackle dangerous reinforced autoclaved aerated concrete (RAAC) and make inroads into the existing backlog of critical maintenance, repairs and upgrades across the NHS estate – protecting staff and patients and boosting NHS productivity.
- Over £2 billion will be invested in NHS technology and digital to run essential services and drive NHS productivity improvements, to free up staff time, ensure all Trusts have Electronic Patient Records, improve cyber security and enhance patient access through the NHS App. In implementing the settlement, DHSC (including the NHS) will deliver 2% productivity next year.
- A dedicated capital fund to deliver around 200 upgrades to GP surgeries across England, supporting improved use of existing buildings and space, boosting productivity and enabling delivery of more appointments.
- Continued delivery of the New Hospital Programme on a more sustainable and deliverable footing, moving swiftly to rebuild hospitals wholly or primarily built with RAAC or which are in build. Remaining schemes will be delivered through a rolling programme of major investment, as part of the government's commitment to providing hospital infrastructure investment. Further details regarding the Programme review and next steps will be set out by DHSC in due course.
- £460 million will be invested in strengthening the UK's pandemic preparedness and health protection to address the risk posed by future health emergencies and implement the lessons learnt from COVID-19. This includes replenishing personal protective equipment, vaccine and medicines stockpiles, and investing in critical health protection infrastructure such as high-containment laboratories.
- £26 million to open new mental health crisis centres, reducing pressure on A&E services. The government is committed to tackling the root causes of mental health problems and supporting people to remain in, return to and find work.
- Support of the government's growth mission by protecting core R&D budgets with a real terms increase in funding for the National Institute for Health and Care Research to support the NHS and wider health and care system in driving

a revolution in research, life sciences, med tech and data. This will strengthen the UK's clinical trial network, supporting better patient outcomes, and bolster the life sciences investment environment.

Department for Education

Table 4.2 Department for Education

£ billion (current prices)	Outturn 2023-24	Baseline 2024-25	Plans 2025-26	Average annual real terms growth[1] 2023-24 to 2025-26
Resource DEL	81.8	88.8	93.0	3.5%
of which: core schools	57.7	61.6	63.9	1.8%
Capital DEL	6.2	5.5	6.7	2.2%
Total DEL	**87.9**	**94.3**	**99.7**	**3.4%**

[1] The average annual real terms growth rate has generally been adjusted to account for Budget Cover Transfers in 2023-24 that will be processed in-year in 2025-26, and increased pensions contributions (SCAPE) that commenced in 2024-25.

4.6 The Department for Education (DfE) settlement provides total DEL funding of £99.7 billion in 2025-26. This is equivalent to an annual average real-terms growth rate of 3.4% from 2023-24 to 2025-26.

4.7 Before this Spending Review at the Spending Audit in July, DfE received an additional £2.1 billion in 2024-25, including to fully fund the 5.5% teacher pay award at a national level, as recommended by the independent pay review body.

4.8 To raise school standards for every child, the core schools budget will increase by an additional £2.3 billion next year, increasing per pupil funding in real terms. This further supports delivery of the government's pledge to recruit 6,500 teachers. As part of this, the government is providing a £1 billion increase to Special Educational Needs and Disabilities (SEND) and Alternative Provision funding, equivalent to 6% real growth. This is an important step in realising the government's vision to reform England's SEND provision to improve outcomes and return the system to financial sustainability. The government will work closely with parents, teachers and local authorities to take forward this work.

4.9 To support the government's commitment to ensure that the Holocaust is never forgotten and that its lessons are learnt by current and future generations, an additional £2 million will be spent next year on Holocaust remembrance and education.

4.10 The settlement reaffirms and expands the government's commitment to skills by providing an additional £300 million for further education to ensure young people are developing the skills they need to succeed. In addition, the government is:

- investing £40 million to help deliver new foundation and shorter apprenticeships in key sectors, as part of initial steps towards a reformed Growth and Skills Levy.
- committing to delivering the Lifelong Learning Entitlement (LLE), with a revised launch date of January 2027. The LLE will expand access to high-quality, flexible education and training for adults throughout their working lives.

4.11 The settlement delivers on the government's ambition to give all children the best start in life by increasing spending on early years and family services to over £8 billion in 2025-26. This includes:

- an additional £1.8 billion to continue the expansion of government-funded childcare and help more parents, particularly women, stay in and return to work.
- investing over £30 million in the rollout of free breakfast clubs next year, to fund breakfasts in thousands of schools and help working parents.
- £69 million to continue delivery of a network of Family Hubs.

4.12 The settlement will improve the support provided to our most vulnerable children and young people by continuing to reform the children's social care system. The government will provide over £250 million in 2025-26 to continue to test innovative measures to support children and reduce costs for local authorities. This includes £44 million of new funding to pilot a Kinship Allowance as well as to create hundreds of new foster placements, enabling more children to stay in family environments. The government will set out plans for fundamental reform of the children's social care system in Phase 2 of the Spending Review, including promoting early intervention to help children stay with their families where possible, and fixing the broken care market.

4.13 The settlement provides £6.7 billion of capital investment, a 19% real-terms increase from 2024-25. This includes:

- £1.4 billion for the school rebuilding programme, representing an increase of £550 million on this year to support the current programme. This includes plans for 100 projects to start delivery across England next year, reaffirming the government's commitment to improve the school estate by rebuilding 518 schools in total through the programme.
- £2.1 billion to improve the condition of the school estate. This is an increase of £300 million compared to 2024-25.
- £90 million to renovate and expand the children's home estate.
- £950 million for skills capital, including £300 million of new funding to support colleges to maintain, improve and ensure suitability of their estate.
- £15 million to begin delivery of the pledge to create 3,000 new or expanded nurseries through upgrading space in primary schools.

4.14 The settlement will support the opportunity mission by providing an additional £1.8 billion to continue the expansion of government-funded childcare, provide further funding for further education, and increase investment in children's social care reform.

4.15 The settlement will also support the growth mission by investing in our schools to support learning, which is the bedrock of future growth, and funding further education to ensure learners develop the skills they need to thrive in the modern labour market, alongside initial investment to support the future Growth and Skills Levy.

Home Office

Table 4.3: Home Office

£ billion (current prices)	Outturn 2023-24	Baseline 2024-25	Plans 2025-26	Average annual real terms growth[1] 2023-24 to 2025-26
Resource DEL[2]	19.0	20.8	20.6	-3.2%
Capital DEL	1.3	1.9	1.5	5.2%
Total DEL	**20.3**	**22.6**	**22.1**	**-2.7%**

[1] The RDEL average annual real terms growth rate has been adjusted to account for Budget Cover Transfers in 2023-24 that will be processed in-year in 2025-26, and increased pensions contributions (SCAPE) that commenced in 2024-25.
[2] The Home Office growth rate is negative due to significant savings to the cost of the asylum system.

4.16 The Home Office settlement provides total DEL funding of £22.1 billion in 2025-26. This is equivalent to an annual average real-terms growth rate of –2.7% from 2023-24 to 2025-26.

4.17 At the start of the financial year, the Home Office faced significant pressures of £6.4 billion, caused by the cost of asylum support and the Migration and Economic Development Partnership (MEDP) with Rwanda, which has now been cancelled.

4.18 The settlement will stop the cost of the asylum system spiralling, and instead set it on a downwards trajectory, with £200 million of additional in year savings in 2024-25 and a further £700 million of savings in 2025-26. Compared to the previous trajectory of spending, this represents a total saving of over £4 billion across the two years.

4.19 The Home Office is reinvesting £281 million in 2024-25 and £536 million in 2025-26 of the savings from cancelling the MEDP to make the asylum system more efficient by reducing the asylum backlog, increasing appeals capacity, increasing returns and ending hotel usage. Additionally, the Home Office will deliver the new Border Security Command with new specialist investigators and new powers to tackle the organised criminal gangs.

4.20 The settlement will increase the core government grant for police forces and help support frontline policing levels across the country, putting the government on track to start to deliver the manifesto pledge to boost visible neighbourhood policing with 13,000 more neighbourhood officers and Police Community Support Officers (PCSOs). This will be paid for by tackling waste through police efficiencies, enabling officers to spend more time on the frontline tackling crime.

4.21 The settlement will support the government's priorities to tackle violence against women and girls and knife crime. This includes implementing Raneem's Law to put domestic abuse specialists in control rooms and establishing trailblazer Young Futures Hubs to prevent young people being drawn into crime.

4.22 Against a backdrop of rising national security risks in recent years, the government will invest at least an additional £150 million in tackling national security threats and serious organised crime in 2025-26, supporting essential work to protect our economy, our democracy and our society.

4.23 The settlement enables the Home Office to make progress on two of the first steps, by:

- Launching a new Border Security Command with hundreds of specialist investigators and using counter-terror powers to tackle the organised criminal gangs.
- Tackling antisocial behaviour putting the government on track to start to deliver the commitment to deliver 13,000 neighbourhood police and PCSOs, and establish trailblazer Young Futures Hubs.

Ministry of Justice

Table 4.4: Ministry of Justice

£ billion (current prices)	Outturn 2023-24	Baseline 2024-25	Plans 2025-26	Average annual real terms growth[1] 2023-24 to 2025-26
Resource DEL	10.4	11.0	11.8	4.3%
Capital DEL	1.5	1.8	2.0	14.9%
Total DEL	**11.9**	**12.7**	**13.8**	**5.6%**

[1] The RDEL average annual real terms growth rate has been adjusted to account for Budget Cover Transfers in 2023-24 that will be processed in-year in 2025-26, and increased pensions contributions (SCAPE) that commenced in 2024-25.

4.24 The Ministry of Justice (MoJ) settlement provides total DEL funding of £13.8 billion in 2025-26. This is equivalent to an annual real-terms growth rate of 5.6% from 2023-24 to 2025-26.

4.25 Between 2010 and 2024, fewer than 500 prison places were added to our overall capacity, with the prison system running at over 99% capacity.

4.26 This settlement begins to repair the justice system by investing up to £2.3 billion in prison expansion across 2024-25 and 2025-26. This investment means thousands of new prison places will open over the next two years, including a new prison at HMP Millsike. It provides £220 million for prison and probation service maintenance in 2024-25 and up to £300 million in 2025-26, keeping our prisons safe and secure.

4.27 The settlement provides at least an additional £500 million investment across prisons and the probation system in 2025-26 to recruit thousands of new prison and probation staff, and at least 1,000 new trainee probation officers by March 2025. This will enable us to keep prisons safe and manage offenders in the community. The settlement will deliver thousands of new electronic tags to monitor more offenders in the community, helping keep the public safe.

4.28 The settlement funds 106,500 Crown Court sitting days in 2024-25, bringing offenders to justice. MoJ will work closely with the senior judiciary to set court capacity in 2025-26 to continue bringing access to justice for victims. The MoJ and Home Office settlements will invest up to £74 million in 2025-26 to speed up processing of asylum appeals in immigration tribunals.

4.29 MoJ's settlement will improve confidence by beginning to repair the criminal justice system. The government will also complete the Sentencing Review, helping to create a sustainable criminal justice system while modernising community punishment. This will ensure there is never again a situation where there are more prisoners than prison places.

Law Officers' Departments (LODs)

Table 4.5: Law Officers' Departments

£ billion (current prices)	Outturn 2023-24	Baseline 2024-25	Plans 2025-26	Average annual real terms growth[1] 2023-24 to 2025-26
Resource DEL	0.8	0.9	1.0	7.6%
Capital DEL[2]	0.0	0.1	0.1	2.4%
Total DEL	**0.9**	**1.0**	**1.1**	**7.5%**

[1] The RDEL average annual real terms growth rate has been adjusted to account for Budget Cover Transfers in 2023-24 that will be processed in-year in 2025-26, and increased pensions contributions (SCAPE) that commenced in 2024-25.
[2] The Law Officers' Departments Capital DEL growth rate has been adjusted to reflect time-limited and non-fiscal IFRS16 funding.

4.30 The Law Officers' Departments (LODs) settlement provides total DEL funding of £1.1 billion in 2025-26. This is equivalent to a real-terms growth rate of 7.5% from 2023-24 to 2025-26.

4.31 The 2024-25 Resource DEL funding settlement provides an additional £49 million to address prosecution demand pressures for the Crown Prosecution Service (CPS) driven by increased demand from the police and Crown Court. The increased funding also enabled the CPS to deliver justice at scale and pace in August 2024 in response to the violent disorder. The settlement resources the Serious Fraud Office's investigations of the largest cases of complex fraud, bribery, and corruption (£24 million).

4.32 The settlement provides a further £80 million increase for 2025-26 for the LODs to cover pay, inflation and demand pressures, ensuring the stability of the LODs in the upcoming financial year.

4.33 The settlement reaffirms the government's commitments to protecting the public through independent and fair prosecutions and stabilising the criminal justice system. It also reaffirms the government's commitment to the investigation and prosecution of the most serious and complex fraud, bribery and corruption cases.

4.34 The settlement also demonstrates the LODs' commitment to productivity and efficiency improvements aimed at lowering costs and improving performance. It includes funding for Digital Jury Bundles to transform paper-based jury packs into more efficient and productive tools for criminal trials.

4.35 The settlement will support the safer streets mission to halve violence against women and girls in a decade and improve public safety and confidence in the criminal justice system. It will provide legal services across government to enable other missions to make policy and legislate, and to support the work of the Attorney General to strengthen the rule of law.

Official Development Assistance (ODA)

4.36 The settlement provides departments with £13.3 billion of ODA in 2024-25 and £13.7 billion in 2025-26, enabling the UK to spend 0.5% of Gross National Income (GNI) on ODA in 2024 and 2025. This ensures that the UK remains one of the most generous global donors of development assistance, using ODA resources to save lives and support the most vulnerable, whilst tackling key global challenges such as climate change, conflict and epidemics. The UK is well placed to offer leadership on international development, getting the Sustainable Development Goals back on track. The government will focus ODA on the poorest, promote reforms of the International Financial Institutions to mobilise billions of pounds more from their balance sheets and partner with the private sector, unlocking investment to address global challenges.

4.37 Over the last spending review period the government spent an increasing proportion of the ODA budget on the costs of refugees and asylum seekers here in the UK. This is in line with international guidance but has had significant implications for ODA spending overseas. The government is committed to ensuring that asylum costs fall, has taken measures to reduce the asylum backlog and is ending the use of expensive hotel accommodation. These plans should create more space in the ODA budget to spend on our international development priorities overseas.

4.38 The government remains committed to restoring ODA spending to 0.7% of GNI as soon as the fiscal circumstances allow. The OBR's latest forecast shows that the ODA fiscal tests are not due to be met within the Parliament. The government will continue to monitor future forecasts closely, and each year will review and confirm, in accordance with the International Development (Official Development Assistance Target) Act 2015, whether a return to spending 0.7% of GNI on ODA is possible against the latest fiscal forecast. The UK will remain one of the most generous donors amongst the G7, and our ODA offer will continue to grow in line with GNI.

Foreign, Commonwealth and Development Office

Table 4.6: Foreign, Commonwealth and Development Office

£ billion (current prices)	Outturn 2023-24	Baseline 2024-25	Plans 2025-26	Average annual real terms growth[1] 2023-24 to 2025-26
Resource DEL[2]	7.7	8.4	8.3	0.6%
Capital DEL[2]	3.4	2.8	3.9	4.3%
Total DEL	**11.1**	**11.2**	**12.2**	**1.8%**

[1] The RDEL average annual real terms growth rate has been adjusted to account for Budget Cover Transfers in 2023-24 that will be processed in-year in 2025-26, and increased pensions contributions (SCAPE) that commenced in 2024-25.
[2] The Foreign, Commonwealth and Development Office growth rates are driven by a £0.4 billion Capital DEL to AME switch in 2023-24 and 2024-25 for British International Investment, to be made at Main Estimates in 2025-26, as well as a higher composition of CDEL ODA, offset by lower RDEL ODA.

4.39 The Foreign, Commonwealth and Development Office (FCDO) settlement provides total DEL funding of £12.2 billion in 2025-26. This is equivalent to an annual average real-terms growth rate of 1.8% from 2023-24 to 2025-26.

4.40 The settlement will safeguard the FCDO's international delivery, leading the government's diplomatic, development and consular work, providing representation in 281 posts across 179 countries for at least 30 government departments, and ensuring the UK has a coherent international voice across our economic, security and development objectives.

4.41 The settlement increases FCDO's 2025-26 ODA allocation to support a strong bilateral and multilateral portfolio, delivering against core international development priorities, helping to reduce extreme poverty, fostering climatecompatible growth and responding to humanitarian crises. Some support for refugees from developing countries qualifies as ODA, leading to reductions in FCDO's ODA budget. Asylum forecasts will continue to be closely monitored and the government is committed to ensuring that asylum costs fall, which should mean more ODA to spend on our development priorities overseas.

4.42 The FCDO's non-ODA budget is used primarily to fund departmental operating costs, including the UK's diplomatic capability, 24/7 consular services and rapid crisis response to support British nationals worldwide. In addition, FCDO's non-ODA settlement funds institutions like the British Council, which is present on the ground in 100 countries. The settlement will ensure the department has flexibility to invest income from asset sales to modernise the department's diplomatic and digital estate.

4.43 The settlement funds the Integrated Security Fund (ISF) to deliver programme interventions across the National Security Council's national security priorities, while streamlining its portfolio structure. The ISF continues to focus on challenges from an increasingly uncertain world, whether threats from Russia, conflict resolution in the Middle East or transnational issues like counterterrorism.

4.44 In 2025-26, the settlement provides an increase in funding to the BBC World Service, protecting existing foreign language service provision and its mission to deliver globally trusted media, in support of the UK's global presence and soft power.

4.45 FCDO's spending helps reconnect Britain and supports the missions, actively contributing to growth and jobs, safer streets, cleaner energy, health security, and stemming irregular migration. In 2024-25, FCDO is forecast to spend over £1 billion on economic security, investment, and cross-departmental programs closely aligned with the growth mission, alongside £1.3 billion to health-related aid in developing countries and over £2 billion to support the climate mission internationally.

Ministry of Defence

Table 4.7: Ministry of Defence

£ billion (current prices)	Outturn 2023-24	Baseline 2024-25	Plans 2025-26	Average annual real terms growth[1] 2023-24 to 2025-26
Resource DEL	34.8	37.5	38.4	1.7%
Capital DEL	19.1	19.5	21.4	3.4%
Total DEL	**53.9**	**56.9**	**59.8**	**2.3%**
Capital DEL – Ukraine Extraordinary Revenue Acceleration[2]	**0.0**	**0.8**	**0.8**	**-**

[1] The RDEL average annual real terms growth rate has been adjusted to account for Budget Cover Transfers in 2023-24 that will be processed in-year in 2025-26, and increased pensions contributions (SCAPE) that commenced in 2024-25.
[2] Extraordinary Revenue Acceleration – this money will be loaned to Ukraine via HM Treasury with repayments coming from extraordinary profits from Russian sovereign assets immobilised in the EU. This UK share of the ERA (£2.26 billion) will be spent purchasing military equipment, via the Ministry of Defence on behalf of the Government of Ukraine.

4.46 The Ministry of Defence (MOD) settlement provides total DEL funding of £59.8 billion in 2025-26. This is equivalent to an annual average real-terms growth rate of 2.3% from 2023-24 to 2025-26.

4.47 This settlement underlines the government's commitment to strengthen the UK's Armed Forces and protect national security. It means the defence budget will grow in line with the economy in 2025-26 and ensures the UK continues to comfortably exceed our NATO spending target of 2% of GDP.

4.48 This comes at a time when threats to the UK's national security are intensifying and diversifying, with hostile state actors being increasingly assertive and acting together in an attempt to reshape the world order.

4.49 Beyond this settlement, the government has also commissioned a Strategic Defence Review which will determine the role, capabilities and reforms required of UK defence to meet the challenges, threats and opportunities of the twenty-first century. The review will ensure that defence is central to the security, economic growth and prosperity of the United Kingdom. The review will conclude in the first half of 2025. The government will set out the path to spending 2.5% of GDP on defence at a future fiscal event.

4.50 This settlement strengthens our armed forces and protects our national security. It will:

- Maintain the UK's unshakeable commitment to the NATO alliance. Enable the UK to continue to play a leading role in NATO, including through the nuclear deterrent, combat and surveillance aircraft, surface and submarine fleets, forward land forces, Special Forces and cyber and space capabilities, as well as currently leading the Allied Rapid Reaction Corps.
- Ensure that the commitment to the UK's nuclear deterrent is absolute, with it being the cornerstone of defence for the UK and our NATO allies.
- Guarantee continued support to Ukraine. The government is committed to spending £3 billion per year in military assistance for Ukraine to counter Russia for as long as it takes.
- Provide Ukraine with a further £2.3 billion ($3 billion) as part of the G7 Extraordinary Revenue Acceleration (ERA) Loans for Ukraine scheme, to be used for Ukraine to procure military equipment via the MOD.
- Ensure delivery of the UK's wider defence and security commitments with partners and allies across the globe, including in the Middle East.
- Support meaningful reform in the MOD to create clearer accountability, faster delivery, less waste and greater value for money.

4.51 The settlement supports delivery of the growth mission:

- Defence has been identified as one of the growth-driving sectors under the government's forthcoming Industrial Strategy.
- We expect MOD to spend over £20 billion with UK industry next year – a substantial contribution to the UK economy.
- Local economies benefit from defence industries in their area, especially in deprived parts of the UK. Defence also supports over 400,000 direct and indirect jobs across the Union. Defence has a strong regional impact with 67% of MoD spend on UK industry going to areas outside London and the South East.

- The defence sector's key role in driving research and development produces positive economic spillover effects to other parts of the economy.

Single Intelligence Account

Table 4.8: Single Intelligence Account

£ billion (current prices)	Outturn 2023-24	Baseline 2024-25	Plans 2025-26	Average annual real terms growth[1] 2023-24 to 2025-26
Resource DEL	2.8	2.8	3.0	2.8%
Capital DEL	1.4	1.4	1.5	1.7%
Total DEL[2]	**4.2**	**4.2**	**4.5**	**2.4%**

[1] The RDEL average annual real terms growth rate has been adjusted to account for Budget Cover Transfers in 2023-24 that will be processed in-year in 2025-26, and increased pensions contributions (SCAPE) that commenced in 2024-25.
[2] 2025-26 figures are exclusive of expected budget cover transfer adjustments which are made at Main Estimates. Accounting for these anticipated adjustments, forecast average real growth is 4.6% between 2023-24 and 2025-26.

4.52 The Single Intelligence Account (SIA) settlement provides total DEL funding of £4.4 billion in 2024-25, and £4.5 billion in 2025-26. This is equivalent to a real-terms growth rate of 2.4% from 2023-24 to 2025-26.[116] The SIA receives annual budget cover transfers from other departments. Taking these expected transfers into account, the 2025-26 settlement provides £499 million of additional core funding for the SIA above 2024-25 levels.

4.53 In addition to the £2.9 billion increase provided to the MoD for 2025-26, the additional funding for the SIA represents a major investment in the UK's key national security capabilities.

4.54 The settlement underpins the UK intelligence community's ability to keep pace with technological advances and continue its world-class work in a challenging global environment.

4.55 This includes funding investment in core infrastructure and an ongoing programme of digital transformation, while continuing to invest in R&D to ensure that the UK intelligence community stays at the cutting edge of technology.

[116] The 2025-26 figures are exclusive of expected budget cover transfer adjustments which are made at Main Estimates. Acounting for these anticipated adjustments, forecast average real growth is 4.6% between 2023-24 and 2025-26

Ministry of Housing, Communities and Local Government (MHCLG)

Table 4.9: Ministry of Housing, Communities and Local Government

£ billion (current prices)	Outturn 2023-24	Baseline 2024-25	Plans 2025-26	Average annual real terms growth[1] 2023-24 to 2025-26
Resource DEL	3.3	3.8	3.8	7.5%
Capital DEL	6.8	8.5	8.8	10.7%
Total DEL	**10.1**	**12.3**	**12.6**	**9.7%**

[1] The RDEL average annual real terms growth rate has been adjusted to account for Budget Cover Transfers in 2023-24 that will be processed in-year in 2025-26, and increased pensions contributions (SCAPE) that commenced in 2024-25.

4.56 The Ministry of Housing, Communities, and Local Government (MHCLG) settlement provides total DEL funding of £12.6 billion in 2025-26. This is equivalent to an annual average real-terms growth rate of 9.7 per cent from 2023-24 to 2025-26.

4.57 MHCLG's responsibilities have grown in recent years, with the department delivering additional priorities to those funded at SR21: in particular the resettlement of Ukrainian refugees under the Homes for Ukraine scheme and the Investment Zones Programme. In addition, since budgets were set at SR21, homelessness levels have risen year on year, with the number of families living in temporary accommodation reaching record levels in spring 2024, placing additional pressure on MHCLG budgets as the department has supported local authorities to meet these needs.

4.58 With this settlement, the government is prioritising growth and putting public services back on track, with a significant boost for housing investment and additional funding for homelessness.

4.59 The government is providing £233 million of additional spending in 2025-26 on homelessness, taking total spending to £1.0 billion in 2025-26. This will help to prevent increases in the number of families in temporary accommodation and help to prevent rough sleeping.

4.60 To deliver on the commitment to get Britain building, the government is adding £500 million to the Affordable Homes Programme in 2025-26, increasing the annual budget to £3.1 billion, the biggest annual budget for affordable housing in over a decade. The government will set out details of future grant investment beyond the current Affordable Homes Programme at Phase 2 of the Spending Review, to support greater investment in new affordable housing from social housing providers. Investment will run for at least the duration of this parliament, and will support a mix of tenures, with a focus on delivering homes for social rent. Alongside other measures in the Budget, this will kickstart the biggest increase in social and affordable housebuilding in a generation, putting the government on the path to building 1.5 million homes over this Parliament. In addition, the government is:

- Confirming a settlement of over £5 billion for housing investment in 2025-26.

- Taking decisive action to get more homes built now, including confirming £56 million to deliver over 2,000 homes at Liverpool Central Docks and allocating £47 million to support the delivery of up to 28,000 homes that would otherwise be stalled due to nutrient neutrality requirements.
- Providing an additional £3 billion of support for SMEs and the Build to Rent sector, in the form of housing guarantee schemes, allowing developers to access lower-cost loans and support the delivery of tens of thousands of new homes.
- Recognising that reform of the planning system is central to any plans to deliver 1.5 million new homes, providing over £50 million of new spending to expedite the planning process, including for Nationally Significant Infrastructure Projects. Funding will foster a pipeline of planners of the future by recruiting an additional 300 planners; and boost and upskill local planning authority capacity to deliver the government's wider planning reform agenda, including changes to the National Planning Policy Framework. It will also accelerate large sites that are stuck in the system.
- Reaffirming the government's commitment to improving building safety and accelerating remediation of unsafe housing in response to the Grenfell Tower fire. Investment in remediation will rise to over £1.0 billion in 2025-26. This includes new investment to speed up remediation of social housing. The government will set out further steps on remediation later this autumn.

4.61 To spread growth across the country, this settlement provides the stability that local leaders and investors need by:

- Confirming funding for Investment Zones and Freeports – continuing the UK-wide programmes to create additional jobs and drive economic growth in areas that have economically underperformed in the past. MHCLG will also work with partners to ensure the Freeports policy model aligns with the national Industrial Strategy.
- Unlocking future economic growth through £10 million of funding to enable the Cambridge Growth Company to develop an ambitious plan for the housing, transport, water and wider infrastructure Cambridge needs to realise its full potential and taking the next steps to deliver East West Rail.
- Continuing the UK Shared Prosperity Fund at a reduced level for a transition year by providing £900 million for local authorities to invest in local growth, in advance of wider funding reforms.
- Confirming £80 million of funding for the Port Talbot Transition Board, with work already underway to support workers and businesses affected by decarbonisation at Tata Steel.
- Confirming funding for MHCLG's core Levelling Up Fund projects – providing £1.0 billion in 2025-26 to revitalise high streets, town centres and communities. To ensure investment is focussed on the growth mission, the government is minded to cancel unfunded Levelling Up Culture and Capital Projects, and the West Midlands culture and inward investment funding, that were announced at Spring Budget 2024, but will consult with potential funding recipients before making a final decision.

- Extending and deepening English devolution by building mayoral capacity and continuing to work with Mayors and local leaders to deliver the growth mission. In light of this approach, the government is minded to cease funding for the functions previously delivered by Local Enterprise Partnerships and the Business Board Network, and will consult on ending funding for pan-regional partnerships. The government will roll out new Local Growth Plans working with places to take advantage of their economic potential and foster clusters of well-paid jobs.
- Delivering integrated settlements in Greater Manchester and the West Midlands, giving Mayors meaningful control over funding and improving the fragmented funding landscape for Mayoral Combined Authorities with a flexible single pot.

Local Government

Table 4.10: Local Government

£ billion (current prices)	Outturn 2023-24	Baseline 2024-25	Plans 2025-26	Average annual real terms growth[1] 2023-24 to 2025-26
Resource DEL[2]	9.6	12.5	14.3	10.2%
Capital DEL	0.0	0.0	0.0	-
Total DEL	**9.6**	**12.5**	**14.3**	**10.2%**

[1] The RDEL average annual real terms growth rate has been adjusted to account for Budget Cover Transfers in 2023-24 that will be processed in-year in 2025-26, and increased pensions contributions (SCAPE) that commenced in 2024-25.
[2] The MHCLG Local Government growth rate is adjusted to reflect grant surrendered in 2023-24 in relation to local government business rate retention pilots.

4.62 The Local Government (LG) settlement provides total DEL funding of £11.4 billion in 2024-25, and £14.3 billion in 2025-26. This is equivalent to an annual real-terms growth rate of 10.2% from 2023-24 to 2025-26. This will support local authorities to continue delivering the essential services they provide.

4.63 The LG DEL budget for 2025-26 will increase to £14.3 billion, which includes an additional £1.3 billion of new grant funding for local authority services including at least £600 million in new grant funding for social care. Together with council tax flexibilities and locally-retained business rates, this will provide a real-terms increase in total core spending power in 2025-26 of around 3.2%.[117] In addition, local authorities are expected to receive around £1.1 billion of new funding in 2025-26 through the implementation of the Extended Producer Responsibility scheme to improve recycling outcomes from January 2025, equivalent to a further c.1.6% real-terms increase in local government resources. Exceptionally for 2025-26 only, and recognising the importance of local authorities being able to effectively plan their budgets, the Treasury will guarantee that if local authorities do not receive Extended Producer Responsibility income in line with the central estimate there will be an in-year top up, with the detail on this to be set out through the Local Government Finance Settlement (LGFS) process. This guarantee will provide significant additional financial certainty for local authorities. The government will also work to ensure that, as far as practicably possible, local government income is unaffected by business rates tax policy changes and that local government is compensated for administration costs.

[117] The underlying figure for core spending power is an estimate and subject to data changes. Final figures will be published as part of the 2025-26 Local Government Finance Settlement.

4.64 The government recognises the pressures that local authorities are facing and will have a framework in place to support those in most difficulty. The government is also committed to pursuing a comprehensive set of reforms to return the sector to a sustainable position. This will include reform of the approach to allocating funding through the LGFS, starting with a targeted approach to allocating additional funding in 2025-26, ahead of a broader redistribution of funding through a multi-year settlement from 2026-27. The government will set out further details through an upcoming local government finance policy statement.

4.65 The government is also committed to improving outcomes and reducing costs in local government services. The government will provide over £250 million to continue testing children's social care reforms, including new funding to pilot a Kinship Allowance and to create thousands of new foster placements. The government will set out plans for fundamental reform of the children's social care market in Phase 2, including promoting early intervention to help children stay with their families where possible and fixing the broken care market. The government has also provided a £1 billion increase to SEND and Alternative Provision funding, the second biggest ever year-on-year increase. This is an important step in realising the government's vision to transform England's SEND system to improve outcomes and return local authorities to financial sustainability. The government will continue to work with key partners and bring forward further plans to deliver this. Furthermore, the government is providing £233 million of additional spending in 2025-26 to prevent homelessness, taking total spending to £1 billion in 2025-26. This will help to prevent rises in the number of families in temporary accommodation and help to prevent rough sleeping.

Department for Transport

Table 4.11: Department for Transport

£ billion (current prices)	Outturn 2023-24	Baseline 2024-25	Plans 2025-26	Average annual real terms growth[1] 2023-24 to 2025-26
Resource DEL[2]	7.9	8.2	8.2	-0.7%
Capital DEL[3]	22.1	20.6	21.8	-3.1%
Total DEL	**30.0**	**28.8**	**30.0**	**-2.5%**

[1] The RDEL average annual real terms growth rate has been adjusted to account for Budget Cover Transfers in 2023-24 that will be processed in-year in 2025-26, and increased pensions contributions (SCAPE) that commenced in 2024-25.
[2] The Department for Transport growth rate is negative between 2023-24 and 2025-26 due to the reduction to the rail services subsidy as passenger numbers continue to recover post-pandemic.
[3] The Department for Transport Capital DEL growth rate is negative between 2023-24 and 2025-26 due to temporary funding increases in 2023-24. This includes one off additional funding for HS2 to manage inflationary pressures, temporary uplifts to local roads maintenance funding and funding for TfL's extraordinary funding settlement (which ended in March 2024).

4.66 The Department for Transport's (DfT) settlement provides total DEL funding of £30.0 billion in 2025-26. This delivers a £1.2 billion year-on-year cash increase in 2025-26.

4.67 The audit of public spending in July, identified £3.5 billion of unfunded pressures related to transport in 2024-25, and over £800 million unfunded capital commitments in 2025-26. In response to this, the government cancelled several low value and unaffordable programmes, including the A303 Stonehenge tunnel, the A27 schemes, and the Restoring Your Railway programme.

4.68 Well-targeted transport investment is a key contributor to the government's economic growth mission and drives productivity growth by increasing access to labour markets and unlocking areas for wider development including housing.

4.69 The settlement provides increased investment in local roads maintenance and local transport, supporting everyday journeys and addressing poor connectivity within our towns and cities across the country, which is currently a key drag on growth. It does this by:

- Going beyond the government's promise to fix an additional 1 million potholes per year and providing a £500 million cash increase on 2024-25 local roads maintenance baseline funding.
- Providing an additional £200 million for City Region Sustainable Transport Settlements, bringing local transport spending for Metro Mayors in 2025-26 to £1.3 billion. The government will also work with Mayoral Combined Authorities to increase the ambition on housing investment that accompanies expansion of transport links.
- Providing over £650 million of funding for local transport beyond City Region Sustainable Transport Settlements in 2025-26 to ensure that transport connections improve in our towns, villages and rural areas as well as in our major cities. This includes funding to progress transport-related Levelling Up Fund projects from Rounds 1, 2 and 3. The Transport Secretary will set out further detail on how this funding will be allocated in due course.
- Providing over £1 billion funding to support local areas and bus operators, in 2025-26, providing high quality bus services across the country. The government is extending the bus fare cap, which was due to end in December 2024. A new cap will run from January 2025 to December 2025 at the higher rate of £3. This will allow the government to develop a more sustainable model of government support for the bus sector that is better value for taxpayers and bus passengers.
- £485 million for Transport for London (TFL)'s capital renewals programme in 2025-26. This includes funding for rolling stock on the Piccadilly and Elizabeth Lines.
- Providing an additional £100 million investment in cycling and walking infrastructure in 2025-26, to support Local Authorities to install cycling infrastructure and upgrade pavements and paths.

4.70 The settlement secures delivery and development of growth enhancing major transport projects, providing critical connectivity between our biggest economic centres and supporting the development and delivery of new housing, by:

- Committing to East West Rail between Oxford, Milton Keynes and Cambridge, including funding to accelerate delivery of the Marston Vale Line ensuring services will run between Oxford and Bedford from 2030. This scheme will unlock land for housing and laboratories across the region, particularly around Cambridge, supporting the world-leading life sciences sector. The government is also launching the consultation for the next stage of East West Rail.

- Delivering the Transpennine Route Upgrade between York and Manchester, via Leeds and Huddersfield, and maintaining momentum on Northern Powerhouse Rail by progressing further planning and design works to support future delivery.
- Progressing HS2 Phase One to improve connectivity between London and Birmingham and increase capacity on the West Coast Mainline, while delivering the Transport Secretary's commitments to control costs and bring the project back on track.
- Confirming funding to tunnel from Old Oak Common to Euston to ensure HS2 trains terminate in central London, catalysing private investment into the station and local area.
- Progressing key strategic road schemes, such as dualling sections of the A47, where work has begun to improve connectivity between East Anglia and the North, and on the A57, where work will start in the coming weeks to improve journey times between Sheffield and Greater Manchester. Roads investment in 2025-26 will be funded through an interim roads settlement, and the third Road Investment Strategy will be set out in the next phase of the Spending Review. The government will also move toward feasibility work on improvements to the A75 by providing up to £5 million in 2025-26.

4.71 Transport is key to the government's clean energy mission. The settlement provides further support to decarbonise the transport sector by:

- Investing over £200 million in 2025-26 to accelerate the rollout of electric vehicle charging infrastructure, including funding to support local authorities to install on-street charge points across England.
- Providing £120 million in 2025-26 to support the purchase of new electric vans through the plug-in vehicle grant and to support the manufacture of wheelchair-accessible electric vehicles.
- Extending the Advanced Fuels Fund for a further year to support the producers of sustainable aviation fuel.

4.72 The settlement will also support the government's ambition to improve the performance and reliability of rail services, ensuring the rail sector can operate effectively and become financially sustainable. Since the pandemic, the government subsidy for passenger services has increased to meet a shortfall in revenue as travel patterns have changed, in addition to the funding it provides to operate and maintain the rail network. The government will look to recover this shortfall to support services and ensure the railway is able to operate effectively. The government confirms that the annual regulated rail fares cap will rise by 4.6% on 2 March 2025, one percentage point above RPI. This will be the lowest absolute increase in three years. Subject to an industry proposal, the government will also agree a £5 increase to the price of most rail cards (except the disabled person's rail card). On average rail card holders save up to £158 per year. These policies will support the Secretary of State for Transport's plans for reform, which will increase efficiency and reduce costs, while boosting ridership and revenue and improving performance, laying the groundwork for the transition to Great British Railways. The government also recognises the value that rail manufacturing brings to the UK and is in the early stages of agreeing a rolling stock strategy that will bring stability to the sector.

4.73 As part of the government's commitment to growth, it will take difficult decisions where there is not a clear value for money case to invest. After a review the Transport Secretary has decided not to progress with the following unfunded and unaffordable road schemes on the strategic road network: A5036 Princess Way, A358 Taunton to Southfields, M27 J8 Southampton, the A47 Great Yarmouth Vauxhall Roundabout and A1 Morpeth to Ellingham.

Department for Energy Security and Net Zero

Table 4.12: Department for Energy Security and Net Zero

£ billion (current prices)	Outturn 2023-24	Baseline 2024-25	Plans 2025-26	Average annual real terms growth[1] 2023-24 to 2025-26
Resource DEL[2]	1.3	1.6	1.9	8.8%
Capital DEL	5.1	7.5	8.4	25.2%
Capital DEL – Construction costs for expected on-balance sheet CCUS and Hydrogen projects-subject to decision[3]	-	1.4	3.7	-
Total DEL (excluding on-balance sheet construction costs)	**6.4**	**9.0**	**10.3**	**22.0%**
Total DEL (including on-balance sheet construction costs)	**6.4**	**10.4**	**14.1**	**-**

[1] The RDEL average annual real terms growth rate has been adjusted to account for Budget Cover Transfers in 2023-24 that will be processed in-year in 2025-26, and increased pensions contributions (SCAPE) that commenced in 2024-25.
[2] The Department for Energy Security and Net Zero growth rate has been adjusted for additional funding to the NDA to account for lower income in 2025-26.
[3] The construction costs for CCUS and Hydrogen projects that are expected to be on-balance sheet from a fiscal perspective are recognised within CDEL totals. This is subject to an ONS decision on classification.

4.74 The Department for Energy Security and Net Zero (DESNZ) settlement provides total DEL funding of £14.1 billion in 2025-26. This is equivalent to an annual average real-terms growth rate of 22.0% from 2023-24 to 2025-26, excluding balance sheet impacts.

4.75 Making Britain a clean energy superpower is one of the five missions of this government. Great British Energy (GBE) will be at the heart of the mission, and to kick-start GBE's work, the settlement provides £100 million capital funding in 2025-26 for clean energy project development. The settlement also provides £25 million to establish GBE as a company, headquartered in Aberdeen. As GBE is established, the investment activity will be undertaken by the National Wealth Fund, helping it to make initial investments as quickly as possible and draw on the National Wealth Fund's resources, experience and pipeline of projects.

4.76 The settlement provides £3.9 billion in 2025-26 for the first carbon capture and storage (CCUS) clusters in the UK. In supporting these projects, the government is equipping industry with the tools they need to kick-start the CCUS and hydrogen industries, delivering clean energy investment and jobs.

4.77 The Warm Homes Plan will transform homes across the country by making them cleaner and cheaper to run, from installing new insulation to rolling out solar and heat pumps. As the first step towards the Warm Homes Plan, the settlement provides over £1 billion next year, and to provide supply chain certainty now, a guarantee of investment of an initial £3.4 billion towards heat decarbonisation and household energy efficiency between 2025-26 and 2027-28. Further funding over this period will be considered as part of Phase 2 of the Spending Review. This includes an increase in funding for the Boiler Upgrade Scheme, following the high demand for the scheme this year. The government is also providing funding to grow the heat pump manufacturing supply chain in the UK to support the plan.

4.78 The settlement also provides over £1 billion of funding over three years to fund hundreds of local energy schemes to help decarbonise the public estate through the Public Sector Decarbonisation Scheme.

4.79 Clean energy industries will be supported to create green jobs across the UK. The government will provide support for the first round of electrolytic hydrogen production contracts, harnessing renewable energy to decarbonise industry across the length and breadth of the UK. The settlement will provide £134 million to support the delivery of port infrastructure to facilitate floating offshore wind. To support existing firms to decarbonise and grow, the settlement confirms £163 million to continue the Industrial Energy Transformation Fund over 2025-26 to 2027-28.

4.80 New nuclear will play an important role in helping the UK achieve energy security and clean power while securing thousands of good, skilled jobs. The settlement provides £2.7 billion of funding to continue Sizewell C's development through 2025-26. The process to raise equity and debt for the project will shortly move to its final stages and will conclude in the Spring. As with other major multiyear commitments, a Final Investment Decision on whether to proceed with the project will be taken in Phase 2 of the Spending Review.

4.81 Great British Nuclear's Small Modular Reactor competition is ongoing and has entered the negotiation phase with shortlisted vendors. Final decisions will be taken in the spring.

Department for Business and Trade

Table 4.13: Department for Business and Trade

£ billion (current prices)	Outturn 2023-24	Baseline 2024-25	Plans 2025-26	Average annual real terms growth[1] 2023-24 to 2025-26
Resource DEL	1.6	1.8	1.8	3.7%
Capital DEL	1.0	1.7	1.5	19.8%
Total DEL	**2.6**	**3.5**	**3.3**	**10.0%**

[1] The RDEL average annual real terms growth rate has been adjusted to account for Budget Cover Transfers in 2023-24 that will be processed in-year in 2025-26, and increased pensions contributions (SCAPE) that commenced in 2024-25.

4.82 The Department for Business and Trade (DBT) settlement provides total DEL funding of £3.3 billion in 2025-26. This is equivalent to a real-terms growth rate of 10.0% from 2023-24 to 2025-26.

4.83 Most of the department's funding for 2024-25 and 2025-26 will focus resources on delivering the government's growth mission. This includes activity covering industrial strategy, small business support, market frameworks and trade and investment.

4.84 DBT's settlement supports the development and delivery of the government's modern Industrial Strategy, which will provide stability for investors and give them confidence to plan over the next 10 years and beyond. For areas of the Industrial Strategy led by DBT, Autumn Budget 2024 confirms:

- Advanced manufacturing sector support to unlock investment across the UK, including £975 million dedicated to the aerospace sector and over £2 billion for the automotive sector up to 2030. This funding will support research and development in aerospace technology and the zero-emissions vehicle manufacturing sector and supply chain. This represents significant investment in one of the government's eight growth-driving sectors in its Industrial Strategy.
- Funding to establish an Industrial Strategy Advisory Council that will provide expert advice to government on industrial strategy, developed in partnership with business, unions, and stakeholders from across the UK.

4.85 DBT's settlement also provides funding to support steel and other energy intensive industries:

- To support the transformation of UK steel production the government has agreed an improved deal with Tata Steel, including £500 million in grant support. The Budget confirms the funding required in 2024-25 and 2025-26. This will unlock investment in an electric arc furnace, deliver a 1.5% reduction in the UK's total greenhouse gas emissions and secure around 5,000 steel jobs across the UK, alongside ensuring workers have enhanced support during the transition period.
- Continued support for Energy Intensive Industries through around £350 million of funding across 2024-25 and 2025-26 to support energy efficiency, decarbonisation, and technological innovation.

4.86 DBT's settlement provides small businesses with the support they need to start up and grow in the UK, creating jobs and prosperity for people all over the country. The Budget confirms:

- Over £1 billion across 2024-25 and 2025-26 for the British Business Bank to enhance access to finance for small businesses, including over £250 million each year for small business loans programmes, including Start Up Loans and the Growth Guarantee Scheme.
- Over £200 million for wider small business support including continued funding for practical support through Growth Hubs and Help to Grow Management.
- Funding for the Made Smarter Adoption programme will double to £16 million in 2025-26, supporting more small manufacturing businesses to adopt advanced digital technologies and enabling the programme to be expanded to all nine English regions.

4.87 DBT's settlement will help to establish clear rules, regulations, and standards that promote stability, fairness, and transparency to deliver economic confidence. This includes delivering the Make Work Pay plan to help more people to stay in work, improve job security and boost living standards. The Budget includes over £150 million in 2024-25 and 2025-26 for: National Minimum Wage enforcement to ensure workers are treated fairly.

- The Advisory Conciliation and Arbitration Service (ACAS) to help employers and employees get free, impartial advice on workplace rights, rules and best practice.

4.88 DBT's settlement provides over £400 million across 2024-25 and 2025-26 to ensure markets work effectively, consumers are protected and that regulation is effective without being excessively burdensome. This includes funding for:

- The Office for Product Safety and Standards (OPSS) to protect people and places from product-related harm, ensuring consumers and businesses can buy and sell products with confidence.
- The Insolvency Service to support those in financial distress, tackling financial wrongdoing and maximising returns to creditors.
- Companies House to continue driving confidence in the economy by creating a transparent and accountable business environment and acting to reduce economic crime.

4.89 DBT's settlement supports international trade, attracting foreign direct investment and helping UK businesses in expanding their global reach. The Budget includes support of over £500 million in 2024-25 and 2025-26 for:

- Supporting inward investment, including through the expanded Office for Investment rolling out a new, bespoke service to ensure that investors receive the strongest possible government support.
- DBT's overseas network, to promote UK trade and investment all over the world.
- Trade policy capacity to support trade negotiations, deliver the Trade Strategy as part of the growth mission, and support wider international trade policy engagement.

4.90 The government is committed to providing full and fair financial redress to the victims of the Horizon IT Scandal as quickly as possible. The Treasury has reclassified these costs from Departmental Expenditure Limits to become Annually Managed Expenditure. The government expects total redress costs for this scandal to reach around £2 billion, an increase from the £1 billion previously committed. Around £1.8 billion has been set aside for costs from 2024-25, in addition to around £200 million already paid to victims in previous years. This is not a target or a limit. The final amount will depend on how many victims come forward and their specific circumstances.

4.91 The Budget also provides over £600 million over 2024-25 and 2025-26 to administer the compensation schemes, ensuring the provision of financial redress as quickly as possible; and to enable the ongoing public inquiry to learn lessons from the scandal, to ensure it can never be repeated.

4.92 In addition, the settlement also provides over £70 million of additional investment towards the costs for the replacement of the Post Office Horizon IT system that is still in use.

Department for Science, Innovation and Technology

Table 4.14: Department for Science, Innovation and Technology

£ billion (current prices)	Outturn 2023-24	Baseline 2024-25	Plans 2025-26	Average annual real terms growth[1] 2023-24 to 2025-26
Resource DEL[2]	0.3	0.4	0.4	12.4%
Capital DEL	12.4	13.3	14.7	6.4%
Total DEL	**12.7**	**13.7**	**15.1**	**6.5%**

[1] The RDEL average annual real terms growth rate has been adjusted to account for Budget Cover Transfers in 2023-24 that will be processed in-year in 2025-26, and increased pensions contributions (SCAPE) that commenced in 2024-25.
[2] Budget allocations do not inlcude budget for digital functions that are transferring to DSIT as part of Machinery of Government changes. These changes will be formalised as part of supplementary estimates.

4.93 The Department for Science, Innovation and Technology (DSIT) settlement provides total DEL funding of £15.1 billion in 2025-26. This is equivalent to an annual average real-terms growth rate of 6.5% from 2023-24 to 2025-26.

4.94 The UK has extraordinary strengths in science and innovation; however, we are not doing enough to capitalise on these strengths. This settlement reflects the importance of R&D in supporting delivery of all of the government's missions, by providing:

- £13.9 billion for DSIT to invest in R&D in 2025-26. This includes at least £6.1 billion of support for core research,[118] growing allocations at least in line with inflation to help our world-leading universities and researchers continue to deliver the cutting-edge ideas that drive growth.
- £2.7 billion for association to EU research programmes and partnerships and the costs of the Horizon Europe guarantee scheme.
- An extension of the Innovation Accelerators programme to continue to bolster high-potential innovation clusters in the Glasgow City Region, Greater Manchester and the West Midlands.
- Support for the commercialisation of university research with at least £40 million over 5 years for spin-outs proof-of-concept funding, and improvements to the support for researchers spinning out the UK's cutting-edge research.
- Up to £37 million in 2025-26 for the Made Smarter Innovation programme to help firms integrate digital technologies into the manufacturing process, complementing the Made Smarter Adoption programme.

4.95 To create a stable environment for productive long-term partnerships with industry, the government will set 10-year budgets for key R&D activities. These will be set out as part of Phase 2 of the Spending Review.

4.96 The digital and technologies sector is one of the growth sectors identified in the government's Industrial Strategy green paper. To drive growth and maximise benefits across the country, the government will:

- Invest over £500 million in Project Gigabit and the Shared Rural Network, rolling out of digital infrastructure to under-served parts of the UK.

[118] Core research for these purposes covers Research England, Research Councils, UKRI talent, UKRI international subscriptions and National Academies funding.

- Create a new National Data Library to unlock the full value of our public data assets. This will provide simple, ethical and secure access to public data assets, giving researchers and businesses powerful insights that will drive growth and transform people's quality of life through better public services and cutting-edge innovation, including AI.

4.97 To build resilience for future health emergencies and capitalise on UK life sciences R&D strengths, the government will provide £70 million in 2025-26 for the new Life Sciences Innovative Manufacturing Fund, as part of a longer-term funding commitment of up to £520 million.

4.98 The government will deliver at least £25 million in 2025-26 to launch a new multi-year R&D Missions Programme to solve targeted problems that will crowd in private and third sector investment to accelerate delivery of each mission.

4.99 DSIT's role as the digital centre of government will bring together work on the digital transformation of public services under one department:

- DSIT will drive forward the digital changes needed to maximise the potential of digital, data and technology to deliver for the British public.
- DSIT will invest £80 million to support the transformation of corporate functions across government, to deliver more efficient, cost-effective and modern systems as part of government's Shared Services Strategy.

4.100 DSIT is also establishing the new Regulatory Innovation Office which will reduce the burden of red tape, speeding up access to new technologies that improve people's daily lives and unlock growth opportunities.

Department for Culture, Media and Sport

Table 4.15: Department for Culture, Media and Sport

£ billion (current prices)	Outturn 2023-24	Baseline 2024-25	Plans 2025-26	Average annual real terms growth[1] 2023-24 to 2025-26
Resource DEL[2]	1.5	1.5	1.5	-2.5%
Capital DEL	0.5	0.8	0.7	16.2%
Total DEL	**2.1**	**2.4**	**2.3**	**2.6%**

[1] The RDEL average annual real terms growth rate has been adjusted to account for Budget Cover Transfers in 2023-24 that will be processed in-year in 2025-26, and increased pensions contributions (SCAPE) that commenced in 2024-25.
[2] The Department for Culture, Media and Sport RDEL growth rate is negative between 2023-24 and 2025-26 due to expenditure funded from self-generated income by Arm's Length Bodies in 2023-24, and one-off pressures which are not included within the 2025-26 settlement.

4.101 The Department for Culture, Media and Sport (DCMS) settlement provides total DEL funding of £2.3 billion in 2025-26. This is equivalent to an average annual real-terms growth rate of 2.6% from 2023-24 to 2025-26.

4.102 This settlement prioritises support for the creative industries and funds cultural institutions and sports facilities so that they continue to be world leading. This includes:

- Funding for the creative industries, one of the government's eight growth-driving sectors in the Industrial Strategy green paper. DCMS will continue to fund important programmes such as Create Growth and the UK Games Fund.

This settlement also funds an expansion of the Creative Careers Programme, worth £3 million, to build on its success in raising awareness of career routes and tackling skills gaps in this key sector.

- Increasing support for arts and culture by raising Grant-in-Aid for the National Museums and Galleries to help support their long-term sustainability, and providing a package of cultural infrastructure funding that will build on existing capital schemes – with additional capital investment to support cultural organisations across the country.
- Delivering major events and ceremonials by funding a programme of ceremonial activities for the commemoration of VE and VJ day and the government's response to the recommendations from the UK Commission on Covid Commemoration. The government will launch a programme of activities to commemorate the lives lost in the COVID-19 pandemic, build a positive legacy and support future resilience.
- Supporting elite and grassroots sport by investing in multi-use facilities across the UK and scaling up work so DCMS can deliver on plans for the UK and Ireland to host the 2028 UEFA European Football Championship. DCMS will also provide UK Sport's Olympic and Paralympic programme with an increase in funding of over 10% , providing £9 million a year extra to support hundreds of talented athletes across the country as they go for gold at the 2028 Olympic and Paralympic Games in Los Angeles. This multi-year investment will mean a total of £344 million is invested over the next cycle.

Department for Environment, Food and Rural Affairs

Table 4.16: Department for Environment, Food & Rural Affairs

£ billion (current prices)	Outturn 2023-24	Baseline 2024-25	Plans 2025-26	Average annual real terms growth[1] 2023-24 to 2025-26
Resource DEL	4.7	4.8	4.8	-1.9%
Capital DEL	2.1	2.3	2.7	12.6%
Total DEL	**6.8**	**7.1**	**7.5**	**2.7%**

[1] The RDEL average annual real terms growth rate has been adjusted to account for Budget Cover Transfers in 2023-24 that will be processed in-year in 2025-26, and increased pensions contributions (SCAPE) that commenced in 2024-25.

4.103 The Department for Environment, Food and Rural Affairs (Defra) settlement provides total DEL funding of £7.5 billion in 2025-26. This is equivalent to an annual average real-terms growth rate of 2.7% from 2023-24 to 2025-26.

4.104 The government is facing significant funding pressures on flood defences and farm schemes of almost £600 million in 2024-25. While the government is meeting those commitments this year, it is necessary to review these plans from 2025-26 to ensure they are affordable.

4.105 This settlement is prioritising progress on our climate adaptation, food security, net zero and environmental goals by:

- Providing £5 billion over 2024-25 and 2025-26 to support the transition towards a more productive and environmentally sustainable agricultural sector in England, ensuring food security. This includes £60 million this year for the Farming Recovery Fund.

- Pledging at least £400 million in capital across 2024-25 and 2025-26 for tree planting and peatland restoration to protect soils, rivers, and biodiversity, and contribute to climate mitigation and resilience.
- Committing £2.4 billion over 2024-25 and 2025-26 to support flood resilience: protecting communities across the country and our economy from the impacts of flooding.
- Reaffirming the government's commitment to move towards a zero-waste economy and implement the Collection and Packaging Reforms Programme. Extended Producer Responsibility for packaging will bring in over £1 billion per annum in revenue to improve recycling outcomes.

4.106 Defra will play a key role in growing our economy through innovation and increasing our security and resilience, including by:

- Providing £208 million across 2024-25 and 2025-26 to support the transformation of the government's biosecurity facilities at Weybridge. This will enhance our ability to respond to the threat disease outbreaks pose to health, farming, food security, trade, and the economy.
- Allocating at least £58 million across 2024-25 and 2025-26 for research and innovation in support of our climate resilience and net zero goals.

4.107 The Budget will support the government's growth mission by allocating £70 million in 2025-26 to support infrastructure and housing development while boosting nature recovery. This includes £14 million for the Nature Restoration Fund to offset the environmental impact of development, with a developer contribution, and £13 million to expand Protected Sites Strategies in priority areas.

Department for Work and Pensions

Table 4.17: Department for Work and Pensions

£ billion (current prices)	Outturn 2023-24	Baseline 2024-25	Plans 2025-26	Average annual real terms growth[1] 2023-24 to 2025-26
Resource DEL	8.4	9.0	10.1	6.4%
Resource DEL (excluding Fraud, Error & Debt)	7.8	8.3	9.1	4.8%
Capital DEL	0.6	0.7	0.7	5.0%
Total DEL	**9.0**	**9.7**	**10.8**	**6.3%**

[1] The RDEL average annual real terms growth rate has been adjusted to account for Budget Cover Transfers in 2023-24 that will be processed in-year in 2025-26, and increased pensions contributions (SCAPE) that commenced in 2024-25.

4.108 The Department for Work and Pensions (DWP) settlement provides total DEL funding of £10.8 billion in 2025-26. This is equivalent to an annual average real-terms growth rate of 6.3% from 2023-24 to 2025-26.

4.109 The settlement provides investment to deliver the biggest package of measures in recent history to reduce welfare fraud and error. The government will increase counter fraud and error funding by £110 million in 2025-26, hire an additional 3,000 DWP fraud and error staff and introduce new legislative powers for DWP to recover debt alongside requiring banks and financial institutions to undertake checks to identify incorrect benefit payments. These initiatives, along with further investment across DWP and HMRC administered benefits, will deliver savings of £4.3 billion in 2029-30 (see Table 2.1).

4.110 Excluding DEL investment in counter fraud and error, DWP's resource DEL has an annual average real-terms growth rate of 4.8% from 2023-24 to 2025-26.

4.111 The settlement provides £1 billion in 2025-26, including Barnett consequentials, to extend the Household Support Fund in England and Discretionary Housing Payments in England and Wales. Local authorities will use this funding to support households facing the greatest hardship. The government is also helping low-income households on Universal Credit (UC) by creating a new Fair Repayment Rate. This will cap UC repayments at 15% of the standard allowance, benefiting 1.2 million households by allowing them to keep more of their UC award each month. The settlement also allocates additional funding to increase the take up of Pension Credit and support work to allow the administration of Pension Credit and Housing Benefit to be brought together for new claimants from 2026.

4.112 The settlement includes more than £2.7 billion in 2025-26 for DWP to deliver individualised employment support programmes and reduce health related inactivity, helping the government meet its ambition to support more people into work. This includes more than £800 million for disability employment support and £240 million to tackle the root causes of inactivity through the Get Britain Working White Paper.

4.113 An additional £90 million is allocated to accelerate the move of Employment and Support Allowance claimants onto Universal Credit, which will now start from September 2024 instead of 2028. This will allow DWP to complete the rollout of Universal Credit in 2026, with all working age benefit claimants brought onto one system, enabling the decommissioning of the remaining legacy benefits.

HMRC

Table 4.18: HM Revenue and Customs

£ billion (current prices)	Outturn 2023-24	Baseline 2024-25	Plans 2025-26	Average annual real terms growth[1] 2023-24 to 2025-26
Resource DEL[2]	6.0	5.2	5.8	4.1%
Capital DEL	0.7	0.7	0.9	7.1%
Total DEL	**6.7**	**5.9**	**6.7**	**4.5%**

[1] The RDEL average annual real terms growth rate has been adjusted to account for Budget Cover Transfers in 2023-24 that will be processed in-year in 2025-26, and increased pensions contributions (SCAPE) that commenced in 2024-25.
[2] The HM Revenue and Customs growth rate has been adjusted to remove the £0.8 billion time-limited Cost of Living Payments in 2023-24.

4.114 The HM Revenue and Customs (HMRC) settlement provides total DEL funding of £6.7 billion in 2025-26. This is equivalent to an annual average real-terms growth rate of 4.5% from 2023-24[119] to 2025-26.

4.115 This extra funding helps to deliver the most ambitious ever package of measures to close the tax gap, raising £6.5 billion in extra revenue in 2029-30.

[119] This includes an adjustment to remove £760 million of one off Cost of Living Payments from 2023-24 RDEL.

4.116 The tax gap has been broadly stable since 2017-18[120] and the tax debt balance is twice pre-pandemic levels.[121] Only two-thirds of phone calls where customers wanted to speak to an advisor were answered last year.[122] HMRC's increased funding, together with the Exchequer Secretary to the Treasury becoming Chair of HMRC's Board, marks a step change in the government's efforts to close the tax gap, improve customer service, and modernise and reform HMRC.

4.117 The settlement prioritises funding to close the tax gap and deliver the most extensive ever package of compliance measures, including by investing £1.4 billion over the next five years for HMRC to recruit an additional 5,000 compliance staff, the first 200 of which are set to join in November.

4.118 The government is investing in improving HMRC's customer services, providing the resource needed to meet performance targets, including answering 85% of phone calls where customers want to speak to an advisor. The government will transform HMRC into a digital-first organisation, with a Digital Transformation Roadmap to be published in spring 2025.

4.119 The government is also investing to enable the modernisation and reform of HMRC, improving the productivity and resilience of HMRC's internal systems and improvements to the way customers engage HMRC, including through the HMRC App.

4.120 This is a settlement that properly funds HMRC, fixing the foundations and enabling the UK's tax administration to generate the revenues necessary to support delivery of all five of the government's missions and fund vital public services.

HM Treasury

Table 4.19: HM Treasury

£ billion (current prices)	Outturn 2023-24	Baseline 2024-25	Plans 2025-26	Average annual real terms growth[1] 2023-24 to 2025-26
Resource DEL	0.4	0.3	0.4	0.7%
Capital DEL	0.0	0.0	0.1	-
Total DEL[2]	**0.4**	**0.4**	**0.5**	**1.3%**

[1] The RDEL average annual real terms growth rate has been adjusted to account for Budget Cover Transfers in 2023-24 that will be processed in-year in 2025-26, and increased pensions contributions (SCAPE) that commenced in 2024-25.
[2] HM Treasury's Capital DEL outturn figure in 2023-24 reflects reduced IFRS16 requirement following the reclassification of UKGI's office lease to a license arrangement. For consistency the Total DEL growth rate is calculated on business as usual plans, excluding time-limited funding and the recapitalisation of the European Bank of Reconstruction and Development.

4.121 The HM Treasury settlement provides total DEL funding of £0.5 billion in 2025-26. This is equivalent to an annual average real-terms growth rate of 1.3% from 2023-24 to 2025-26.

[120] Measuring tax gaps 2024 edition: tax gap estimates for 2022 to 2023, HM Revenue and Customs, 20 June 2024.
[121] HMRC annual report and accounts: 2023 to 2024, HM Revenue and Customs, 30 July 2024.
[122] HMRC monthly performance report: March 2024, HM Revenue & Customs, 30 July 2024.

4.122 HM Treasury has led by example by stopping programmes that are no longer priorities, such as the retail sale of NatWest shares. The department has re-examined activity to deliver on the government's priorities whilst continuing to meet its core objectives to drive economic growth and protect the public finances.

4.123 From within its settlement, HM Treasury will establish a new Office for Value for Money as well as the National Wealth Fund (NWF), building on what was the UK Infrastructure Bank.

4.124 The UK, alongside our international partners, has introduced the largest and most severe package of sanctions ever imposed on Russia. This settlement ensures that work will continue to be supported through the Office of Financial Sanctions Implementation (OFSI).

4.125 HM Treasury's capital settlement reflects improved security facilities to support OFSI's ongoing work, as well as the UK's participation in the paid-in capital increase to the European Bank for Reconstruction and Development (EBRD). This would improve the EBRD's financial capacity to increase lending to support Ukraine's resilience and reconstruction while maintaining activity in all its countries of operation.

4.126 The NWF, the UK's new impact investor, will support the growth mission by mobilising billions of pounds of investment in the UK's world-leading clean energy and growth industries, and supporting the delivery of our new Industrial Strategy.

Cabinet Office

Table 4.20: Cabinet Office

£ billion (current prices)	Outturn 2023-24	Baseline 2024-25	Plans 2025-26	Average annual real terms growth[1] 2023-24 to 2025-26
Resource DEL[2]	0.9	0.8	0.8	-7.4%
Capital DEL[3]	0.4	0.4	0.5	-1.1%
Total DEL	**1.3**	**1.2**	**1.4**	**-5.4%**

[1] The RDEL average annual real terms growth rate has been adjusted to account for Budget Cover Transfers in 2023-24 that will be processed in-year in 2025-26, and increased pensions contributions (SCAPE) that commenced in 2024-25.
[2] Cabinet Office budget allocations include budget for digital functions that are transferring to DSIT as part of Machinery of Government changes. These changes will be formalised as part of Supplementary Estimates.
[3] The Cabinet Office growth rate has been adjusted to exclude accounting changes according to IFRS16 of leases for government property.

4.127 The Cabinet Office (CO) settlement provides total DEL funding of £1.3 billion in 2025-26. This is equivalent to an annual average real-terms growth rate of -5.4% from 2023-24 to 2025-26.

4.128 This budget places CO on a sustainable footing, ensuring the department can continue to meet its core objectives of supporting the Prime Minister and ensuring the effective running of government, while taking the lead in certain priority areas. The settlement provides for:

- The CO has established an Arms-Length Body to deliver the Infected Blood Compensation Scheme. This will provide support and compensation for victims of the Infected Blood scandal.

- The CO to progress plans for civil service Hubs in Bristol (Temple Quay House), Manchester (First Street), the Darlington Economic Campus (DEC), and the refurbishment of 22-26 Whitehall. It also provides funding to support further consolidation of the Whitehall estate, to reduce running costs.
- The CO to lead work across government to drive out waste and inefficiency in key areas of public spending, including consultancy, communications and public procurement.

4.129 CO sits at the centre of government and plays a central role in coordinating missions. The settlement allows CO to drive mission delivery across government, in partnership with the mission leads.

Devolved governments

Table 4.21: Devolved Governments

£ billion (current prices)	Outturn 2023-24	Baseline 2024-25	Plans 2025-26	Average annual real terms growth[1] 2023-24 to 2025-26
Scottish Government				
Resource DEL[1]	37.4	39.3	41.1	2.3%
Capital DEL	6.0	6.0	6.5	2.3%
Total DEL	**43.4**	**45.2**	**47.7**	**2.3%**
Welsh Government				
Resource DEL[1]	16.4	16.9	17.7	1.3%
Capital DEL	3.1	3.2	3.4	1.3%
Total DEL	**19.5**	**20.1**	**21.0**	**1.3%**
Northern Ireland Executive				
Resource DEL[1]	14.8	15.2	16.0	1.5%
Capital DEL	2.1	2.0	2.2	-0.3%
Total DEL	**16.9**	**17.2**	**18.2**	**1.3%**

[1] Devolved government funding arrangements operate as set out in the Statement of Funding Policy. Resource DEL baselines presented for 2024-25 reflect an estimate based on departmental baselines. Plans for 2024-25 are published in the statistical annex. Due to the scale of tax and welfare devolution in Scotland, Scottish Government DEL funding is presented excluding tax and welfare Block Grant Adjustments. Welsh Government DEL funding is presented including tax Block Grant Adjustments.

4.130 All devolved government total DEL settlements are growing in real terms in 2025-26. The devolved governments' settlements for 2025-26 are the largest in real terms of any settlements since devolution.

4.131 In 2025-26, the devolved governments are receiving over £86 billion. This includes an additional £6.6 billion through the operation of the Barnett formula, with £5.5 billion resource and £1.1 billion capital, and £1 billion of targeted funding, with £685 million resource and £365 million capital.

4.132 The Scottish Government is receiving £47.7 billion in 2025-26, including an additional:

- £3.4 billion through the operation of the Barnett formula, with £2.8 billion resource and £610 million capital.
- £130 million targeted funding, with £10 million resource and £120 million capital, including for City and Growth Deals.

4.133 The Welsh Government is receiving £21 billion in 2025-26, including an additional:

- £1.7 billion through the operation of the Barnett formula, with £1.5 billion resource and £250 million capital.
- £160 million targeted funding, with £10 million resource and £150 million capital, including for City and Growth Deals, coal tips safety, Holyhead Breakwater and border facilities.

4.134 The Northern Ireland Executive is receiving £18.2 billion in 2025-26, including an additional:

- £1.5 billion through the operation of the Barnett formula, with £1.2 billion resource and £270 million capital.
- £760 million targeted funding, with £670 million resource and £90 million capital, including for the 2024 restoration financial package, historic funding packages, and additional security funding.

4.135 Total targeted funding in 2025-26 for the devolved governments includes:

- £253 million for the continuation of all planned City and Growth Deals in Scotland, Wales and Northern Ireland.
- £662 million to the Northern Ireland Executive from the 2024 restoration financial package.
- £38 million for the Police Service of Northern Ireland's Additional Security Fund and £8 million for the Executive Programme on Paramilitarism and Organised Crime.
- £25 million for essential work to keep coal tips maintained and safe in Wales.

4.136 A needs-based factor of 5% for the Welsh Government and 24% for the Northern Ireland Executive has been applied to the Barnett formula for 2025-26. All devolved governments receive over 20% more funding per person than equivalent UK Government funding in the rest of the UK, and the Welsh Government and the Northern Ireland Executive (including the 2024 restoration financial package) are both funded above their independently assessed relative need.

4.137 It is for the devolved governments to allocate their Barnett-based funding as they see fit in devolved areas, and additional funding will enable further investment in areas such as schools, housing, health and social care, and transport.

4.138 The devolved governments' settlements have been determined in accordance with the latest edition of the Statement of Funding Policy, an addendum to which has been published today.

4.139 Alongside the publication of the OBR's updated forecasts today, which inform block grant adjustments for tax and welfare devolution, this means the devolved governments have the funding and the certainty they need to set their own budgets in 2025-26.

Small departments and independent bodies

Table 4.22: Small Departments and Independent Bodies (Resource DEL excluding depreciation)

£ million (current prices)	Outturn[1] 2023-24	Baseline 2024-25	Plans 2025-26
Scotland Office	13.4	13.0	15.4
Northern Ireland Office	31.3	52.0	62.3
Wales Office	5.3	5.4	5.8
National Savings and Investments[2]	181.4	243.8	307.6
Charity Commission	28.8	27.9	29.4
Competition and Markets Authority	110.1	123.3	136.3
UK Statistics Authority	349.2	370.8	365.4
HM Land Registry	394.4	383.7	457.4
Office for Standards in Education, Children's Services and Skills	145.7	147.0	137.8
Office of Qualifications and Examinations Regulation	29.5	29.3	29.2
Food Standards Agency	109.6	111.4	116.0
The National Archives	41.3	39.0	41.8
UK Supreme Court	4.6	6.3	8.7
Office of Gas and Electricity Markets[3]	13.1	1.3	1.8
Other Economic Regulators[4]	neg	neg	neg
Independent Bodies[5]	932.0	1,058.8	1,100.7
Total	**2,389.9**	**2,613.0**	**2,815.5**

[1] Outturn 2023-24 figures reflect outturn in PESA. This does not include the Electoral Commission who did not submit a return for PESA.
[2] National Savings and Investments' 2025-26 RDELex budget does not include contingency funding, which is provisioned for in the reserve.
[3] Office of Gas and Electricity Markets' (Ofgem) baseline in 2024-25 excludes a pre-agreed reserve claim.
[4] The economic regulators and income or levy-funded bodies include: the Government Actuary's Department (GAD), the Office of Rail and Road (ORR), Water Services Regulation Authority (Ofwat), UK Export Finance (UKEF) and the Office of Gas and Electricity Markets (Ofgem). Ofgem's figures are presented separately from other economic regulators.
[5] Independent Bodies include: the Electoral Commission, House of Commons, House of Lords, Parliamentary Works Sponsor Body, Parliamentary and Health Service Ombudsman, Independent Parliamentary Standards Authority, the Local Government Boundary Commission for England and the National Audit Office. They are not formally subject to the Spending Review process and their plans reflect forecasted values which may be subject to change.

4.140 The settlement for small departments and independent bodies includes:

- Funding for the Northern Ireland Office (NIO) to ensure that Northern Ireland's interests are represented in Westminster and that the government's responsibilities are represented and progressed in Northern Ireland. The settlement for NIO includes funding for a number of important priorities related to Northern Ireland's legacy of the Troubles, including funding for the Omagh Bombing Inquiry, the Inquiry into the death of Patrick Finucane, and continuing with the £250 million Legacy funding commitment. £1.0 million has also been provided to support Northern Ireland Community Projects.
- Funding for the Scotland Office to maximise Scotland's influence by ensuring that the voice of Scotland is heard across Westminster. The settlement also allocates £0.75 million in 2025-26 to champion 'Brand Scotland'.

- Funding for the Wales Office to promote and advocate for Wales at home and abroad and enabling closer collaboration with the Welsh Government.
- Funding for National Savings & Investments to deliver its transformation programme and become and a more cost-effective source of finance and a self-service digital business that can respond more nimbly to government, customer and wider market needs.
- An increase to HM Land Registry's (HMLR) resource budgets in 2025-26, to maintain service quality for customers alongside investment into digital transformation of land ownership records. This is fully funded through an increase in HMLR fees.
- £139.4 million in 2024-25 and £141.4 million in 2025-26 for the Competition and Markets Authority to enable it to continue to promote competition for the benefit of consumers. This includes funding for the Digital Markets Unit, which has been established to oversee a new regulatory regime for the most powerful digital firms, promoting greater competition and innovation in these markets and protecting consumers and businesses from unfair practices.
- £116.0 million in 2025-26 for the Food Standards Agency to continue delivering an effective food regulatory scheme, thereby safeguarding public health and protecting the interests of consumers.
- £365.4 million for the UK Statistics Authority (UKSA) in 2025-26. This will fund the ongoing production and improvement of national statistics, with priority given to GDP, prices, employment, and population data, and additional work to recover the quality of critical national labour market statistics. This funding will allow the UKSA to continue supporting the government's objectives, including on data to inform the government's missions, building on the existing Integrated Data Service, and the continuation of the Future of Population and Migration Statistics Programme.

5 Policy decisions

5.1 This chapter sets out all Autumn Budget 2024 policy decisions. Unless stated otherwise, the decisions set out are ones which are announced at the Budget. Table 5.1 shows the cost or yield of all government decisions accounted for at Autumn Budget 2024 which have a direct effect on public sector net borrowing (PSNB) in the years up to 2029-30. This includes tax measures, changes to aggregate departmental expenditure limits (DEL) and measures affecting annually managed expenditure (AME). The government is also publishing the methodology underpinning the calculation of the fiscal impact of each policy decision. This is included in 'Autumn Budget 2024: policy costings' published alongside the Budget.

5.2 Arrangements for funding the devolved governments have been applied in the usual way as set out in the Statement of Funding Policy. This includes funding through the Barnett formula in relation to changes in funding for UK Government departments and adjustments to reflect tax and welfare devolution, as set out in their respective fiscal frameworks.

Table 5.1 Autumn Budget 2024 policy decisions (£ million)[1]

		Head[2]	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Fixing the Foundations and Rebuilding Britain								
1	Investing in Public Services: Funding £22bn overspend, fixing the NHS and supporting public services	Spend	-26,450m	-44,360m	-48,285m	-51,770m	-55,065m	-55,160m
2	Rebuilding Britain: Additional capital investment	Spend	+1,765m	-15,360m	-19,440m	-23,820m	-25,695m	-23,125m
3	Compensation Payments: Making payments to victims of the infected blood scandal	Spend	-1,080m	-2,925m	-2,830m	-2,000m	-1,570m	-1,410m
4	Compensation Payments: Making payments to victims of the Horizon IT scandal	Spend	-770m	-725m	-250m	-10m	+0m	+0m
5	National Wealth Fund: Mobilise investment in the UK's clean energy and growth industries and support the delivery of our new Industrial Strategy (forecast income from investment)	Spend	+0m	+5m	+30m	+50m	+80m	+135m
6	Extraordinary Revenue Acceleration: Contribution to Extraordinary Revenue Acceleration to support military effort in Ukraine	Spend	-750m	-750m	-750m	+0m	+0m	+0m

		Head[2]	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
7	Extraordinary Revenue Acceleration: Forecast repayment from extraordinary profits on sanctioned Russian sovereign assets	Spend	+0m	+225m	+160m	+195m	+230m	+260m
Delivering on our Promises – New Policy to Close the Tax Gap								
8	Tackling tax non-compliance in umbrella companies by moving PAYE obligations to recruitment agencies or, where an agency is not present, end client businesses from April 2026	Tax	+0m	+75m	+895m	+740m	+635m	+500m
9	Increasing the interest rate on unpaid tax from April 2025	Tax	+50m	+255m	+260m	+215m	+215m	+215m
10	Changes to tax rules on liquidations of Limited Liability Partnerships from 30 October 2024	Tax	+5m	+15m	+15m	+15m	+15m	+15m
11	Strengthen existing charity tax rules from April 2026, to prevent abuse and ensure that only the intended tax relief is given to charities	Tax	+0m	*	+20m	+35m	+35m	+35m
12	Preventing non-compliance from the transfer overseas of UK tax-relieved pension funds	Tax	*	+5m	+5m	+5m	+5m	+5m
13	Amending anti-avoidance rules to ensure shareholders cannot extract funds untaxed from close companies from 30 October 2024	Tax	+5m	+10m	+5m	+5m	+5m	+5m
14	Confirming plans to mandate the reporting of benefits in kind via payroll software from April 2026	Tax	+0m	+0m	+35m	+35m	+35m	+35m
15	Ending contrived car ownership schemes: closing loopholes in employee car ownership schemes to prevent them from being used to circumvent Company Car Tax from 6 April 2026	Tax	+0m	+0m	+275m	+220m	+195m	+175m
16	Modernising and mandating registration of tax practitioners interacting with HMRC from April 2026	Tax	+0m	*	+5m	+35m	+40m	+40m
Delivering on our Promises – Collecting Tax That is Due								
17	Increased collection of tax due supported by investment in 5,000 additional HMRC compliance staff	Tax	+10m	+165m	+540m	+1,150m	+1,940m	+2,725m
18	Increased collection of overdue tax debt by additional investment in HMRC debt management staff	Tax	+275m	+815m	+1,230m	+1,490m	+1,515m	+2,030m

		Head[2]	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
19	Increasing tax receipts from modernising HMRC systems and data	Tax	*	+35m	+155m	+305m	+485m	+700m
	Total revenue from closing the tax gap (lines 8 – 19)		*+350m*	*+1,375m*	*+3,445m*	*+4,240m*	*+5,120m*	*+6,485m*
Delivering on our Promises – Other Manifesto Tax Commitments								
20	Abolition of non-domicile status and introduction of a residence-based regime: remove the 50% discount on foreign income in 2025-26; apply inheritance tax; set Capital Gains Tax rebasing date at 5 April 2017; and extend the Temporary Repatriation Facility from two to three years	Tax	+0m	*	+4,170m	+5,895m	+2,545m	+95m
21	Carried interest: Increase the rates of Capital Gains Tax on carried interest to 32% from 6 April 2025, then move the carried interest taxation regime to the Income Tax framework from 6 April 2026 onwards	Tax	*+0m*	*+0m*	*-5m*	*+140m*	*+80m*	+85m
22	VAT: Applying the standard rate (20%) to education and boarding services provided by private schools from 1 January 2025[3]	Tax	*+460m*	*+1,505m*	*+1,560m*	*+1,610m*	*+1,665m*	+1,725m
23	Business Rates: Remove eligibility of private schools for charitable rate relief from 1 April 2025	Tax	+0m	+70m	+85m	+85m	+85m	+90m
24	Energy Profits Levy (EPL): Increase the rate to 38%; abolish the EPL investment allowance except for decarbonisation expenditure and cut rate of decarbonisation allowance to 66% from 1 November 2024; sunset date extension from 31 March 2029 to 31 March 2030 as well as the introduction of tax relief for payments made into a Decommissioning Fund in relation to oil and gas assets transferred for use in Carbon Capture Usage and Storage	Tax	+195m	+470m	+220m	+50m	+410m	+955m
25	Stamp Duty Land Tax (SDLT): Increase the Higher Rate of Additional Dwelling (HRAD) of SDLT by 2ppts from 3% to 5% from 31 October 2024	Tax	+115m	+90m	+170m	+255m	+280m	+310m
	Total revenue from manifesto tax commitments (lines 8 – 25)		*+1,115m*	*+3,510m*	*+9,635m*	*+12,275m*	*+10,185m*	*+9,745m*

	Head[2]	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Repairing the Public Finances – Raising Revenue Fairly							
26 Employer National Insurance contributions: Increase rate by 1.2ppts to 15%, cut the Secondary Threshold to £5,000 until 5 April 2028 and uprate with CPI thereafter, increase Employment Allowance to £10,500, remove the £100,000 Employment Allowance eligibility threshold	Tax	+0m	+23,770m	+23,690m	+24,170m	+24,930m	+25,710m
Memo – Allowance for impact on public sector organisations		*+0m*	*-4,745m*	*-4,730m*	*-4,830m*	*-4,940m*	*-5,110m*
27 Capital Gains Tax: Increase the main rates of CGT to 18% and 24% from 30 October 2024, and the Business Asset Disposal Relief (BADR) and Investors' Relief (IR) rate to 14% from 6 April 2025 and to 18% from 6 April 2026	Tax	+90m	+1,440m	+1,370m	+1,350m	+2,180m	+2,490m
28 Inheritance Tax: Include unused pension funds and death benefits payable from a pension in the value of estates from 6 April 2027	Tax	+0m	+0m	+0m	+640m	+1,340m	+1,460m
29 Inheritance Tax: Reform agricultural property relief and business property relief from 6 April 2026 by maintaining 100% relief for the first £1m of combined assets and 50% relief thereafter, and 50% relief for "not listed" shares on the markets of a recognised stock exchange	Tax	+0m	+0m	+230m	+495m	+520m	+520m
30 Inheritance Tax: Maintain thresholds at current levels for a further two years until 5 April 2030	Tax	+0m	+0m	+0m	+0m	+110m	+355m
31 Savings: Maintain subscription limits at current levels for Adult ISAs, Junior ISAs and Child Trust Funds from 6 April 2025 to 5 April 2030	Tax	+0m	+0m	+15m	+90m	+265m	+605m
Repairing the Public Finances – Duties & Levies							
32 Company Car Tax: Set appropriate percentages for electric vehicles, hybrids and internal combustion engine vehicles for 2028-29 and 2029-30	Tax	+0m	+0m	+0m	+0m	+135m	+210m

	Head[2]	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
33 Vehicle Excise Duty: from 1 April 2025, freeze the lowest First Year Rate (FYR) paid by zero emission cars until 2029-30, increase FYRs for all other emission bands including hybrids and Internal Combustion Engine vehicles in 2025-26	Tax	+15m	+415m	+410m	+370m	+285m	+200m
34 Air Passenger Duty: Adjustment to increase all rates from 2026-27 with a further 50% increase for larger private jets, and rates set to nearest penny from 2027-28	Tax	+0m	+0m	+520m	+585m	+650m	+720m
35 Vaping Products Duty: Introduce a flat rate duty at £2.20/10ml from 1 October 2026	Tax	+0m	+0m	+5m	+10m	+10m	+15m
36 Tobacco Duty: Introduce a tobacco duty escalator of RPI +2% for the Parliament; increase duty on hand rolling tobacco a further 10% (RPI+12%) for 2024-25 from 30 October 2024; and a separate one-off duty increase to maintain financial incentive to choose vaping over smoking from 1 October 2026	Tax	+40m	+85m	+105m	+135m	+160m	+180m
37 Soft Drinks Industry Levy: Uprate by CPI since introduction in 2018 evenly across the forecast period and uprate annually by CPI from 1 April 2025	Tax	+0m	+20m	+40m	+60m	+75m	+95m
Repairing the Public Finances – Targeting Support and Reducing Fraud and Error in the Welfare System							
38 Winter Fuel Payments: Target payments at recipients of Pension Credit and certain other means-tested benefits from winter 2024-25[4]	Spend	+1,450m	+1,510m	+1,555m	+1,580m	+1,605m	+1,655m
39 Pensions: Enhance Pension Credit take-up for new claims to Housing Benefit from April 2025	Spend	+0m	*	-5m	-10m	+0m	+0m
40 Universal Credit: Accelerate migration of Employment and Support Allowance claimants onto Universal Credit from September 2024	Spend	-25m	-485m	-455m	-275m	+70m	+455m
41 Universal Credit: Amending Severe Disability Premium transitional protection regulations	Spend	*	-5m	-5m	-5m	-5m	-5m
42 Investment in additional 3,000 fraud and error staff in DWP from April 2025	Spend	+0m	+80m	+345m	+530m	+625m	+665m

	Head[2]	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
43 New investment to verify Universal Credit claimant changes to tackle fraud and error from April 2025	Spend	+0m	+105m	+225m	+225m	+235m	+250m
44 Extending Targeted Case Review of Universal Credit claims from April 2028	Spend	+0m	+0m	+0m	+0m	+1,345m	+2,540m
45 Investment in additional 180 welfare counter-fraud staff in HMRC to tackle fraud and error in Child Benefit and Tax-Free Childcare from April 2025	Spend	+0m	+20m	+60m	+90m	+95m	+90m
46 Increase DWP fraud and error debt recovery powers – resource cost for measures which yield a PSNCR saving of £260m in 2029-30	Spend	+0m	+0m	-30m	-30m	-30m	-30m
Supporting Business, Families, and Local Communities							
47 Business Rates: 40% relief for Retail, Hospitality and Leisure (RHL) sectors for 2025-26 from 1 April 2025, up to a £110,000 cash cap per business	Tax	+35m	-1,725m	+50m	-15m	+0m	+0m
48 Business Rates: Freeze the small business multiplier for 2025-26	Tax	*	-135m	-145m	-145m	-145m	-155m
49 Fuel duty: One year extension to the 5p cut in rates and no RPI increase in 2025-26	Tax	-45m	-3,015m	-880m	-890m	-900m	-890m
50 Capital allowances: extend 100% first-year allowances for zero-emission cars and electric vehicle charge-points to 31 March 2026 for Corporation Tax and 5 April 2026 for Income Tax	Tax	-20m	-175m	-125m	+45m	+25m	+25m
51 Alternative Finance: Changes to tax rules on alternative finance arrangements from 30 October 2024	Tax	*	-5m	-5m	-5m	-5m	-5m
52 Alcohol Duty: Increase Draught Relief to reduce duty on an average ABV pint by 1p from 1 February 2025	Tax	-10m	-85m	-85m	-90m	-95m	-100m
53 Carer's Allowance: Increasing the earnings limit to the equivalent of 16 hours at the National Living Wage from April 2025	Spend	+0m	-25m	-70m	-105m	-135m	-165m
54 Help to Save: Extend the current scheme with expanded eligibility to include all working UC claimants earning £1 or more, from 6 April 2025 to 5 April 2027	Spend	+0m	+0m	+0m	-20m	-20m	-20m

		Head[2]	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
55	Mineworkers Pension Scheme: Transfer of the Mineworkers Pension Scheme Investment Reserve to the scheme Trustees	Spend	+0m	-70m	-70m	-65m	-60m	-60m
56	Veterans: Extend employer NICs relief for hiring veterans for one year from 6 April 2025	Tax	+0m	-5m	+0m	+0m	+0m	+0m
57	Right to Buy: Reduce discounts and allow local authorities to retain full receipts from 21 November 2024	Spend	+0m	-265m	-280m	-195m	-205m	-240m
58	Public Works Loan Board: Extend discounted Public Works Loan Board rate for local authorities borrowing for social housing from 30 June 2025 to 31 March 2026	Spend	+0m	-5m	-10m	-10m	-10m	-10m
59	Borrowing powers: Granting borrowing powers to newly established Mayoral Combined Authorities	Spend	-5m	-25m	-40m	-20m	-5m	+0m
60	Business Rates retention: Extend Greater London Authority enhanced business rates retention arrangements at 67% for 2025-26 and extend 100% local retention in Cornwall, Liverpool City Region and the West of England Combined Authority area	Spend	+0m	-1,185m	+25m	+0m	+0m	+0m
Tariffs & Technical Tax Changes								
61	Tariff Changes since Spring Budget 2024	Tax	-55m	-105m	-35m	+0m	+0m	+0m
62	Special Education Needs and Disabilities: Reduction in Local Authority SEND deficits as a result of additional DEL funding	Spend	+0m	+865m	+0m	+0m	+0m	+0m
63	Universal Credit: Extend the £2,500 surplus earnings threshold for one year from April 2025	Spend	+0m	-160m	+0m	+0m	+0m	+0m
64	Van Benefit Charge: Uprate by CPI from 6 April 2025	Tax	+0m	+5m	+5m	+5m	+5m	+5m
65	Climate Change Levy (CCL): Amendments to the Climate Change Agreement scheme from 1 January 2026, meaning new entrants will be able to claim relief on their CCL bill before completing a target period	Tax	+0m	*	-5m	+0m	+0m	+0m
66	The Starting Rate for Savings (SRS): Maintain the SRS at £5,000 for 2025-26 from 6 April 2025	Tax	+0m	*	+5m	*	*	*

	Head[2]	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
67 Private Intermittent Securities and Capital Exchange System (PISCES): Exempt transfers of shares made on a PISCES platform from Stamp Taxes on Shares	Tax	*	*	*	*	-5m	-5m
68 Carbon Border Adjustment Mechanism (CBAM): Confirming sectoral scope of the UK CBAM from 1 January 2027 to be aluminium, cement, fertiliser, hydrogen, and iron and steel.	Tax	+0m	+0m	*	-5m	-5m	-5m
69 Carbon Price Support (CPS): Maintain the freeze of CPS rates at the equivalent of £18 per tonne of CO2 from 1 April 2026	Tax	+0m	+0m	-10m	-10m	-5m	-5m
70 Lifelong Learning Entitlement: Implementation to amended timetable	Spend	+0m	*	*	+10m	+10m	+10m
Total policy decisions[6 7]		**-24,705m**	**-39,550m**	**-35,330m**	**-36,585m**	**-38,775m**	**-32,990m**
Total spending policy decisions[6 7]		-25,865m	-63,550m	-70,115m	-75,645m	-78,500m	-74,160m
Total tax policy decisions[6 7]		+1,160m	+24,005m	+34,785m	+39,065m	+39,725m	+41,170m

[*] Costing is negligible
[1] Costings reflect the OBR's latest economic and fiscal determinants.
[2] Many measures have both tax and spend impacts. Measures are identified as tax or spend on the basis of their largest impact.
[3] 20% VAT will also apply to pre-payments of fees for terms starting on or after 1 January 2025 made on or after 29 July 2024.
[4] Costing reflects assumed increase in Pension Credit take-up.
[5] Totals may not sum due to rounding.
[6] The totals for tax and spending reflect both the tax and spend impacts of each measure. Totals may not sum by head classification.

Public spending, achieving value for money and making compensation payments

5.3 Spending Review envelope – Phase 1 of the Spending Review – which concludes alongside the Budget – resets departmental spending for 2024-25 and settles budgets for 2025-26. The government has set the resource and capital spending envelopes for Phase 2 of the Spending Review, which will conclude in late spring 2025.

5.4 Barnett – The devolved governments will receive an additional £6.6 billion through the operation of the Barnett formula in 2025-26. This includes £3.4 billion for the Scottish Government, £1.7 billion for the Welsh Government and £1.5 billion for the Northern Ireland Executive. This will enable substantial investment into schools, housing, health and social care, and transport across Scotland, Wales and Northern Ireland.

5.5 Office for Value for Money – The government is formally launching the Office for Value for Money, with the appointment of an independent Chair. The Office will support Phase 2 of the Spending Review conducting an assessment of where and how to root out waste and inefficiency, undertaking value for money studies in specific high-risk areas of cross-departmental spending and scrutinising investment proposals to ensure they offer value for money.

5.6 Appointment of Covid Corruption Commissioner – The government will shortly appoint a Covid Corruption Commissioner. They will lead work to recover public funds from companies that took unfair advantage of the COVID-19 pandemic.

5.7 Making compensation payments to victims of the Post Office Horizon IT Scandal – The government is providing around £1.8 billion in funding for compensation payments to victims of the Horizon IT Scandal, between 2024-25 and 2027-28. This is in addition to £0.2 billion in previous years provided by the government and the Post Office.

5.8 Making compensation payments to victims of the Infected Blood scandal – The government has set out plans to compensate victims of the infected blood scandal. The Budget provides £11.8 billion of funding for compensation.

5.9 Financial Assistance to Ukraine (Extraordinary Revenue Acceleration) – The government will provide Ukraine with £2.26 billion ($3 billion) of budgetary support earmarked for military procurement as part of the G7's $50 billion 'Extraordinary Revenue Acceleration (ERA)' Loans for Ukraine scheme, intended to support Ukraine in the war against Russia's illegal invasion.

5.10 NatWest shareholding – The government has made significant progress against its commitment to fully exit the NatWest shareholding and intends to do so by 2025-26 utilising a range of disposal methods, subject to market conditions and achieving value for money for taxpayers. The ongoing trading plan continues to support this objective, having now generated over £8.6 billion of proceeds since launch and reduced the government's shareholding to below 16% on 7 October 2024. In total, the government has raised over £19.1 billion of proceeds from sales of the NatWest shareholding to date.

Closing the tax gap

5.11 Investing in additional HMRC compliance staff – As announced in July, the government will invest £1.4 billion over the next five years to recruit an additional 5,000 HMRC compliance staff, raising £2.7 billion per year in additional revenue by 2029-30.

5.12 Investing in additional HMRC debt management staff – The government will invest £262 million over the next five years to fund 1,800 HMRC debt management staff, raising £2 billion per year in additional revenue by 2029-30.

5.13 Modernising HMRC debt management IT systems – The government will invest £154 million to modernise HMRC's debt management case system.

5.14 Investing to acquire credit reference agency data for HMRC – The government will invest £12 million to acquire further credit reference agency data to enable HMRC to better target their debt collection activities.

5.15 Modernising voluntary Self Assessment pre-payment via the HMRC app – The government will invest £16 million to modernise HMRC's app to allow income tax Self Assessment taxpayers to make voluntary advance payments in instalments.

5.16 Inheritance Tax digitalisation – The government will invest £52 million to digitalise the inheritance tax service from 2027-28 to provide a modern, easy-to-use system, making returns and paying tax simpler and quicker.

5.17 Digitalisation of Individual Savings Accounts – Digital reporting for Individual Savings Account (ISA) managers will be mandatory from 6 April 2027. Draft legislation will be published for a technical consultation in 2025.

5.18 Pre-populating Self Assessment tax returns with Child Benefit data (for the purposes of the High Income Child Benefit Charge) – The government will invest £4 million to enable HMRC to pre-populate Self Assessment tax returns with Child Benefit data to ensure the High Income Child Benefit Charge (HIBC) is accurately calculated and reported.

5.19 Confirming plans to mandate the reporting of benefits in kind via payroll software from April 2026 – The government confirms that the use of payroll software to report and pay tax on benefits in kind will become mandatory, in phases, from April 2026. This will apply to income tax and Class 1A National Insurance contributions (NICs).

5.20 E-invoicing – The government will publish a consultation in early 2025 to establish standards and increase the adoption of electronic invoicing.

5.21 Making Tax Digital for income tax Self Assessment – The government is committed to delivering Making Tax Digital (MTD) for income tax Self Assessment. The government will expand the rollout of MTD to those with incomes over £20,000 by the end of this Parliament, and will set out the precise timing for this at a future fiscal event.

5.22 Modernising and mandating tax adviser registration – The government will invest £36 million to modernise HMRC's tax adviser registration services and will mandate registration of tax advisers who interact with HMRC on behalf of clients from April 2026. The government will legislate for this in a future Finance Bill.

5.23 Advanced Electronic Signatures for specific income tax repayments – The government will require tax advisers to provide an Advanced Electronic Signature when making specified income tax repayment claims from 6 April 2025.

5.24 Strengthening the regulatory framework in the tax advice market – The government is publishing a summary of responses to the 'Raising standards in the tax advice market: strengthening the regulatory framework and improving registration' consultation and is considering options to strengthen the regulatory framework of the tax advice market.

5.25 Enhancing HMRC's powers and sanctions against tax adviser facilitated non-compliance – The government will publish a consultation in early 2025 on options to enhance HMRC's powers and sanctions to take swifter and stronger action against tax advisers who facilitate non-compliance.

5.26 Tackling tax non-compliance in the umbrella company market – To tackle the significant levels of tax avoidance and fraud in the umbrella company market, the government will make recruitment agencies responsible for accounting for PAYE on payments made to workers that are supplied via umbrella companies. Where there is no agency, this responsibility will fall to the end client business. This will take effect from April 2026. The measure will protect workers from large, unexpected tax bills caused by unscrupulous behaviour from non-compliant umbrella companies. The government is publishing a policy paper alongside the Budget that provides further information on this measure.

5.27 Changing late payment interest rates on unpaid tax liabilities – The government will increase the late payment interest rate charged by HMRC on unpaid tax liabilities by 1.5 percentage points. This measure will take effect from 6 April 2025.

5.28 Ending contrived car ownership schemes – The government will publish draft legislation relating to loopholes in car ownership arrangements, through which an employer or a third party sells a car to an employee, often via a loan with no repayment terms and negligible interest, then buys it back after a short period. This arrangement means those benefiting don't pay company car tax which other employees pay, and so this measure will seek to level the playing field. The changes will take effect from 6 April 2026.

5.29 Charity Compliance measures – The government will support charitable giving by legislating to prevent abuse of the charity tax rules, ensuring that only the intended tax relief is given to charities. These changes will take effect from April 2026 to give charities time to adjust to the new rules.

5.30 Changes to tax rules on liquidations of Limited Liability Partnerships – The government will change the way capital gains are taxed when a Limited Liability Partnership is liquidated, and assets are disposed of to a contributing member or person connected to them, to close a route used for avoidance of tax. Changes will come into effect from 30 October 2024 and will be legislated for through Finance Bill 2024-25.

5.31 Close Company Loans to shareholders – The government will ensure shareholders cannot extract funds untaxed from close companies by legislating to remove opportunities to side-step the anti-avoidance rules attached to the loans to participators regime. This change will apply from 30 October 2024.

5.32 Reducing tax-free overseas transfers of tax relieved UK pensions – The government will remove the exclusion from the Overseas Transfer Charge for transfers to Qualifying Recognised Overseas Pension Schemes in the European Economic Area (EEA) or Gibraltar from 30 October 2024 to address the risk of individuals receiving double tax-free allowances.

5.33 Tackling rogue company Directors – The government will increase collaboration between HMRC, Companies House, and the Insolvency Service to tackle those using contrived corporate insolvencies and dissolutions, often referred to as "phoenixism", to evade tax.

5.34 Deterring tax fraud – The government will expand HMRC's counter-fraud capability to address high value and high harm tax fraud.

5.35 Rewards for informants – The government will strengthen HMRC's scheme for rewarding informants, to encourage reporting of high value tax fraud and avoidance.

5.36 Tackling promoters of marketed tax avoidance – The government will publish a consultation in early 2025 on a package of measures to tackle promoters of marketed tax avoidance.

5.37 Offshore tax compliance – The government is committed to tackling offshore non-compliance as part of the ambition to close the tax gap and is committing additional resources, including the scaling up of compliance activity to tackle serious offshore non-compliance including fraud by wealthy customers and intermediaries, corporates they control and other connected entities.

5.38 Simplification of taxation of Offshore Interest – The government is publishing a consultation document to tackle challenges arising from the mismatch of information on offshore interest being provided on a calendar year basis rather than a UK tax year basis. The consultation is seeking views on options to address this mismatch, including changes to the rules so that individuals are taxed on the non-UK interest arising in the year ended 31 December that ends in the tax year.

5.39 UK Reporting for the Cryptoasset Reporting Framework and amendments to the Common Reporting Standard – The government is publishing a summary of responses to the consultation on the implementation of the Cryptoasset Reporting Framework (CARF) and amendments to Common Reporting Standard. This includes a decision to extend the CARF's reporting requirements to UK users. The government will legislate in Finance Bill 2024-25 and has published draft regulations to implement the revised rules.

5.40 Taxation of Employee Ownership Trusts and Employee Benefit Trusts – The government is introducing a package of reforms to the taxation of Employee Ownership Trusts and Employee Benefit Trusts. These reforms will prevent opportunities for abuse, ensuring that the regimes remain focused on encouraging employee ownership and rewarding employees. The changes will take effect from 30 October 2024.

5.41 Hidden Economy: expanding tax conditionality to new sectors – The government is publishing a consultation on whether to make the renewal of further public sector licences conditional on applicants demonstrating they are appropriately registered for tax.

5.42 Consultation on new ways to tackle tax non-compliance – The government is publishing a consultation on reforming HMRC's correction powers, exploring changes to HMRC's existing powers and processes, and a potential new power to require taxpayers to correct mistakes themselves.

5.43 Response to the call for evidence on HMRC powers, penalties, and safeguards – The government is publishing a summary of responses to the call for evidence 'The Tax Administration Framework Review: enquiry and assessment powers, penalties, safeguards'.

5.44 Simplifying and Improving Tax Administration – The government will engage with stakeholders before introducing a set of measures to simplify tax administration and improve customer experience in the spring.

5.45 Making better use of third-party data – The government will publish a consultation in early 2025 on modernising how HMRC acquire and use third-party data to make it easier for taxpayers to get tax right first time.

5.46 Requirements for European Economic Area Overseas Pension Schemes – The government will bring in line the conditions of Overseas Pension Schemes (OPS) and Recognised Overseas Pension Schemes (ROPS) established in the EEA with OPS and ROPS established in the rest of the world from 6 April 2025.

5.47 UK resident pension scheme administrators – The government will require scheme administrators of registered pension schemes to be UK resident from 6 April 2026.

Personal tax & savings

5.48 Secondary Class 1 NICs (Employer NICs) – The government will increase the rate of employer NICs from 13.8% to 15% from 6 April 2025.

The Secondary Threshold is the point at which employers become liable to pay NICs on employees' earnings, and is currently set at £9,100 a year. The government will reduce the Secondary Threshold to £5,000 a year from 6 April 2025 until 6 April 2028, and then increase it by Consumer Price Index (CPI) thereafter.

The Employment Allowance currently allows businesses with employer NICs bills of £100,000 or less in the previous tax year to deduct £5,000 from their employer NICs bill. The government will increase the Employment Allowance from £5,000 to £10,500, and remove the £100,000 threshold for eligibility, expanding this to all eligible employers with employer NICs bills from 6 April 2025.

5.49 Employer NICs relief for veterans – The government is extending the employer NICs relief for employers hiring qualifying veterans for a further year from 6 April 2025 until 5 April 2026. This means that businesses will continue to pay no employer NICs up to annual earnings of the Veterans Upper Secondary Threshold of £50,270 for the first year of a veteran's employment in a civilian role.

5.50 NICs re-rating 2025-26 – The government will increase the Lower Earnings Limit (LEL) and the Small Profits Threshold (SPT) by the September 2024 CPI rate of 1.7% from 2025-26. For those paying voluntarily, the government will also increase Class 2 and Class 3 NICs rates by September CPI of 1.7% in 2025-26. The LEL will be £6,500 per annum (£125 per week) and the SPT will be £6,845 per annum. The main Class 2 rate will be £3.50 per week, and the Class 3 rate will be £17.75 per week.

5.51 Changes to the taxation of non-UK domiciled individuals – The government will legislate to abolish the remittance basis of taxation for non-UK domiciled individuals and replace it with a simpler and internationally competitive residence-based regime, which will take effect from 6 April 2025. Individuals who opt-in to the regime will not pay UK tax on foreign income and gains (FIG) for the first four years of tax residence. From 6 April 2025 the government will introduce a new residence-based system for Inheritance Tax (IHT), ending the use of offshore trusts to shelter assets from IHT, and scrap the planned 50% reduction in foreign income subject to tax in the first year of the new regime.

For Capital Gains Tax purposes, current and past remittance basis users will be able to rebase personally held foreign assets to 5 April 2017 on a disposal where certain conditions are met.

Overseas Workday Relief will be retained and reformed, with the relief extended to a four-year period and the need to keep the income offshore removed.

The amount claimed annually will be limited to the lower of £300,000 or 30% of the employee's net employment income.

The government is extending the Temporary Repatriation Facility to three years, expanding the scope to offshore structures, and simplifying the mixed fund rules to encourage individuals to spend and invest their FIG in the UK.

A technical note has been published alongside the Budget.

5.52 Inheritance tax: unused pension funds and death benefits – The government will bring unused pension funds and death benefits payable from a pension into a person's estate for inheritance tax purposes from 6 April 2027. This will restore the principle that pensions should not be a vehicle for the accumulation of capital sums for the purposes of inheritance, as was the case prior to the 2015 pensions reforms.

5.53 Inheritance tax: extension of agricultural property relief to environmental land management – The government confirms it will extend the existing scope of agricultural property relief from 6 April 2025 to land managed under an environmental agreement with, or on behalf of, the UK government, devolved governments, public bodies, local authorities, or approved responsible bodies.

5.54 Inheritance tax: agricultural property relief and business property relief – The government will reform these inheritance tax reliefs from 6 April 2026. In addition to existing nil-rate bands and exemptions, the current 100% rates of relief will continue for the first £1 million of combined agricultural and business property to help protect family businesses and farms. The rate of relief will be 50% thereafter, and in all circumstances for quoted shares designated as "not listed" on the markets of recognised stock exchanges, such as AIM.

5.55 Inheritance tax: nil-rate band and residence nil-rate band – The inheritance tax nil-rate bands are already set at current levels until 5 April 2028 and will stay fixed at these levels for a further two years until 5 April 2030. The nil-rate band will continue at £325,000, the residence nil-rate band will continue at £175,000, and the residence nil-rate band taper will continue to start at £2 million. Qualifying estates can continue to pass on up to £500,000 and the qualifying estate of a surviving spouse or civil partner can continue to pass on up to £1 million without an inheritance tax liability.

5.56 Uprating Qualifying Care Relief 2025-26 – The government will uprate Qualifying Care Relief, the amount of income tax relief available to foster carers and shared lives carers, by the September 2024 CPI rate of 1.7% from 6 April 2025.

5.57 Uprating Married Couples Allowance and Blind Persons Allowance 2025-26 – The government will uprate Married Couple's Allowance and the Blind Person's Allowance by the September 2024 CPI rate of 1.7% from 6 April 2025.

5.58 Individual Savings Accounts, Lifetime ISA, Junior ISA and Child Trust Fund Allowance – Annual subscription limits will remain at £20,000 for ISAs, £4,000 for Lifetime ISAs and £9,000 for Junior ISAs and Child Trust Funds until 5 April 2030.

5.59 Freeze the Starting Rate for Savings – The Starting Rate for Savings will be retained at £5,000 for 2025-26, allowing individuals with less than £17,570 in employment or pensions income to receive up to £5,000 of savings income tax-free.

5.60 Help to Save Extension and Reform – The government will extend the current Help to Save scheme until 5 April 2027. With effect from 6 April 2025, eligibility will be extended to all Universal Credit claimants who are in work. A delivery consultation, including details of a reformed and improved scheme, has been published alongside the Budget.

5.61 British ISA – The government will not proceed with the British ISA due to mixed responses to the consultation launched in March 2024.

5.62 Clarification of taxable status of Statutory Neonatal Care Pay – The government will legislate in Finance Bill 2024-25 to clarify the income tax treatment of Statutory Neonatal Care Pay. This will ensure the payment is liable to income tax and ensures consistency with the tax treatment of other statutory maternity and paternity pay schemes.

5.63 Employment Related Securities Changes – Consequential to the Neonatal Care (Leave and Pay) Act – From 6 April 2025, the notice an employer must provide to an employee under a Share Incentive Plan regarding the possible effect of deductions from salary on entitlement to social security benefits and statutory payments must refer to statutory neonatal care pay. This will be legislated for in Finance Bill 2024-25.

5.64 Loan Charge review – The government will commission an independent review of the Loan Charge to help bring the matter to a close for those affected whilst ensuring fairness for all taxpayers. Further details about the review will be set out by the Exchequer Secretary in due course.

Business & international tax

5.65 Capital Gains Tax Rates – The lower and higher main rates of Capital Gains Tax will increase to 18% and 24% respectively for disposals made on or after 30 October 2024. The rate for Business Asset Disposal Relief and Investors' Relief will increase to 14% from 6 April 2025, and will increase again to match the lower main rate at 18% from 6 April 2026. The new rates will be legislated in Finance Bill 2024-25.

5.66 Capital Gains Tax: Investors' Relief lifetime limit – The lifetime limit for Investors' Relief will be reduced to £1 million for all qualifying disposals made on or after 30 October 2024, matching the lifetime limit for Business Asset Disposal Relief. This will be legislated in Finance Bill 2024-25.

5.67 Carried interest taxation reform – The government will reform the way carried interest is taxed, ensuring that this is in line with the economic characteristics of the reward. From April 2026, all carried interest will be taxed within the income tax framework, with a 72.5% multiplier applied to qualifying carried interest that is brought within charge. As an interim step, the two Capital Gains Tax rates for carried interest will both increase to 32% from 6 April 2025. The government will also consult on introducing further conditions of access into the regime.

5.68 VAT on private school fees – From 1 January 2025, to secure additional funding to help deliver the government's commitments relating to education and young people, all education services and vocational training provided by a private school in the UK for a charge will be subject to VAT at the standard rate of 20%. This will also apply to boarding services provided by private schools. The government has published a response to its technical consultation on this policy.

To protect pupils with special educational needs that can only be met in a private school, local authorities and devolved governments that fund these places will be compensated for the VAT they are charged on those pupils' fees.

The government greatly values the contribution of our diplomatic staff and serving military personnel. The Continuity of Education Allowance (CEA) provides clearly defined financial support to ensure that the need for frequent mobility, which often involves an overseas posting, does not interfere with the education of their children.

Ahead of the VAT changes on 1 January, the MOD and the FCDO will increase the funding allocated to the CEA to account for the impact of any private school fee increases on the proportion of fees covered by the CEA in line with how the allowance normally operates. The MOD and FCDO will set out further details shortly.

5.69 Business rates: removing charitable rate relief from private schools – As announced on 29 July 2024, private schools in England will no longer be eligible for charitable rate relief. The Ministry of Housing, Communities and Local Government (MHCLG) will bring forward primary legislation to amend the Local Government Finance Act 1988 to end relief eligibility for private schools. This change is intended to take effect from April 2025, subject to Parliamentary process. Private schools which are 'wholly or mainly' concerned with providing full time education to pupils with an Education, Health and Care Plan will remain eligible for relief.

5.70 Business rates: retail, hospitality and leisure relief – For 2025-26, eligible retail, hospitality and leisure (RHL) properties in England will receive 40% relief on their business rates liability. RHL properties will be eligible to receive support up to a cash cap of £110,000 per business.

5.71 Business rates: multipliers – For 2025-26, the small business multiplier in England will be frozen at 49.9p. The government will lay secondary legislation to freeze the small business multiplier. The standard multiplier will be uprated by the September 2024 CPI rate to 55.5p.

5.72 Business rates: sectoral multipliers – The government intends to introduce permanently lower multipliers for Retail, Hospitality and Leisure (RHL) properties from 2026-27, paid for by a higher multiplier for properties with Rateable Values above £500,000.

5.73 Business rates reform – A discussion paper has been published setting the direction of travel for transforming the business rates system and inviting industry to a dialogue about future reforms.

5.74 Business rates: Disclosure Consultation Summary of Responses – The Valuation Office Agency (VOA) is publishing a response to the March 2023 Consultation on Disclosure, which sets out the next steps on increasing the transparency of business rates valuations by disclosing more information.

5.75 Stamp Duty Land Tax: Increase to the Higher Rates on Additional Dwellings – From 31 October 2024 the Higher Rates for Additional Dwellings (HRAD) surcharge on Stamp Duty Land Tax (SDLT) will be increased by 2 percentage points from 3% to 5%. Increasing HRAD ensures that those looking to move home, or purchase their first property, have a comparative advantage over second home buyers, landlords, and businesses purchasing residential property. This is expected to result in 130,000 additional transactions over the next 5 years by first-time buyers and other people buying a primary residence. This surcharge is also paid by non-UK residents purchasing additional property.

The single rate of SDLT that is charged on the purchase of dwellings costing more than £500,000 by corporate bodies will also be increased by 2 percentage points from 15% to 17%.

5.76 Energy Profits Levy – From 1 November 2024, the Energy Profits Levy (EPL) rate will rise by 3 percentage points to 38%, the investment allowance will be abolished, and the rate of the decarbonisation allowance will be set at 66% so its cash value is maintained. To provide certainty and to support a stable energy transition, the government will make no additional changes to tax relief available within EPL. The levy will end on 31 March 2030. The government will legislate for these measures in Finance Bill 2024-25. To support long-term stability and predictability in the oil and gas fiscal regime, the government will publish a consultation in early 2025 on how the taxation of oil and gas profits will respond to price shocks after the EPL ends. The government will also continue to have regular engagement with the sector to understand the evolving context of oil and gas investment, supported by bi-annual fiscal forums.

5.77 Relief for payments made into a Carbon Capture Usage and Storage Decommissioning Fund – The government will legislate in Finance Bill 2024-25 to provide relief for payments oil and gas companies make into decommissioning funds in relation to assets sold for use in Carbon Capture Usage and Storage, maintaining the tax treatment had these assets instead been decommissioned. This legislation will also remove receipts from the sale of these assets from the scope of the EPL.

5.78 Consultation on assessing effects of Scope 3 emissions from Offshore Oil and Gas Production and Development Projects – The government is publishing a consultation on new environmental guidance for assessing end use emissions related to oil and gas projects. This consultation seeks to provide stability for the oil and gas industry, support investment, protect jobs and ensure a fair, orderly and prosperous transition in the North Sea in line with our climate and legal obligations.

5.79 Climate Change Levy main and reduced 2026-27 rates – The main rates of the Climate Change Levy (CCL) for gas, electricity, and solid fuels will be uprated in line with Retail Price Index (RPI) in 2026-27. The main rate for liquefied petroleum gas will continue to be frozen. The reduced rates of CCL will remain at an unchanged fixed percentage of the main rates.

5.80 Carbon Price Support 2026-27 rates – The government will maintain Carbon Price Support rates in Great Britain at a level equivalent to £18 per tonne of CO_2 in 2026-27.

5.81 Carbon Border Adjustment Mechanism: government response publication – The government has published its response to the March 2024 consultation on the introduction of a UK carbon border adjustment mechanism (CBAM). The response confirms that the UK CBAM will be introduced on 1 January 2027, placing a carbon price on goods that are at risk of carbon leakage imported to the UK from the aluminium, cement, fertiliser, hydrogen and iron & steel sectors. Products from the glass and ceramics sectors will not be in scope of the UK CBAM from 2027 as previously proposed. The registration threshold will be set at £50,000, retaining over 99% of imported emissions within the scope of the CBAM, while removing over 80% of otherwise registrable businesses. Over 70% of those removed from the CBAM altogether by this threshold are micro, small, or medium sized businesses.

5.82 Air Passenger Duty rates 2026-27 – For 2026-27, the government will increase rates of Air Passenger Duty (APD). This equates to £1 more for those taking domestic flights in economy class, £2 more for those flying to short-haul destinations in economy class, £12 for long-haul destinations, and relatively more for premium economy and business class passengers. The higher rate, which currently applies to larger private jets, will rise by a further 50% in 2026-27. From 2027-28 onwards, all rates will be uprated by forecast RPI and rounded to the nearest penny. The government is also consulting on extending the scope of the APD higher rate to capture all passengers travelling in private jets already within the APD regime.

5.83 Fuel duty rates 2025-26 – The government will freeze fuel duty rates for 2025-26, a tax cut worth £3 billion over 2025-26 which represents a £59 saving for the average car driver. The temporary 5p cut in fuel duty rates will be extended by 12 months and will expire on 22 March 2026. The planned inflation increase for 2025-26 will also not take place.

5.84 Company Car Tax rates 2028-29 and 2029-30 – The government is setting rates for Company Car Tax (CCT) for 2028-2029 and 2029-30 to provide long term certainty for taxpayers and industry. CCT rates will continue to strongly incentivise the take-up of electric vehicles, while rates for hybrid vehicles will be increased to align more closely with rates for internal combustion engine (ICE) vehicles, to focus support on electric vehicles.

- Appropriate Percentages (APs) for zero emission and electric vehicles will increase by 2 percentage points per year in 2028-29 and 2029-30, rising to an AP of 9% in 2029-30.
- APs for cars with emissions of 1 – 50 g of CO_2 per kilometre, including hybrid vehicles, will rise to 18% in 2028-29 and 19% in 2029-30.
- APs for all other vehicle bands will increase by 1 percentage point per year in 2028-29 and 2029-30. The maximum AP will also increase by 1 percentage point per year to 38% for 2028-2029 and 39% for 2029-2030. This means for vehicle bands with emissions of 51 g of CO_2 per kilometre and over, APs will increase to 19% – 38% in 2028-29 and 20% – 39% in 2029-30.

5.85 2025-26 Vehicle Excise Duty rates for cars, vans and motorcycles – The government will uprate standard Vehicle Excise Duty (VED) rates for cars, vans and motorcycles, excluding first year rates for cars, in line with the RPI from 1 April 2025.

5.86 VED First Year Rates – The government will change the VED First Year Rates for new cars registered on or after 1 April 2025 to strengthen incentives to purchase zero emission and electric cars, by widening the differentials between zero emission, hybrid and internal combustion engine (ICE) cars.

- Zero emission cars will pay the lowest first year rate at £10 until 2029-30.
- Rates for cars emitting 1-50 g/km of CO_2, including hybrid vehicles, will increase to £110 for 2025-26.
- Rates for cars emitting 51-75 g/km of CO_2, including hybrid vehicles, will increase to £130 for 2025-26.
- All other rates for cars emitting 76 g/km of CO_2 and above will double from their current level for 2025-26.

These changes will apply from 1 April 2025.

5.87 VED Expensive Car Supplement – The government recognises the disproportionate impact of the current VED Expensive Car Supplement threshold for those purchasing zero emission cars and will consider raising the threshold for zero emission cars only at a future fiscal event, to make it easier to buy electric cars.

5.88 2025-26 Heavy Goods Vehicle VED and Heavy Goods Vehicle Levy rates – The government will uprate the Heavy Goods Vehicle (HGV) VED rates in line with RPI from 1 April 2025. The government will also uprate the HGV Levy in line with RPI from 1 April 2025.

5.89 2025-26 Van Benefit Charge, Van Fuel benefit Charge and Car Fuel Benefit Charge – The government will uprate the Van Benefit Charge and Car and Van Fuel Benefit Charges by CPI from 6 April 2025.

5.90 VAT treatment of private hire vehicles – The government is considering the responses to the recent consultation on the VAT treatment of private hire vehicle services, as well as the impact of the recent Court of Appeal judgment, and will respond to the consultation in due course.

5.91 Treatment of double cab pick up vehicles – Following a Court of Appeal judgement, the government will treat double cab pick-up vehicles (DCPUs) with a payload of one tonne or more as cars for certain tax purposes. From 1 April 2025 for Corporation Tax, and 6 April 2025 for income tax, DCPUs will be treated as cars for the purposes of capital allowances, benefits in kind, and some deductions from business profits. The existing capital allowances treatment will apply to those who purchase DCPUs before April 2025. Transitional benefit in kind arrangements will apply for employers that have purchased, leased, or ordered a DCPU before 6 April 2025. They will be able to use the previous treatment, until the earlier of disposal, lease expiry, or 5 April 2029.

5.92 Statutory open data scheme for road fuels prices (Fuel Finder) – The government is introducing a requirement for all UK retail petrol-filling stations to report prices and the unavailability of fuel within 30 minutes of a change. Subject to parliamentary timings and the passage of required legislation, the government intends to launch the scheme by the end of 2025.

5.93 Competition and Markets Authority Road Fuels Monitoring Function – The government is aiming to commence the Competition and Markets Authority's information gathering powers in the Digital Markets, Competition and Consumers Act 2024 by January 2025 so that it can monitor competition in the market.

5.94 Plastic Packaging Tax rates – To incentivise businesses to use recycled instead of new plastic in packaging, the government will increase the Plastic Packaging Tax (PPT) rate for 2025-26 in line with CPI inflation.

5.95 Plastic Packaging Tax – Mass Balance Approach: Publication of the Summary of Responses – To support use of and investment in advanced chemical recycling technologies, businesses will be permitted to use a mass balance approach to evidence recycled content in chemically recycled plastic for PPT.

5.96 Landfill Tax rates – The government confirms the previously announced adjustment to Landfill Tax rates from 1 April 2025, which maintains the incentive to manage waste more sustainably. The government recognises the importance of maintaining the real-terms value of Landfill Tax rates. To ensure they reflect up-to-date market and economic conditions, the government will announce future Landfill Tax rates at the fiscal event immediately before, so those applicable from 1 April 2026 will be announced at Budget 2025.

5.97 Land Remediation Relief – The government will launch a consultation in spring 2025 to review the effectiveness of Land Remediation Relief, to consider whether the relief is still meeting its objectives and is good value for money.

5.98 Alcohol duty – The government will support pubs and the wider on-trade by cutting alcohol duty rates on draught products below 8.5% alcohol by volume (ABV) by 1.7%, so that an average ABV strength pint will pay 1p less in duty. The government will also increase the discount provided to small producers for non-draught products, and maintain the cash discount provided to small producers for draught products, increasing the relative value of Small Producer Relief. Alcohol duty rates on non-draught alcoholic products will increase in line with RPI inflation. These measures will take effect from 1 February 2025. The current temporary wine easement will also end as planned on 1 February 2025.

5.99 Guest beers consultation – The government will consult on ways to ensure that small brewers can retain and expand their access to UK pubs, and maximise drinkers' choice, including through provisions to enable more 'guest beers'.

5.100 Spirit Drinks Verification Scheme investment and consultation – The government will consult with industry to improve the Spirit Drinks Verification Scheme (SDVS) and make an investment of up to £5 million to support the SDVS.

5.101 Alcohol Duty Stamps Scheme: Abolition – The Alcohol Duty Stamps scheme will end following a review by HMRC. The government will introduce legislation in Finance Bill 2024-25 to end the Scheme from 1 May 2025.

5.102 Soft Drinks Industry Levy – To protect its real terms value, the Soft Drinks Industry Levy (SDIL) will be increased, over the next five years, to reflect the 27% CPI inflation between 2018 and 2024. Annual rate increases will take place on 1 April, starting on 1 April 2025, and will also reflect future yearly CPI increases.

5.103 Soft Drinks Industry Levy Review – To ensure the SDIL continues to encourage reformulation to help tackle obesity, the government will review the current SDIL sugar content thresholds and the current exemptions for milk-based and milk substitute drinks. Contributions from all interested stakeholders are welcomed as part of this review.

5.104 Tobacco duty rates – The government will renew the tobacco duty escalator at RPI+2% on all tobacco products until the end of this Parliament. To reduce the gap with cigarette duty, the rate on hand-rolling tobacco will increase by a further 10% this year. These changes will take effect from 6pm on 30 October 2024 and will be included in Finance Bill 2024-25.

5.105 Vaping products duty – A flat-rate excise duty on all vaping liquid will be introduced from 1 October 2026 at £2.20 per 10ml vaping liquid, accompanied by an equivalent one-off increase of £2.20 per 100 cigarettes / 50g of tobacco in tobacco duty to maintain the financial incentive to switch from tobacco to vaping.

5.106 Gaming duty bands – The Gross Gaming Yield bandings for gaming duty will be frozen from 1 April 2025 until 31 March 2026.

5.107 Remote gambling duty reform – The government will consult next year on proposals to bring remote gambling (meaning gambling offered over the internet, telephone, TV and radio) into a single tax, rather than taxing it through a three-tax structure. This will aim to simplify, future-proof and close loopholes in the system.

5.108 Audio-Visual Expenditure Credit: Additional tax relief for visual effects – From 1 April 2025, film and high-end TV productions will be able to claim an enhanced 39% rate of Audio-Visual Expenditure Credit on their UK visual effects costs. UK visual effects costs will be exempt from the Audio-Visual Expenditure Credit's 80% cap on qualifying expenditure. Costs incurred from 1 January 2025 will be eligible. This measure was announced at Spring Budget 2024 and it will be legislated in Finance Bill 2024-25.

5.109 Independent Film Tax Credit – From 1 April 2025, UK films with budgets under £15 million and a UK lead writer or director will be able to claim an enhanced 53% rate of Audio-Visual Expenditure Credit, known as the Independent Film Tax Credit. Expenditure incurred from after 1 April 2024 on films that began principal photography on or after 1 April 2024 is eligible. This measure was announced at Spring Budget 2024 and has been legislated.

5.110 Theatre Tax Relief, Orchestra Tax Relief and Museums and Galleries Exhibitions Tax Relief: 45%/40% rates from 1 April 2025 – From 1 April 2025, the rates of Theatre Tax Relief, Orchestra Tax Relief and Museums and Galleries Exhibitions Tax Relief will be set at 40% for non-touring productions and 45% for touring productions and all orchestra productions. These rates apply UK-wide. This measure was announced at Spring Budget 2024 and has been legislated.

5.111 Research & development tax reliefs: improving administration – The government will discuss widening the use of advance clearances in research & development reliefs with stakeholders, with the intention to consult on lead options in spring 2025. The government has also published a document setting out further information on the scale and characteristics of error and fraud up to 2023-24, the policy and operational changes that have been made to address this, and further data on customer experience.

5.112 Advance tax certainty for major projects – The government will launch a consultation in spring 2025 to develop a new process that will give investors in major projects increased tax certainty in advance.

5.113 Capital allowances: Green First Year Allowances – The government will extend for a further year the 100% First Year Allowances (FYA) for qualifying expenditure on zero-emission cars and the 100% FYA for qualifying expenditure on plant or machinery for electric vehicle chargepoints, to 31 March 2026 for corporation tax purposes and 5 April 2026 for income tax purposes.

5.114 Capital allowances: Extending full expensing to assets bought for leasing – The government will explore extending full expensing to assets bought for leasing or hiring, when fiscal conditions allow.

5.115 Capital allowances: Greater clarity on what qualifies for capital allowances – HMRC will continue to work with stakeholders to improve and clarify guidance on areas of uncertainty within the capital allowances system.

5.116 Capital allowances: Tax treatment of predevelopment costs – A consultation will be launched in the coming months that explores the tax treatment of predevelopment costs.

5.117 Reserved Investor Fund and related provisions – The government is proceeding with the introduction of the Reserved Investor Fund (Contractual Scheme) – a new type of UK-based investment fund. Related provisions will also make minor changes to the tax rules in respect of Co-ownership Authorised Contractual Schemes. Secondary legislation will be brought forward before the end of the tax year 2024-25.

5.118 Private Intermittent Securities and Capital Exchange System Stamp Taxes on Shares Exemption – The government is committed to delivering the Private Intermittent Securities and Capital Exchange System (PISCES), a new innovative market for trading private company shares. In line with that commitment, the government is announcing that PISCES transactions will be exempt from Stamp Duty and Stamp Duty Reserve Tax. The exemption will be introduced to a similar timeline to the legislation establishing the PISCES regulatory framework.

5.119 Modernising Transfer Pricing – The government will publish a further consultation on reforms to the UK's rules on transfer pricing, permanent establishments, and Diverted Profits Tax in spring 2025. This includes the potential removal of UK-to-UK transfer pricing. The government will also publish consultations in spring 2025 on further changes to the transfer pricing rules, including:

- considering lowering the thresholds for exemption from transfer pricing for medium-sized businesses while retaining an exemption for small businesses, and
- introducing a requirement for multinationals in scope of transfer pricing rules to report information to HMRC on certain cross-border related party transactions

Alongside this the government will review the transfer pricing treatment of cost contribution arrangements, to ensure that the rules are certain and do not act as a deterrent to investment that brings economic benefits to the UK.

5.120 Technical changes relating to Advance Pricing Agreements for certain financing arrangements – The government will introduce technical amendments in Finance Bill 2024-25 to provide certainty that Advance Pricing Agreements are available for financing arrangements covered by the Transfer Pricing rules in line with HMRC's existing Statement of Practice 1 (2012).

5.121 Multinational Top-up Tax: Undertaxed Profits Rule – OECD Pillar 2 – The government will legislate for the Undertaxed Profits Rule (UTPR) in Finance Bill 2024-25. The UTPR is the final part of the G20-OECD Global Minimum Tax agreed by over 135 countries and jurisdictions. It will take effect for accounting periods beginning on or after 31 December 2024. Technical amendments to the Multinational and Domestic Top-up Tax legislation will also be included in Finance Bill 2024-25 to incorporate latest international updates and following stakeholder consultation.

5.122 Offshore Receipts in Respect of Intangible Property Repeal – The government is confirming that the Offshore Receipts in Respect of Intangible Property (ORIP) rules will be abolished in respect of income arising from 31 December 2024, based on its view that the Pillar 2 Undertaxed Profits Rule will more comprehensively discourage the multinational tax-planning arrangements that ORIP sought to counter. Repeal of ORIP will be legislated in 2024-25.

5.123 Corporate Tax Roadmap – The government has published a Corporate Tax Roadmap. The Roadmap includes a commitment to cap the Corporation Tax Rate at 25%; maintain the Small Profits Rate and marginal relief at current rates and thresholds; and maintain key features as such as Full Expensing, the Annual Investment Allowance, R&D relief rates, and the Patent Box. The Roadmap also outlines areas for further exploration including a new process for advanced assurance for major projects and simplifying and improving tax administration.

5.124 Rollover of 2021 Business Tariff Suspensions – Following feedback from businesses, the government will maintain tariff-free imports to avoid unnecessary costs for UK businesses. This measure will extend, until June 2026, tariff suspensions on goods ranging from aluminium frames used by UK bicycle manufacturers to ingredients used by UK food producers.

5.125 Alternative Finance: Tax rules for alternative finance – Alternative finance tax rules will be amended to put certain tax consequences of alternative and conventional financing arrangements on a level playing field. This follows a consultation on tax simplification for alternative finance and the government has published a summary of responses. The changes will apply UK-wide from 30 October 2024. This will be legislated for in Finance Bill 2024-25.

5.126 Annual Tax on Enveloped Dwellings (ATED): Annual chargeable amounts – The annual chargeable amounts for ATED will be uplifted by the September CPI figure of 1.7% for the 2025-2026 ATED chargeable period. This uprating will be implemented through a Treasury Order.

Welfare and labour markets

5.127 Welfare cap reform – The government is setting a new welfare cap in its fiscal framework and has reset the cap for 2029-30. The margin has been revised and, to support ongoing spending control and to strengthen accountability, the Department for Work and Pensions will publish an annual report on welfare spending.

5.128 Universal Credit: Moving Employment and Support Allowance claimants onto Universal Credit sooner – The government will migrate Employment and Support Allowance claimants to Universal Credit from September 2024 instead of 2028. This move will bring more people into a modern benefit regime, continuing to ensure they are supported to look for and move into work.

5.129 DWP Fraud and Error: 3,000 new fraud and error staff – The government is expanding DWP's fraud and error staff by 3,000, as part of its £110 million investment in 2025-26 to tackle fraud and error. This is expected to deliver gross savings of £705 million in 2029-30.

5.130 DWP Fraud and Error: new powers to recover debt – The government will increase DWP's powers to recover debt as part of the forthcoming Fraud, Error and Debt Bill. This is expected to save £260 million in 2029-30.

5.131 DWP Fraud and Error: new investment to prevent fraud and error – The government will invest in DWP to carry out additional checks on Universal Credit claimants who have changes in their circumstances, as part of a £110 million investment in 2025-26 to tackle fraud and error. This is expected to save £250 million in 2029-30.

5.132 DWP Fraud and Error: Extending Targeted Case Review – The government will extend DWP's Targeted Case Review which helps spot incorrect Universal Credit claims, saving £2.5 billion in 2029-30.

5.133 HMRC Fraud and Error: investment in additional 180 counter-fraud staff to tackle fraud and error in Child Benefit and Tax-Free Childcare – The government will invest in 180 new counter-fraud staff to increase HMRC's capabilities to better tackle fraud and error in Child Benefit and Tax-Free Childcare. This is expected to deliver a gross saving of £95 million in 2029-30.

5.134 Universal Credit: Fair Repayment Rate – The government is creating a new Fair Repayment Rate which caps debt repayments made through Universal Credit at 15% of the standard allowance. This will mean 1.2 million households will be better off by £420 per year on average as a result of this change. This measure increases the public sector net cash requirement by £385 million in 2029-30.

5.135 Universal Credit: surplus earnings – The government will maintain the Universal Credit surplus earnings threshold at £2,500 in Great Britain until March 2026.

5.136 Universal Credit: amend Severe Disability Premium transitional protection regulations – The government will amend the Severe Disability Premium to better support claimants who move from supported or temporary accommodation into rented housing.

5.137 Households Support Fund and Discretionary Housing Payments – The government will provide £1 billion in 2025-26, including Barnett impact, to extend both the Household Support Fund (HSF) in England, and Discretionary Housing Payments (DHPs) in England and Wales. The HSF will help households facing the greatest hardship and financial crisis, including supporting them with the cost of essentials such as food, energy and water. This builds on the previous investment of £500 million, including Barnett impact, to extend the HSF in England to 31 March 2025. DHPs are administered by Local Authorities and will continue to support vulnerable and low-income claimants to meet additional housing costs or temporarily cover rent.

5.138 Targeting Winter Fuel Payments – As announced in July 2024, the Winter Fuel Payment will be targeted to those in receipt of Pension Credit or certain other income-related benefits from winter 2024-25, saving an average £1.5 billion of taxpayers' money each year. The Winter Fuel Payment continues to be worth £200 for eligible households, or £300 for eligible households with someone aged over 80.

5.139 Enhancing Pension Credit take-up for new claims to Housing Benefit – The government has been working to maximise Pension Credit take up and ensure those eligible for this benefit are receiving it. There has been a significant increase in Pension Credit claims following the announcement to target Winter Fuel Payments. The government is optimising the use of Housing Benefit data and individuals applying for Housing Benefit from Spring 2025 will be proactively encouraged to apply for Pension Credit. The government is contacting 120,000 pensioners currently in receipt of Housing Benefit inviting them to claim Pension Credit too.

5.140 Bringing together the administration of Housing Benefit and Pension Credit – The administration of Pension Credit and Housing Benefit will be brought together for new claimants from 2026. This is two years earlier than previously announced, and will support more people to receive the benefits that they are entitled to.

5.141 National Living Wage increase – From April 2025 the National Living Wage will increase to £12.21 per hour for all eligible employees, and the National Minimum Wage for 18-20 year olds will increase to £10.00 per hour for all eligible workers. The government is also increasing the minimum wages for Under 18s and Apprentices to £7.55 per hour, and the Accommodation Offset rate will increase to £10.66 a day.

5.142 State Pension and Pension Credit uprating for 2025-26 – The government will maintain the State Pension Triple Lock for the duration of this parliament. The basic and new State Pension will increase by 4.1% from April 2025, in line with earnings growth. The Pension Credit Standard Minimum Guarantee will also increase by 4.1% from April 2025.

5.143 DWP and HMRC working age benefits uprating for 2025-26 – The government will uprate working age benefits by September 2024 CPI of 1.7% from April 2025. This will see around 5.7 million families on Universal Credit gain £150 on average in 2025-26.

5.144 Get Britain Working White Paper – The government will shortly publish the Get Britain Working White Paper which will set out its £240 million investment to trail new ways of getting people back into work. The government will test new approaches and collect robust evidence on how to tackle the root causes of ill-health-related inactivity, support young people who are 'not in education, employment, or training' (NEET), and help people to develop their careers.

5.145 Get Britain Working Trailblazers – As part of the Get Britain Working package, the government will establish eight trailblazer areas across England and Wales that bring together health, employment and skills services to improve the support available to those who are inactive due to ill health and help them return to work. This will include NHS England Health and Growth Accelerators in at least three Integrated Care Systems to develop evidence of the impact of targeted action on the top health conditions driving economic inactivity. It will also establish a further eight Youth Guarantee Trailblazer areas to test new ways of supporting young people into employment or training, by bringing together and enhancing existing programmes in partnership with local areas.

5.146 High Income Child Benefit Charge reform, simplification and targeting of economic support to households – The government will not proceed with the reform to base the HICBC on household incomes. This is because it would have come at a significant fiscal cost of £1.4 billion by 2029-30 if setting the threshold to £120,000-£160,000, where no families would lose out.[123] To make it easier for all taxpayers to get their HICBC right, the government will allow employed individuals pay their HICBC through their tax code from 2025, and pre-prepopulate Self Assessment tax returns with Child Benefit data for those not using this service. The government will also explore how better data use and sharing across government departments can improve the targeting of economic support to households, especially in times of crisis.

[123] Internal HM Treasury estimate provided by HM Revenue and Customs and based on Spring 2024 assumptions.

Devolution, housing and local government

5.147 Mortgage guarantee scheme – The government will engage with industry over the coming months on the Mortgage guarantee scheme (MGS) to develop plans to make MGS permanently available to support lending at 95% loan to value. A permanent scheme will end the stop-start availability of the scheme, and give lenders confidence throughout the cycle, while making it easier for first-time buyers to realise the dream of home ownership. The government intends to announce further details of the scheme in Phase 2 of the Spending Review.

5.148 Social rent settlement – The government is consulting on a new long-term social housing rent settlement of CPI+1% for 5 years to offer certainty for social housing providers and give the sector the confidence to build tens of thousands of new social homes in England. The government will be consulting on whether further measures could provide even greater certainty.

5.149 Reducing Right to Buy discounts – Reducing discounts on the Right to Buy scheme, and enabling councils in England to keep receipts generated by sales, will deliver on the government's commitment to protect existing council housing stock and boost council capacity to ensure that vital social housing is available to those who need it most.

5.150 English Devolution White Paper – The government is working closely with local leaders on the upcoming English Devolution White Paper. This will set out the government's plans to widen devolution to more areas and deepen the powers of existing mayors and their combined authorities, ensuring they have the tools needed to boost economic growth.

5.151 Granting borrowing powers for newly established Mayoral Combined (County) Authorities – At Autumn Statement 2016, it was announced that Mayoral Combined Authorities would be given powers to borrow for new functions subject to a cap agreed with HM Treasury. In line with this approach, the government will legislate to provide the North East Combined Authority; East Midlands Combined County Authority; and York and North Yorkshire Combined Authority with borrowing powers across the full range of their functions.

5.152 Integrated settlements for Mayoral Combined Authorities – The government is implementing integrated settlements for Greater Manchester and West Midlands Combined Authorities from the start of the 2025-26 financial year, and for Liverpool City Region Combined Authority and the North East, South Yorkshire and West Yorkshire Mayoral Combined Authorities from the start of the 2026-27 financial year. Noting its unique devolution arrangement, the government will also explore how an integrated settlement could apply for the Greater London Authority from 2026-27.

5.153 Extend 100% business rates retention for the West of England Combined Authority, Cornwall and Liverpool City Region for 2025/26 – The government is extending 100% business rates retention arrangements for West of England Combined Authority, Cornwall and Liverpool City Region for 2025-26.

5.154 Extend 67% business rate retention for the Greater London Authority for 2025-26 – The government is extending 67% business rates retention arrangements for the Greater London Authority for 2025-26.

5.155 Extending the Public Works Loan Board Housing Revenue Account rate – The government is extending the discounted Public Works Loan Board Housing Revenue Account lending rate until March 2026. This will support local authority financing of capital expenditure on social housing in their Housing Revenue Account.

5.156 Welsh coal tips funding – The government is providing the Welsh Government with £25 million in 2025-26 to support essential work to keep disused coal tips maintained and safe.

Enterprise and growth

5.157 Local growth funding reforms – The government will set out its long-term vision for local growth funding in Phase 2 of the Spending Review. The government is continuing to invest in programmes which are important to growth and provide stability for local leaders and investors.

5.158 Regional growth strategy – The government is setting out the next steps for delivering its strategy for regional growth, across investment, devolution and local growth funding reform – which will create good jobs and spread prosperity across the UK.

5.159 City and Growth Deals – Proceeding with the Mid South West and Causeway Coast and Glens City and Growth Deals. The Budget confirms £162 million investment over 15 years, subject to value for money assessments of business cases, supporting economic growth in Northern Ireland's rural regions. The government also confirms £25 million for the 10-year investment in the Argyll and Bute City and Growth Deal to drive inclusive and sustainable economic growth, subject to a value for money assessment of business cases.

5.160 Future of Freeports and Investment Zones – The government is confirming funding for Investment Zones and Freeports across the UK, announcing the approval of the East Midlands Investment Zone to support advanced manufacturing and green industries, and confirming that five new customs sites will be designated in existing Freeports shortly. The government will also work to ensure the Freeports policy model aligns with the national Industrial Strategy.

5.161 Brand Scotland – Supporting Scottish trade and investment by providing £0.75 million to establish Brand Scotland, a programme run by the Scotland Office to promote Scottish investment opportunities and exports across the globe.

5.162 Industrial Strategy – The government launched a green paper on its modern Industrial Strategy earlier this month. This set out eight growth-driving sectors and announced that government will produce sector plans for each as part of its promise to help these sectors thrive. The Budget confirms long-term support for growth-driving sectors ahead of the full modern Industrial Strategy's publication in the Spring, including:

- Committing £975 million in R&D funding for the aerospace sector over five years. Further details will follow in Phase 2 of the Spending Review.
- Committing over £2 billion in R&D and Capital funding over 5 years to support the automotive sector, including the zero emissions vehicle manufacturing sector and supply chain. Further details will follow in Phase 2 of the spending Review.

- Up to £520 million for a new Life Sciences Innovative Manufacturing Fund to drive growth and build resilience for future health emergencies.
- Tax reliefs for the UK's world-leading creative industries, which will provide £15 billion of support over the next 5 years.

5.163 UK Export Finance support for critical minerals – UK Export Finance will support companies supplying critical minerals to UK exporters in growth-driving sectors such as EV battery production, clean energy, aerospace and defence. This new support targets projects that secure critical minerals from overseas and will boost supply chain resilience in key manufacturing sectors.

5.164 Small Business Strategy – The government will bring forward a Small Business Strategy Command Paper in 2025. This will set out the government's vision for supporting small businesses, from boosting scale-ups to growing the co-operative economy, across key policy areas such as creating thriving high streets, making it easier to access finance, opening up overseas and domestic markets, building business capabilities, and providing a strong business environment. The paper will complement the government's forthcoming Industrial Strategy and Trade Strategy.

5.165 Made Smarter – Funding for the Made Smarter Adoption programme will double to £16 million in 2025-26, supporting more small manufacturing businesses to adopt advanced digital technologies and enabling the programme to be expanded to all nine English regions.

5.166 Digital Adoption Taskforce – The SME Digital Adoption Taskforce will be extended and will produce an interim report early in 2025 with practical steps and recommendations to enhance SME adoption of digital technology, using insights from local and international experiences.

5.167 Digital adoption pilots – The Department for Business and Trade will shortly announce details on a £4 million pilots package to encourage tech adoption for SMEs.

5.168 Prompt payments – From 1 October 2025, companies bidding for government contracts over £5 million per annum will be excluded from the procurement process if they do not pay their own suppliers within an average of 45 days.

5.169 The Bank Referral Scheme and Commercial Credit Data Sharing – The government has published the second post-implementation reviews on both policies and intends to launch consultations on how it can further enhance them in spring 2025.

5.170 Cross-government Review of Technology Adoption for Growth, Innovation and Productivity – The government will task the government Chief Scientific Adviser, Professor Dame Angela McLean, with National Technology Adviser, Dr Dave Smith, to lead a review on barriers to the adoption of transformative technologies that could enhance innovation and productivity, with a focus on the growth-driving sectors identified in the Industrial Strategy green paper. Reinforcing the government's growth mission, the review's recommendations will directly inform the development of the industrial strategy and sector plans that will be published alongside Phase 2 of the Spending Review.

5.171 East West Rail consultation – East West Rail will connect Oxford, Milton Keynes and Cambridge and unlock land for housing and laboratories, supporting the wider Cambridge life sciences cluster. The Budget will announce the East West Rail consultation, the next step in the project, which will be launched by the Secretary of State for Transport in November 2024.

5.172 Social impact investment vehicle – The government is announcing that work will begin to develop a social impact investment vehicle, led by the Chief Secretary to the Treasury, working with DCMS, to support the government to deliver its missions. This will bring together socially motivated investors, the voluntary sector and government to tackle complex social problems. This will be designed and developed through engagement with the sector, with further details to be announced at Phase 2 of the Spending Review.

5.173 Mineworkers' Pension Scheme – The government will transfer the Investment Reserve Fund in the Mineworkers' Pension Scheme to the scheme's Trustees. This will be paid out as an additional pension to members of the scheme. The government will also take forward a review of the existing surplus sharing arrangements.

5.174 Implementation of Lifelong Learning Entitlement to amended timetable – The government will deliver the Lifelong Learning Entitlement (LLE), but will postpone its launch by one year. The LLE will launch in September 2026 for learners studying courses starting on or after 1 January 2027.

Annexes

A Financing

A.1 This annex sets out the government's financing plans for 2024-25, which were previously revised on 23 April 2024.[124] Further details of the revised financing remit for 2024-25, including progress against the remit to date, can be found on the website of the UK Debt Management Office (DMO).[125] The government's debt management framework remains as set out in the *Debt Management Report 2024-25*.[126]

Debt management objective

A.2 The debt management objective, as set out in the *Debt Management Report 2024-25*, is "to minimise, over the long term, the costs of meeting the Government's financing needs, taking into account risk, while ensuring that debt management policy is consistent with the aims of monetary policy".

Debt management policy

A.3 The government's decisions on the structure of the financing remit are made in accordance with the debt management objective, the debt management framework, and wider policy considerations. In determining the overall structure of the financing remit, the government assesses the costs and risks of debt issuance by maturity and type of instrument. Decisions on the composition of debt issuance are also informed by an assessment of investor demand for debt instruments by maturity and type, as well as the government's appetite for risk. Alongside these considerations, the government takes into account the practical implications of issuance (for example, the scheduling of operations throughout the year).

A.4 While decisions on debt management policy must be taken with a long-term perspective, specific decisions on funding the government's gross financing requirement are taken annually. Those decisions are announced in advance of the forthcoming financial year and are typically updated in April (a technical adjustment to reflect outturn data from the previous year) and, as now, when the Office for Budget Responsibility (OBR) publishes subsequent fiscal projections.

Financing arithmetic

A.5 The updated financing arithmetic for 2024-25 is set out in Table A.1.

A.6 The OBR's October 2024 forecast for the 2024-25 central government net cash requirement (excluding NRAM ltd, Bradford & Bingley, and Network Rail), which is referred to as CGNCR (ex NRAM, B&B, and NR) is £165.1 billion, which represents an upward revision of £22.3 billion since the forecast published at the Spring Budget on 6 March 2024. This measure is used in the financing arithmetic, as it reflects the forecast cash requirement of the Exchequer.

[124] 'Revision to the DMO's Financing Remit 2024-25', UK Debt Management Office, April 2024.
[125] https://www.dmo.gov.uk/.
[126] 'Debt Management Report 2024-25', HM Treasury, March 2024.

A.7 The DMO's net financing requirement (NFR) for 2024-25 was revised up by £12.4 billion on 23 April 2024 from £265.3 billion at Spring Budget 2024, to £277.7 billion. The DMO's NFR is being revised up by a further £22.2 billion at the Autumn Budget 2024, to £299.9 billion. The net financing requirement (NFR) for the Debt Management Office (DMO) comprises: CGNCR (ex NRAM, B&B, and NR) plus any financing for gilt redemptions, and other adjustments, less the net contribution to financing from National Savings and Investments (NS&I), and any other in-year contributions to financing.

A.8 The upward revision to the DMO's NFR will be delivered through i) an increase in gross gilt issuance this year of £19.2 billion and ii) a £3.0 billion increase in financing raised through net issuance of Treasury bills (T-bills) for debt management purposes.

Table A.1: Financing Arithmetic in 2024-25 (£ billion)[1]

	Debt Management Report 2024-25	April 2024-25[2]	Autumn Budget 2024-25
CGNCR (ex NRAM, B&B, and NR)[3]	142.8	142.8	165.1
Gilt redemptions	139.9	139.9	139.9
Financing adjustment carried forward from previous financial years	-5.9	6.5	6.5
Gross financing requirement	276.8	289.2	311.5
Less:			
NS&I net financing	9.0	9.0	9.0
NS&I Green Savings Bonds[4]	0.5	0.5	0.5
Other financing[5]	2.0	2.0	2.1
Net financing requirement (NFR) for the Debt Management Office (DMO)	265.3	277.7	299.9
DMO's NFR will be financed through:			
Gilt sales, through sales of:			
Short conventional gilts	95.3	100.7	103.8
Medium conventional gilts[6]	82.1	86.0	92.0
Long conventional gilts[6]	49.0	50.0	59.2
Index-linked gilts	28.9	30.0	33.4
Unallocated amount of gilts	10.0	11.0	8.5
Total gilt sales for debt financing	265.3	277.7	296.9
Total net contribution of Treasury bills for debt financing	0.0	0.0	3.0
Total financing	265.3	277.7	299.9
DMO net cash position	2.3	2.3	2.3

[1] Figures may not sum due to rounding.
[2] Following the '*Debt Management Report 2024-25*' in March 2024, the financing arithmetic was updated in April 2024 to reflect the outturn of the previous financial year's CGNCR (excluding NRAM ltd, Bradford & Bingley, and Network Rail), which changes the financing adjustment and gross financing requirement.
[3] Central government net cash requirement (excluding NRAM ltd, Bradford & Bingley, and Network Rail).
[4] This represents the upper limit of inflows in 2024-25 from Green Savings Bonds.
[5] This financing item is typically comprised of estimated income from coinage and unhedged reserves.
[6] Includes green gilt issuance. More detail is provided in paragraph A.13.

Source: UK Debt Management Office, HM Treasury, National Savings & Investments, and Office for Budget Responsibility.

Gilt issuance by method, type, and maturity

A.9 The planned split of gilt issuance by type, maturity, and issuance method were previously set out in April 2024. Total gilt sales in 2024-25 are now forecast to rise by £19.2 billion to £296.9 billion.

A.10 The increase in gilt sales of £19.2 billion will be implemented as follows:

- An increase of £3.1 billion in short-dated conventional gilts to £103.8 billion (35.0% of total issuance in 2024-25).
- An increase of £6.0 billion in medium-dated conventional gilts to £92.0 billion (31.0% of total issuance in 2024-25).[4]
- An increase of £9.2 billion in long-dated conventional gilts to £59.2 billion (19.9% of total issuance in 2024-25).[127]
- An increase of £3.4 billion in index-linked gilts to £33.4 billion (11.2% of total issuance in 2024-25).
- A reduction of £2.5 billion in the unallocated portion[128] to £8.5 billion. Since April 2024, the unallocated portion had been drawn-down to £3.1 billion via transfers to the short, medium, and long conventional, as well as the index-linked gilt, sales programmes. Relative to just prior to this remit revision, the unallocated portion of gilt issuance is being increased by £5.4 billion.

A.11 Auctions will remain the government's primary method of gilt issuance. It is anticipated that £236.4 billion (79.6%) of total gilt sales will take place via auction in 2024-25, and £50.1 billion (16.9%) will be issued by syndication. The government will also continue to have the option to schedule gilt tenders, which may be used to assist with delivery of the financing remit and may also be used for market management reasons.

Green gilts and green retail savings products

A.12 The government continues to progress with its Green Financing Programme, under which the UK issues sovereign green bonds ('green gilts') via the DMO, and retail Green Savings Bonds (GSBs) via NS&I. As of 29 October 2024, the Green Financing Programme has raised a total of £43.4 billion.

A.13 The government's plans to raise £10.0 billion via issuance of green gilts in 2024-25, subject to demand and market conditions, remain unchanged. Total green gilt proceeds in the financial year to-date are £5.7 billion.

A.14 The GSBs were brought on sale via the NS&I website on 22 October 2021, and this product has allowed UK savers to support the government's green spending initiatives. NS&I forecast to have raised £1.8 billion since the initial October 2021 launch as of October 2024. NS&I expect additional inflows for 2024-25 to be below the upper limit of £500 million, subject to market conditions.

[127] Includes green gilt issuance. More detail is provided in paragraph A.13.
[128] The DMO's financing plans include an initially unallocated portion of issuance from which gilts of any maturity or type may be issued (excluding green gilts). The unallocated portion is used in such a way as to respond appropriately to developments in the gilt market in-year.

Treasury bills

A.15 It was planned that net Treasury bill issuance would make a zero contribution to meeting the 2024-25 NFR. Following this Autumn Budget 2024 revision, net issuance of Treasury bills will now contribute £3.0 billion to the net financing requirement for 2024-25.

NS&I

A.16 NS&I's net financing target in 2024-25 remains at £9.0 billion, within a range of ± £4.0 billion. This target reflects NS&I's requirement to balance the interests of its savers, the taxpayer, and the wider financial services sector. The proceeds from the sale of the retail Green Savings Bonds do not form part of NS&I's annual net financing target. They will be reported as part of the financing arithmetic before the financial year-end.

Illustrative future gross financing requirement

A.17 Table A.2 sets out the illustrative gross financing requirement for each financial year from 2025-26 to 2029-30, using the OBR's October 2024 forecast for CGNCR (ex NRAM, B&B, and NR) and taking into account current planned gilt redemptions.

Table A.2: Illustrative gross financing requirement (£ billion)[1]

	2025-26	2026-27	2027-28	2028-29	2029-30
CGNCR (ex NRAM, B&B, and NR)[2]	134.8	115.0	123.8	127.3	103.3
Gilt redemptions[3]	164.7	141.5	109.1	146.6	75.2
Total illustrative gross financing requirement	299.6	256.5	233.0	273.9	178.4

[1] Figures may not sum due to rounding.
[2] Central government net cash requirement (excluding NRAM ltd, Bradford & Bingley, and Network Rail).
[3] Projected redemptions reflect the amounts of gilts currently in issue (net of government holdings) in these financial years. To the extent that further gilt issuance takes place of gilts redeeming in these financial years, these amounts will increase. Includes gilt auction sizes announced up to and including 29 October 2024.

Source: Debt Management Office, HM Treasury, and Office for Budget Responsibility.

B Welfare cap

Table B.1 sets out a full list of expenditure items within the scope of the welfare cap.

Table B.1: Benefits and tax credits in scope of the welfare cap

In scope	Not in scope
Attendance Allowance[1] Bereavement benefits	Benefits paid from DEL[2]
Carer's Allowance[1]	Jobseeker's Allowance and its passported Housing Benefit
Child Benefit (including Guardian's Allowance)	Northern Ireland social security outside welfare cap
Christmas Bonus	State Pension (basic and additional)
Disability Living Allowance[1]	Transfers within government (e.g. Over 75s TV licences)
Employment and Support Allowance	Universal Credit payments to jobseekers
Financial Assistance Scheme	
Housing Benefit (except Housing Benefit passported from JSA)	
Incapacity Benefit	
Income Support	
Industrial injuries benefits[1]	
Maternity Allowance	
Northern Ireland social security in welfare cap	
Other DWP benefits below £0.1 billion pa in welfare cap	
Pension Credit	
Personal Independence Payment[1]	
Personal Tax Credits	
Severe Disablement Allowance[1]	
Social Fund – Cold Weather Payments	
Statutory Adoption Pay	
Statutory Maternity Pay	
Statutory Paternity Pay	
Tax Free Childcare	
Universal Credit (except payments to jobseekers)	
Winter Fuel Payment[1]	

[1] Including linked Scottish Government block grant addition.
[2] These payments are subject to firm spending control through the usual DEL process.

C Statistical annex

C.1 This annex provides further details of the projections of public expenditure that result from decisions made in Phase 1 of the Spending Review. In the spending framework, spending is broken down into departmental expenditure limits (DEL) and annually managed expenditure (AME). Fixed DEL budgets are set for each department. Spending that is considered difficult to control within fixed budgets due to its size or volatility is categorised as AME. Budgets are separated into capital, which generally equates to spending within public spending gross investment (PSGI) in the national accounts, and resource, generally within public sector current expenditure (PSCE).

C.2 Table C.1 sets out the composition of total managed expenditure (TME) over the forecast period. TME is the totality of public sector spending, DEL and AME, current and capital. The difference between TME and current receipts is public sector net borrowing (PSNB). Table C.1 sets out total current and capital spending and how this breaks down into resource DEL, resource AME, capital DEL, and capital AME.

C.3 Accounting adjustments reconcile DEL and AME budgets with the National Accounts definitions of PSCE, PSGI, and TME. An explanation of these adjustments is provided at Annex D of PESA 2024.

C.4 Table C.2 sets out total DEL by department. Tables C.3 and C.4 set out resource and capital DEL by department.

C.5 In Tables C.2 and C.3 the 2024-25 resource DEL figures differ from departmental budgets shown in table C.6. This is because Tables C.2 and C.3 show 2024-25 resource DEL baselines, whereas Table C.6 shows 2024-25 resource DEL budgets. As usual at spending reviews, baselines are used to represent ongoing spend, with one-off or time limited spend removed, so 2024-25 figures are consistent with 2025-26. Also as usual, real growth figures are calculated using GDP deflators consistent with the OBR's latest forecast.

C.6 A proportion of resource DEL, in particular depreciation, is not currently used in measurement of the fiscal aggregates by the ONS and so does not directly impact on the government's fiscal rules. Tables C.2, C.3, and C.6 therefore exclude depreciation.

C.7 Financial transactions are a part of departmental capital DEL budgets. Table C.5 below details departmental plans for financial transactions that contribute to net lending.

Table C.1: Total Managed Expenditure (TME)[1]

£ billion (current prices)	Outturn 2023-24	Plans 2024-25	Plans 2025-26	Plans 2026-27	Plans 2027-28	Plans 2028-29	Plans 2029-30
Current Expenditure							
Resource AME	596.8	601.8	618.6	637.9	655.4	678.9	705.6
Resource DEL excluding depreciation	452.2	488.2	517.2	534.2	551.6	569.5	588.5
Ringfenced depreciation	38.9	44.5	47.1	48.4	50.1	51.7	53.4
Total Public Sector Current Expenditure	**1,087.8**	**1,134.4**	**1,182.8**	**1,220.5**	**1,257.2**	**1,300.1**	**1,347.5**
Capital Expenditure							
Capital AME	28.1	25.1	21.0	20.2	19.6	19.2	18.9
Capital DEL	106.8	116.6	131.3	138.4	141.4	142.4	144.1
Total Public Sector Gross Investment	**134.9**	**141.7**	**152.2**	**158.5**	**161.0**	**161.5**	**163.0**
Total Managed Expenditure	**1,222.7**	**1,276.2**	**1,335.1**	**1,379.0**	**1,418.1**	**1,461.7**	**1,510.5**
Total Managed Expenditure % of GDP	*44.9%*	*45.3%*	*45.3%*	*45.1%*	*44.8%*	*44.6%*	*44.5%*
o/w Total DEL	*558.9*	*604.8*	*648.4*	*672.6*	*693.0*	*711.9*	*732.6*

[1] Resource DEL excluding ringfenced depreciation is the Treasury's primary control within resource budgets. Capital DEL is the Treasury's primary control within capital budgets. The Office for Budget Responsibility (OBR) publishes Public Sector Current Expenditure in DEL and AME, and Public Sector Gross Investment in DEL and AME. A reconciliation is published by the OBR.

Source: HM Treasury Calculations and Office for Budget Responsibility EFO.

Table C.2: Total Departmental Expenditure Limits (DEL) excluding depreciation[1]

£ billion (current prices)	Outturn 2023-24	Baseline 2024-25	Plans 2025-26	Average annual real terms growth 2023-24 to 2025-26
Health and Social Care	188.5	201.9	214.1	3.8%
Education	87.9	94.3	99.7	3.4%
Home Office	20.3	22.6	22.1	-2.7%
Justice	11.9	12.7	13.8	5.6%
Law Officers' Departments	0.9	1.0	1.1	7.5%
Defence	53.9	56.9	59.8	2.3%
Ukraine – Extraordinary Revenue Acceleration	-	0.8	0.8	-
Single Intelligence Account	4.2	4.2	4.5	2.4%
Foreign, Commonwealth and Development Office	11.1	11.2	12.2	1.8%
MHCLG Local Government	9.6	12.5	14.3	10.2%
MHCLG Housing, Communities and Local Government	10.1	12.3	12.6	9.7%
Culture, Media and Sport	2.1	2.4	2.3	2.6%
Science, Innovation and Technology	12.7	13.7	15.1	6.5%
Transport	30.0	28.8	30.0	-2.5%
Energy Security and Net Zero	6.4	9.0	10.3	22.0%
Energy Security and Net Zero – construction costs for expected on-balance sheet CCUS and Hydrogen projects – subject to decision	-	1.4	3.7	-
Environment, Food and Rural Affairs	6.8	7.1	7.5	2.7%
Business and Trade	2.6	3.5	3.3	10.0%
Work and Pensions	9.0	9.7	10.8	6.3%
HM Revenue and Customs	6.7	5.9	6.7	4.5%
HM Treasury	0.4	0.4	0.5	1.3%
Cabinet Office	1.3	1.2	1.4	-5.4%
Scotland Government	43.4	45.2	47.7	2.3%
Welsh Government	19.5	20.1	21.0	1.3%
Northern Ireland Executive	16.9	17.2	18.2	1.3%
Small and Independent Bodies	2.7	3.0	3.2	7.1%
Reform and Innovation Fund	-	-	0.2	-
Reserves	-	2.8	6.8	-
Adjustment for Budget Exchange	-	-1.2	-	-
Total DEL excluding depreciation and allowance for direct impact of tax changes	**558.9**	**600.8**	**643.7**	**4.3%**
Allowance for direct impact of tax changes	-	-	4.7	-
Total Resource DEL excluding depreciation	**558.9**	**600.8**	**648.4**	**-**

[1] Total DEL is the sum of resource DEL and capital DEL and includes the adjustments set out in the resource DEL and capital DEL tables. See footnotes to those tables for further details.

Source: HM Treasury Public Spending Statistics, HM Treasury DEL plans, and Office for Budget Responsibility.

Table C.3: Resource Departmental Expenditure Limits (DEL) excluding depreciation

£ billion (current prices)	Outturn 2023-24	Baseline 2024-25	Plans 2025-26	Average annual real terms growth[1] 2023-24 to 2025-26
Health and Social Care	177.9	190.1	200.5	3.4%
of which: NHS England[2]	171.0	181.4	192.0	4.0%
Education	81.8	88.8	93.0	3.5%
of which: core schools	57.7	61.6	63.9	1.8%
Home Office[3]	19.0	20.8	20.6	-3.2%
Justice	10.4	11.0	11.8	4.3%
Law Officers' Departments	0.8	0.9	1.0	7.6%
Defence	34.8	37.5	38.4	1.7%
Single Intelligence Account	2.8	2.8	3.0	2.8%
Foreign, Commonwealth and Development Office[4]	7.7	8.4	8.3	0.6%
MHCLG Local Government[5]	9.6	12.5	14.3	10.2%
MHCLG Housing, Communities and Local Government	3.3	3.8	3.8	7.5%
Culture, Media and Sport[6]	1.5	1.5	1.5	-2.5%
Science, Innovation and Technology[7]	0.3	0.4	0.4	12.4%
Transport[8]	7.9	8.2	8.2	-0.7%
Energy Security and Net Zero[9]	1.3	1.6	1.9	8.8%
Environment, Food and Rural Affairs	4.7	4.8	4.8	-1.9%
Business and Trade	1.6	1.8	1.8	3.7%
Work and Pensions[10]	8.4	9.0	10.1	6.4%
HM Revenue and Customs[11]	6.0	5.2	5.8	4.1%
HM Treasury	0.4	0.3	0.4	0.7%
Cabinet Office[12]	0.9	0.8	0.8	-7.4%
Scottish Government[13]	37.4	39.3	41.1	2.3%
Welsh Government[13]	16.4	16.9	17.7	1.3%
Northern Ireland Executive[13]	14.8	15.2	16.0	1.5%
Small and Independent Bodies[14]	2.4	2.6	2.8	6.8%
Reform and Innovation Fund	0.0	0.0	0.2	-
Reserves	0.0	0.0	4.1	-
Total Resource DEL excluding depreciation and allowance for direct impact of tax changes	**452.2**	**484.2**	**512.4**	**3.3%**
Allowance for direct impact of tax changes	0.0	0.0	4.7	-
Total Resource DEL excluding depreciation	**452.2**	**484.2**	**517.2**	**-**
OBR Allowance for Shortfall	0.0	0.0	-6.4	-
Total Resource DEL excluding depreciation, post Allowance for Shortfall	**452.2**	**484.2**	**510.8**	**-**

[1] The average annual real terms growth rate has been adjusted to account for Budget Cover Transfers in 2023-24 that will be processed in-year in 2025-26; and increased pensions contributions (SCAPE) that commenced at 2024-25.

[2] This growth rate is adjusted for £2.7 billion of transfers DHSC made between NHS and non-NHS budgets in 2023-24 to manage in-year spending.

[3] The Home Office growth rate is negative between 2023-24 and 2025-26 due to significant savings to the cost of the asylum system.

[4] The Foreign, Commonwealth and Development Office RDEL and CDEL growth rates are largely driven by changing composition of ODA.

[5] The MHCLG Local Government growth rate is adjusted to reflect grant surrendered in 2023-24 in relation to local government business rate retention pilots.

[6] The Department for Culture, Media and Sport RDEL growth rate is negative between 2023-24 and 2025-26 due to expenditure funded from self-generated income by Arm's Length Bodies in 2023-24, and one-off pressures which are not included within the 2025-26 settlement.

[7] Budget allocations do not include budget for digital function that are transferring to DSIT as part of Machinery of Government changes. These changes will be formalised as part of supplementary estimates.

[8] The Department for Transport growth rate is negative between 2023-24 and 2025-26 due to the reduction to the rail services subsidy as passenger numbers continue to recover post-pandemic.

[9] The Department for Energy Security and Net Zero growth rate has been adjusted to exclude £0.3 billion provided in 2025-26 relating to lower income forecasts, so that the growth rate reflects actual changes in spending power.

[10] Excluding investment in fraud and error, which yields significant savings against the welfare forecast (see Table 2.1), this is equivalent to a real-terms average annual growth rate of 4.8% from 2023-24 to 2025-26.

[11] The HM Revenue and Customs growth rate has been adjusted to remove the £0.8 billion time-limited Cost of Living Payments in 2023-24.

[12] The Cabinet Office growth rate has been adjusted to exclude accounting changes relating to leases of government property (IFRS16)

[13] Devolved government funding arrangements operate as set out in the Statement of Funding Policy. Resource DEL baselines presented for 2024-25 reflect an estimate based on departmental baselines. Plans for 2024-25 are published in the statistical annex. Due to the scale of tax and welfare devolution in Scotland, Scottish Government DEL funding is presented excluding tax and welfare Block Grant Adjustments. Welsh Government DEL funding is presented including tax Block Grant Adjustments.

[14] Growth rate adjusts for one-off Ofgem funding in 2023-24. Outturn does not include the Electoral Commission as this was not included in PESA. Adjusting for this the average growth rate for Small and Independent Bodies would be 6.1%.

Source: HM Treasury Public Spending Statistics, HM Treasury DEL plans, and Office for Budget Responsibility.

Table C.4: Capital Departmental Expenditure Limits (DEL)

£ billion (current prices)	Outturn 2023-24	Plans 2024-25	Plans 2025-26	Average annual real terms growth 2023-24 to 2025-26[1]	Real terms growth 2024-25 to 2025-26
Health and Social Care	10.5	11.8	13.6	10.9%	12.8%
Education	6.2	5.5	6.7	2.2%	19.3%
Home Office[2]	1.3	1.9	1.5	5.2%	-20.9%
Justice	1.5	1.8	2.0	14.9%	11.0%
Law Officers' Departments[3]	0.0	0.1	0.1	2.4%	7.1%
Defence[3]	19.1	19.5	21.4	3.4%	7.6%
Ukraine – Extraordinary Revenue Acceleration	0.0	0.8	0.8	-	-
Single Intelligence Account	1.4	1.4	1.5	1.7%	6.1%
Foreign, Commonwealth and Development Office[5]	3.4	2.8	3.9	4.3%	35.3%
MHCLG Housing, Communities and Local Government	6.8	8.5	8.8	10.7%	0.9%
Culture, Media and Sport[6]	0.5	0.8	0.7	16.2%	-11.3%
Science, Innovation and Technology	12.4	13.3	14.7	6.4%	7.6%
Transport[7]	22.1	20.6	21.8	-3.1%	3.3%
Energy Security and Net Zero	5.1	7.5	8.4	25.2%	10.1%
Energy Security and Net Zero – construction costs for expected on-balance sheet CCUS and Hydrogen projects – subject to decision[8]	0.0	1.4	3.7	-	-
Environment, Food and Rural Affairs	2.1	2.3	2.7	12.6%	16.8%
Business and Trade[9]	1.0	1.7	1.5	19.8%	6.1%
Work and Pensions	0.6	0.7	0.7	5.0%	-1.2%
HM Revenue and Customs	0.7	0.7	0.9	7.1%	22.0%
HM Treasury[10]	0.0	0.0	0.1	-	-2.3%
Cabinet Office[11]	0.4	0.4	0.5	-1.1%	0.5%
Scottish Government	6.0	6.0	6.5	2.3%	7.1%
Welsh Government	3.1	3.2	3.4	1.3%	2.4%
Northern Ireland Executive	2.1	2.0	2.2	-0.3%	6.6%
Small and Independent Bodies	0.3	0.4	0.4	9.6%	1.8%
Reserves	0.0	2.8	2.7	-	-
Adjustment for Budget Exchange	0.0	-1.2	0.0	-	-
Total Capital DEL[12]	**106.8**	**116.6**	**131.3**	**8.3%**	**9.9%**
Remove Capital DEL not in PSGI[13]	-4.2	-5.0	-3.9	-	-
OBR Allowance for Shortfall	-	-6.7	-9.7	-	-
Public Sector Gross Investment in Capital DEL	**102.5**	**104.9**	**117.6**	**-**	**-**
Memo: Reduction in non-fiscal Capital DEL for intra-government leases[14]	-	-	*-1.9*		

£ billion (current prices)	Outturn 2023-24	Plans 2024-25	Plans 2025-26	Average annual real terms growth 2023-24 to 2025-26[1]	Real terms growth 2024-25 to 2025-26

[1] As Capital DEL can vary substantially between years, we do not present growth rates above or below 100%.
[2] The Home Office Capital DEL growth rate is negative between 2024-25 and 2025-26 due to temporary funding increases in 2024-25. This includes one-off investment in our borders and immigration system.
[3] The Law Officers' Departments Capital DEL growth rates have been adjusted to reflect time-limited and non-fiscal IFRS16 funding.
[4] The Ukraine Extraordinary Revenue Acceleration funding will be funded through HM Treasury.
[5] The Foreign, Commonwealth and Development Office Capital DEL growth rates are driven by a £0.4 billion Capital DEL to AME switch in 2023-24 and 2024-25 for British International Investment, to be made at Main Estimates in 2025-26, as well as a higher composition of CDEL ODA, offset by lower RDEL ODA.
[6] The Department for Culture, Media and Sport growth rate is negative between 2024-25 and 2025-26 due to expenditure funded from self-generated income by Arm's Length Bodies in 2024-25, which is not included within the 2025-26 settlement.
[7] The Department for Transport Capital DEL growth rate is negative between 2023-24 and 2025-26 due to temporary funding increases in 2023-24. This includes one off additional funding for HS2 to manage inflationary pressures, temporary uplifts to local roads maintenance funding and funding for TfL's extraordinary funding settlement (which ended in March 2024).
[8] The construction costs for CCUS and Hydrogen projects that are expected to be on-balance sheet from a fiscal perspective are recognised within DEL totals. This is subject to an ONS decision on classification.
[9] The Department for Business and Trade 2024-25 Capital DEL growth rate has been adjusted to exclude funding for the British Business Bank funded via the Reserves.
[10] HM Treasury's Capital DEL outturn figure in 2023-24 reflects a reduced IFRS16 requirement following the reclassification of UKGI's office lease to a license arrangement. For consistency the growth rate from 2024-25 to 2025-26 is calculated on business as usual plans, excluding time-limited funding and the recapitalisation of the European Bank of Reconstruction and Development.
[11] The Cabinet Office growth rates have been adjusted to exclude accounting changes according to IFRS 16 of leases for government property.
[12] All 2023-24 and 2024-25 Capital DEL figures include budget cover transfers, while 2025-26 figures exclude anticipated budget cover transfers.
[13] Capital DEL that does not form part of Public Sector Gross Investment in Capital DEL, including Financial Transactions in Capital DEL and intragovernmental leases.
[14] Capital DEL includes a £1.9 billion reduction in non-fiscal DEL in 2025-26 reflecting a revised forecast of IFRS16 spending on intra-governmental leases. This does not impact any fiscal metrics.

Source: HM Treasury Public Spending Statistics, HM Treasury DEL plans, and Office for Budget Responsibility.

Table C.5: Capital Departmental Expenditure Limits (DEL) Financial Transactions (FTs)

£ billion (current prices)	Outturn 2023-24	Plans 2024-25	Plans 2025-26
Health and Social Care	0.0	-	-
Education	0.0	-0.1	0.0
Defence	0.1	0.1	0.2
Foreign, Commonwealth and Development Office	0.2	0.2	0.6
MHCLG Housing, Communities and Local Government	-0.2	0.4	0.4
Culture, Media and Sport	0.0	-	-
Science, Innovation and Technology	0.0	0.1	0.1
Transport	-0.1	-	-
Energy Security and Net Zero	-0.4	0.4	-
Environment, Food and Rural Affairs	0.0	-	-
Business and Trade	0.4	0.9	0.4
Work and Pensions	0.1	0.1	0.1
HM Treasury	0.0	0.0	0.1
Cabinet Office	0.0	-	-
Scottish Government	0.3	0.1	0.2
Welsh Government	0.1	0.2	0.1
Northern Ireland Executive	0.0	0.1	0.1
Small and Independent Bodies	-	0.0	-
Total Financial Transactions	**0.6**	**2.5**	**2.2**

Source: HM Treasury Public Spending Statistics, HM Treasury DEL plans.

Table C.6: Departmental Budgets for 2024-25

£ billion (current prices)	Resource DEL excluding depreciation	Capital DEL
Health and Social Care	191.6	11.8
Education	89.2	5.5
Home Office	19.6	1.9
Justice	11.1	1.8
Law Officers' Departments	0.9	0.1
Defence	37.5	19.5
Ukraine – Extraordinary Revenue Acceleration	0.0	0.8
Single Intelligence Account	3.0	1.4
Foreign, Commonwealth and Development Office	8.4	2.8
MHCLG Local Government	11.4	-
MHCLG Housing, Communities and Local Government	4.5	8.5
Culture, Media and Sport	1.6	0.8
Science, Innovation and Technology	0.4	13.3
Transport	8.3	20.6
Energy Security and Net Zero	1.6	7.5
Energy Security and Net Zero – construction costs for expected on-balance sheet CCUS and Hydrogen projects – subject to decision	0.0	1.4
Environment, Food and Rural Affairs	5.0	2.3
Business and Trade	1.8	1.7
Work and Pensions	9.3	0.7
HM Revenue and Customs	5.3	0.7
HM Treasury	0.3	0.0
Cabinet Office	0.9	0.4
Scottish Government	39.8	6.0
Welsh Government	17.1	3.2
Northern Ireland Executive	15.6	2.0
Small and Independent Bodies	2.7	0.4
Reserves	1.1	2.8
Adjustment for Budget Exchange	0.0	-1.2
Total	**488.2**	**116.6**
OBR Allowance for Shortfall	-3.9	-6.7
Total post Allowance for Shortfall	**484.3**	**109.9**

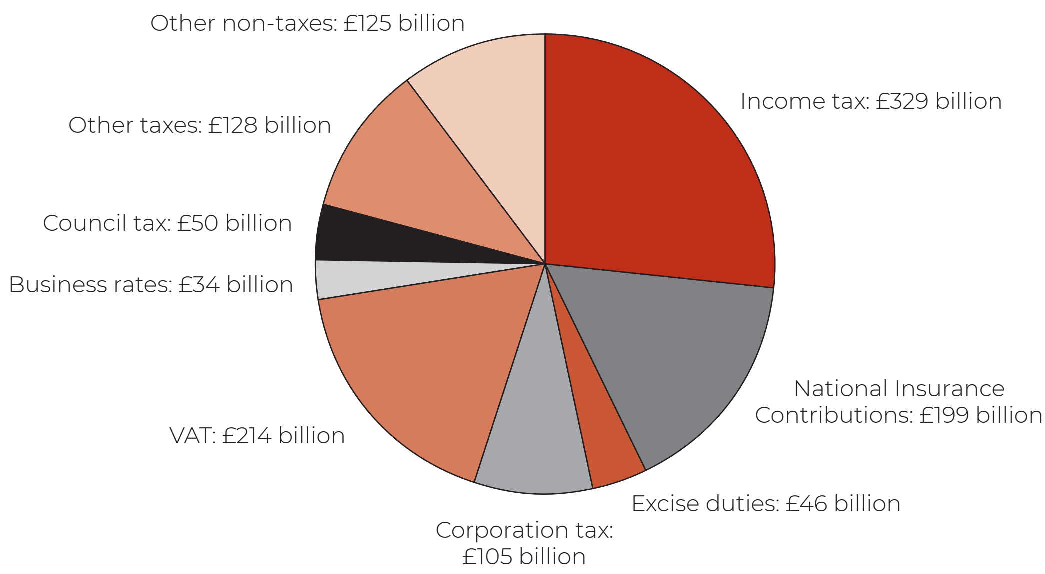
[1] Autumn Budget 2024 budgets represent final in year budgets, and are not comparable with 2024-25 baselines set out in Department settlement pages. In the baseline we stripped out time limited funding and other technical adjustments, to ensure comparability with 2025-26 settlements reasons.

Source: HM Treasury Public Spending Statistics and HM Treasury DEL plans.

D Public sector receipts and spending

D.1 Chart D.1 shows public sector current receipts by main type. Public sector current receipts are expected to be around £1,229 billion in 2025-26.

Chart D.1: Public sector current receipts 2025-26

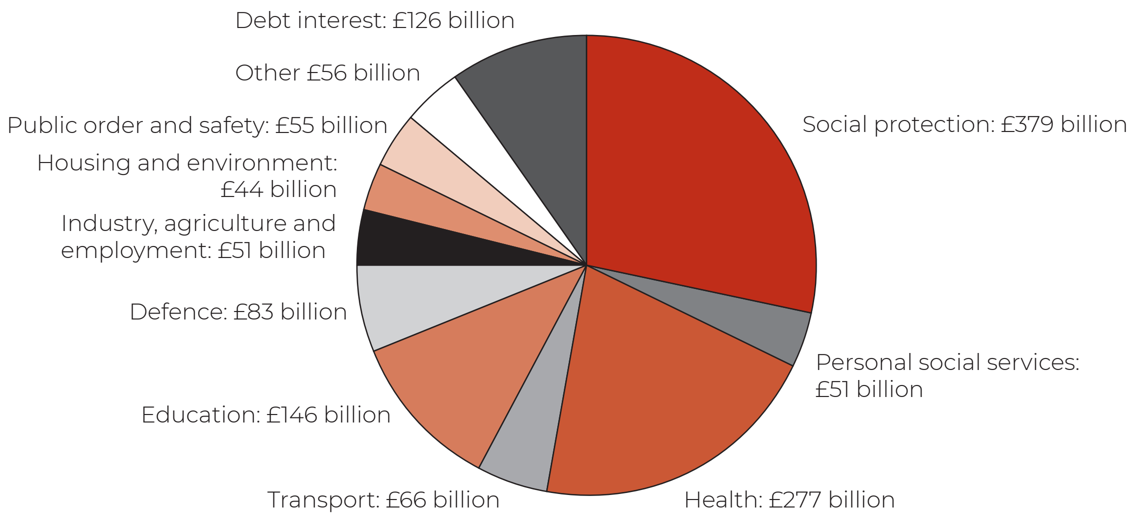


Figures may not sum due to rounding.
Other taxes includes capital taxes, stamp duties, vehicle excise duties, customs duties and other smaller tax receipts. Other non-taxes includes interest and dividends, gross operating surplus and other smaller non-tax receipts.

Source: Office for Budget Responsibility.

D.2 Chart D.2 shows public spending by main function. Total Managed Expenditure (TME) is expected to be around £1,335 billion in 2025-26.

Chart D.2: Public sector spending 2025-26



Figures may not sum due to rounding.
Illustrative allocations to functions are based on HMT analysis including capital consumption figures from the Office for National Statistics.

Source: Office for Budget Responsibility and HM Treasury calculations.