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The Main Highlights from the Chancellor's Spring Statement.

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In the days building up to the statement, the overwhelming news headline has been around the announcement of benefits cuts allegedly worth £5bn, specifically focusing on personal independent payments (PIP), a key disability benefit.

Following a detailed Autumn budget that saw major tax announcements, it was predicted that the Chancellor would keep the spring statement 'limited' and the focus would be on cuts as well as the increase in defence spending.

The Chancellor began the Spring statement by saying that Labour was elected last July *"to bring change to our country, to provide security for working people and to deliver a decade of national renewal"*. Continuing with her summary, Mrs. Reeves said that she is proud of what Labour has done so far and that now they move onto the job at hand which is to *"secure Britain's future in a world that is changing before our eyes"*.

Listing various challenges that the UK are facing in the current climate, this focused on the consequences of Russia's continued invasion of Ukraine, the 'uncertain' global economy and a rise in borrowing costs.

"The responsible choice is to reduce our levels of debt and borrowing in the years ahead."

Mrs Reeves continued by saying that she believes the UK has the strength to reach its full potential and deliver for working people.

Fiscal rules

Turning to the Independent Office for Budget Responsibility (OBR) forecast, the Chancellor repeated that her fiscal rules are *"non-negotiable"* explaining that these two rules are the stability rule, to ensure that public spending is "under control" and the investment rule, which is about "ensuring net financial debt falls by the end of the forecast period, while enabling us to invest alongside business".

Mrs Reeves says that today's announcements mean that the government's budget will move from a deficit of £36.1bn in 2025/26 and £13.4bn in 2026/27, to a surplus of £6bn in 2027/28, £7.1bn in 2028/29 and £9.9bn in 2029/30.

Furthermore, the OBR forecast shows that the investment rule is also met two years early, with net financial debt of 82.9% of GDP in 2025-26 and 83.5% in 2026-27, before falling from 83.4% in 2027-28, to 83.2% in 2028-29 and 82.7% in 2029-30.

This will provide headroom of £15.1bn in the final year of the forecast.

Tax Evasion

Recapping the Autumn budget, the Chancellor says that when working people are paying their taxes while still struggling with the cost of living, it cannot be right that others are still evading what they rightfully owe in tax.

Today, Mrs. Reeves said that she was going further by "*continuing our investments in cutting edge technology, investing in the HMRC capacity to crack down on tax avoidance and setting out plans to increase the number of tax fraudsters charged every year by 20%.*"

Mrs Reeves said that by taking these steps on reducing tax evasion, it will raise an extra £1bn for the economy.

"I said our fiscal rules were non-negotiable and I meant it".

Welfare Budget

The Chancellor noted that more than 1000 people are qualifying for personal independence payments (PIP) every day as well as sharing that 1 in 8 young people are not in employment, education or training.

Noting that by letting this continue, in effect we are *"writing off an entire generation"*. Mrs Reeves said that she cannot allow this to continue and as such is putting measures in place to prevent a waste of a generation's futures. The OBR have said that they estimate the package of support will save £4.8bn of the welfare budget.

The Chancellor announced that the Universal Credit standard allowance will increase from £92 per week in 2025-2026 to £106 per week by 2029-2030. While the Universal Credit health element will be cut for new claimants by around 50% and then frozen. On top of this, they are investing £1bn to provide guaranteed, personalised employment support to help people back into work and £400 million to support the Department for Work and Pensions and our Job Centres to deliver these changes effectively and fairly.

This takes the total savings to £3.4 billion. While spending on disability and sickness benefits will continue to rise, these plans mean that welfare spending as a share of GDP will fall between 2026 and the end of the forecast period.

Summarising this section of the speech, the Chancellor concluded that they are *"reforming our welfare system, making it more sustainable, protecting the most vulnerable, and most importantly, supporting more people back into secure work, lifting them out of poverty."*

Government spending

Turning to departmental budgets, Mrs Reeves explained that the spending review will be delivered in June to set departmental budgets until 2028-29 for day-to-day spending and until 2029-30 for capital spending.

Today however, the Chancellor reflected on the government spending plans.

In relation to the defence budget, Mrs Reeves announced that defence spending will be increased to 2.5% of GDP and overseas aid would be reduced to 0.3% of gross national income.

This means that we will save £2.6 billion in day-to-day spending in 2029–30 to fund our more capital-intensive defence commitments.

Mrs Reeves also referred to the recent abolishment of NHS England, which she says, *"ensures that money goes directly to improving the service for patients".*

"This government will ensure that every pound we spend will deliver for the British people by increasing productivity, driving growth in our economy and improving our front-line public services,"

The Chancellor announced £3.25 billion of investment to deliver the reforms that our public services need through a new Transformation Fund. This is money brought forward now to bring down the costs of running government by the end of the forecast period, by making public services more efficient, more productive and more focused on the user.

Mrs Reeves confirmed that the first allocations from this Transformation Fund would include funding for voluntary exit schemes to reduce the size of the civil service, pioneering AI tools to modernise the state, investment in top technology for the Ministry of Justice to deliver probation services more effectively and an upfront investment to support more children in foster care to give them the best possible start in life.

The Chancellor said these steps will help to deliver a further £3.5 billion of day-to-day savings by 2029/30. Overall, day-to-day spending will be reduced by £6.1 billion in 2029/30.

Reflecting on the announcement in the Autumn budget of £100bn of capital spending to crowd in investment from the private sector, today the Chancellor confirmed that she is increasing capital spending by an average of £2 billion per year compared with the Autumn, to drive growth in our economy and to deliver in full our vital commitments on defence.

Economic instability

Turning to the impact of increased uncertainty on our economy, Mrs. Reeves said that to deliver economic stability, we must work closely with the Bank of England, supporting the independent Monetary Policy Committee to meet their 2% inflation target.

She continued by saying that the OBR forecast that CPI inflation will average 3.2% this year before falling rapidly to 2.1% in 2026 and meeting the 2% target from 2027 onwards.

Mrs Reeves continued by explaining that earlier this month, the OECD downgraded this year's growth forecast for every G7 economy, including the UK and the OBR have today revised down the UK growth forecast for 2025 from 2% in the autumn to 1% today.

Mrs Reeves shared her dissatisfaction with these numbers and said that this is why they are serious about taking the action needed to grow our economy.

In response to this, the Chancellor explained how she is "*backing the builders, not the blockers, with a third runway at Heathrow Airport and the Planning and Infrastructure Bill. Increasing investment with reforms to our pension system and a new national wealth fund and tearing down regulatory barriers in every sector of our economy... That is a serious plan for growth. That is a serious plan to improve living standards. That is a serious plan to renew our country.", Mrs* Reeves concluded.

Defence budget

Going into more detail regarding an extra £6.4bn being put into defence spending by 2027, Mrs Reeves outlined the investment aspect of this budget confirming that she will provide an additional £2.2bn for the Ministry of Defence next year, a further downpayment on Labour's plans to deliver 2.5% of GDP by 2027.

Outlining the immediate steps, Mrs Reeves says that the UK will spend a minimum of 10% of the Ministry of Defence equipment budget on new novel technologies, including drones and AI-enabled technology, which she says will also create demand for highly skilled engineers and scientists and delivering new business opportunities for UK tech firms and startups.

The Chancellor said that they will establish a protected budget of £400m within the Ministry of Defence, a budget that will rise over time for UK defence innovation, with a clear mandate to bring innovative technology to the frontline at speed.

She also says that the government will reform the broken defence procurement system, making it quicker, more agile and more streamlined.

The Chancellor also announced new plans for Barrow, *"a town at the heart of our nuclear security",* providing £200m supporting the creation of thousands of jobs there and they will also regenerate Portsmouth Naval Base, securing its future as well as securing better homes for thousands of military families.

The Chancellor announced that she will provide £2bn of increased capacity for UK export finance to provide loans for overseas buyers of UK defence goods and services because "*I want to do more with our defence budget so we can buy, and make, and sell things here in Britain."*

Mrs Reeves added that she and the Defence Secretary will also establish a new "Defence Growth Board" to maximise the benefits from every pound of taxpayers' money spent.

All of these measures, she says is *"how we make our country a defence industrial superpower".*

House building

Reflecting on one of her central plans for growth, Mrs Reeves confirmed that OBR have today concluded that the housing reforms will permanently increase the level of real GDP by 0.2% in 2029–30, an additional £6.8 billion for our economy and by 0.4% of GDP within 10 years, an additional £15.1 billion in our British economy.

The OBR have concluded that our reforms will lead to house building reaching a 40-year high. This equates to around 305,000 new homes a year by the end of the forecast and changes to the national planning policy framework alone will help build over 1.3 million homes in the UK over the next five years.

"To build these new homes, we need people with the right skills," Mrs Reeves added referring to the Education Secretary's announcement of more than £600m to train up to 60,000 more construction workers including 10 new technical excellence colleges across every region of the country giving working people the chance to fulfil their potential.

Saying how this was *"just the start"*, Mrs. Reeves explained how the Planning and Infrastructure Bill passed its second reading on Monday (24th March 2025) and said that once this bill completes its passage, it will help deliver the homes and infrastructure our country badly needs.

Growth forecast

The Chancellor next turned to the growth forecast from the independent OBR for the coming years explaining how they have been upgraded from next year, and for every single year thereafter.

There will be GDP growth of 1.9% in 2026, 1.8% in 2027, 1.7% in 2028 and 1.8% in 2029. She adds *"by the end of the forecast, our economy is larger compared to the OBR's forecast at the time of the budget."*

The chancellor goes on to say that *"working people are still feeling the pinch after a cost-of-living crisis that saw prices spiral",* so says she is pleased that the OBR has found that *"real household disposable income will now grow this year at almost twice the rate expected in the autumn... and living standards will rise twice as fast this parliament compared to the last,"* she adds.

This means that households will be "on average over £500 a year better off.

“I am impatient for change. The British people are impatient for change. We are beginning to see change happen. Our plan for change is working. Defence spending is rising, waiting lists are falling, wages are up, interest rates are cut. That is the difference that this Labour government is making. Today, Mr. Speaker, the OBR confirmed that our plan to get Britain building will drive growth in our economy and put more money in people's pockets.

There are no quick fixes, but we have taken the right choices. Returning stability to our economy after years of mismanagement, delivering security for our country and security for working people.

That is what drives this government. That is what drives me as Chancellor. That is what drives the choices that I have set out today, and I commend this statement to the house.”

Rachel Reeves

Chancellor of the Exchequer

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