



HM Treasury

BUDGET 2025

STRONG FOUNDATIONS,
SECURE FUTURE



BUDGET 2025

STRONG FOUNDATIONS, SECURE FUTURE

Return to an Order of the House of Commons
dated 26 November 2025.

Copy of the Budget Report – November 2025
as laid before the House of Commons by the
Chancellor of the Exchequer when opening
the Budget.

Dan Tomlinson
His Majesty's Treasury
26 November 2025

Ordered by the House of Commons to be
printed 26 November 2025



© Crown copyright 2025

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

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

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

ISBN 978-1-5286-6090-7

E03444720 11/25

PU 3584

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.

CORRECTION SLIP

Title: Budget 2025

Session: 2024-26

HC 1492

ISBN 978-1-5286-6090-7

Presented by Return to an Order of the House of Commons dated 26 November 2025.

The document provides a comprehensive summary of the policy measures in the Chancellor of the Exchequer's Budget 2025

This correction slip rectifies 3 errors: all in the Policy Decisions chapter, of the hard copies of the document. These will be resolved in the online version.

Correction 1 – Paragraph 4.61:

The page currently reads:

4.61 **Office Deveopment Assistance** (ODA) update

The page should read:

4.61 **Official Development Assistance** (ODA) update

Correction 2 – Paragraph 4.237:

The page currently reads:

4.203 Carbon Border Adjustment Mechanism (CBAM) – The government will legislate in Finance Bill 2025-26 to introduce CBAM from 1 January 2027. The inclusion of indirect emissions within scope of CBAM will be delayed until 2029 at the earliest.

The page should read:

4.203 Carbon Border Adjustment Mechanism (CBAM) – The government will legislate in Finance Bill 2025-26 to introduce CBAM from 1 January 2027. The inclusion of indirect emissions within scope of CBAM will be delayed until 2029 at the earliest. **This is to reflect continued support for the Energy Intensive Industries (EII) Compensation Scheme.**

Correction 3 – Paragraph 5.83:

The page currently reads:

4.237 Company car tax: Employee car ownership schemes – At Autumn Budget 2024, the government announced it would bring employee car ownership schemes (ECOS) into scope of the Benefit in Kind rules from 6 April 2026. To allow more time for the sector to prepare for and adapt to this change in treatment, its implementation will be delayed to 6 April 2030, with transitional arrangements until April 2031.

The page should read:

4.237 Company car tax: Employee car ownership schemes – At Autumn Budget 2024, the government announced it would bring employee car ownership schemes (ECOS) into scope of the Benefit in Kind rules from 6 April 2026. To allow more time for the sector to prepare for and adapt to this change in treatment, its implementation will be delayed to 6 April 2030, with transitional arrangements until April **2032**.

Contents

	Page
Executive summary	1
Chapter 1: Economic and fiscal outlook	9
Chapter 2: Strong foundations	27
Cost of living	27
Securing the public finances and tax reform	34
Public services – efficiency, saving and reform	42
Chapter 3: Secure Future	55
Chapter 4: Policy Decisions	87
Annex A: Financing	125
Annex B: Delivering in Scotland, Wales and Northern Ireland	131
Annex C: Government spending	141
Annex D: Public sector receipts and spending	145

Executive summary

This Budget takes the fair and necessary choices to deliver on the government's promise of change:

- Cutting the cost of living by tackling inflation and taking around £150 off energy bills on average from April next year, and implementing a one-year freeze on regulated train fares and prescriptions charges.
- Cutting the NHS waiting list in England, supported by 5.2 million more appointments delivered since the start of the Parliament and by creating 250 new Neighbourhood Health Centres.
- Cutting debt and borrowing, to reduce the amount spent on debt interest rather than public services and to support the Bank of England to get inflation and interest rates down.

These choices strengthen Britain's economic foundations and set the course for a secure future for the country.

Since the start of this Parliament, Britain has:

- Outperformed growth forecasts, with growth in 2025 upgraded to 1.5% from 1% in March, and is on course to be the second-fastest growing economy among G7 countries.
- Seen real wages increase more than in the decade from 2010.
- Struck three trade deals, with the US, India and the EU. The India free trade agreement alone could increase GDP by over 0.1% in the long term.
- Seen the Bank of England cut interest rates five times.

The choices taken at Autumn Budget 2024 and over the Parliament have begun to deliver on the government's mandate for change:

- Increased funding to fix the NHS has seen waiting lists fall, with 5.2 million more appointments delivered.
- Provided over £120 billion in additional capital investment for roads, rail and energy, including £15.6 billion for major city-region transport. The Office of Budget Responsibility (OBR) estimates that the uplift in public investment will raise potential output by around 0.4% over 10 years.
- Implemented ambitious regulatory reforms with a target to reduce the annual admin burden on business by £5.6 billion by the end of the Parliament.
- Reformed the National Planning Policy Framework, delivering 170,000 additional homes and boosting GDP by 0.2% by 2029-30.

The government's plans are underpinned by its non-negotiable fiscal rules which provide credibility by ensuring day-to-day spending is met with revenues, while allowing the step change needed in investment to grow the economy.

But, despite this progress, for many working people and businesses, the economy is not working well enough, and people are still struggling with the cost of living.

Reflecting historical economic underperformance, the OBR has revised down its productivity forecast. In isolation this reduces the amount of revenue the OBR expects the government to collect by around £16 billion in 2029-30.

The government is determined to outperform this forecast by continuing its plans to grow the economy, protecting public services and cutting borrowing.

But it is right to plan based on the independent forecaster's judgements, meaning, despite Britain's progress, the government needs to strengthen the public finances.

So at Budget 2025, the government is doubling down on its plans and the economic and fiscal strategy it set last autumn by:

- Relentlessly pursuing growth to create a secure future through an ambitious growth strategy, including supply-side reforms. The OBR's downgrade shows the imperative of this programme.
- Taking the responsible choice to get borrowing down and increase the government's fiscal buffers.
- Fixing the failings of the welfare system to stop people being written off due to sickness and to lift 450,000 children out of poverty.
- Protecting and strengthening the NHS and other public services while ensuring public money is well spent.
- Making the tax system fairer and fit for 21st-century Britain.
- Taking decisive action to cut the cost of living and bring down inflation.

Relentlessly pursuing growth

The OBR's revised productivity outlook demonstrates the need for the government's supply-side reforms. At this Budget, the government is going further:

- **Investing for the future:** This Budget protects increased public investment over the Parliament and delivers the infrastructure needed to drive growth. The government is also investing almost £900 million to complete the publicly funded works for the Lower Thames Crossing; boosting capital investment in the NHS by £300 million; and establishing the Leeds City Fund as a 25-year Business Rates Retention Zone, underlining its commitment to the Northern Growth Corridor.

The government is also making further planning reforms to accelerate delivery of housing and infrastructure; empowering local and regional leaders to boost growth in their areas; and strengthening the UK's nuclear capacities to increase energy security.

- **Backing business and unlocking innovation:** The government is making it easier for entrepreneurs to start, scale and stay in the UK, with tax changes to incentivise greater investment into scaling companies, a new UK Listing

Relief from Stamp Duty Reserve Tax, and reforms to the UK research and development (R&D) system. This will support the UK's modern Industrial Strategy. The high street will benefit from permanently lower business rates for retail, hospitality and leisure, funded by higher rates for the most expensive properties such as warehouses used by large online retailers. The government will also stick to the commitments set out in the corporate tax roadmap, to provide businesses certainty, and make targeted changes to the capital allowances treatment of main rate assets in a way that preserves the value of relief for future investment.

- **Unleashing talent and opportunity:** The government is making over £1.5 billion available across the spending review period into the Youth Guarantee and the Growth and Skills Levy. This will tackle the elevated number of people not in education, employment or training (NEET) rates, with the Youth Guarantee ensuring all young people aged 16-24 years old have access to the support they need to earn or learn. Reforms to the visa system will make sure UK businesses have access to the brightest and best global talent.

Taking the responsible choice to get borrowing down and increase the government's fiscal buffers

Budget 2025 continues to deliver the government's fiscal strategy: putting the public finances on a sustainable footing to give businesses and households the certainty they need, while increasing investment to grow the economy:

- The government is cutting debt and borrowing – keeping to its tough fiscal rules. The OBR confirms the government is meeting the stability rule in 2029-30 by £21.7 billion and the investment rule by £24.4 billion, and meeting the stability rule a year early.
- The government is more than doubling the buffer against the stability rule. A higher buffer means more stability for working people and businesses, by reducing the need to change tax and spending plans when there are changes in the economy.
- Policy at this Budget means borrowing falls in every year of the forecast with the UK forecast to reduce borrowing by more than any other G7 country.

Fixing the failings of the welfare system to stop people being written off due to sickness and to lift 450,000 children out of poverty

The welfare system is not working as it should, forcing too many sick people out of work and on to benefits. Total spending on welfare grew by nearly a percentage point, as a share of GDP, over the last Parliament.

The government is reforming the welfare system to tackle its failings. To stop people being written off due to sickness, the government is:

- Rebalancing Universal Credit (UC) rates so that it doesn't pay to be off sick rather than work.
- Tackling youth unemployment with a guaranteed job opportunity while commissioning Alan Milburn to conduct an independent report on young people, health and work.

- Working with employers to support those who get sick to stay in work.

The government is also:

- Announcing new reforms to the tax breaks available to Motability and other qualifying schemes, raising over £1 billion over the next five years.
- Putting an end to those living abroad being able to buy cheap access to a UK State Pension.
- Undertaking the Timms review of Personal Independence Payment.
- Taking further action on fraud and error, saving £1.3 billion in 2030-31.

The welfare system is also failing children. The government is therefore scrapping the two child limit in Universal Credit (UC) to lift 450,000 children out of poverty. Growing up in poverty means that an individual is more likely to end up out of education, employment or training, with children growing up in poorer households earning around 25% less at age 30 than their peers. Poverty not only damages individual futures but the long-term health of the economy. Lifting the two child limit is the quickest and most cost-effective way to reduce child poverty over this Parliament. This measure is funded by policies in this Budget, including reforming Motability tax reliefs and clamping down on fraud and error in the tax and benefits systems, including by increasing the number of face to face health assessments.

Protecting and strengthening the NHS and other public services while ensuring public money is well spent

The government has prioritised improving public services, including investing an additional £50 billion in 2029-30 relative to the Spring Budget 2024 plans, and continue to invest an additional £120 billion in capital expenditure, consistent with the fiscal framework set at Autumn Budget 2024. As a result, the government is maintaining public investment at the highest sustained level in four decades at the Budget.

Every penny of public money must be spent wisely, and the state must play its part by becoming more productive. So, at this Budget, the government is introducing an additional efficiency and savings target for all departments to meet at the next spending review, resulting in £2.9 billion of savings in 2028-29, rising to £4.9 billion by 2030-31. These efficiencies and savings include:

- Cutting the cost of politics: Abolishing Police and Crime Commissioners and reducing councillor numbers by around 5,000, saving over £250 million over five years.
- Reclaiming £74 million from asylum accommodation suppliers; and the government has delivered nearly £400 million of Covid fraud benefits to-date and will relentlessly pursue more cases through the new Public Sector Fraud Enforcement Unit.
- Further action to close the tax gap by pursuing those who try to bend or break the rules, collecting more unpaid taxes and modernising the tax system. This brings the total additional revenue raised by closing the tax gap this Parliament to £10 billion in 2029-30.

Making the tax system fairer and fit for the 21st century

The government is making the tax system fairer and fit for the 21st century. Everyone is being asked to contribute, but the government is keeping that contribution as low as possible by pursuing fair reforms that are long overdue.

Contribution: The government is maintaining personal tax thresholds and the National Insurance contributions (NICs) secondary threshold from 2028 until 2031 and the Plan 2 student loan repayment threshold from 2027-28 until 2029-30.

Fairness: One reason employees pay more tax is because Britain has not historically done enough to make sure assets – and income from assets – contribute fairly. Building on last year's changes to Capital Gains Tax, inheritance tax, VAT on private school fees and reform of the non-domicile regime, this Budget continues to sustainably raise further revenue from sources of wealth:

- The government is raising taxes on property, dividend and savings income, reflecting the fact that income from those sources faces no equivalent of National Insurance that employees pay. Existing allowances will continue to protect those with low to middle amounts of such income.
- The average Band D family home pays more in Council Tax than a £10 million property in Westminster, so this government is introducing a High Value Council Tax Surcharge on homes worth over £2 million.

Some tax reliefs that disproportionately benefit the wealthy and higher earners have significantly risen in cost in recent years. The government is therefore reforming them:

- By capping NICs relief on salary sacrifice into pension schemes to the first £2,000 of pension contributions per person from 2029. The costs of this relief were set to increase from £2.8 billion in 2016-17 to £8 billion by 2030-31 without reform, and use of these arrangements has disproportionately benefitted higher earners. The cap shields 74% of basic rate taxpayers using salary sacrifice, and the government continues to support pension saving through auto-enrolment and tax relief, worth over £70 billion per year.
- The government is restricting Employee Ownership Trust Capital Gains Tax relief from 100% to 50%. This is because this scheme is on course to cost £2 billion, 20 times beyond the original costings when the scheme was announced in 2013.

Modernisation: The government is making the tax system fit for the 21st century:

- All cars contribute to wear and tear on the roads, so it is only right that motoring taxes cover electric cars via a modest self-reported per-mile levy.
- Raising taxes on online gambling – which has grown substantially over the years, alongside gambling harms – while protecting face-to-face gambling, from bingo halls to horse racing.
- Preventing ride-sharing taxi apps from exploiting an administrative scheme intended for tour operators in order to pay a lower rate of VAT than others.
- With the rapid rise in cross-border e-commerce, some online retailers are being placed at an unfair advantage due to the UK's customs duty relief for low-value imports. This Budget is removing that relief to support Britain's businesses and high streets.

Taking decisive action to cut the cost of living and bring down inflation

Families across the UK are feeling the squeeze of still too high inflation. The Budget delivers a set of measures to remove around £150 of costs on average from household energy bills from April next year.

Energy costs will be reduced by the ending of the Energy Company Obligation, which is currently funded through bills, and through the government funding 75% of the domestic cost of the legacy Renewables Obligation for three years. This is on top of extending the £150 Warm Home Discount to a further 3 million of the poorest households.

And the Budget goes further by:

- Introducing a one-year freeze of regulated rail fares – for the first time in 30 years – saving commuters on the more expensive routes more than £300 per year.
- Implementing a one-year freeze on prescription charges, keeping fees at £9.90 for a single charge.
- Extending the 5p fuel duty cut until the end of August 2026 with rates then gradually returning to March 2022 levels by March 2027. The planned increase in line with inflation for 2026-27 will also be cancelled. Alongside the introduction of Fuel Finder, these measures are expected to save families £89 next year compared to previous plans.
- Increasing the National Living Wage for the lowest paid to £12.71 per hour in April 2026.
- Supporting the incomes of over 12 million pensioners through a commitment to the Triple Lock for the duration of this parliament. In April 2026, the State Pension will be uprated by 4.8%, so pensioners will receive up to an additional £575 a year.

The Budget package directly cuts inflation by 0.4 percentage points next year. This is the biggest near-term reduction in inflation due to government policy ever forecast by the OBR at a single fiscal event, outside of a crisis.

This Budget takes fair and necessary choices – but those choices are for a purpose: building a stronger, fairer country, where living standards rise, child poverty falls and public services are rebuilt in every corner of Britain.

Budget 2025

Chapter 1: Economic and fiscal outlook

1.1 UK Gross Domestic Product (GDP) growth in 2025 has outperformed the Office for Budget Responsibility's (OBR) March forecast.^{1,2} Alongside this, living standards have risen: real household disposable income (RHDI) has increased after having fallen during the previous Parliament; real wages rose more in the past 16 months than they did between 2010 and 2020.^{3,4} GDP per capita has grown by 1.0% since the start of the Parliament (Q2 2024).⁵ This compares to a decline of 0.2% across the previous Parliament.⁶

1.2 Despite this stronger performance, the UK faces longstanding economic challenges. Productivity growth has been persistently weak, caused by historic under-investment and a series of economic shocks. The OBR has revised down its forecast for underlying medium-term productivity growth after it has consistently undershot its forecast. On its own, the lower forecast for productivity growth would have lowered revenues by around £16 billion in 2029-30.⁷

1.3 The government has set out an economic and fiscal plan underpinned by the principles of stability, investment and reform that will enable the conditions for sustainable growth and reduce the cost of living. The Budget continues to deliver on this strategy. The government is meeting the non-negotiable fiscal rules, more than doubling the buffer to the stability rule to £21.7 billion and is cutting debt: net financial debt (public sector net financial liabilities) is forecast to fall as a share of GDP in 2029-30 and 2030-31, and is lower by the end of the forecast than in 2025-26. From 2025 to 2030, the UK is reducing government borrowing more than any other G7 country.⁸

1.4 To support the economy with greater policy certainty, the government is delivering on its commitment to hold one fiscal event a year, by legislating to ensure that the fiscal rules are only assessed at future Budgets. At the same time, the government is continuing to drive sustainably higher growth and is tackling the cost of living. The Budget has protected an increase of over £120 billion in departmental capital spending, compared with previous plans, and taken measures that are expected to reduce Consumer Prices Index (CPI) inflation by 0.4

¹'GDP – Data Tables', Office for National Statistics (ONS), November 2025. Details of numerical references, including National Statistics, used in this chapter can be found in 'Budget 2025' data sources.

²'Economic and Fiscal Outlook', Office for Budget Responsibility (OBR), March 2025.

³'UK Economic Accounts', ONS, September 2025.

⁴'X09: Real average weekly earnings using consumer price inflation (seasonally adjusted)', ONS, November 2025. Comparison period May 2010 and May 2020.

⁵'GDP – Data Tables', ONS, November 2025.

⁶See footnote 5.

⁷'Economic and Fiscal Outlook', OBR, November 2025. Unless otherwise stated, references to OBR publications throughout refer to the November 2025 Economic and Fiscal Outlook.

⁸'World Economic Outlook', International Monetary Fund, October 2025.

percentage points in 2026-27.⁹ This is the biggest near-term reduction in inflation due to government policy ever forecast by the OBR at a single fiscal event, outside of a crisis.¹⁰

Economic and fiscal context

Economic context

1.5 UK GDP has grown by 1.0% in 2025 to date with strong growth in Q1 as firms and households brought forward activity, whilst recent growth has been slower. Household consumption grew for the fifth consecutive quarter, rising by 0.2% in Q3, and across 2025 business investment has grown by 2.7% in real terms, outperforming the OBR's March forecast. Growth in 2025 has been primarily driven by services output, which in Q3 was 1.6% higher compared with the same quarter a year ago.¹¹

1.6 CPI inflation peaked at over 11% in October 2022, following global supply chain disruption and a sharp rise in energy prices caused by Russia's illegal invasion of Ukraine.¹² High inflation has weighed on living standards and pushed up government borrowing costs. CPI inflation rose through the second half of 2024 and first half of 2025, in part due to past large falls in the energy price cap dropping out of the annual comparison, one-off price rises, and higher food price inflation. Inflation has now started to fall, coming down to 3.6% in October from 3.8% in September (Chart 1.1).

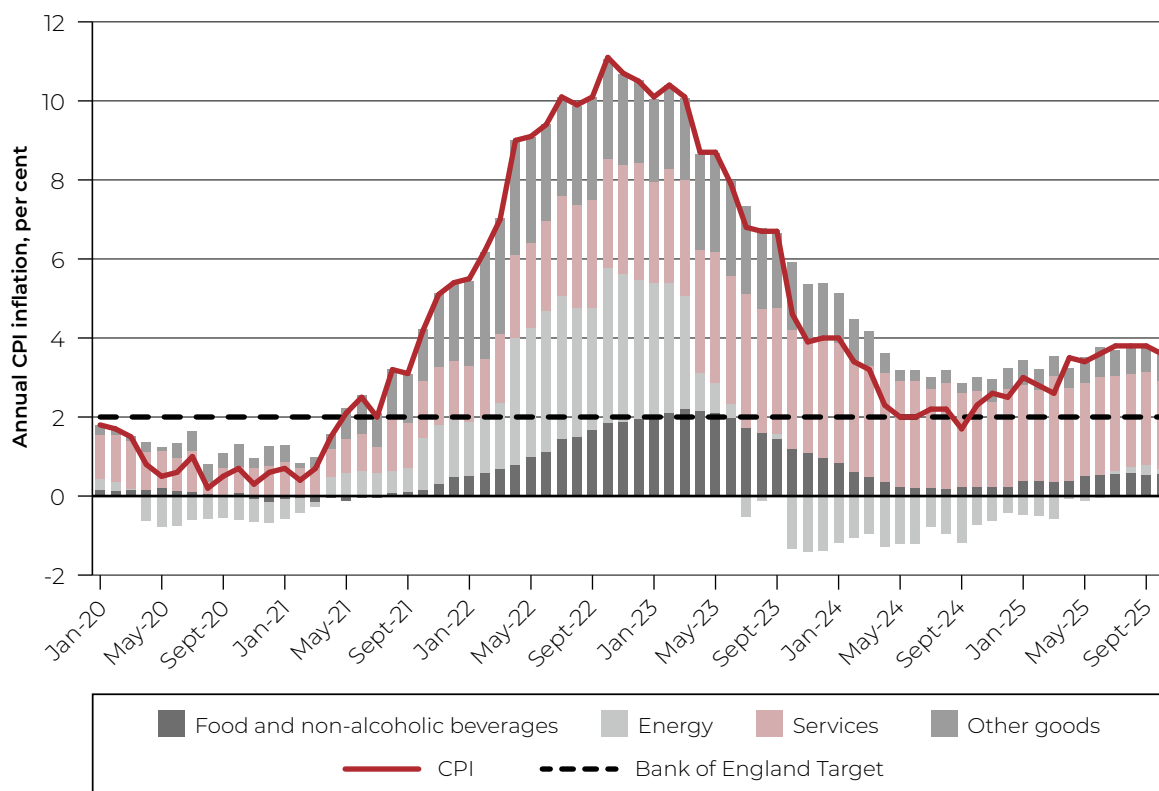
⁹'[Spending Review 2025](#)', HM Treasury, June 2025 and '[Budget 2025](#)', HM Treasury, November 2025, Table TC.2.

¹⁰The historical comparison is based on the annual reduction in CPI from policy. It excludes Autumn Statement 2022 and Spring Budget 2023 impacted by the Energy Price Guarantee following Russia's invasion of Ukraine. It also excludes November 2020, where the OBR did not produce a 'pre-measures' forecast in the usual way because of the emergency policy response to the pandemic.

¹¹See footnote 5.

¹²'[Consumer price inflation tables](#)', ONS, November 2025.

Chart 1.1: Contribution to Consumer Prices Index (CPI) inflation



Source: Office for National Statistics.

1.7 Hiring has continued to ease through 2025. Demand for labour has softened, with vacancies falling 99,000 in the year to October.¹³ The number of payrolled employees is down over the same period, with the fall due to lower inflows as opposed to higher outflows.¹⁴ With slower hiring, unemployment has risen to 5.0% in Q3 2025.¹⁵ The rise in unemployment has been concentrated among young people, with the youth (16-24 year olds) unemployment rate standing at 15.3% in the same period.¹⁶ The rate of young people not in education, employment, or training (NEET) has risen over the last six years and is now 12.7% in Q3 2025, up 1.2 percentage points from the same period in 2019.^{17,18} Against this backdrop, nominal pay growth has eased, with private sector regular pay growth falling to 4.2% in Q3.¹⁹ In real terms, wages have continued to rise and have now been increasing for over two years.²⁰

1.8 The global macroeconomic environment remains volatile and uncertain. The International Monetary Fund (IMF) expects global growth to slow slightly from 3.3% in 2024 to 3.2% in 2025 and 3.1% in 2026 – cumulatively 0.2 percentage points below its October 2024 projections.²¹ Trade policy uncertainty remains elevated despite falling from its April 2025 peak, deterring business investment

¹³ 'AOI: Summary of labour market statistics', ONS, November 2025, rolling three-month average.

¹⁴ 'Earnings and employment from Pay As You Earn Real Time Information, seasonally adjusted', ONS, November 2025.

¹⁵ 'AOI: Summary of labour market statistics', ONS, November 2025, rolling three-month average.

¹⁶ 'AOI: Summary of labour market statistics', ONS, November 2025, rolling three-month average.

¹⁷ 'AOI: Summary of labour market statistics', ONS, November 2025, rolling three-month average.

¹⁸ 'Young people not in education, employment or training (NEET)', ONS, November 2025.

¹⁹ 'AOI: Summary of labour market statistics', ONS, November 2025, Rolling 3 month average.

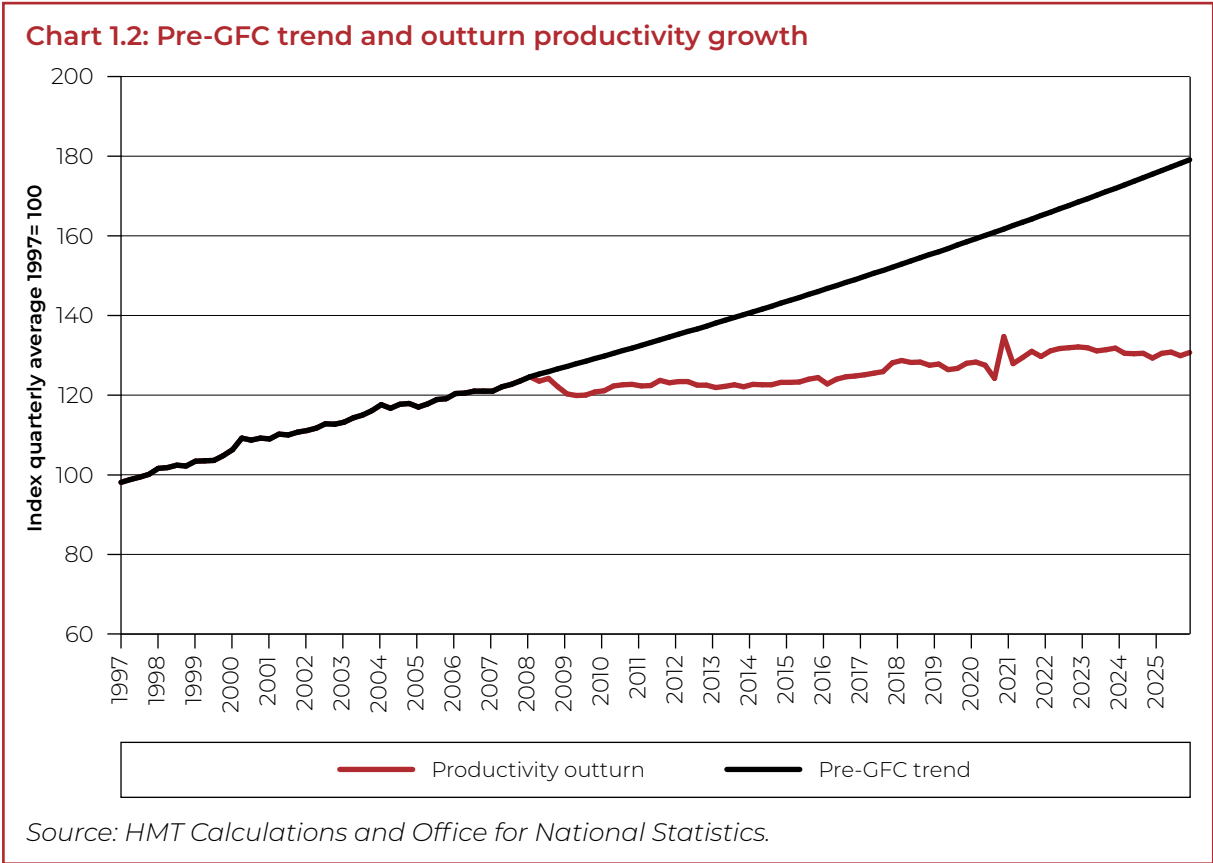
²⁰ 'X09: Real average weekly earnings using consumer price inflation', ONS, November 2025, seasonally adjusted.

²¹ 'World Economic Outlook', International Monetary Fund (IMF), October 2025. 'World Economic Outlook', IMF, October 2024.

and dampening growth. The UK faces risks from geopolitical tensions, including Russia's illegal war in Ukraine, global trade disruption, and increasing global fiscal pressures. The OBR notes “significant uncertainty” around global trade policy developments as a risk to the UK's economic outlook. Despite some volatility in April, global and UK equities have risen over 2025 in line with generally positive risk sentiment.²²

Structural trends

1.9 Weak productivity growth has dragged on living standards over the past 15 years. Prior to the COVID-19 pandemic, between 2010 and 2019, annual productivity growth averaged 0.6%, down by around 1.5 percentage points from the decade prior to the Global Financial Crisis (GFC) (1998-2007) (Chart 1.2).²³ If productivity growth had continued at the pre-GFC rate, then GDP per capita could have been around £15,000 higher in 2024.²⁴ Instead, productivity growth slowed significantly. Whilst this slowdown has also been experienced by G7 peers – annual productivity growth in France, Germany and the US slowed from 1.6%, 1.4% and 2.3% in the decade prior to the GFC, to 0.9%, 1.2% and 0.9% in the decade after, respectively – the UK saw the largest fall between these periods.²⁵ Since the pandemic, the US has seen a partial recovery in its productivity growth, demonstrating the ability of advanced economies' productivity growth to pick up.



²² 'Global financial stability report', IMF, April 2025.

²³ HM Treasury (HMT) calculations based on Office for National Statistics data.

²⁴ HMT calculations based on Office for National Statistics data.

²⁵ 'OECD Productivity growth rates', OECD, time periods: decade pre-GFC 1998-2007; decade post-GFC 2010-2019.

1.10 In the UK, the decline in trend productivity growth following the GFC has been largely driven by under-investment, compounded by a series of economic shocks including recent trade disruption, the effect of Russia's illegal invasion of Ukraine on energy prices, the COVID-19 pandemic and leaving the EU.²⁶ Tackling under-investment is key to sustainably raising growth and living standards. Recent data has shown positive signs; whole-economy investment has risen by 4.2% in real terms since the start of the year, outperforming the OBR's March forecast for a decline of 0.1%.²⁷ Over the same period, business investment has increased by 2.7%, above the OBR's March forecast for growth of 1.1%.²⁸

Box 1.A: Changes to the OBR's productivity forecast

The OBR has revised down its forecast for medium-term productivity growth, measured as output per hour, by 0.3 percentage points to 1.0% at the end of the OBR's five-year forecast period. This revision has brought the OBR's productivity forecast in line with the Bank of England's forecast and those of other external forecasters.²⁹

The UK's productivity challenge is a longstanding one. The OBR has stated the revision was "not prompted by any particular government policy decisions" and was based on an assessment of the persistence of the UK's slowdown since the GFC. The OBR expects that productivity growth will be lower than it previously assumed, but still higher than average productivity growth in the post-GFC period.

The outlook for productivity affects living standards and the public finances. The revision to productivity growth in isolation has lowered tax revenues by around £16 billion in 2029-30 compared to the OBR's March 2025 forecast.

The government is already taking ambitious action to boost growth: protecting over £120 billion additional departmental capital spending over the Parliament, compared to previous plans; reforming the planning system to unlock building; and implementing the 10-year Infrastructure Strategy and Industrial Strategy.³⁰ The government is strengthening ties and resetting the relationship with the EU, and has secured trade deals with India and the US.

1.11 Most recently productivity growth has started to pick up. In the year to Q3 2025, productivity growth was 1.1%, up from -0.6% in the year to Q2 2024. Estimates of productivity incorporating Pay As You Earn Real Time Information suggest that, in the year to Q3 2025, productivity growth was 3.1%, up from -1.1% in the year to Q2 2024 – its fastest rate, outside the pandemic, in the last decade.³¹

²⁶ 'Economic and Fiscal Outlook', OBR, October 2024, Box 1.A, page 12.

²⁷ 'Gross fixed capital formation – by sector and asset', ONS, November 2025, Q1 2025 – Q2 2025. 'Economic and Fiscal Outlook', OBR, March 2025.

²⁸ See footnote 27.

²⁹ 'Forecasting productivity', OBR, November 2025.

³⁰ 'UK Infrastructure: A 10 Year Strategy', National Infrastructure & Service Transformation Authority, June 2025, 'The UK's Modern Industrial Strategy 2025', Department for Business and Trade, June 2025.

³¹ Calculations based on ONS 2025 'Productivity flash estimate and overview, UK, July to September 2025 and April to June 2025'. Growth rates of the alternative productivity measure are calculated as annual growth in the "RTI+SE" measure of output per hour worked. This measure saw faster annual growth rates than 3.1% in the year to Q3 2020 (7.5%), Q1 2021 (4.1%) and Q2 2021 (5.9%), which were all periods affected by the pandemic.

Fiscal context

1.12 Net financial debt as a share of GDP remains close to its highest recorded level, reached in the COVID-19 pandemic.³² Public sector net borrowing (PSNB) has remained elevated at around 5% of GDP since the COVID-19 pandemic, resulting in borrowing of around £150 billion in 2024-25.³³ UK borrowing as a share of GDP is the third highest in the G7.³⁴ If borrowing remained elevated at 5% of GDP across the forecast, this would mean a cumulatively £22.1 billion higher debt interest bill than the OBR's forecast.³⁵

1.13 The government's fiscal strategy is to reduce borrowing and debt, to avoid spending ever more taxpayer money on debt interest. Debt servicing costs were over £100 billion in 2023-24 and 2024-25.³⁶ £1 in every £10 of public sector spending goes on servicing previously borrowed money, instead of supporting public services or investment.³⁷ This is roughly equivalent to four times the amount currently spent on nurses employed in the hospital and community health sector.³⁸ The UK has the highest borrowing costs of any G7 country. If UK yields were instead at the average of those of G7 peers, debt interest costs would be £60 billion lower across the forecast horizon.³⁹

Macroeconomic and fiscal strategy

1.14 Economic growth is the central mission of the government. The government is making responsible choices to strengthen the foundations of the UK's economy in order to raise living standards, underpinned by the principles of stability, investment and reform. Stability consists of low and stable inflation, sustainable public finances and predictable and consistent policy decisions.

Securing stability

1.15 Low and stable inflation reduces uncertainty for consumers and businesses, supporting them to make long-term planning and investment decisions and providing the confidence to increase consumption. The independent Monetary Policy Committee (MPC) of the Bank of England is responsible for bringing inflation to target. The government has published the remit for the MPC alongside the Budget to reaffirm that the Bank of England's price stability objective is defined as 2% CPI inflation, which applies at all times.

³² 'Public sector finances', ONS, November 2025.

³³ 'Public sector finances', ONS, November 2025.

³⁴ 'World Economic Outlook', IMF, October 2025.

³⁵ HMT calculations based on 'Economic and Fiscal Outlook', OBR, November 2025.

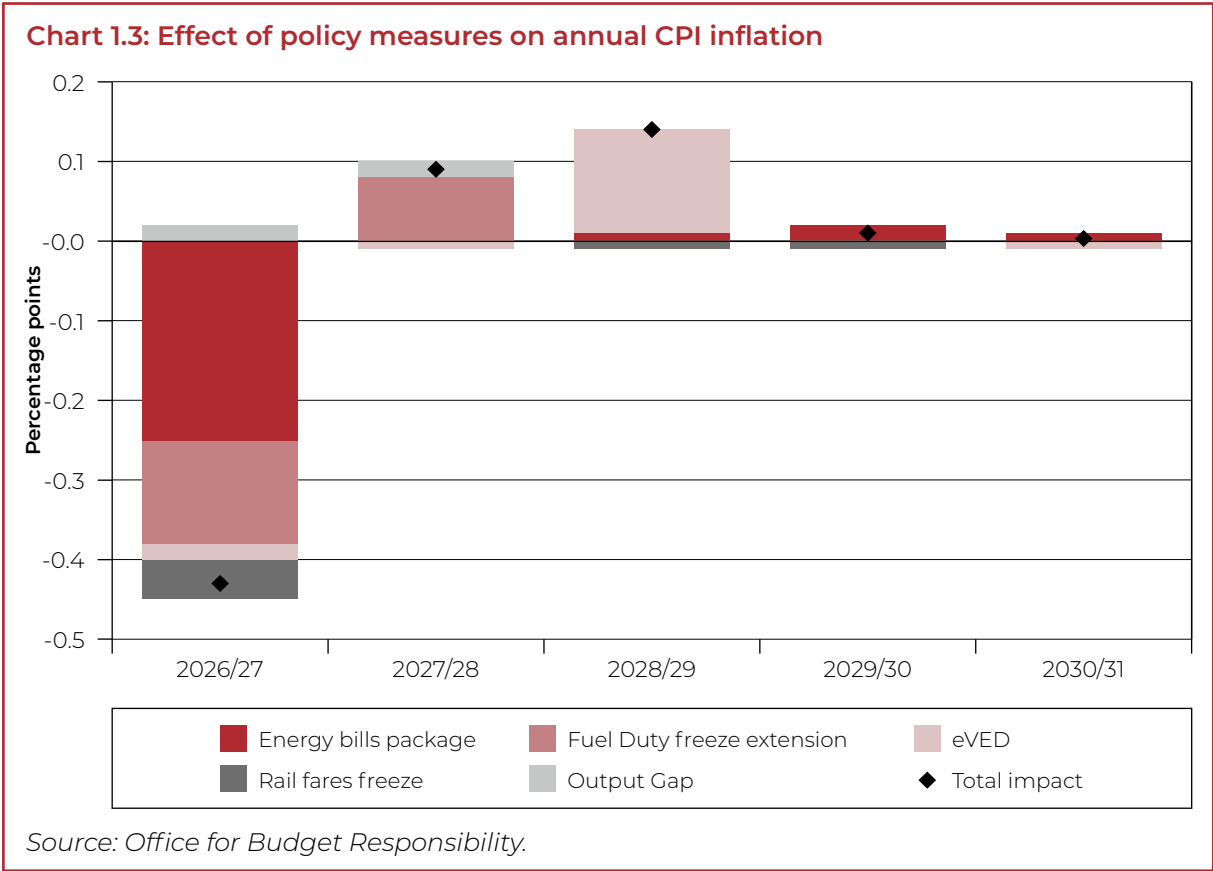
³⁶ 'Public sector finances', ONS, November 2025.

³⁷ Public sector finances publication, public sector debt interest over total public sector expenditure (TME). For CDIDs: KX5Q over JW2P.

³⁸ 'Public sector finances', ONS, November 2025, HMT calculations based on 'NHS Workforce Statistics – July 2025 (Including selected preliminary statistics for August 2025)', NHS England Digital and 'Pay scales for 2025/26', NHS Employers.

³⁹ HMT calculations and Bloomberg.

1.16 In addition, the government is taking action to bear down on prices to support households with the cost of living, with measures on energy bills, transport costs and fuel duty. Taken together, the OBR’s forecast shows government policy will reduce CPI inflation by 0.4 percentage points in 2026-27, supporting the Bank of England to get inflation back to target (Chart 1.3).



1.17 Sound public finances underpin macroeconomic stability. The OBR forecast shows the government is reducing borrowing as a share of GDP in every year of the forecast to support sustainable growth, low inflation and low interest rates. The Bank of England has cut Bank Rate five times this Parliament, which has translated to a saving of £1,200 a year for someone taking out a representative new two-year fixed rate mortgage in September 2025 compared to June 2024.⁴⁰

⁴⁰ HMT calculations based on ‘Money and Credit’, Bank of England, September 2025. This is based on a representative mortgagor with an advance of £215,000 and a term length of 29 years.

Box 1.B: Fiscal stance

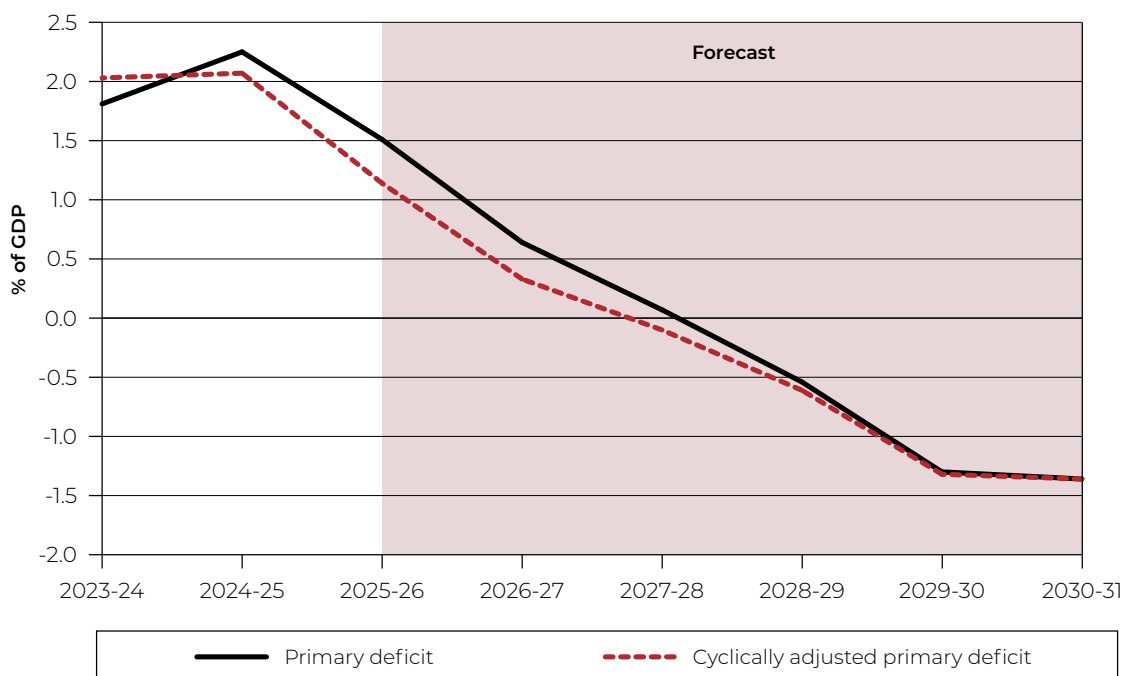
Fiscal policy influences growth and inflation by adding or withdrawing demand from the economy. The fiscal stance, measured by the primary deficit, assesses the effect of taxation and public sector expenditure on the economy by removing interest costs from borrowing as they are not a meaningful indicator of how fiscal policy affects the economy.

The primary deficit is forecast to fall by 0.7% of GDP in the current financial year, the first material reduction since the withdrawal of COVID-19 pandemic support. The primary deficit falls by 1.4 percentage points between 2025-26 and 2027-28, and moves into surplus, which would be the first primary surplus since 2001-02.⁴¹ By 2030-31, the OBR forecasts a 1.4% of GDP primary surplus, driven by both higher tax revenue – accounting for around two thirds of the consolidation – and lower spending – accounting for the remainder.⁴²

The UK is set to consolidate more than any other G7 country from 2025 to 2030.⁴³ This consistent, steady reduction in the primary deficit is the most effective way for fiscal policy to reduce inflationary pressures, supporting the actions of the MPC to return inflation sustainably to target.

The cyclically-adjusted primary deficit (CAPD) controls for the impact of the economic cycle and is a widely accepted measure of discretionary fiscal support. Across the forecast, the CAPD is expected to fall consistently and remains at a lower level than the primary deficit until 2028-29. This reflects the government taking the necessary decisions to bring the deficit down, at a pace that is well matched to the strength of activity and allowing monetary policy to adjust.

Chart 1.4: Fiscal stance



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

⁴¹ 'Public sector finances', ONS, November 2025.

⁴² HMT calculations based on 'Economic and Fiscal Outlook', OBR, November 2025. The tax and spend consolidation shares refer to the total change in primary deficit between 2025-26 and 2030-31 attributed to the total change in non-interest spending and non-interest receipts.

⁴³ 'World Economic Outlook', IMF, October 2025.

1.18 The government is meeting its non-negotiable fiscal rules. At the Budget, the fiscal rules target the fourth year of the forecast. Gradually bringing the time horizon for the fiscal rules forward improves on previous fiscal rules which targeted the fifth rolling year of the forecast and enabled continual delays to fiscal consolidation.

1.19 To further support stability and certainty for businesses and households, the Budget is going further to increase the buffer against these rules, in line with IMF recommendations.⁴⁴ Action taken at the Budget means that the public finances are protected by a larger buffer of £21.7 billion against the stability rule. This buffer is greater than the average revision to the OBR's forecast between fiscal events in the fourth year, helping to protect tax and spending plans from changes in the economy.

1.20 The Budget is strengthening the fiscal framework to deliver on the government's commitment to hold one major fiscal event per year, supporting the economy with greater policy certainty. Responding to recommendations made by the IMF, the government will legislate to ensure the OBR assesses performance against the fiscal rules once a year at the Budget.⁴⁵ The OBR will continue to publish a second five-year forecast in the spring, providing an interim update on the economy and public finances, and to inform the Debt Management Office's (DMO) financing remit. The government will not normally respond with fiscal policy, unless there is a significant change to the economic outlook that requires a response.

1.21 To ensure the public finances are more resilient to economic shocks, the government is setting out a strategy at the Budget for managing its implicit liabilities.⁴⁶ Implicit liabilities are private sector liabilities which government may be compelled to meet during crisis events. This strategy is a proactive approach to managing implicit liabilities, providing a toolkit to mitigate costs. This is supported by a £15 million fund, which will be allocated to priority projects to develop and implement policy options for mitigation, including pursuing legislative or regulatory changes where appropriate.

Responsible decisions for the future

1.22 The government is building a stronger economy both now and for future generations, improving living standards across all regions of the UK. The government is tackling historic under-investment to boost productivity and driving reforms to raise growth.

Going for growth

1.23 At Autumn Budget 2024, the government set fiscal rules which supported a necessary step change in investment by delivering over £120 billion of increased departmental capital spending, compared to previous plans. At Budget 2025 the government is protecting this investment. Tackling historic under-investment is critical to boosting productivity. Higher public investment increases the stock of capital in the economy, which in turn increases the level of capital per worker, productivity and potential output.

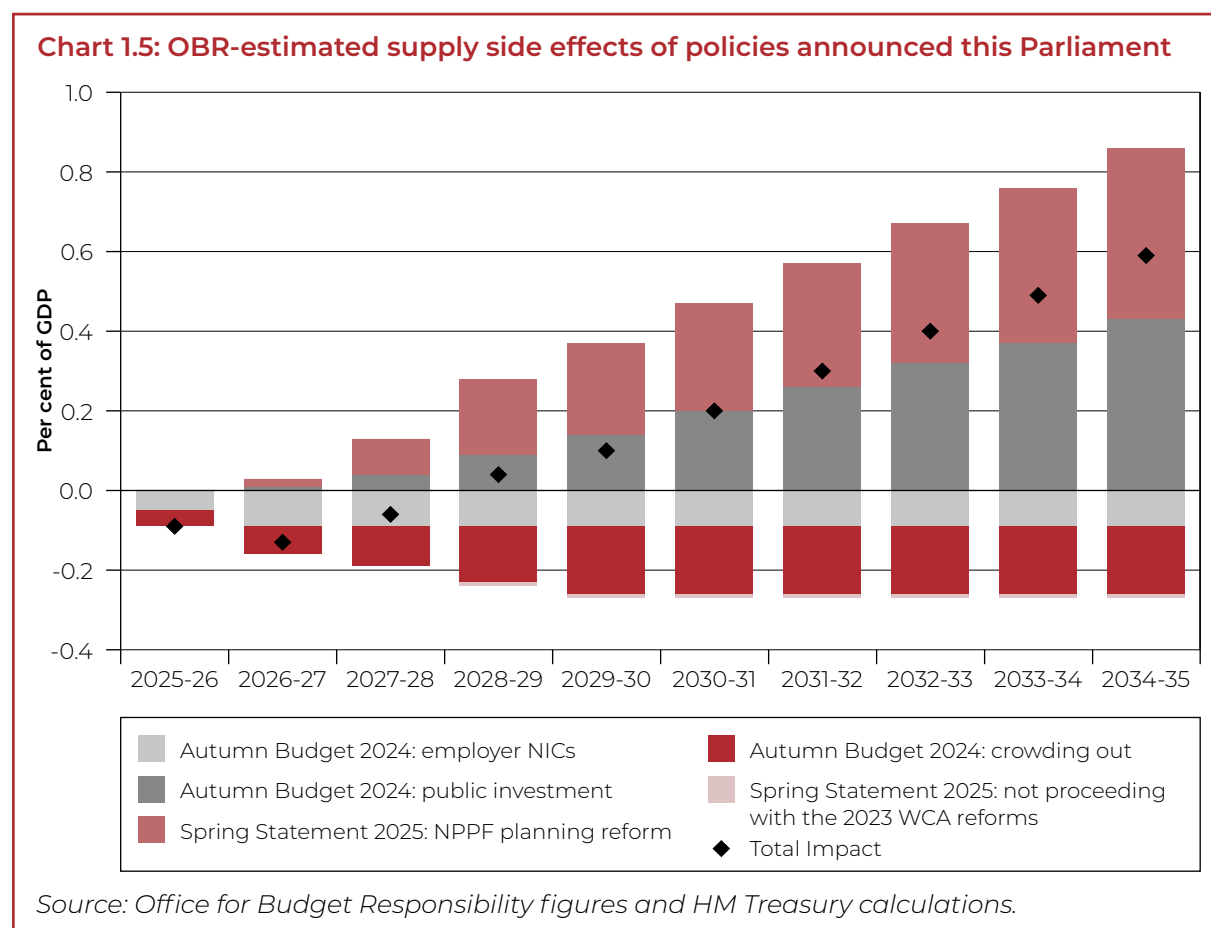
⁴⁴ '2025 Article IV consultation', IMF, July 2025.

⁴⁵ '2025 Article IV consultation', IMF, July 2025.

⁴⁶ 'Guidance on managing government's implicit liabilities', HM Treasury, November 2025.

1.24 Broadening the target measure of debt recognises that financial investments, such as those made by the National Wealth Fund, create value for the taxpayer as well as supporting growth. The government has provided its public financial institutions with £153 billion of capacity, including through the National Wealth Fund, which has deployed £3.8 billion in its first year and is expected to catalyse over £70 billion of private investment in high-growth sectors at the heart of the government's industrial strategy.⁴⁷

1.25 The OBR has set out that policies announced by the government will increase the potential output of the UK economy. Decisions taken across this Parliament, including planning reform, planned increases in public investment, and trade deals struck with other countries, will raise output in the medium and longer term (Chart 1.5). The OBR estimates that the combined supply-side effects of policy announced across the Parliament will raise the level of GDP by over 0.6% after 10 years.⁴⁸ At Spring Statement 2025, the government also increased departmental capital budgets by a further £13 billion across the forecast period.⁴⁹ These benefits will continue to build after 2035; the OBR estimated that public investment will raise the level of GDP by 1.4% in the long run (over 50 years). Public investment could further crowd in additional private sector investment where additional public sector investment raises returns in the private sector and labour market.



⁴⁷ National Wealth Fund. <https://www.gov.uk/government/news/chancellors-national-wealth-fund-to-deliver-growth-and-boost-security>

⁴⁸ 'Economic and Fiscal Outlook', OBR, October 2024.

⁴⁹ 'Economic and Fiscal Outlook', OBR, March 2025. At Spring Statement 2025 this was 2024-25 to 2029-30.

Fiscal sustainability

1.26 Alongside the Budget, the government is publishing a response to the OBR's 2025 Fiscal risks and sustainability report, which sets out how the government is addressing long-term sustainability challenges.⁵⁰

1.27 The fiscal strategy to reduce borrowing will improve the sustainability of the public finances for future generations, as every additional £1 billion the government borrows to spend today means £150 million more spent on debt interest each year in 30 years' time.⁵¹

1.28 The government is taking responsible decisions to reform the tax system in order to support long-term fiscal sustainability. Decisions taken at the Budget help to strengthen the tax base, including: introducing eVED to respond to the long-term decline in fuel duty receipts as more people choose to switch to cleaner, greener electric cars; ensuring income from assets is taxed fairly by increasing taxes on property, dividends and savings to help to close the gap between tax paid on work and tax paid on income from assets; reforming existing tax reliefs such as changes to salary sacrifice arrangements for pension contributions; and introducing a new High Value Council Tax Surcharge.

1.29 The government is taking action to improve the sustainability of public spending, including by: launching the third independent review of State Pension age and a new Pensions Commission to help build a strong, fair and sustainable pension system that is fit for the future; publishing the 10 Year Health Plan, which will help secure the financial sustainability of the NHS; reforming administration of the welfare system to reduce fraud and error, which will save £4.6 billion in 2030-31, due to actions at the Budget and the previous two fiscal events.^{52,53,54} The government will also set out substantial plans for reform of special educational needs provision to deliver a sustainable system which – first and foremost – supports children and families effectively, through a Schools White Paper early in the new year.

1.30 To further improve its management of the public sector balance sheet, the government has announced a Strategic Asset Review in support of a £1 billion asset efficiency target, and a value-for-money review of the maintenance of public sector assets, which will be conducted ahead of the next spending review in 2027. These programmes are the first applications of the new Balance Sheet Framework published at the Budget, which for the first time sets out a comprehensive approach to the management of public sector assets, liabilities and entities.⁵⁵ It will guide decisions on new transactions, use of private finance and disposal of assets, alongside ensuring existing assets are well managed.

⁵⁰ 'Government Response to the 2025 Fiscal Risks and Sustainability Report', HM Treasury, November 2025.

⁵¹ HMT calculations based on 'OBR long-term economic determinants', June 2025.

⁵² 'Third State Pension age review', Department for Work and Pensions, July 2025.

⁵³ '10 Year Health Plan for England: fit for the future', Department of Health and Social Care, July 2025.

⁵⁴ 'The Timms Review', Department for Work and Pensions, October 2025; 'Independent investigation to be launched to tackle rising youth inactivity', Department for Work and Pensions, November 2025.

⁵⁵ 'Balance Sheet Framework', HM Treasury, November 2025.

Economic and fiscal outlook

Economic outlook

1.31 The government's decisions in Budget 2025 will lower inflation, protect investment and provide greater stability, which will support the growth mission. An overview of the OBR's economic forecast can be found in Table 1.1.

Table 1.1: Overview of the OBR's economic forecast^{1,2}

	Outturn		Forecast				
	2024	2025	2026	2027	2028	2029	2030
Gross domestic product (GDP)	1.1	1.5	1.4	1.5	1.5	1.5	1.5
GDP per capita	0.1	1.0	1.0	1.2	1.1	1.1	1.1
Potential output growth	1.6	1.8	1.3	1.3	1.3	1.5	1.5
Main components of GDP							
Household consumption ³	-0.2	0.9	1.2	1.5	1.6	1.8	1.7
General government consumption	3.4	2.0	2.2	1.8	1.3	1.2	1.7
Total fixed investment <i>of which:</i>	1.8	2.2	1.3	3.1	2.5	1.5	1.4
Business investment	2.3	2.8	-0.4	0.6	0.9	1.2	1.4
General government investment	4.1	2.5	7.8	5.4	-0.2	-1.3	0.2
Private dwellings investment ⁴	-1.4	1.0	1.4	6.8	7.7	4.1	2.0
Change in inventories ⁵	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Exports	0.7	3.3	0.4	0.3	0.5	0.8	0.9
Imports	2.6	3.7	0.2	1.3	1.3	1.1	1.1
Consumer Prices Index (CPI) inflation	2.5	3.5	2.5	2.0	2.0	2.0	2.0
Employment (millions)	33.6	34.2	34.3	34.6	34.9	35.1	35.4
Unemployment (% rate)	4.3	4.8	4.9	4.6	4.3	4.2	4.1
Productivity – output per hour	0.3	0.7	0.7	0.8	0.8	0.9	1.0
Real household disposable income (RHDI) per capita	3.1	1.0	0.2	0.3	0.3	0.3	0.4

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.

1.32 The OBR forecasts the economy will grow by 1.5% in 2025, revised up from 1.0% in its March forecast. GDP growth is then forecast to slow slightly to 1.4% in 2026, before returning to 1.5% in subsequent years. Average GDP growth across 2026 to 2029 is now expected to be 1.5% compared with 1.6% in the OBR's March forecast. The OBR expects the level of real GDP at the end of its forecast horizon to be broadly in line with its March forecast. This is because of upward revisions to the level of GDP in Blue Book 2025, and stronger-than-expected growth in 2025.⁵⁶ The key driver of lower real GDP growth over the forecast is the downgrade to medium-term productivity growth (Table 1.1).⁵⁷

⁵⁶ 'UK National Accounts, The Blue Book: 2025', ONS, October 2025.

⁵⁷ The Spring Statement 2025 forecast period ended in 2029 and is used as the comparison year.

1.33 The OBR expects total employment to increase from 34.2 million in 2025 to 35.4 million in 2030 – higher in every year of the forecast than previously expected. The OBR forecasts the unemployment rate to peak at 5% in the first half of 2026, before falling to 4.1% by the end of the forecast period.

1.34 The OBR expects inflation to have peaked in Q3 2025, and that it will fall progressively to the Bank of England's 2% target in Q1 2027. Actions taken by the government at the Budget will reduce inflation by a peak quarterly impact of 0.5 percentage points in Q2 2026 and 0.3 percentage points in 2026 on average.

1.35 The OBR has increased its nominal GDP growth forecast over 2025 and 2026 but reduced its forecast for later years. The OBR expects the level of nominal GDP at the end of the forecast to be higher than March, due to the Blue Book 2025 revisions leaving the level of nominal GDP 1.4% higher in Q2 2025.

1.36 Average nominal earnings growth is 0.8 percentage points higher in 2025 than in the OBR's March forecast. The average nominal earnings growth forecast has also been revised up across 2026 and 2027, by 1.0 percentage point and 0.2 percentage points, respectively. Relative to the previous forecast, the OBR judges that the composition of nominal GDP growth will change towards labour income, with cumulative growth in labour income forecast to be 0.8 percentage points higher, and growth in corporate profits 6.5 percentage points lower, over the same period.

1.37 The OBR forecasts that RHDl per capita and GDP per capita will rise by 2.9% and 5.3% respectively over this Parliament (Q3 2024 – Q2 2029). This would more than reverse the 1.8% fall in RHDl per capita seen in the previous Parliament.⁵⁸

Fiscal outlook

1.38 Lower forecast productivity growth than at previous fiscal events has weakened the public finances by reducing forecast tax receipts. The OBR highlights that receipts are around £16 billion lower in 2029-30 than they would have been if productivity growth had remained the same as in the OBR's March forecast (Table 1.2). At the same time, higher inflation, stronger wage growth and changes to the composition of GDP have increased receipts, whilst the OBR has revised up its forecast for local government net borrowing, and spending on welfare benefits and debt interest.

⁵⁸ 'UK Economic Accounts', ONS, September 2025.

Table 1.2: Changes in borrowing since March 2025 (£ billion)

	Forecast					
	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
March 2025 forecast	117.7	97.2	80.2	77.4	74.0	
October 2025 forecast	138.3	112.1	98.5	86.9	67.9	67.2
Difference	20.6	14.9	18.3	9.5	-6.2	
of which:						
Underlying forecast differences	16.8	11.0	7.1	8.9	5.5	
of which:						
Productivity revision	0.0	2.3	6.3	11.0	15.6	
Other forecast changes	16.8	8.8	0.8	-2.1	-10.1	
Direct effect of policy decisions¹	3.7	5.9	9.9	-1.0	-14.8	-18.0
of which:						
Spending decisions	4.9	6.6	16.0	12.9	11.3	11.8
of which:						
Summer 2025 welfare policy changes	1.8	2.2	3.9	5.6	6.9	7.9
Removing the two-child limit	0.0	2.4	2.6	2.8	3.1	3.2
Other spending decisions	3.1	2.0	9.5	4.5	1.3	0.7
Tax decisions	-1.3	-0.7	-6.1	-13.9	-26.1	-29.8
Other OBR spending judgements	0.0	0.0	0.0	-2.3	-2.2	-1.3
Indirect effects of policy decisions	0.2	-2.0	1.3	3.9	5.2	5.4

Note: This table uses the convention that a negative figure means a reduction in PSNB i.e. an increase in receipts or a reduction in spending will have a negative effect on PSNB.

Figures may not sum due to rounding.

¹Differences between the direct impacts of the policy measures as set out in Table 4.1 of the Statement, and how the OBR incorporate these into their forecast are explained in the OBR's EFO Table 3.1.

Source: Office for Budget Responsibility.

1.39 The Budget takes decisive action to secure the public finances whilst protecting the investment needed to drive growth in the medium term. PSNB as a share of GDP in 2025-26 is set to be the lowest for six years.⁵⁹ Borrowing is falling in every year of the forecast, from 4.5% of GDP in 2025-26 to 1.9% in 2030-31 (Table 1.3). The greatest fall in borrowing occurs in the first full year of the OBR's forecast – PSNB is 1% lower in 2026-27 than in 2025-26. In 2029-30, borrowing is lower compared to the OBR's March forecast.

⁵⁹ 'Public sector finances', ONS, November 2025.

Table 1.3: Overview of the OBR's fiscal forecast (% GDP)

	Forecast					
	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Current budget deficit	1.7	0.9	0.1	-0.1	-0.6	-0.7
Public sector net investment	2.8	2.6	2.9	2.7	2.6	2.5
Public sector net borrowing	4.5	3.5	3.0	2.6	1.9	1.9
General government net borrowing ⁴	5.0	4.1	3.6	3.2	2.6	2.4
Primary deficit	1.5	0.6	0.1	-0.5	-1.3	-1.4
Cyclically adjusted primary deficit	1.1	0.3	-0.1	-0.6	-1.3	-1.4
Public sector net financial liabilities ¹	83.1	83.3	83.6	83.7	83.0	82.2
Public sector net debt ¹	95.0	95.3	96.3	97.0	96.8	96.1
Public sector net debt ex Bank of England ¹	91.3	92.8	94.2	95.2	95.3	95.3
Public sector net worth ^{1,2,3}	70.4	70.2	70.3	70.3	69.5	68.0
General government gross debt ⁴	100.8	102.2	103.2	104.0	104.1	103.9

¹ Stock values at end of March; GDP centred on end of March.

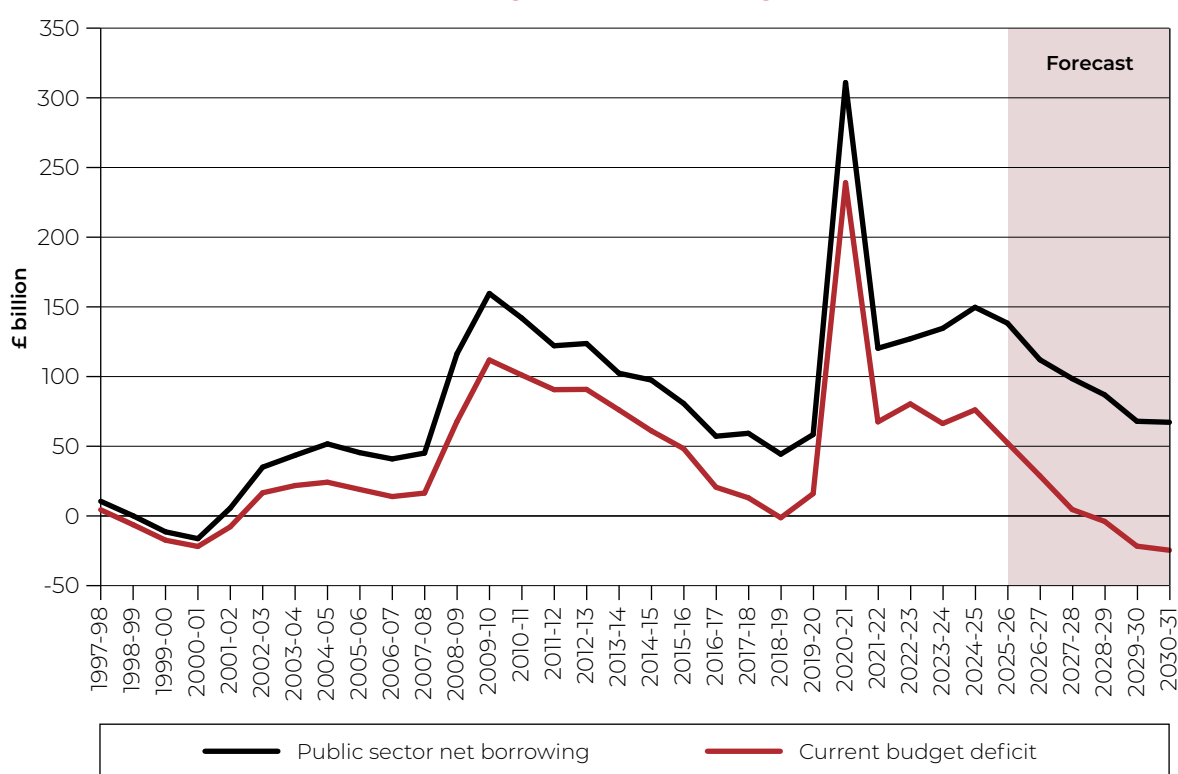
² IMF Government Finance Statistics Manual (GFSM) basis.

³ PSNW has been inverted to facilitate comparisons with the other stock metrics.

⁴ Calendar year basis.

Source: Office for Budget Responsibility.

Chart 1.6: Public sector net borrowing and current budget deficit



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

Performance against the fiscal rules

1.40 The government is meeting its fiscal rules. The OBR forecasts that the current budget will move into surplus in 2028-29, meeting the stability rule a year early (Chart 1.7). The current budget surplus reaches £21.7 billion in 2029-30, which would be the largest current budget surplus for over 20 years, more than doubling the buffer to the stability rule.⁶⁰

1.41 Net financial debt falls as a share of GDP in 2029-30 and in 2030-31, meeting the investment rule in 2029-30 by a margin of £24.4 billion. Net financial debt is forecast to be lower as a share of GDP in 2030-31 than in 2025-26.

1.42 The OBR assesses that the welfare cap will be met by £1.9 billion in 2029-30.

Financing

1.43 The DMO net financing requirement for 2025-26 is forecast to be £314.7 billion. The remit for the DMO has been updated to reflect this, increasing by £5.6 billion. This will be financed through £303.7 billion of gilt sales (an increase of £4.6 billion), as well as £11 billion from the sale of Treasury bills used for debt management purposes (an increase of £1 billion). The net financing target of National Savings and Investments is also increased by £1 billion to £13 billion in 2025-26, within a range of plus or minus £4 billion. The government's financing plans for 2025-26 are summarised in Annex A.

1.44 The Central Government Net Cash Requirement (CGNCR) is £149.2 billion in 2025-26; the increase in CGNCR since the OBR's March forecast is £14.1 billion lower than the increase in PSNB in 2025-26 and £10.7 billion lower than the increase in PSNB in 2026-27.⁶¹ This is driven by several forecast changes which are neutral for or increase PSNB, but decrease or do not significantly impact CGNCR. This includes the Asset Purchase Facility (APF) indemnity payment from HM Treasury to the Bank of England, local authority net borrowing, and inflation-driven debt interest costs from index-linked gilts.

1.45 The government is committed to maintaining as diversified an investor base as possible to enhance the resilience of the government's financing programme. In keeping with this, HMT and the DMO will launch a consultation in January 2026 on expanding and deepening the Treasury bill market. In accordance with the debt management objective, any changes following the consultation will take into account an assessment of cost and risk, including implications for the government's refinancing risk exposure. At end-September 2025, the average maturity of the total stock of debt was 13.7 years.⁶² Year-to-year changes in the composition of issuance generally have a marginal impact on the average maturity of the debt stock, given the relative size of annual issuance compared with the stock. The average maturity remains consistently longer than the average across the G7.⁶³

1.46 The government has at the Budget published an updated Green Financing Framework, adding nuclear energy to the list of eligible expenditures for green financing (with some exclusions).⁶⁴ This reinforces the government's firm conviction that nuclear energy is green and is a crucial part of making Britain a green energy

⁶⁰ 'Public sector finances', ONS, November 2025.

⁶¹ This refers to the Central Government Net Cash Requirement excluding Network Rail.

⁶² 'Quarterly Review July – September 2025', UK Debt Management Office, November 2025.

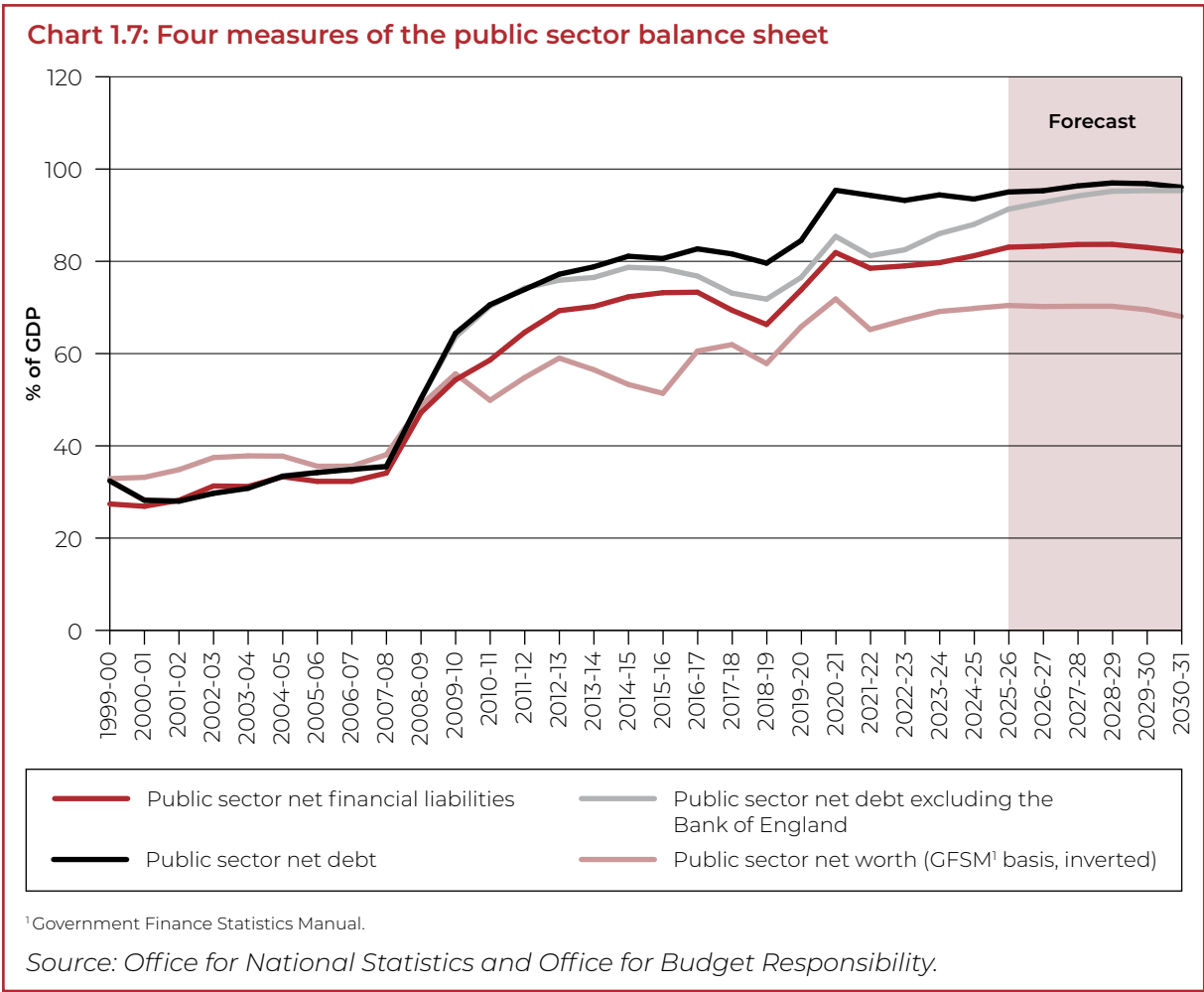
⁶³ 'Debt Management Report 2025-26', HM Treasury, March 2025.

⁶⁴ 'UK Government Green Financing Framework', HM Treasury, November 2025.

superpower. The proceeds from sales of green gilts and Green Savings Bonds issued prior to 27 November 2025 will not be allocated to nuclear energy-related expenditures. A Second Party Opinion from S&P rates the new Framework as dark green, their highest rating, and an improvement on the Framework’s original rating in 2021.

Balance sheet

1.47 In addition to its fiscal rules, the government has committed to consider a wide range of metrics to inform a full assessment of the sustainability of the public finances and will seek to improve sustainability over time (Chart 1.7).⁶⁵ PSND as a share of GDP is forecast to peak in 2028-29 at 97.0% and then falls in 2029-30 and 2030-31, reaching 96.1% by the end of the forecast. Public sector net worth (PSNW) is expected to strengthen from -70.3% of GDP in 2028-29 to -69.5% in 2029-30 and -68.0% in 2030-31. By the end of the forecast, the level of PSNW improves by over 2 percentage points compared to the 2025-26 level.



1.48 Best practice in fiscal transparency means reporting on obligations that taxpayers may have to meet in the future, due to decisions today. Contingent liabilities are not included in net financial debt because they represent potential, rather than actual, obligations, often only being recognised at the point of crystallisation. The significant contingent liabilities that government has entered into since Spring Statement 2025 are set out in Table 1.4.

⁶⁵ ‘Charter for Budget Responsibility Autumn 2024’, HM Treasury, January 2025, page 3.

Table 1.4: Significant contingent liabilities since March 2025

Department	Reasonable worst-case (£ billion)	Expected loss (£ billion)	Expected income (£ billion)
Department for Business and Trade	0.1	<0.1	<0.1
Department for Energy Security and Net Zero	53.8	0.5	0.5-2.4
Foreign, Commonwealth and Development Office	0.3	<0.1	0.0
HM Treasury	<0.1	<0.1	<0.1
Ministry of Defence	2.2-2.5	<0.1	0.0
UK Export Finance	1.5	<0.1	<0.1
Total	58.3	0.6	0.6-2.5

Note: Expected loss represents a statistical estimate of potential losses, not a forecast of losses that will occur.

Source: HM Treasury contingent liabilities database.

1.49 Targeting net financial debt recognises the value of financial assets, enabling growth-enhancing investments. As committed to at Autumn Budget 2024, the Financial Transaction Control Framework sets guardrails for financial transactions, including transparency. Alongside the Budget, the government has published a report setting out the value, performance and risk of its £200 billion central government financial investments, including experimental analysis on the return on government's investments.⁶⁶ The latest forecast for financial transactions is set out in Table 1.5.

Table 1.5: OBR forecast of financial transactions, excluding Bank of England

£ billion (current prices)	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
DEL net lending ¹	2.5	2.3	3.4	5.4	6.4	6.7
Student Loans ²	8.9	15.1	9.7	9.9	10.0	9.8
National Wealth Fund	1.8	2.1	2.0	2.0	2.0	0.4
UK Export Finance	1.5	2.3	3.0	2.0	0.6	0.1
Other net lending	1.1	1.9	1.6	2.0	2.0	1.8
Total FT	15.9	23.7	19.7	21.3	21.1	18.9

¹ DEL net lending includes an OBR forecast allowance for shortfall

² The 2026/27 student loans figure captures the effect of the revaluation of the loan book caused by the freezing of the plan 2 repayment threshold

Source: OBR Forecast.

⁶⁶ 'Financial Investment Report', HM Treasury, November 2025.

Chapter 2: Strong foundations

Cost of living

2.1 The government is committed to improving living standards for everyone, in every part of the UK. The best headline measure of progress in living standards is real household disposable income (RHDl) per capita, which fell by 1.8% in the last Parliament, making it the only Parliament since records began in the 1950s in which living standards fell.⁶⁷ This fall has already been reversed; RHDl per capita was £800 higher in the first year of this Parliament, compared with the final year of the previous Parliament.⁶⁸ The Office for Budget Responsibility (OBR) forecasts growth to continue, with RHDl per capita projected to grow by 2.9% over this Parliament.⁶⁹ However, persistently high inflation has weighed on living standards. The government's strategy for improving living standards is through growing the economy, which is the only way to sustainably increase wages, and through tackling inflation.

Bearing down on prices

2.2 High inflation erodes living standards and deters business investment.⁷⁰ Consumer Prices Index (CPI) inflation has been considerably lower than it was in 2022 when it breached 11%.⁷¹ Nonetheless, it has remained elevated, with people across the UK feeling the squeeze. CPI inflation rose through the second half of 2024 and first half of 2025, in part due to past large falls in the energy price cap dropping out of the annual comparison, one-off price rises, and higher food price inflation. Inflation has now started to fall, coming down to 3.6% in October from 3.8% in September. In everyday terms, food prices increased over 25% between the start of 2022 and May 2024, with the UK experiencing nearly 15 years of typical food inflation during that period.^{72,73}

2.3 The Bank of England has overall responsibility for controlling inflation and expects inflation to fall to the 2% target.⁷⁴ The government is fully committed to tackling high inflation alongside the Bank through responsible fiscal strategy. Government policy at the Budget stabilises the public finances, strengthens the foundations for economic prosperity and boosts growth. Beyond this, the government is targeting inflation at its source, by bearing down on everyday expenses such as energy bills, transport and childcare costs to ease cost of living

⁶⁷ 'UK Economic Accounts', Office for National Statistics (ONS), September 2025.

⁶⁸ 'UK Economic Accounts', ONS, September 2025.

⁶⁹ 'Economic and Fiscal Outlook', Office for Budget Responsibility (OBR), November 2025.

⁷⁰ 'Does inflation harm corporate investment? Empirical evidence from OECD countries', Ciżkowicz, Piotr, Rzónca, Andrzej, Kiel Institute for the World Economy (IFW), 2012.

⁷¹ 'Consumer price inflation, UK: October 2025', ONS, November 2025.

⁷² 'CPI index: food and non-alcoholic beverages', ONS, November 2025.

⁷³ HMT calculations comparing 'CPI index: food and non-alcoholic beverages', ONS, November 2025 between May 2022 and May 2024 with the January 2010 to December 2019 average rate of annual food and non-alcoholic beverages inflation of 1.6%.

⁷⁴ 'Monetary Policy Report', Bank of England, November 2025.

pressures. Taken together, the OBR's forecast shows government policy will reduce CPI inflation by 0.4 percentage points next year.⁷⁵ This is the biggest near-term reduction in inflation due to government policy ever forecast by the OBR at a single fiscal event, outside of a crisis.⁷⁶

2.4 The government recognises the strain that high energy prices have placed on people, including the spike in wholesale gas prices after Russia's illegal invasion of Ukraine. The Budget is delivering a package of measures to remove around £150 of costs on average from household energy bills across Great Britain from April 2026.⁷⁷ This will be delivered through the government funding 75% of the domestic cost of the legacy Renewables Obligation for the rest of this spending review period from 2026-27 to 2028-29 and ending the Energy Company Obligation which is currently funded through energy bills. These measures are forecast to directly reduce inflation by over 0.2 percentage points in 2026-27.⁷⁸ On top of reducing energy bills at the Budget, the government has also expanded the Warm Home Discount, which means that in total six million households will receive £150 off their energy bills this winter.⁷⁹

2.5 As well as taking costs off household energy bills, the government will provide an additional £1.5 billion capital investment to tackle fuel poverty through the Warm Homes Plan, in addition to the £13.2 billion of funding allocated at Spending Review 2025.

2.6 The government is committed to doing more to reduce electricity costs for all households and improve the price of electricity relative to gas. The government will consider how to further target the savings announced in the Budget at electricity bills, including the savings derived from ending the Energy Company Obligation scheme. The government will set out how it intends to deliver this through the Warm Homes Plan.

2.7 The government is focused on bringing down energy bills for households and businesses, while securing the necessary infrastructure investment to build a resilient energy system and reduce the UK's dependence on imported fossil fuels. The government will subject any additional costs, including new levies, to enhanced scrutiny under a new framework to ensure they are affordable, represent value for money and do not impose unnecessary costs on households and businesses.

⁷⁵ 'Economic and Fiscal Outlook', OBR, November 2025.

⁷⁶ The historical comparison is based on the annual reduction in CPI from policy. It excludes Autumn Statement 2022 and Spring Budget 2023 impacted by the Energy Price Guarantee following Russia's illegal invasion of Ukraine. It also excludes November 2020, where the OBR did not produce a 'pre-measures' forecast in the usual way because of the emergency policy response to the pandemic.

⁷⁷ The £150 is a rounded £154 average per household figure. This is composed of a forecast £88 saving from funding 75% of the domestic share of the Renewables Obligation (RO) via the Exchequer; £59 is from not renewing the Energy Company Obligation (ECO); and £7 from VAT savings as a result of these measures. The RO bills impact is obtained by dividing the total forecast cost of the RO to households in GB in 2026-27 by the number of households in GB. For ECO, the average bill impact is the projected spending that would have happened on this scheme divided by the number of GB households. The number of households in GB is taken from the [ONS Living Costs and Food Survey](#) for 2021-24 and this is grown in line with the OBR's over-16 population determinant. Ofgem's energy bill price cap is measured for the current typical domestic consumption values for a dual fuel household – based on median consumption levels using data from 2019 and 2021 (these measures predominantly affect electricity bills). The impact is equivalent to £134 off the price cap (based on [policy costs in the Q1 2026 dual fuel cap announced on 21 November 2025](#)). This is composed of £67 for RO, £60 for ECO, and £6 of VAT savings (rounded to the nearest £1).

⁷⁸ 'Economic and Fiscal Outlook', OBR, November 2025.

⁷⁹ 'Expanding the Warm Home Discount Scheme, 2025 to 2026: consultation document', GOV.UK, June 2025.

2.8 Transport costs represent 14% of household spending.⁸⁰ To bear down on the cost of travelling by rail, the government is freezing all regulated rail fares in England for one year starting from March 2026, saving the average passenger £300 per year on the most expensive routes.⁸¹ This is the first time the government has frozen regulated rail fares for a year in 30 years and means passengers will not see any changes to the price of season tickets, peak return fares for commuters and off-peak returns between major cities until March 2027. This builds on the government's previous decision to extend the £3 bus cap to March 2027, covering 5,000 bus routes.⁸²

2.9 Pump prices are at their lowest levels since 2021, before Russia's illegal invasion of Ukraine led to soaring prices and the introduction of a temporary 5p cut in fuel duty.⁸³ The government is extending the 5p fuel duty cut until the end of August 2026, with rates then gradually returning to March 2022 levels by March 2027. The planned increase in line with inflation for 2026-27 will also be cancelled. From Spring 2026, UK consumers will also be able to compare prices more easily through the Department for Energy Security and Net Zero's open data Fuel Finder scheme, encouraging competitive pricing among retailers, with analysis suggesting households who own a car could save an average of around £40 a year.⁸⁴ Together, the actions the government is taking on fuel prices is set to save households with a car £89 next year compared with previous plans.⁸⁵

2.10 The Budget ensures that people can continue to access the medicines they need. That is why millions of people in England will see the cost of their prescriptions frozen for a year from April 2026, including keeping the single charge at £9.90, which will save patients on aggregate around £12 million.⁸⁶ The government has also announced that all women will be able to access the morning-after pill free of charge in pharmacies across England. This eliminates the postcode lottery of access to emergency contraception, so everyone can access the care they deserve.

2.11 Although food price inflation has decreased, it is still too high at 4.9%.⁸⁷ Households are feeling the impact of this in their weekly shop, with those on lower incomes suffering the most. The government is acting decisively, negotiating an agri-food deal with the EU to make it easier for the UK to trade with its biggest partner.⁸⁸ Food businesses will save time and up to £200 per shipment when trading fresh food, helping to reduce pressure on prices.⁸⁹ The government also recently announced a Food Inflation Gateway to assess and monitor regulation

⁸⁰ 'Family spending in the UK: April 2023 to March 2024', ONS, September 2025.

⁸¹ DfT analysis of saving against illustrative scenario of RPI + 1 percentage point fares rises for three days and five days per-week over 40 weeks for season tickets on well-travelled regional passenger journeys. Examples include annual savings for flexi seasons of £337.40 on Bedford-London, £315.00 on Milton Keynes-London, and for annual seasons of £804.00 Birmingham-London, and £468.00 on Newcastle-York.

⁸² 'Spending Review 2025', GOV.UK, June 2025.

⁸³ 'Weekly road fuel prices statistics', Department of Energy Security and Net Zero (DESNZ), November 2025.

⁸⁴ 'Fuel Finder Open Data Scheme Final Impact Assessment', DESNZ, October 2025; 'National Travel Survey', DfT, 2024; 'Vehicle Licensing Statistics', DfT, 2025; 'Families and Households', ONS, 2024.

⁸⁵ Fuel Finder saving, added to HMRC KAI calculations using Vehicle Licensing Statistics Data Table 1103a (DfT, DVLA) and Hydrocarbon Oils Bulletin (HMRC) quantities, split into fuel use by vehicle type using HMRC KAI's OBR certified Fuel Duty Forecast Model. The baseline duty rate uses RPI consistent with the OBR October 2025 forecast.

⁸⁶ 'Chancellor freezes charges to keep prescriptions under a tenner', GOV.UK, November 2025.

⁸⁷ 'CPI annual rate: food and non-alcoholic beverages', ONS, November 2025.

⁸⁸ 'UK total trade: all countries', ONS, October 2025.

⁸⁹ 'New EU deal to reduce pressure on food prices for supermarket shoppers', Department for Environment, Food and Rural Affairs (DEFRA), August 2025.

which could add to food prices.⁹⁰ This will enable the government to coordinate and sequence changes and give food businesses a single line of sight so they can keep prices as low as possible.

2.12 Resolving the historic under-investment in water infrastructure across England and Wales has led to bill increases over the past 12 months.⁹¹ The government will publish its White Paper on water reform later this year, following Sir Jon Cunliffe's independent review. These reforms will deliver better value for money and keep long-term costs down for customers. The government and Ofwat are also requiring water companies to improve support for customers, including doubling compensation when minimum standards are not met, and reforming the Water Sure scheme to better support low-income households with high water needs.

2.13 Whilst private rental price inflation has fallen to 5.0% in October 2025 from a peak of 9.1% in March 2024, the government is committed to making renting easier and more affordable for 11 million private renters in England.⁹² The Renters' Rights Act 2025 will empower tenants to challenge unreasonable rent increases by ensuring tenants are able to appeal excessive above-market rents which are purely designed to force them out. It will also abolish 'Section 21' evictions, giving renters greater security and stability.

2.14 Well-functioning, competitive markets deliver lower prices for consumers and support growth. The government has asked the independent Competition and Markets Authority (CMA) to conduct a study of private provision in the dentistry market. The government is also following up on recent work by the CMA, including by:

- Consulting later this year on a new regulatory framework for the veterinary market to increase competition for business and transparency for pet owners, providing more choice and bringing down costs.
- Introducing a price cap prohibiting the resale of a live events ticket for more than its original cost. Inclusive of all fees paid, the average ticket price paid by fans on the resale market could reduce by £37 in the UK.⁹³
- Consulting to ensure families living on privately managed estates in England can hold their estate managers to account for costs they pay to maintain public amenities such as roads, play areas and open spaces, and consulting on reducing the prevalence of these privately managed estates in future.

2.15 The government is also committed to protecting consumers, so they are treated fairly, including in the telecoms sector, where the Chancellor and the Secretary of State for Science, Innovation and Technology are working alongside Ofcom to ensure customers get a fair deal and are able to switch provider easily.

⁹⁰ 'DEFRA Secretary of State's address to 2025 Food and Drink Federation Investment Summit', DEFRA, November 2025.

⁹¹ 'What the 2024 Price Review means for customers', Ofwat, December 2024.

⁹² 'Private rent and house prices, UK: October 2025', ONS, November 2025.

⁹³ 'Government bans ticket touting to protect fans from rip-offs', GOV.UK, November 2025.

Government action bearing down on prices	Household saving
Measures to reduce energy bills	Around £150 on average off energy bills in Great Britain in 2026-27.
Warm Home Discount expansion	In addition, a £150 discount this winter for 6 million households in Great Britain.
Freezing rail fares	£300 off rail fares in England on the most expensive routes in 2026-27.
Extending £3 bus cap to March 2027	Making 5,000 bus routes in England more affordable.
Measures to reduce fuel costs	£89 off fuel costs in the UK in 2026-27.
Freezing prescription fees	Saving patients in England around £12 million in aggregate in 2026-27.

Supporting people who need it most

2.16 Child poverty makes it harder for children to get on in life, and it damages the UK's economy in the long term. The government is therefore taking action to combat child poverty by removing the two child limit on the Child Element in Universal Credit (UC).

Box 2.A: Removing the two child limit in Universal Credit

The removal of the two child limit will lift 450,000 children out of poverty, rising to around 550,000 alongside other measures announced this year, such as the expansion of free school meals.^{94,95} These interventions will lead to the largest expected reduction in child poverty over a Parliament since comparable records began.⁹⁶

Poverty imposes significant economic and societal costs. The Child Poverty Action Group estimates the cost to the country at £40 billion per year.⁹⁷ Growing up in poverty means that an individual is more likely to end up out of education, employment or training, with children growing up in poorer households earning around 25% less at age 30 than their peers.⁹⁸

This measure is funded by policies in the Budget, including reforming Motability's tax reliefs, clamping down on fraud and error in the tax and benefits systems, and by increasing the number of face to face health assessments. It will help break the cycle of disadvantage and improve life chances for children nationwide.

This measure will support low-income families across the UK. 95,000 children in Scotland and 69,000 in Wales will benefit from this change.⁹⁹ The government is also funding the Northern Ireland Executive to remove the two child limit should they choose to do so.

2.17 To further support families with children, the government is expanding free breakfast clubs by launching the first phase of national rollout with 2,000 new schools joining the scheme over 2026-27, and expanding free school meals

⁹⁴ 'Removing the two child limit on Universal Credit: Impact on low income poverty levels in the United Kingdom', DWP, November 2025.

⁹⁵ 'Free School Meals expansion to all children on Universal Credit', DWP, June 2025.

⁹⁶ 'Low income poverty projections for children', FYE 2025 to FYE 2030, DWP, November 2025.

⁹⁷ 'The cost of child poverty in 2023', Child Poverty Action Group, March 2023.

⁹⁸ 'Why free school meal recipients earn less than their peers', ONS, August 2022.

⁹⁹ 'Poverty impacts of social security changes at Budget 2025', DWP, November 2025.

eligibility to all pupils in England with a parent receiving UC, lifting 100,000 children out of poverty.¹⁰⁰ In addition, the government is introducing new legislation that limits the number of branded items schools can require, to lower the costs of school uniforms.

2.18 The government will also support working families with three or more children by increasing the maximum amount of childcare costs they can claim in UC.

2.19 The government is expanding the Help to Save scheme to UC claimants who receive either the caring element or the child element. This will enable more low-income households to build strong savings habits and improve their financial security.

2.20 The Standard Allowance, the basic amount of UC all eligible households receive, will increase by over 6% in April 2026, in line with the UC Act 2025. Alongside reforms to the UC Health Element, this helps deliver a rebalancing of the benefit system to better incentivise work. The OBR estimates these reforms will have a positive impact on getting people into work. Other working age benefit rates covered by the Secretary of State for Work and Pensions' statutory review will be increased by 3.8%, in line with September 2025 CPI.

2.21 The government will support the incomes of over 12 million pensioners through its commitment to the Triple Lock for the duration of this Parliament.¹⁰¹ The basic and new State Pension will be increased by 4.8%, from April 2026, in line with average weekly earnings up to an additional £575 per year to pensioners, depending on their entitlement.

2.22 After announcing at Autumn Budget 2024 the largest ever cash increase to the Carer's Allowance payment Weekly Earnings Limit, the government is now taking further action to support carers as recommended by the Independent Review of Carer's Allowance Overpayments, led by Liz Sayce OBE.¹⁰² The Department for Work and Pensions (DWP) will reassess overpayments caused by incorrect DWP operational guidance on how to average fluctuating earnings and begin to reduce or cancel existing debts or return previously collected debts to affected carers from 2026.

2.23 From 1 April 2026, the National Living Wage will increase by 4.1% to £12.71 per hour for eligible workers aged 21 and over. This represents an increase of £900 to the gross annual earnings of a full-time worker on the National Living Wage.¹⁰³ Around 2.4 million low-paid workers are expected to benefit from this increase.¹⁰⁴ The government will continue to ensure that all eligible adults are fairly rewarded for their work – balancing the needs of workers, affordability for employers and opportunities for employment.

¹⁰⁰ 'Free School Meals expansion to all children on Universal Credit', DWP, June 2025.

¹⁰¹ 'Benefit expenditure and caseload tables 2025', DWP, October 2025.

¹⁰² 'Review of Carer's Allowance Overpayments', DWP, November 2025.

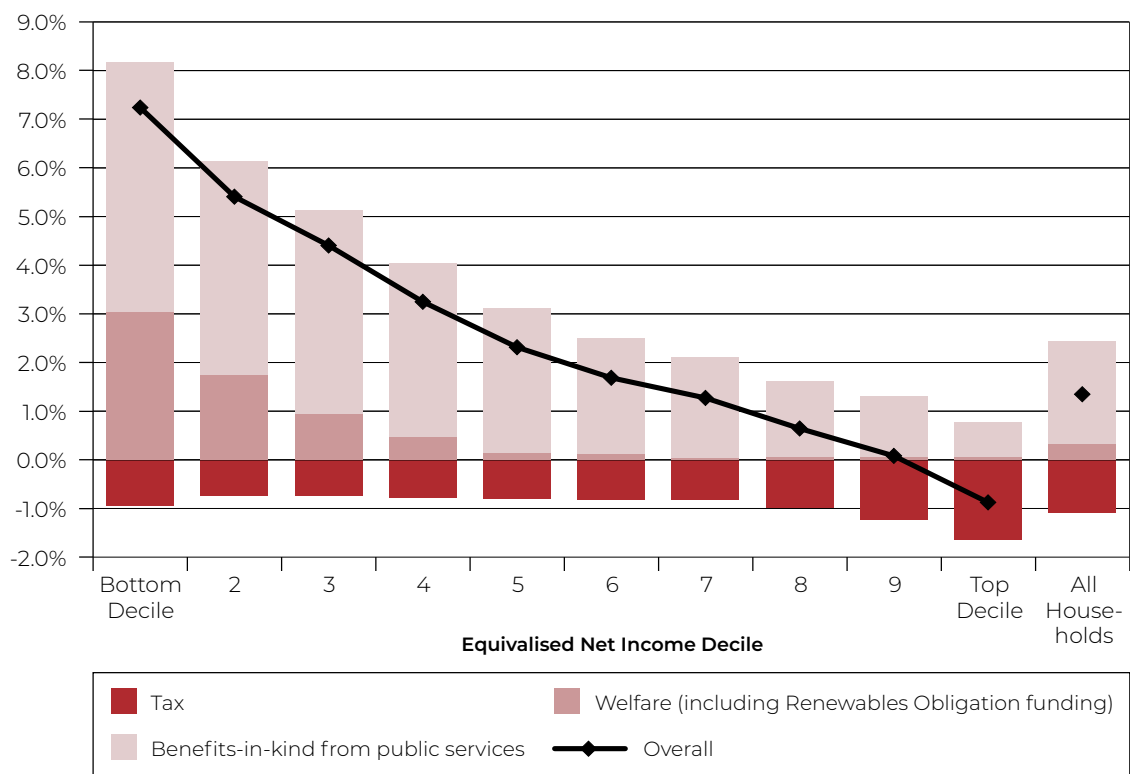
¹⁰³ The gross increase to the annual earnings of a full-time worker on the National Living Wage (£12.71) for 52 weeks.

¹⁰⁴ The number of people benefitting from the minimum wage increase is provisional until DBT publish their Impact Assessment in early 2026. See GOV.UK press release for further information.

Box 2.B: Impact on households

The distributional analysis published alongside the Budget shows that, on average, households in the lowest income deciles in 2028-29 will benefit most from the policy decisions taken by the government from Autumn Budget 2024 onwards. Increases in tax will be concentrated among the highest income households. Increases in spending on public services, such as health and education, benefit households on lower incomes the most. On average, all but the richest 10% of households will benefit as a percentage of income from overall policy decisions in 2028-29.

Chart 2.1: Impact of decisions from Autumn Budget 2024 onwards on households in 2028-29, as a percentage of net income, by income decile



Source: HM Treasury distributional analysis model.

See the 'Impact on Households' publication for more details on the impact of policy decisions on households across the income distribution.

Securing the public finances and tax reform

2.24 The government is making the tax system fairer and fit for the 21st century. Everyone is being asked to contribute, but the government is keeping that contribution as low as possible by pursuing fair reforms that are long overdue.

2.25 The government is asking everyone to contribute to support economic stability and protect the public services everyone uses. The government is limiting the broad-based contribution through a programme of reform to modernise the tax system, address unequal and unfair treatment, and ensure that those with the broadest shoulders contribute more. This builds on the approach taken at Autumn Budget 2024, with reforms forecast to raise over £8 billion in 2029-30 from wealth and the wealthy.¹⁰⁵

2.26 The government is pursuing fair reforms that are long overdue. This includes addressing: unfairness in how different forms of income are taxed; imbalances in the property tax system; reliefs that are costing more than intended; and the future of motoring taxes. The government is also closing loopholes and removing barriers to make sure that people pay the tax they owe.

Asking everyone to contribute

2.27 The government is asking everyone to contribute to support economic stability and protect public services. However, the government is not increasing the headline rates of income tax, National Insurance contributions (NICs) or VAT.

2.28 The government will maintain income tax thresholds and the equivalent NICs thresholds for employees and self-employed individuals at their current levels for a further three years from April 2028 to April 2031, and inheritance tax thresholds for a further year to April 2031. The government is also maintaining the Secondary Threshold at its current level from April 2028 to April 2031. In 2029-30, three-quarters of the revenue from maintaining income tax and employee and self-employed NICs thresholds is expected to come from the top half of households.

2.29 To ensure the sustainability of the student loan system, the government will maintain the Plan 2 repayment threshold at its 2026-27 level for three years from April 2027. Graduates generally benefit from higher earnings, and ensuring that they repay more of their loan is fair for those workers who have not gone to university. This does not increase the level of debt for these graduates.

Taking fair decisions on tax

2.30 One reason employees pay more tax is because Britain has not historically done enough to make sure assets – and income from assets – contribute fairly. Building on last year's changes to Capital Gains Tax (CGT), inheritance tax (IHT), VAT on private school fees and reform of the non-domicile regime, the Budget continues to sustainably raise further revenue from sources of wealth.

¹⁰⁵ 'Autumn Budget 2024', HM Treasury, November 2024.

2.31 The UK has established taxes on wealth and assets that raise revenue reliably. At Autumn Budget 2024, the government raised taxes on wealth and the wealthy, forecast to raise over an additional £8 billion per year by 2029-30.¹⁰⁶ At the start of the Parliament, CGT raised £13.7 billion and IHT raised £8.3 billion.¹⁰⁷ By the end of the forecast (2030-31), CGT is forecast to raise £30 billion and IHT £14.5 billion.¹⁰⁸ Following re-costings conducted by HMRC, and certified by the Office for Budget Responsibility (OBR), the reforms to the taxation of non-domiciled individuals implemented in April are now expected to raise £39.5 billion across the scorecard, and VAT on private school fees is expected to raise an average of £40 million extra per year.

2.32 The government is implementing previously announced reforms to taxes on wealth and assets including:

- From 6 April 2026, the CGT rate for Business Asset Disposal Relief and Investors' Relief will increase to match the main lower rate at 18%.
- From 6 April 2026, the government will reform agricultural property relief and business property relief.
- From 6 April 2026, the government will introduce a revised tax regime for carried interest which sits wholly within the income tax framework.
- From 6 April 2027, the government is removing the opportunity for individuals to use pensions as a vehicle for IHT planning by bringing unspent pots into the scope of IHT.

2.33 The government is announcing further changes to ensure that these policies are implemented effectively. The £1 million allowance for the 100% rate of agricultural property relief and business property relief will be transferable between spouses and civil partners. The government will also make changes to the way internationally mobile individuals are taxed, closing loopholes and capping relevant property trust charges payable by certain trusts.

2.34 At the Budget, the government is making further reforms to taxation of income from assets and property wealth to make sure the wealthiest pay their fair share. The government is also taking action on tax reliefs which have grown in cost and favour individuals with higher earnings or wealth. These measures mean the government can limit the contribution asked of everyone while protecting public services, making record investment in the NHS, and cutting debt and borrowing.

Taxation of income from assets

2.35 The government is taking action to ensure income from assets is taxed more fairly. Those with property, dividend or savings income pay less tax than those whose income comes from employment or self-employment as they do not pay NICs. The government is increasing taxes on property, dividend and savings income to narrow the gap between tax paid on work and tax paid on income from assets, raising revenue in a way that limits impacts on growth.

¹⁰⁶ At Autumn Budget 2024, reforms were forecast to raise £8.3 billion consisting of: £2,490 million from Capital Gains Tax reform; £2,355 million from inheritance tax reforms; £85 million from carried interest; £605 million from ISA subscription limit freeze; £310 million from increased Stamp Duty Land Tax Higher Rates Additional Duty; £720 million from Air Passenger Duty on private jets; £95 million from non-domicile status abolition; and £1,725 million from VAT on private school fees.

¹⁰⁷ 'Economic and Fiscal Outlook', Office for Budget Responsibility, November 2025.

¹⁰⁸ 'Economic and Fiscal Outlook', Office for Budget Responsibility, November 2025.

2.36 Increases to the tax paid on income from assets will raise £2.2 billion in 2029-30 in a fair and progressive way. The government is:

- Creating separate tax rates for property income. From April 2027, the property basic rate will be 22%, the property higher rate will be 42%, and the property additional rate will be 47%.
- Increasing the ordinary and upper rates of tax on dividend income by 2 percentage points from April 2026. There is no change to the dividend additional rate.
- Increasing the tax rate on savings income by 2 percentage points across all bands from April 2027.

2.37 The majority of taxpayers and the majority of pensioners have no taxable savings, dividend or property income and will pay no more tax as a result of these changes.¹⁰⁹ In particular, over 90% of taxpayers do not pay savings tax.¹¹⁰ In 2029-30, around two thirds of the revenue from the increases to the property, dividend, and savings tax rates is expected to come from the top 20% of households.

2.38 Those with small amounts of income from assets will continue to be protected by tax-free allowances, and all taxpayers will continue to benefit from the protection offered by Individual Savings Accounts (ISAs). Interest and dividends received on assets held within ISAs will continue to be entirely tax-free.

2.39 The changes to property income rates will apply in England, Wales and Northern Ireland. The government will engage with the devolved governments of Scotland and Wales to provide them with the ability to set property income rates in line with their current income tax powers in their fiscal frameworks. The changes to dividend and savings income rates will apply UK-wide as these rates are reserved.

Taxation of wealth

2.40 Property is one of the most significant asset classes in which wealth is held in the UK. Although substantial revenue is raised from property-related taxation, the largest source of revenue, Council Tax, falls disproportionately on those in less expensive properties. Put simply, the typical family home across England currently pays more per year than a £10 million property in Mayfair.¹¹¹

2.41 At the Budget, the government is asking those owning the highest-value properties to contribute more. The government is introducing a High Value Council Tax Surcharge (HVCTS) in England for residential properties worth £2 million or more, from April 2028. This charge will be based on updated valuations to identify properties above the threshold and will be in addition to existing Council Tax. Fewer than 1% of properties will be in scope of HVCTS.¹¹² New charges start at £2,500 per year, rising to £7,500 per year for properties valued above £5 million, and will be levied on property owners rather than occupiers. Local authorities will collect this revenue on behalf of central government and will be fully compensated for the additional costs of administering this new tax. Revenue will be used to support funding for local services, with further consideration through the next spending

¹⁰⁹ 80% of taxpayers and 81% of pensioners in 2029-30, 86% of taxpayers and 90% of pensioners in 2022-23.

¹¹⁰ 4% of taxpayers in 2022-23 and 9% of taxpayers in 2029-30.

¹¹¹ The average Band D charge for a typical family home across England is £2,280. That is £250 more per year than a £10 million property in Mayfair, based on band H charge in the City of Westminster, currently pays.

¹¹² HMRC analysis of commercial data on estimated property valuations (October 2025), Council Tax base statistics, Stamp Duty Land Tax transactions data (2024-25), Valuation Office modelling.

review in 2027. The government will consult on detailed implementation of the HVCTS in the new year, including to determine who might need additional support to pay the charge and how to deliver it.

2.42 Private jets provide a bespoke, high-convenience form of travel, often used by wealthier individuals and some businesses. However, only a small number of private jets currently pay the higher rate of Air Passenger Duty (APD). Many private jet journeys do not meet the criteria for the higher rate and subsequently pay the same APD rates as commercial airline passengers. Therefore, following a consultation, the government will extend the scope of the higher rate of APD to cover all private jets above 5.7 tonnes from April 2027. Extending the scope of the higher rate ensures the tax is applied consistently and that those who can afford to fly privately make a fair contribution alongside commercial air passengers.

2.43 The government is also reforming existing tax reliefs that are growing in cost and disproportionately benefit higher earners or the wealthy, ensuring that they remain proportionate and targeted.

2.44 The current CGT relief available on qualifying disposals to Employee Ownership Trusts (EOTs) allows business owners to sell their shares without paying any CGT, with around half of the relief going to the largest 10% of disposals.¹¹³ The cost of the relief has increased significantly in recent years. The original costing from 2013 suggested the entire EOT tax regime would cost less than £100 million in 2018-19.¹¹⁴ The cost of the CGT relief alone reached £600 million in 2021-22 and forecasts suggest it could rise to more than 20 times the original costing to £2 billion by 2028-29 without action.^{115,116} The government will retain a strong incentive for employee ownership whilst ensuring that business owners pay their fair share of tax, by reducing the relief available on these disposals from 100% of the gain to 50%.

2.45 The government is making changes to salary sacrifice arrangements for pension contributions to increase fairness, while protecting ordinary workers. The government supports all individuals to save into pensions through a generous system of tax reliefs, worth over £70 billion a year.¹¹⁷ Salary sacrifice into pension schemes is forecast to almost treble in cost, from £2.8 billion in 2016-17 to £8 billion by 2030-31, with the biggest benefits going to the pension contributions for higher earners and minimum wage employees excluded. The government is therefore capping the amount that can be sacrificed without paying NICs at £2,000 per employee from 2029, protecting lower earners, while retaining generous tax relief on pension contributions in full.

2.46 This pragmatic approach to controlling costs means that employees who contribute up to £2,000 into their pension each year via salary sacrifice can continue to benefit in full, but employee and employer NICs will be charged in the usual way on the amount above £2,000 for the minority of those who contribute above this. The cap means 74% of basic rate taxpayers, and their employers, currently using salary sacrifice will be unaffected by this change.¹¹⁸

¹¹³ HMRC analysis of the EOT application clearance data.

¹¹⁴ [Budget 2013](#), HM Treasury, March 2013.

¹¹⁵ [Autumn Statement 2013](#), HM Treasury, December 2013.

¹¹⁶ [Non-structural tax reliefs](#), HM Revenue and Customs, December 2024.

¹¹⁷ Forecast using HMRC analysis of the EOT application clearance data and OBR determinants. HM Revenue and Customs.

¹¹⁸ [Private pension statistics](#), HM Revenue and Customs, July 2025.

¹¹⁹ HMRC analysis of ASHE 2023-24 – based on the number of employees who made pension contributions less than £2,000.

Reforming the tax system for the modern economy

2.47 The taxation of motoring is a critical source of funding for public services and investment in infrastructure, including upkeep of the roads. Historically, motoring taxation has been structured around two elements: taxation on the usage of the vehicle (primarily via fuel duty) and taxation on the ownership of the vehicle (primarily via annual Vehicle Excise Duty or VED).

2.48 The UK's transport sector is in a period of transformative change, with alternative power sources and new technologies revolutionising the global automotive industry. As set out in the government's Modern Industrial Strategy, the UK automotive manufacturing sector is an important driver of growth and jobs, and is pioneering the technologies of the future. The transition to electric vehicles (EVs) will improve air quality, create high-skilled jobs and unlock growth in the clean energy economy. The government is firmly committed to supporting the transition to EVs by making electric cars accessible for everyone. This is key to meeting the UK's Net Zero Goals and will drive growth and productivity across the UK.

2.49 However, the transition to EVs also brings challenges. All vehicles contribute to congestion and wear and tear on the roads, but drivers of petrol and diesel vehicles pay fuel duty at the pump to contribute their fair share, whereas drivers of electric vehicles do not currently pay an equivalent.

2.50 This means that, as more people choose to switch to cleaner, greener electric cars, the OBR has forecast fuel duty receipts will decline to around half current levels (around £12 billion) in the 2030s in real terms.¹¹⁹ Receipts are then expected to approach zero by 2050.¹²⁰

2.51 The government is introducing Electric Vehicle Excise Duty (eVED), a new mileage charge for electric and plug-in hybrid cars, which will come into effect from April 2028. Drivers will pay for their mileage alongside their existing VED.

2.52 The government has published a consultation which provides further detail on how eVED will work and seeks views on its implementation. The government is protecting motorists' privacy, which means that there will be no requirement to report where and when miles are driven or install trackers in cars. The government will work closely with industry and motoring representative groups on the delivery of the new tax.

2.53 While it is fair for EV drivers to contribute for their car usage in the same way as those driving petrol and diesel cars, the government is committed to ensuring that driving an EV remains an attractive choice for consumers. Therefore, the tax paid by EV drivers will be around half the fuel duty rate paid by the average petrol/diesel driver, with a reduced rate for plug-in hybrid drivers. When eVED takes effect in April 2028, an average EV driver will pay around £240 per year or £20 per month. Other vehicle types, such as vans, buses, motorcycles, coaches and HGVs, will be out of scope of eVED when it is introduced, with the transition to electric power for these vehicle types being currently less advanced than for cars.

¹¹⁹ Fuel duty revenue estimates (2024-25 prices): HMRC Modelling, OBR figures per November 2025 EFO.

¹²⁰ Fuel duty revenue estimates per OBR figures set out in Economic and Fiscal Outlook.

Box 2.C: Supporting the electric vehicle transition

The government is also announcing specific measures to help consumers choose EVs and to support UK automotive manufacturers, bolstering British industry. This support will be in place immediately across both the tax system and additional spending:

- The Electric Car Grant launched in July this year has already helped over 35,000 drivers to make the switch to an EV by giving up to £3,750 off eligible EV models. The government is boosting the programme with an additional £1.3 billion of funding and extending it to run until 2029-30 to support more consumers to switch.
- The government is increasing the threshold at which motorists with new EVs have to pay the VED Expensive Car Supplement from £40,000 to £50,000, with effect from 1 April 2026, saving over a million motorists £440 per year.¹²¹
- The government will delay changes to benefit-in-kind rules for Employee Car Ownership Schemes until April 2030. For those still in contracts at that time, transitional arrangements will also be put in place to provide additional support.
- To support the UK automotive manufacturing sector, the government will extend funding for the Drive35 programme, allocating a further £1.5 billion to 2035 and taking total funding to £4 billion over the next 10 years. This will support the development of UK capability in next generation, zero emission technology, ensuring the UK remains globally competitive.
- The revenue generated from eVED will also support investment in maintaining and improving the condition of roads across the country, benefitting all motorists. By 2029-30, the government will commit over £2 billion annually for local authorities to repair, renew, and fix potholes on their roads – doubling funding since coming into office. This record level of funding is enough to fill millions of potholes each year, enabling the government to exceed its commitment to fix an additional one million potholes per year. The implementation of eVED will provide revenues for this new higher level of roads maintenance funding to be continued for the long term.

The government recognises the importance of effective and accessible charging infrastructure to support the EV transition and is taking action, including reinvesting eVED revenues, to support this:

- Investing an additional £100 million in EV charging infrastructure, building on the £400 million of funding announced at Spending Review 2025. This includes funding to support the installation of home and workplace chargepoints, adding to the around a million already installed.
- Allocating £100 million of resource funding for local authorities and public bodies to support the training and deployment of specialist staff, accelerating the rollout of public chargepoints. These investments will build on the almost 87,000 public chargepoints already available across the country.

¹²¹ HMRC analysis using Fleet Audit data.

- Launching a consultation on permitted development rights for cross-pavement EV charging, which will make gaining access to EV charging quicker and cheaper for households without driveways. This is on top of the £25 million scheme announced in July to support local authorities to provide discreet cross-pavement channel charging solutions for residents.
- Introducing a 10-year 100% business rates relief for eligible EV chargepoints and EV-only forecourts, to ensure that they face no business rates liability. Accompanying this, the government will extend the 100% first year allowances (FYAs) for zero emission cars and EV chargepoint infrastructure by a further year.
- The government is already taking action to bring down energy costs for consumers and businesses, but the price of public EV charging has risen in recent years. The government will review the cost of public EV charging, looking at the impact of energy prices, wider cost contributors, and options for lowering these costs for consumers. The review will start in Q1 2026 and report by Q3 2026.

2.54 The government will put an end to some private hire vehicle operators (PHVOs) trying to exploit an administrative scheme intended for tour operators to lower their effective VAT rate. This will ensure that, from 2 January 2026, all PHVOs in London, and all PHVOs who operate as 'principal' nationally, will pay VAT in the same way.

2.55 At Autumn Budget 2024, the government confirmed a flat-rate excise duty at £2.20 per 10ml on all vaping liquid which will come into effect from 1 October 2026. The government also set out a path for uprating tobacco duties by Retail Prices Index (RPI) +2%.

2.56 Alcohol duty will be uprated with the RPI on 1 February 2026 to maintain its current real-terms value. The government heard representations from stakeholders ranging from a duty cut or freeze to above inflation increases. This decision balances the important contribution of alcohol producers and the hospitality sector to the UK's culture and economy, with the duty's role in reducing alcohol harm.

2.57 Online gambling has grown and, while many people in the UK enjoy it in moderation, for others it can cause harm. Earlier this year, the government consulted on proposals for a new single remote betting and gaming duty. Following feedback on the different nature of these activities, and higher levels of harm associated with remote gaming compared with remote betting, the government will not be proceeding with this proposal. The government is instead raising duties on online gambling, with a larger increase on gaming:

- Remote Gaming Duty will increase from 21% to 40% from April 2026.
- A new Remote Betting Rate at 25% within General Betting Duty will be introduced from April 2027, maintaining a clear differential in the tax rates for these two activities.
- Recognising the unique circumstances of the horseracing industry, the government will exclude remote bets on horseracing from the new Remote Betting Rate. Duty on remote horserace betting will remain at 15%.

- Bingo Duty will be abolished from April 2026.
- An additional £26 million of funding will be provided to the Gambling Commission over the next three years to tackle the illicit market.

2.58 The 2024 Corporate Tax Roadmap set out the government's commitment to maintain the key features of the UK's Corporation Tax (CT) system, including a competitive main CT rate of 25%, the generous full expensing offer for plant and machinery, and the flexible and competitive regime for intangible assets.

2.59 From April 2026, the government will decrease the main rate of writing down allowances by four percentage points to 14%. Recognising the need to incentivise future investment and encourage growth in the UK economy, from 1 January 2026 the government will also introduce a new first-year allowance of 40% for main-rate assets, preserving incentives to invest. Cars, second-hand assets and assets for leasing overseas will not be eligible.

Further reforms to close the tax gap

2.60 The government is taking further steps to close the tax gap. It is essential everyone pays the tax they owe to support a fair tax system. At Autumn Budget 2024, the government announced the most ambitious-ever package of measures to close the tax gap. Further action at the Budget builds on this and will raise £2.4 billion in additional tax revenue in 2029-30. This brings the total additional revenue raised by closing the tax gap this Parliament to £10 billion in 2029-30. The government is raising this revenue by pursuing those who try to bend or break the rules, collecting more unpaid taxes and modernising the tax system.

2.61 The government is taking significant action to pursue those who attempt to bend or break the rules. This includes launching a strengthened reward scheme for informants who provide valuable information which allows HM Revenue and Customs (HMRC) to tackle high-value avoidance or evasion, modelled on the US scheme. The government will also undertake additional high-street enforcement activity, crack down on illicit vapes and disqualify more rogue directors who abuse the insolvency process to evade tax. Following extensive consultation, the government will legislate to further close in on promoters of tax avoidance.

2.62 The government is determined to collect more unpaid taxes. Building on the significant steps already taken, the government is investing further in HMRC's debt management work and publishing a new tax debt strategy which outlines plans to deliver year-on-year reductions to the overall tax debt balance as a percentage of tax receipts. The government is also taking steps to ensure income tax Self Assessment taxpayers pay tax automatically via regular payments throughout the year.

2.63 The government is investing in HMRC to modernise the tax system and help taxpayers get their taxes right first time through greater digitalisation. This investment will improve how HMRC uses information from third parties, and to build new technology to increase the use of data-driven prompts to help taxpayers avoid errors when submitting tax returns. From April 2029, businesses will be required to issue all VAT invoices as e-invoices, with a roadmap on implementation to be published next year.

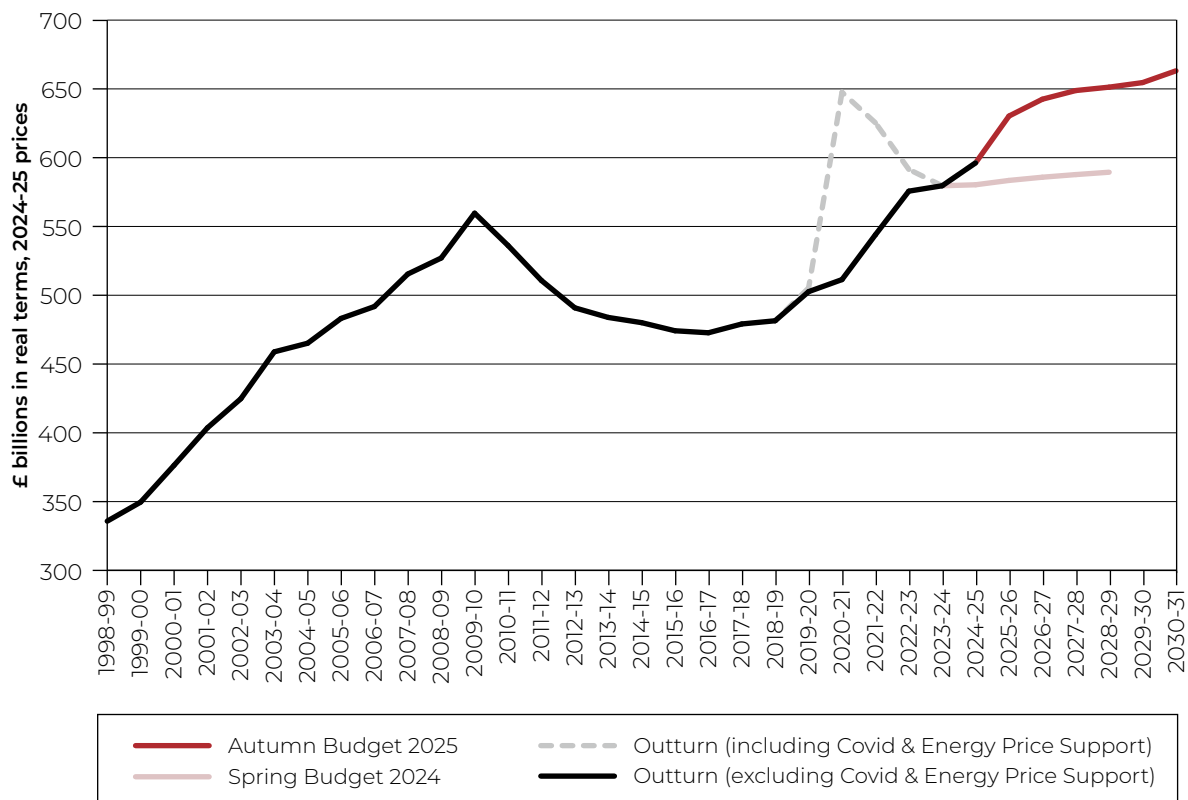
Public services – efficiency, saving and reform

2.64 The government is maintaining public investment at the highest sustained level in four decades, supported by an increase in departmental capital spending of over £120 billion over the Parliament, compared with previous plans. This was made possible because of the decisions taken over the last year, including introducing new, non-negotiable fiscal rules.

2.65 The government's fiscal rules mean that day-to-day spending will be fully funded by tax receipts, whilst ensuring debt is falling as a share of the economy. The government is meeting the stability rule a year early, meaning that, from 2028-29, the government will only borrow to invest. Day-to-day spending will be £50 billion higher in 2028-29 compared with plans set out at Spring Budget 2024. This has enabled the government to deliver on its mandate to stabilise and improve public services.

2.66 Since the start of the Parliament, the government has invested in the country's public services, including by providing record investment in the NHS and the infrastructure that strengthens the economy and improves people's day-to-day lives. The state must become more productive: this investment is underpinned by a programme of efficiencies and reforms to deliver public services that are more efficient, effective and better value.

Chart 2.2: 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, Public Spending Statistics.

Investing in public services and infrastructure

2.67 Since the start of the Parliament, the government has:

- Delivered an extra 5.2 million NHS appointments for planned care in England, supporting a reduction of over 230,000 in the elective waiting list.^{122,123}
- Provided additional funding of £1.1 billion in 2025-26 for general practice, recruited over 2,500 more GPs in just under 18 months, and cut red tape so doctors can spend more time caring for patients. As a result, patient satisfaction with general practice is now on the rise after years of decline.¹²⁴
- Committed over £500 million to local authorities to deliver up to 1,000 Best Start Family Hubs across England by the end of 2028, improving parenting support and contribute to the government's Plan for Change milestone of a record 75% of children meeting the early learning goals age 5.¹²⁵
- Provided £80 million of funding in 2026-27 to reach half a million more children in England with free breakfast clubs in primary schools and £410 million per year by 2028-29 to expand Free School Meals, lifting 100,000 pupils out of poverty.
- Funded the provision of 3,000 more neighbourhood police officers and police community support officers in England by the end of March 2026.
- Provided funding for new and improved infrastructure across the country, including £15.6 billion for city-region transport budgets to improve transport links for millions of people, the new Social and Affordable Homes Programme, backed by £39 billion over 10 years, and committed to expanding the School Rebuilding Programme, providing almost £20 billion investment from 2025-26 to 2034-35.
- Provided additional funding of £5 billion for defence in 2025-26 alone since the start of the Parliament, with the UK set to spend 2.6% of GDP on defence in 2027. This enables the Armed Forces to keep the country safe and support NATO allies. This includes deploying a Royal Navy patrol ship and RAF P-8 maritime surveillance aircraft to monitor, track and deter a Russian spy ship, joining NATO air defence missions over Poland, and deploying specialist units to counter drone threats in Belgium. It also underpins the UK's commitment to supporting Ukraine for as long as it takes, including playing a leading role in the Coalition of the Willing.
- Announced a national Digital ID scheme that will make it easier for citizens to use and access government services whilst helping combat illegal working. The new digital identity check will help enable participation in a modern digital society and facilitate the shift towards mandatory digital right to work checks in this country by the end of the Parliament.

2.68 The government has continued to drive efficiencies and reform, ensuring that taxpayers' money is spent wisely:

¹²² 'Recovery of Elective Activity', NHS England, November 2025.

¹²³ 'Consultant-led Referral to Treatment Waiting Times Data 2024-25', NHS England, November 2025.

¹²⁴ Latest survey results available at 'GP Patient Survey', NHS England, November 2025.

¹²⁵ 'Government revives family services, supporting 500,000 more kids', Department for Education, July 2025.

- Asking the Office for Value for Money (OVfM) to support departments to develop credible plans to deliver almost £14 billion of technical efficiencies per annum by 2028-29, including by automating administrative tasks and cracking down on fraud.
- Rooting out wasteful spending, building on the first HM Treasury-led (HMT) line-by-line review of day-to-day spending in 18 years at Spending Review 2025 (SR25). Since the SR, departments have gone further, including through an almost £1 billion reduction in costly NHS agency spend in 2024-25, and clamping down on consultancy in the Home Office, with funding repurposed for frontline police.
- Reforming public services to make sure taxpayers' money delivers better outcomes and better value, including: investing £2.4 billion into children's social care to deliver early intervention and support to up to 400,000 families; reforming sentencing based on the Independent Sentencing Review, alongside investing £4.7 billion in new prison places between 2026-27 and 2029-30 to help make the justice system more effective; starting to reform the benefits system to ensure that work pays, saving £2 billion per annum by the end of the Parliament; and setting out ambitious long-term reform in the 10 Year Health Plan to transform the NHS.

Box 2.D: The Office for Value for Money

Autumn Budget 2024 established the OVfM as a small, time-limited organisation to support decision-making in SR25 and to develop reforms to improve the value for money of public spending. The OVfM's clear remit allowed it to target longstanding value-for-money issues in public spending. It was not intended to be a permanent addition to, or duplicate the work of, the existing structures and frameworks across government that are designed to deliver value for money.

Ahead of SR25, the OVfM:

- Worked with departments to agree bespoke efficiency targets, underpinned by credible delivery plans, amounting to almost £14 billion of technical efficiencies per annum by 2028-29.
- Conducted two value-for-money studies into high-risk areas of cross-departmental spending – the governance and budgeting arrangements for mega projects, and the procurement of short-term residential accommodation – the findings of which were published in the 10 Year Infrastructure Strategy.
- Scrutinised a subset of capital and invest-to-save proposals.
- Recommended reforms to the spending framework which were accepted by the government. These included a requirement for all departments to deliver at least 1% technical efficiencies a year in future years, supported by the biennial publication of delivery plans and the introduction of a programme of thematic value for money reviews.

Since then, the OVfM has:

- Led work across government to reform the public spending control and accountability framework. These changes, published alongside the Budget in 'Reforming the spending control and accountability framework' will see the business of government become more efficient, effective and able to make quicker and better decisions, increasing capacity and speed of delivery. Changes will strengthen accountability for decisions and will ultimately mean better and faster outcomes for people.
- Published 10 Year Efficiency Projections for a selection of programmes funded at SR25. These forecasts begin to address a longstanding criticism that successive governments have focused too much on short-term issues in public spending at the expense of decisions that would provide benefits in the long run. Increased transparency will ensure departments have greater accountability for delivering efficiencies over the longer term, providing HM Treasury with greater confidence that these investments will be value for money. This prototype report will support departments to develop their modelling capability to enable a greater focus on long-term value for money.

Reforms to the controls and accountability framework will be implemented by the government from the start of the next financial year.

The OVfM has delivered successfully. Its functions have been embedded within HM Treasury, leaving a legacy of value-for-money improvements across the public sector. The OVfM has published a report setting out what it has delivered, how it approached its task, and how its reforms will be taken forward and implemented by permanent teams in HM Treasury, Cabinet Office, and across government.

HM Treasury has undertaken and published an evaluation of the OVfM, which concluded that the OVfM had delivered its remit, its recommendations are likely to have a meaningful impact and it had made effective use of its resources.

2.69 The government appointed the Covid Counter-Fraud Commissioner to use every means possible to recoup public money lost in pandemic-related fraud and undelivered contracts. The Commissioner's interim report found that failed pandemic-era Personal Protective Equipment (PPE) contracts cost £1.4 billion due to over-ordering and delayed verification. Following the Commissioner's recommendations, the government launched a three-month voluntary repayment window for ineligible support scheme funds and the Covid Fraud Reporting Site for anonymous fraud reporting.¹²⁶ The government is estimated to deliver almost £400 million of Covid fraud and error benefits to date and will relentlessly pursue more cases through the new Public Authorities Fraud Investigation and Enforcement Service and further action on Covid loans. The Commissioner will present his final report to Parliament shortly.

¹²⁶ For further details see Data Sources.

2.70 The government is standing by the commitments it has made over the last year to invest in the NHS and capital infrastructure. At the Budget, the government is:

- Ensuring continued progress to reduce the waiting list for elective care by protecting investment in the NHS in England, including by announcing plans for 250 new Neighbourhood Health Centres to improve patient access to care and an increase in technology budgets to support NHS productivity.
- Investing in defence and the country's national security, including £1.5 billion over the Parliament in energetics and munitions, with construction to start next year after identifying 13 potential factories for manufacturing munitions and explosive devices.
- Investing in capital infrastructure, supporting new transport links, new homes and greater energy security across the country and going further by announcing additional investment in major growth projects, such as the Lower Thames Crossing.

Box 2E: NHS investment

The government is prioritising the NHS in England. That is why the government is allowing the NHS to retain and reinvest the efficiency savings that it will deliver in 2028-29.

The Budget also announces £300 million of additional capital investment in NHS technology to boost productivity, support staff and improve patient outcomes, driving the shift from analogue to digital. This builds on up to £10 billion announced at Spending Review 2025 and will ensure seamless navigation and communication between primary and secondary care through the NHS App. By guiding patients to self-care, primary care and urgent care through a single user-facing service, their information will be made readily available across all providers. This funding will also close the gap in patient access to digital health records, so patients can make informed choices about their care.

The government is also establishing 250 new Neighbourhood Health Centres across England, of which 120 will be operational by 2030, co-locating local health services such as GPs and physiotherapists to improve access to care and support a more preventative and sustainable NHS. These will be located across the country, with early new sites in Birmingham, Barrow-in-Furness, Truro and Southall, and will build on successful models already operating in Hull and Barnsley. The new Neighbourhood Health Centres will be delivered through the NHS Neighbourhood Rebuild Programme which will upgrade and repurpose underused buildings and build new facilities through a combination of public investment and Public-Private Partnerships. To ensure transparent management and fiscal sustainability, these projects will be budgeted for as if they were on the government's balance sheet. This investment builds on the record capital budget that the government has allocated for health, which is already enabling the delivery of 1,000 extra NHS estate repair projects this year.

The government's investment is also helping to unlock broader economic impacts and get people back into work. Since July 2024, the waiting list for planned care has fallen by over 230,000, making progress against the government's Plan for Change (PfC) target of 92% of patients starting consultant-led treatment within 18 weeks of referral by the end of Parliament.¹²⁷

Recent analysis highlights that delivery of the PfC target could lead to over 10,000 more people in employment and an increase of at least £1.1 billion to total wage income in 2030-31.¹²⁸ The increase in total wage income reflects increases in the number of people in work, number of hours worked, and pay per hour. Meeting the PfC target will ensure that people receive treatment earlier, enabling these individuals to recover and either return to work or avoid giving up work in the first place, increasing their hours worked and overall productivity.

The government is taking steps to improve the productivity and efficiency of the NHS in England, including:

- Increasing NHS productivity by 2% per year, which will unlock £17 billion of savings in England over three years to be reinvested back into the health service.
- Abolishing NHS England and significantly reducing the headcount and running costs of Integrated Care Boards. This is supported by bringing forward £860 million of the Department of Health and Social Care's SR25 settlement to cover the upfront costs of abolishing NHS England. By reducing unnecessary bureaucracy and duplication, the government will unlock savings of £1 billion per year by the end of the Parliament, equivalent to the cost of over 115,000 extra hip and knee operations.¹²⁹
- Reducing NHS trusts' spend on costly agency staffing by at least 30% in this financial year. This will build on an almost £1 billion reduction in agency spend in 2024-25 and progress plans to eliminate the use of all agency staff by the end of the Parliament.¹³⁰

Taking the necessary decisions

2.71 Taxpayers rightly expect that every penny of public money is spent wisely. The government is therefore taking focused and credible action to deliver a more productive state, including:

- Committing to a further £2.8 billion of efficiencies and savings in 2028-29, rising to £4.9 billion by 2030-31 – this is in addition to almost £14 billion of technical efficiencies announced at SR25. The 2028-29 efficiencies and savings target will apply to all departments, with the NHS and Ministry of Defence allowed to retain and reinvest the savings to improve patient care and protect national security.

¹²⁷ 'Consultant-led Referral to Treatment Waiting Times Data 2024-25', NHS England, November 2025.

¹²⁸ ONS and NHS England analysis based on 'Assessing the economic impact of tackling elective waiting times'. This analysis links hospital and elective waiting time data with HMRC PAYE data, producing a dataset covering 90% of the English working age population. This is used to establish the impact of treatment on employment and pay, which is then applied to the effect of achieving the delivery of the PfC target against a counterfactual. The additional employment impact is based on HMT calculations using the article's underlying data.

¹²⁹ Internal Department of Health and Social Care figures.

¹³⁰ 'Departmental Efficiency Plans', UK Government, June 2025.

- Saving over £250 million to 2030-31 by cutting the cost of politics. This includes abolishing Police and Crime Commissioners and re-organising local government structures, with the potential to reduce the number of councillors in local authorities by around 5,000 to generate savings and streamline accountability in local areas.
- Delivering a leaner civil service: reducing back-office administration costs by 16% by 2029-30, to save money and focus resources on frontline services.
- Tightening up the asylum system to cut down on wasteful spend, reduce costs, and reform the core protection offer for refugees to make it less attractive. To date, the government has reclaimed £74 million from asylum accommodation suppliers and is going further by reforming the wider immigration system to recognise that settlement in the UK is a privilege and that individuals should contribute to the economy and society.¹³¹
- Accelerating efforts to recoup funds lost to fraud and error: going further on reviewing Department for Work and Pensions benefit claims to tackle fraud and error in the welfare system, including by expanding Targeted Case Review, which will save an additional £1.3 billion in 2030-31, and accelerating the recovery of pandemic-related fraud through the Public Authorities Fraud Investigation and Enforcement Service and further action on Covid loans.

Box 2.F: Reforming the asylum and immigration system

The Home Secretary has announced changes to put fairness back at the heart of the asylum and migration system and rebuild confidence in the management of the UK's borders. Refugees will have to wait 20 years for settlement rather than five, and the core protection offer they receive is being changed to make it less attractive and encourage contribution.

Individuals will be required to contribute towards the costs of their asylum where they have some assets or income. The Home Office will also recover costs where assets are not convertible into cash or declared at the point asylum support is provided, but become convertible or are discovered at a later date. Alongside this, the Department for Work and Pensions will consult on changing the rules for benefits to prioritise access for long-term residents and those who are making an economic contribution to the UK.

The government is cutting down on wasteful asylum expenditure to ensure that nobody is profiting unfairly from taxpayers' money. This includes reclaiming £74 million from asylum accommodation suppliers. The government is also reducing the cost of asylum, making the system more efficient, and exiting asylum hotels. This will include expediting appeals through a new independent body, incentivising voluntary returns and pursuing more enforced returns.

¹³¹ Internal Home Office figures.

The government has also launched a consultation on a new model of Earned Settlement for legal migrants, recognising that settlement in the UK is a privilege that should be earned based on an individual's contribution to the economy and society. Subject to consultation, the new model will increase the baseline qualifying period from five to 10 years for most migrants, and 20 years for refugees, with reductions for individuals who meet certain integration and contribution criteria, and longer waits or refusals for those who do not comply with immigration laws. The pathway will remain at three years for highly talented individuals on specific visa routes, recognising the contribution they make to the economy.

These measures put fairness and contribution at the core of the asylum and immigration system, ensuring taxpayer money is better spent and that people pay back into the system when they can.

2.72 The welfare system is not working as it should, forcing too many sick people out of work and on to benefits.

2.73 The government has already taken action, by rebalancing the rates of Universal Credit (UC) to support people into work, including reducing the Health Element for new claimants, saving £2.8 billion in 2030-31. This is supported by £1 billion per annum of additional investment by 2029-30 in employment support. The Keep Britain Working review, led by Sir Charlie Mayfield, has launched a roadmap to address health-related inactivity in the workplace. The Budget goes further, by making available more than £1.5 billion over the spending review period for investment in employment and skills support. This funds £820 million for the Youth Guarantee and provides £725 million for the Growth and Skills Levy, ensuring young people have access to high-quality training opportunities and the support they need to earn or learn.

2.74 In the previous Parliament, nearly 13% of UC payments were lost to fraud and error. That is why the government announced the biggest ever package of measures to tackle fraud and error at Autumn Budget 2024, saving £4.3 billion in 2029-30. The Budget is extending the Targeted Case Review, which will save an additional £1.3 billion in 2030-31.

2.75 The Budget announces further reforms to ensure the welfare system delivers value for money. The government is improving the way people are assessed for health-related benefits by increasing the number of people who undergo face-to-face assessments. The government is also announcing that DWP will conduct an additional 122,000 Work Capability Assessments for existing claimants by 2029-30 to ensure people are receiving the right level of support.

2.76 The Motability Scheme supports the independence of disabled people. However, it benefits from generous tax breaks which are subsidising provision beyond the scheme's core objectives, such as the lease of luxury cars.

2.77 The government will limit the tax breaks available to Motability, and other qualifying schemes, saving over £1 billion over the next five years. VAT relief for top-up payments made to lease more expensive vehicles will be removed for new leases from July 2026, and Insurance Premium Tax will apply at the standard rate to insurance contracts on the Scheme. The VAT reliefs on weekly lease costs and vehicle resale will remain in place, and the tax changes will not apply to vehicles designed for, or substantially and permanently adapted for, wheelchair or

stretcher users. These tax changes ensure Motability can continue to deliver for its customers, for example through the continued provision of a broad range of vehicle models available without any top-up payments. Disability benefit payments and their eligibility will remain unaffected by these changes.

2.78 Alongside these changes, Motability Operations will better focus their scheme on achieving its core aims. Motability will remove luxury vehicles from the scheme, discontinue the inclusion of overseas breakdown cover and reduce their lease mileage limit. This will bring Motability leases more in line with those available commercially to most people.

2.79 The government is launching an independent investigation to tackle rising youth inactivity, led by the former Health Secretary, the Rt Hon Alan Milburn. This will focus on preventing young people from becoming trapped out of work, education or training, helping to cut the long-term costs of youth inactivity, and make the social security system more sustainable. The government has also launched the Rt Hon Sir Stephen Timms' review into Personal Independence Payment, co-produced with disability groups to ensure the system is fit for the future. The government will also consult on the rules for taxpayer-funded benefits to prioritise access for long-term residents and those who are making an economic contribution to the UK.

2.80 The government is closing loopholes in current Voluntary National Insurance contributions (VNICs) rules that allow those with a limited connection to the UK to build UK State Pension entitlement at a cheaper rate whilst overseas. To fix the most unfair elements of these rules, the government is removing access to the cheapest Class 2 VNICs for individuals abroad and increasing the initial residency or contributions requirement for VNICs to 10 years. The government is also launching a wider review of VNICs, with a call for evidence to be published in the new year.

2.81 The government is taking steps to ensure that public funding is spent wisely and fairly, and it is only right that the devolved governments take similar steps to deliver value for money and to live within their means. Following the Budget, the devolved governments will continue to receive over 20% more funding per head than the equivalent government spending in the rest of the UK.

Delivering better value public services

2.82 Ahead of the next spending review in 2027, the government is continuing to focus on efficiencies and savings, committing to targeted reviews across public services and welfare. This will enable more productive, effective public services that deliver better outcomes and better value. Detailed spending plans that are shaped by the results of this work will be set out at the next spending review.

2.83 Each department will appoint a Non-Executive Director to identify opportunities for additional efficiencies and savings. They will use their external experience to challenge how things can be done better and with fewer resources, whilst protecting outcomes for the public. This builds on Departmental Efficiency Plans published at SR25 which will deliver almost £14 billion of technical efficiencies by 2028-29.¹³²

¹³² 'Departmental Efficiency Plans', HM Treasury, June 2025.

2.84 The government will review its public bodies and assets to ensure they are delivering best value for taxpayers, including:

- Implementing the findings of the recently completed arm's length body (ALB) review to improve accountability, efficiency and delivery, as part of wider policy and delivery reforms across government. Further work to make ALBs and the ALB landscape more efficient, effective and accountable will be conducted ahead of the next spending review. The government will build on this to review regulations and regulators, simplifying the regulatory landscape to make it more efficient, accessible and less costly for businesses, including reducing duplication, to support the growth agenda – this will feed into the next spending review.
- Reviewing the public sector asset portfolio to ensure government property and resources are proactively managed on behalf of taxpayers, improving public service outcomes and generating savings.

Box 2.G: Managing government assets

The government holds £2.7 trillion assets, £190 billion of which are property, plant and equipment.¹³³ Effective asset management is essential to the efficient delivery of public services and maximising value for money on behalf of taxpayers. This includes: ensuring the assets the government acquires are essential for policy delivery, physical assets like buildings are well maintained and commercialised if there is spare capacity, and surplus assets are repurposed or disposed.

As part of a process of reviewing value for money across significant areas of spending, the government will review the maintenance of public assets to further strengthen asset management in government.

The government is also introducing a £1 billion asset efficiency target to be met by 2030 through asset disposals and generation of new income from public sector assets, such as leveraging public sector data assets. In addition to the existing £1 billion estate disposal target, this means the government will generate £2 billion in proceeds from the government's asset base on behalf of taxpayers.

The government is already making headway against the asset efficiency target at the Budget through the Foreign, Commonwealth and Development Office's (FCDO's) plans for FCDO 2030 and an Overseas Network Review. FCDO 2030 will streamline staffing and processes in the UK while investing in new tools and technologies, to deliver greater impact abroad. Rationalising the overseas estate, which is comprised of around 6,500 properties, will form a critical part of this programme, through which the government will identify whether there are assets to release, including in high-cost locations such as New York.

¹³³ 'Whole of Government Accounts', HM Treasury, July 2025.

Additionally, the government has confirmed £2 billion further asset disposals at the Budget by ensuring its liabilities are funded in the most efficient way. In line with the principles set out in the Balance Sheet Framework, liabilities held by the Atomic Weapons Establishment pension scheme and the Nuclear Liabilities Fund will no longer be pre-funded. This does not change the government's obligation to pay the liabilities when they are due, nor does it change the terms or benefits of pension scheme members.

The government will launch a Strategic Asset Review to report before the next spending review, which will identify opportunities to monetise assets and address barriers to disposals. Both this and the value-for-money review into the maintenance of public sector assets will be informed by the Balance Sheet Framework, setting out for the first time a comprehensive approach to managing the assets and liabilities that the government holds on behalf of the taxpayer.

Alongside this, HS2 Ltd is undertaking a sprint project that aims to identify and unlock opportunities for early release of land currently held for HS2 between London and Birmingham, around its stations and depot hub. This work is part of the reset of the HS2 programme and will support both regeneration and economic growth.

2.85 As recommended by the OVfM, the Chief Secretary to the Treasury will lead a review of value for money across government spending. This will include reviewing:

- New models of care within the NHS and communities, as part of implementing the 10 Year Health Plan, to help shape a system that delivers earlier intervention and preventative care where possible.
- Youth provision, to better align with the ambitions of the National Youth Strategy and maximise the value and impact of out-of-classroom support for young people.
- Homelessness services, to assess funding and delivery models, including ways to improve the supply of good value for money and good quality temporary accommodation and supported housing, such as greater co-ordination and planning in procurement between different parts of the state.
- Maintenance of public assets, to protect the value and function of the infrastructure, buildings and equipment that deliver public services.

2.86 This work will build evidence and potential solutions ahead of the next spending review so that government support delivers better outcomes and better value for money.

2.87 The Department for Education will also lead a review of childcare provision. The purpose of this review is to simplify the system for providers and families, making it easier to access childcare and increasing the overall impact of the government's offer.

2.88 Alongside this, the Office for the Impact Economy will support departments to partner with social and impact investors, purpose-led businesses, and philanthropists to support growth and help every pound of public funding work harder. The government will identify early opportunities to partner with the impact economy to crowd more capital and support into the Pride in Place

Programme, to strengthen and scale activities to give every child the best start in life and diversify the children's social care placements market. This work builds on the announcement of the £500 million 10-year Better Futures Fund, which the government plans to open for applications next year.

2.89 The government is trialling place-based budgets in five Mayoral Strategic Authorities to test how the pooling of public service budgets in local areas could break down siloes, unlock more funding for prevention, and help deliver better outcomes for taxpayers.

2.90 The government's new planning and performance framework focuses on delivering the Plan for Change and securing strong outcomes for taxpayers. In Spring 2026, departments will publish the outcomes that were funded at SR25 and their first set of annual strategic plans.

Chapter 3: Secure Future

Summary

3.1 The government's number one mission is to achieve higher economic growth and raise living standards by creating strong foundations today to secure Britain's long-term future.

3.2 The UK has considerable economic strengths. It is the second largest services exporter in the world, the second most attractive location to invest in Europe and is ranked sixth in the Global Innovation Index.^{134,135} The UK is also home to one of the world's leading financial centres, Europe's leading tech and AI ecosystem and 4 of the world's top 10 universities.¹³⁶

3.3 Despite these strengths, the UK has had sluggish productivity growth, and the global macroeconomic environment has remained uncertain. Productivity growth since the global financial crisis (GFC) has been weak. Between 2010 and 2019, annual productivity growth averaged 0.6%, down by around 1.5 percentage points from an average of 2.1% in the decade prior to the GFC (1998-2007). If productivity growth had continued at the pre-GFC rate, then GDP per capita could have been around £15,000 higher in 2024.¹³⁷ Lower productivity growth is associated with lower growth in wages and living standards in the long run.

3.4 The government continues to tackle these challenges in pursuit of economic renewal. This starts with creating the right economic environment for sustainable growth by ensuring stability. The government has taken the responsible decisions to secure sustainable public finances which contribute to reducing inflationary pressure, supporting the independent Bank of England to bring inflation sustainably to target and reduce interest rates.

3.5 Since July 2024, the government has recognised the need for decisive policy action to deliver sustainably higher economic growth and achieve higher living standards across the UK. The government's strategy is built on three principles: restoring economic and fiscal stability; increasing investment; and reforming the supply side of the economy.¹³⁸ This strategy recognises that growth comes from businesses, investors and working people, but that the government should play an active, enabling role in partnership with businesses to create the conditions for them to innovate, create good jobs, and grow.

¹³⁴ 'WTO-UNCTAD Trade in Services Dataset', UNCTADstat, July 2025.

¹³⁵ '2025 Global Innovation Index', World Intellectual Property Organisation, 2025.

¹³⁶ 'QS World University Rankings 2026', Quacquarelli Symonds, 2026.

¹³⁷ Productivity statistics, ABMI and YBUS series; GDP per hour calculated as GDP (ABMI) divided by total annual hours worked (weekly hours YBUS × 52). GDP per capita in 2024 prices, Office for National Statistics (ONS).

¹³⁸ 'Plan for Change Kickstarting Economic Growth', Prime Minister's Office 10 Downing Street, December 2024.

3.6 Stability is the foundation upon which all else is built. The government has taken the necessary decisions to put the public finances on a firm footing and repair public services. The government's fiscal rules enable an increase in public investment, alongside a clear plan to grow the economy and bring net financial debt down in this parliament.

3.7 Investment is critical to growth. The government has committed over £120 billion of additional departmental capital spending over the course of the Parliament, made possible by its fiscal rules.¹³⁹ This investment is being directed to infrastructure and planning priorities that support growth, including supporting regional growth by bringing new affordable homes and improved transport connectivity to more places and supporting energy and net zero priorities through new nuclear power. The National Wealth Fund and the British Business Bank are catalysing private investment and the new National Housing Bank will extend that catalytic effect to the housing market. The strategy is working: the UK is attracting international investment, with £150 billion of new confirmed inward investment commitments at the US State Visit in September and further commitments at the Regional Investment Summit in October.^{140,141}

3.8 Reform to the supply side of the economy is necessary to improve the conditions for growth and investment, including removing barriers faced by businesses. The government has brought forward reforms to planning, with reforms to the National Planning Policy Framework (NPPF) forecast to add 0.4% to GDP by 2034-35; skills reform, to equip people businesses with the skilled workforce they need to drive growth; and pensions reforms that will unlock £50 billion of investment for business and infrastructure.^{142,143} The government has also struck major trade agreements to increase cooperation and reduce barriers, including with the European Union, the United States and India.^{144,145,146} The new modern Industrial Strategy is targeting high-growth sectors; the government will reduce the annual administrative burden of regulation by £5.6 billion by the end of Parliament through its Regulation Action Plan, and the government is delivering the Leeds Reforms, the most wide-ranging reforms to financial services regulation in a decade, to enable firms to take risks and drive growth.¹⁴⁷

3.9 At the same time, the government's reforms are unblocking major projects – from reservoirs to wind farms to a third runway at Heathrow – and providing certainty and stability through the 10-Year Infrastructure Strategy, backed by at least £725 billion over the next decade to deliver significant, long-term schemes such as the Oxford to Cambridge and Northern growth corridors.¹⁴⁸

¹³⁹ 'A strong fiscal framework', HM Treasury, October 2024.

¹⁴⁰ 'Record-breaking £150bn investment unveiled during US State Visit', Department for Business and Trade, Prime Minister's Office, 10 Downing Street, The Rt Hon Peter Kyle MP and the Rt Hon Sir Keir Starmer KCB KC MP, September 2025.

¹⁴¹ 'Regional Investment Summit delivers almost a thousand jobs for UK communities', Department for Business and Trade, Office for Investment, The Rt Hon Peter Kyle MP and The Rt Hon Rachel Reeves MP, October 2025.

¹⁴² 'Economic and Fiscal Outlook', Office for Budget Responsibility (OBR), March 2025.

¹⁴³ 'Pensions Investment Review: Final Report', HM Treasury, Department for Work and Pensions, and Ministry of Housing, Communities and Local Government, May 2025.

¹⁴⁴ 'PM secures new agreement with EU to benefit British people', Prime Minister's Office, 10 Downing Street, Cabinet Office, Department for Business and Trade, May 2025.

¹⁴⁵ 'UK-US Economic Prosperity Deal', Department for Business and Trade, May 2025.

¹⁴⁶ 'UK-India Trade Deal', Department for Business and Trade, July 2025.

¹⁴⁷ 'The UK's Modern Industrial Strategy 2025', Department for Business and Trade, June 2025.

¹⁴⁸ 'UK Infrastructure: A 10 Year Strategy', HM Treasury and National Infrastructure and Service Transformation Authority, June 2025.

3.10 The government's strategy is focused on strengthening the foundations and delivering long-lasting change. Recent data has shown positive signs; whole economy investment has risen by 4.2% in real terms since the start of the year, outperforming the OBR's March forecast for a decline of 0.1%. Over the same period, business investment has increased by 2.7%, above the OBR's March forecast for a growth of 1.1%.¹⁴⁹

3.11 Throughout the autumn and at the Budget, the government is taking the next steps in delivering its growth mission: investing for the future; backing businesses and unlocking innovation; and unleashing talent and opportunity.

Investing for the Future

3.12 For decades, the UK has suffered from insufficient levels of both private and public investment – failing to build the foundations for future growth. Investment in the UK has been the lowest in the G7 over the past 30 years, averaging 18% of GDP, compared to the average of 21.9% in the rest of the G7.¹⁵⁰ This has contributed to the UK's weaker productivity performance compared to other economies and weighed on living standards across the country.¹⁵¹

3.13 Increasing public and private investment is therefore at the heart of the government's growth strategy. The government has committed over £120 billion of additional departmental capital spending over the course of the Parliament. The Budget is protecting this investment, ensuring it can be directed into growth priorities, including new homes, improved transport connectivity and new nuclear projects. At the Spending Review in June, the government committed over £15 billion to connect the UK's cities and towns, £39 billion towards the 10-year Social and Affordable Homes Programme (SAHP), £14 billion for Sizewell C – to help power more than 6 million homes – and over £22 billion per year for research and development by 2029-30.¹⁵² The government has also established the National Wealth Fund to catalyse £70 billion of private sector investment in high-growth sectors at the heart of the government's modern industrial strategy, from gigafactories to green hydrogen.¹⁵³

3.14 The government is maintaining public investment at the highest sustained level in four decades, with Public Sector Net Investment (PSNI) averaging 2.7% of GDP over the forecast period.

¹⁴⁹ 'Gross fixed capital formation – by sector and asset', ONS, November 2025, Q1 2025 to Q2 2025. 'Economic and Fiscal Outlook', OBR, March 2025.

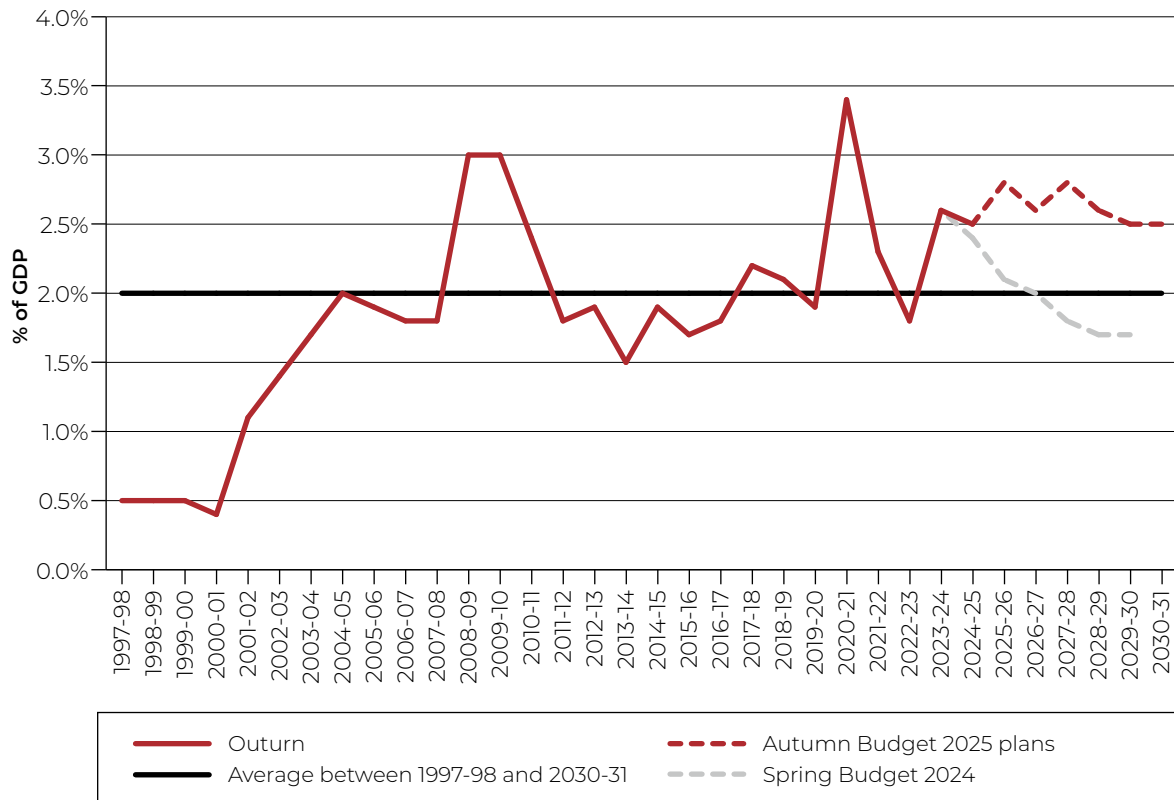
¹⁵⁰ 'Annual Gross Fixed Capital Formation', 1995-2024 average, Organisation for Economic Co-operation and Development, (OECD).

¹⁵¹ 'Cracking the Productivity Code: An International Comparison of UK Productivity', John Van Reenen and Xuyi Yang, June 2024.

¹⁵² 'Spending Review 2025', HM Treasury, June 2025.

¹⁵³ 'Chancellor's National Wealth Fund to deliver growth and boost security', HM Treasury, The Rt Hon Rachel Reeves MP and The Rt Hon Ed Miliband MP, March 2025.

Chart 3.1: Public sector net investment



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

3.15 Since July 2024, major private investments into the UK have been announced. These include £150 billion of inward investment commitments during the US State Visit in September, which are expected to generate over 7,600 high-quality jobs, helping to revitalise communities and accelerate growth. The Regional Investment Summit in October also saw commitments totaling over £10 billion, such as £400 million to support the £4 billion Birmingham Knowledge Quarter.^{154,155}

3.16 The 10-Year Infrastructure Strategy, published in June 2025, set out the government's plans to use private finance to support its infrastructure ambitions. The Budget builds on that strategy by confirming that the NHS Neighbourhood Rebuild Programme will deliver new Neighbourhood Health Centres (NHC) through upgrading and repurposing existing buildings, and building new facilities through a combination of public sector investment and a new model of Public-Private Partnerships (PPPs). The approach will allow the government to build further evidence and better compare different models of infrastructure delivery. The new PPP model is being developed by the National Infrastructure and Service Transformation Authority, supported by the Department of Health and Social Care, and will build on lessons learnt from past and current models and harness private sector expertise to deliver the new NHCs. To ensure the NHC PPPs are managed transparently and are fiscally sustainable, these projects will be budgeted for as if they are on balance sheet.

¹⁵⁴ 'Record-breaking £150bn investment unveiled during US State Visit', Department for Business and Trade, Prime Minister's Office, 10 Downing Street, The Rt Hon Peter Kyle MP and the Rt Hon Sir Keir Starmer KCB KC MP, September 2025.

¹⁵⁵ 'Regional Investment Summit delivers almost a thousand jobs for UK communities', Department for Business and Trade, Office for Investment, The Rt Hon Peter Kyle MP and The Rt Hon Rachel Reeves MP, October 2025.

3.17 The government will continue to consider the ways in which private finance can support the delivery of wider infrastructure ambitions including leveraging private finance to help deliver the next generation of new towns.

3.18 Privately financed projects and programmes – including PPPs – will also be considered for projects that decarbonise the public sector estate.

3.19 The government is making rapid progress in enabling the delivery of an operational third runway at Heathrow by 2035. In October, the Department for Transport launched a review of the Airports National Policy Statement (ANPS) and in November identified the scheme promoted by Heathrow Airport Ltd as the scheme to take forward to inform the ongoing review of the ANPS. The government will consult on any amendments to the ANPS by July 2026. Heathrow expansion will be entirely privately financed, with no cost to the taxpayer.

Progressing planning reform

3.20 The government is committed to delivering the most ambitious planning reforms in a generation, principally through the flagship Planning and Infrastructure Bill – which sets the foundations to unlock new housing and critical infrastructure delivery – set to become law imminently.¹⁵⁶

3.21 Secondary legislation and guidance to support full implementation will follow including to make pre-application engagement for major infrastructure projects more targeted and proportionate. This is expected to reduce delivery timelines for major infrastructure projects such as roads, reservoirs and energy projects by up to 12 months. The government is also taking a more strategic approach to manage the impact of development on the environment, with Environmental Delivery Plans set to drive pro-growth interventions that provide better benefits for nature than the status quo.

3.22 The government is going further to streamline and strengthen the planning system. In addition to scrapping the paper permissions stage for judicial reviews impacting major infrastructure projects and removing the right to appeal for cases totally without merit, the government is working with the judiciary to make further reforms to ensure planning cases are heard more quickly and by expert judges. The overall package of Judicial Review reforms could reduce delays by up to 6 months.

3.23 The government has committed to rebuilding Britain by reforming planning rules and fast-tracking 150 planning decisions on major infrastructure by the end of this Parliament. In the 16 months since the start of this Parliament, the government has made 29 decisions on major infrastructure projects, more than any other 16-month period under any previous parliament. These decisions are unlocking development across the country, such as the expansion of Gatwick Airport, solar farms in East Yorkshire, and wind farms in the Irish Sea.

3.24 Building on last year's pro-growth reforms to the National Planning Policy Framework, the government has announced a series of changes designed to further speed progress through the planning system. In October, the Mayor of London and the government announced a package of support for housebuilding in London, which will improve the viability of housing developments in the near term, boosting the number of new homes – including affordable homes – delivered

¹⁵⁶ 'Guide to the Planning and Infrastructure Bill', Ministry of Housing, Communities and Local Government, September 2025.

in the coming years. Earlier this month, the government announced it is pressing ahead with the next phase of reforms to the planning system, including default 'yes' to development around train stations.^{157,158}

3.25 The government is also investing £48 million of additional funding to boost capacity in the planning system. This includes additional investment to recruit an extra 350 planners in England by expanding the Pathways to Planning Graduate Scheme and creating a new Planning Careers Hub to retain and retrain mid-career professionals. The government is also funding improvements to the performance and speed of environmental regulators, with extra resources for priority projects and delivery of the Nature Restoration Fund's Environmental Delivery Plans. This will take the total number of recruitments across the planning system to 1,400 by the end of this Parliament, which will help speed up planning decisions on housing and infrastructure, and support delivery of 1.5 million homes.

Box 3.A: Economic effects of the Planning and Infrastructure Bill

The government has made a range of significant reforms to planning. Together, these reforms will help ensure the UK has a system which supports economic development, and the delivery of 1.5 million homes in England, 150 major infrastructure consents, and commercial premises.

These reforms are expected to raise investment through improving investor confidence and enabling more projects to be approved. The Planning and Infrastructure Bill (PIB), which will become law shortly, will further accelerate the delivery of large infrastructure projects by streamlining the approval process for Nationally Significant Infrastructure Projects (NSIPs), reducing regulatory burdens, and cutting the time required to obtain development consent. The PIB will also reduce uncertainty for developers through strengthening and streamlining our planning system, including by requiring up-to-date National Policy Statements (NPS), simplifying environmental compliance, and reducing uncertainty around decision-making.

The PIB can raise economic activity via two main channels:

- **Speed:** by shortening the period between project inception and completion, the PIB enables new infrastructure to become operational earlier, raising the level of the capital stock and potential output over the medium term.
- **Reducing the cost of investment:** by reducing regulatory costs, the PIB lowers the effective cost of capital for firms investing in infrastructure. Lower costs and reduced uncertainty make it easier to finance projects, encouraging higher levels of investment and further boosting the capital stock over time.

¹⁵⁷ 'Next phase of planning reform', The Rt Hon Steve Reed OBE MP, Secretary of State for Housing, Communities and Local Government, November 2025.

¹⁵⁸ 'Housebuilding around train stations will be given default "yes"', Ministry of Housing, Communities and Local Government, The Rt Hon Steve Reed OBE MP and The Rt Hon Rachel Reeves MP, November 2025.

MHCLG have estimated that 25 NSIPs per year, with an average cost of £1 billion, will, on average, cut consenting times by 25%, from four to three years.¹⁵⁹ Cutting a year from project delivery times (speeding up the flow of investment) would raise the capital stock relative to the baseline over the medium term, given the lags involved in NSIP delivery and scale of investment involved. A higher capital stock raises the capital available per worker in the UK, raising productivity and ultimately economic output. The basis for this assessment is conservative: in order to meet its ambitious target of fast-tracking 150 planning decisions on major infrastructure projects, the government will encourage more than 25 projects a year to come forward and seek to reduce average consenting timeframes to their levels in 2012.

The PIB is also assumed to result in estimated annual regulatory cost savings of £300 million out of a £22 billion total UK burden, implying a reduction in the regulatory burden of 1.5%.^{160,161} Regulatory burdens can be thought of as a tax on production, with regulatory cost savings translating to a reduction in the cost of capital.¹⁶²

These effects combined imply an increase in GDP of around 0.1% at the ten-year horizon, with most of the effect coming from bringing forward investment, and a smaller but positive contribution from lowering the cost of investment. There are also likely to be additional positive effects from the PIB – such as crowding-in of additional investment – that are not captured by these estimates.

Delivering new homes

3.26 The government is committed to delivering 1.5 million homes in England this Parliament and has made a series of significant announcements ahead of the Budget, building on the landmark £39 billion Social and Affordable Homes Programme and the new £16 billion National Housing Bank announced in June. In September, the government announced that it will get spades in the ground in at least three new towns in this Parliament, with Tempsford, Leeds South Bank and Crews Hill and Chase Park identified as the most promising sites. Decisions on new town locations will be informed by Strategic Environmental Assessment, with new town locations announced in the spring. Each new town will have at least 10,000 homes.

3.27 To unlock more new homes across the country, the government is, for the first time ever, devolving housing funds across Greater Manchester, Greater London, Liverpool City Region, the North East, South Yorkshire, West Midlands and West Yorkshire through the integrated settlement. In total, £1.3 billion of the new

¹⁵⁹ 'Planning and Infrastructure Bill: Impact assessment', Ministry of Housing, Communities and Local Government, 2025, and the Infrastructure Pipeline, National Infrastructure and Service Transformation Authority, 2025. The average number of NSIP projects is sourced from the MHCLG Impact Assessment for the PIB and is estimated to be 25 projects per year. The average project cost is sourced from the average project cost in the NISTA infrastructure pipeline and is rounded down to £1 billion.

¹⁶⁰ 'Planning and Infrastructure Bill: Impact assessment', Ministry of Housing, Communities and Local Government, 2025. The £300 million savings figure is based on the MHCLG estimate in the PIB NSIP impact assessment. It has been updated to reflect the reforms to pre-application processes, which were not included in the original savings estimate in that assessment.

¹⁶¹ 'Regulation Action Plan – Progress Update and Next Steps', Department for Business and Trade, 2025. DBT estimate that the administrative burden of regulation on businesses is £22.4 billion a year.

¹⁶² Calculations based on a cost of capital model suggest the reduction in regulatory cost savings would result in a 0.25% reduction in the overall cost of capital. Calculations are based on 'The economic effects of full expensing', OBR, 2024. The framework has been modified to include an adjustment that reflects the impact of regulation on the cost of capital.

National Housing Delivery Fund will be devolved, supporting established and non-established MSAs. This will support leaders to deliver ambitious growth projects in their area and develop strategic sites across the country, building on existing government investment in places such as Liverpool Central Docks and Forth Yards in Newcastle.

3.28 To support additional investment in new and existing social housing, the government consulted on how to implement Social Rent convergence over the summer. Convergence would allow rents for Social Rent properties that are currently below 'formula rent' to increase by an additional amount each year, over and above the CPI+1% limit, until they 'converge' with formula rent. While the government remains committed to implementing Social Rent convergence, it is important to take the time to get the precise details right, taking account of the benefits to the supply and quality of social and affordable housing, the impact on rent payers and affordability. The government will respond to the consultation in full, and announce a decision about how Social Rent convergence will be implemented in January 2026, before the launch of the SAHP. The government also remains committed to the 10-year rent settlement for 2026-36 announced at SR25, which will permit social housing rents to increase by CPI+1% per annum.

3.29 The government has also published its Defence Housing Strategy, backed by an extra £1.5 billion investment this Parliament and a total of £9 billion over the next decade.¹⁶³ The Ministry of Defence owns, or has rights over, 1.4% of the United Kingdom's land, and the government will accelerate the release and development of surplus Defence land to support delivery of 100,000 homes for both military and civilian families, as well as boosting the wider economy. This will include a new 'Forces First' approach to boost homeownership opportunities for veterans and Armed Forces personnel.

3.30 The government will not be proceeding at this time with converging the two rates of Landfill Tax, as consulted on earlier this year. The government has listened to stakeholders' arguments made in response to the consultation, and revised its approach to ensure the reforms to Landfill Tax are proportionate, do not impose unavoidable costs on businesses and do not undermine the government's target of building 1.5 million new homes in England. The government will instead prevent the gap between the two rates of Landfill Tax getting any wider over the coming years. The government will also retain the tax exemption for backfilling quarries to ensure that housebuilders and the construction sector continue to have access to a low-cost alternative to landfill.

3.31 As set out in the 10-Year Infrastructure Strategy, the government is committed to removing the barriers to gigabit-capable broadband, including for people living in flats. In the next few weeks, the Department for Science, Innovation and Technology will be consulting on measures to create a new right for leaseholders to request a gigabit broadband connection and a duty for freeholders not to unreasonably refuse the request.

¹⁶³ [The Defence Housing Strategy 2025](#), Ministry of Defence, November 2025.

Box 3.B: Delivery case study on NPPF reforms and ‘grey belt’ approvals

The new National Planning Policy Framework (NPPF) is estimated by the Office for Budget Responsibility 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, adding £6.8 billion to the economy.¹⁶⁴ Since the updated NPPF was introduced in December 2024, an unprecedented 80% of major residential appeals located on grey belt land have been approved, homes that likely wouldn’t have been built under previous policy.¹⁶⁵

Alongside thousands more homes, councils and ministers have approved significant projects on grey belt land too, including data centres, and film studios. For example, following the introduction of the ‘grey belt’ policy in December, the Minister of State for Housing and Planning approved the £400 million Sky Studios Elstree North project. Construction is scheduled to start next year, with Sky estimating that the build will create over 600 jobs, and a further 2,000 jobs and £2 billion of production investment to the UK within the first five years of operation. Sky has also pledged £6.5 million for local road upgrades, a new community green and safeguarding 27 acres of land for wildlife.^{166,167}

Growth across the whole United Kingdom

Devolving, investing and reforming to support local leaders in our city regions

3.32 The Budget builds on the government’s approach to long-term, broad-based economic growth, lifting living standards across the country by investing billions in infrastructure, innovation and skills; supporting city regions to be dynamic economic hubs; empowering local leaders to deliver; and reforming how the government works to support them.

3.33 Mayors are transforming the trajectory of local economies across England by investing in transport, housing and local growth. In recent years, this has driven a step change in the productivity growth rates of cities across the North. The government has announced a historic commitment to fiscal devolution, giving mayors and potentially other local leaders, subject to consultation, the option to introduce a visitor levy on overnight visitor accommodation in their area.¹⁶⁸ This will fund further investment in growth locally, including the visitor economy. The government is consulting on the design of the levy.

3.34 The government is also confirming at least £13 billion of SR25 funding via integrated settlements from 2026-27 to 2029-30 for seven Mayoral Strategic Authorities: Greater Manchester, West Midlands, Liverpool City Region, West Yorkshire, North East, South Yorkshire and the Greater London Authority, representing nearly 40% of people in England. This will empower mayors with local

¹⁶⁴ ‘Economic and fiscal outlook’, OBR, March 2025.

¹⁶⁵ ‘Grey Belt: A Game Changer for Planning and Housing’, Marrons on behalf of the Land, Planning & Development Federation, September 2025.

¹⁶⁶ ‘Recovered appeal: land north of Sky Studios Elstree, Rowley Lane, Borehamwood’, Ministry of Housing, Communities and Local Government, September 2025.

¹⁶⁷ ‘Sky Studios Elstree expansion opening door for £2bn boost to industry’, Sky, September 2025.

¹⁶⁸ ‘Levy on overnight trips will help mayors invest in local growth’, Ministry of Housing Communities and Local Government and The Rt. Hon Steve Reed OBE MP, November 2025.

control over a single flexible pot for growth and public services priorities, aligned with their local growth plans. The government remains committed to rolling out integrated settlements to more places at the next Spending Review.

3.35 Building on the recent significant investment in the Pride in Place Programme, the government is continuing to also invest in regeneration and providing £902 million over four years for a new local growth fund for the 11 mayoral city regions in the North and Midlands with the highest potential for growth. This will allow mayors to invest in key local growth projects, including from their Local Growth Plans. Scotland, Wales and Northern Ireland will also receive £783 million through a local growth fund to support regeneration across the UK.

3.36 Alongside this, the government is launching a £500 million Mayoral Revolving Growth Fund for mayors in the North and Midlands with an integrated settlement, working alongside a wider set of public financial institutions. This will allow mayors in key city regions to invest in game-changing growth projects alongside the private sector, breaking down regional access to finance barriers, and creating new opportunities for businesses in key sectors to grow. MSAs will also be able to bid for around £7 billion through the successor to the Affordable Homes Programme, enabling them to set strategic direction for social and affordable housing in their areas.

3.37 Building on the government's funding for West Yorkshire Mass Transit, support for the Northern Square Mile, and designation of Leeds South Bank as a promising site for a New Town, the Budget is supporting West Yorkshire Combined Authority by establishing the Leeds City Fund. This is a business rates retention (BRR) zone in Leeds city centre, within which Leeds City Council can retain 100% of business rates growth above an agreed baseline for 25 years.

3.38 In line with the Fair Funding Review, the government is improving the business rates retention system to more consistently support mayors in driving growth. Options being considered include allocating Mayoral Strategic Authorities a direct share of business rates from across their region, building on Local Growth Plans and allowing more tax to be spent where it is raised. Over the coming months, the government will engage with Mayoral Strategic Authorities to co-develop a new offer, including considering how this could work in place of existing grant.

3.39 To drive growth and give local leaders the tools they need to deliver their vision, the government is developing a business rates retention zone offer with standardised criteria at MSA level. The government has already had early discussions with the mayors of South Yorkshire, the West of England and the North East to explore options for business rates retention zones to support local growth plans, and is open to discussions with other areas.

3.40 The government will extend the 100% business rates retention pilots in Cornwall, the West of England, and Liverpool City Region for a further three years, to 2028-29. This will support local growth by allowing areas to continue retaining the benefits of business growth, while the government develops new retention arrangements for Mayoral Strategic Authorities.

3.41 The government is reforming central government structures to put place at the heart of decision-making. This includes changes to the Green Book and the government has announced early adopters of place-based business cases

in Liverpool, Plymouth, Port Talbot and Birmingham.¹⁶⁹ The National Wealth Fund has transformed its support offer to local authorities by establishing a new regional project accelerator (RPA). The RPA will focus on long-term and deeper strategic partnerships with high growth Mayoral Strategic Authorities and city regions, as well as support for complex flagship projects across the country. In addition, the government has launched an initiative to accelerate the delivery of priority projects in Greater Manchester, West Midlands, West Yorkshire and Glasgow City Region, with support from across public investment institutions.

Supporting every region to prosper

3.42 The government is tailoring investment to support higher growth in all regions, guided by its modern Industrial Strategy.

3.43 The government has allocated funding, subject to final business cases, from the Growth Mission Fund for: £16 million for the construction of a STEM centre in Darlington, £20 million for redevelopment of the Inchgreen dry docks in Inverclyde, £20 million for redevelopment of Kirkcaldy town centre and seafront, and £20 million to construct a sports quarter in Peterborough.

3.44 The Budget builds on existing commitments to boost growth and create a secure future for all nations of the UK. The government is investing up to £14.5 million in Grangemouth, Scotland, to support industrial projects; pioneering the UK's first small modular reactors in Anglesey in North Wales; and announcing £16.6 million of new funding over the next three years to help businesses navigate the Windsor Framework and take full advantage of access to UK and EU markets.

3.45 The government is committing £4.2 million for the remediation of brownfield land in Port Talbot supporting the Harbourside Innovation District, aligned to the Celtic Freeport, helping to unlock further investment, subject to business case.

3.46 The government is attracting new investment, including through the new £30 million Kernow Industrial Growth Fund to invest in Cornwall's comparative sectoral advantages, including critical minerals, renewable energy and marine innovation, subject to a full business case.

3.47 The government is committed to the success of Derby and the wider East Midlands. The government has made this clear through major transport and local growth funding, investing £2 billion through Transport for City Regions and over £100 million through the Local Growth Fund, alongside the decision to place Great British Railway's headquarters in Derby, and investment in the next generation of nuclear technology with Rolls-Royce. The government will build on this progress by backing the Team Derby initiative, working in partnership to maximise the ongoing government investment in Derby.

3.48 The government welcomes confirmation that London will deliver the DLR extension to Thamesmead, funded through Transport for London (TfL) and Greater London Authority (GLA) borrowing. The majority of the costs will be met by TfL and GLA, with the government also contributing over the long term. The government will continue to work with London to finalise funding details and will continue to work with the GLA to look at options for innovative financing to support the delivery of infrastructure projects in the capital.

¹⁶⁹ 'Green Book Review 2025: Findings and actions', HM Treasury, June 2025.

3.49 The Lower Thames Crossing is the largest roadbuilding project for a generation, and a key driver of growth, improving links between the Midlands, the North and key ports in the South East, as well as improving the resilience of the overall road network. The government has committed a further £891 million to complete the publicly-funded works for the Lower Thames Crossing, the final tranche of government support to enable the private sector to take forward construction and long-term operation. The government's preferred financing option at this stage is the Regulated Asset Base (RAB) model. The project will be taken forward on that basis, with formal market engagement launching in 2026.

3.50 Alongside the new Northern Growth Corridor (see Box 3.C below), the government is accelerating progress on the Oxford to Cambridge Growth Corridor. In October, the government announced over £500 million of support for the region to unlock growth and accelerate opportunities, alongside a £10 billion private sector investment by the Ellison Institute of Technology at its Oxford site.¹⁷⁰ This, alongside East West Rail, new reservoirs and the first AI Growth Zone, will help drive the Corridor to reach its true potential. The government has also identified Tempsford in the Oxford to Cambridge Growth Corridor as a promising site for one of at least three new towns (alongside Leeds South Bank and Crews Hill) to unlock economic growth and accelerate housing delivery.

Box 3.C: The Northern Growth Corridor and wider North

- Major investments in Northern city regions via the Transport for City Regions Fund, the Local Innovation Partnership Fund and the series of commitments announced at the Regional Investment Summit, underline the government's commitment to driving growth in the North as a major element of its overall growth mission.
- The government has appointed Tom Riordan as its envoy for the Northern Growth Corridor and will set out an overarching plan for the Corridor in early 2026. Developing and delivering this plan will be done in partnership with local leaders, universities and Northern businesses and will build on the huge assets in the corridor and wider North, to grow the economy, attract inward investment and create a complementary economic hub to London and the South East.

Regeneration and housing

- Northern cities have significant untapped potential. Through regeneration, the government is supporting local leaders in the North to create vibrant city centres where more people can live, work and enjoy their surroundings. Building on previous government commitments to West Yorkshire Mass Transit, support for the Northern Square Mile, and identification of Leeds South Bank as a promising site for a new town, the Budget is supporting West Yorkshire Combined Authority by establishing the Leeds City Fund as a 25-year business rates retention zone in Leeds, subject to business case. This will allow Leeds City Council to retain 100% of business rates growth above a baseline to invest in the city's transport network, unlock opportunities to build new homes and commercial spaces, and revitalise public spaces.

¹⁷⁰ '500m boost for hydrogen to create thousands of British jobs', Department for Energy and Net Zero and The Rt Hon Ed Miliband, June 2025.

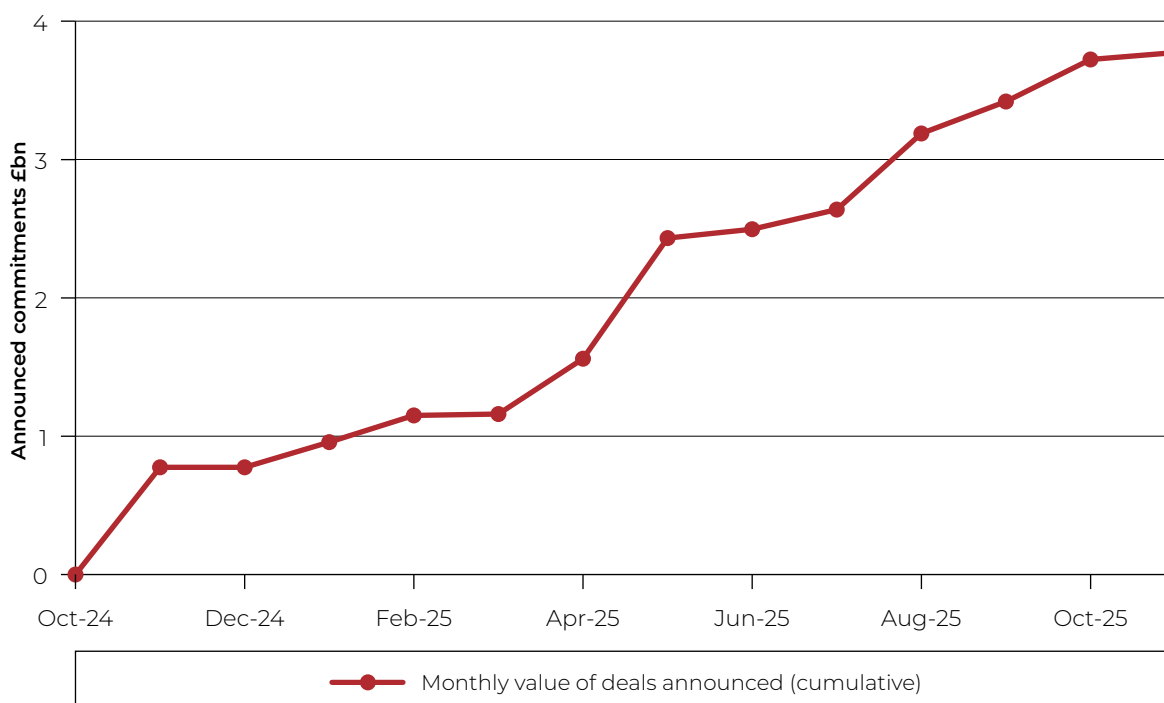
Backing sector strengths

- The Northern Growth Corridor aims to maximise potential across the modern Industrial Strategy's growth-driving sectors, and the government will work in partnership with mayors, investors and businesses to identify and unlock 'IS-8' investment opportunities. The government will make it quicker and easier for businesses to scale up and invest in the North. The government is also headquartering the new National Housing Bank in Leeds, as part of a cluster of financial institutions in the city, alongside the National Wealth Fund, Bank of England and Financial Conduct Authority.

Delivering infrastructure

- The government is committed to improving infrastructure and rail connectivity across the North of England, including through the £11 billion Transpennine Route Upgrade currently being delivered. City Region Sustainable Transport Settlements (CRSTS) are already delivering transformational benefits to local transport in major cities, and the further £15.6 billion committed via the Transport for City Regions Fund will allow places to continue this work. Through these funds, mayors are investing in projects, including South Yorkshire investing in renewing its Supertram network, in Greater Manchester extending the Metrolink to Stockport, in Liverpool City Region investing £97 million in a new bus fleet, and in West Yorkshire a £45 million scheme creating a multi-modal gateway at Leeds Rail Station.

Chart 3.2: Deals announced by the National Wealth Fund, October 2024 to current



Figures exclude National Wealth Fund's £36.6bn loan to Sizewell C.

Source: National Wealth Fund announced deals.

Box 3.D: Delivery case study on National Wealth Fund investment in Cumbria, Cornwall and Scotland:

The new National Wealth Fund is at the forefront of investing public money in the UK's future, mobilising over £70 billion in private investment for growth and clean energy, unlocking projects that otherwise would not have gone ahead. It has a total of £27.8 billion in public capital available to invest in a range of capital-intensive projects, businesses and assets, prioritising the clean energy, advanced manufacturing, digital and technology, and transport sectors, and will support the delivery of the wider modern Industrial Strategy, including in defence, life sciences, and creative industries.

From tin mining in Cornwall, to the UK's largest energy storage facility in Doncaster, and critical grid upgrades in Scotland, the National Wealth Fund is investing for growth across the length and breadth of the UK. Since its launch in October 2024, the National Wealth Fund has invested £3.8 billion over 28 projects across the UK, mobilising £5.3 billion in private investment, created or supported 20,300 jobs, and completed 27 local authority advisory engagements.^{171,172} The National Wealth Fund portfolio will continue to expand through further impactful investments in the coming months.

For instance, earlier this year, the National Wealth Fund completed a £600 million loan to support Scottish Power with seven of their priority transmission grid upgrade projects, unlocking hundreds of jobs. This was part of a wider £1.35 billion public/private financing package. These critical grid upgrades will facilitate more renewable energy coming onto the system, reduce constraint costs, and lower the cost of electricity for businesses and consumers across the UK.¹⁷³

In August this year, the National Wealth Fund announced a £300 million Credit Enhancement Guarantee for Cascade Infrastructure Ltd which will design, build, finance and maintain the replacement of six tunnel sections of the Haweswater Aqueduct. This £300 million guarantee will help secure clean water from the Lake District to millions of residents in Cumbria, Lancashire and Greater Manchester for generations to come. Starting its main construction work next year, this project will create and support approximately 1,200 jobs in the local area.¹⁷⁴

Elsewhere, in Cornwall, the National Wealth Fund made a £28.6 million equity investment into Cornish Metals Inc, to help finance the re-opening of South Crofty tin mine, creating more than 300 local jobs.¹⁷⁵ Aligning with its objective to support the government's growth mission, the National Wealth Fund's investment also supports the local enterprise plan to leverage access to critical minerals as a priority. By creating a critical minerals cluster in Cornwall, there will be an increase in skilled, year-round job opportunities.

¹⁷¹ 'National Wealth Fund Impact Report', National Wealth Fund, October 2025.

¹⁷² 'Announced National Wealth Fund deals', National Wealth Fund, October 2025.

¹⁷³ 'National Wealth Fund backs Scottish Power to boost UK grid upgrades', National Wealth Fund, May 2025.

¹⁷⁴ 'National Wealth Fund announces £300m guarantee to support Haweswater Aqueduct Resilience Programme (HARP)', National Wealth Fund, August 2025

¹⁷⁵ 'National Wealth Fund drives growth with a £28.6m investment into Cornish Metals Inc, facilitating the domestic supply of tin', National Wealth Fund, January 2025.

Investing in the UK's energy security

3.51 Delivering more secure, clean and cheaper energy is central to sustainable economic growth over the long term and the modern Industrial Strategy is committed to capturing the opportunities, jobs and investment that the transition to clean power and net zero presents, doubling down on the UK's strengths and removing barriers to investment.

3.52 The government is taking significant steps to deliver on its modern Industrial Strategy commitments to reduce electricity prices for business, bringing them more in line with other major economies in Europe. The British Industry Supercharger cuts electricity costs for around 550 energy intensive businesses, and the government recently confirmed an uplift in relief through its Network Charging Compensation Scheme from 60% to 90%.¹⁷⁶ From 2027, the British Industrial Competitiveness Scheme will reduce electricity costs by c.£35-40/MWh and support thousands of businesses. In line with our modern Industrial Strategy, the scheme will benefit manufacturing, electricity intensive frontier industries, such as automotive and aerospace, and foundational manufacturing industries in their supply chains, such as chemicals. The Department for Business and Trade launched a consultation in November to determine design and eligibility for the scheme.¹⁷⁷

3.53 Nuclear power is central to the UK's energy security and delivering good jobs across the UK, but for too long decisions have been delayed, plans cancelled, and progress stalled. The government is taking a different approach, backing investment, unlocking innovation and removing the regulatory barriers that have slowed development and deployment.

3.54 Earlier this month, the government announced that Wylfa in Anglesey, North Wales, will host the UK's first small modular reactor project, supporting up to 3,000 new jobs in the region.¹⁷⁸ The government will also continue to identify potential sites for large-scale nuclear power. This builds on the modern Industrial Strategy and significant funding commitments at the Spending Review, including for Sizewell C, which reached financial close in November allowing full-scale construction to begin, and innovative nuclear fusion research.¹⁷⁹

3.55 At the Budget, the government is going further to make nuclear power cheaper and to accelerate its deployment. The Prime Minister set up a Nuclear Regulatory Taskforce in February to propose radical reforms and to treat this as a once in a generation opportunity to regulate nuclear in a way that promotes better delivery without compromising safety. The Prime Minister is today issuing a Strategic Steer, which sets clear expectations for the civil, defence, and decommissioning nuclear sectors to accelerate safe and efficient delivery through proportionate regulation and stronger collaboration. This work is a clear demonstration of the government's commitment to overhaul the regulatory landscape so that it better supports growth and investment, as set out in March's Regulation Action Plan.

¹⁷⁶ 'Proposed uplift to the Network Charging Compensation Scheme for energy intensive industries (EII): government consultation response', Department for Business and Trade, October 2025.

¹⁷⁷ 'British Industrial Competitiveness Scheme: consultation on scheme eligibility and approach', Department for Business and Trade, November 2025.

¹⁷⁸ 'Wylfa Confirmed as Site for UK's First Small Modular Reactor', Great British Energy- Nuclear, November 2025.

¹⁷⁹ 'Sizewell C reaches financial close, with £5 billion export credit backed debt raise and strong investment grade credit rating', Sizewell C; November 2025.

3.56 The recently published report from John Fingleton and his team is a critical step forward. It sets out a comprehensive analysis of the regulatory challenges and opportunities for the sector. The government warmly welcomes it and endorses its approach, and accepts the principle of all the recommendations it has set out. These recommendations will radically move the dial on the regulatory regime for civil and defence nuclear in this country. The government will present a full implementation plan within three months, taking account of our international obligations, national security considerations, and planning, environmental and court processes. The Taskforce will be engaged in the implementation phase to review progress and support delivery. The government will complete implementation within two years, subject to legislative timelines on elements requiring primary legislation.

3.57 Building on the modern Industrial Strategy commitment to continue to increase collaboration and alignment between civil and defence nuclear, the government is also taking steps to align regulatory structures and incentives, including exploring the consolidation of defence and civil nuclear regulatory functions, providing this is compatible with national security imperatives. The government will also legislate to give the Office of Nuclear Regulation the ability to consider overall strategic factors such as energy and national security imperatives in the delivery of its statutory purposes.

3.58 The government will monitor implementation of these recommendations and will, where applicable, look to apply similar approaches to other sectors to drive growth, looking in particular to the frontier industries identified in the Industrial Strategy, for example AI-related infrastructure.

3.59 In addition, the government is setting out pathways for investment in the nuclear sector. The government has updated the Green Financing Framework to add nuclear energy for power generation to the list of policies eligible to be funded by green gilts and retail Green Savings Bonds. This demonstrates the government's conviction that nuclear energy is green and will enable investors to continue financing the UK's net zero objective. The inclusion of nuclear spending is subject to strict criteria and the updated Framework has received an improved rating by an external rating provider.

3.60 However, connections to the grid remain one of the biggest blockers in delivering key growth projects across the economy. The government, alongside NESO and Ofgem, is therefore going further to overhaul connection processes by:

- Applying new powers being sought in the Planning and Infrastructure Bill to create mechanisms to reallocate released capacity and reserve future capacity for strategically important demand projects.
- Working with Ofgem to explore enhanced entry and membership requirements to ensure viable projects progress in the demand queue.
- Reducing the time to power by exploring self-build for high voltage grid infrastructure and more flexible connections where possible.
- Removing speculative demand in the grid connection queue. The Department for Science, Innovation and Technology (DSIT) will set out a strategic plan for data centres to ensure only the most strategic and credible projects are taken forward.

3.61 The government is providing long-term fiscal and regulatory certainty to the oil and gas sector and its investors by confirming the details of a permanent mechanism to respond to oil and gas price shocks when the Energy Profits Levy (EPL) ends. The government has also published the North Sea Future Plan.

3.62 The Plan sets out the action the government is taking to support ongoing investment and opportunities in oil and gas, ensuring a fair, orderly and prosperous transition in the North Sea. The government is delivering on its commitments to cease issuing new oil and gas licences to explore new fields, while ensuring existing fields can be managed for their full lifespan, including by introducing Transitional Energy Certificates. The Plan establishes a new North Sea Jobs Service, offering tailored end-to-end support for the current workforce.

3.63 A new Oil and Gas Price Mechanism (OGPM) will act as a windfall tax to deliver a fair return to the nation when oil and gas prices are unusually high. The mechanism will be revenue-based and apply an additional tax rate of 35% above price thresholds of \$90/barrel for oil and 90p/therm for gas. Current price forecasts suggest that oil and gas prices are expected to be close to triggering the Energy Security Investment Mechanism (ESIM) price floor within the next few years. If average oil and gas prices fall under the ESIM thresholds, the Energy Profits Levy (EPL) will end immediately and the new OGPM will come into effect, returning the tax rate to the 40% headline rate in the permanent regime, with the OGPM only applying when prices are unusually high. If the ESIM is not triggered, the EPL will end by March 2030 and will be replaced by the OGPM. To provide certainty and ensure readiness should prices fall and the EPL end earlier, the government intends to legislate for the OGPM in the next Finance Bill (2026-27). The government will commence engagement immediately after the Budget on the draft legislation and implementation, to ensure the regime is ready to operate if required, and to consider the potential impacts of an early end to the EPL due to falling prices.

3.64 These measures will support growth, oil and gas workers, supply chains and communities, recognising the important role that oil and gas will continue to play in the UK's energy mix for decades to come.

3.65 The government recognises that refineries play a role in energy security and the UK's industrial base, and will publish a call for evidence on the fuel sector. The government is also considering the feasibility and impacts of including refined products in the Carbon Border Adjustment Mechanism (CBAM) in future.

Backing Business and Unlocking Innovation

3.66 The UK's ambitious researchers, innovators and entrepreneurs are a driving force of economic growth and job creation across the UK. Building on the UK's world-leading innovation ecosystem and entrepreneurial spirit, the government is taking action to ensure that businesses have the support, investment, and incentives they need to innovate, scale up, and succeed globally.

3.67 This ambition is central to the UK's modern Industrial Strategy which sets out a 10-year plan to make the UK the best country to invest anywhere in the world, making it cheaper, easier and quicker to do business.¹⁸⁰ The modern Industrial Strategy targets investment and policy support towards eight growth-driving sectors (IS-8), each with an ambitious sector plan developed in collaboration with business.

¹⁸⁰ 'UK Government Green Financing Framework', HM Treasury, November 2025.

Box 3.E: The modern Industrial Strategy in action:

The modern Industrial Strategy backs the IS-8 sectors in order to increase investment and productivity across the UK. Over the last quarter (July-September), more than £250 billion worth of investment commitments into the IS-8 have been secured, supporting 45,000 jobs.¹⁸¹ Recent examples of progress made in these sectors include:

- **Advanced Manufacturing:** Launching DRIVE35 – a programme of capital and R&D funding for the automotive industry – with £2 billion of funding to 2030, alongside an additional £500 million for R&D from 2030 to 2035. At the Budget, the government is extending the full programme to 2035 with an additional £1.5 billion, providing £4 billion of capital and R&D funding to the automotive sector to support investment in zero emission technology.
- **Clean Energy Industries:** Confirming Wylfa in North Wales as the site for the country's first small modular nuclear reactors, supporting up to 3,000 jobs, boosting clean energy and energy security. The government has also published its Clean Energy Jobs Plan, setting out how a new generation of good jobs will be created to deliver energy security.¹⁸²
- **Creative Industries:** Confirming allocation of £150 million Creative Places Growth Fund for West Midlands, West of England, West Yorkshire, North East, Liverpool City Region and Greater Manchester, with £25 million going to each Mayoral Strategic Authority.
- **Defence:** Signing a major frigate deal with Norway worth £10 billion – supporting over 4,000 UK jobs, including 2,000 in Scotland, delivering a transformative boost to Glasgow and its shipbuilding sector, and supporting 432 businesses in the supply chain.
- **Digital and Technologies:** Confirming three more AI Growth Zones in the North East, North Wales, and South Wales, alongside reforms to planning and energy to accelerate the building of AI infrastructure across the UK.
- **Financial Services:** Launching the Office for Investment: Financial Services, a dedicated concierge service for international financial services firms seeking to establish or grow their presence within the UK, providing regulatory assistance and wider business support.
- **Life Sciences:** Confirming £30 million of government funding to create a new facility based in Darlington to accelerate the development of novel RNA therapies from labs to market, including to help tackle cancer, heart conditions and infectious diseases.
- **Professional and Business Services:** Developing the Made Smarter Professional Business Services delivery model with Mayoral Strategic Authorities for 2026 rollout.

¹⁸¹ 'The UK's Modern Industrial Strategy 2025', Department for Business and Trade, June 2025.

¹⁸² 'Clean energy jobs plan', Department for Energy Security and Net Zero, October 2025.

The modern Industrial Strategy has guided decisions to prioritise the skills and workers needed in the UK's growth-driving sectors across all stages of the skills offer. The government is delivering ambitious targeted packages in engineering worth £182 million across four years, a £182 million package to boost the talent pipeline for the defence industry and £187 million for our Techfirst digital skills package. This is supported by the introduction of short courses through the Growth and Skills Levy in areas such as digital and engineering, and Technical Excellence Colleges in advanced manufacturing, clean energy, digital and technologies and defence, delivering more opportunities to learn and earn in our priority sectors.

3.68 The modern Industrial Strategy continues to shape the government's decisions in the Budget with announcements to accelerate innovation and drive growth in IS-8 sectors, including increasing R&D funding and maximising its impact by focusing UKRI's investment portfolio on the IS-8 growth sectors, extending DRIVE35 to 2035, supporting investment in zero-emission vehicle technology, and announcements on semiconductor and novel compute technologies. The Budget includes interventions to grow the IS-8 sectors across cities and clusters throughout the UK, boosting the Northern Growth Corridor, building on the momentum of the Oxford to Cambridge Growth Corridor, and delivering across Scotland, Wales and Northern Ireland's growth sectors.

3.69 The government is going further and faster to reform our approach to procurement so that it can shape markets and manage demand. The government is putting in place measures to identify, nurture and protect the UK's high-growth modern Industrial Strategy sectors like AI, and the foundational sectors that support them, like steel, when procuring from the private sector. The government is also extending this approach to shipbuilding and maritime technology, as part of the Action Plan for Shipbuilding and Maritime Technology due Spring 2026. Together, these actions will strengthen security and economic resilience, whilst helping to drive growth and boost jobs, skills and innovation here in the United Kingdom.

Entrepreneurship and innovation

3.70 The UK is the best place in Europe to start a company, but unless more of these companies scale and stay here, the growth benefits will not be fully captured in the UK. Across the UK there is no shortage of ideas or talent. The ScaleUp Institute estimate that scaling firms make up 0.8% of all businesses, yet represent over half of all SME output. The government has published the 'Entrepreneurship in the UK' prospectus alongside the Budget, which sets out the reasons to start, scale and stay in the UK and the action government is taking.^{183,184}

3.71 Research and development (R&D) drives economic growth, with each £1 of public R&D investment returning £8 of economic benefits.¹⁸⁵ That is why annual government investment in R&D will grow to £22.6 billion by 2029-30 and will be focused on government priorities, with UK Research and Innovation (UKRI) directing £9 billion over four years to IS-8 sectors, including £4.5 billion for innovative UK companies in those sectors. As a first step, Innovate UK will launch a new Growth Catalyst programme worth £130 million, offering grants and tailored

¹⁸³ 'Scale Up Annual Review 2025: Powering up the scale economy', Scale Up Institute, 2025.

¹⁸⁴ 'Entrepreneurship in the UK', HM Treasury, 2025. Prospectus published alongside the Budget.

¹⁸⁵ 'The Value of Public R&D', Department for Science, Innovation and Technology, October 2025.

support to frontier companies that have already attracted investment. UKRI's £500 million R&D Missions Accelerator programme will launch challenges to drive economic benefit from the UK's cultural assets and to cut construction costs for public infrastructure by 10%.

3.72 UKRI will invest £4 million per year for new Enterprise Fellowships, bringing 100 top researchers into business across the UK, and up to £25 million for new entrepreneurship-focused doctoral training schemes, and will launch a new £4.5 million round of the Women in Innovation Awards. Restoring the balance between the rate that male and female entrepreneurs start and scale businesses could add up to £250 billion to the UK economy.¹⁸⁶

3.73 To support the economic contribution of the UK's universities, UKRI's investment in core quality-related block grant and Higher Education Innovation Funding will be protected in real terms over the Spending Review period, a cumulative increase of over £425 million.

3.74 The government will support researchers by applying powerful scientific methods to science policy itself. The government will more than treble its investment in metascience in 2026-27, including in the UK's world-leading Metascience Unit, and it will expand distributed peer review across each of UKRI's research councils. This has shown potential to halve the time researchers wait for funding decisions. To supercharge researchers' productivity, the government has launched an ambitious AI for Science Strategy, backed by £137 million of investment over the next four years.¹⁸⁷

3.75 The government will leverage its procurement budgets to drive innovation. Each department will appoint a senior Procurement Innovation Champion, responsible for defining and delivering its innovation priorities through procurement. To accelerate access for strategically important innovative firms, the government will launch an Innovation Marketplace and establish a task-and-finish group to remove internal barriers to innovative procurement. Demonstrating a new approach, the government has launched an advance market commitment (AMC) to spur investment in clean concrete technologies, backed by Scottish Water, Ramboll, Derwent London, Atkins Realis UK, and Heathrow. Subject to due diligence, the government will launch another AMC, worth up to £100 million, for novel AI inference chips.

3.76 Tax incentives for young, innovative companies have been very successful at supporting start-ups, but the existing limits in some schemes restrict their availability to companies in the critical scale-up phase. The government is therefore announcing a package of tax changes to support scaling companies to attract investment and talent.

3.77 The government is significantly increasing the company eligibility limits for the Enterprise Management Incentives scheme (EMI) to allow scale-ups to join start-ups in offering tax-advantaged shares to the talent they need to grow. The government is also increasing the Venture Capital Trust (VCT) and Enterprise Investment Scheme (EIS) limits to allow investors to follow-on as companies grow beyond the start-up phase. To better balance the amount of upfront tax relief offered by VCTs compared to the EIS and incentivise funds to support high-growth companies, the government is reducing the upfront VCT Income Tax relief from 30% to 20%.

¹⁸⁶ 'The Alison Rose Review of Female Entrepreneurship', HM Treasury, March 2019.

¹⁸⁷ 'AI for Science Strategy – GOV.UK', Department for Science, Innovation and Technology, November 2025.

3.78 This sits alongside the government's previous announcement to allow companies to update existing EMI and Company Share Option Plan (CSOP) contracts so that employees can exercise their options at a PISCES trading event and retain access to the tax advantages. This represents a key step in the successful launch of PISCES, and will support scaling companies to achieve liquidity, and allow their employees to more easily reap the benefits of EMI and CSOP.

3.79 The government will take further steps to ensure tax support is founder-friendly. A call for evidence has been published, seeking input from across the scale-up and investor community on the impact of existing schemes and options to provide further support to ensure the UK entrepreneurial ecosystem thrives.¹⁸⁸

3.80 The UK's public finance institutions are also supporting entrepreneurship and innovation. The British Business Bank's (BBB) new Five-Year Strategic Plan is a step-change in how it will support small businesses, including scaling companies, using its increased permanent financial capacity of £25.6 billion.¹⁸⁹ The BBB will invest at least £5 billion in growth-stage funds and scale-up companies. The government has also asked the BBB to explore using its existing financial guarantee capacity to support IP-backed lending.

3.81 The BBB has announced it intends to launch a VentureLink initiative for pension funds. This will see the BBB publish enhanced information on its commitments to venture funds, as part of a package of measures to help pension funds boost their investment capability, reduce barriers to investment and unlock billions more in long-term investment for UK science, technology and innovation.

3.82 The government and City of London Corporation are also working with the Sterling 20 – a new investor-led partnership between 20 of the UK's largest pension funds and insurers – to channel the nation's savings into key infrastructure projects and IS-8 sectors.¹⁹⁰ This complements action the government is taking through the Pensions Schemes Bill to support pension savers and boost growth. At the Budget, the government is building on reforms to unlock some of the £160 billion of defined benefit pension scheme surplus by reducing the tax charge on surplus funds paid directly to members. This will make it easier for members to benefit and for trustees and employers to agree surplus extraction, boosting investment across the economy.

3.83 The government is building on its ambitious programme of regulatory reforms and recent positive momentum to ensure UK capital markets competitiveness, and that they support firms to raise the capital they need to grow and invest. This includes introducing the new UK Listing Relief, a three-year exemption from Stamp Duty Reserve Tax for companies listing in the UK. While recognising the need to maintain responsible fiscal policy, the government will continue to evaluate Stamp Taxes on Shares to ensure the UK is positioned well for the future, and best supporting the competitiveness of our world-leading capital markets.

3.84 Additionally, the government is delivering reforms to Individual Savings Accounts (ISAs) as part of its wider strategy to develop a retail investment culture. This will drive better returns for savers and incentivise investment. Investing £1,000 a year in an average stocks and shares ISA every year since 1999 would have

¹⁸⁸ 'Tax Support for Entrepreneurs: Call for Evidence', HM Treasury, November 2025.

¹⁸⁹ 'Five-year Strategic Plan', British Business Bank, November 2025.

¹⁹⁰ 'Britain's biggest pension funds back regional growth drive', HM Treasury, October 2025.

delivered a £50,000 better return than if it was invested in a cash ISA.¹⁹¹ Financial services firms will also provide new, easily-navigable ways for people to find the right UK investment for them. Taken together, these measures will support companies to start, scale and list in the UK.

3.85 The UK's modern Industrial Strategy recognises the vast potential of AI to drive economic growth, innovation, and to improve lives. The UK AI sector alone has grown to more than 5,800 companies, an 85% increase over the past 2 years.¹⁹² The government is making strong progress in delivering the AI Opportunities Action Plan, with four AI Growth Zones announced this year. The government has set out a package of measures to accelerate grid connections, cut energy bills and ease planning to keep the UK competitive, and accelerate the delivery of AI Growth Zones across the country.¹⁹³

3.86 AI Champions will drive adoption of AI across the IS-8. Shaheen Sayed, Chief Commercial Officer of Reinvention Services, Accenture has been named as the champion for Professional Business Services, and Chris Dungey, Chief Technology Officer High Value Manufacturing, Catapult will be working with the Advanced Manufacturing sector. They join Lucy Yu, CEO and founder of the Centre for Net Zero, who was appointed AI champion for Clean Energy. The government is also expanding the BridgeAI adoption programme into all high-growth modern Industrial Strategy sectors.

3.87 Continued collaboration between the government and the private sector is essential for driving innovation. To drive productivity further, the government will require the use of electronic invoicing for all VAT invoices for business-to-business and business-to-government transactions from 2029, with a roadmap to be published at Budget 2026. The government will also work with Ofcom to support the availability and adoption of gigabit broadband solutions by business.

Box 3.F: Delivery case study: investment in AI Infrastructure and Supercomputers

To harness the full opportunities of AI, it is vital that the UK has the infrastructure that underpins it. To support this, the government has turbocharged investment into UK supercomputers to transform the national compute ecosystem.

The government is investing up to £2 billion between now and 2030 to build a modern public compute ecosystem, ensuring that this country's start-up and research and development communities have the access they need to cutting-edge public compute.¹⁹⁴ This includes over £1 billion to expand the AI Research Resource (AIRR) programme 20 times by 2030, up to £750 million for a new national supercomputer service at the Edinburgh Parallel Computing Centre (EPCC), which will come online in 2027, and an up to £100 million advance market commitment to purchase novel compute.

¹⁹¹ 'Cash VS Investing: Investors more than triple their money, cash savers barely beat inflation', AJ Bell, November 2025.

¹⁹² 'Artificial Intelligence Sector Study 2024', Department for Science, Innovation and Technology, September 2025.

¹⁹³ 'Delivering AI Growth Zones', Department for Science, Innovation and Technology, November 2025.

¹⁹⁴ 'UK Compute Roadmap', Department for Science, Innovation and Technology, July 2025.

The government is already crowding in tens of billions of private investment to deliver computing power through the AI Growth Zone Programme, helping to unlock the growth benefits of AI in every part of the country. In November 2025, the government announced a new, third AI Growth Zone in North Wales, creating 3,400 jobs in the local area, and a fourth AI Growth Zone in South Wales.^{195,196} The delivery of AI Growth Zones has been complemented by the landmark UK-US Technology Prosperity Deal agreed in September, through which Microsoft, working with the UK-based Nscale, announced that it is building the UK's largest supercomputer, as part of a £22 billion investment in AI infrastructure in the country.¹⁹⁷ OpenAI, NVIDIA, and Nscale have together also launched Stargate UK, a major AI infrastructure programme aimed at strengthening the UK's sovereign compute capabilities, including through investment into Cobalt Park, part of this government's North East AI Growth Zone.¹⁹⁸

3.88 The government recognises that the current regulatory landscape is not supporting growth. DBT's 2024 Business Perceptions Survey reveals that almost half of businesses (47%) find that regulation is an obstacle to their success, up from 45% in 2022.¹⁹⁹ One of the clearest manifestations of this is the high associated costs for businesses arising from administrative activities like form-filling or disproportionate reporting requirements.²⁰⁰

3.89 In October, the government announced that it will reduce the annual administrative burden of regulation by £5.6 billion by the end of Parliament.²⁰¹ The government has already identified and announced £1.5 billion in administrative savings which will contribute to the target, including:

- Speeding up and streamlining the delivery of 1.5 million new homes in England and critical infrastructure through the flagship Planning and Infrastructure Bill, expected to deliver £272 million in administrative savings for businesses every year.
- Streamlining corporate reporting requirements, which could save businesses around £230 million per year by ensuring that tens of thousands of businesses will no longer need to produce a strategic report and, for other companies, simplifying requirements for narrative reporting; The Prudential Regulation Authority is significantly reforming the information it requires from financial services firms to ensure it is proportionate, and has already proposed or implemented cuts to existing requirements which will save businesses £100 million per year.²⁰²

¹⁹⁵ 'AI Growth Zones to create thousands of jobs and unlock up to £100 billion in investment, as new site confirmed for North Wales', Department for Science, Innovation and Technology, Wales Office, Prime Minister's Office, 10 Downing Street, The Rt Hon Liz Kendall MP, The Rt Hon Jo Stevens MP and The Rt Hon Sir Keir Starmer KCB KC MP, November 2025.

¹⁹⁶ 'AI to power national renewal as government announces billions of additional investment and new plans to boost UK businesses, jobs and innovation', HM Treasury, Department for Science, Innovation and Technology, Wales Office, The Rt Hon Liz Kendall MP, The Rt Hon Rachel Reeves MP and The Rt Hon Joe Stevens MP, November 2025.

¹⁹⁷ 'US-UK pact will boost advances in drug discovery, create tens of thousands of jobs and transform lives', Department for Science, Innovation and Technology, Prime Minister's Office, 10 Downing Street, The Rt Hon Liz Kendall MP, and the Rt Hon Keir Starmer KCB KC MP, September 2025.

¹⁹⁸ 'North East AI Growth Zone taskforce launched to accelerate jobs, skills and growth', Department for Science, Innovation and Technology and The Rt Hon Liz Kendall MP, September 2025.

¹⁹⁹ 'Business regulation: business perceptions survey 2024', Department for Business and Trade, October 2025.

²⁰⁰ 'New approach to ensure regulators and regulation support growth', HM Treasury, October 2025.

²⁰¹ 'Regulation Action Plan Progress Update and Next Steps', HM Treasury, October 2025.

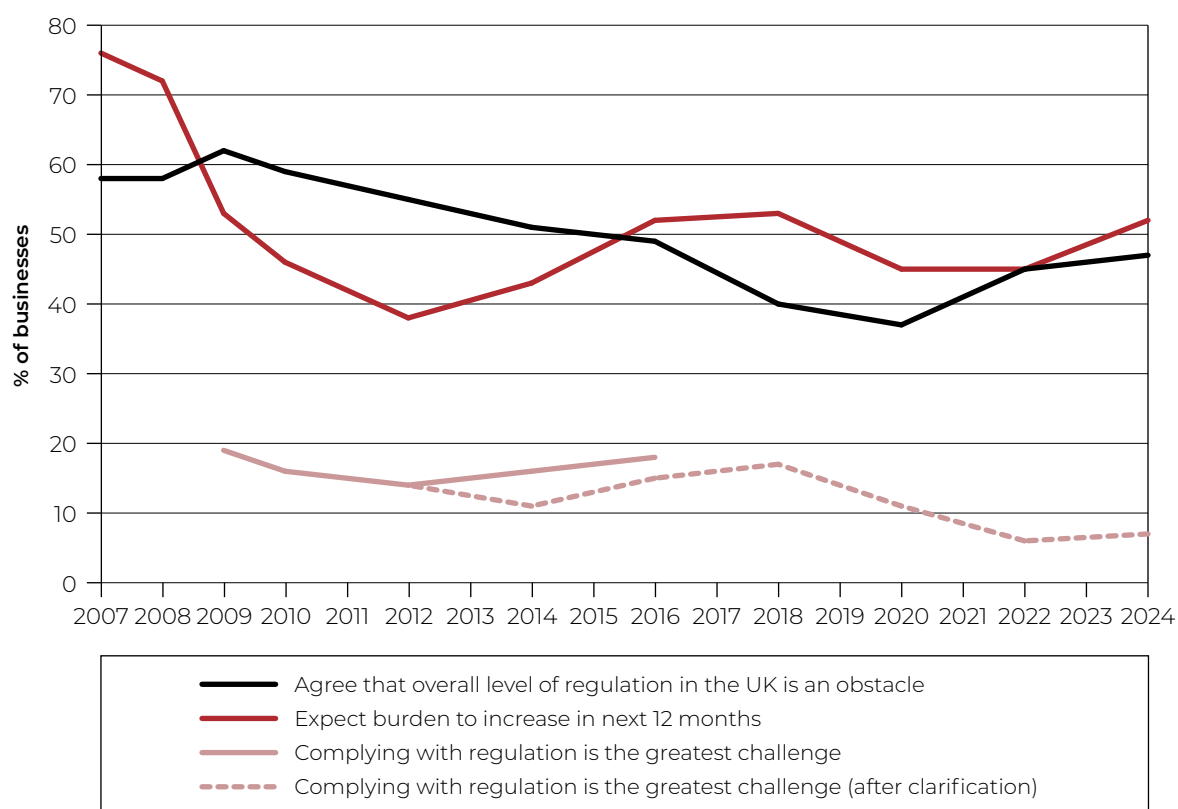
²⁰² 'Regulation Action Plan Progress Update and Next Steps', HM Treasury, October 2025.

3.90 By taking action to improve regulator performance and simplify the regulator landscape, the government is better aligning regulator activity with the government's objective to enable economic growth. The government will go further by reforming the Growth Duty so that the legal framework is clearer, more focused and ensures regulators must consider and promote growth.

3.91 The government is asking the Food Standards Agency (FSA) to streamline food standards and hygiene regulation for large and regulation-compliant supermarkets. The FSA will develop a consistent, national approach in England for the regulation of large food businesses. Using centralised data and streamlined processes, this reform will ensure the sector and consumers can benefit from modern, efficient and effective regulation which supports growth, reduces unnecessary burdens, and keeps consumers safe.

3.92 The government is undertaking a once-in-a-generation programme of reform to modernise and simplify product safety regulation. In early 2026, the Office for Products and Public Safety will tackle the prevalence of unsafe products sold online and streamline the processes for enforcement.

Chart 3.3: Key measures of regulatory burden from 2007-2024



Source: Department for Business and Trade, Business Perceptions Survey 2024.

Box 3.G: Delivery case study: bridging the gap between regulation and innovation

This government is backing business by removing the regulatory barriers to growth and challenging risk aversion in our regulatory system. For example, the government is bridging the gap between regulation and innovation, including by consulting on establishing an AI Growth Lab – a pioneering cross-economy sandbox, enabling carefully supervised deployment of responsible AI applications that current regulation limits.

The government is also going further to remove barriers to scaling-up commercial drone operations. For example, the Department for Transport and Civil Aviation Authority are accelerating market enabling mutual recognition of manufacturing requirements and are streamlining the approval process for low-risk specific category operations by automating the majority of the process.

Through the Regulators' Pioneer Fund and AI Capability Fund, the Regulatory Innovation Office (RIO) is already backing pro-innovation regulators to experiment, to speed up processes with AI, and to collaborate with startups and innovative businesses at the scientific frontier, including:

- In Space, a RIO supported sandbox is enabling safe testing of new mission types to help unlock a £2.7 billion market by 2031. The space regulation GOV.UK pages, making it much easier for startups and new entrants to quickly find and understand exactly what regulatory steps they need to take to comply.
- In Drones, RIO's work is keeping drones in the skies for longer to enable NHS blood deliveries to be cut down from over 30 minutes by van to just two minutes by drone. This is part of the government's push to remove barriers to scaling up drone operations and ensuring that the UK is recognised by investors as a hub for commercial drone operations.
- In AI in Health, backed by RIO funding, the MHRA is piloting AI assisted tools to support experts in scientific advice, clinical trial assessments, and licensing to improve efficiency and consistency, while keeping all decisions in human hands.

3.93 In addition to reducing regulatory burdens on business, the government remains committed to simplifying the tax and customs system, saving businesses valuable time and money so that they can focus on growing and investing. As set out in the 'Backing your business' plan, the government is supporting small businesses by reducing the burdens they face, creating a level playing field and delivering the modern, digital services they expect.²⁰³ At the Budget, the government is announcing reforms to simplify reporting requirements and improve HMRC services, and will set out further reforms to streamline processes and improve the taxpayer experience in spring 2026. These reforms build on HMRC's Transformation Roadmap, which outlines the government's vision for a more efficient, modernised and automated tax and customs system, including an

²⁰³ 'Backing your business: our plan for small and medium-sized businesses', Department for Business and Trade, August 2025.

ambition for at least 90% of HMRC customer interactions to be digital by 2030.²⁰⁴ Around 80% of customer interactions are now digital, up from 73.2% in 2023-24.^{205,206}

3.94 To support inward investment, the Budget confirms a new service to provide major investment projects with advance tax certainty, committed to in the Corporate Tax Roadmap. It will be launched in July 2026. Details of the service are set out in a summary of responses to consultation, with technical guidance released shortly.

3.95 The government is taking action and responding to key industry asks across the hospitality and retail sectors.

- The government has heard from hospitality businesses that disproportionate licensing conditions can stifle their growth and reduce options for consumers. The government is therefore asking licensing authorities in England and Wales to explicitly consider the need to promote growth and deliver economic benefits in their decisions and setting this out in the first National Licensing Policy Framework, to be published at Budget.
- Building on the success of the licensing taskforce, the government will explore further planning reforms to make it easier for hospitality and high street businesses to expand and grow.
- The government will continue to make improvements to the packaging Extended Producer Responsibility (pEPR) including consulting in early 2026 on proposals to measure the performance and effectiveness of local authorities' use of pEPR fees and appointing a Producer Responsibility Organisation by March 2026 to give industry a central role in operating the scheme. The government will also consult on reforms to the Packaging Waste Recycling Note system.

3.96 The reforms set out above will not be delivered overnight and will require close collaboration with industry. The government will appoint a new Retail and Hospitality Envoy to help deliver them and champion these businesses within government.

3.97 To support fair competition between high street businesses and online retailers following the recent rapid growth in low value imports, the government will remove the customs duty relief for low value imports – goods valued at £135 or less – and reform the way these goods are declared into the UK. From March 2029 at the latest, low value imports will be charged customs duty just as goods imported in bulk already are and new import arrangements will be put in place. The government will consult on the technical detail of these new arrangements. The UK is not alone in reforming its approach to low value imports, with our international partners, including the US and EU, taking similar steps to ensure fairer tariff treatment and appropriate control of booming low value trade.

²⁰⁴ 'HMRC's Transformation Roadmap', HM Revenue and Customs, July 2025.

²⁰⁵ 'HMRC performance update: July to September 2025', HM Revenue and Customs, November 2025.

²⁰⁶ 'HMRC Annual Report and Accounts 2024-25', HM Revenue and Customs, July 2025.

Box 3.H: Business rates

The government is delivering on its commitment to rebalance the business rates system in England by introducing permanently lower tax rates for retail, hospitality and leisure (RHL) properties, worth nearly £900 million a year.

Today, the government has announced the rates for the permanently lower RHL business rates multipliers, which will benefit over 750,000 RHL properties, including the shops and pubs that make up the backbone of the high street.²⁰⁷ The RHL multipliers will be 5p below their national equivalents, making the small business RHL multiplier 38.2p and the standard RHL multiplier 43p in 2026-27. Small and standard RHL properties will pay the lowest tax rate since 1990-91 and 2010-11 respectively.²⁰⁸

To fund this sustainably, the government is introducing a higher rate on the most valuable properties – those with rateable values of £500,000 and above, representing around 1% of properties.²⁰⁹ The government has the legislative flexibility to set the higher rate up to 10p higher than the national standard multiplier. However, this higher rate is being set at only 2.8p above the national standard multiplier in recognition of the important role these properties play in the government's growth mission. The high-value multiplier will be 50.8p in 2026-27.

Business rates revaluations ensure that the rateable values (the tax base) of properties remain in line with market changes, and that the tax rates adjust to reflect changes in the tax base. Following the revaluation, all ratepayers will pay a lower tax rate than they do now, with the small business multiplier falling to 43.2p and the standard multiplier 48p.

At this revaluation, over half of ratepayers will see no bill increases, including 23% seeing their bills go down. For those seeing bill increases, reflecting many sectors' post-Covid recovery, the government is providing a support package worth £4.3 billion over the next 3 years, including:

- A £3.2 billion Transitional Relief scheme providing more generous support to the largest ratepayers, including airports and hospitality.
- A Supporting Small Business scheme to help the smallest businesses worth over £500 million.
- Expanding the Supporting Small Business scheme to businesses who were eligible for RHL relief, protecting independent pubs and shops as they transition to permanently lower tax rates. This additional support is worth £1.3 billion.

²⁰⁷ Estimate is based on the number of properties with rateable values below £500,000 within Valuation Office Agency Special Category (SCat) codes where the vast majority of properties in that SCat code are expected to meet the legislative definition of qualifying RHL.

²⁰⁸ 'Business rates in detail', Sutton, 2025.

²⁰⁹ 'Non-domestic rating: change in rateable value of rating lists', England and Wales, 2026 Revaluation (draft list), Valuation Office Agency, November 2025.

The government is also taking the next steps to reform business rates, building on the interim report published in September. The government is supporting businesses to expand and grow by providing an additional two years of Small Business Rates Relief for businesses expanding into a second property, and continuing work to transform business rates by publishing a call for evidence exploring how to tackle barriers to investment. The call for evidence also explores concerns a small number of ratepayers have raised around the 'Receipts & Expenditure' valuation methodology and its impacts on long-term, high value investments.

3.98 The government is clamping down on illegal high street activity in premises like mini-marts, barbershops, vape shops, nail bars and car washes. These activities can be used to make the proceeds of crime appear legitimate, while being used to sell illicit products and evade tax. The government's 2025 National Risk Assessment for anti-money laundering and counter terrorist financing found that the risk of cash-based money laundering remains high in the UK, with an estimated £12 billion of criminal cash generated in the UK each year.²¹⁰

3.99 Under this government, there has already been a significant crackdown on illegal working, raising enforcement activity to the highest levels in recorded history. In the year ending September 2025, 11,000 raids were carried out by Immigration Enforcement; and by June 2025, over 2,100 civil penalties were issued to employers found to have hired illegal workers totalling over £117 million.²¹¹

3.100 In the Budget, the government is supporting stronger and more joined-up enforcement action against those who break the rules including through:

- a) Establishing a dedicated cross-government taskforce to develop an intelligence-led understanding of organised crime on our high streets, design systemic interventions to disrupt money laundering and related criminality, and set strategic priorities for future operational activity.
- b) Providing additional funding to enhance Trading Standards capabilities and fund an uplift of at least 45 additional law enforcement officers. This will support further action against organised criminality on our high streets, boosting efforts to protect communities and support legitimate businesses.
- c) Directing up to £10 million in funding from HMRC to Border Force in 2026-27 to enhance operational information gathering capabilities ahead of the introduction of the Vaping Product Duty on 1 October 2026 and to support enforcement at the border.
- d) Undertaking additional enforcement activity on high streets, focusing on illicit tobacco and vaping products and more targeted criminal interventions to tackle the most serious fraud and evasion by small businesses, by deploying 350 newly recruited criminal investigators as part of a new team in HMRC's Fraud Investigation Service.

²¹⁰ 'National risk assessment of money laundering and terrorist financing 2025', HM Treasury, July 2025.

²¹¹ 'Immigration Officer Enforcement Data April-June 2025', Home Office, August 2025.

- e) Providing further funding to tackle money laundering by increasing the Economic Crime Levy. This includes funding to boost law enforcement resource and technological capabilities, and for the public-private data-sharing and financial intelligence used to target criminal exploitation of high street businesses.

3.101 The government is also clear that it must track the flow of cash through these businesses, to combat the illicit activities it funds. The government is developing an Anti-Money Laundering and Asset Recovery Strategy with the private sector to target criminal cash and recover proceeds.

3.102 The government is taking action to tackle those who abuse insolvency processes to evade tax and write off their debts. The government will fund the recruitment of 50 additional insolvency service staff within a new Abusive Phoenixism Taskforce to disqualify more rogue directors and will amend the Company Directors Disqualification Act to extend the circumstances in which directors who break the law can be disqualified.

3.103 The government is going after rogue retailers who breach tobacco and vape regulations, by taking the power in the Tobacco and Vapes Bill to introduce a licensing scheme for retailers to sell tobacco and vape products. This will strengthen enforcement and support legitimate businesses. The government is also legislating to introduce the Vaping Duty Stamps scheme from 1 October 2026, which requires all vaping products manufactured or imported into the UK to have a duty stamp on packaging so illicit products are immediately identifiable.

3.104 The government will also clamp down on Electronic Sales Suppression, where businesses use illegitimate software to falsely remove sales from the audit trail to evade paying the tax they owe. The government will publish a call for evidence in 2026 to develop point of sale software standards to tackle the illegal use of transaction suppression software and improving HMRC's ability to detect, prevent and enforce against any misuse.

3.105 As previously announced, the government is also working to extend right to work checks to cover businesses hiring gig economy and zero-hours workers. This will restrict the ability of rogue employers to take advantage of illegal workers and ensure that legitimate businesses acting lawfully will not be undercut on labour costs by those who exploit the system.

3.106 The government is also cracking down on employers that are not meeting their obligations to workers and undercutting legitimate businesses. The government will set up a dedicated 'hidden economy' team within the new Fair Work Agency from April 2026 to take action in sectors known to have egregious breaches of employment rights legislation alongside illegal working and tax issues. The team will initially target hand car washes but will then move onto other high-risk areas.

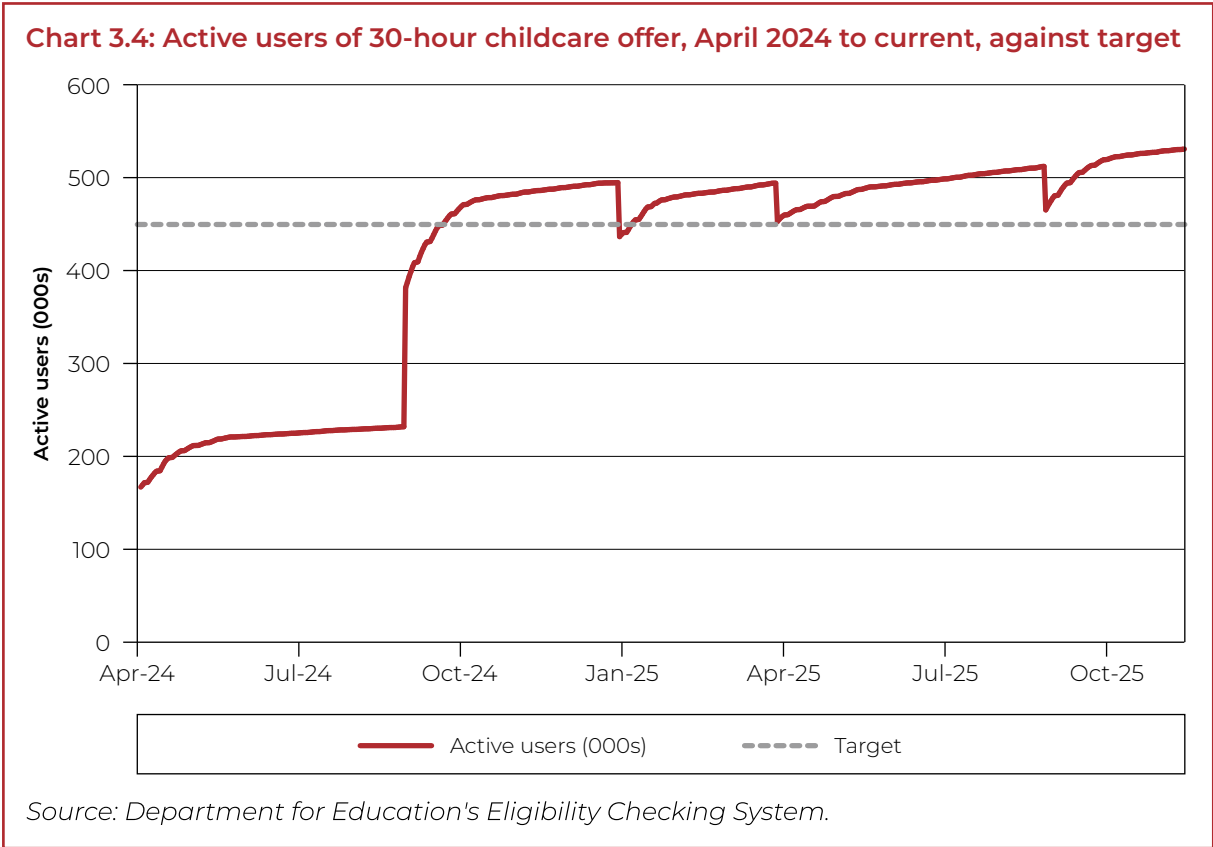
3.107 The Fair Work Agency will work more closely with trade unions and local business groups, to gather on-the-ground intelligence about employers who are exploiting their workers.

3.108 The government will explore how the Fair Work Agency can use powers in the Companies Directors Disqualification Act 1986 (CDDA) to disqualify directors whose abuse of workers' rights makes them unfit to be concerned in the management of a company, particularly where there are repeat breaches.

3.109 If a worker complains to the Fair Work Agency, it will follow up with the employer concerned because everyone should have the confidence that the government will listen, and act. And the government will name employers who break the law more regularly. By summer 2026, the government will eliminate the backlog of cases that it inherited from the previous government, and, going forward, all employers who break the law will be named within a year of their case closing. Because people must have confidence that if you break the law, you will be caught and there will be consequences.

Unleashing talent and opportunity

3.110 The government is committed to building a dynamic and inclusive labour market that supports economic growth across all parts of the UK. A thriving labour market is essential to ensure that businesses have access to the skills and talent they need, whilst enabling everyone to find good jobs and the opportunity to progress, wherever they choose to live. The government is supporting young people to earn or learn, and investing in government-funded childcare and breakfast clubs. At the Budget, the government is setting out the next steps to ensure that people and businesses across the country can seize the opportunities of the UK’s modern Industrial Strategy.



The government is investing to boost children’s life chances and to increase work choices for parents through rollout of continued expansion of government-funded childcare for working parents. Over half a million children and parents are already benefitting from the government’s rollout of funded childcare with strong take-up across the country – from over 78,000 children accessing places in the North West to almost 92,000 in the South East – helping families save up to £7,500 a year

per child and supporting parents in getting back to work.^{212, 213} The OBR estimates that the successful rollout of this programme will enable around 60,000 people to enter employment, and around 1.5 million already in employment to increase their hours, thereby supporting families to be better off.²¹⁴

Box 3.1: Delivery case study: school-based nurseries

The government is investing over £8 billion in early years support in 2025–26.²¹⁵ Expanding childcare entitlements is enabling more parents, particularly mothers, to balance work and more children to access the high-quality early education that improves outcomes and supports them to thrive.

To help deliver these entitlements, the government is creating tens of thousands of places in new or expanded school-based nurseries, backed by over £400 million of investment. The first funding round created over 5,000 places.²¹⁶

The majority of school-based nurseries delivered in the first phase are in the North or Midlands, increasing access to childcare in areas where it is needed. For example, Bardsey Primary Academy in West Yorkshire has successfully expanded its nursery provision using the School-based Nursery Capital Grant. The project converted a former caretaker's bungalow into a dedicated early years space, creating 20 additional places for 2 and 3 year-olds..

3.111 As set out at SR25, the government is making the biggest investment in employment support for disabled people and those with health conditions in at least a generation. Under the Pathways to Work Guarantee, anyone claiming out of work benefits who is disabled or has a health condition will have access to specialist work coaches and tailored support, including an expanded Connect to Work programme in England and Wales.

3.112 The government is introducing new earned income disregards in Housing Benefit for claimants in supported housing and temporary accommodation. This will reduce the financial cliff edge when moving into, or progressing in, work, ensuring that work pays.

3.113 The Post-16 Education and Skills White Paper, published in October 2025, sets out the government's vision for a world-leading skills system in England which breaks down barriers to opportunity; meets student and employer needs; widens access to high-quality education and training; supports innovation, research, and development; and improves people's lives.²¹⁷

3.114 The government is making more than £1.5 billion available over the Spending Review period for investment in employment and skills support. This funds £820 million for the Youth Guarantee, which includes offering a guaranteed six-month paid work placement for every eligible 18-to 21 year old who has been on Universal Credit and looking for work for 18 months – helping

²¹² 'Expansion to early childcare entitlements: eligibility codes issued and validated', Department for Education, September 2025.

²¹³ Calculated by the Department for Education, using data from the 'Childcare and early years provider survey'.

²¹⁴ 'Economic and Fiscal Outlook', Office for Budget Responsibility, March 2023.

²¹⁵ 'Early years reform to cut costs and deliver on Plan for Change', Department for Education and The Rt Hon Bridget Phillipson MP, February 2025.

²¹⁶ 'Government delivers thousands more school-based nursery places', Department for Education, Stephen Morgan MP and The Rt Hon Bridget Phillipson MP, September 2025.

²¹⁷ 'Post-16 education and skills white paper', Department for Education, Department for Work and Pensions, and Department for Science, Innovation and Technology, October 2025.

young people across Great Britain take that crucial first step into sustained employment. This also includes £725 million for the Growth and Skills Levy to help support apprenticeships for young people, including a change to fully fund SME apprenticeships for eligible people under 25.

3.115 Alongside this funding, the government will introduce new reforms to simplify the apprenticeship system and make it more efficient as short courses are introduced from April 2026, including removing the additional uplift to levy accounts; changing the expiry window to 12 months; changing the government's co-investment rate to 75% for levy-paying employers once they have exhausted all their funds; and working with employers to streamline the suite of apprenticeship standards available. More details on the wider Youth Guarantee and Growth and Skills Levy package will be announced shortly.

3.116 The UK's economic future relies on leading cutting-edge innovation in AI, life sciences, clean energy, advanced manufacturing and creative industries – sectors prioritised for growth in the government's modern Industrial Strategy. The government is reforming the high-skill visa system, making it easier for the world's brightest and best to start, scale, and stay in the UK within a controlled migration system.

3.117 In October 2025, the Home Office laid new Immigration Rules before Parliament, introducing pro-talent reforms to the High Potential Individual, Innovator Founder, and Global Talent visas.²¹⁸ Taking effect from November 2025, these changes streamline access to top-tier talent in support of the UK's modern Industrial Strategy.

3.118 The High Potential Individual route will expand to graduates from the world's top 100 universities, while international students will be able to transition seamlessly from study to entrepreneurship through the Innovator Founder route. Updates to the Global Talent visa include reforms to make it simpler and easier for top science and design talent to access the visa and to expand the list of eligible prizes.^{219,220} A new Global Talent Taskforce will also help attract leading professionals in priority sectors and provide tailored support for relocation.²²¹

3.119 The government's growth strategy is working. The progress made via ambitious reforms to date is clear: real wages are rising, and the UK is performing well against its peers, paving the way to sustained higher living standards and lower cost of living. The government is breaking down barriers to opportunity and delivering change to maximise the UK's full potential as a thriving global economy: investing for the future, backing businesses and unlocking innovation to unleash talent and opportunity. These are the right choices to secure sustained economic growth for the benefit of people across every nation and region of the UK.

²¹⁸ 'Explanatory memorandum to the statement of changes to the Immigration Rules', Home Office, November 2025.

²¹⁹ 'High Potential Individual (HPI) visa: Overview'.

²²⁰ 'Apply for the Global Talent visa: Overview'.

²²¹ 'UK launches global talent drive to attract world-leading researchers and innovators', Department for Science, Innovation and Technology, Department for Business and Trade, The Rt Hon Peter Kyle MP and the Rt Hon Jonathan Reynolds MP, June 2025.

Chapter 4: Policy Decisions

4.1 This chapter sets out all Budget 2025 policy decisions. Unless stated otherwise, the decisions set out are ones which are announced at the Budget. Table 5.1 shows the cost or yield of all government decisions accounted for at Budget 2025 which have a direct effect on Public Sector Net Borrowing (PSNB) in the years up to 2030-31. 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 Spring Statement earlier this year and Budget 2025. This is included in 'Budget 2025: policy costings' published alongside the Budget. 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.

4.2 As a result of decisions at Budget 2025, the devolved governments are receiving an additional £1.7 billion through the operation of the Barnett formula over the Spending Review 2025. The Scottish Government is receiving £820 million, the Welsh Government £505 million and the Northern Ireland Executive £370 million. This is on top of the largest spending review settlements in real terms since devolution in 1998 announced at the Spending Review 2025.

Table 4.1 Budget 2025 policy decisions (£ million)^{1,2}

		Head ³	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Getting inflation down and tackling the cost of living								
1	Renewables Obligation: Fund 75% of the domestic share of the Renewables Obligation via the Exchequer over the Spending Review period	Spend	+0m	-2,580m	-2,100m	-2,195m	+0m	+0m
2	Warm Homes Plan: Increase funding for the Warm Homes Plan and expand the Warm Home Discount Scheme	Spend	+0m	-355m	-535m	-535m	-355m	+0m
3	Fuel Duty: Cancel uprating for 2026-27; extend the 5p cut in rates to 31 August 2026, then increase by 1p from 1 September 2026, 2p from 1 December 2026, and 2p from 1 March 2027	Tax	-45m	-2,370m	-855m	-855m	-850m	-840m
4	Rail Fares: Freeze rail fares in England for one year from 1 March 2026	Spend	+0m	-145m	-150m	-155m	-160m	-165m

		Head ³	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
5	Health and Social Care: Freeze NHS prescription charges in England for one year from 1 April 2026	Spend	+0m	-15m	-15m	-15m	-15m	-15m
Tackling child poverty and reforming welfare								
6	Universal Credit Child Element: Remove the two child limit from April 2026, taking 450,000 children out of poverty	Spend	+0m	-2,365m	-2,590m	-2,815m	-3,095m	-3,235m
7	Universal Credit: Extend the £2,500 surplus earnings threshold for one year from 6 April 2026	Spend	+0m	-145m	+0m	+0m	+0m	+0m
8	Child Benefit: Exempt 16–19-year-olds with an illness or disability from the 12-hour weekly rule and equalise the treatment of non-standard educational settings from 1 September 2025	Spend	-15m	-25m	-25m	-25m	-25m	-25m
9	Carer's Allowance Review: Reassess overpayments from 2015 to 2025 caused by incorrect operational guidance	Spend	+0m	-20m	-35m	-20m	+0m	+0m
10	Housing Benefit: Reduce the financial cliff edge for claimants in supported housing and temporary accommodation from Autumn 2026	Spend	+0m	-10m	-20m	-25m	-25m	-25m
11	DWP Fraud and Error: Extend Targeted Case Review of Universal Credit to 2030-31	Spend	+0m	+0m	+0m	+0m	+0m	+1,265m
12	DWP Fraud and Error: Improve accuracy in Pension Credit claims from April 2026	Spend	+0m	+15m	+85m	+135m	+75m	+60m
13	Health and Disability Benefits: Improve operations by increasing face-to-face assessments, increasing WCA reassessment capability, and PIP award review changes, starting from April 2026	Spend	+0m	+85m	+310m	+520m	+580m	+455m
14	Motability: Introduce VAT at the standard rate on Advance Payments paid to Motability or equivalent schemes, and Insurance Premium Tax at the standard rate on insurance related to vehicle leases, from 1 July 2026	Tax	+0m	+90m	+165m	+225m	+280m	+305m
15	Housing Benefit and Pension Credit Administration: Bring together the administration of pensioner Housing Benefit and Pension Credit from Autumn 2026	Spend	+0m	-5m	-10m	+105m	+225m	+265m

		Head ³	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
16	National Insurance: Remove access to Class 2 National Insurance contributions (NICs) and increase the initial residency and contributions history requirements for Class 3 NICs for individuals abroad from 6 April 2026	Spend	+0m	-5m	+5m	+10m	+10m	+15m
Growth, business & entrepreneurship								
17	Rebuilding Britain: Accelerate delivery of growth-enhancing capital investment, including the Lower Thames Crossing	Spend	+0m	-3,210m	-1,015m	+1,100m	+1,525m	-310m
18	Business Rates: Introduce both a three year Transitional Relief scheme, partially funded by a 1p Transitional Relief Supplement in 2026/27, and Supporting Small Business schemes from 1 April 2026	Tax	+40m	-2,140m	-1,390m	-885m	+15m	-5m
19	Business Rates: Introduce two new lower multipliers for eligible retail, hospitality and leisure properties funded by a new high-value multiplier from 1 April 2026	Tax	+0m	-50m	+40m	+35m	+35m	+35m
20	Enterprise Management Incentives (EMI): Increase eligibility to allow scale-ups, as well as start-ups, to access the scheme from 6 April 2026	Tax	+0m	-70m	-230m	-410m	-585m	-695m
21	Venture Capital Schemes: Increase the Venture Capital Trust (VCT) scheme and the Enterprise Investment Scheme (EIS) annual and lifetime investment limits and the gross assets test from 6 April 2026	Tax	+0m	+0m	-60m	-45m	-50m	-55m
22	Venture Capital Schemes: Reduce the VCT scheme Income Tax relief from 6 April 2026	Tax	+0m	+0m	+125m	+95m	+95m	+100m
23	UK Listing Relief: Stamp Duty Reserve Tax relief for transfers of a company's securities for a three-year period from the point of listing, effective from 27 November 2025	Tax	-25m	-35m	-45m	-50m	-50m	-50m
24	Jobs and Skills: Invest in Youth Guarantee, Growth and Skills Levy, and employment & skills support ⁴	Spend	+0m	-520m	-555m	-495m	-110m	-105m
25	Planning Capacity and Capability: Fund additional capacity in the planning system to get Britain building	Spend	+0m	-20m	-20m	-20m	+0m	+0m
26	British Business Bank: Expand the Growth Guarantee Scheme to support businesses impacted by changes in global tariffs	Spend	-50m	+0m	+0m	+0m	+0m	+0m

		Head ³	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
27	Clamping Down on Illegal High Street Operations: Invest in a new cross-government taskforce, additional Insolvency Service staff and enhanced Trading Standards and law enforcement capabilities	Spend	+0m	-15m	-15m	-15m	+0m	+0m
28	VAT: Introduce a relief for business donations of goods to charity for onward distribution or use in the delivery of their services, from 1 April 2026	Tax	+0m	-10m	-10m	-10m	-10m	-10m
29	Cross-border VAT Grouping: Revert to unconditional whole entity cross-border VAT grouping from 26 November 2025	Tax	-40m	-45m	-10m	-10m	-10m	-10m
30	National Level Regulation: Provide funding to reduce regulatory burden for large food businesses	Spend	+0m	-5m	-5m	-5m	+0m	+0m
31	Fisheries and Coastal Growth: Launch a fund to support the domestic fishing sector and coastal communities	Spend	+0m	-25m	-35m	-35m	-45m	-25m
32	Innovation in Wales: Invest in a world-leading semiconductor technologies cluster	Spend	+0m	-5m	-5m	-5m	-5m	+0m
33	Northern Ireland: Post-Brexit trade support	Spend	+0m	-10m	-5m	-5m	-5m	-5m
34	Kernow Industrial Growth Fund: Provide funding to support growth in Cornwall	Spend	+0m	-5m	-10m	+0m	+0m	+0m
35	Business Rates Retention: Extend Greater London Authority enhanced business rates retention arrangements, and pilot Business Rate Retentions for West England Combined Authority, Cornwall, and Liverpool City Region, for three years from April 2026	Tax	+0m	+0m	-5m	-10m	+0m	+0m
36	Port Talbot: Remediate contaminated brownfield land adjacent to the Celtic Freeport	Spend	+0m	-5m	+0m	+0m	+0m	+0m
Cutting waste and investing in public services								
37	RDEL: Go further on efficiencies and savings	Spend	+0m	+0m	+0m	+1,415m	+3,950m	+4,900m
38	Health and Social Care: Bringing forward SR25 funding to support the abolition of NHS England and unlock savings	Spend	-510m	-510m	+70m	+955m	+975m	+1,010m
39	NHS: Investing in NHS technology to improve productivity	Spend	+0m	+0m	-355m	+0m	+0m	+0m
40	Home Office: Provide additional funding to tackle people smuggling gangs	Spend	-100m	+0m	+0m	+0m	+0m	+0m

		Head ³	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
41	Systems & Compliance: Invest in HMRC, DWP and other departments to: reduce fraud and error in the welfare system & public sector; ensure tax compliance and implement Budget tax measures; and increase departmental resilience to economic shocks	Spend	+0m	-410m	-490m	-295m	-165m	-220m
42	National Year of Reading: Fund state-funded secondary schools in England to increase book supplies	Spend	+0m	-5m	+0m	+0m	+0m	+0m
43	Investing in Communities: Provide funding to refurbish and improve up to 200 playgrounds in England	Spend	+0m	-10m	-10m	+0m	+0m	+0m
44	Environmental Regeneration: Launch a new grant scheme for public bodies to support land remediation and reinvest water company fines in projects to clean up rivers, lakes and seas	Spend	+0m	-20m	-5m	+35m	+10m	+10m
45	UK-EU Deal: Fund DEFRA costs in 2025-26 for domestic implementation of UK-EU Sanitary and Phytosanitary Agreement	Spend	-30m	+0m	+0m	+0m	+0m	+0m
Raising revenue fairly								
46	Personal Tax: Maintain the personal income tax and equivalent national insurance thresholds at current levels for a further three years until April 2031	Tax	+0m	+0m	-25m	+3,365m	+7,780m	+12,435m
47	National Insurance: Maintain the secondary threshold for employer contributions at current level for a further three years until April 2031	Tax	+0m	+0m	-5m	+290m	+615m	+925m
48	Student Loans: Freeze Plan 2 repayment threshold for three years from 6 April 2027	Spend	+285m	+5,915m	+255m	+290m	+355m	+380m
49	Income: Introduce separate tax rates for property income at 22% for the property basic rate, 42% for the property higher rate and 47% for the property additional rate, from 6 April 2027	Tax	+0m	+0m	+5m	+590m	+435m	+445m
50	Dividend Income: Increase tax rates on dividend income by 2ppts at the ordinary and upper rate from 6 April 2026	Tax	+0m	+280m	+985m	+1,160m	+1,325m	+1,390m

		Head ³	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
51	Savings Income: Increase tax rates on savings income by 2ppts at the basic, higher and additional rate from 6 April 2027 and maintain the Starting Rate of Savings limit at £5000 from April 2026 to April 2031	Tax	+0m	+5m	+55m	+525m	+470m	+505m
52	Salary Sacrifice: Limit the value of salary sacrificed pension contributions that can receive employee and employer NICs relief to £2,000 per year from 6 April 2029	Tax	+0m	-40m	-55m	-75m	+4,845m	+2,585m
53	Capital Gains Tax: Reduce Capital Gains Tax relief on qualifying disposals to employee ownership trusts from 100% to 50% from 26 November 2025	Tax	+0m	+185m	+775m	+825m	+905m	+985m
54	High Value Council Tax Surcharge: Introduce a surcharge on owners of residential properties valued over £2 million in England from 1 April 2028	Tax	-60m	-120m	-155m	+400m	+430m	+435m
55	Inheritance Tax: Maintain the nil-rate band, residence nil-rate band, and allowance for 100% rate of agricultural property relief and business property relief for a further year, from April 2030 until April 2031	Tax	+0m	+0m	+0m	+0m	+0m	+130m
56	Cap inheritance tax trust charges at £5 million for historic trusts settled by former non-domiciled individuals from 6 April 2025 and close post-departure trade profits loophole from 6 April 2026	Tax	+0m	-5m	+110m	+155m	+140m	+110m
57	Writing-down Allowances: Reduce the main rate writing-down allowance to 14% from April 2026 and introduce a new 40% first-year allowance from 1 January 2026	Tax	+35m	+1,035m	+1,505m	+1,490m	+1,470m	+1,450m
58	Air Passenger Duty: Extend the scope of the higher rate to cover all private jets over 5.7 tonnes from 1 April 2027	Tax	+0m	+0m	+10m	+10m	+10m	+10m
59	HMRC: Further measures to close the tax gap ⁵	Tax	+75m	+435m	+695m	+1,250m	+2,415m	+2,590m

		Head ³	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Modernising the tax system								
60	Gambling Duty: Increase Remote Gaming Duty to 40% from 1 April 2026, introduce a new Remote Betting Rate at 25% (excluding Self-Service Betting Terminals, spread betting, pool betting & UK horseracing) from 1 April 2027, and abolish Bingo Duty from 1 April 2026	Tax	+0m	+810m	+1,065m	+1,100m	+1,135m	+1,155m
61	Gambling Commission: Provide funding to tackle the illegal market	Spend	+0m	-5m	-10m	-10m	+0m	+0m
62	Tour Operators' Margin Scheme: Exclude Private Hire Vehicle Services from the scope of the scheme from 2 January 2026	Tax	+190m	+725m	+665m	+655m	+650m	+675m
63	Low Value Imports: Reform the customs treatment of low value imports from March 2029	Tax	+0m	+0m	+0m	+40m	+535m	+555m
64	Emissions Trading Scheme (ETS): Expansion of the UK ETS to International Maritime Routes from 2028	Tax	+0m	+0m	+0m	+75m	+290m	+285m
65	Defined Benefit (DB) Pension Scheme Surplus Extraction: Introduce flexibilities for employers and direct payments to members from April 2027	Tax	+0m	+30m	+120m	+125m	+135m	+145m
66	Landfill Tax: Increase the lower rate by the cash increase of the standard rate from 1 April 2026 and in each year of the forecast period	Tax	+0m	+35m	+60m	+85m	+110m	+130m
67	Soft Drink Industry Levy: Reduce the levy threshold from 5g to 4.5g/100ml and extend to milk-based drinks and milk substitutes from 1 January 2028	Tax	+0m	+0m	+10m	+40m	+40m	+40m
68	Non-reimbursed Homeworking Expenses: Remove the tax relief available from 6 April 2026	Tax	+0m	+10m	+30m	+25m	+25m	+25m
69	Carbon Border Adjustment Mechanism (CBAM): Remove indirect emissions from scope of the CBAM from 1 January 2027	Tax	+0m	-40m	-170m	-180m	-170m	-165m
70	Advanced Corporation Tax (ACT) reform: Abolish shadow ACT restrictions to relax the limits on companies' use of surplus ACT balances from 1 April 2026	Tax	+0m	-10m	-10m	-15m	-15m	-10m

Modernising motoring tax and supporting the British automotive industry

71	Electric Vehicle Excise Duty (eVED): Introduce a new mileage supplement for electric and plug-in hybrid cars from 1 April 2028	Tax	-5m	-10m	-15m	+1,100m	+1,435m	+1,865m
----	--	-----	-----	------	------	---------	---------	---------

		Head ³	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
72	Support for British automotive industry: Provide additional Electric Car Grant funding & extend to 2029-30 and invest in EV charging infrastructure	Spend	-50m	-215m	-340m	-440m	-425m	-25m
73	Support for British automotive industry: Increase the Expensive Car Supplement threshold for zero emission vehicles to £50,000, from 1 April 2026	Tax	+0m	-50m	-110m	-190m	-325m	-505m
74	Support for British automotive industry: Delay bringing Employee Car Ownership schemes within the Benefit in Kind rules from 6 April 2026 to 6 April 2030, with a two year transition period	Tax	+0m	-150m	-150m	-150m	-155m	-140m
75	Support for British automotive industry: Extend 100% first-year allowances for zero-emission cars and electric vehicle charge points to 31 March 2027 for Corporation Tax and 5 April 2027 for Income Tax	Tax	-5m	-145m	-100m	+15m	+20m	+25m

Previously announced policy and other changes

76	Sizewell C: Reclassify construction costs and recognise income generated through the Regulated Asset Base levy	Spend	+50m	+510m	+580m	+675m	+795m	+970m
77	Plug-in hybrid electric vehicle (PHEV) emissions regulatory standard changes and Benefit in Kind easement	Tax	+0m	+35m	+60m	+75m	+80m	+85m
78	Student Finance: Confirm policy detail for the Lifelong Learning Entitlement launch on 1 January 2027 and increase spending on student loans due to a new means-tested maintenance grant offer for students studying certain courses from academic year 2028/29	Spend	+0m	+0m	+5m	+5m	+5m	+0m
79	Supporting Savers: Make the Help to Save scheme permanent, maintain total ISA annual subscription limit at £20,000 with cash limit reduced to £12,000 for under-65s from April 2027, delay ISA digitalisation until April 2028 and maintain the ISA subscription limits until 2030/31	Tax	+0m	-5m	-10m	-5m	-35m	-15m
80	Agricultural Property Relief and Business Property Relief: Allow any unused allowance for the 100% rate of relief to be transferable between spouses and civil partners from 6 April 2026	Tax	+0m	-30m	-70m	-70m	-70m	-70m

		Head ³	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
81	British Coal Staff Superannuation Scheme: Transfer investment reserve to scheme members	Spend	-1,975m	-25m	-25m	-20m	-20m	-15m
82	Defined Benefit Pensions: Provide inflation protection for pre-1997 pensions in the Pension Protection Fund (PPF) and Financial Assistance Scheme (FAS) where members' former schemes provided it, from 1 January 2027	Spend	+0m	-1,255m	-60m	-60m	-65m	-70m
83	Personal Independence Payment: Not proceeding with Spring Statement 2025 reforms to eligibility	Spend	+0m	-235m	-1,755m	-3,350m	-4,495m	-5,345m
84	Winter Fuel Payment: Target to pensioners with taxable income below or equal to £35,000 from Winter 2025	Spend	-1,785m	-1,390m	-910m	-1,330m	-1,340m	-1,325m
85	Universal Credit: Changes to the standard allowance and health element to protect existing claimants and new health element claimants who meet the Severe Conditions Criteria from April 2026	Spend	+0m	-245m	-475m	-630m	-790m	-945m
86	Loan Charge: Government response to the independent review	Tax	-25m	-95m	-30m	+35m	-155m	-95m
87	Compensation Payments: Make compensation available to those affected by Post Office Capture IT software shortfalls and deliver recommendations from Volume 1 of the Post Office Horizon IT Inquiry's final report	Spend	-15m	-125m	-65m	-60m	+0m	+0m
88	Tariffs: Changes since Spring 2025	Tax	-55m	-150m	-95m	-100m	-100m	-105m
Total policy decisions			-4,125m	-9,315m	-7,445m	+3,425m	+20,535m	+24,110m
Total spending policy decisions			-4,200m	-7,410m	-10,330m	-7,305m	-2,615m	-2,535m
Total tax policy decisions			+70m	-1,905m	+2,890m	+10,730m	+23,150m	+26,645m

¹ Costings reflect the OBR's latest economic and fiscal determinants. Totals may not sum due to rounding.

² Measures with no net increase to borrowing are not set out on this presentational scorecard. These are increases to levies (Economic Crime Levy, Financial Conduct Authority levies, Immigration Skills Charge, International Student Levy) to fund spending on government priorities, and reclassification of spend for Mayoral Combined Authorities and police & fire pensions. AME and tax costings with an impact of less than ±£10 million in every year are excluded from the scorecard.

³ Many measures have both tax and spend impacts. Measures are identified as tax or spend on the basis of their largest impact.

⁴ Includes additional RDEL investment across the SR25 period of £725m for the Growth and Skills Levy and £425m for the Youth Guarantee. This is supported by funding previously allocated at SR25, which will help deliver an £820m Youth Guarantee across the SR25 period.

⁵ Full costings for the measures in this package are set out in the Budget 2025 Published Costings Document available on gov.uk

Getting inflation down and tackling the cost of living

4.3 Household energy bills – The government is not continuing the funding of the Energy Company Obligation on bills after March 2026 and is announcing £1.5 billion of new funding to support households facing fuel poverty. The government will also fund 75% of the cost of the Renewables Obligation to households in 2026-27, 2027-28 and 2028-29.

4.4 Fuel duty: 2026-27 main rates – The government will extend the temporary 5p fuel duty cut for a further five months, with the cut being reversed in three stages: 1p on 1 September 2026, 2p on 1 December 2026 and 2p on 1 March 2027. This will return rates to pre-March 2022 levels. The planned inflation increase for 2026-27 will not take place, with the government uprating fuel duty rates by Retail Prices Index (RPI) from April 2027.

4.5 Freezing NHS prescription charges – NHS prescription charges in England will be frozen in 2026-27 with the cost of a single prescription remaining at £9.90.

4.6 Working age benefit uprating – Working age benefits will be uprated in line with the September CPI inflation of 3.8% from April 2026. Rates for the Universal Credit Standard Allowance and Health Element remain set in legislation until April 2029.

4.7 Rail fares freeze – The government is freezing all regulated rail fares in England for one year starting from March 2026. This means passengers will not see any changes in the price of season tickets, peak return fares for commuters and off-peak returns between major cities until March 2027.

4.8 Veterinary Surgeons Act reform – The government is committed to publishing a consultation this year on potential reforms, including a new framework through which pet owners would have better access to treatment options and more price transparency.

Tackling child poverty and reforming welfare

4.9 Universal Credit: Removing the two-child limit – The two-child limit in the Universal Credit Child Element will be removed from April 2026.

4.10 DWP Fraud and Error: Extend Targeted Case Review of Universal Credit claims to 2031 – The government will extend DWP's Targeted Case Review, that identifies incorrect Universal Credit claims, to 2031.

4.11 DWP Fraud and Error: Improving accuracy in Pension Credit claims – The government will introduce reviews of Pension Credit claims that are at risk of being incorrect, starting from 2026 and ending in 2029.

4.12 Housing Benefit: Reducing the financial cliff edge for claimants in supported housing and temporary accommodation from Autumn 2026 – To improve work incentives, the government is adjusting how earnings are treated for Housing Benefit and Universal Credit claimants in supported housing and temporary accommodation, so that most claimants will not be subject to reductions in income for working more hours.

4.13 Universal Credit: Extend the £2,500 surplus earnings threshold for one year from April 2026 – The government will maintain the surplus earnings threshold at £2,500 for Universal Credit claimants for a further year until April 2027.

4.14 Operational improvements to health and disability assessments –

The government is increasing Work Capability Assessment (WCA) reassessment capacity, extending Personal Independence Payment award reviews periods and increasing face-to-face health assessments.

4.15 Reassessing Carer's Allowance overpayments caused by official error – The government will reassess Carer's Allowance overpayments which were the result of incorrect operational guidance, as recommended by the Independent Review into Carer's Allowance Overpayments. Department for Work and Pensions (DWP) will cancel existing debts or return previously collected debts to affected carers.

4.16 Pathways to Work employment support – Under the Pathways to Work Guarantee, anyone claiming out-of-work benefits who is disabled or has a health condition will have access to 1,000 specialist advisers and tailored support, including an expanded Connect to Work programme in England and Wales.

4.17 Motability Scheme: Reforming tax reliefs – From July 2026, vehicles leased through the Motability Scheme, or through any equivalent qualifying schemes, will be subject to 20% VAT on top-up payments which are made in addition to the transfer of eligible welfare payments for more expensive vehicles on the scheme. Insurance Premium Tax will also be applied at the standard rate of 12% for insurance related to vehicles leased through the scheme. Tax changes will not apply to vehicles designed for, or substantially and permanently adapted for, wheelchair or stretcher users.

4.18 Universal Credit: Increasing the maximum amount for childcare costs – The maximum amount that can be reimbursed for childcare costs for eligible Universal Credit claimants will increase by £736.06 for each additional child above the current maximum cap for two children.

4.19 Winter Fuel Payments – The £35,000 threshold will be maintained for this Parliament.

4.20 Bringing together the administration of Housing Benefit and Pension Credit – This streamlines how pension-age individuals claim Housing Benefit and Pension Credit. This updates the Office for Budget Responsibility (OBR) forecast to reflect phased introduction from Autumn 2026.

4.21 Defined Benefit pensions – inflation protection for pre-1997 pensions in the Pension Protection Fund (PPF) and Financial Assistance Scheme (FAS) – The government will help protect members of the PPF and FAS from the impact of inflation by introducing CPI-linked increases, capped at 2.5% a year, on pre-1997 pension accruals where their original schemes provided this benefit, from January 2027. This will help ensure members' pensions keep pace with the cost of living.

Labour markets

4.22 National Living Wage and National Minimum Wage increases – From 1 April 2026, the National Living Wage will increase by 4.1% to £12.71 per hour. The National Minimum Wage for 18-20 year olds will also increase by 8.5% to £10.85 per hour and for 16-17 year olds and apprentices by 6.0% to £8.00 per hour. The accommodation offset will increase by 4.1% to £11.10 per day.

4.23 Youth Guarantee and Growth and Skills Levy – The government is making available more than £1.5 billion for additional employment and skills support, and the Growth and Skills Levy, over the spending review period. This will ensure young

people have access to high-quality training opportunities and the support they need to earn or learn, alongside measures to simplify the apprenticeship system and make it more efficient. Further details will be announced shortly.

4.24 Youth Guarantee: Jobs Guarantee scheme – The government will guarantee a six-month paid work placement for every eligible 18-21 year old who has been on Universal Credit and looking for work for 18 months. This will cover 100% of employment costs for 25 hours a week at the relevant minimum wage, and additional wraparound support.

Growth, business and enterprise

4.25 Accelerating capital investment – The government brought forward capital investment at SR25 to accelerate delivery of major infrastructure projects. Alongside, the Budget confirms investment in new schemes including £890 million for the Lower Thames Crossing.

4.26 NHS Tech – An additional £300 million capital investment for NHS technology to support NHS productivity and improve patient outcomes.

Business rates – From 1 April 2026, business rates bills in England will be updated to reflect changes in property values since the last revaluation in 2023. As a result of the revaluation, the small business multiplier will decrease from 49.9p in 2025-26 to 43.2p in 2026-27, and the standard multiplier will decrease from 55.5p to 48p.

A package worth £4.3 billion over the next three years will support businesses as they transition to their new bills. The government will also introduce new permanently lower retail, hospitality and leisure multipliers, to deliver the manifesto commitment to rebalance the business rates system and support the high street. English local authorities will be fully compensated for the loss of income as a result of these business rates measures and will receive new burdens funding for administrative and IT costs.

4.27 Business rates Transitional Relief – To support ratepayers facing large bill increases at the revaluation the government is introducing a redesigned Transitional Relief scheme worth £3.2 billion over the next three years, providing more generous support for those paying higher tax rates. The Transitional Relief caps will be as follows for properties with a rateable value of:

- Up to £20,000 (£28,000 in London): in 2026-27 – 5%, in 2027-28 – 10% (plus inflation), in 2028-29 – 25% (plus inflation).
- £20,001 (£28,001 in London) to £100,000: in 2026-27 – 15%, in 2027-28 – 25% (plus inflation), in 2028-29 – 40% (plus inflation).
- Over £100,000: in 2026-27 – 30%, in 2027-28 – 25% (plus inflation), in 2028-29 – 25% (plus inflation).

Note: These caps are applied before changes in other reliefs and local supplements.

4.28 Business rates Transitional Relief Supplement – The government is introducing a 1p supplement to the relevant tax rate for ratepayers who do not receive Transitional Relief or the Supporting Small Business scheme to partially fund Transitional Relief. This will apply for one year from 1 April 2026.

4.29 Business rates 2026 Supporting Small Business scheme – Bill increases for the smallest businesses losing some or all of their small business rates relief or rural rate relief will be capped at the higher of £800 or the relevant transitional relief caps from 1 April 2026. Note, support is applied before changes in other reliefs and local supplements.

4.30 Business rates 2026 Supporting Small Business scheme – The government has expanded the 2026 Supporting Small Business scheme to ratepayers losing their retail, hospitality and leisure (RHL) relief. This will apply for three years from 1 April 2026, giving additional support worth £1.3 billion to those losing RHL relief. Note, support is applied before changes in other reliefs and local supplements.

4.31 Business rates 2023 Supporting Small Business Scheme – The government is introducing a one-year extension of the 2023 Supporting Small Business scheme in 2026-27. This support will protect the smallest businesses from overnight bill increases. Note, support is applied before changes in other reliefs and local supplements.

4.32 Business rates retail, hospitality and leisure multipliers – From 1 April 2026, the government is introducing two permanently lower business rates multipliers for eligible RHL properties with rateable values below £500,000. These rates will be 5p lower than the national multipliers, making the small business RHL multiplier 38.2p in 2026-27 and the standard RHL multiplier 43p in 2026-27.

4.33 Business rates high value multiplier – From 1 April 2026, the government is introducing a high-value business rates multiplier for properties with rateable values of £500,000 and above 2.8p above the national standard multiplier, making the high-value multiplier 50.8p in 2026-27.

4.34 Film studios relief – At Spring Budget 2024, the government announced that eligible film studios in England will receive a 40% reduction on their gross business rates bills until 2034. The government will continue to provide this relief at the current level to support the creative sector.

4.35 Business rates: Extension of the SBRR grace period – The government is extending the Small Business Rates Relief (SBRR) grace period from one to three years. This means businesses will now remain eligible for SBRR on their first property for three years after expanding into a second property. Businesses expanding after Budget day will be eligible.

4.36 Call for Evidence: Business rates and investment – The government is publishing a Call for Evidence at Budget on the role business rates play in investment. It also seeks feedback on the impact of the Receipts and Expenditure valuation method on investment.

4.37 Leeds City Fund (BRR zone) – Subject to business case, the government is supporting West Yorkshire Combined Authority by establishing the Leeds City Fund. This is a business rates retention (BRR) zone in Leeds city centre, within which Leeds City Council can retain 100% of business rates growth above an agreed baseline for 25 years.

4.38 Wider BRR zones – The government is improving the BRR system to better support Mayoral Strategic Authorities (MSAs) to deliver growth. Options being considered include allocating MSAs a direct share of business rates, and an offer for MSAs to establish BRR zones, based on standardised criteria. The government

has already had early discussions with the Mayors of South Yorkshire, the West of England and the North East to explore options for BRR zones to support their local growth plans, and is open to discussions with other areas.

4.39 Business rates retention – The government will extend the Greater London Authority enhanced BRR arrangements and the 100% pilots in Cornwall, the West of England and Liverpool City Region for a further three years, to 2028-29.

4.40 EMI company eligibility expansion – The government will increase the employee limit to 500, the gross assets test to £120 million, and the company share option limit to £6 million from April 2026. The maximum holding period will increase to 15 years including in respect of existing EMI contracts. This will be legislated in the Finance Bill 2025-26. The EMI notification requirement will also be removed from April 2027. This will be legislated in Finance Bill 2026-27.

4.41 Venture Capital Trust (VCT) and Enterprise Investment Scheme (EIS) – The government will increase the VCT and EIS company investment limit to £10 million, and £20 million for Knowledge Intensive Companies (KICs) and increase the lifetime company investment limit to £24 million, and £40 million for KICs. The gross assets test will increase to £30 million before share issue, and £35 million after, from April 2026. Alongside this, the VCT income tax relief will decrease to 20%. These changes will be legislated in Finance Bill 2025-26.

4.42 EMI and Company Share Option Plan (CSOP) Private Intermittent Securities and Capital Exchange System (PISCES) reform – The government will allow existing EMI and CSOP contracts to be amended to include PISCES as an exercisable event. This will be legislated for in Finance Bill 2026-27. The legislation applies to contracts agreed before 6 April 2028, and the changes take effect retrospectively from 15 May 2025.

4.43 British Business Bank: VentureLink – To catalyse institutional investment into venture capital and UK scaleups, the British Business Bank (BBB) will consult with stakeholders on the development of VentureLink, an initiative to help pension funds navigate the UK venture capital market, including by sharing enhanced information on BBB-backed VC funds open for Limited Partner capital.

4.44 Entrepreneurship: British Business Bank five-year strategic plan – The BBB's first strategic plan sets out how the BBB will catalyse investment into Industrial Strategy sectors, and increase capital deployment from £1.5 billion to £2.5 billion a year.

4.45 UK Listing Relief – Taking effect from 27 November, transfers of a company's securities will be subject to relief from the 0.5% Stamp Duty Reserve Tax charge for three years from the point the company lists on a UK regulated market.

4.46 Advance Tax Certainty Service – A new service to provide major investment projects with advance tax certainty will be legislated in Finance Bill 2025-26 and launched in July 2026. Details of the service are set out in a summary of responses to consultation, with technical guidance to be released shortly.

4.47 Charity Tax Relief – A new VAT relief will be introduced from 1 April 2026 for business donations of goods to charity for distribution to those in need or use in the delivery of their charitable services.

4.48 Cross Border VAT grouping amendment – The government will clarify the rules relating to operating cross border VAT grouping from 26 November 2025 by reverting to the UK's previous position.

4.49 British Coal Staff Superannuation Scheme (BCSSS) – The government will transfer the Investment Reserve Fund in the British Coal Staff Superannuation Scheme to the scheme's Trustees. This will be paid out as an additional pension to members of the scheme.

4.50 Business energy prices – The government will increase the generosity of the British Industry Supercharger from April 2026 and will introduce the British Industrial Competitiveness Scheme from April 2027. These will be funded by bearing down on levies and other energy system costs, such as proposals under consultation to change the indexation of legacy renewables schemes.

4.51 Nuclear Regulatory Taskforce report publication and HM Government response – The government has published a response to the Nuclear Regulatory Taskforce final report, including a commitment to implementing recommendations within two years.

4.52 Land Remediation Grant – Funding for the Department for Environment, Food and Rural Affairs (Defra) to provide public bodies with grants to remediate land where landfill tax is an unaffordable blocker. This is expected to increase land available for development and other means, and lead to a net increase in remediation-associated landfill tax receipts.

4.53 Licensing sprint – The government will launch the first National Licensing Policy Framework at Budget, which will rebalance the licensing regime and support a modern licensing system. The government is also updating guidance to ensure relevant authorities consider the need to promote economic growth in their licensing decisions. If these changes do not sufficiently improve licensing outcomes, the government will consider making statutory changes.

4.54 Digital adoption package – Expanding InnovateUK's – BRIDGE AI programme, updating timeline for InnovateUK's TechFirst, announcing two new AI champions for IS sectors, supporting availability and adoption of business gigabit broadband solutions and mandating e-invoicing.

4.55 Retail deregulation – The government will make improvements to the packaging Extended Producer Responsibility scheme, including appointing a Producer Responsibility Organisation and consulting on proposals to enhance transparency of local authorities' use of fees. The government will also consult on reforms to Packaging Waste Recycling Notes.

4.56 Private finance for decarbonisation of the public sector estate – The government has confirmed it will consider private sources of finance – including Public Private Partnerships – to decarbonise the public sector estate (alongside or in place of government capital expenditure), where these offer value for money. HM Treasury will consider proposals based on business cases from relevant departments.

4.57 Economic Crime Levy increase – From 1 April 2026, the former 'Large' band for the Economic Crime Levy, covering businesses with a revenue between £36 million and £1bn, is being split into two, (£36 million-£500 million and £500 million-£1 billion). The charge for all bands will be set at 0.1% of revenue for businesses at the bottom of each band (Band A – £10,200, Band B – £36,000, Band C – £500,000, Band D – £1,000,000).

4.58 Tariff suspension extension – The government will maintain tariff-free imports until 31 December 2026 to avoid unnecessary costs for businesses while a review of possible further extension takes place. This measure will extend tariff suspensions on goods ranging from aluminium frames used by UK manufacturers, to ingredients used by UK food producers. The government has today opened an application window for businesses to apply for new suspensions.

4.59 Outcome of the review of Autonomous Tariff Quotes (ATQs) – The government has undertaken reviews of the six ATQs. The decision has been made to maintain the five fish and seafood ATQs at their current volume. The raw cane sugar for refining ATQ will be increased in volume to an annual quantity of 325,000 tonnes from January 2026.

4.60 Trade defence – As set out in the Trade Strategy, the government will strengthen the UK's trade defence toolkit. We will update our trade remedies framework to more closely align it with international peers. These changes will be legislated for in Finance Bill 2025-26.

4.61 Official Development Assistance (ODA) update – The government remains committed to restoring ODA spending to 0.7% of Gross National Income (GNI) as soon as the fiscal circumstances allow. The OBR's latest forecast shows that the ODA fiscal tests are not due to be met within the Parliament. The government will continue to monitor future forecasts closely and, each year, will review and confirm, in accordance with the International Development (Official Development Assistance Target) Act 2015, whether a return to spending 0.7% of GNI on ODA is possible against the latest fiscal forecast.

4.62 Financial Policy Committee remit 2025-26 – The Chancellor has made recommendations to the Bank of England's Financial Policy Committee (FPC) on responsibilities and priorities in relation to the Committee's primary financial stability objective and secondary objective to support the government's economic policy.

4.63 Reinvesting water company fines – Over the next two years the government is investing £29 million, based on fines and penalties collected from water companies since October 2023, into projects to clean up our rivers, lakes and seas.

4.64 Sizewell C reclassification – Classifying Sizewell C as Mega Projects Capital Annually Managed Expenditure and recognising income generated through the Regulated Asset Base levy.

4.65 Changes to Nuclear Liabilities Fund – The government will bring the Nuclear Liabilities Fund in line with Managing Public Money principles.

4.66 Food Standards Agency national level regulation – The Food Standards Agency (FSA) will work to introduce a national level regulation to reduce the administrative burden on the largest food retailers.

4.67 Consultation on product safety framework – The government will announce its intention to consult on major reforms to modernise and simplify the product safety framework which will seek to rebalance the playing field between physical store and online marketplaces who often sell unsafe, non-compliant products from overseas.

4.68 Retail, hospitality and leisure: Planning – Building on the success of the licensing taskforce, we will explore further planning reforms to make it easier for hospitality and high street businesses to expand and grow.

4.69 Planning capacity and capability – The government will provide the Ministry for Housing, Communities and Local Government (MHCLG), the Department for Science, Innovation and Technology (DSIT) and Defra £48 million over the next three years to boost capacity and capability in the planning system.

4.70 Hidden Economy: Fair Work Agency – The government will establish a dedicated ‘hidden economy’ team within the new Fair Work Agency (FWA), launching April 2026, to take action in sectors known to have egregious breaches of employment rights legislation alongside illegal working and tax issues.

4.71 National Minimum Wage enforcement – Introducing a number of measures including: closer working with trade unions and local business groups, following up directly with employers on all worker complaints, regular naming rounds and exploring new powers for the FWA to target individuals in leadership role.

4.72 Call for Evidence into the tax support for entrepreneurs – The government has published a Call for Evidence that seeks views on the effectiveness of existing tax incentives, and the wider tax system for business founders and scaling firms, and how the UK can better support these companies to start, scale and stay in the UK. The Call for Evidence will close on 28 February 2026.

Local growth and devolution

4.73 Kernow Industrial Growth Fund – The government is establishing a £30 million fund to invest in Cornwall’s comparative sectoral advantages, including critical minerals, renewable energy and marine innovation, subject to a full business case.

4.74 Mayoral Revolving Growth Fund – The government will provide a share of the £500 million Mayoral Revolving Growth Fund to the Mayoral Strategic Authorities of Greater Manchester, West Midlands, Liverpool City Region, North East, West Yorkshire and South Yorkshire. The Mayoral Revolving Growth Fund is a strategic investment partnership which will see central government and Mayors sharing risk to overcome access to finance barriers in key city regions, accelerating investment, unlocking development and boosting growth.

4.75 Local Growth Fund – The government will launch the Local Growth Fund for the Mayoral Strategic Authorities of Greater Manchester, North East, West Midlands, South Yorkshire, West Yorkshire, Liverpool City Region, Greater Lincolnshire, Tees Valley, Hull & East Yorkshire, York & North Yorkshire and East Midlands. These strategic authorities will each receive a share of the £902 million over four years to invest in growth-driving interventions, including local infrastructure, business, and employment support and skills programmes.

4.76 Growth Mission Fund – The government has allocated funding from the Growth Mission Fund to the following projects: £20 million to construct a sports quarter in Peterborough, £20 million for redevelopment of the Inchgreen dry docks in Inverclyde, and £16 million for the construction of a STEM centre in Darlington. Officials are working with Fife Council to develop plans which would regenerate the area between the Kirkcaldy High Street and waterfront, improving the public realm and creating a new growth and innovation workspace in the centre of the town. Further details on the project and confirmation of funding will follow in due course.

4.77 Industrial Strategy Zones announcements (SWNI Freeports & Interest Zones (IZs)) – The government is approving the business cases for Flintshire & Wrexham Investment Zone, Anglesey Freeport, and Forth Green Freeport, and announcing the proposed sector, geography and co-investment for the Northern Ireland Enhanced Investment Zone.

4.78 Local roads maintenance funding – By 2029-30, the government will commit over £2 billion annually for local authorities to repair, renew and fix potholes on their roads – doubling funding since coming into office. This record level of funding will enable the government to exceed its manifesto commitment to fix an additional 1 million potholes per year by the end of the Parliament.

4.79 Offshore oil and gas licensing – Alongside the Budget, the government has published North Sea Future Plan, which sets out the action we are taking to support ongoing investment opportunities in oil and gas.

4.80 Grangemouth funding – The government is announcing up to £14.5 million of funding in Grangemouth to support industrial projects that can create new jobs.

4.81 DLR extension to Thamesmead – Supporting Transport for London's (TfL) plan to extend the Docklands Light Railway (DLR) to Thamesmead, funded through TfL and Greater London Authority (GLA) borrowing. The majority of the costs will be met by London, with the government also contributing over the long term.

4.82 Funding for the Lower Thames Crossing in 2027-28 and 2028-29 – The government is committing a further £891 million to complete the publicly funded works for the Lower Thames Crossing, as part of its staged approach, after which the private sector will take forward construction and long-term operation.

4.83 Port Talbot land remediation – £4.2 million for the remediation of brownfield land in Port Talbot supporting the Harbourside Innovation District, aligned to the Celtic Freeport, helping to unlock further investment.

4.84 Wales DSIT spending announcements – Supporting high-skilled jobs and to drive economic growth, £10 million will be invested in the South Wales world-leading semiconductor technologies cluster.

4.85 UK internal market package for Northern Ireland – To boost trade between Northern Ireland and Great Britain, £16.55 million will be provided over three years from 2026-27. This will create a 'one stop shop' support service that will help businesses navigate the Windsor Framework, unlock opportunities for trading across the UK internal market and enable businesses based in Northern Ireland to take advantage of their access to UK and EU markets.

4.86 Visitor levy – The government will give Mayors in England powers to raise a visitor levy on overnight accommodation, and explore the option for this power to be extended to the leaders of other strategic authorities. The government is consulting on the design of the levy.

Investing in public services and cutting waste

4.87 Reduction in day-to-day spending: Going further on efficiencies and savings – The government is making further efficiencies and savings in day-to-day spending from 2028-29 onwards, saving £2.8 billion in 2028-29, £4.0 billion in 2029-30; and £4.9 billion in 2030-31. For 2028-29 this represents 0.5% of departmental budgets set at Spending Review 2025 (SR25) – the NHS and Ministry of Defence will

be able to retain and reinvest their savings. Over the three years from 2028-29 to 2030-31, Resource Departmental Expenditure Limit (RDEL) will grow at an average of 0.8% per year in real terms.

4.88 Public Authorities Fraud Investigation and Enforcement Service –

The government will establish the Public Authorities Fraud Investigation and Enforcement Service by 2026-27, which will recruit skilled investigators to pursue recovery of fraud against the public sector; and trial innovative approaches to enforcement activity for fraudulent Covid loans.

4.89 Scottish Government Police and Fire Pensions DEL-AME switch –

The balancing payments for the Scottish Government's police and fire public sector pensions will move from DEL to AME from 2025-26.

4.90 International Student Levy – The government is introducing a new levy on higher education providers' income from international students, of £925 per student per year of study, starting in August 2028 academic year 2028-29. All providers will be given an allowance for the first 220 international students per year, for whom they will not pay the charge. The income raised by the Levy will be fully reinvested into higher education and skills, including to fund maintenance grants for disadvantaged students studying priority courses. We will keep the rate under review, with future decisions on deployment of the proceeds set out at the next spending review.

4.91 Integrated settlements for Mayoral Strategic Authorities – Confirming at least £13 billion of SR25 funding for Greater Manchester, West Midlands, West Yorkshire, South Yorkshire, Liverpool City Region, the North East, and the Greater London Mayoral Strategic Authorities for 2026-27 to 2029-30 through their integrated settlements. This empowers Mayors with greater funding flexibility to drive growth in their regions.

4.92 Place-based budget pilots – Launching five pilots with Mayoral Strategic Authorities to test how the pooling of public service budgets in local areas could break down siloes, unlock more funding for prevention and help deliver better outcomes for taxpayers. This is alongside working with Greater Manchester on its proposals to establish a 'Prevention Demonstrator', which includes looking at the potential of budget pooling locally.

4.93 Playgrounds – The government will invest £18m over two years in up to 200 playgrounds across England, renewing communities and supporting the government's commitment to Pride in Place.

4.94 Extension of the Dedicated Schools Grant Statutory Override – The government will set out substantial plans for reform of special educational needs provision early in the new year to deliver a sustainable system which – first and foremost – supports children and families effectively. The 2025 Spending Review provided investment for SEND reform. Future funding implications will be managed within the overall government DEL envelope, such that the government would not expect local authorities to need to fund future special educational needs costs from general funds, once the Statutory Override ends at the end of 2027-28. The government will set out further details on its plans to support local authorities with historic and accruing deficits and conditions for accessing such support through the upcoming Local Government Finance Settlement.

4.95 NHS Neighbourhood Health Centres – The government is announcing plans for delivery of 250 new Neighbourhood Health Centres, of which 120 will be operational by 2030. These will be delivered through the NHS Neighbourhood Rebuild Programme through a combination of public sector investment and a new model of Public-Private Partnership. To ensure transparency and fiscal sustainability, these projects will be budgeted for as if they are on balance sheet.

4.96 Books for secondary schools – The government will provide £5 million of new funding to state-funded secondary schools in England in 2026-27 to increase book supplies to support the National Year of Reading.

4.97 Reforms to the controls and accountabilities framework – Following a review by the Office for Value for Money, the government is reforming the public spending control and accountability framework to drive better value for money and enable the public sector to deliver the government's priorities efficiently and effectively.

4.98 Asset efficiency target and Strategic Asset Review – The government is setting a new asset efficiency target of £1 billion to be met by departments by 2030. This is accompanied by a Strategic Asset Review which will take place ahead of the next spending review.

4.99 Defence efficiencies – The Ministry of Defence (MOD) and Security Industry Authority (SIA) have been provided with flexibility to reinvest the savings and efficiencies target to protect vital Defence and national security outputs. The SIA's budget has been adjusted to reflect new RDEL forecasts and provided with an equivalent increase in Capital Departmental Expenditure Limit (CDEL).

4.100 New Planning and Performance Framework – At Main Estimates 2026-27, departments will publish medium term outcomes linked to their SR25 funding as well as strategic plans setting out how they will deliver their outcomes.

4.101 Welsh Government Fiscal Framework – To enable the Welsh Government to support people, businesses and public services in Wales, in 2026-27 the Welsh Government's annual and cumulative capital borrowing limits, overall Wales Reserve limit and annual RDEL and CDEL drawdown limits will all be increased by 10%. From 2027-28, each of those limits will be uprated annually in line with inflation. The government will also provide a temporary waiver of the Wales Reserve drawdown limits in 2026-27.

4.102 Infected Blood Compensation Scheme (Amendment) Regulation – The government will update legislation to implement a number of recommendations in the Inquiry's Additional Report, improve the administration of the Scheme, and clarify the policy intent. Subject to Parliamentary approval, these should become law by 31 December 2025.

4.103 Compliance and enforcement – Illegal working – The government will establish a dedicated 'hidden economy' team within the new Fair Work Agency, launching April 2026, to take action in sectors known to have egregious breaches of employment rights legislation alongside illegal working and tax issues.

4.104 Evaluation of the Office for Value for Money Supplementary Document – HM Treasury has evaluated the impact of the Office for Value for Money's (OVfM) work. The evaluation assesses that the OVfM's did deliver its intended remit, is likely to have a meaningful impact, and that it made effective use of resources.

4.105 OVfM concluding report – The OVfM report sets out changes the government has made to the public spending framework in response to the OVfM's work, alongside implementation plans for those reforms which embed ongoing delivery responsibility within HM Treasury.

4.106 OVfM: 10 year efficiency provisions – Building on the OVfM's Spending Review 2025 efficiencies exercise, the OVfM has published a report setting out the investments and expected long-term efficiency gains for a selection of programmes funded at SR25.

4.107 High Streets Illegality Taskforce – The government is establishing a dedicated cross-government taskforce to develop an intelligence-led understanding of organised crime in our high streets, design systemic interventions to disrupt money laundering and related criminality, and set strategic priorities for future operational activity.

4.108 Additional funding to Trading Standards and law enforcement capabilities – The government is providing additional funding to enhance Trading Standards capabilities and fund an uplift of at least 45 additional law enforcement officers, to support further action against organised criminality and money laundering on our high streets.

Raising revenue fairly

4.109 Income tax Personal Allowance and higher rate thresholds –

The government is maintaining the income tax Personal Allowance at £12,570 and higher rate threshold at £50,270 from April 2028 to April 2031. The additional rate threshold remains at £125,140 from April 2028 to April 2031. The Personal Allowance threshold applies UK-wide. The higher rate threshold for non-savings, dividend and property income and for property income will apply to taxpayers in England, Wales and Northern Ireland, and for savings and dividend income it will apply UK-wide. This will be legislated for in Finance Bill 2025-26.

4.110 Inheritance tax thresholds – The inheritance tax nil-rate bands are already set at current levels until April 2030 and will stay fixed at these levels for a further year until April 2031. The forthcoming combined allowance for the 100% rate of agricultural property relief and business property relief will also be fixed at £1 million for a further year until 5 April 2031. This will be legislated for in Finance Bill 2025-26 and take effect from 6 April 2030.

4.111 National Insurance contributions thresholds for employees and the self-employed – The government is maintaining the NICs Primary Threshold (PT) and Lower Profits Limit (LPL) at £12,570 from April 2028 until April 2031. The NICs Upper Earnings Limit (UEL) and Upper Profits Limit (UPL) will be maintained at £50,270 from April 2028 to April 2031, as well as other employer NICs relief thresholds aligned with the UEL. The government will legislate for this measure in affirmative secondary legislation in early 2028.

4.112 Employer National Insurance contributions – secondary threshold – The government is maintaining the per-employee threshold at which employers become liable to pay National Insurance (the Secondary Threshold) at £5,000 from April 2028 until April 2031. The government will legislate for this measure in affirmative secondary legislation in early 2028.

4.113 Student loans: Freezing Plan 2 repayment threshold for three years from

April 2027 – The repayment threshold for Plan 2 student loans will be frozen at £29,385 for three years from April 2027.

4.114 Changes to tax on property income – The government will create separate tax rates for property income. From 2027-28, the property basic rate will be 22%, the property higher rate will be 42%, and the property additional rate will be 47%. These rates will apply across England, Wales and Northern Ireland. The government will engage with the devolved governments of Scotland and Wales to provide them with the ability to set property income rates in line with their current income tax powers in their fiscal frameworks. This will be legislated for in Finance Bill 2025-26 and take effect from 6 April 2027.

4.115 Changes to tax on dividend income – The government is changing the rates of income tax applicable to dividends. From 2026-27, the ordinary rate will be increased by 2 percentage points to 10.75% and the upper rate will be increased by 2 percentage points to 35.75%. The additional rate will remain unchanged at 39.35%. This will be legislated for in Finance Bill 2025-26 and take effect from 6 April 2026.

4.116 Changes to tax on savings income – The government is changing the rates of income tax applicable to savings income. From 2027-28, the savings basic rate will be increased by 2 percentage points to 22%, the savings higher rate will be increased by 2 percentage points to 42% and the savings additional rate will be increased by 2 percentage points to 47%. This will be legislated for in Finance Bill 2025-26 and take effect from 6 April 2027.

4.117 Ordering of income tax reliefs and allowances – The government is changing income tax rules so that reliefs and allowances deductible at steps 2 and 3 of the income tax calculation will only be applied to property, savings and dividend income after they have been applied to other sources of income. This will be legislated for in Finance Bill 2025-26 and take effect from 6 April 2027.

4.118 National Insurance contributions re-rating – The government will increase the Lower Earnings Limit (LEL) and the Small Profits Threshold (SPT) by the September 2025 CPI rate of 3.8% from 2026-27. For those paying voluntarily, the government will also increase Class 2 and Class 3 NICs rates by September CPI of 3.8% in 2026-27. The LEL will be £6,708 per annum (£129 per week) and the SPT will be £7,105 per annum. The main Class 2 rate will be £3.65 per week, and the Class 3 rate will be £18.40 per week. The government will legislate for this measure in affirmative secondary legislation in early 2026 as part of the annual setting of National Insurance contributions limits and thresholds, as is standard practice.

4.119 Voluntary National Insurance contributions (NICs) abroad – From 6 April 2026, the government will remove access to pay voluntary Class 2 NICs abroad and increase the initial residency or contributions requirement to pay voluntary NICs outside of the UK to 10 years. These changes will be made via secondary legislation laid before Parliament ahead of April 2026. The government will also launch a wider review of voluntary NICs with a call for evidence in the new year.

4.120 Salary sacrifice for pension contributions – The government will charge employer and employee NICs on pension contributions above £2,000 per annum made via salary sacrifice. These changes will be legislated for through primary and secondary legislation which will be introduced in due course. This will take effect from 6 April 2029.

4.121 High Value Council Tax Surcharge – The government will introduce the High Value Council Tax Surcharge a new charge on owners of residential property in England worth £2 million or more, starting in 2028-29. Local authorities will collect this revenue on behalf of central government. Revenue will be used to support funding for local government services, with further detail to be set out at the next spending review. The government will consult on implementation of HVCTS in the new year.

4.122 Non-resident dividend tax credit – The government will abolish the dividend tax credit for non-UK residents with UK income, aligning their treatment with UK residents. This will be legislated for in Finance Bill 2025-26 and take effect from 6 April 2026.

4.123 Air Passenger Duty (APD) rates – The government will uprate all rates of Air Passenger Duty in line with RPI from 1 April 2027. These rates will be rounded to the nearest penny.

4.124 Air Passenger Duty: Extension of the higher rate – At Autumn Budget 2024, the government announced plans to extend the higher APD rate to private jets over 5.7 tonnes. Following consultation, the government will proceed with this change and has published a summary of consultation responses.

4.125 Tobacco Duty Rates – Duty rates on all tobacco products will increase by RPI inflation +2 ppts. These changes will take effect from 6pm on 26 November 2025. The one-off increase of £2.20 per 100 cigarettes or 50g of other tobacco products and annual uprating of tobacco duty by RPI + 2 ppts next year will take effect from 1 October 2026 and will be included in Finance Bill 2025-26.

4.126 Climate Change Levy (CCL) (main and reduced) 2027-28 rates – The main rates of CCL for gas, electricity and solid fuels will be uprated in line with RPI from 1 April 2027. The main rate for liquefied petroleum gas will continue to be frozen. The reduced rates will remain at an unchanged fixed percentage of the main rates.

4.127 Carbon Price Support 2027-28 rates – The government will freeze the Carbon Price Support rates in Great Britain at a level equivalent to £18 per tonne of CO₂ in 2027-28.

4.128 Alcohol Duty rates – All Alcohol Duty rates will increase in line with RPI inflation. The Small Producer Relief discounts will also be uprated so eligible small producers receive relative duty reductions as now. These changes will take effect from 1 February 2026.

4.129 Capital allowances: Writing-Down Allowances – The government will introduce a new 40% First Year Allowance for main rate expenditure - including most expenditure on assets for leasing and expenditure by unincorporated businesses – from 1 January 2026. From 1 April 2026 for Corporation Tax and 6 April for Income Tax, main rate writing-down allowances will reduce from 18% to 14%.

Closing the tax gap

4.130 Construction Industry Scheme – The government will strengthen HM Revenue and Customs (HMRC) powers to tackle fraud within the Construction Industry Scheme. The government is also announcing regulations, for technical consultation, aimed at simplifying and improving the administration of the scheme. This will be legislated for in Finance Bill 2025-26 and take effect from 6 April 2026.

4.131 Rewards for informants of high-value tax fraud – The government is increasing the rewards paid to informants who provide HMRC with high-value information. For cases where tax over £1.5 million is recovered, HMRC will pay rewards up to 30% of the additional tax collected that would otherwise have gone unpaid. Changes apply with immediate effect.

4.132 Closing in on promoters of marketed tax avoidance – The government will introduce new powers to close in on promoters of marketed tax avoidance. These will be legislated for in Finance Bill 2025-26. The government will publish a consultation on further measures to tackle promoters in early 2026.

4.133 Enhancing HMRC's powers and sanctions against tax adviser facilitated non-compliance – The government will introduce enhanced powers and sanctions to tackle tax advisers who facilitate non-compliance from 1 April 2026. This will be legislated for in Finance Bill 2025-26.

4.134 Raising standards in the tax advice market – Following consultation, the government will not regulate tax advisers and will work in partnership with the sector to raise standards in the tax advice market.

4.135 Tackling rogue directors – The government will invest £25 million over the next five years to recruit additional Insolvency Service staff to disqualify more rogue directors. The government will also amend the Company Directors Disqualification Act 1986 to extend the circumstances in which directors who break the law can be disqualified. This will be legislated for in a future Finance Bill.

4.136 Tackling non-compliance on the high street – The government will establish a new dedicated small business evasion and enforcement team and deploy 350 HMRC criminal investigators to carry out more targeted criminal interventions tackling the most serious fraud and evasion by small businesses.

4.137 Clamping down on electronic sales suppression – The government will publish a call for evidence in early 2026 relating to software standards for the Electronic and Mobile Point of Sale Sector to explore how best to embed standards across the latest products and innovations.

4.138 Vaping Products Duty and Vaping Duty Stamps – As previously announced, the government will legislate for the new Vaping Products Duty to be introduced from 1 October 2026 at a flat rate of £2.20 per 10ml applied to all vaping liquid, alongside the Vaping Duty Stamps scheme to support compliance. The government is also directing up to £10 million in funding from HMRC to Border Force in 2026-27 to enhance operational information gathering capabilities ahead of the Vaping Products Duty introduction and to support enforcement at the border.

4.139 Anti-avoidance rule in relation to certain non-derecognition liabilities – The government will introduce a new anti-avoidance provision relating to certain arrangements where there is a non-derecognition liability. This will take effect from 26 November 2025 and will be legislated for in Finance Bill 2025-26.

4.140 Image rights payments – The government will legislate to clarify the tax treatment of image rights to ensure that all image rights payments related to an employment are treated as taxable employment income and subject to income tax, and employer and employee National Insurance contributions. This will be legislated for in Finance Bill 2026-27 and take effect from 6 April 2027.

4.141 Capital Gains Tax anti avoidance share: exchanges and reorganisations

– The government will modernise the anti-avoidance provisions that apply to share exchanges and company reorganisations with immediate effect. This will be legislated for in Finance Bill 2025-26.

4.142 Capital Gains Tax: Non-resident capital gains – The government will amend non-resident capital gains tax rules, closing loopholes for protected cell companies and clarifying legislation for investors. Changes apply with immediate effect, with further administrative reforms from 6 April 2026. This will be legislated for in Finance Bill 2025-26.

4.143 Recklessness offence for direct tax – The government will publish a consultation in early 2026 on the introduction of a new ‘recklessness’ criminal offence for fraudulently evading direct taxes, to align with existing indirect tax offences.

4.144 Hidden economy: expanding tax conditionality to new sectors – The government is publishing a summary of responses to the ‘Tackling the hidden economy by expanding tax conditionality to new sectors’ consultation at Budget, and confirming plans to extend tax conditionality to the waste and animal welfare sectors and additional transport licences. Draft legislation will be published for a technical consultation in 2026.

4.145 Reforming the publication of details of deliberate defaulters – The government will strengthen the framework for how HMRC publishes the details of deliberate tax cheats to bear down on those who default on their tax liabilities, and will bring forward changes next year.

4.146 Investing in HMRC’s debt management capacity – The government will invest £64 million over the next five years in HMRC’s existing partnerships with private sector debt collection agencies to collect more tax debt.

4.147 Investing in HMRC debt management staff – The government will invest £89 million over the next five years to fund additional staff to increase HMRC’s capacity to collect more tax debt.

4.148 Tax debt strategy – The government is publishing a new tax debt strategy at Budget, outlining HMRC’s approach to reducing tax debt as a percentage of receipts, and to improving debt management and customer support.

4.149 More timely payment for Self Assessment – The government will require income tax Self Assessment taxpayers with Pay As You Earn (PAYE) income to pay more of their Self Assessment liabilities in-year via PAYE from April 2029. The government will publish a consultation in early 2026 on delivering this change, and on timelier tax payment for those with only Self Assessment income.

4.150 VAT and PAYE timely payments – The government will publish a consultation in early 2026 considering ways VAT and Pay As You Earn (PAYE) liabilities can be paid promptly without the taxpayer falling behind on their payments, including requiring more tax payments by direct debit.

4.151 Making better use of third-party data – The government will acquire third-party data more frequently for interest income and card sales from April 2028. This will be legislated for in Finance Bill 2025-26.

4.152 Digital prompts for VAT and Corporation Tax – The government will invest £59 million in new technology over the next five years to provide taxpayers with real-time digital prompts for VAT filing software from April 2027, and Corporation Tax filing software from April 2028.

4.153 E-invoicing – The government will require all VAT invoices to be issued in a specified electronic format from April 2029. The government will work with stakeholders to develop an implementation roadmap to be published at Budget 2026.

4.154 Transfer Pricing: International Controlled Transaction Schedule – The government will legislate to require in-scope multinationals to submit an International Controlled Transaction Schedule (ICTS) which will report information annually on cross-border related party transactions. This measure is expected to take effect for accounting periods beginning on or after 1 January 2027. Technical consultation on its design will take place in spring 2026.

4.155 Requiring domestic reporting of UK resident cryptoasset users under the Cryptoasset Reporting Framework – UK reporting Cryptoasset Service Providers will be required to report on their UK tax resident customers under the Cryptoasset Reporting Framework. Information for first reports to HMRC will be collected from 1 January 2026 and reported to HMRC in 2027.

4.156 Enhancing tax transparency on real estate – The UK intends to participate in a new international agreement which will tackle tax evasion by providing for the automatic exchange of readily available information on real estate from 2029 or 2030.

4.157 Increases to Corporation Tax late filing penalties – The government will double the penalty for taxpayers submitting a Corporation Tax return late from 1 April 2026. This will be legislated for in Finance Bill 2025-26.

4.158 Penalty reform: Updates to the penalty regime for Self Assessment and VAT – The government will not apply late submission penalties for quarterly updates during the 2026-27 tax year for Income Tax Self Assessment (ITSA) taxpayers required to join Making Tax Digital (MTD). The government will apply the new penalty regime for late submission and late payment to all ITSA taxpayers not already due to join the new system from 6 April 2027. This will be legislated for via secondary legislation. The government will increase the penalties due for late payment of ITSA and VAT from 1 April 2027. This will be legislated for via secondary legislation.

4.159 Behavioural penalties reform – The government is publishing a summary of responses at Budget to the 'Reform of Behavioural Penalties' consultation. The government intends to modernise HMRC's inaccuracy and failure to notify penalties.

4.160 MTD: Treatment for small taxpayer groups – The government will exempt one very small taxpayer group from MTD and will defer the start date to April 2027 for some others. This will be legislated for via secondary legislation.

4.161 Incorporation relief claims process – The government will introduce a requirement for taxpayers to actively claim incorporation relief for transfers of a business to a company on or after 6 April 2026. Previously the relief has applied automatically. This will be legislated for in Finance Bill 2025-26.

4.162 Enhancing HMRC's powers to ensure taxpayer errors in tax returns are corrected – The government will consult on draft legislation in 2026 on new HMRC powers obliging taxpayers to correct inaccuracies where they are identified.

4.163 Modernising and standardising Corporation Tax submissions – The government will consult in early 2026 on delivery timescales and enforcement for prescribing the content and tagging of the Corporation Tax computation. This builds on prior public engagement by HMRC on this subject.

4.164 Business systems integration – The government will publish a call for evidence in early 2026 to develop options to increase the uptake of business systems integration, which enables the automatic transfer of sales and purchase data into businesses' accounting software.

4.165 Reporting company payments to participators – The government will publish a consultation in early 2026 to explore introducing new requirements to report transactions between close companies and their shareholders to HMRC.

4.166 Reducing non-compliance from uncertain tax treatments – The government will publish a consultation in early 2026 on proposals to enhance the existing notification regime for uncertain tax treatments.

Modernising the tax system

4.167 State Pension and Simple Assessment – The government will ease the administrative burden for pensioners whose sole income is the basic or new State Pension without any increments so that they do not have to pay small amounts of tax via Simple Assessment from 2027-28 if the new or basic State Pension exceeds the Personal Allowance from that point. The government is exploring the best way to achieve this and will set out more detail next year.

4.168 State Pension and Pension Credit uprating for 2026/27 – The basic and new State Pension will be increase by 4.8% from April 2026, in line with earnings growth, meaning over 12 million pensioners will gain up to £575 each in 2026-27. The Pension Credit Standard Minimum Guarantee will also be uprated by 4.8% from April 2026.

4.169 Low Value Imports – The government is removing the customs duty relief on goods imported into the UK valued at £135 or less, making them subject to customs duty from March 2029 at the latest, and consulting on implementing a new set of customs arrangements for these goods.

4.170 Landfill Tax Rates 2026-27 – The government will increase the standard rate of Landfill Tax by RPI and the lower rate by the cash amount of the increase in the standard rate, maintaining the differential between the two rates in cash terms.

4.171 Response to the consultation on reforms to Landfill Tax – The government will not proceed with transitioning to a single rate of tax by 2030 and will retain the exemption for quarries with disposal permits. The government has published a summary of responses that sets out its decisions on all the proposals included in the consultation.

4.172 Plastic Packaging Tax rate and threshold 2026-27 – To incentivise businesses to use recycled instead of new plastic in packaging, the government will increase the Plastic Packaging Tax (PPT) rate for 2026-27 in line with CPI inflation.

4.173 Plastic Packaging Tax: Mechanically recycled plastic and certification

consultation – The government will consult in early 2026 on the introduction of mandatory certification for mechanically recycled plastic packaging for businesses to claim an exemption from Plastic Packaging Tax.

4.174 Oil and Gas Price Mechanism – The government confirms that the temporary Energy Profits Levy (EPL) will be replaced by the permanent Oil and Gas Profits Mechanism (OGPM). The OGPM will be a revenue-based mechanism which only operates in times of high prices and will replace the EPL when it ends in 2030, or earlier if the EPL price floor triggers. The rate will be 35% with thresholds of \$90/barrel (oil) and 90p/therm (gas).

4.175 Share Incentive Plan (SIP) – A summary of responses to the 2023 Call For Evidence on SIP and Save As You Earn (SAYE) will be published alongside the Budget.

4.176 Soft Drinks Industry Levy (SDIL) consultation response – The government will reduce the threshold at which the SDIL applies from 5g to 4.5g sugar per 100ml and remove the exemptions for milk-based and milk substitute drinks with added sugar to create a level playing field between pre-packaged beverages. These reforms will be implemented on 1 January 2028, following consultation on the legislation. Open cup beverages, such as those bought in cafes, will remain unaffected. The government has published a summary of responses to its consultation on these reforms.

4.177 Soft Drinks Industry Levy (SDIL) uprating – In line with the uprating strategy announced at Autumn Budget 2024, the SDIL will be uprated on 1 April 2026. The Levy will be increased in line with Consumer Price Index plus one fifth of the ‘catch-up’ increment to reflect the 27% CPI increase between 2018 and 2024.

4.178 Climate Change Levy (CCL): treatment of electrolytic hydrogen in CCL and the changing energy landscape consultation response – Following a consultation at Spring Statement 2025, both electricity used in electrolysis to produce hydrogen and natural gas used as a source of CO₂ in the production of sodium bicarbonate will be made exempt from CCL. Subject to parliamentary approval, these amendments will be in force by Spring 2026.

4.179 Gambling Duty – Following consultation, the government will not proceed with a single tax on remote betting and gaming. Instead, the government will increase duties on remote gambling, but maintain different rates for remote betting and remote gaming. Remote Gaming Duty will increase from 21% to 40% from 1 April 2026. A new Remote Betting Rate will be introduced at 25% from 1 April 2027 within General Betting Duty. This new rate will not apply to self-service betting terminals, spread betting or pool betting. Remote bets on horseracing will be excluded from these changes and remain taxed at 15%. Bingo Duty will be abolished from 1 April 2026. A summary of responses to the consultation on the Tax Treatment of Remote Gambling has been published alongside the Budget.

4.180 Gaming duty bands – The Gross Gaming Yield bandings for gaming duty will be frozen from 1 April 2026 until 31 March 2027.

4.181 Funding for the Gambling Commission – The government will provide £26 million to the Gambling Commission over the next three years to tackle the illegal market.

4.182 Duty free allowances – A duty free allowance of 50ml per passenger for vaping products will be introduced in October 2026, alongside moving cider and sparkling wine into the beer and still wine duty free categories, respectively.

4.183 VAT treatment of land intended for social housing – The government will shortly consult on the reform of VAT rules to incentivise the development of land intended for social housing.

4.184 Vehicle Excise Duty (VED) exemption for search and rescue vehicles – The government will exempt search and rescue vehicles from VED and will work with stakeholders to design and implement an exemption from April 2027.

4.185 Infected Blood Compensation Payments – The government will update legislation so that payments made under the Infected Blood Compensation Scheme and Infected Blood Interim Compensation Payment Scheme are relieved from inheritance tax in cases where the original infected or affected person eligible for compensation has died before the compensation is paid. First living recipients of compensation payments will also have two years in which to gift some or all of the compensation payment without an inheritance tax charge. This will be legislated for in Finance Bill 2025-26 and will apply to compensation payments made before or after 26 November 2025 and to gifts made on or after 4 December 2025.

4.186 Charity compliance – The government will introduce legislation to strengthen the charity tax rules on tainted donations, approved investments and non-charitable expenditure. These changes will be legislated for in Finance Bill 2025-26 and will take effect from 6 April 2026.

4.187 Qualifying Care Relief – The government will uprate Qualifying Care Relief, the amount of income tax relief available to foster carers and shared lives carers, by the September 2025 CPI rate of 3.8%. This will be legislated for in Finance Bill 2025-26 and take effect from 6 April 2026.

4.188 Administrative Changes to Expenses and Record-Keeping for Childminders – The government confirms HMRC will update its guidance to clarify that childminders within Making Tax Digital (MTD) for income tax from April 2026 must follow MTD rules. For other childminders, HMRC will clarify how existing arrangements apply to those working from non-domestic premises.

4.189 Married Couple's Allowance and Blind Person's Allowance – The government will uprate the Married Couple's Allowance and the Blind Person's Allowance by the September 2025 CPI rate of 3.8%. This will be legislated for through a Treasury Order and take effect from 6 April 2026.

4.190 Employee Ownership Trusts – The government will reduce the Capital Gains Tax relief available on qualifying disposals to Employee Ownership Trusts from 100% of the gain to 50%. This will be legislated for in Finance Bill 2025-26 and take effect from 26 November 2025.

4.191 Loan Charge Review – The government will legislate to give effect to its response to the independent review of the loan charge, which has been published with the review's report alongside the Budget. This will provide for a new settlement opportunity to support those subject to the loan charge to resolve their affairs with HMRC. This will be legislated for in Finance Bill 2025-26.

4.192 Non-reimbursed employment expenses for homeworking –

The government will remove the deduction from Income Tax for non-reimbursed home working expenses. Employers can still reimburse employees for these costs where eligible without deducting Income Tax and National Insurance contributions. This will be legislated for in Finance Bill 2025-26 and take effect from 6 April 2026.

4.193 Employer National Insurance contributions (NICs) relief for veterans – The government will extend the employer NICs relief for employers hiring veterans in their first civilian role to April 2028, from which point support for veterans into employment will be covered through spending review settlements rather than through this tax relief. During this period, the government will consider the most effective way outside of the tax system to support veterans into employment in line with the Veterans Strategy. This extension of the relief from 6 April 2026 until 5 April 2028 will be delivered via secondary legislation in the new year.

4.194 Inheritance Tax: Unused allowance for agricultural and business property reliefs – Any unused £1 million allowance for the 100% rate of agricultural property relief and business property relief will be transferable between spouses and civil partners, including if the first death was before 6 April 2026. This will be legislated for in Finance Bill 2025-26 and take effect from 6 April 2026.

4.195 Maintenance of social security benefits in legislation – The government will remove references to obsolete social security benefits in legislation. This will be legislated for in Finance Bill 2025-26.

4.196 Tax treatment of payments for cancelled shifts – The government will introduce legislation to confirm the income tax treatment of payments introduced by section 27BP of the Employment Rights Act 1996 for shifts cancelled, moved or curtailed at short notice. This confirms that these payments are earnings and therefore subject to tax from 2026. This will be legislated for in Finance Bill 2025-26.

4.197 Inheritance Tax treatment of unused pension funds and death benefits – Personal representatives will be able to direct pension scheme administrators to withhold 50% of taxable benefits for up to 15 months and pay Inheritance Tax due in certain circumstances. Personal representatives will be discharged from a liability for payment of Inheritance Tax on pensions discovered after they have received clearance from HMRC. This will be legislated for in Finance Bill 2025-26 and take effect from 6 April 2027.

4.198 Offshore Anti-Avoidance – The government is committing to ambitious reform and substantial simplification of the Personal Tax Offshore Anti-Avoidance Legislation and has set out the next steps for the Personal Tax Offshore Anti-Avoidance Call for Evidence.

4.199 Further development of tax offer for high-talent new arrivals – The government will explore how to further develop its tax offer for high-talent new arrivals, to build on the success of the existing regime and bolster the ambition for the UK to remain a competitive destination for growth-driving global talent and support internationally mobile individuals to establish themselves and their businesses in the UK. The government will seek views in due course to inform the design and scope of any potential enhanced offer.

4.200 Inheritance Tax: Anti-avoidance – The government will legislate to prevent Inheritance Tax avoidance through certain loopholes, including ensuring UK agricultural property held via non-UK entities is treated as UK-situated addressing

changes in status of trust assets before and exit charge, and restricting charity exemptions to direct gifts to UK charities and clubs. This will be legislated for in Finance Bill 2025-26 and will take effect for trust exit charges from 26 November 2025, gifts to charities in lifetime from 26 November 2025 or on a death from 6 April 2026, and for UK agricultural property from 6 April 2026.

4.201 Capping Inheritance Tax trust charges for excluded property in trusts

– The government will introduce a cap of £5 million on relevant property trust charges for pre-30 October 2024 excluded property trusts. This will be legislated for in Finance Bill 2025-26 and this will apply to trust charges from 6 April 2025.

4.202 VAT on Private Hire Vehicle Services – Suppliers of private hire vehicle and taxi services will be excluded from the scope of the Tour Operators' Margin Scheme from 2 January 2026, except where these are supplied in conjunction with certain other travel services.

4.203 Carbon Border Adjustment Mechanism (CBAM) – The government will legislate in Finance Bill 2025-26 to introduce the CBAM from 1 January 2027. The inclusion of indirect emissions within scope of the CBAM will be delayed until 2029 at the earliest. This is to reflect continued support for the Energy Intensive Industries (EII) Compensation Scheme.

Tax administration and simplification

4.204 Tax Update event – The government will announce further changes to simplify and improve tax and customs administration at a Tax Update in early 2026.

4.205 Modernisation of the Stamp Taxes on Shares framework – The government will legislate in Finance Bill 2025-26 to introduce a power allowing regulations that enable the testing of the new digital service for the Securities Transfer Charge, which will replace Stamp Duty and Stamp Duty Reserve Tax as part of the modernisation of the Stamp Taxes on Shares framework.

4.206 Reform of UK law in relation to transfer pricing, permanent establishment and Diverted Profits Tax – The government will legislate in Finance Bill 2025-26 to simplify taxation of related party transactions, non-resident companies trading in the UK, and profits diverted from the UK, for chargeable periods beginning on or after 1 January 2026.

4.207 Expanding workplace benefits relief – The income tax and National Insurance exemption for employer-provided benefits will be extended to cover reimbursements for eye tests, home working equipment, and flu vaccinations. This will be legislated for in Finance Bill 2025-26 and this will take effect from 6 April 2026.

4.208 Targeted research and development (R&D) advance assurance service

– The government will pilot a targeted advance assurance service from spring 2026, enabling small and medium-sized enterprises to gain clarity on key aspects of their R&D tax relief claims before submitting to HMRC. The government is also publishing a summary of responses to the advance clearance consultation.

4.209 Cryptoasset loans and liquidity pools – The government is publishing a summary of responses to the 'Taxation of decentralised finance (DeFi) involving the lending and staking of cryptoassets' consultation.

4.210 Advance Corporation Tax (ACT) reform and consultation – The government will legislate through statutory instrument to repeal the shadow ACT rules with effect from 1 April 2026, and will consult on the future of the remaining ACT regime in early 2026.

4.211 Corporate Interest Restriction (CIR): reporting companies – The government will legislate in Finance Bill 2025-26 to simplify administration in relation to reporting companies under CIR. Most of the changes take effect for periods ending on or after 31 March 2026.

4.212 Corporate Interest Restriction (CIR): relief for certain capital expenditure in calculation of tax-EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) – The government will legislate in Finance Bill 2025-26 to make technical amendments to CIR in respect of relief for certain capital expenditure. The changes take effect for periods ending on or after 31 December 2021.

4.213 Making Tax Digital (MTD) administrative changes – The government will introduce new powers from 1 April 2026 to ensure MTD and the new penalty reform legislation works as intended. This will be legislated for in Finance Bill 2025-26.

4.214 Mitigation to manage risks on Decommissioning Relief Deeds – The government is announcing legislation that confirms that no payments can arise under a Decommissioning Relief Deed in relation to the Energy Profits Levy, which excludes tax relief on decommissioning expenditure.

4.215 VAT and Deposit Return Schemes (DRS) – The government will simplify administration of the DRS by removing the requirement for individual producers to account for VAT on unreturned deposits. Instead, this will be done by the Deposit Management Organisation.

4.216 Creative Industries and Research & Development Expenditure Credits: administrative measures – The government will introduce legislation in Finance Bill 2025-26 to set out the treatment for Corporation Tax purposes of intra-group payments made in return for surrendered Research & Development Expenditure Credit (RDEC), Audio-Visual Expenditure Credit (AVEC) and Video Games Expenditure Credit (VGEC). This will come into effect for payments made on or after 26 November 2025.

4.217 Annual Tax on Enveloped Dwellings (ATED): Out-of-time claims to relief – The ATED legislation will be updated to reflect the policy intent that relief from ATED is available to companies holding property for qualifying commercial purposes. This includes relief claims within late ATED returns, which remain subject to robust late filing penalties.

4.218 Plastic Packaging Tax: Mass balance approach – The government will legislate in Finance Bill 2025-26 to allow for a mass balance approach to be used to attribute chemically recycled plastic for the purposes of the Plastic Packaging Tax from 1 April 2027. The legislation will also remove pre-consumer waste as a source of recycled content from the same date.

4.219 Pillar 2 Multinational Top-up Tax and Domestic Top-up Tax amendments – Technical amendments to the Multinational Top-up Tax and Domestic Top-up Tax legislation will be included in Finance Bill 2025-26 to incorporate the latest published international updates and following stakeholder consultation.

4.220 Local Government Pension Scheme Reform: Stamp Duty Land Tax relief

– The government will amend Stamp Duty Land Tax rules, so property transferred within Local Government Pension Schemes are subject to an SDLT relief. This will be legislated in Finance Bill 2026-27.

4.221 Annual uprating of the Van Benefit Charge and Car and Van Fuel Benefit Charges for 2026-2027

– The government will uprate the Van Benefit Charge and Car and Van Fuel Benefit Charges by CPI from 6 April 2026.

4.222 Controlled foreign companies: treatment of interest on reversal of State aid recovery

– The government will legislate in Finance Bill 2025-26 for the payment of interest on amounts collected from taxpayers and now repayable following a successful challenge of a European Commission Decision.

4.223 Qualifying Asset Holding Companies (QAHC) regime – The government will work with industry stakeholders over the coming months to explore targeted legislative changes aimed at ensuring the QAHC regime continues to operate effectively. Any legislative changes will be introduced in a future Finance Bill.

4.224 Technical amendments to residence-based tax regime – The government will publish legislation to make minor corrections to the residence-based tax regime introduced in Finance Act 2025. These changes are technical and should have minimal impact on individuals, trustees and employers. This will be legislated for in Finance Bill 2025-26 and will have retrospective effect from 6 April 2025. There are some provisions which will take effect from date of announcement, date of Royal Assent and 6 April 2026.

4.225 Post departure trade profits – The government will introduce legislation to remove the post departure trade profits provisions from the temporary non-residence anti-avoidance legislation so that all dividends received during a period of temporary non-residence are chargeable to UK tax. This will be legislated for in Finance Bill 2025-26 and take effect from 6 April 2026.

4.226 Aligning PAYE notifications with the Overseas Workday Relief 30% limit

– The government will limit the proportion of earnings an employer can exclude from PAYE through a PAYE notification to a maximum 30% where the individual is a qualifying new resident and eligible for Overseas Workday Relief. This will be legislated for in Finance Bill 2025-26 and take effect from 6 April 2026.

4.227 Enabling defined benefit (DB) pension scheme surplus payments to scheme members – The government will enable well-funded DB pension schemes to pay surplus funds directly to scheme members over the normal minimum pension age, where scheme rules and trustees permit it, from April 2027.

4.228 ISA Reform – From 6 April 2027 the annual ISA cash limit will be set at £12,000, within the overall annual ISA limit of £20,000. Annual subscription limits will remain at £20,000 for ISAs, £4,000 for Lifetime ISAs and £9,000 for Junior ISAs and Child Trust Funds until 5 April 2031. Savers over the age of 65 will continue to be able to save up to £20,000 in a cash ISA each year. In addition, financial services firms will be providing new, easily navigable ways for people to find the right UK investment for them.

4.229 Starting Rate for Savings – The Starting Rate for Savings will be retained at £5,000 for 2026-27 and will stay at this level until 5 April 2031, allowing individuals with less than £17,570 in employment or pensions income to receive up to £5,000 of savings income tax-free.

4.230 Lifetime ISA Reform – The government will publish a consultation in early 2026 on the implementation of a new, simpler ISA product to support first time buyers to buy a home. Once available, this new product will be offered in place of the Lifetime ISA.

4.231 Help to Save Reform – The government will make the Help to Save scheme permanent and, from April 2028, will expand eligibility to include all Universal Credit claimants who receive the child element, the caring element or both.

4.232 Collective Money Purchase (CMP) – The government will enable unconnected, multiple employer CMP schemes to apply to HMRC to become a registered pension scheme and allow HMRC to refuse to register or to de-register an unauthorised CMP scheme. The government will also take a regulation-making power to allow HMRC to legislate for CMP schemes more efficiently in the future.

Taxing motoring and supporting the British automotive industry

4.233 Electric Vehicle Excise Duty (eVED) – The government is introducing Electric Vehicle Excise Duty (eVED), a new mileage charge for electric and plug-in hybrid cars, with effect from April 2028. Drivers will pay for their mileage on a per-mile basis alongside their existing Vehicle Excise Duty. Electric cars will pay half the equivalent fuel duty rate for petrol and diesel cars, and plug-in hybrid cars will pay a reduced rate equivalent to half of the electric car rate. The government has published a consultation which provides further detail on how eVED will work and seeks views on its implementation. The consultation will remain open until 18 March 2026.

4.234 Local authority chargepoint capability funding – The government will allocate £100 million to local authorities and public bodies to accelerate installation of chargepoints where people live and work.

4.235 Chargepoint: Infrastructure – The government will invest an extra £100 million in EV charging infrastructure, including to support the installation of home and workplace chargepoints.

4.236 Business rates 100% relief for eligible electric vehicle charging points and electric vehicle only forecourts – The government is introducing a 10-year 100% business rates relief for EVCPs separately assessed by the Valuation Office Agency and electric vehicle only forecourts to ensure that they face no business rates liability.

4.237 Company car tax: Employee car ownership schemes – At Autumn Budget 2024, the government announced it would bring employee car ownership schemes (ECOS) into scope of the Benefit in Kind rules from 6 April 2026. To allow more time for the sector to prepare for and adapt to this change in treatment, its implementation will be delayed to 6 April 2030, with transitional arrangements until April 2032.

4.238 Capital allowances: First year 100% allowances for zero emission vehicles (ZEVs) and chargepoints – The government will extend for a further year the 100% first year allowances (FYA) for qualifying expenditure on zero emission cars and the 100% FYA for qualifying expenditure on plant or machinery for electric vehicle (EV) chargepoints. The FYA will now be in place until 31 March 2027 for corporation tax purposes, and 5 April 2027 for income tax purposes.

4.239 Company car tax: Plug-in hybrid electric vehicle (PHEV) tax easement –

The government will introduce a temporary benefit in kind tax easement for plug-in hybrid electric vehicles (PHEVs) in the Benefit in Kind system to prevent their tax charge increasing significantly due to new emissions standards. This easement will be in place from 1 January 2025 to 5 April 2028.

4.240 Vehicle Excise Duty for cars, vans and motorcycles – The government will uprate Vehicle Excise Duty rates for cars, vans and motorcycles in line with RPI from 1 April 2026.

4.241 Vehicle Excise Duty for heavy goods vehicles (HGVs) and the HGV levy – The government will uprate Vehicle Excise Duty for heavy goods vehicles (HGVs) in line with the RPI from 1 April 2026. The government will also uprate the heavy goods vehicle levy in line with the RPI from 1 April 2026.

4.242 Vehicle Excise Duty (VED) – Expensive Car Supplement (ECS) – The government will increase the Vehicle Excise Duty Expensive Car Supplement threshold to £50,000 for zero-emission vehicles only. This change will take effect from 1 April 2026 and will apply to ZEVs registered from 1 April 2025 onwards.

4.243 DRIVE35 – The government will extend funding for the DRIVE35 programme, with an additional £1.5 billion to 2035, providing a total of £4 billion over the next 10 years.

4.244 Electric Car Grant – The government will provide an additional £1.3 billion funding for the Electric Car Grant and extend funding to 2029-30.

4.245 Cross pavement EV charging: Permitted development rights consultation – Publication of a Department for Transport (DfT) consultation on permitted development rights for EV charging to accelerate the rollout of cross pavement charging solutions and make EV charging easier, cheaper and more accessible across England.

4.246 Review of public EV charging cost – The government will review the cost of public electric vehicle charging, looking at the impact of energy prices, wider cost contributors, and options for lowering these costs for consumers. The review will start in Q1 2026 and report by Q3 2026.

Government finances

4.247 Monetary Policy Committee (MPC) Remit – The Chancellor has reaffirmed the MPC's primary objective of maintaining price stability, defined as a 2% CPI inflation target, and its secondary objective of supporting the economic policy of the government.

4.248 Balance Sheet Framework – The government is publishing new guidance which sets out the government's approach to balance sheet management, including best practice principles for how public sector organisations should manage their assets, liabilities and entities.

4.249 Implicit Liability Policy Guidance and Implicit Liability Mitigation Fund – The government is publishing new guidance on managing government's implicit liabilities. Implicit liabilities are private sector liabilities which the government may be morally or economically compelled to meet in crisis events. This is accompanied

by a £15 million fund to support departments to undertake priority projects to develop and implement mitigation strategies to reduce the probability or cost of implicit liabilities crystallising.

4.250 Government Response to the 2025 Fiscal Risks and Sustainability

Report – Alongside the budget, the government has published its response to the 2025 FRS, setting out the actions the government is taking to improve fiscal sustainability over time and address long-term sustainability challenges.

4.251 Reforming the OBR forecast cycle – The government is delivering on its commitment to hold one fiscal event a year, by legislating so that the OBR's assessment of the government's performance against the fiscal mandate will happen once a year – at the annual Budget in the autumn, when the government sets out its tax and spending policy. The OBR will continue to publish a second forecast in the spring to provide an interim update on the economy and public finances.

Annexes

Annex A: Financing

A.1 This annex sets out the government's financing plans for 2025-26, which were previously revised on 23 April 2025.²²² Further details of the revised financing remit for 2025-26, including progress against the remit to date, can be found on the website of the UK Debt Management Office (DMO).²²³ The government's debt management framework remains as set out in the *Debt Management Report 2025-26*.²²⁴

Debt management objective

A.2 The debt management objective, as set out in the *Debt Management Report 2025-26*, is "to minimise, over the long term, the costs of meeting the government's financing needs, taking into account risk, while ensuring that debt management policy is consistent with the aims of monetary policy."

Debt management policy

A.3 The government's decisions on the structure of the financing remit are made in accordance with the debt management objective, the debt management framework, and wider policy considerations. In determining the overall structure of the financing remit, the government assesses the costs and risks of debt issuance by maturity and type of instrument. Decisions on the composition of debt issuance are also informed by an assessment of investor demand for debt instruments by maturity and type, as well as the government's appetite for risk. Alongside these considerations, the government takes into account the practical implications of issuance (for example, the scheduling of operations throughout the year).

A.4 While decisions on debt management policy must be taken with a long-term perspective, specific decisions on funding the government's gross financing requirement are taken annually. Those decisions are announced in advance of the forthcoming financial year and are typically updated in April (a technical adjustment to reflect outturn data from the previous year) and, as now, when the Office for Budget Responsibility (OBR) publishes subsequent fiscal projections.

Financing arithmetic

A.5 The updated financing arithmetic for 2025-26 is set out in Table A.1.

A.6 The OBR's November 2025 forecast for the 2025-26 central government net cash requirement (excluding NRAM Ltd, Bradford & Bingley and Network Rail), which is referred to as CGNCR (ex NRAM Ltd, B&B, and NR) is £149.2 billion. This represents an upward revision of £6.5 billion since the forecast published at Spring

²²² 'Revision to the DMO's Financing Remit 2025-26', UK Debt Management Office, April 2025.

²²³ <https://www.dmo.gov.uk/>

²²⁴ 'Debt Management Report 2025-26', HM Treasury, March 2025.

Statement 2025. This measure is used in the financing arithmetic, as it reflects the forecast cash requirement of the Exchequer.

A.7 The DMO's net financing requirement (NFR) for 2025-26 was revised up by £4.9 billion on 23 April 2025, from £304.2 billion to £309.1 billion. The DMO's NFR is being revised up by a further £5.6 billion at the Budget 2025, to £314.7 billion. The NFR for the DMO comprises: CGNCR (ex NRAM Ltd, B&B, and NR) plus any financing for gilt redemptions and other adjustments, less the net contribution to financing from National Savings and Investments (NS&I), and any other in-year contributions to financing.

A.8 The upward revision to the DMO's NFR will be delivered through i) an increase in gross gilt issuance this year of £4.6 billion and ii) a £1 billion increase in financing raised through the net issuance of Treasury bills for debt management purposes.

Table A.1: Financing Arithmetic 2025-26 (£ billion)¹

	Debt Management Report 2025-26	April revision 2025-26	Budget 2025-26
CGNCR (ex NRAM Ltd, B&B, and NR) ²	142.7	142.7	149.2
Gilt redemptions	168.2	168.2	168.2
Financing Adjustment carried forward from previous financial years ³	6.7	11.6	11.6
Gross financing requirement	317.7	322.5	329.0
Less:			
NS&I net financing	12.0	12.0	13.0
NS&I Green Savings Bonds ⁴	-0.3	-0.3	-0.4
Other financing ⁵	1.8	1.8	1.7
Net financing requirement (NFR) for the Debt Management Office (DMO)	304.2	309.1	314.7
DMO's NFR will be financed through:			
Gilt sales, through sales of:			
Short conventional gilts	110.9	117.9	133.5
Medium conventional gilts ⁶	89.7	89.7	102.1
Long conventional gilts ⁶	40.2	29.8	28.7
Index-linked gilts	30.9	30.9	31.1
Unallocated amount of gilts	27.5	30.8	8.3
Total gilt sales for debt financing	299.2	299.1	303.7
Total net contribution of Treasury bills for debt financing	5.0	10.0	11.0
Total financing	304.2	309.1	314.7
DMO net cash position	2.3	2.3	2.3

¹ Figures may not sum due to rounding.

² Central government net cash requirement (excluding NRAM Ltd, Bradford & Bingley, and Network Rail).

³ Following the 'Debt Management Report 2025-26' in March 2025, the financing arithmetic was updated in April 2025 to reflect the outturn of the previous year's CGNCR (excluding NRAM Ltd, Bradford & Bingley, and Network Rail), which changes the financing adjustment and gross financing requirement.

⁴ This represents the upper limit of inflows in 2025-26 from Green Savings Bonds.

⁵ This financing item is typically comprised of estimated income from coinage and unhedged reserves.

⁶ Includes green gilt issuance.

Source: UK Debt Management Office, HM Treasury, National Savings & Investments, and Office for Budget Responsibility.

Gilt issuance by method, type, and maturity

A.9 The planned split of gilt issuance by type, maturity, and issuance method were previously set out in April 2025. Total gilt sales in 2025-26 in comparison with the April remit revision are now forecast to rise by £4.6 billion to £303.7 billion.

A.10 The increase in gilt sales of £4.6 billion will be implemented as follows:

- An increase of £15.6 billion in short-dated conventional gilts to £133.5 billion (44.0% of total issuance in 2025-26).
- An increase of £12.4 billion in medium-dated conventional gilts (including green gilts) to £102.1 billion (33.6% of total issuance in 2025-26).²²⁵
- A decrease of £1.1 billion in long-dated conventional gilts (including green gilts) to £28.7 billion (9.5% of total issuance in 2025-26).⁴
- An increase of £0.2 billion in index-linked gilts to £31.1 billion (10.2% of total issuance in 2025-26).
- A decrease of £22.5 billion in the unallocated portion to £8.3 billion (2.7% of total issuance in 2025-26).²²⁶ Since April 2025, the unallocated portion had been drawn down to £6.7 billion via transfers to the short, medium, and long conventional, as well as the index-linked, gilt sales programmes. Relative to just prior to this remit revision, the unallocated portion of gilt issuance is being increased from £6.7 billion to £8.3 billion.

A.11 Auctions will remain the government's primary method of gilt issuance. It is anticipated that £231.9 billion (76.4%) of total gilt sales will take place via auction in 2025-26, and £47.0 billion (15.5%) will be issued via syndication. The government will also continue to have the option to schedule gilt tenders, which may be used to assist with the delivery of the financing remit and may also be used for market management reasons.

Treasury bills

A.12 It was previously planned that net Treasury bill issuance would make a £10 billion contribution to meeting the 2025-26 NFR. Following revisions at the Budget, net issuance of Treasury bills will now contribute £11 billion to the net financing requirement for 2025-26.

A.13 The government is committed to maintaining as diversified an investor base as possible, to enhance the resilience of the government's financing programme. In keeping with this, HM Treasury and the DMO will launch a consultation in January 2026 on expanding and deepening the Treasury bill market.

A.14 In accordance with the debt management objective, any changes following the consultation will take into account an assessment of cost and risk, including implications for the government's refinancing risk exposure.

²²⁵ Includes green gilt issuance. More detail is provided in paragraph A.17.

²²⁶ The DMO's financing plans include an initially unallocated portion of issuance from which gilts of any maturity or type may be issued (excluding green gilts). The unallocated portion is used in such a way as to respond appropriately to developments in the gilt market in-year.

Green gilts and green retail savings products

A.15 The government continues to be committed to its Green Financing Programme, under which the UK issues sovereign green bonds ('green gilts') via the DMO, and retail Green Savings Bonds (GSBs) via NS&I. As of 26 November 2025, the Green Financing Programme has raised more than £51.0 billion for expenditures that tackle climate change, rebuild natural ecosystems and support jobs in green sectors.

A.16 The government has updated the Green Financing Framework to add nuclear energy for power generation to the list of policies eligible to be funded by green gilts and GSBs.²²⁷ This demonstrates the government's conviction that nuclear energy is green and will enable investors to continue financing the UK's Net Zero objective. The inclusion of nuclear spending is subject to strict criteria. The proceeds from sales of green gilts and GSBs issued prior to 27 November 2025 will not be allocated to nuclear energy-related expenditures. A Second Party Opinion from S&P rates the new Framework as dark green, their highest rating, and an improvement on the Framework's original rating in 2021.

A.17 The government's plans to raise £10.0 billion via issuance of green gilts in 2025-26, subject to demand and market conditions, remain unchanged. Total green gilt proceeds in the financial year to-date are £3.7 billion (cash).

A.18 GSBs were brought on sale on 22 October 2021 and have allowed UK savers to support the government's green spending initiatives. As of November 2025, NS&I forecasts it will have raised £1.9 billion since the launch of GSBs.

A.19 GSBs have been repriced several times in response to market developments and to meet the requirements of the Green Financing Programme. Issue 7 was launched in January 2024, with an interest rate of 2.95%. In October 2024 the first GSBs issued began to mature, with customers having the option to either reinvest in GSB (or another NS&I product) or withdraw their investment. Over 2025-26, NS&I forecasts £74.6 million of inflows against £428 million of outflows, resulting in a net funding forecast of -£353 million.

A.20 Financing raised through GSBs is monitored throughout the year to ensure the requirements of the Green Financing Programme can be met and that funds raised remain balanced against proceeds from green gilts. For 2025-26, an inflow cap of £100 million was put in place. Revisions to the cap are made to manage inflows into the Green Financing Portfolio and NS&I's financing position. NS&I expects additional inflows for 2025-26 to be below the upper limit of £100 million, subject to market conditions.

NS&I

A.21 NS&I's net financing target in 2025-26 is being revised up by £1 billion, to £13 billion within a range of +/- £4 billion. In meeting this revised target, NS&I will continue to balance the interests of its savers, the taxpayer, and the wider financial services sector. The proceeds from the sale of the GSBs do not form part of NS&I's annual net financing target, but they do contribute to the overall gross financing requirement and will be reported as part of the financing arithmetic before the financial year-end.

²²⁷ <https://www.gov.uk/government/collections/uk-government-green-financing-programme>.

A.22 Table A.2 sets out the illustrative gross financing requirement for each financial year from 2026-27 to 2030-31, using the OBR's November 2025 forecast for CGNCR (ex NRAM Ltd, B&B, and NR) and taking into account current planned gilt redemptions.

Table A.2: Illustrative gross financing requirement (£ billion)¹

	2026-27	2027-28	2028-29	2029-30	2030-31
CGNCR (ex NRAM, B&B, and NR) ²	133.3	147.5	138.9	95.2	112.9
Gilt redemptions ³	142.0 ⁴	160.8	147.9	134.3	90.8
Total illustrative gross financing requirement	275.3	308.4	286.7	229.5	203.8

¹ Figures may not sum due to rounding.

² Central government net cash requirement (excluding NRAM Ltd, Bradford & Bingley, and Network Rail).

³ Projected redemptions to reflect the amount of gilts currently in issue (net of government holdings) in these financial years. To the extent that further gilt issuance takes place of gilts redeeming in these financial years, these amounts will increase. Includes gilt auction sizes announced up to 21 November 2025.

⁴ Includes 2026-27 sukuk redemption of £0.5 billion.

Source: UK Debt Management Office, HM Treasury, and Office for Budget Responsibility.

Annex B: Delivering in Scotland, Wales and Northern Ireland

B.1 The Budget takes the fair and necessary choices to deliver on the government's promises of change for the people and businesses of Scotland, Wales and Northern Ireland. The government's steps to control spending and reform the tax system mean that we are taking decisive action to ease the cost of living and bring down inflation.

B.2 These are important steps to support the people of Scotland, Wales and Northern Ireland. This includes delivering up to £14.5 million to support industrial projects that can create new jobs in Scotland's Grangemouth, announcing that Anglesey in North Wales will pioneer the UK's first small modular reactors, and delivering £16.6 million new funding to boost Northern Ireland trade.

B.3 Spending Review 2025 provided devolved governments with their largest spending review settlements in real terms since devolution in 1998.²²⁸ As a result of decisions at Budget 2025, the devolved governments will receive an additional £1.7 billion through the operation of the Barnett formula on top of these record settlements. This comprises £1.07 billion resource funding and £625 million capital funding:

- The Scottish Government will receive an additional £510 million resource funding and £310 million capital funding.
- The Welsh Government will receive an additional £320 million resource funding and £185 million capital funding.
- The Northern Ireland Executive will receive an additional £240 million resource funding and £130 million capital funding.

B.4 All devolved governments continue to receive over 20% more per person than equivalent government spending in the rest of the UK, and funding settlements are growing in real terms between 2024-25 and 2028-29.²²⁹

Support across the nations

B.5 The government is taking action to ease the cost of living in all nations of the UK by:

- Combatting child poverty by removing the two child limit in Universal Credit (UC) Child Element. This will support low-income families across Great Britain. 95,000 children in Scotland and 69,000 in Wales will benefit from this change.²³⁰ The government will fund the Northern Ireland Executive to remove the two child limit for families in Northern Ireland should it choose to do so, as welfare is devolved.

²²⁸ 'Spending Review 2025', HM Treasury, June 2025.

²²⁹ 'Spending Review 2025', HM Treasury, June 2025.

²³⁰ 'Poverty impacts of social security changes at Budget 2025', Department for Work and Pensions, November 2025.

- Increasing the National Living Wage (NLW) and the National Minimum Wage (NMW). The government raised the NLW and NMW in April 2025, which directly benefitted up to 220,000 people in Scotland, up to 160,000 people in Wales and up to 170,000 people in Northern Ireland.²³¹ The government is now further raising the NLW by 4.1%, the NMW for 18-20 year olds by 8.5%, and for 16-17 year olds/Apprentices by 6.0% from 1 April 2026.
- Upating the UC Standard Allowance by over 6%, the first ever sustained real terms increase in the Standard Allowance, directly benefitting 540,000 households in Scotland and 320,000 households in Wales.²³² The government is uprating all other relevant working age benefits in line with inflation – an increase of 3.8% from April 2026. The government will fund the Northern Ireland Executive to mirror these changes, should they choose to do so.
- Increasing the basic and new State Pension by 4.8% from April 2026, benefitting 1.1 million pensioners in Scotland and 700,000 pensioners in Wales.²³³ The government will fund the Northern Ireland Executive to increase the basic and new State Pension by 4.8%, from April 2026, should it choose to do so, as this policy area is devolved.
- Extending the 5p fuel duty cut until the end of August 2026 and cancelling the planned increase in line with inflation for 2026-27. Together with the Department for Energy Security and Net Zero's new open data Fuel Finder scheme, this is set to save the average car driver £89 next year compared with previous plans.²³⁴ This will benefit rural communities across Scotland, Wales and Northern Ireland.
- Announcing cost reductions in energy bills in Great Britain, delivering a saving of around £150 per household on average in 2026.²³⁵ The government will work with the Northern Ireland Executive if they choose to develop a comparable offer.

B.6 The government is also investing to deliver growth across the UK by:

- Unblocking key growth projects across Scotland and Wales by overhauling the grid connection process, and rolling out the Connections Accelerator Service to support the most strategically important projects to find solutions to connection delays.
- Launching entrepreneurship fellowships to support commercialisation in universities in the UK, including those in Scotland, Wales and Northern Ireland, supporting UK Research and Innovation's (UKRI) existing investments to fuel regional growth across the nations.

²³¹ 'The National Minimum Wage (Amendment) Regulations 2025', Department for Business and Trade (DBT) – January 2025.

²³² Internal Analysis, Department for Work and Pensions, 2025.

²³³ Stat-Xplore, May 2025 <https://stat-xplore.dwp.gov.uk/>.

²³⁴ 'Fuel Finder Open Data Scheme Final Impact Assessment', Department for Energy Security and Net zero, October 2025; 'National Travel Survey', Department for Transport (DfT), 2024; 'Vehicle Licensing Statistics', DfT, 2025; 'Families and Households', Office for National Statistics (ONS), 2024, along with HM Revenue and Customs (HMRC) KAI calculations using 'Vehicle Licensing Statistics Data Table 1103a', (DfT, DVLA) and 'Hydrocarbon Oils Bulletin', (HMRC) quantities, split into fuel use by vehicle type using HMRC KAI's OBR certified Fuel Duty Forecast Model. The baseline duty rate uses Retail Price Index consistent with the Office for Budget Responsibility (OBR) October 2025 forecast.

²³⁵ This is the total forecast fiscal cost of the scheme in GB divided by the forecast number of households in GB in 2026-27.

- Confirming £783 million for a new local growth programme over three years to support regeneration across Scotland, Wales and Northern Ireland. This is a new fund, distinct from the UK Shared Prosperity Fund. In Scotland, Wales and Northern Ireland, the Offices for the Nations will work with the Ministry for Housing, Communities and Local Government (MHCLG), communities, local partners and others to implement this new local growth fund. It will support the government's focus on ensuring that growth and improvements in living standards are felt in every part of the UK.

B.7 The government is supporting exports from Scotland, Wales and Northern Ireland through:

- A new UK-EU Sanitary and Phytosanitary (SPS) Agreement which will reduce export costs and deliver less red tape for meat exporters in Scotland and Wales. This will support export of globally recognised products, including Scottish Angus beef and Welsh lamb. The agreement will also allow routine checks on animal and plant products moving from Great Britain to Northern Ireland to be removed, strengthening Northern Ireland's place in the UK Internal Market.
- The UK-India Free Trade Agreement (FTA), which is estimated to boost Scotland's economy by £190 million per year, Wales's economy by £80 million every year and Northern Ireland's economy by £50 million annually.²³⁶ It benefits key industries across the nations, including Scottish salmon and whisky, Welsh food and drink, and Northern Ireland's advanced manufacturing and technology sectors.
- The UK, being the only country to have secured a preferential tariff rate for steel and aluminium exports, which is half that paid by all other exporters to the US, benefitting key steel sites including Liberty Steel in Glasgow, Tata Steel in Port Talbot, Llanwern and Trostre, as well as 7 Steel in Cardiff.

B.8 The government is reforming the tax system in a fair and balanced way, including creating separate tax rates for property income. This will apply to England, Wales and Northern Ireland.

B.9 The government will engage with the devolved governments of Scotland and Wales to provide them with the ability to set property income rates in line with their current income tax powers in their fiscal frameworks.

Scotland

B.10 The Scottish economy is already worth £204 billion per year.²³⁷ The government is investing in Scotland's economic potential and unique contributions to the UK at the Budget.

B.11 The government is supporting Scotland's energy industry through the Budget by:

- Giving the oil and gas sector and its investors long-term certainty on taxation by confirming the details of a permanent windfall tax mechanism, to replace the Energy Profits Levy (EPL) when it ends. The permanent windfall tax mechanism will deliver a fair return to the UK public when oil and gas prices

²³⁶ 'Impact assessment of the Free Trade Agreement between the United Kingdom of Great Britain and Northern Ireland and India', DBT, July 2025.

²³⁷ Gross Domestic Product (GDP) at current prices in 2023 using Office for National Statistics (ONS) (2025) data. Regional gross domestic product: all ITL regions – ONS.angle.

are unusually high and will be revenue-based, with a rate of 35% and thresholds of \$90/barrel for oil and 90p/therm for gas. This will help the sector plan for the future, supporting jobs and long-term investment.

- Providing certainty on the oil and gas regulatory regime. Our North Sea Future Plan, published alongside the Budget, sets out the action the government is taking to support ongoing investment in oil and gas and the management of existing fields for the entirety of their lifespan. This will support oil and gas workers, supply chains, and communities, recognising the important role that oil and gas will continue to play in the UK's energy mix for decades to come.
- Investing up to £14.5 million of funding in Grangemouth to support industrial projects that can create new jobs, recognising Grangemouth's almost 250-year history as a key UK industrial site. The government will collaborate with the Scottish Government to use this funding, which will work alongside the National Wealth Fund's (NWF) £200 million commitment to support investment opportunities in Grangemouth. This follows the £100 million Falkirk and Grangemouth Growth Deal, delivered jointly with the Scottish Government, which will also support jobs, including through a Skills Transition Centre.

B.12 This builds on the government's recent investment in Scotland's energy industry, including:

- £17.3 million further government funding to boost the Aberdeen Energy Transition Zone.
- A £62.1 million loan from the NWF for Orkney Islands Council's six-turbine wind farm at Quanterness.
- Establishing a new government campus for energy in Aberdeen, including Great British Energy's headquarters, drawing on the city's world-leading engineering expertise.²³⁸ Great British Energy – Nuclear will also assess potential nuclear sites in Scotland.

B.13 At the Budget, the government is investing further to deliver growth in Scotland by:

- Committing £20 million from the government's Growth Mission Fund to upgrade Inchgreen Dry Dock, subject to business case. The government will collaborate with Inverclyde Council to breathe new life into the currently derelict dock, turning it back into one of the largest dry docks in Europe and creating new jobs for the local area.
- Providing up to £20 million from the Growth Mission Fund for the redevelopment of Kirkcaldy town centre and seafront, subject to final business case.
- Approving the full business case for Forth Green Freeport, which aims to leverage £7.9 billion of investment over 10 years and create up to 16,000 direct jobs. A Memorandum of Understanding can now be signed with the Scottish Government, enabling the release of £25 million of government seed capital funding. Green energy and advanced manufacturing businesses located on

²³⁸ [Aberdeen to host Great British Energy HQ in UK-wide clean energy drive](#) – GOV.UK.

the Freeport's tax sites will benefit from a range of tax reliefs and incentives. The Freeport will boost UK production of clean energy and sustainable fuels, including offshore wind energy.

- Announcing £1.5 million of funding for two Scottish automotive companies from the latest DRIVE35 programme funding round.

B.14 This builds on investments that UK public finance institutions are delivering for Scotland's economy and businesses. This includes the British Business Bank's Investment Fund for Scotland, which has committed over £25 million of funding to smaller businesses during its first 18 months, supporting firms across a range of sectors to thrive and grow.²³⁹ Businesses across Scotland supported by the fund include:

- Edinburgh-based Ingenza Ltd., a leading biotech research business, which has secured £2 million funding to double its capacity, creating up to 20 new jobs.²⁴⁰
- The Benbecula Distillery, which has secured a £1.5 million investment. This marks the fund's first equity investment in the Highlands and Islands, with the funding set to enable the distillery to embark on a programme of growth, including creating new local jobs, expanding production, and supporting the whisky maturation process.
- The Glasgow-based powerchair startup, Freedom One Life, has secured a £500,000 loan. As well as helping the business break into the American market, the funding boost will enable further research and development (R&D) to increase manufacturing capacity and lower the cost of production.

B.15 This follows the government's existing investments in Scotland's future, including:

- Committing to locate an AI Growth Zone in Scotland. With Scotland being an area that generates more energy locally than the grid needs, an AI Growth Zone would be able to utilise this.
- Up to £750 million committed at the Spending Review to build the UK's new national supercomputer at the University of Edinburgh, strengthening Britain's position as an AI-maker and research power, with researchers and start-ups backed to deliver new waves of innovations and discoveries.
- A £50 million award earmarked for the Glasgow City Region through the Local Innovation Partnership Fund. This will support spin-out and scaling of firms in innovation clusters in the region focused in areas such as, medicine, biotechnology and quantum computing.
- The recent announcement of a new Defence Growth Deal being developed for Scotland, which will add to the 11,800 jobs already directly supported by the government's defence spending in Scotland.²⁴¹

B.16 The UK-wide support for exporters builds on the government's existing support for exporters in Scotland, including £2.25 million in funding for Brand Scotland committed at Spending Review 2025.

²³⁹ 'Investment Fund for Scotland surpasses £10 million investment milestone in its first year', British Business Bank.

²⁴⁰ 'Investment Fund for Scotland surpasses £10 million investment milestone in its first year', - British Business Bank.

²⁴¹ 'Ministry of Defence regional expenditure with UK industry and supported employment: 2021/22' – GOV.UK.

B.17 As well as directly delivering for Scotland, the government also funds the Scottish Government to deliver on its devolved priorities. Spending Review 2025 provided the Scottish Government with its largest spending review settlements in real terms since devolution in 1998.²⁴²

B.18 As a result of decisions at Budget 2025, the Scottish Government will receive an additional £510 million resource funding and £310 million capital funding through the operation of the Barnett formula on top of these record settlements. This means the Scottish Government's settlement continues to grow in real terms between 2024-25 and 2028-29. The Scottish Government continues to receive at least 20% more per person than equivalent government spending in the rest of the UK.

Wales

B.19 The government recognises Wales's proud industrial history and the potential of its advanced manufacturing and businesses for future UK growth. The Welsh economy is already worth £93 billion per year.²⁴³

B.20 The government is going further to support Wales's energy industry at the Budget by announcing that Anglesey in North Wales will pioneer the UK's first small modular reactors, recognising Wyfla's strong nuclear heritage. This is expected to support up to 3,000 jobs at peak construction and power the equivalent of around three million homes, equivalent to all of Wales's homes twice over.^{244,245} The project was backed by over £2.5 billion funding from the government at Spending Review 2025 – the most significant industrial investment in North Wales in a generation.²⁴⁶

B.21 The government is investing to deliver growth in Wales at the Budget:

- The government is establishing AI Growth Zones in North Wales and South Wales, each backed with £5 million investment in local AI adoption and skills. This will establish North Wales as a leading location for AI development, and a total of 3,450 jobs are now poised to come online as a direct result.²⁴⁷ The South Wales AI Growth Zone will create more than 5,000 new jobs for local communities over the next decade. South Wales is already the home of a growing tech industry, and this major investment in the region will help cement the UK's place as a global leader in AI.²⁴⁸
- The government is investing £10 million in semiconductor activity in South Wales. This funding will focus on semiconductor technologies critical to AI and data centres to support innovation, strengthen supply chains, and develop the skills needed for future growth.

²⁴² 'Spending Review 2025', HM Treasury, June 2025.

²⁴³ 'GDP at current prices in 2023 using ONS (2025) data. Regional gross domestic product: all ITL regions' – Office for National Statistics.

²⁴⁴ 'North Wales to pioneer UK's first small modular reactors' – GOV.UK.

²⁴⁵ 'Household estimates: mid-2012 to mid-2023' – GOV.WALES.

²⁴⁶ 'North Wales to pioneer UK's first small modular reactors' – GOV.UK.

²⁴⁷ Internal Department for Science, Innovation and Technology estimates for number of jobs – Department for Science, Innovation and Technology (2025). 'AI Growth Zones to create thousands of jobs and unlock up to £100 billion in investment, as new site confirmed for North Wales' – GOV.UK.

²⁴⁸ 'AI to power national renewal as government announces billions of additional investment and new plans to boost UK businesses, jobs and innovation' – GOV.UK.

- Welsh firms will be supported to scale and commercialise cutting-edge technologies and Welsh universities will benefit from the £4 million per year that UKRI will invest in new fellowship funding to support budding academic entrepreneurs to develop ideas for new spin-out companies based on their research.
- The government is announcing £4.2 million, subject to business case, for the remediation of brownfield land in Port Talbot supporting the Harbourside Innovation District, aligned to the Celtic Freeport, helping to unlock further investment.
- The government is announcing £1.5 million of funding for three Welsh automotive companies from the latest DRIVE35 programme funding round.
- The government recognises the growth potential of the Cardiff Parkway development. The government will work with the Welsh Government and the private sector to develop plans for the delivery and funding of a station to serve the area as soon as possible with government support.

B.22 This builds on progress since the launch of the UK's Modern Industrial Strategy and Spending Review 2025 by providing funding for projects and creating an environment for investment, which includes:

- Enhancing economic connectivity for Wales. Spending Review 2025 and the Infrastructure Strategy recognised Wales's long-term infrastructure needs and included at least £445 million of funding to realise them, including funding to upgrade the Core Valley Lines, enhancements to Cardiff Central Station and to increase connectivity across Wales.
- Approval of the full business case for Anglesey Freeport. A Memorandum of Understanding can now be signed with the Welsh Government, releasing £25 million of government seed capital funding. The Freeport tax sites are now live, meaning the Freeport is fully open for business, with a focus on the renewable energy and digital and data technology sectors. The Freeport's interventions will upgrade and decarbonise power provision to the Port of Holyhead, part-fund the Egni building at M-SParc to drive low-carbon innovation and commercialisation, and fund work to develop underutilised sites. Businesses located on the tax sites will also benefit from a range of incentives and tax reliefs.
- Final approval by the UK and Welsh Governments of the Flintshire and Wrexham (North Wales) Investment Zone, the first Investment Zone outside England to enter delivery. Backed by £160 million government funding over 10 years, the zone focuses on advanced manufacturing. The Investment Zone is expected to leverage over £1 billion in private sector investment over its lifetime. It will connect people to over 5.5 million square feet of manufacturing floor space, with skills interventions to support local people to take advantage of over 6,000 new high-quality jobs.²⁴⁹ A further £20 million will be focused on supporting businesses of all sizes.
- £30 million direct award for Cardiff City Region as part of the Local Innovation Partnership Fund.²⁵⁰

²⁴⁹ 'Government going further and faster to bring growth to Wales' – GOV.UK.

²⁵⁰ 'Local leaders in every UK nation backed by £30 million each to drive transformative innovation and grow the economy' – GOV.UK.

- The UK's first carbon capture-enabled cement plant at Padeswood in Flintshire has achieved a final investment decision with the government to begin construction. This world-leading carbon capture technology will deliver growth for the region and provide highly skilled jobs.
- Under the government's national plan to recruit workers needed for the clean energy superpower mission, Wales will benefit from up to 20,000 clean energy jobs by 2030. Pembrokeshire will benefit directly from a skills pilot scheme which will support people in local communities to get jobs in clean energy.²⁵¹
- The government provided £2.4 million in funding over the Spending Review period to launch a new Brand Wales Programme, promoting Welsh investment opportunities and exports around the world.²⁵²
- The recent announcement of a new Defence Growth Deal being developed for Wales, which will add to the 3,900 jobs already directly supported by the government's defence spending in Wales.²⁵³

B.23 The government is also taking action to alleviate the cost of living through making the biggest investment in employment support for disabled people and those with health conditions in at least a generation.²⁵⁴ Using funding announced earlier this year, the government's Pathways to Work Guarantee will ensure anyone in Wales claiming out-of-work benefits who is disabled or has a health condition will have access to a specialist work coach, and personalised work, health and skills support.

B.24 The government will also transfer the Investment Reserve Fund in the British Coal Staff Superannuation Scheme to the scheme's Trustees. This will be paid out as an additional pension to members of the scheme.

B.25 As well as directly delivering for Wales, the government also funds the Welsh Government to deliver on its devolved priorities. Spending Review 2025 provided the Welsh Government with its largest spending review settlements in real terms since devolution in 1998.

B.26 As a result of decisions at Budget 2025, the Welsh Government will receive an additional £320 million resource funding and £185 million capital funding through the operation of the Barnett formula on top of these record settlements. This means the Welsh Government's settlement continues to grow in real terms between 2024-25 and 2028-29.

B.27 The Welsh Government continues to receive at least 20% more per person than equivalent government spending in the rest of the UK. This ensures the Welsh Government is funded above its independently assessed level of need of 115% in all years of the Spending Review period.

B.28 To enable the Welsh Government to support people, businesses and public services in Wales, in 2026-27 the Welsh Government's annual and cumulative capital borrowing limits, overall Wales Reserve limit and annual Resource Departmental Expenditure Limit (RDEL) and Capital Departmental Expenditure

²⁵¹ 'Clean energy jobs plan' – GOV.UK.

²⁵² 'Spending Review 2025', HM Treasury, June 2025.

²⁵³ 'Ministry of Defence regional expenditure with UK industry and supported employment: 2021/22' – GOV.UK.

²⁵⁴ 'Pathways to Work: Reforming Benefits and Support to Get Britain Working', Department for Work and Pensions, 2025.

Limit (CDEL) drawdown limits will all be increased by 10%. From 2027-28, each of those limits will be uprated annually in line with inflation. The government will also provide a temporary waiver of the Wales Reserve drawdown limits in 2026-27.

Northern Ireland

B.29 The government is continuing to invest in Northern Ireland's economic potential and unique contributions to the UK. The Budget builds on the government's record settlement for the Northern Ireland Executive provided at Spending Review 2025 through measures to support growth in Northern Ireland.

B.30 To help businesses navigate the Windsor Framework, the government will provide £16.6 million of new funding over the next three years for an Internal Market Package to boost trade between Northern Ireland and Great Britain. This will create an enhanced 'one stop shop' support service that will help businesses unlock the full opportunities of trading across the UK internal market and enable businesses based in Northern Ireland to take advantage of their access to the UK and EU markets. The Internal Market Package will be delivered in partnership between the government and Northern Ireland Executive, ensuring support meets local needs and benefits the economy of Northern Ireland.

B.31 The UK Internal Market Package includes £2.25 million of new funding for Intertrade UK to forge and strengthen trade and business links between Great Britain and Northern Ireland. The work of Intertrade UK will focus on supporting businesses to overcome existing barriers to trade, promoting opportunities for connection and growth within the UK internal market, and enhancing connectivity between Great Britain and Northern Ireland.

B.32 The Budget confirms advanced manufacturing as the sector focus for the Enhanced Investment Zone in Northern Ireland, targeting clusters in photonics and biotechnology. The government and the Northern Ireland Executive are exploring a range of interventions – across business support, R&D, skills, local infrastructure, and support for green industries – to strengthen these chosen sectors. The Department for the Economy in Northern Ireland expects it to leverage over £230 million in private investment and support the creation of more than 1,000 jobs over the next 10 years.²⁵⁵

B.33 This follows the government's recent investment in Northern Ireland's high-potential sectors, including tech, defence and the creative industries:

- At the Spending Review, the government confirmed £310 million over four years for Northern Ireland's four City and Growth Deals. These deals are a collaboration with the Northern Ireland Executive and are a primary mechanism for funding large-scale R&D projects, including Belfast Region City Deal investment in:
 - Queen's University Belfast Advanced Manufacturing Innovation Centre (AMIC). This £100 million R&D centre is set to open in 2026 and will provide state-of-the-art engineering facilities for businesses.
 - Studio Ulster, a £25.2 million government investment in a state-of-the-art virtual production R&D studio.

²⁵⁵ Figures provided by the Northern Ireland Executive Department for the Economy.

- £30 million direct award for the Belfast to Derry-Londonderry Corridor as part of the Local Innovation Partnerships Fund.
- The recent announcement of a new Defence Growth Deal being developed for Northern Ireland, which will add to the 900 jobs already directly supported by the government's defence spending in Northern Ireland.²⁵⁶

B.34 As well as directly delivering for Northern Ireland, the government also funds the Northern Ireland Executive to deliver on its devolved priorities. The Spending Review provided the Northern Ireland Executive with its largest spending review settlements in real terms since devolution in 1998.

B.35 As a result of decisions at Budget 2025, the Northern Ireland Executive will receive an additional £240 million resource funding and £130 million capital funding through the operation of the Barnett formula on top of these record settlements. This means the Northern Ireland Executive's settlement continues to grow in real terms between 2024-25 and 2028-29.

B.36 The Northern Ireland Executive continues to receive at least 24% more per person than equivalent government spending in the rest of the UK in all years of the spending review period. This ensures the Northern Ireland Executive is funded above its independently assessed level of need (124%).

B.37 To make sure support goes to those who truly need it, the government will work with the Northern Ireland Executive over the coming months on ways to tackle welfare fraud and error in Northern Ireland and on different funding options, including the potential to share a portion of resulting savings with the Executive.

²⁵⁶ 'Ministry of Defence regional expenditure with UK industry and supported employment: 2021/22' – GOV.UK.

Annex C: Government spending

Table C.1: Resource Departmental Expenditure Limits (DEL) excluding depreciation

£ billion (current prices)	Outturn 2024-25	Plans 2025-26	Plans 2026-27	Plans 2027-28	Plans 2028-29
Health and Social Care	193.2	203.4	211.4	221.3	231.2
Education	89.2	95.2	98.3	100.2	101.0
Home Office	18.3	19.6	20.9	20.4	20.5
Justice	11.1	12.0	12.6	12.9	13.2
Law Officers' Departments	0.9	1.0	1.1	1.1	1.1
Defence	37.5	38.6	39.6	41.0	42.0
Single Intelligence Account	3.1	3.3	3.2	3.4	3.4
Foreign, Commonwealth and Development Office	8.3	8.0	6.6	7.0	7.1
MHCLG Local Government ¹	11.3	13.9	14.9	15.1	15.2
MHCLG Housing, Communities and Local Government	3.7	4.5	4.4	4.4	4.4
Culture, Media and Sport	1.5	1.6	1.6	1.6	2.0
Science, Innovation and Technology	0.5	0.7	0.8	0.8	0.7
Transport	7.9	8.1	8.3	7.8	7.6
Energy Security and Net Zero	1.4	1.9	2.0	2.0	1.7
Environment, Food and Rural Affairs	5.0	4.9	4.8	4.8	4.7
Business and Trade	1.5	2.0	1.9	1.8	1.8
Work and Pensions	9.0	10.3	11.4	11.7	11.6
HM Revenue and Customs	5.1	6.0	6.7	6.8	6.4
HM Treasury	0.3	0.4	0.4	0.4	0.4
Cabinet Office	0.6	0.9	1.0	1.2	1.0
Scottish Government ^{2,3}	39.4	41.4	42.7	43.7	44.6
Welsh Government ³	17.0	18.1	18.5	19.0	19.4
Northern Ireland Executive ³	15.6	16.4	16.5	16.9	17.3
Small and Independent Bodies	2.7	2.9	3.1	3.0	2.9
Reform and Innovation Fund	-	0.0	-	-	-
Reserves	-	2.7	4.4	4.4	4.7
Total Resource DEL excluding depreciation	484.3	517.9	537.1	552.7	566.3

¹The MHCLG Local Government DEL is reduced in all years from 2026-27 onwards to reflect the extension of Business Rates retention arrangements to 2028-29, with offsetting increases in LA spending in AME.

²Scottish Government DEL is reduced in all years from 2025-26 onwards to reflect the transfer of police and fire balancing pension payments from DEL to AME.

³Due 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.

Source: HM Treasury, Public Spending Statistics for 2024-25 outturn, HM Treasury DEL plans.

Table C.2: Capital Departmental Expenditure Limits (DEL)

£ billion (current prices)	Outturn 2024-25	Plans 2025-26	Plans 2026-27	Plans 2027-28	Plans 2028-29	Plans 2029-30
Health and Social Care	11.5	13.6	14.0	13.8	14.8	15.2
Education	5.6	6.8	8.3	7.7	7.7	7.7
Home Office	1.7	1.6	1.7	1.7	1.7	1.7
Justice	1.5	2.0	2.3	2.3	2.3	2.0
Law Officers' Departments	0.1	0.1	0.1	0.1	0.2	0.0
Defence	22.7	23.1	25.9	30.0	31.5	33.2
Single Intelligence Account	1.4	1.7	1.9	1.7	1.9	1.6
Foreign, Commonwealth and Development Office	2.6	3.3	3.2	2.2	2.7	3.0
MHCLG Housing, Communities and Local Government	8.3	9.1	9.6	9.1	9.0	9.2
Culture, Media and Sport	0.5	0.8	0.7	0.7	0.7	0.7
Science, Innovation and Technology	13.2	14.7	15.1	15.7	15.8	16.2
Transport	20.5	21.6	23.0	24.8	22.7	24.4
Energy Security and Net Zero	5.3	11.4	8.4	9.7	11.5	11.7
Environment, Food and Rural Affairs	2.3	2.7	2.8	2.8	2.8	2.8
Business and Trade	0.9	1.6	1.8	2.0	2.0	1.9
Work and Pensions	0.5	0.8	1.0	0.8	0.6	0.5
HM Revenue and Customs	0.7	0.9	0.9	0.6	0.5	0.3
HM Treasury	0.8	0.8	0.8	0.1	0.1	0.1
Cabinet Office	0.3	0.5	0.6	0.5	0.3	0.2
Scottish Government	5.8	6.6	7.1	7.2	7.1	7.2
Welsh Government	3.2	3.4	3.6	3.6	3.5	3.5
Northern Ireland Executive	2.0	2.2	2.4	2.5	2.4	2.5
Small and Independent Bodies	0.3	0.4	0.5	0.4	0.4	0.4
Growth Mission Fund	-	-	0.0	0.1	0.1	0.1
Reserves	-	1.6	2.4	2.5	2.5	2.6
Provision for intra-governmental leases	-	-	0.7	1.2	1.2	0.9
Total Capital DEL	111.9	130.9	139.1	143.8	146.0	149.4
Remove CDEL Financial Transactions (FT)	0.2	-2.5	-4.5	-4.6	-7.1	-8.8
Capital DEL excl. FT	112.1	128.5	134.6	139.2	138.9	140.7
<i>Memo: Spending Review 2025 CDEL excl. FT adjusted for reclassifications¹</i>	-	128.3	134.2	136.4	138.4	139.2

¹Spending Review 2025 CDEL excl. FT is adjusted for CDEL to CAME reclassification of Sizewell C (£2.8 billion in 2026-27, £3 billion in 2027-28, £2.4 billion in 2028-29, £2.7 billion in 2029-30) and TfL Business Rates Retention (£1.2 billion p.a. from 2026-27) and expected ONS classification of Ukraine Extraordinary Revenue Acceleration as CDEL FT (£0.8 billion p.a. in 2025-26 and 2026-27).

Source: HM Treasury, Public Spending Statistics for 2024-25 outturn, HM Treasury DEL plans.

Table C.3: Capital Departmental Expenditure Limits (DEL): Financial Transactions (FT)

£ billion (current prices)	Outturn 2024-25	Plans 2025-26	Plans 2026-27	Plans 2027-28	Plans 2028-29	Plans 2029-30
Health and Social Care	0.0	-	-	-	-	-
Education	0.1	0.0	0.1	0.1	0.1	0.1
Defence	0.2	0.2	0.3	0.3	0.4	0.4
Foreign, Commonwealth and Development Office	0.2	0.1	0.4	0.3	0.3	0.3
MHCLG Housing, Communities and Local Government	0.2	0.4	1.2	1.0	1.4	1.8
Culture, Media and Sport	0.0	-	-	-	-	-
Science, Innovation and Technology	0.0	0.1	0.2	0.2	0.3	0.2
Transport	-0.1	-	-	-	-	-
Energy Security and Net Zero	-2.2	-	0.3	1.2	3.2	4.5
Environment, Food and Rural Affairs ¹	0.0	-	0.1	0.1	0.1	0.1
Business and Trade	0.4	0.4	0.7	0.9	0.8	0.7
Work and Pensions	0.1	0.1	0.1	0.0	0.0	0.0
HM Treasury	0.8	0.8	0.8	0.1	0.1	0.1
Scottish Government	0.1	0.2	0.2	0.3	0.3	0.4
Welsh Government	0.2	0.1	0.1	0.1	0.2	0.2
Northern Ireland Executive	0.0	0.1	0.1	0.1	0.1	0.1
Total CDEL FT²	-0.2	2.5	4.5	4.6	7.1	8.8

¹The Department for Energy Security and Net Zero 2024-25 outturn reflects the income from the sale of Bulb Energy.

²HM Treasury CDEL FT control total reflects an expected ONS classification of Ukraine Extraordinary Revenue Acceleration.

Source: HM Treasury Public Spending Statistics, HM Treasury DEL plans.

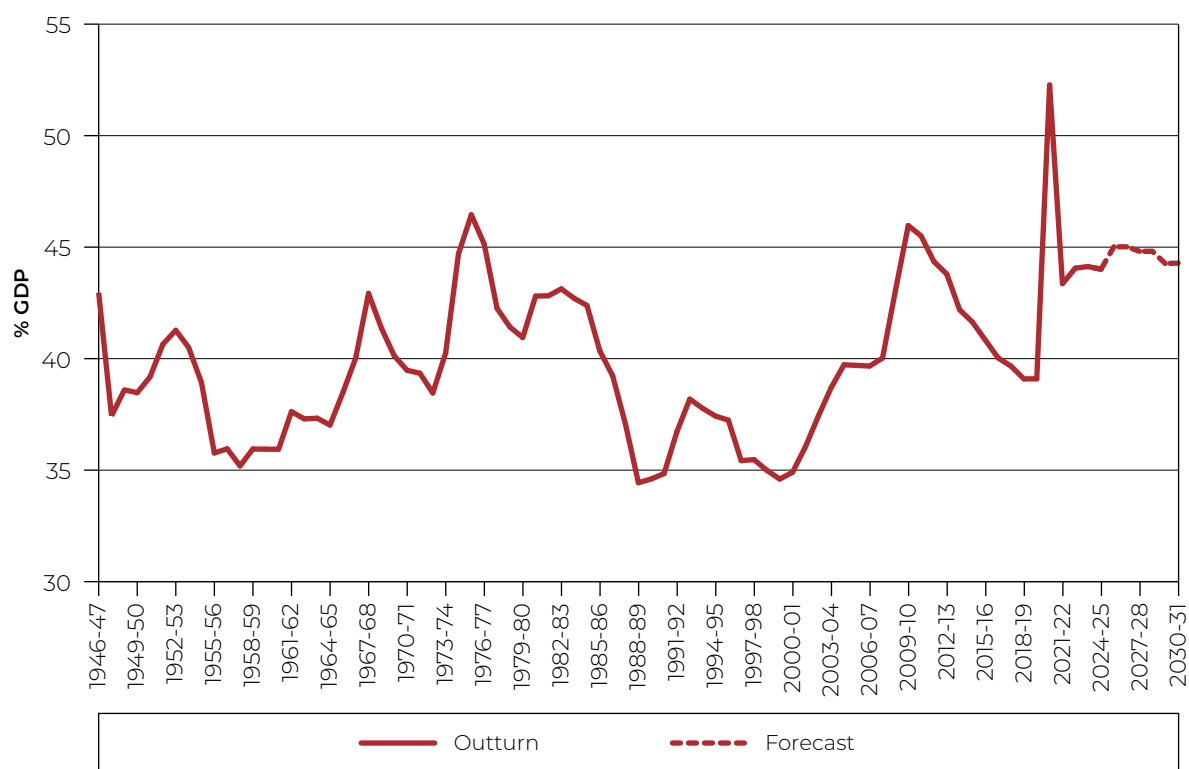
Table C.4: Total Managed Expenditure (TME)^{1,2}

£ billion (current prices)	Outturn 2024-25	Plans 2025-26	Plans 2026-27	Plans 2027-28	Plans 2028-29	Plans 2029-30	Plans 2030-31
Current Expenditure							
Resource AME	625.5	654.8	679.5	701.7	725.8	753.3	782.4
Resource DEL excluding depreciation	484.3	517.9	537.1	552.7	566.3	579.7	599.3
Ringfenced depreciation	35.5	38.0	39.4	40.6	41.6	42.6	44.0
Total Public Sector Current Expenditure	1,145.3	1,210.7	1,256.0	1,295.0	1,333.7	1,375.6	1,425.7
Capital Expenditure							
Capital AME	30.8	28.2	20.7	30.0	28.0	26.2	27.1
Capital DEL	111.9	131.0	139.1	143.8	146.0	149.4	153.8
Total Public Sector Gross Investment	142.7	159.1	159.8	173.8	174.0	175.6	180.9
Total Managed Expenditure	1,288.1	1,369.8	1,415.9	1,468.7	1,507.6	1,551.2	1,606.6
<i>Total Managed Expenditure % of GDP</i>	<i>44.0%</i>	<i>45.0%</i>	<i>44.7%</i>	<i>44.8%</i>	<i>44.5%</i>	<i>44.3%</i>	<i>44.3%</i>

¹Resource DEL excluding ringfenced depreciation is HM Treasury's primary control within resource budgets. Capital DEL is HM 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.

²Total Public Sector Current Expenditure and Total Public Sector Gross Investment are net of the OBR and HM Treasury Allowance for Shortfall (Afs) assumptions. The HM Treasury Afs assumption for Resource DEL excluding depreciation is set at £3.3 billion in 2029-30 and £3.4 billion in 2030-31 based on the pre-COVID19 average from 2015-16 to 2019-20. The HM Treasury Afs assumption for Capital DEL is set at £4.0 billion in 2030-31 based on the OBR's assumption in the previous year.

Source: HM Treasury, Public Spending Statistics.

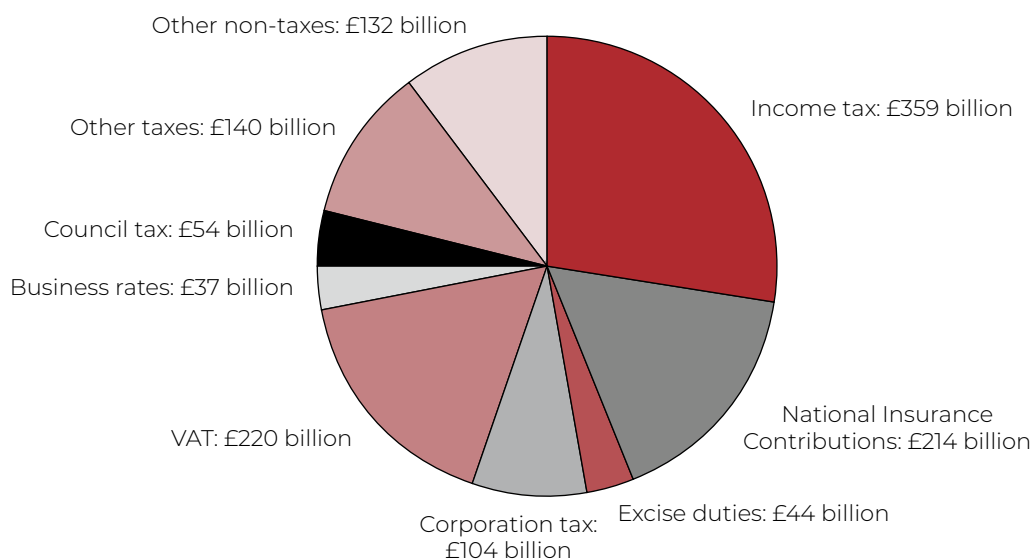
Chart C.1: Total Managed Expenditure (per cent of GDP)

Source: HM Treasury, Public Spending Statistics.

Annex D: Public sector receipts and spending

D.1 Chart D.1 shows public sector current receipts by main type. Public sector current receipts are expected to be around £1,304 billion in 2026-27.

Chart D.1: Public sector current receipts 2026-27



Figures may not sum due to rounding.

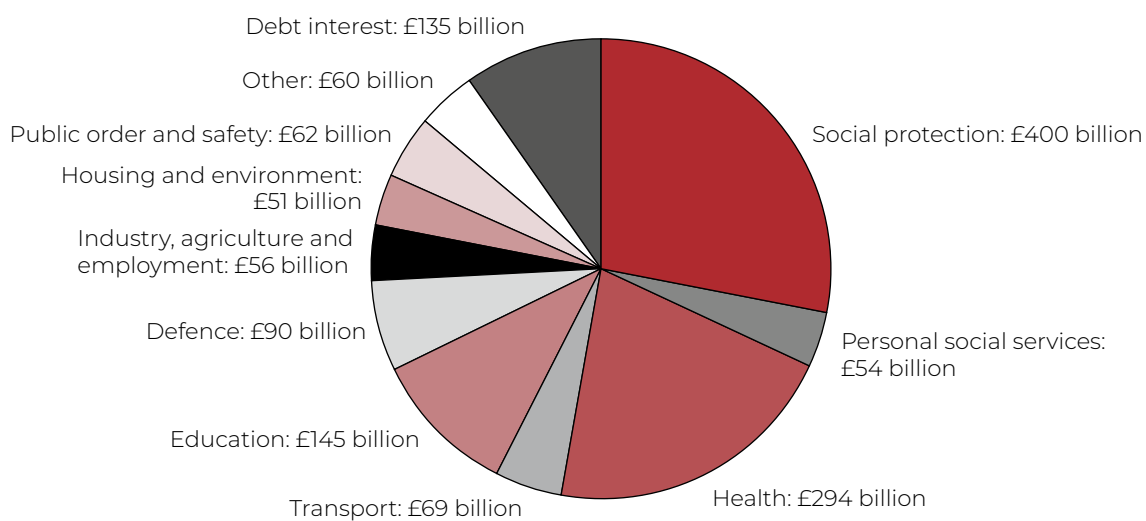
Other taxes includes capital taxes, stamp duties, vehicle excise duties, customs duties and other smaller tax receipts.

Other non-taxes includes interest and dividends, gross operating surplus and other smaller non-tax receipts.

Source: Office for Budget Responsibility.

D.2 Chart D.2 shows public spending by main function. Total Managed Expenditure (TME) is expected to be around £1,416 billion in 2026-27.

Chart D.2: Public sector spending 2026-27



Figures may not sum due to rounding.

Illustrative allocations to functions are based on HMT analysis including capital consumption figures from the Office for National Statistics.

Source: Office for Budget Responsibility and HM Treasury calculations.

HM Treasury contacts

This document can be downloaded from
www.gov.uk

If you require this information in an
alternative format or have general enquiries
about HM Treasury and its work, contact:

Correspondence Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Tel: 020 7270 5000

Email: public.enquiries@hmtreasury.gov.uk

E03444720

ISBN 978-1-5286-6090-7