HM Treasury

SPRING STATEMENT 2025

CP 1298

March 2025

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Presented to Parliament
by the Chancellor of the Exchequer
by Command of His Majesty

March 2025

CP 1298

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

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ISBN 978-1-5286-5543-9
E03274109 03/25

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.

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Introduction

The government is focused on securing Britain's future through its Plan for Change – driving economic growth, building an NHS fit for the future and keeping the country safe.

At the Budget last autumn, the government reset public spending, including by addressing £22 billion of in-year pressures, the vast majority of which were recurring. It put the public finances on a sustainable path, underpinned by tax reforms that protected working people and new, robust fiscal rules that embed stability, while supporting sustainable investment in public services and growth. The government also increased the National Minimum Wage (NMW), giving millions of people a pay rise, and froze fuel duty.

This stability is paying off. The Bank of England have cut Bank Rate three times since the start of the Parliament. At the end of 2024, real wages were growing at their fastest rate in over three years.

Since autumn, the world has changed. Europe is now facing a generational challenge to its collective security. Global economic uncertainty has increased sharply, growth has slowed in many of Britain's major trading partners, and borrowing costs have risen across most advanced economies. As an open trading economy, the UK is not immune to these challenges.

But, despite a changing world, and supported by the measures that this government has taken, the economy is now forecast to grow faster than expected at the Budget last autumn, in 2026 and every year thereafter. And decisive action since the Budget last autumn means that the fiscal rules continue to be met two years early. The government has restored in full headroom to the stability rule. The investment rule is also met with a £15.1 billion buffer in the target year.

The government is now taking action to go further and faster to strengthen the UK's security, to reform the state and to grow the economy. It is making the right choices to bring security to working people and to put more money in their pockets. The Spring Statement sets out how the government is:

- Making a fully funded commitment to increase NATO-qualifying defence spending to 2.5% of Gross Domestic Product (GDP) by 2027, including by providing an additional £2.2 billion of funding for the Ministry of Defence (MOD) next year.
- Reforming the state to ensure public services are productive and agile, welfare spending is targeted towards those that need it the most and the tax that is owed is paid.
- Supporting growth by investing £13 billion more in capital infrastructure over the next five years, launching a construction skills package to train up to 60,000 more skilled workers, and investing an additional £2 billion in social and affordable housing.

The Office for Budget Responsibility (OBR) says that the planning reforms included in the government's National Planning and Policy Framework (NPPF) will lead to 170,000 additional homes built over the forecast period. This increases the level of real GDP by 0.2% by 2029-30, adding £6.8 billion to the economy, and by over 0.4% in 2034-35. The government's planning reform measures have led to the biggest positive real GDP effect that the OBR has reflected in its forecast for a policy with no fiscal cost. This helps to secure the public finances: the economic effect of government policies, driven by planning reforms, reduce borrowing by £3.4 billion in 2029-30. This improvement in the growth outlook reflects only the changes to residential planning. The government is going further and faster to drive growth through ambitious supply side reforms, including via increased capital spending, regulatory reform and the Planning and Infrastructure Bill.

Going further and faster on defence to strengthen national security

As set out in the Plan for Change, national security is the first duty of the government. Security abroad directly affects stability and prosperity in the UK. To reflect the evolving nature of the threat while maintaining economic stability, reductions in the Official Development Assistance (ODA) budget will support an increase in NATO-qualifying defence spending to 2.5% of GDP by April 2027, with an ambition to increase to 3% in the next Parliament as economic and fiscal conditions allow.

The Spring Statement accelerates towards this by providing an additional £2.2 billion of funding for MOD next year – a down payment on the increased funding which will strengthen the UK, and drive economic growth by boosting Research and Development (R&D) and innovation including through the upcoming Strategic Defence Review and Defence Industrial Strategy.

Going further and faster on reform

At the Budget last autumn, the government reset spending plans to recognise the £22 billion forecast overspend against day-to-day spending totals set at Spring Budget 2024, and provide much needed investment in public services.

NHS waiting lists have now fallen for five months in a row, breakfast clubs are being rolled out in primary schools, and asylum costs are falling.

As announced by the Secretary of State for Work and Pensions in the Pathways to Work Green Paper, the government is driving ambitious reforms to create a more pro-work welfare system for those who can work, and to protect those who cannot. These reforms put welfare spending on a more sustainable trajectory, with the OBR confirming that they will save £4.8 billion from the welfare budget in 2029-30 and that welfare spending will fall as a share of GDP in the medium term.

The government is driving efficiencies and reforming the state – including by bringing NHS England back into the Department of Health and Social Care (DHSC). The Spring Statement announces a £3.25 billion Transformation Fund to drive efficiencies across government, and save money later in the Parliament. This will support the fundamental reform of public services, seize the opportunities of digital technology and artificial intelligence (AI), and transform frontline delivery to release savings for taxpayers over the long term.

Compared to plans set out at Spring Budget 2024, departmental spending will now be almost £70 billion higher in 2028-29 (in 2024-25 prices).

Going further and faster to grow the economy

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

At the Budget last autumn, the government increased capital investment by over £100 billion over the Parliament. Since then, the government has set out its vision for a modern industrial strategy centred on high growth sectors and catalysed by the National Wealth Fund. And it is overhauling the UK's regulatory system and fast-tracking planning decisions on major economic infrastructure projects. This is alongside outlining how the UK will capture the opportunities of AI to enhance growth through the AI Opportunities Action Plan.

The government will set out capital spending plans for the Parliament at the Spending Review in June. Ahead of that, the government has announced an additional £2 billion for social and affordable housing for 2026-27, as a down payment on the government's ambition to build 1.5 million homes in England in this Parliament, supported by reforms in the Planning and Infrastructure Bill.

To ensure the construction industry has the capacity to deliver this government's plan to get Britain building, the government has committed to funding a £625 million package for skills in construction, expected to provide up to 60,000 more skilled workers this Parliament.

Spring Statement takes the decisions required to provide security, reform the state and grow the economy. Through the growth mission, the government will aim for the highest sustained growth in the G7 – with more people in good jobs, higher living standards, and productivity growth in every part of the United Kingdom. At the Spending Review in June, the Budget in the autumn and across the Parliament, the government will continue to prioritise growing the economy to deliver change.

1 Economic & Fiscal Outlook

1.1 Growth built on strong and secure foundations is the government's number one mission. At the Budget last autumn, the government set out a plan to deal with a stagnating economy. This involved fundamentally reforming the fiscal framework by introducing fiscal rules that keep the public finances on a sustainable path while supporting a step change in investment for infrastructure and growth.[1]

1.2 The government is now going further and faster. Stability and investment must be complemented by tangible structural reforms that are principled and support growth. That is why in December the government introduced wide-ranging and ambitious reforms to the NPPF to make it easier to build again. The OBR judges these will increase the level of GDP by 0.2% by 2029-30 and by over 0.4% by 2034-35.[2]

1.3 Since autumn, the cost of borrowing has risen for many economies across the world. The government has taken decisive action to ensure that the fiscal rules are met, including restoring in full headroom against the stability rule. The mission to drive growth helps to secure the public finances. The economic effect of government policies, including planning reforms that boost growth without a fiscal cost, reduces borrowing by £3.4 billion in 2029-30.

Economic and fiscal context

1.4 Global economic policy uncertainty has increased sharply, meaning stability at home is more important than ever.[3] The UK is an open economy and so is affected by what happens in its major trading partners and global financial markets. Global developments have affected the UK economy via three main channels:

- Volatile global oil prices have fed into higher fuel prices, while higher market prices for gas and electricity will contribute to higher consumer prices. These factors contribute to the OBR's Consumer Prices Index (CPI) inflation forecast increasing, with a peak of 3.8% in July 2025.[4,5]
- Government bond yields have increased across most advanced economies.[6] Higher borrowing costs have increased the amount the UK spends on debt servicing, and can affect businesses and consumers.[7] Analysis published by the Bank of England shows the rise in 10-year UK gilt yields between November and end-January was primarily due to global factors.[8]

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[1] 'Autumn Budget', HM Treasury, October 2024.
[2] 'Economic and Fiscal Outlook', Office for Budget Responsibility (OBR), March 2025. Unless otherwise stated, references to OBR publications throughout refer to the March 2025 Economic and Fiscal Outlook.
[3] 'Global Economic Policy Uncertainty Index', Baker, Bloom, & Davis, retrieved from FRED, Federal Reserve Bank of St. Louis, March 2025.
[4] 'Changes to energy price cap between 1 April and 30 June 2025', Ofgem, February 2025.
[5] 'CPI Fuels and Lubricants', Office for National Statistics, February 2025.
[6] 'Monetary Policy Report – February 2025', Bank of England, February 2025.
[7] 'Economic and Fiscal Outlook', Office for Budget Responsibility (OBR), March 2025.
[8] 'Monetary Policy Report – February 2025', Bank of England, February 2025.

- Recently, global financial market volatility has risen, reflecting higher uncertainty. This creates a more challenging environment for businesses to invest and hire workers, while also lowering business confidence, consumer sentiment and economic activity.

1.5 Growth has slowed in many of Britain's major trading partners.[9] Against this backdrop, the Organisation for Economic Co-operation and Development (OECD) has downgraded its 2025 forecasts for all G7 economies, including the UK.[10] The OECD projects the UK to be the second-fastest growing G7 economy this year and next.

1.6 In common with a number of advanced economies, the UK faces long-standing structural challenges that the government is addressing. Annual productivity growth fell from an average of 2.1% in the decade prior to the global financial crisis, to 0.6% between 2010 and 2019 and has since then stalled.[11] The inactivity rate remains elevated, with the number of people out of work due to ill-health having risen to 2.8 million.[12] Since 2019, trade intensity has also declined.[13] The Plan for Change aims to raise living standards in every part of the UK. That is why the government is prioritising the growth mission, going further and faster to kickstart economic growth and support those who can work, while protecting those who genuinely cannot.

Driving growth

1.7 Policies announced so far this Parliament are expected to raise the level of output by 0.6% by 2034-35 (Chart 1.1). These policies bring the government closer to delivering on key milestones set out in the Plan for Change, to raise living standards in every part of the UK and build 1.5 million safe and decent homes in England this Parliament.

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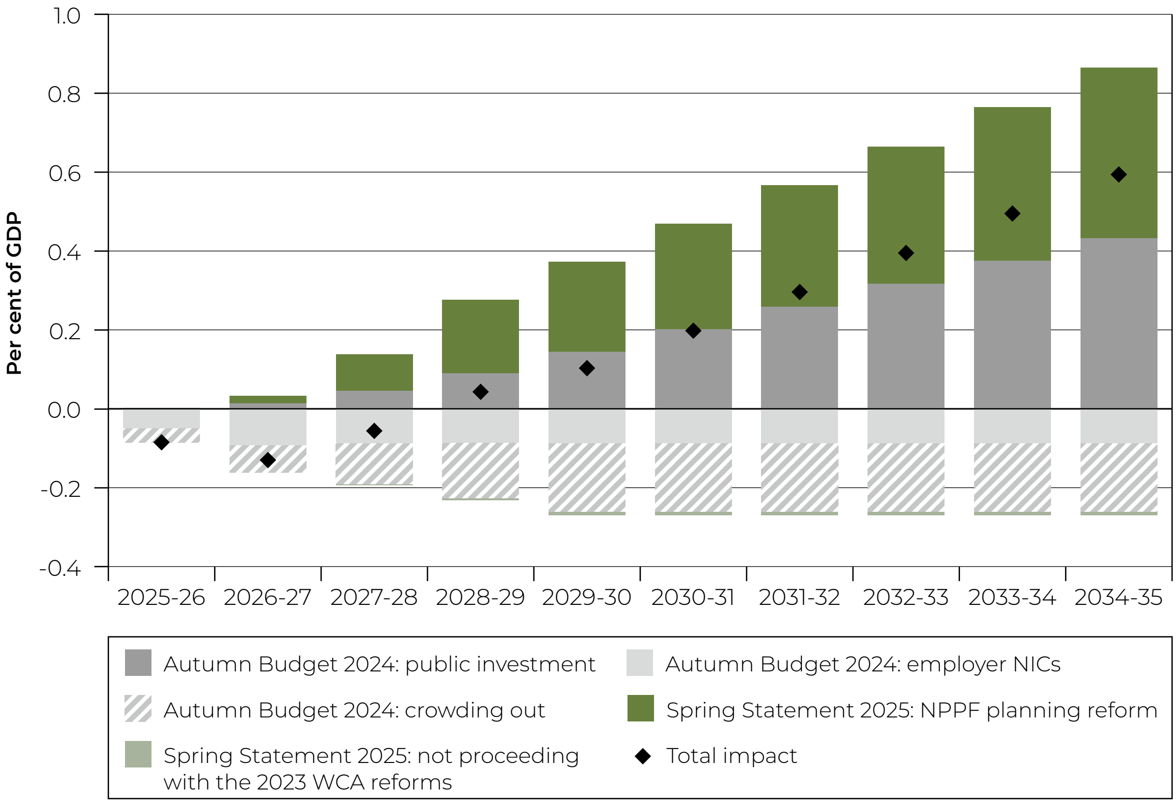
[9] HM Treasury calculations based on Q3 2024 and Q4 2024 OECD Quarterly real GDP Growth.
[10] 'OECD Economic Outlook, Interim Report March 2025', OECD, March 2025.
[11] Geometric average of GDP per hour, HM Treasury calculations of: GDP: chained volume measures: Seasonally adjusted, Office for National Statistics and LFS: Total actual weekly hours worked, Office for National Statistics.
[12] 'Summary of labour market statistics', Office for National Statistics, March 2025.
[13] 'UK Trade time series', Office for National Statistics, March 2025.

Chart 1.1: OBR-estimated supply side effects of policies announced this Parliament



Source: Office for Budget Responsibility figures and HM Treasury calculations.

Stability

1.8 The Spring Statement continues to deliver on the government's fiscal and economic strategy, putting the UK in the best position to withstand global uncertainty. The UK faces a period of profound change, with conflicts overseas undermining security and prosperity at home. The government has committed to increase spending on defence to 2.5% of GDP from April 2027, funded from reductions in the ODA budget, with an ambition to reach 3% in the next Parliament as economic and fiscal conditions allow.[14] By spending more on defence, the government will unlock prosperity through new jobs, skills and opportunity across the country.

1.9 A robust fiscal strategy, underpinned by strong fiscal rules, is particularly important in this challenging context. The stability rule is that the current budget must move into balance, so day-to-day spending is met by revenues. The investment rule is that net financial debt (defined as public sector net financial liabilities) must be falling as a share of GDP by the fifth year of the forecast.

Investment

1.10 The fiscal rules reflect the government's commitment to invest to boost growth. At the Budget last autumn, the government increased capital investment by more than £100 billion over the forecast, a decision that the OBR said will raise the level of GDP by over 0.4% after 10 years if sustained, and by 1.4% in the long run.

[14] '[Prime Minister sets out biggest sustained increase in defence spending since the Cold War, protecting British people in new era for national security](#)', 10 Downing Street and Ministry of Defence, February 2025.

Reform

1.11 The government is introducing a series of decisive reforms to the planning system to support housebuilding and economic growth. The OBR judges that the first element of this reform package – changes to the NPPF – will boost growth (Box 1.A).

Box 1.A: Planning reform

In December 2024 the government implemented wide-ranging and ambitious reforms to the NPPF to increase housebuilding in England. The NPPF changes reintroduced mandatory housing targets and modernised Green Belt policy to bring low quality grey belt land in scope of development.[15] The new NPPF is estimated by the OBR to increase annual housebuilding by around 30% by 2029-30, taking net additions to a 40-year high, and resulting in an additional 170,000 homes over the forecast. Planning reforms are set to have the biggest positive growth effect that the OBR has reflected in its forecast for a policy with no fiscal cost.

The OBR expects the increase in housing supply will raise long-run economic growth sustainably, increasing the level of GDP by 0.2% by 2029-30, adding £6.8 billion to the economy.[16] The effect on the economy within the forecast horizon is driven by increases in:

- Housing services – reflecting the welfare gains from having more housing space per person. This contributes around a third of the increase in GDP by 2029-30.
- Construction sector productivity – reducing regulatory constraints on the sector allows land, labour and capital to be reallocated to more productive uses in residential housebuilding.

The OBR also judges that the increase in residential investment will raise aggregate demand between 2026-27 and 2028-29, raising GDP growth.

By boosting growth, at no fiscal cost, these reforms drive the majority of the £3.4 billion reduction in borrowing as a result of the economic effects of government policy, helping to support the public finances and fund public services.

The OBR notes that the impact of NPPF reforms on housebuilding and economic growth should rise beyond the five-year forecast horizon as the housing stock continues to grow. The increase in potential GDP is forecast to more than double compared to 2029-30, reaching over 0.4% by 2034-35. Not only do housing services and construction sector productivity continue to contribute to growth, in the long run, building more houses in the most productive parts of the country also generates growth benefits by enabling these areas to expand. Giving more people access to higher-wage, higher-productivity jobs enhances labour mobility, which the OBR judges could add around another 0.1% to GDP by 2034-35.

[15] 'Government response to the proposed reforms to the national planning policy framework and other changes to the planning system consultation', Ministry of Housing, Communities and Local Government, February 2024.
[16] In 2025 prices, HM Treasury calculations.

The NPPF changes are just the first step in the government's ambitious package of reforms to get Britain building again, secure affordable quality homes for all and drive economic growth. The growth impacts outlined here are driven solely by NPPF changes, as the Planning and Infrastructure Bill, and other forthcoming planning reforms, were not included in the OBR's forecast at this event. In addition to these reforms, the government will announce details of new investment in social and affordable housing, publish a Long-Term Housing Strategy, and later in the year confirm the location of major new towns. Each element helping to deliver the houses this country needs.

Economic and fiscal outlook

1.12 The OBR forecasts the economy to grow by 1.0% in 2025, slower than expected in October. Growth is forecast to accelerate to 1.9% in 2026. The OBR has increased the growth forecast in 2026 and every year thereafter. Cumulative growth across the forecast period (Q4 2024 – Q1 2030) is now expected to be 9.4%, compared to 9.2% in the OBR's October forecast. The level of GDP at the end of the forecast is 0.2% higher compared to the Budget last autumn (Table 1.1).

1.13 The independent Monetary Policy Committee (MPC) of the Bank of England has cut Bank Rate three times since August as underlying inflationary pressure has eased. Low and stable inflation is essential for long-term economic growth. The OBR forecasts that inflation will peak at 3.8% in July 2025, before falling close to the 2% target from Q2 2026 until the end of the forecast period. The government continues to support the MPC as it acts to return inflation sustainably to target.

1.14 Through the Plan for Change, the government will deliver higher living standards across the UK. Real wages rose at their highest rate in three years at the end of 2024.[17] The OBR forecasts that real wages, Real Household Disposable Income (RHDI) per capita and GDP per capita will rise by 2.2%, 2.6% and 5.6% respectively over this Parliament (Q3 2024 – Q2 2029).

[17] Real wage growth is calculated using the OBR's published measure of average earnings, deflated by CPI.

Table 1.1: Overview of the OBR's economic forecast[1,2]

	Outturn	Forecast				
	2024	2025	2026	2027	2028	2029
Gross domestic product (GDP)	**0.9**	**1.0**	**1.9**	**1.8**	**1.7**	**1.8**
GDP per capita	**-0.1**	**0.3**	**1.5**	**1.4**	**1.3**	**1.4**
Potential output growth	**1.5**	**1.2**	**1.5**	**1.6**	**1.7**	**1.8**
Main components of GDP						
Household consumption[3]	0.7	1.2	1.5	1.5	1.6	1.8
General government consumption	2.0	3.7	1.4	1.5	1.7	1.6
Total fixed investment *of which:*	1.3	0.0	2.4	3.7	3.2	1.7
Business investment	0.8	-0.2	1.8	1.7	1.5	1.6
General government investment	3.9	4.8	1.9	2.5	-0.6	-1.3
Private dwellings investment[4]	0.2	-1.9	3.9	8.8	8.8	3.8
Change in inventories[5]	0.2	0.0	0.0	0.0	0.0	0.0
Exports	-2.2	-0.1	1.4	0.6	0.5	0.8
Imports	1.6	0.1	0.9	1.0	1.1	0.9
Consumer Prices Index (CPI) inflation	**2.5**	**3.2**	**2.1**	**2.0**	**2.0**	**2.0**
Employment (millions)	**33.6**	**34.0**	**34.2**	**34.4**	**34.6**	**34.8**
Unemployment (% rate)	**4.3**	**4.5**	**4.3**	**4.2**	**4.1**	**4.1**
Productivity – output per hour	**-1.0**	**0.2**	**1.1**	**1.2**	**1.3**	**1.3**
Real Household Disposable Income (RHDI) per capita	**2.8**	**1.1**	**0.8**	**0.2**	**0.3**	**0.8**

[1] All figures in this table are rounded to one decimal place. This is not intended to convey a degree of unwarranted accuracy. Components of GDP may not sum to total due to rounding and the statistical discrepancy.
[2] Percentage change on a year earlier, unless otherwise stated.
[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.

Table 1.2: 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]	81.9	82.9	83.5	83.4	83.2	82.7
Public sector net debt[1]	95.9	95.1	95.8	96.1	96.3	96.1
Public sector net debt ex Bank of England[1]	89.9	92.0	93.4	94.2	94.8	95.0
Public sector net worth[1,2,3]	68.9	69.7	70.0	69.7	69.6	69.1
General government gross debt[4]	101.3	103.2	104.7	105.4	105.8	105.9
Current budget deficit	2.1	1.2	0.4	-0.2	-0.2	-0.3
Public sector net investment	2.7	2.7	2.7	2.7	2.5	2.4
Public sector net borrowing	4.8	3.9	3.1	2.5	2.3	2.1
Cyclically adjusted public sector net borrowing	4.6	3.6	3.0	2.5	2.3	2.1
Primary deficit	1.9	0.9	0.2	-0.5	-0.8	-1.0
Cyclically adjusted primary deficit	1.8	0.6	0.0	-0.5	-0.8	-1.0

[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.
[4] Calendar year basis

Source: Office for Budget Responsibility.

1.15 Before accounting for policy changes, the fiscal outlook had weakened since the Budget last autumn. Without government action, the current budget would be in a deficit of £4.1 billion by 2029-30. This represents a £14.0 billion deterioration in 2029-30, mainly driven by higher debt interest costs which accounts for around three quarters.

1.16 Policy changes since the Budget last autumn address this deterioration and rebuild the fiscal position (Table 1.2). This is achieved by the direct effect of a package of reforms that improve the current budget by £10.9 billion in 2029-30. The indirect effects of government decisions increase headroom by £3.1 billion in 2029-30 by boosting growth, mainly driven by planning reforms which do not have a fiscal cost.

1.17 As a result, the OBR forecasts the current budget surplus will be restored to £9.9 billion in 2029-30. Borrowing returns to broadly the same level in the final year as in the autumn forecast (Table 1.3). Borrowing is forecast to fall in every year of the forecast, as shown in Chart 1.2 below, from 4.8% of GDP this year to 2.1% of GDP in 2029-30. The fiscal stance, accounting for interest costs and the economic cycle, follows a similar path to autumn, helping to reduce borrowing costs and stabilise debt, and support the MPC to deliver stable inflation.

Table 1.3: Changes in borrowing since October 2024 (£ billion)

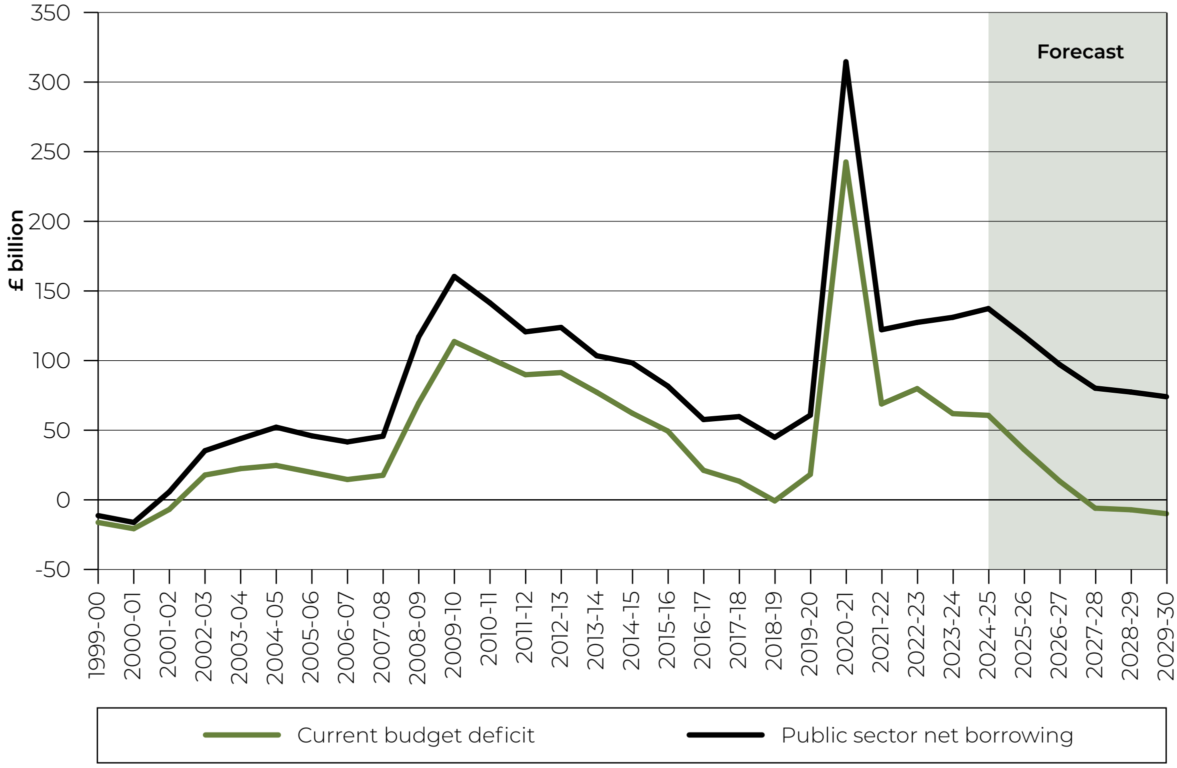
	Forecast					
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
October 2024 forecast	127.5	105.6	88.5	72.2	71.9	70.6
March 2025 forecast	137.3	117.7	97.2	80.2	77.4	74.0
Difference	**9.8**	**12.1**	**8.7**	**8.0**	**5.5**	**3.5**
of which:						
Underlying differences	**8.6**	**12.6**	**9.8**	**10.3**	**11.6**	**13.1**
of which:						
Debt interest spending	0.3	5.5	3.1	5.0	6.6	10.1
Receipts	5.9	3.0	2.5	1.8	2.8	1.7
Other spending	2.4	4.2	4.2	3.5	2.2	1.4
Direct effect of policy decisions[1]	**0.8**	**1.0**	**0.9**	**0.6**	**-2.6**	**-6.3**
of which:						
Spending policy decisions	0.9	2.0	2.3	2.2	-0.8	-4.0
Tax policy decisions	-0.1	-1.0	-1.4	-1.6	-1.9	-2.2
Indirect effects[2]	**0.4**	**-1.6**	**-2.0**	**-2.9**	**-3.4**	**-3.4**
Memo: Change in current budget deficit due to policy and indirect effects	*1.0*	*-0.4*	*-1.8*	*-5.7*	*-9.9*	*-14.0*

Note: This table uses the convention that a negative figure means a reduction in Public Sector Net Borrowing (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 3.1 of the Statement, 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 Spring Statement package.

Source: Office for Budget Responsibility.

1.18 The OBR has confirmed that the government is on track to meet its stability and investment rules. As shown in Chart 1.2, the current budget is in surplus of £9.9 billion in the target year, restoring headroom to levels held at the Budget last autumn. Net financial debt falls in the final year of the forecast with a £15.1 billion buffer. Both rules continue to be met two years early.

Chart 1.2: Current budget and public sector net borrowing



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

1.19 The OBR forecasts that the welfare cap will be met by £13.5 billion in 2029-30. This is a £3.8 billion improvement on the forecast at the Budget last autumn.

1.20 The Debt Management Office's (DMO) net financing requirement for 2025-26 is forecast to be £304.2 billion, which will be met by £299.2 billion of gilt sales and a net contribution from Treasury bills of £5.0 billion. The 2025-26 Net Financing target for National Savings and Investments (NS&I) is £12 billion (+/- £4 billion). Further information on the government's financing plans is set out in the 2025-26 Debt Management Report.[18]

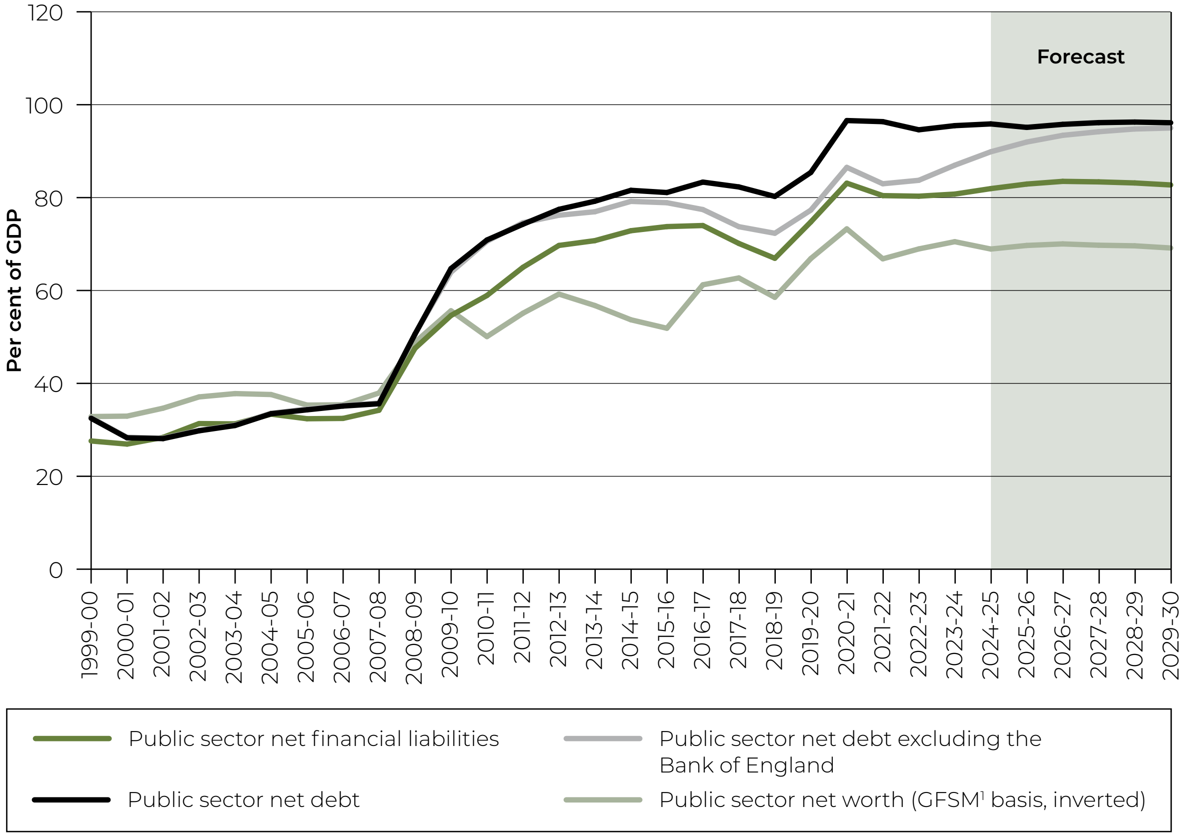
1.21 The investment rule, which targets net financial debt, supports a step change in investment spending. To ensure value for money from these investments, the government has published an updated Financial Transaction Control Framework at the Spring Statement.[19] This sets out how the government will deliver financial transactions (FTs), where it acquires or sells financial assets like loans or equity. Key principles include delivery through expert public financial institutions, ensuring FTs either cover the government's cost of borrowing or trade off costs with other spending, and providing transparency over value, risk and return through an annual report on the government's financial assets.

1.22 In addition to meeting its fiscal rules, the government considers a wide range of metrics to inform a full assessment of the sustainability of the public finances (Chart 1.3). Public sector net debt as a share of GDP is forecast to fall by 0.1 percentage points in the final year. Public sector net worth is expected to strengthen from -70.0% of GDP in 2026-27 to -69.1% of GDP in 2029-30. The

[18] 'Debt Management Report', HM Treasury and the Debt Management Office, March 2025.
[19] 'Financial Transaction Control Framework', HM Treasury, March 2025.

International Monetary Fund (IMF) forecast general government gross debt (the metric most used for international comparisons) to be 101.8% of GDP in 2024, lower than that of all G7 peers except Germany.[20]

Chart 1.3: Four measures of the public sector balance sheet



[1] Government Finance Statistics Manual.

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

1.23 The broadest assessment of fiscal sustainability considers the potential costs of policy choices that do not impact the key fiscal metrics, including the use of government guarantees. UK Government Investments' report on the government's contingent liabilities, published at the Spring Statement, estimates that the expected future cost of these liabilities as of 31 March 2024 was £250 billion.[21]

1.24 This report ensures a fuller and improved understanding of contingent liabilities, for the first time analysing if the government charges to cover its expected costs and the likely impact of an economic downturn on these costs. The government is committed to ongoing transparency and the material contingent liabilities that government has newly entered are set out in Table 1.4.

[20] 'Fiscal Monitor: Putting a Lid on Public Debt', International Monetary Fund (IMF), October 2024.
[21] 'Annual Report on the UK Government's Contingent Liabilities', HM Treasury, March 2025.

Table 1.4: Newly-approved contingent liabilities since October 2024

Department	Reasonable worst case exposure (£ billion)	Expected loss (£ billion)	Expected income (£ billion)
UK Export Finance	1.6	(-)	(-)
Department for Energy Security and Net Zero	8.0	0.5	<0.1
Total	**9.6**	**0.5**	**<0.1**

Note: Expected income and losses are not included due to ongoing commercial negotiations. All other UKEF data is as at March 2025.

Source: HM Treasury contingent liability database.

1.25 Risks remain elevated. The OBR highlights particular uncertainty relating to productivity and trade policy. Global trade is an important driver of growth. The government will continue to act in the UK's national interest, by working together with international partners and pursuing free and open global trade. Holding headroom to meeting fiscal rules supports resilience to risks, both domestic and international.

2 Going Further & Faster

2.1 The long-term decisions made at the Budget last autumn and the choices made in the months since mean that the UK is in a strong position to seize opportunity and to navigate the global challenges affecting security and economic stability. Today, the government is outlining its plan to:

- Go further and faster on **defence** to strengthen national security, drive growth, and keep the British people safe and secure.
- Go further and faster on **reform**, to fix public services, so that taxpayers get better value for money.
- And go further and faster to kickstart economic **growth**, to drive up prosperity and living standards across the UK.

Defence

2.2 As set out in the Plan for Change, national security is the first duty of the government. In recent years, the world has been reshaped by global instability, including Russian aggression in Ukraine, increasing threats from malign actors and rapid technological change.

2.3 Last year, the Prime Minister confirmed the UK's enduring support for Ukraine by recommitting to providing £3 billion per year of military assistance to deter Russia's illegal invasion. In addition, the Chancellor announced £2.26 billion in loans to Ukraine to procure military equipment that will be paid for from profits generated from immobilised Russian sovereign assets in the European Union (EU).[22,23]

2.4 On 25 February 2025, the Prime Minister announced the government's commitment to increase North Atlantic Treaty Organisation (NATO) qualifying defence expenditure to 2.5% of GDP from April 2027, and an ambition to reach 3% in the next Parliament, as economic and fiscal conditions allow.

2.5 The Chancellor is therefore announcing a £2.2 billion uplift to the MOD budget in 2025-26.

2.6 This investment will support the government in building a modern and resilient Armed Forces. It will accelerate the adoption of cutting-edge capabilities that are vital to retain a decisive edge as threats rapidly evolve, and rebuild stockpiles, munitions and other essentials depleted after a period focused on international terrorism and global crises.

[22] UK to stand with Ukraine for as long as it takes, PM to tell NATO – GOV.UK, HMG, July 2024.
[23] UK reinforces support for Ukraine with £2.26 billion loan to bolster Ukrainian defence capabilities – GOV.UK, HMG, March 2025.

2.7 In 2025-26, this includes:

- Enhancing the UK's programme of joint exercises with NATO allies to ensure we are ready to respond together to the threats we now face.
- Investment in advanced technology such as Directed Energy Weapons, which will revolutionise our Armed Forces' capabilities.
- Capitalising on the opportunity presented by the buy-back of the MOD Service Families housing stock, to refurbish the defence estate and provide our military families with the homes they deserve.

2.8 This is the largest sustained increase in defence spending since the end of the Cold War. The government has chosen defence as one of the eight priority sectors under the Industrial Strategy. Later this year, in the upcoming Strategic Defence Review and Defence Industrial Strategy, MOD will detail how it is transforming the defence sector into an engine for growth that can rapidly integrate new technologies with our military capabilities. Both will set out reforms including:

- UK Defence Innovation (UKDI), which will significantly simplify and consolidate the current MOD structures for innovation in line with the government's agile state agenda. For too long innovative companies and start-ups have struggled to engage with and see a pathway to scale through a slow and confusing MOD innovation landscape, which in turn makes it hard for these companies to secure the necessary investment to grow.
- UKDI will fix this, enabling innovative technology to rapidly progress from idea to the front line to secure competitive advantage. It will drive significantly faster innovative procurement, actively foster a strong UK defence technology sector and unlock the full potential of defence spending for wider economic spillovers as well as our national security. UKDI will be up and running by July, with a ringfenced budget of £400 million from next month, which will increase in future years.
- A significant increase in the proportion of MOD's equipment procurement spent on novel technologies such as dual use technologies, uncrewed and autonomous systems and AI-enabled capabilities, spending at least 10% from next year.
- A new segmented approach to procurement, along with associated timescale targets to enable MOD to tailor acquisition processes to the type of capability, supplier and risk involved. The segments will be:
    - Major platforms (such as tanks, frigates and aircraft) with a timescale target to go from an average of six to two years to contract;
    - Pace-setting modular upgrades (such as comms, sensors and weapons upgrades) with a timescale target to go from an average of three to one year to contract; and
    - Rapid commercial exploitation (such as uncrewed systems/drones and digital software) with a target of three-month cycles.

2.9 Through the Defence Reform programme, the government is maximising the value of every pound of taxpayers' money that it spends and will ensure that growth is at the heart of decision-making. The new Defence Reform model will begin operation from 1 April 2025, and the Defence Secretary and Chancellor will also co-chair a new Defence Growth Board.

2.10 The government will ensure that the benefits of defence spending will be felt by people in all nations and regions of the UK. Defence currently supports 434,000 jobs across the UK – employing 1 in 60 people – providing sustainable, high-quality and well-paid jobs across the country.[24] The defence industrial base is geographically diverse – from shipyards in Scotland to missile plants in Stevenage. 68% of defence spending goes to businesses outside London and the South-East, bolstering regional economies from Northern Ireland to the North-West.[25]

2.11 The government is also prioritising the modernisation and renewal of the nuclear deterrent. These are some of the most complex engineering projects ever undertaken in the UK, a national endeavour requiring investment in R&D, jobs, skills, and sites across the country. Since 1962 we have declared our nuclear deterrent to NATO, protecting not just the UK but our NATO allies as part of NATO's nuclear umbrella.

2.12 The increase in defence spending will be funded by reducing ODA from 0.5% to 0.3% of Gross National Income (GNI) by 2027, and reinvesting it into defence. This difficult choice reflects the evolving nature of the threat and the strategic shift required to meet it while maintaining economic stability, a core foundation of the Plan for Change. The government remains committed to returning spending on ODA to 0.7% of GNI when the fiscal circumstances allow.

2.13 To transition ODA spending to 0.3% of GNI the government will accelerate efforts to modernise the UK's approach to international development. The government is strengthening links with the financial sector and our international partners to mobilise private capital for international development and climate projects. The government will also continue to be a strong supporter of the multilateral development banks, which can leverage ODA contributions, broadening the UK's development offer.

2.14 The below table sets out the government's forecast of our GDP percentage figure for NATO-qualifying defence expenditure, alongside the cost of this new trajectory compared to a counterfactual baseline of holding defence spending at 2.3% of GDP.

2.15 The table also sets out the ODA profile over the scorecard period, and the savings generated from this profile compared to a counterfactual of holding ODA spending at 0.5% of GNI. The profile tracks a gradual reduction to 0.3% of GNI in 2027, allowing time for programming to be reprioritised. This profile is based on GNI at the OBR's Spring Forecast and these financial year ODA Department Expenditure Limit (DEL) totals will not be adjusted for GNI fluctuations to improve budget stability. Departmental ODA allocations will be published as part of the Spending Review.

[24] MOD supported employment estimates 2022/23 – GOV.UK, Ministry of Defence, September 2024.
[25] MOD regional expenditure with industry 2023/24 – GOV.UK, Ministry of Defence, November 2024.

Table 2.1: Changes in defence and Official Development Assistance (ODA) spending

£ billion (current prices)	Plans 2025-26	Plans 2026-27	Plans 2027-28	Plans 2028-29	Plans 2029-30	Total 2025-26 to 2027-28
Cost of increasing defence to 2.5% of GDP by 2027-28[1]	2.2	3.2	6.4	6.7	6.9	11.8
o/w Resource DEL excluding depreciation	0.4	0.2	0.5	0.5	0.6	1.2
o/w Capital DEL	1.8	2.9	5.9	6.1	6.4	10.6
As a percentage of GDP	2.36%	2.40%	2.50%	2.50%	2.50%	
Savings from reducing ODA to 0.3% of GNI by 2027[2]	-0.5	-4.8	-6.5	-6.6	-6.8	-11.8
o/w Resource DEL excluding depreciation	-0.2	-2.6	-2.8	-3.0	-3.2	-5.7
o/w Capital DEL	-0.3	-2.2	-3.7	-3.5	-3.6	-6.1
Net spend[3]	1.7	-1.6	-0.1	0.1	0.1	0.0
o/w Resource DEL excluding depreciation	0.2	-2.4	-2.3	-2.5	-2.6	-4.5
o/w Capital DEL	1.5	0.8	2.2	2.6	2.8	4.5

[1] Defence changes beyond 2025-26 are against baseline assumptions of resource DEL growing at 0.9% per year in real terms (mid-point between flat real and nominal GDP growth) and capital DEL increasing to maintain defence spending at 2.3% of GDP.
[2] ODA changes beyond 2025-26 are against baseline assumptions of resource DEL being maintained in real terms and capital DEL increasing to maintain ODA spending at 0.5% of GNI.
[3] Net spend does not exactly equal zero in 2028-29 and 2029-30 as defence/ODA spending is calculated on a financial/calendar year basis respectively and as a percentage of GDP/GNI respectively.

Source: HM Treasury Calculations and Office for Budget Responsibility.

2.16 The Prime Minister has also announced that the government will recognise the contribution of our intelligence and security services to the defence of our nation, by updating our definition of defence spending. This means that the UK will spend 2.6% of GDP on defence in 2027, with further detail to be set out in the Spending Review.

Reform

Closing the tax gap

2.17 A key part of restoring economic stability and fiscal responsibility is closing the tax gap. Unpaid tax deprives UK public services of vital funding and puts businesses who pay the right tax at a competitive disadvantage.

2.18 At the Budget last autumn, the government introduced the most ambitious package ever to close the tax gap, ensuring more individuals and businesses pay the taxes they owe.

2.19 Today, the government is building on this, announcing a package of measures to further close the tax gap and raise over £1 billion in additional gross tax revenue per year by 2029-30. The government is also setting out plans to go further in the future to make it easier for taxpayers to pay the right tax through a modern and digital tax system.

2.20 At the end of December 2024, the stock of tax debt – unpaid tax liabilities owed to His Majesty's Revenue and Customs (HMRC) – was over £44 billion, more than double the level five years ago.[26] Around £20 billion of these outstanding tax debts are over 12 months old and harder for HMRC to collect.[27]

2.21 The government is determined to reduce this level of debt, and HMRC is expanding and modernising its capacity to do so. The government took significant steps to address the debt balance in the autumn, and is going further today by investing in HMRC's debt management capacity, including an innovative test and learn pilot to collect more aged debts, and moving towards more automated debt recovery. The government is additionally investing in recruiting 500 more HMRC compliance staff, building on the 5,000 new compliance staff whose recruitment was announced at the Budget last autumn.[28]

2.22 The government is confirming the continued rollout of Making Tax Digital (MTD) for income tax Self Assessment (ITSA), with sole traders and landlords with qualifying income over £20,000 joining from April 2028. MTD places UK businesses on a digital footing, prepares them for the future, gives them the tools they need to succeed in an increasingly competitive landscape, and ensures they can benefit from a modern, digital service when managing their tax affairs. The government will continue to explore how it can best bring the benefits of digitalisation to more of the around four million taxpayers who have income below the £20,000 threshold.[29]

2.23 The government will increase late payment penalties for Value Added Tax (VAT) taxpayers and ITSA taxpayers as they join MTD from April 2025 onwards, to encourage taxpayers to pay on time.

2.24 The government is also today publishing four consultations on:

- How HMRC can make better use of third-party data to increase automation and close the tax gap.
- Proposals to strengthen HMRC's ability to take action against those tax advisers who facilitate non-compliance from their clients.
- A comprehensive package of measures to close in on promoters of marketed tax avoidance, whose contrived schemes leave their clients with unexpected tax bills.
- Options to simplify and strengthen HMRC's inaccuracy and failure to notify penalties.

2.25 The government is delivering on its commitments made at the Budget last autumn to take stronger action against the most egregious behaviours which lead to lost revenue and impact others, such as tax fraud which hurts legitimate businesses and finances other crimes. This includes action to:

- **Prosecute more tax fraudsters:** HMRC is expanding its counter-fraud capability to increase the number of annual charging decisions for the most harmful fraud by 20%, compared to current levels, from 500 to 600 per year by

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[26] 'HMRC quarterly performance updates', HM Revenue & Customs.
[27] HMRC internal management data.
[28] 'Exchequer Secretary to the Treasury: 20 years of HMRC – reflections and looking ahead', HM Treasury, March 2025.
[29] Based on HMRC internal data on sole traders and landlords within income tax Self Assessment for the 2022-23 tax year.

2029-30.[30] Additional criminal investigations will focus on delivering a strong deterrent. This will include tackling those who undermine legitimate trade and small business, fraud committed by the wealthy, fraud facilitated by those in large corporations, and by individuals and companies who make it possible for others to hide money offshore. Investigations will also address organised criminal attacks, focusing on illicit finance and complex money laundering schemes;

- **Reform rewards for informants:** the new HMRC reward scheme for informants will be launched later this year, targeting serious non-compliance in large corporates, wealthy individuals, offshore and avoidance schemes. The new scheme will take inspiration from the successful US and Canadian models, rewarding informants with compensation linked to a percentage of any tax taken as a result of their actions; and
- **Tackle "phoenixism":** HMRC, Companies House, and the Insolvency Service are delivering a joint plan to tackle those using contrived insolvencies to evade tax and write off debts owed to others. This includes increasing the use of upfront payment demands, making more directors personally liable for company taxes, and increasing the number of enforcement sanctions to double the amount of tax protected to £250 million by 2026-27.[31]

2.26 As part of the overall investment in HMRC resourcing, HMRC is overhauling its approach to offshore tax non-compliance by the wealthy, recruiting experts in private sector wealth management and deploying AI and advanced analytics to help identify and challenge those who try to hide their wealth, wherever they try to hide it. During the next five years, the government will increase HMRC's resource assigned to tackling wealthy offshore non-compliance by around 400 people, who are estimated to bring in over £500 million over the forecast period.

2.27 A modern and effective tax and customs system is vital to support the economic growth that is at the heart of the government's Plan for Change. The government is accelerating change at HMRC, including through introducing voice biometrics, using AI in customer services and compliance, and running a customs digitalisation pilot sharing trusted trader credentials with US Customs and Border Protection.

2.28 As announced in the Budget last autumn, the government will bring forward further measures in the spring to simplify the tax and customs systems, and in the summer, HMRC will publish a transformation roadmap. These measures will collectively reduce administrative burdens so businesses and individual taxpayers spend less time on tax and customs administration.

Supporting people into work

2.29 There are currently 2.8 million people economically inactive due to ill health.[32] Getting more people into better jobs is a central part of the government's growth mission, and the welfare system is currently holding this back. It incentivises people to focus on what they cannot do rather than what they can do, and does not provide enough support for disabled people to find work and develop the skills to progress.

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[30] 'Fraud Investigation Service: technical note', HM Revenue & Customs, July 2024.
[31] Compared to the estimated £125 million HMRC protected in 2023-24: 'Tax evasion in the retail sector', HC 355, Public Accounts Committee, December 2024.
[32] 'Pathways to Work: Reforming Benefits and Support to Get Britain Working Green Paper', DWP, March 2025.

2.30 The government is committed to helping people start or stay in work, while protecting those who cannot work due to ill health. This is essential for driving opportunity, producing better employment outcomes and living standards, as well as making the system more fiscally sustainable. 1 in 10 people of working age now claims an incapacity or disability benefit and spending on incapacity and disability benefits for working age adults has increased by £20 billion since the pandemic, an increase of almost two-thirds.[33]

2.31 On 18 March the government published Pathways to Work: Reforming Benefits and Support to Get Britain Working. The Green Paper outlines reforms to incapacity and disability benefits which will save £4.8 billion from welfare spending in 2029-30, making the welfare system more pro-work and more fiscally sustainable.

2.32 The government will invest in additional employment, health and skills support from 2026-27 to help people start or stay in work, and not fall into long-term economic inactivity, scaling up to £1 billion a year by 2029-30. This will provide employment and health support to anyone receiving out of work benefits with a work-limiting health condition. This investment will build on existing support from WorkWell, Connect to Work and the Get Britain Working trailblazers.

2.33 The government will rebalance the payment levels in Universal Credit, to promote work and address perverse incentives, while protecting those who will never be able to work. The OBR and Institute for Fiscal Studies suggest benefit changes which have widened the gap between incapacity benefits and other types of benefits over the last decade have been a factor in driving higher incapacity benefit claims.[34] To address this imbalance, the government will increase the Universal Credit standard allowance for new and existing claims above inflation from 2026-27. This means the standard allowance weekly rate for a single person aged 25 and over will increase from £92 in 2025-26 to £106 in 2029-30. The Universal Credit health element will be frozen for existing claimants until 2029-30, and for new claims, the Universal Credit health element will be reduced to £50 a week in 2026-27 and then frozen until 2029-30.[35] The Green Paper is proposing to protect the incomes of those on Universal Credit with the most severe lifelong conditions through an additional premium.

2.34 The government will undertake a fundamental review of the Personal Independence Payment (PIP) assessment, involving policy experts, stakeholders and disabled people. This will ensure the PIP assessment reflects the shift in the nature of health conditions and the wider changes in society since it was introduced over a decade ago. In the meantime, to ensure PIP is focused on those with higher needs, the government will introduce a new, additional eligibility requirement so that a minimum of four points must be scored on one PIP daily living activity to receive the daily living element of the benefit.

2.35 Alongside these measures, the government is restoring trust and fairness in the benefits system to ensure the appropriate support for claimants and better outcomes for the taxpayer. The government will restart Work Capability

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[33] 'Pathways to Work: Reforming Benefits and Support to Get Britain Working Green Paper', DWP, March 2025.
[34] 'Pathways to Work: Reforming Benefits and Support to Get Britain Working Green Paper', DWP, March 2025.
[35] As set out in the OBR's Economic and Fiscal Outlook, the OBR were not able to certify the costings for these measures, given there were relatively small changes to the policy parameters made to both after the certification deadline. The standard allowance rate (for single people 25 and over) was adjusted from £107pw to £106pw in 29-30. The health element rate for new claims was frozen, rather than uprated by CPI, after the 50% reduction. The OBR have set out in the EFO that they will finalise the certification process at their next forecast and do not expect these changes to have a material impact on the costings used at this event.

Assessment reassessments for certain cohorts whose condition may have changed and increase capacity to undertake PIP award reviews to ensure people are receiving the right award. The government will also take further steps to tackle fraud and error in the welfare system by increasing preventative checks in Universal Credit, and investing to recruit over 500 fraud and error staff, saving £240 million in 2029-30.

Public sector reform

2.36 The government is determined to make the public sector more productive, driving value for money and improving services for working people.

2.37 As a result, public services at the start of the Parliament faced significant performance challenges. In the health system, the elective care backlog was 7.6 million, with around 300,000 people waiting for more than a year for treatment.[36] In the asylum and immigration system, there was a financial pressure of £6.4 billion and a backlog of cases waiting to be processed.[37]

2.38 In the Budget last autumn, the government reset public spending for 2024-25, addressing £22 billion of in-year pressures, the vast majority of which were recurring, and set departmental budgets for 2025-26.[38] The government also provided significant additional day-to-day funding over the Parliament to stabilise and support public services.

2.39 NHS waiting lists have now fallen for five months in a row, breakfast clubs are being rolled out in primary schools, and – following action to get the system moving – the total number of asylum-related returns in 2024 increased by 36% year-on-year, with the cost of asylum support down by more than 10% across 2024-25.[39]

2.40 The government has put in place structural reforms to ensure that every pound provides good value for the taxpayer, including the appointment of a Covid Counter-Fraud Commissioner and the establishment of the Office for Value for Money (OVfM). The Covid Counter Fraud Commissioner is empowered to scrutinise Covid spending, with an initial focus on Personal Protective Equipment procurement, and provide assurance that everything possible has been done to recover public funds lost to fraud and contracts that have not delivered. The government has accepted his early recommendation to improve incentives for departments and Local Authorities to recover fraud from Covid schemes.

2.41 The OVfM will support decision-making at the Spending Review and recommend reforms to improve the value for money of public spending, supporting the government's ambition to fundamentally reform how public services are delivered to ensure their long-term sustainability and improve outcomes.

2.42 The government is now going further and faster, including announcing that the arms-length body NHS England will be brought back into the Department of Health and Social Care in order to reduce bureaucratic inefficiencies and

[36] 'Consultant-led Referral to Treatment Waiting Times Data 2024-25', NHS England.
[37] 'Fixing the foundations: public spending audit 2024-25', HM Treasury, July 2024.
[38] 'Fixing the foundations: Public spending audit 2024-25', HM Treasury, July 2024.
[39] 'Consultant-led Referral to Treatment Waiting Times Data 2024-25', NHS England
'First schools confirmed for landmark free breakfast clubs - GOV.UK', DfE, February 2025.
'Central Government Supply Estimates 2024-25', HM Treasury, February 2025.
'Immigration system statistics, year ending December 2024', Home Office, February 2025.

duplication in the National Health Service. The government is also driving out wasteful government spend, for example through cancelling thousands of government procurement cards.

2.43 The government is also confirming the creation of a £3.25 billion Transformation Fund to support the fundamental reform of public services, seize the opportunities of digital technology and Artificial Intelligence (AI), and transform frontline delivery to release savings for taxpayers over the long-term. The Spring Statement confirms the first allocations from the Transformation Fund, which will invest in vital public services and accelerate the modernisation of the state. The government will:

- Take the next step to reform the children's social care system through providing an additional £25 million for the fostering system. This will include funding the recruitment of a further 400 new fostering households, providing children with stability and addressing cost pressures on local government.
- Support the management of offenders in the community, by providing £8 million for new technology so probation officers can focus on reducing reoffending, rather than filling out forms.
- Provide £42 million for three pioneering DSIT-led Frontier AI Exemplars. These Exemplars will test and deploy AI applications to make government operations more efficient and effective, and improve outcomes for citizens by reducing unnecessary bureaucracy.
- Provide £150 million for government employee exit schemes. This will support a leaner and more efficient Civil Service, helping to reduce administration costs by 15% by the end of the decade.

2.44 The Plan for Change set out an ambitious and clear programme for the government – delivering on the priorities of working people. To deliver this change, the government is taking action to create an agile and productive state – one that is more frontline, tech enabled, simpler to do business with, more cost effective and accountable. This means:

- Cutting regulatory compliance costs to business by 25%.
- Embracing the power of digital technology and AI tools across government including a commitment that 1 in 10 civil servants will be digital professionals by 2030.
- Stripping back duplication and inefficiency in arms-length bodies to strengthen accountability, starting with bringing NHS England back into the Department of Health and Social Care.
- Increasing standards and improving accountability for Civil Service performance to enable and incentivise delivery, including reforms to performance management, recruitment, reward and training.

2.45 Government departments will reduce their administrative budgets by 15% by the end of the decade. Savings on back-office functions will total £2.2 billion in 2029-30 and ensure that front line services are prioritised.

2.46 More broadly, the government has emphasised that, over the medium-term, above inflation public sector pay increases should be accompanied by productivity gains. Workforce reform will be a key theme across Spending Review 2025, as the government works to enhance productivity.

2.47 The government will also transform central government finance systems to increase transparency between departments and the centre of government, improving productivity and performance across government.

2.48 The upfront investment the government is making and a focus on reform through the Spending Review will drive efficiencies across the public sector, delivering savings in future years. Therefore, the government is confirming that the resource DEL envelope will still grow in real terms from 2025-26 to 2029-30, but at a slightly slower rate than set out at the Budget last autumn, averaging 1.2% per year. This also reflects the reduction in resource DEL spending on ODA in order to increase spending on defence to 2.5% of GDP from April 2027, which is mainly capital spending.

2.49 The government will set out its plans for spending and key public sector reforms at the Spending Review which will conclude on 11 June 2025. The Spending Review will set out plans for day-to-day spending for four years to 2028-29, and for capital spending for five years to 2029-30 alongside a 10 Year Infrastructure Strategy. Going forward the government has committed to holding a Spending Review every two years, setting departmental budgets for a minimum of three years.

2.50 This will not be a business-as-usual Spending Review. The government has fundamentally reformed the process to make it zero-based, collaborative, and data-led, in order to make sure that the government is seizing the biggest opportunities to rewire the state and deliver the Plan for Change.

Growth

2.51 Growth is the central mission of the government. As set out at the Budget last autumn, 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.

2.52 In January the government set out how the UK will capture the opportunities of AI through the AI Opportunities Action Plan, helping to turbocharge growth and boost living standards.[40] The government will work closely with the world's leading AI companies, Britain's world-leading academics and entrepreneurs, and talented individuals keen to start-up and scale-up their businesses in the UK.

2.53 The Chancellor also unveiled plans to unlock the potential of the Oxford-Cambridge Growth Corridor, which could add up to £78 billion to the UK economy by 2035, and backed Heathrow expansion, which could create over 100,000 direct jobs and achieve a better-connected economy.[41,42] The Chancellor also announced strategic partnerships between the National Wealth Fund (NWF) and Greater Manchester, West Yorkshire, West Midlands, and Glasgow City Region to help regions develop and secure long-term investment opportunities.[43]

[40] 'AI Opportunities Action Plan', DSIT, January 2025.
[41] Reeves: I am going further and faster to kickstart the economy, HM Treasury, January 2025.
[42] Government backs Heathrow expansion to kickstart economic growth, HM Treasury, January 2025.
[43] Chancellor unveils plan to turbocharge investment across the UK, HM Treasury, January 2025.

2.54 The Regulation Action Plan, published in March 2025, commits the government to cut the administrative costs of regulation on business by 25% by the end of the Parliament.[44] It sets out the government's vision for a regulatory system that not only protects consumers and supports competition, but also encourages new investment, innovation, and growth.

2.55 In addition to the commitment on administrative burdens, the plan sets out a series of measures designed to tackle complexity, reduce uncertainty and challenge excessive risk aversion in our regulatory system. This includes steps to consolidate regulators, clarify duties and strengthen accountability. The plan also includes specific actions in different sectors such as financial services and reforms to environmental regulation.

2.56 The Spring Statement demonstrates the government's continued commitment to unleashing growth across the regions of the UK. The government has set the NWF's new strategic steer, which will see it delivering on the government's growth mission, including the core ambition to ensure growth is felt in all regions of the UK.[45] Road network funding will support growth infrastructure across the country, and key connectivity projects like West Yorkshire Mass Transit continue to be supported. These are only some of the many measures the government is taking to unleash growth across the country, and further regional growth announcements will follow through the year, including at the Spending Review.

2.57 Following on from the publication of Invest 2035 in October 2024, the government will publish its modern Industrial Strategy alongside the Spending Review.[46] This will set out the government and industry's 10-year plan to meet our shared ambitions for unlocking investment and accelerating growth across the 8 growth-driving sectors.

Going further and faster to unlock investment and unblock barriers to growth

2.58 At Spring Statement, the government is increasing capital spending by a further £13 billion over the Parliament to support growth-enhancing investments including infrastructure, housing, and defence innovation. This is in addition to the £100 billion increase in capital spending over the Parliament announced at the Budget last autumn.

2.59 The government has committed £4.8 billion to the Strategic Road Network in 2025-26. The funding includes £1.3 billion for road renewals, which, alongside the £1.6 billion for local road maintenance, represents a record level of spending on fixing the road network.[47]

2.60 The government is committed to achieving growth, and it will look across all available levers to deliver change at the Budget this autumn and across the Parliament. It is essential that the tax system supports this aim, and the government will make reforms to strengthen its role in doing so.

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[44] A new approach to ensure regulators and regulation support growth, HM Treasury, March 2025.
[45] 'Chancellor sets out strategic priorities for National Wealth Fund', HM Treasury, March 2025.
[46] Invest 2035, DBT, October 2024.
[47] 'Strategic road network: interim settlement 2025 to 2026', DFT, March 2025.

2.61 At the Budget last autumn, the government published the Corporate Tax Roadmap and committed to providing a stable and predictable tax environment to encourage investment, innovation, and growth over the long term.[48] This included the commitment to explore different options for increasing the tax certainty available for businesses. In line with this, the government is now launching consultations on a revised system of advance clearances in the Research & Development tax relief system, and a new process to give major projects greater advance tax certainty.

2.62 The government is also confirming that businesses will be able to obtain certainty on the transfer pricing treatment of Cost Contribution Arrangements (CCAs) through the UK's Advanced Pricing Agreement programme.

2.63 At the Budget last autumn the government set out a commitment to reforming the business rates system to support the High Street and boost investment and published a discussion paper on priority areas for reform.[49] In summer, the government will publish an interim report that sets out a clear direction of travel for the business rates system, with further policy detail to follow at the Budget this autumn.

2.64 The government also announced that it will remove the outdated concept of domicile status from the tax system and implement a new residence-based regime from 6 April 2025.[50] The new residence-based regime will be more attractive to new arrivals than the current rules. The government will continue to work with stakeholders to ensure the new regime is internationally competitive and continues to focus on attracting the best talent and investment to the UK.

2.65 The government is looking at options for reforms to Individual Savings Accounts that get the balance right between cash and equities to earn better returns for savers, boost the culture of retail investment, and support the growth mission. Alongside this, the government is working closely with the Financial Conduct Authority to deliver a system of targeted support to give people the confidence to invest.

2.66 The government is determined to ensure that the UK is the best place in the world to start and grow a business and is committed to fostering a positive, dynamic environment for entrepreneurs and scale-ups as a central part of the growth mission. The government will continue to work with leading entrepreneurs and venture capital firms on how policy supports that, including the role of tax reliefs such as the Enterprise Management Incentives Scheme, the Enterprise Investment Scheme and the Venture Capital Trust Scheme. As part of this, the government will be holding a series of roundtables with key stakeholders over April.

Going further and faster: Get Britain Building

2.67 The Planning and Infrastructure Bill will streamline planning processes and unlock a new scale of housing and critical infrastructure delivery by:

- Delivering a faster and more certain consenting process for critical infrastructure;
- Introducing a more strategic approach to nature recovery;

[48] Corporate Tax Roadmap, HM Treasury, October 2024.
[49] 'Transforming business rates', HM Treasury, October 2024.
[50] 'Reforming the taxation of non-UK domiciled individuals', HM Treasury, October 2024.

- Improving certainty and decision-making in the planning system;
- Unlocking land and securing public value for large-scale investment; and
- Introducing effective mechanisms for cross-boundary strategic planning.

2.68 These reforms will help to deliver the scale of change needed to tackle the housing crisis and reduce energy bills and commuting times by fast-tracking housebuilding and critical infrastructure, creating a more appealing environment for businesses to invest.

2.69 Building more homes will contribute to long-term economic growth by helping people to access job opportunities and supporting the development of prosperous communities. The Spring Statement sets out that the government will invest an additional £2 billion in social and affordable housing in 2026-27, as a down payment on this government's housing ambitions. This is a bridge to a new programme, and in June the government will follow this with further announcements on wider long-term investment into social and affordable housing through the Spending Review, to give social housing providers the stability and confidence they are calling for.

2.70 Ahead of the Spending Review, this announcement is intended to give providers greater certainty in the short term and give them confidence to continue investing in their development pipelines. This investment will deliver up to 18,000 new homes, and will help unlock development on sites that are ready to go in areas such as Manchester and Liverpool.

2.71 Boosting skills in construction is a crucial part of delivering on this government's plans to build 1.5 million homes in England this Parliament and progress vital infrastructure projects. At Spring Statement, the government is committing £625 million in England over four years to boost existing training routes, ensure a sustainable flow of skilled construction workers and support employers to invest in training. This is expected to deliver up to 60,000 additional skilled construction workers this Parliament.[51]

2.72 As part of this, to boost provision, the government is providing an additional £100 million to support 35,000 construction-focused skills bootcamp places, providing a route for new entrants, re-engaging "returners", and upskilling existing employees. A further £40 million for up to 10,000 additional places on new construction Foundation Apprenticeships will give young people a high-quality entry route into a rewarding career. An additional £165 million will boost funding for providers to deliver more construction courses including through the High Value Course Premium and Free Courses for Jobs. The government is also launching a new Teacher Industry Exchange scheme to attract industry experts to teach in Further Education. This government will further build capacity with £100 million to establish 10 new Technical Excellence Colleges specialised in construction in every region in England.

2.73 The government is committed to working closely with industry to remove barriers and unlock investment in training. In support of this package, the Construction Industry Training Board (CITB) is doubling their New Entrants Support Team (NEST) programme to support employers, particularly small businesses, to recruit and retain apprentices. CITB has also committed £32 million to top up the government's £100 million investment to support over 40,000

[51] 'Government unleashes next generation of construction workers to build 1.5m homes', HM Treasury, March 2025.

industry placements in construction each year. The government is also launching an £80 million capital fund to support employers to deliver bespoke training tailored to their needs.

2.74 The measures set out above build on the government's growth announcements to date and reaffirm its determination to grow the economy across every region and nation of the United Kingdom. The government is committed to long-term, sustainable growth and will continue to prioritise pro-growth policies, including at the forthcoming Spending Review and the Budget this autumn.

3 Policy Decisions

3.1 This chapter sets out all Spring Statement 2025 policy decisions. Unless stated otherwise, the decisions set out are ones which are announced at the Statement. Table 3.1 shows the cost or yield of all government decisions accounted for at Spring Statement 2025 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 made between the Budget last autumn and Spring Statement 2025. This is included in "Spring Statement 2025: policy costings" published alongside the Statement.

3.2 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.

3.3 The Devolved Governments will receive an additional £58 million through the operation of the Barnett formula in 2025-26. This includes £28 million for the Scottish Government, £16 million for the Welsh Government and £14 million for the Northern Ireland Executive.

Table 3.1: Spring Statement 2025 policy decisions (£ million)[1]

		2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Investing in growth							
1	Capital Investment: Increase growth-enhancing investment including on infrastructure, housing, and defence innovation	+0m	+0m	-770m	-3,540m	-4,065m	-4,615m
2	*o/w: Net capital spending change excluding defence & security and ODA changes*	*+0m*	*+0m*	*+0m*	*-1,320m*	*-1,475m*	*-1,855m*
3	Construction Skills: Supply the skilled workers to build 1.5 million homes and deliver infrastructure	+0m	-95m	-200m	-225m	-225m	+0m
Transforming public services and supporting people into work							
4	Current spending: Reshape the state to be more productive and agile[2]	+0m	+0m	+1,365m	+1,785m	+2,985m	+6,100m
5	*o/w: Net resource spending change excluding defence & security and ODA changes*	*+0m*	*+0m*	*-1,030m*	*-495m*	*+525m*	*+3,470m*
6	Transformation Fund: Improve efficiency and productivity of public services	+0m	-250m	-2,000m	-1,000m	+0m	+0m

		2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
7	Employment Support: Invest in employment, health, and skills support from 2026-27	+0m	+0m	-200m	-300m	-400m	-1,000m
8	DWP Spending: Invest to deliver welfare reform	+0m	-80m	-250m	-315m	-420m	-385m
9	HMRC Spending: Invest to close the tax gap	+0m	-20m	-35m	-55m	-75m	-120m
Reforming welfare to get Britain working							
10	Personal Independence Payment (PIP): Change the PIP assessment so claimants must score four points in any one activity from 2026-27	+0m	+0m	+210m	+1,755m	+3,365m	+4,515m
11	Personal Independence Payment (PIP): Increase capacity for processing award reviews from April 2026	+0m	+0m	+10m	+90m	+155m	+200m
12	Work Capability Assessment: Do not proceed with Autumn Statement 2023 descriptor reforms	+0m	+0m	-200m	-730m	-1,205m	-1,645m
13	Work Capability Assessment: Restart reassessments from April 2026	+0m	+0m	+20m	+100m	+230m	+355m
14	Universal Credit Health Element: Maintain at 2025-26 rate until 2029-30, reduce rate by 50% for new claimants from April 2026 and maintain until 2029-30	+0m	+0m	+750m	+1,535m	+2,295m	+3,005m
15	Universal Credit Standard Allowance: Increase above inflation for all claimants from April 2026, reaching CPI +5% from April 2029, with the standard allowance expected to be worth £106 per week in 2029-30	+0m	+0m	-815m	-1,145m	-1,490m	-1,885m
16	Welfare Fraud and Error: Increase preventative checks in Universal Credit from 2025-26	+0m	+15m	+120m	+210m	+215m	+200m
17	Welfare Fraud and Error: Recruit over 500 new counter fraud and error staff from April 2025	+0m	+95m	+45m	+30m	+35m	+40m
Closing the tax gap							
18	Tax Debt Collection: Invest in additional HMRC debt management capacity to increase collection of overdue tax debt	+45m	+155m	+160m	+175m	+250m	+570m
19	Tax Debt Collection: Invest in 600 additional HMRC debt management staff to increase collection of overdue tax debt	+25m	+120m	+425m	+410m	+365m	+145m
20	Tax Collection: Invest in 500 additional HMRC compliance staff to increase collection of tax due	+0m	+0m	+15m	+50m	+80m	+95m
21	Late Payment Penalties: Increase late payment penalties for VAT taxpayers and income tax Self Assessment taxpayers as they join Making Tax Digital from April 2025	+0m	+5m	+50m	+85m	+105m	+125m

		2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
22	Making Tax Digital for income tax Self Assessment: Expand rollout to those with incomes over £20,000 from 6 April 2028, and further detailed changes	+0m	+0m	+0m	-10m	+20m	+120m
Other pre-announced and technical measures							
23	Building Safety Levy: Implement a levy on new residential development in England (with certain exemptions) with revenue to be spent on building safety from 1 October 2026	+0m	+0m	+0m	+55m	+245m	+345m
24	Gambling: New statutory levy on operators from April 2025	-10m	+105m	+105m	+110m	+110m	+115m
25	Gambling: Use new levy revenue to fund research, prevention, and treatment of gambling-related harm	+0m	-115m	-115m	-120m	-125m	-125m
26	UK Export Finance: Fees/income from increasing lending capacity and providing guarantees for defence exports (only fees & interest impact shown as loans & guarantees do not affect public sector net borrowing)	+0m	+15m	+100m	+130m	+95m	+115m
27	Support for Local Government: Net impact of pre-announced support for local government via capitalisation directions, and council tax/fire & police precept flexibilities	-1,215m	-915m	+420m	+420m	+170m	+55m
28	Parental leave: Increase the small employer compensation rate to 8.5% from April 2025 following National Insurance changes at Autumn Budget 2024	+0m	-30m	-35m	-35m	-35m	-35m
29	Reducing Trade Barriers: Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) tariff liberalisation	-5m	-30m	-30m	-30m	-35m	-35m
30	Reducing Trade Barriers: Approve UK business applications for removal of tariff duty on 89 products for 2 years from Spring 2025	+0m	-25m	-25m	-10m	+0m	+0m
31	High Income Child Benefit Charge (HICBC): Allow employed individuals to pay their HICBC liability through PAYE without the need to register for Self Assessment from Summer 2025	+0m	+0m	-5m	-5m	-5m	-10m
32	Supplementary Estimates: RDEL Supplementary Estimates Plans for 2024-25	+740m	+0m	+0m	+0m	+0m	+0m
33	Supplementary Estimates: CDEL Supplementary Estimates Plans for 2024-25	-390m	+0m	+0m	+0m	+0m	+0m
	Total impact of policy decisions[3]	**-810m**	**-1,050m**	**-890m**	**-585m**	**+2,645m**	**+6,260m**
	Memo: Total impact of policy decisions on current budget balance	*-425m*	*-1,000m*	*-70m*	*+3,005m*	*+6,755m*	*+10,870m*
	Total spending impact of policy decisions[3,4]	**-865m**	**-2,035m**	**-2,300m**	**-2,180m**	**+760m**	**+4,030m**

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Total tax & fees impact of policy decisions[3,4]	**+50m**	**+985m**	**+1,410m**	**+1,595m**	**+1,885m**	**+2,230m**

[1] Costings reflect the OBR's latest economic and fiscal determinants. Figures given as fiscal impacts, postive numbers showing savings and negative numbers costs.
[2] Includes a pre-announced fiscally neutral change to Home Office spending funded by changes to a number of fees, including for visas and passports from April 2025, which has a £0m borrowing impact in each year.
[3] Totals may not sum due to rounding.
[4] The totals for tax/fees and spending reflect both the tax/fee and spend impacts of each measure.

Investing in growth

3.4 Changes to the CDEL envelope – The government is increasing capital spending by a further £13 billion over the Parliament to support growth-enhancing investments including infrastructure, housing, and defence innovation.

3.5 Investment in social and affordable homes – As announced on 25 March 2025, the government is investing £2 billion in social and affordable housing in 2026-27. This is a down payment to provide certainty ahead of further investment in social and affordable housing to be announced at the Spending Review, covering additional support in 2026-27 and for future years. This funding will deliver up to 18,000 homes, and will immediately allow housing associations and local councils to bring bids forward for new developments in every part of England, including sites in Thanet, Sunderland and Swindon.

3.6 Construction skills – As announced on 23 March 2025, the government is bringing forward a £625 million package of skills measures to address large-scale skills shortages in the construction sector, needed to deliver the government's plans to build 1.5 million homes in England and progress vital infrastructure projects in this Parliament.

Transforming public services

3.7 Changes to the RDEL envelope – The government is confirming that the RDEL envelope will grow at 1.2% in real terms per year from 2025-26 to 2029-30.

3.8 Transformation Fund – The government is confirming the creation of a £3.25 billion Transformation Fund to support the fundamental reform of public services, seize the opportunities of digital technology and Artificial Intelligence (AI), and transform frontline delivery to release savings for taxpayers over the long-term. The Spring Statement confirms the first allocations from the Transformation Fund:

- £8 million for new technology for probation officers.
- £25 million for the fostering system, including funding the recruitment of a further 400 new fostering households.
- £42 million for three pioneering Frontier AI Exemplars.
- £150 million for government employee exit schemes.

3.9 Departmental administrative budget reductions – Government departments will reduce their administrative budgets by 15% by the end of the decade. Savings on back-office functions will total at least £2.2 billion per year by the end of this period, and ensure that front line services are prioritised.

3.10 Covid fraud recovery retention – The government has accepted the Covid Counter Fraud Commissioner's recommendation to improve incentives on departments and Local Authorities to recover fraud from Covid schemes. Departments, Arm's Length Bodies and Local Authorities are to agree with HM Treasury the retention of fraud recovered from Covid schemes.

Welfare

3.11 Universal Credit Health Element – The government is rebalancing the payment levels in Universal Credit, to address perverse incentives in the system. The Universal Credit health element will be frozen for existing claimants until 2029-30. For new claims, the Universal Credit health element will be reduced to £50 a week in 2026-27 and then frozen until 2029-30.

3.12 Universal Credit Standard Allowance – The government will increase the Universal Credit standard allowance for new and existing claims above inflation from April 2026, reaching CPI + 5% from April 2029. This means the standard allowance weekly rate for a single person aged 25 and over will increase from £92 in 2025-26 to £106 in 2029-30.

3.13 Welfare Fraud and Error: increasing preventative checks in Universal Credit – The government will increase checks on potential Universal Credit claimants by introducing more ways to verify the amount of savings they hold, as well as their earnings and expenses. This is expected to save £200 million in 2029-30.

3.14 Welfare Fraud and Error: Recruit over 500 new fraud and error staff – The government will invest to recruit over 500 additional DWP fraud and error staff who will make better use of government data to correct errors in benefit claims. This is expected to save £40 million in 2029-30.

Closing the tax gap

3.15 Investing in HMRC's debt management capacity – The government will invest £87 million over the next five years in HMRC's existing partnerships with private sector debt collection agencies to collect more unpaid tax debts.

3.16 Investing in additional HMRC debt management staff – The government will invest £114 million over the next five years to recruit an additional 600 HMRC debt management staff.

3.17 Investing in additional HMRC compliance staff – The government will invest £100 million over the next five years to recruit an additional 500 HMRC compliance staff.

3.18 Making Tax Digital (MTD) – The government will expand the rollout of MTD for income tax Self Assessment to sole traders and landlords with incomes over £20,000 from April 2028. The government will also make further detailed changes to MTD as set out in the technical note "Modernising the tax system through Making Tax Digital".

3.19 Increasing late payment penalties – The government will increase late payment penalties for VAT taxpayers and income tax Self Assessment taxpayers as they join MTD, from April 2025 onwards. The new rates will be 3% of the tax outstanding where tax is overdue by 15 days, plus 3% where tax is overdue by 30 days, plus 10% per annum where tax is overdue by 31 days or more.

3.20 Direct recovery of tax debts by HMRC – HMRC will re-start "direct recovery" of tax debts owed by individuals and companies who have the ability to pay but choose not to do so. The government will also explore options to automate the process for collecting lower value tax debts.

3.21 Making better use of third-party data – As announced at the Budget last autumn, the government is publishing a consultation on modernising how HMRC acquires and uses third-party data to make it easier for taxpayers to get tax right first time.

3.22 Behavioural penalty reform – As announced at the Budget last autumn, the government is publishing a consultation on options to simplify and strengthen HMRC's inaccuracy and failure to notify penalties.

3.23 Enhancing HMRC's ability to tackle tax advisers facilitating non-compliance – As announced at the Budget last autumn, the government is publishing a consultation on options to enhance HMRC's powers and sanctions to take swifter and stronger action against tax advisers who facilitate non-compliance.

3.24 Closing in on promoters of marketed tax avoidance – As announced at the Budget last autumn, the government is publishing a consultation on a package of measures to close in on promoters of marketed tax avoidance.

Strengthening defence in a changing world

3.25 Official Development Assistance (ODA) profile – As announced on 25 February 2025, the government is confirming the profile of ODA spending across the scorecard period, delivering on the Prime Minster's announcement that ODA will be reduced to 0.3% of GNI by 2027 to fund the increase in defence spending.

3.26 Defence 2025-26 uplift – The government is providing a £2.2 billion uplift to MOD's budget for 2025-26.

3.27 UK Defence Innovation (UKDI) – UKDI will enable innovative technology to rapidly progress from idea to the front line to secure competitive advantage. It will drive significantly faster innovative procurement, actively foster a strong UK defence technology sector and unlock the full potential of defence spending for wider economic spillovers. UKDI will be up and running by July, with a ringfenced budget of £400 million from next month, which will increase in future years.

3.28 Novel technologies ringfence – The government is significantly increasing the proportion of MOD's equipment procurement spend on novel technologies like dual-use tech, uncrewed and autonomous systems and AI-enabled capabilities, spending at least 10% from 2025-26.

3.29 Defence procurement reform – Drawing on emerging recommendations from the Strategic Defence Review, MOD will take a new "segmented" approach to defence procurement along with associated timescale targets. Segments would be: major platforms (e.g., tanks, frigates, aircraft) with a timescale target to go from an average of six to two years to contract; pace-setting modular upgrades (e.g., comms, sensors, weapons upgrades) with a timescale target to go from an average of three to one year to contract; and rapid commercial exploitation (e.g., uncrewed systems/drones and digital software) with a timescale target of three-month cycles.

3.30 Growth and Defence Reform – Through Defence Reform, the government is hard-wiring growth considerations into Defence processes. The new Defence Reform model will begin operation from 1 April 2025. The Chancellor and Defence Secretary will co-chair a new Defence Growth Board.

3.31 UKEF Direct Lending Increase UK Export Finance – As announced on 14 March 2025, the government has agreed a £2 billion increase to UKEF's Direct Lending capacity for defence exports, bringing overall lending capacity to £10 billion.

3.32 Ukraine air defence systems – As announced on 2 March 2025, the government has agreed the sale of air defence systems to Ukraine, drawing on support guaranteed by UK Export Finance.

Other pre-announced and technical measures

3.33 Building Safety Levy – From 1 October 2026, new residential developments in England (with certain exemptions) will incur the Building Safety Levy to raise revenue to be spent on building safety. The government has published a response to its technical consultation on this policy. Exemptions include affordable housing, and developments with fewer than ten units. Previously developed land also benefits from a 50% reduced rate to help ensure these sites remain viable.

3.34 High Income Child Benefit Charge (HICBC) – From summer 2025, employed individuals liable to the HICBC will be able to report their family's Child Benefit payments through a new digital service and opt to pay HICBC directly through PAYE, without the need to register for Self Assessment.

3.35 Advance Tax Certainty for Major Projects – The government is publishing a consultation on proposals for a new process to provide increased tax certainty in advance for major projects.

3.36 R&D reliefs advance clearances consultation – The government is publishing a consultation on widening the use of advance clearances in R&D tax credits to help reduce error and fraud, provide certainty to businesses, and improve the customer experience.

3.37 Cost Contribution Arrangements – The government has reviewed the transfer pricing treatment of Cost Contribution Arrangements as set out in the Corporate Tax Roadmap and has set out how businesses can obtain improved certainty on the transfer pricing treatment of such arrangements through the UK's existing Advance Pricing Agreement programme.

3.38 Business Suspensions Programme 2024 – Following business applications, the government is temporarily exempting numerous goods from tariff duty to avoid unnecessary costs for UK businesses. This measure will suspend tariffs on goods including plywood and a range of food stuffs until June 2027.

3.39 Private Intermittent Securities and Capital Exchange System (PISCES): Exemption from Stamp Duty and Stamp Duty Reserve Tax – The government is publishing, for technical consultation, a draft statutory instrument providing an exemption from Stamp Duty and Stamp Duty Reserve Tax for PISCES share transactions. A power to make the regulations was introduced in the Finance Act 2025.

3.40 PISCES: Tax implications for employees in relation to selling their shares on PISCES – HMRC has published a technical note, which provides guidance on the tax implications for companies and employees where a company has shares traded on PISCES.

3.41 Climate Change Levy (CCL): Consultation on the treatment of electrolytic hydrogen in CCL and the changing energy context – The government is committing to removing CCL costs from electricity used in electrolysis to produce hydrogen and is consulting on the best route to do so via legislative changes. The government will also conduct a wider CCL review.

Annex

A Public spending data

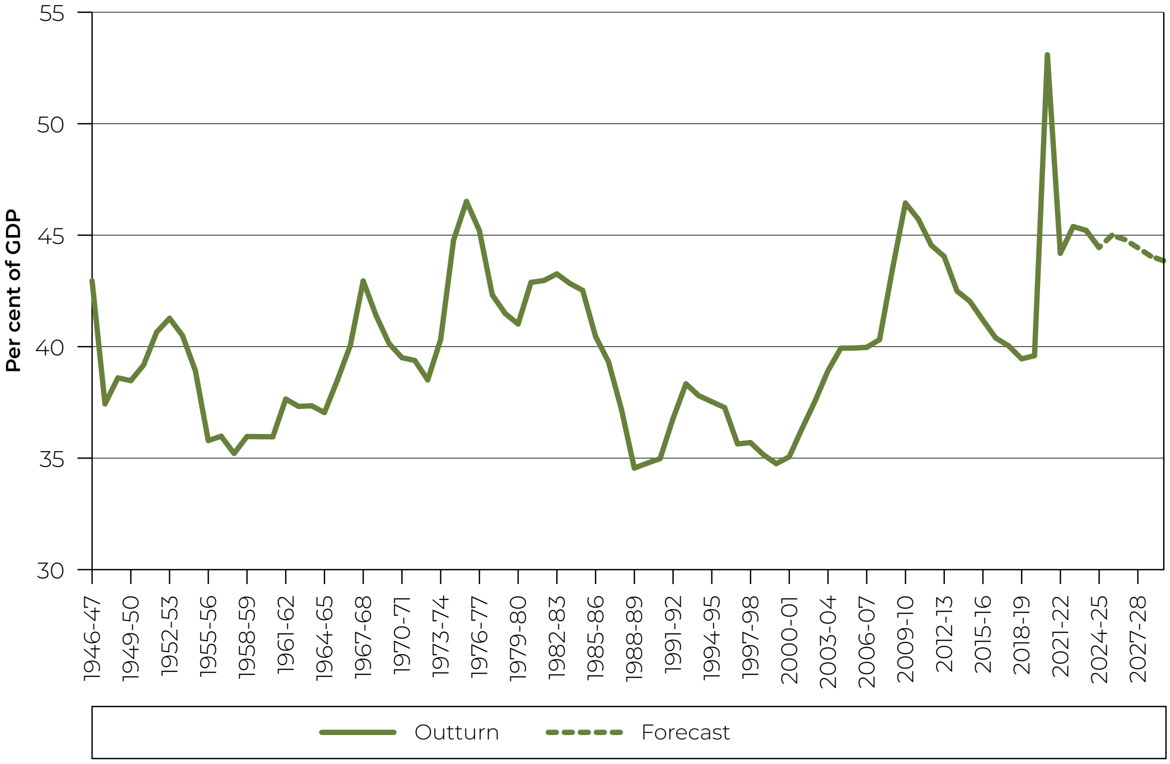
Table A.1: Total Managed Expenditure (TME)[1]

£ 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	602.0	582.7	626.7	644.9	663.7	686.0	714.3
Resource DEL excluding depreciation	452.2	487.5	517.5	535.5	551.6	567.7	583.9
Ringfenced depreciation	38.9	62.2	47.3	48.9	50.3	51.6	52.9
Total Public Sector Current Expenditure	**1,093.0**	**1,132.5**	**1,191.5**	**1,229.3**	**1,265.5**	**1,305.3**	**1,351.2**
Capital Expenditure							
Capital AME	30.2	31.5	24.4	21.0	20.3	19.7	19.2
Capital DEL	106.8	114.6	131.3	139.2	145.0	146.5	148.7
Total Public Sector Gross Investment	**136.9**	**146.1**	**155.7**	**160.1**	**165.3**	**166.2**	**167.9**
Total Managed Expenditure	**1,229.9**	**1,278.6**	**1,347.2**	**1,389.5**	**1,430.8**	**1,471.4**	**1,519.0**
Total Managed Expenditure % of GDP	*45.2%*	*44.4%*	*45.0%*	*44.8%*	*44.4%*	*44.1%*	*43.9%*
o/w Total DEL	*558.9*	*602.1*	*648.8*	*674.6*	*696.5*	*714.2*	*732.6*
Total DEL % of GDP	*20.5%*	*20.9%*	*21.7%*	*21.8%*	*21.6%*	*21.4%*	*21.1%*
o/w Ringfenced depreciation	*38.9*	*62.2*	*47.3*	*48.9*	*50.3*	*51.6*	*52.9*
Ringfenced depreciation % of GDP	*1.4%*	*2.2%*	*1.6%*	*1.6%*	*1.6%*	*1.5%*	*1.5%*
o/w Total AME	*632.1*	*614.2*	*651.0*	*665.9*	*684.0*	*705.7*	*733.5*
Total AME % of GDP	*23.2%*	*21.4%*	*21.7%*	*21.5%*	*21.2%*	*21.1%*	*21.2%*

[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.
[2] As a share of GDP, welfare spending now falls slightly over the forecast to reach 10.8 per cent of GDP in 2029-30.

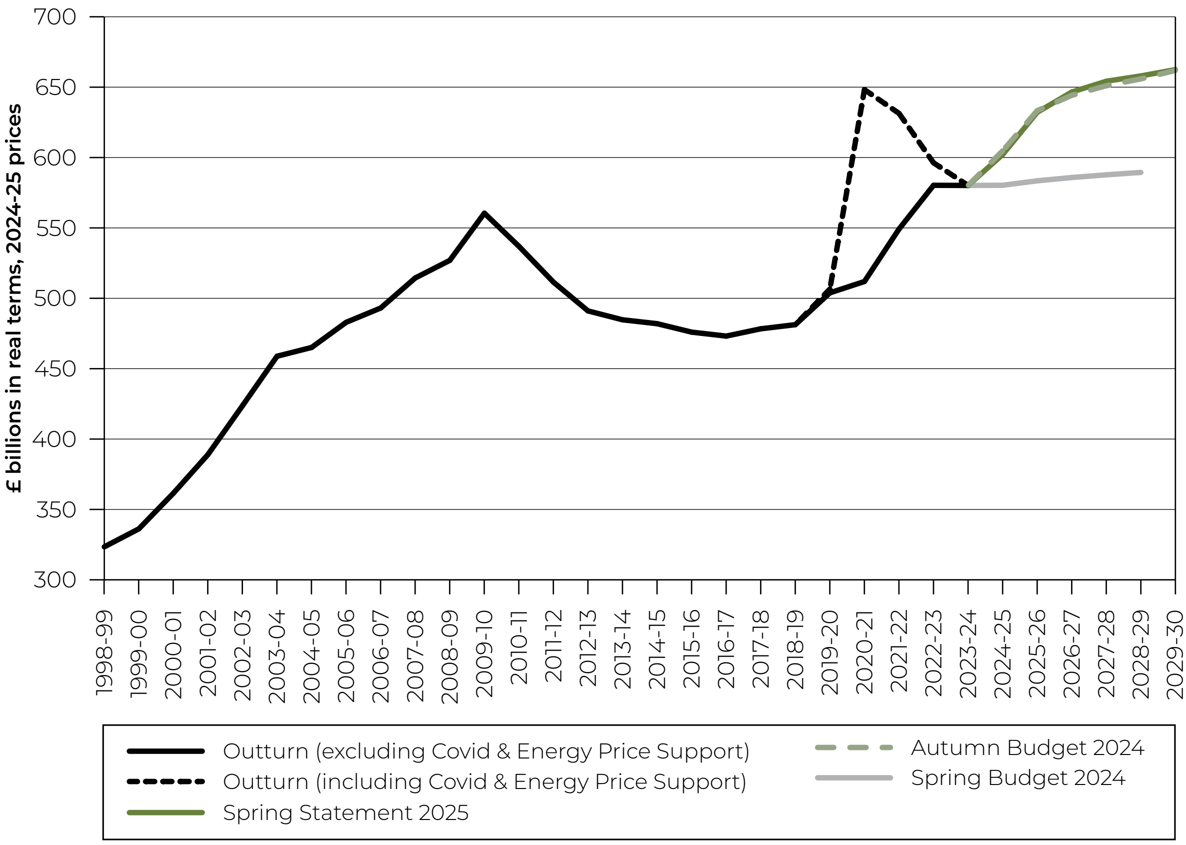
Source: HM Treasury Calculations and Office for Budget Responsibility.

Chart A.1: Total Managed Expenditure (per cent of GDP)



Source: Office for Budget Responsibility EFO, Office for National Statistics.

Chart A.2: Total Departmental Spending (DEL)



Note: Real-terms figures for each fiscal event are calculated using the OBR's GDP deflator forecast published alongside each event.

Source: HM Treasury calculations and Office for Budget Responsibility.

Table A.2: Resource Departmental Expenditure Limits (DEL) excluding depreciation

£ billion (current prices)	Outturn 2023-24	Plans 2024-25	Plans 2025-26[1]
Health and Social Care	177.9	193.3	202.0
of which: NHS England	171.0	183.6	193.4
Education	81.8	89.2	94.1
of which: core schools	57.7	61.6	64.8
Home Office	19.0	18.4	20.8
Justice	10.4	11.2	11.9
Law Officers' Departments	0.8	0.9	1.0
Defence	34.8	37.6	39.0
Single Intelligence Account	2.8	3.1	3.1
Foreign, Commonwealth and Development Office	7.7	8.3	8.3
MHCLG Local Government	9.6	11.4	15.0
MHCLG Housing, Communities and Local Government	3.3	4.3	3.8
Culture, Media and Sport	1.5	1.6	1.5
Science, Innovation and Technology	0.3	0.6	0.4
Transport	7.9	8.3	8.3
Energy Security and Net Zero	1.3	1.6	1.9
Environment, Food and Rural Affairs	4.7	5.0	4.8
Business and Trade	1.6	1.7	1.8
Work and Pensions	8.4	9.1	10.2
HM Revenue and Customs	6.0	5.2	5.9
HM Treasury	0.4	0.4	0.4
Cabinet Office	0.9	0.7	0.8
Scottish Government[2]	37.4	39.9	41.5
Welsh Government[2]	16.4	17.2	17.9
Northern Ireland Executive[2]	14.8	15.7	16.2
Small and Independent Bodies	2.4	2.8	2.8
Reform and Innovation Fund	0.0	0.0	0.2
Transformation Fund	0.0	0.0	0.3
Reserves	0.0	0.0	3.4
Total Resource DEL excluding depreciation[3]	**452.2**	**487.5**	**517.5**
OBR Allowance for Shortfall	0.0	-5.7	-6.4
Total Resource DEL excluding depreciation, post Allowance for Shortfall	**452.2**	**481.9**	**511.2**

[1] Departmental plans have been updated to include allocations of the funding set aside in Autumn Budget 2024 for the direct impact of tax changes.
[2] 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.
[3] As shown in table 2.1, the ODA resource DEL budget will be reduced by £0.2bn in 2025-26, as part of the savings to fund defence. Departmental splits are being worked through.

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

Table A.3: Capital Departmental Expenditure Limits (DEL)

£ billion (current prices)	Outturn 2023-24	Plans 2024-25	Plans 2025-26
Health and Social Care	10.5	11.6	13.6
Education	6.2	5.7	6.8
Home Office	1.3	1.8	1.5
Justice	1.5	1.7	2.0
Law Officers' Departments	0.0	0.1	0.1
Defence	19.1	22.7	23.2
Ukraine – Extraordinary Revenue Acceleration[1]	0.0	0.8	0.8
Single Intelligence Account	1.4	1.4	1.5
Foreign, Commonwealth and Development Office	3.4	2.7	3.9
MHCLG Housing, Communities and Local Government	6.8	8.4	8.8
Culture, Media and Sport	0.5	0.7	0.7
Science, Innovation and Technology	12.4	13.3	14.7
Transport	22.1	20.7	21.8
Energy Security and Net Zero[2]	5.1	4.8	8.4
Energy Security and Net Zero – construction costs for expected on-balance sheet CCUS and Hydrogen projects – subject to decision[3]	0.0	0.9	3.7
Environment, Food and Rural Affairs	2.1	2.3	2.7
Business and Trade	1.0	1.5	1.5
Work and Pensions	0.6	0.6	0.7
HM Revenue and Customs	0.7	0.7	0.9
HM Treasury	0.0	0.0	0.1
Cabinet Office	0.4	0.4	0.5
Scottish Government	6.0	5.9	6.5
Welsh Government	3.1	3.2	3.4
Northern Ireland Executive	2.1	2.0	2.2
Small and Independent Bodies	0.3	0.4	0.4
Reserves	0.0	0.0	0.9
Total Capital DEL[4]	**106.8**	**114.6**	**131.3**
Remove Capital DEL not in PSGI[5]	-4.2	-5.0	-3.9
OBR Allowance for Shortfall	-	-3.3	-9.7
Public Sector Gross Investment in Capital DEL	**102.5**	**106.3**	**117.7**

[1] The Ukraine Extraordinary Revenue Acceleration funding will be funded through HM Treasury.
[2] DESNZ 24-25 CDEL plans have reduced to reflect the income from the sale of Bulb Energy and other changes.
[3] 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.
[4] As shown in table 2.1, the ODA capital DEL budget will be reduced by £0.3bn in 2025-26, as part of the savings to fund defence. Departmental splits are being worked through.
[5] Capital DEL that does not form part of Public Sector Gross Investment in Capital DEL, including Financial Transactions in Capital DEL and intragovernmental leases.

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

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This document can be downloaded from www.gov.uk

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E03274109
ISBN 978-1-5286-5543-9