

Research Briefing

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Autumn Budget 2025: A summary



Summary

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Summary

The Chancellor of the Exchequer, Rachel Reeves, presented her [2025 Autumn Budget](#) to Parliament on 26 November and [published supporting documents on the gov.uk website](#).

When the Chancellor finished her statement in the Commons, the Office for Budget Responsibility (OBR) [published updated forecasts for the UK's economic and fiscal outlook](#). The OBR is the independent public finances watchdog that produces the official forecasts for the economy and public finances used by the Chancellor.

The Chancellor said that the 2025 Autumn Budget is [“a Budget for fair taxes, strong public services, and a stable economy.”](#) She said that [“\[in\] the face of challenges on our productivity, I will grow our economy through stability, investment and reform. I’ve met my fiscal rules and built our economic resilience for the future.”](#)

Selected announcements

Tax announcements

Personal tax thresholds

The government has announced it will extend the freeze to personal tax thresholds (income tax and National Insurance contributions) for three further years, from April 2028 to 2031. The OBR expects this will raise £23 billion in total by 2030/31.

National Insurance contributions and pension salary sacrifice schemes

The government announced that from April 2029 only the first £2,000 of pension contributions made by each employee through a salary sacrifice scheme will be exempt from National Insurance contributions (NICs). Currently no cap exists. Employer and employee NICs will be due for pension contributions made through salary sacrifice schemes exceeding that cap. The OBR estimates this will raise £4.7 billion in 2029/30, and £2.6 billion in 2030/31.

High Value Council Tax surcharge

The government will introduce a High Value Council Tax Charge from April 2028. It will apply at a flat rate of £2,500 per year on properties valued between £2 million and £2.5 million, rising to £7,500 a year for properties valued at over £5 million in value. The OBR forecasts this will raise £0.4 billion a year from 2028/29.

Motoring taxes

The government has extended the temporary 5p cut in the rates of fuel duty to September 2026 and cancelled the inflation-linked rise in fuel duty rates. This means fuel duty rates have not been updated for 16 years. The government has committed to a staggered reversal of the 5p cut between September and December 2026, and to increase fuel duty rates by Retail Price Index inflation from April 2027.

Other announcements

The [two-child limit on Universal Credit will be removed from April 2026](#). This change is expected to reduce the number of children in poverty by 450,000 by 2029/30, compared with what it otherwise would have been. The cost is forecast to be £2.4 billion in 2026/27 and then rise, reaching £3.2 billion in 2030/31.

[Changes to the Renewables Obligation and the Energy Company Obligation](#) will reduce household energy bills by around £150 on average in Great Britain from April 2026.

Public spending

The Chancellor made several changes to public spending at this Budget – in total, public spending will now be about £32 billion a year higher in 2029/30 than had previously been forecast. This is largely the result of much higher welfare spending, which is itself mostly driven by the reversal of previous reforms to disability benefits, and the removal of the two-child benefit cap.

The Chancellor has largely left departmental spending allocations up to 2028/29 unchanged, and has pencilled in reductions to spending in the years after that. However, the OBR has identified pressures on public spending that may make these reductions difficult to implement.

The OBR's public finances forecast

Government borrowing

The Office for Budget Responsibility (OBR) forecasts that government borrowing will decrease from £150 billion in 2024/25 to £138 billion in 2025/26. Borrowing is then forecast to fall to £67 billion in the final year of the OBR's current forecast period.

More borrowing in most years, compared with the March 2025 forecast

The OBR forecasts that borrowing from 2025/26 to 2028/29 will be around £16 billion higher, on average, a year compared with its March 2025 forecast. Much of the additional borrowing is because the OBR expect underlying

borrowing to be higher. The Chancellor's decisions contribute around £5 billion a year to the increase.

Borrowing in 2029/30 is forecast to be around £6 billion lower, compared with the March 2025 forecast. The Chancellor's tax decisions raise sufficient revenues to more than cover an increase in the OBR's underlying borrowing forecast and the Chancellor's spending decisions.

Government debt

Government debt was equivalent to 93.6% of GDP at the end of 2024/25. The OBR forecasts that it will increase to 97.0% at the end of 2028/29. It will then fall to around 96.1% of GDP at the end of 2030/31.

The fiscal rules

The government has targets for its day-to-day budget and its net financial debt in 2029/30, widely known as the Chancellor's 'fiscal rules'.

The OBR assessed that both rules were being met in its forecast.

Day-to-day budget rule

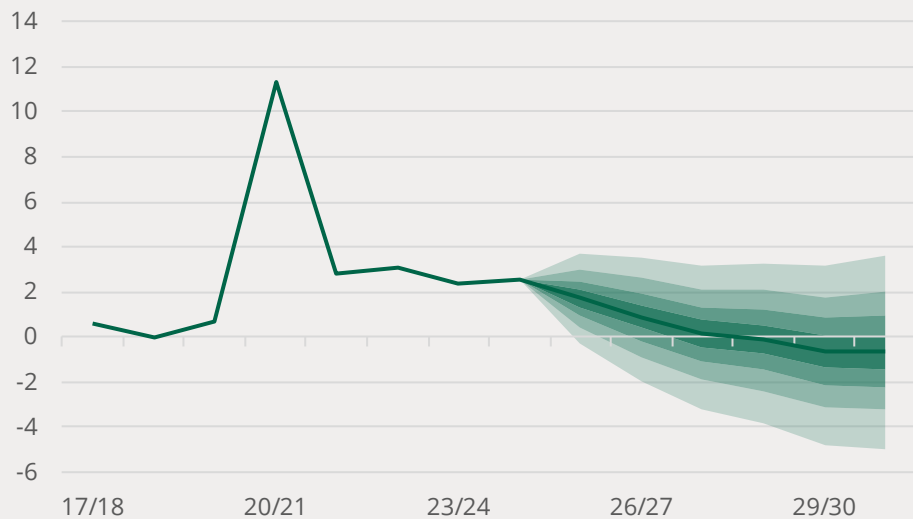
The first rule says that the current budget must be in surplus in 2029/30.

The government is forecast to meet this target by a margin of 0.6% of GDP (£22 billion) in 2029/30, compared with a margin of 0.3% of GDP in the March 2025 forecast.

The OBR says the probability of this target being met is 59%.

Fan charts show the uncertainty surrounding the forecasts for the current budget rule

Current budget deficit/surplus, % GDP



Source: OBR, Economic and fiscal outlook – November 2025, [Chart 7.1](#)

Net financial debt rule

The second fiscal rule says that public sector net financial liabilities (PSNFL), expressed as a percentage of GDP, should be falling in 2029/30, compared with the previous year.

The government is forecast to meet this target by a margin of 0.7% of GDP (£24 billion) in 2029/30.

The OBR says the probability of this target being met is 52%.

Moving to a single assessment of the rules per year

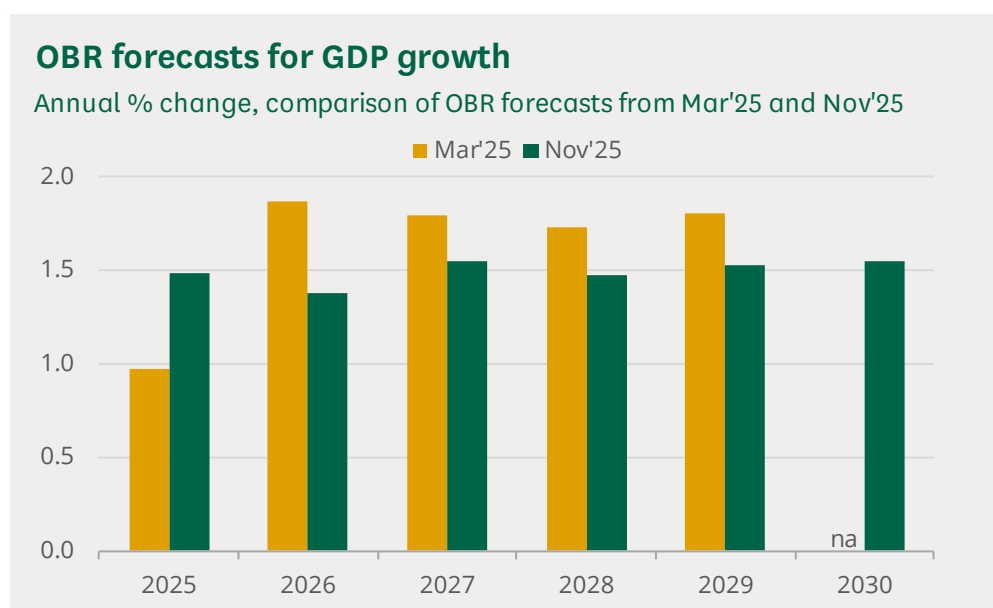
Currently, the OBR is required to produce two forecasts a year and assess the fiscal rules at both.

The Chancellor proposes to legislate so that in the future the fiscal rules are only assessed once a year, in the OBR's forecasts for the Budget. The OBR would continue to publish two forecasts a year but would only formally assess the fiscal rules once a year.

The OBR's economy forecast

The OBR is forecasting GDP growth of 1.4% or 1.5% for every year from 2025 to 2030.

Following better than expected growth at the end of 2024 and early 2025, the OBR raised its forecast for GDP growth for 2025. However, the OBR lowered its forecast for GDP growth for subsequent years, by an average of 0.3 percentage points for 2026 to 2029.

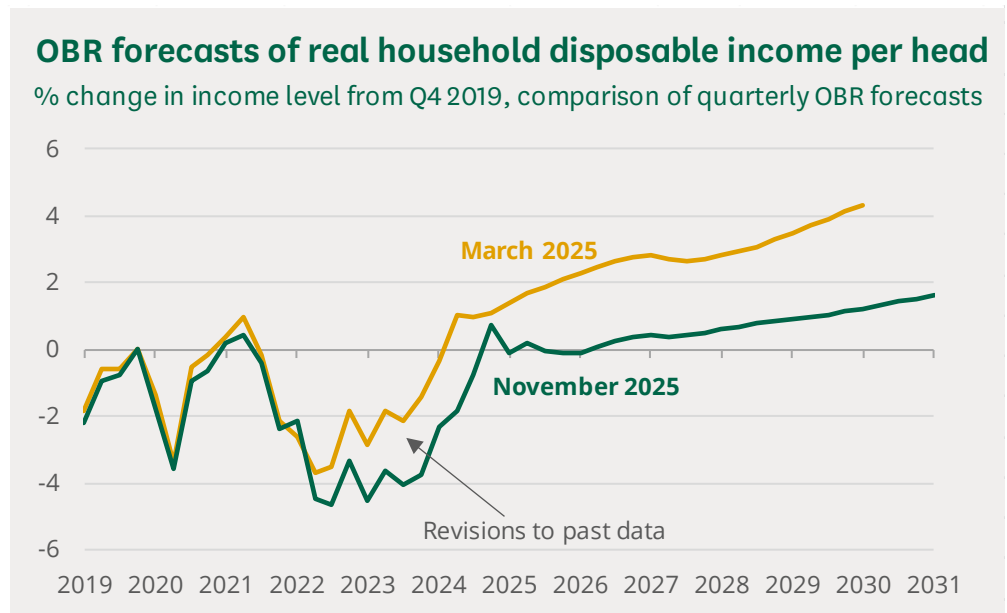


Source: OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025, Table A1; OBR, [Economic and fiscal outlook – March 2025](#), 26 March 2025, Table A1

This downward revision was largely a result of the OBR lowering its forecast for the underlying rate of productivity growth, a key driver of sustainable economic growth, from 1.3% to 1.0% per year. This decision was in response to weak productivity growth since the financial crisis of 2007 to 2009 and moves the OBR more in line with other forecasters.

The OBR raised its expectations for inflation in 2025 and 2026, to 3.5% and 2.5%, respectively, reflecting higher food and services price inflation since its previous forecast. This was despite the OBR estimating that Budget policies, such as measures to lower energy bills and extend the freeze on fuel duty, will reduce inflation by 0.3 percentage points in 2026 (compared with not having these measures).

The OBR lowered its forecasts for how much a prominent measure of after-tax household incomes will rise in the coming years. On a per person basis, adjusted for inflation, this measure of living standards is expected to be less than 2% higher in early 2031 than it was at the end of 2019, before the covid-19 pandemic.



Sources: OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025; OBR, [Economic and fiscal outlook – March 2025](#), 26 March 2025; quarterly forecasts from Table 1.5 of 'detailed forecast tables: economy'

What happens next?

Immediately after the Budget statement, the House of Commons approved a motion so that changes to stamp duty reserve tax and tobacco duties could take effect on 26 November.

The [Budget debate began in the House of Commons](#) with a speech from the Leader of the Opposition. It will end on 2 December, at which time MPs will be asked to vote on the Budget resolutions.

Resolutions that the House agrees to will then be incorporated in the [Finance \(No.2\) Bill](#), which will give them permanent legal effect.

For a quick explainer on the Budget process, see our Insight: [What is the Budget?](#)

The Library briefing [The Budget and the annual Finance Bill](#) examines the way that Parliament scrutinises the Government's proposals for taxation.

Find all of the Library's [research on the 2025 Autumn Budget](#) in one place.

1 Announcements

1.1 Tax policy announcements

Taxes for individuals

Income tax and National Insurance contributions thresholds

At the Budget, the Chancellor announced the government would maintain income tax and NICs thresholds at the same level for three further years until April 2031.¹ They have been frozen since 2022.

The personal allowance for income tax (currently set at £12,570) is the threshold above which people start paying income tax at the 20% (basic) rate. The higher rate threshold (£50,270) is the threshold above which people start paying income tax at the higher rate (40%).²

Generally, it is assumed that these thresholds will increase year-on-year in line with Consumer Price Index (CPI) inflation. This default assumption is set out in sections 21 and 57 of the [Income Tax Act 2007](#). However, under policies and legislation enacted by the previous government, income tax thresholds have been ‘frozen’ in cash terms since April 2022. The freeze is due to end in April 2028. More information about the background to this policy can be found in the Library briefings [Fiscal drag: An explainer](#) and [Income tax: freezing the personal allowance and higher rate threshold](#).

From April 2022, National Insurance contributions (NICs) thresholds have been aligned with income tax ones. So, at £12,570, people start paying employee NICs at the 8% rate on their employment income. At £50,270, they start paying 2% NICs on their employment income.³ Under current policy, these thresholds are also frozen at these rates until April 2028.⁴

The value of the additional rate threshold (after which tax is due at the 45% rate) was set at £125,140 from April 2023 and is also frozen until April 2028.⁵

¹ HMRC, [Maintaining Income Tax and equivalent National Insurance contributions thresholds until 5 April 2031](#), 26 November 2025

² Gov.uk, [Income Tax rates and Personal Allowances](#), accessed 26 November 2025

³ HMRC, [Rates and allowances: National Insurance contributions](#), 6 April 2025

⁴ The alignment between income tax and employee NICs thresholds is not statutory. In the past, income tax and NICs thresholds were not always aligned

⁵ Gov.uk, [Income Tax rates and Personal Allowances](#), accessed 26 November 2025

The decision to extend the threshold freeze is the single largest tax-raising measure in the Budget, with the OBR forecasting it will raise £23 billion in total between 2028/29 and 2030/31.⁶

The government is expected to raise over £66 billion in 2030/31 alone as a result of the cumulative freezes implemented from April 2022.⁷

National insurance contributions and salary sacrifice schemes

Through salary sacrifice schemes, employees can exchange some of their wage for a different benefit (such as a company car or pension contributions). This lowers the employee's income tax and NICs liability, and the employer's employer NICs liability (because the employee's salary is lower).⁸

At the Budget the government announced that from April 2029 only the first £2,000 of the pension contributions made by every employee through a salary sacrifice scheme will be exempt from NICs. Sums exceeding this cap will be liable for employer and employee NICs. All pension contributions (subject to existing limits) will remain exempt from income tax.⁹ The OBR has added that "ordinary employer pension contributions will remain exempt from NICs".¹⁰

The Budget report adds that primary and secondary legislation will be introduced in due course to enact these changes.¹¹

The OBR estimates this will raise £4.7 billion in 2029/30 and £2.6 billion in 2030/31.¹²

Income tax on dividends

Someone who owns shares in a company may receive dividend payments which may be liable for income tax (over an allowance of £500).¹³ Their liability for income tax on dividends depends on their 'regular' income tax band. Basic rate taxpayers pay income tax on dividends at a 8.75% rate. Higher rate taxpayers pay income tax on dividends at a rate of 33.75%, and additional rate taxpayers at a 39.35% rate.¹⁴

At the Budget, the government has announced the income tax rate on dividends will increase by 2 percentage points for the basic and higher rate (so to 10.75% and 35.75%) from April 2026.¹⁵

⁶ OBR, [Economic and Fiscal Outlook: November 2025](#) (PDF), November 2025, table 3.3 page 70

⁷ As above, table A p71; this includes freezes to employee and employer NICs as well

⁸ HMRC, [Salary sacrifice for employers](#), updated 29 July 2021

⁹ HM Treasury, [Changes to salary sacrifice for pensions from April 2029](#), 26 November 2029

¹⁰ OBR, [Economic and Fiscal Outlook: November 2025](#) (PDF), November 2025, para 3.31

¹¹ HM Treasury, [Budget 2025 \(HTML\)](#), November 2025

¹² OBR, [Economic and Fiscal Outlook: November 2025](#) (PDF), November 2025, para 3.31

¹³ Gov.uk, [Tax on dividends: Check if you have to pay tax on dividends](#), accessed 26 November 2025; and HMRC, [Annex A: rates and allowances](#), 11 November 2024

¹⁴ Gov.uk, [Tax on dividends: Check if you have to pay tax on dividends](#), accessed 26 November 2025

¹⁵ HMRC, [Change to tax rates for property, savings and dividend income — technical note](#), 26 November 2025

The OBR expects this to raise £1.2 billion a year on average from 2027/28.¹⁶

Income tax on property and savings income

Those with income from property and savings pay income tax at the same rate as those receiving income from employment (so at the 20%, 40%, and 45% rates). However, as the government said in the Budget, they are not liable for NICs because NICs only apply to those with employment income (or self-employment profit).¹⁷ The government said it wanted to “ensure income from assets is taxed more fairly”.¹⁸

At the Budget, the government announced a 2 percentage point increase in income tax paid on the property and savings elements of someone’s income from April 2027, increasing it to 22%, 42%, or 47% depending on the person’s marginal rate of income tax.¹⁹

The OBR expects these measures to raise £1 billion on average from 2028/29 (£0.5 billion on the changes to property income tax, and £0.5 on the changes to savings income tax).²⁰

Motoring taxes

Fuel duty

Fuel duty is a tax primarily levied on motoring fuels (mostly petrol or diesel). Its main rate is currently £0.5295 per litre on both unleaded petrol and diesel.²¹ A temporary 5p per litre reduction is currently in force, and has been since March 2022.²² The temporary cut has always been forecast to be reversed, only to be extended at subsequent fiscal events. Usually excise duties (such as fuel duty) are increased annually in line with Retail Price Index (RPI) inflation. However, the OBR notes this has not happened for 16 years.²³

At the Budget, the government announced a further extension of the 5p temporary cut and a freeze in headline rates to September 2026, continuing the trend. However, it has also set out a “staggered” approach to reversing the 5p reduction, to return duties to the pre-March 2022 levels by December 2026:

- On 1 September 2026, rates will increase by 1p per litre
- On 1 December 2026, rates will increase by a further 1p per litre

¹⁶ OBR, [Economic and Fiscal Outlook: November 2025](#) (PDF), November 2025, para 3.33

¹⁷ Gov.uk, [National Insurance: introduction](#), accessed 26 November 2025

¹⁸ HM Treasury, [Budget 2025 \(HTML\)](#), 26 November 2025

¹⁹ HMRC, [Changes to tax rates for property, savings and dividend income](#), 26 November 2025

²⁰ OBR, [Economic and Fiscal Outlook: November 2025](#) (PDF), November 2025, para 3.33

²¹ HMRC, [Annex A: rates and allowances](#), 11 November 2024

²² HM Treasury, [Temporary Cut to Fuel Duty](#), 23 March 2022

²³ OBR, [Economic and Fiscal Outlook: November 2025](#) (PDF), November 2025, para 3.45

- On 1 March 2027, rates will increase by 2p per litre, completing the reversal of the temporary cut.²⁴

The government added that from 1 April 2027, fuel duty rates will be uprated in line with RPI, returning to the policy default.

The OBR said the freeze will cost the government £2.4 billion in 2026/27, and an average of £0.9 billion for the remainder of the forecast.²⁵

See:

- Commons Library briefing, [Fuel duty: Developments since 2022](#)

Electric Vehicle Excise Duty (eVED)

Battery and plug-in hybrid electric cars pay a lower amount of fuel duty than petrol or diesel cars. In the case of fully electric vehicles, no fuel duty is liable as they are not propelled by fossil fuels. The government has said that although they contribute to congestion and general damage to the road network, electric cars do not contribute to addressing these the way that other drivers do by paying fuel duty.²⁶ The growth in use of electric vehicles has also reduced the government's receipts from fuel duty.

At the Budget, the government announced a new mileage charge for drivers of electric vehicles from April 2028. The charge will be payable alongside Vehicle Excise Duty (VED), for which electric vehicles are now liable.²⁷ The OBR has said the charge will be £0.03 per mile for battery electric cars, and £0.015 for plug-in hybrid cars, with the rates increasing each year in line with CPI inflation.²⁸ The government has now launched a consultation on this proposal.²⁹

The OBR estimates this will raise £1.1 billion in 2028/29, rising to £1.9 billion in 2030/31.³⁰

Gambling levies

Different levies can apply to gambling operators depending on their activities. In general terms:³¹

- General Betting Duty applies to fixed-odds bets with bookmakers, to sports and financial spread bets, to bets made through a betting

²⁴ HM Treasury, [Budget 2025 \(HTML\)](#), November 2025

²⁵ OBR, [Economic and Fiscal Outlook: November 2025](#) (PDF), November 2025, para 3.45

²⁶ HM Treasury, [Budget 2025](#), 26 November 2025

²⁷ HM Treasury, [Budget 2025](#), 26 November 2025

²⁸ OBR, [Economic and Fiscal Outlook: November 2025](#) (PDF), November 2025, para 3.36

²⁹ HM Treasury, [Consultation on the Introduction of Electric Vehicle Excise Duty \(eVED\)](#), 26 November 2025

³⁰ As above para 3.37

³¹ Fixed odds bets are bets where the odds are predetermined by the time the bet is placed; pool bets refer to where the winnings depend on how much money is in the pool, and the amount of winners

exchange, and on pool bets on horse and dog racing. It is charged at a rate ranging between 3% and 15% of operator profits, depending on the activity concerned.³²

- Pool Betting Duty applies to not-fixed-odds bets (except on horse and dog racing).³³ It is charged at a 15% rate on profits.
- Remote Gaming Duty applies to online gaming (for UK customers).³⁴ It is charged at a 21% rate on profits.

In terms of online activity, remote gaming duty applies to ‘games of chance’ (such as roulette), whereas Pool Betting Duty and General Betting Duty can apply to remote betting on the outcomes of events.³⁵

The government ran a consultation from April to July 2025 on introducing a single Remote Betting and Gaming Duty, to cover different types of online gambling activities in a single tax.³⁶

At the Budget, the government published its response to the consultation and announced changes to its plans. Instead of creating a single Remote Betting and Gaming Duty, it would:

- increase the rate of Remote Gaming Duty from 21% to 40% from April 2026
- introduce a new 25% rate of General Betting Duty for general remote bets (not applicable to UK horseracing) from April 2027.
- abolish bingo duty from April 2026.³⁷

The government said that in response to the consultation, it amended its proposals to reflect the fact that “remote betting and remote gaming are different in terms of costs and harms and should therefore not be subject to a single duty at the same rate”.³⁸

The OBR has forecast the measures will raise £1.1 billion a year by 2029/30.³⁹

Local taxation

Council tax on high-value properties

Council tax is a tax on domestic properties. In England, Wales, and Scotland it is set and collected by local authorities. Money raised from council tax is

³² HMRC, [General Betting Duty, Pool Betting Duty and Remote Gaming Duty](#), 29 April 2024

³³ As above

³⁴ HMRC, [General Betting Duty, Pool Betting Duty and Remote Gaming Duty](#), 29 April 2024

³⁵ HM Treasury, [Tax Treatment of Remote Gambling](#), updated 26 November 2025

³⁶ As above

³⁷ HMRC, [Gambling duty changes](#), 26 November 2025

³⁸ As above

³⁹ OBR, [Economic and Fiscal Outlook: November 2025](#) (PDF), November 2025, para 3.39

given to the relevant authority, not central government.⁴⁰ Council tax is devolved to Wales and Scotland. Northern Ireland is not included in the council tax system.

It applies to domestic property according to different ‘bands’. Properties are assigned to different bands according to their sale value in April 1991 (in England and Scotland) and April 2003 (in Wales). Properties with a higher sale value are liable for a higher rate of council tax than other properties in the same area, although the amount may be lower than a lower-value property in a different area.⁴¹

At the Budget the government announced it would introduce a High Value Council Tax Surcharge from April 2028. This would only affect properties valued at £2 million and above (in 2026 prices), and would be charged on property owners, rather than occupiers. The government has said fewer than 1% of properties will be liable for the tax.⁴²

The government said the charge would apply at a rate of £2,500 per year on properties valued between £2 million and £2.5 million, rising to £7,500 a year on properties valued at £5 million or more. The government plans for the value of the charge to be increased by CPI inflation year-on-year.

The OBR forecasts this will raise £0.4 billion per year from 2028/29, although it notes its costing is highly uncertain. The revenue from this would be collected by councils but would be sent to central government, in contrast to council tax. The government has said the funds will be used “to support funding for local government services”.⁴³

The government said they will consult on the detail of the measure, including on implementation and support for payment in 2026.⁴⁴

Business rates

Business rates are a tax paid by occupants of non-domestic property. Each property is assigned a rateable value, set by the [Valuation Office Agency](#) (in England and Wales), by the [Scottish Assessors](#) (in Scotland) and by the [Land and Property Services](#) (in Northern Ireland). The rateable value is multiplied by a multiplier (expressed in pence per pound). This is set by the UK Government in England, and by the devolved administrations in Scotland, Wales, and Northern Ireland. In Northern Ireland district councils also set a multiplier. In England and Wales, the most recent revaluation came into effect on 1 April 2023. The next revaluation will take effect on 1 April 2026.⁴⁵

At the Budget the government announced several changes to the business rates system in England, particularly two new, lower multipliers for eligible

⁴⁰ Gov.uk, [How Council Tax works](#), accessed 26 November 2025

⁴¹ See the Library briefing [Council tax: FAQs](#) for more information

⁴² HM Treasury, [Budget 2025](#) (HTML), 26 November 2025

⁴³ HM Treasury, [Budget 2025](#) (HTML), 26 November 2025

⁴⁴ HM Treasury, [Budget 2025](#) (HTML), 26 November 2025

⁴⁵ Gov.uk, [Business rates](#), accessed 26 November 2025

retail, hospitality and leisure (RHL) properties. From April 2026, eligible RHL properties with a rateable value below £500,000 will have a multiplier 5p below the small business and the standard multiplier. The government also plans to introduce a higher multiplier for properties in England with rateable values exceeding £500,000, at 2.8p above the standard multiplier. The government said this would allow the lower multiplier to be implemented sustainably.⁴⁶

These changes will take place from April 2026, when the 2026 business rate revaluation takes effect. There will also be a transitional relief scheme, which will cap the percentage by which business rate bills can increase each year between 2026 and 2029.⁴⁷ A 100% relief will be introduced for electric vehicle charging points.

The OBR has said that the package of measures relating to business rates (including the transitional relief scheme) will cost the government £1.2 billion on average between 2026/27 and 2028/29, but then become broadly neutral by the end of the forecast period.⁴⁸

Other changes

The government announced several other changes in the Budget, including:

- extending the freeze in employer NICs contribution until April 2031, raising between £0.29 billion and £0.93 billion a year between 2028/29 and 2030/31⁴⁹
- extending the freeze of the inheritance tax allowances and reliefs (including the new £1 million allowance for Agricultural and Business Property reliefs) from April 2030 to April 2031, raising £0.13 billion in 2030/31⁵⁰
- modifying its previous policy regarding the new Agricultural and Business Property Relief £1 million allowance: the government announced the allowance would become transferable between spouses and civil partners, in line with existing inheritance tax reliefs. This will cost the government £0.03 billion in 2026/27, and then £0.07 billion each year across the forecast period⁵¹
- increasing the value of the expensive car supplement for Vehicle Excise Duty from £40,000 to £50,000 from April 2026 (only applicable to zero-

⁴⁶ HM Treasury, [Autumn Budget 2025 \(HTML\)](#), November 2025

⁴⁷ HM Treasury, [Autumn Budget 2025](#), November 2025, p99

⁴⁸ OBR, [Economic and Fiscal Outlook: November 2025](#) (PDF), November 2025, paragraph 3.46

⁴⁹ HM Treasury, [Autumn Budget 2025: Policy costings](#) (PDF), November 2024, p42

⁵⁰ As above, p53

⁵¹ As above, p80. The Library briefing [Changes to agricultural and business property reliefs for inheritance tax](#) has more background information on these policy proposals.

emission vehicles). This will cost the government £0.05 billion in 2026/27, rising to £0.51 billion in 2030/31⁵²

- extending the higher rate of Air Passenger Duty to all private jets weighing 5.7 tonnes or more from April 2027, raising £0.01 billion each year⁵³
- reducing the relief from Capital Gains Tax (CGT) for disposals to [employee ownership trusts](#) from 100% to 50%, effective 26 November 2025. The OBR expects this will raise £0.9 billion on average from 2027/28 onwards.⁵⁴
- reducing the main writing down allowance rate (a type of [CGT capital allowance](#)) from 18% to 14% from April 2026, as well as introducing a new 40% first-year allowance for expenditure eligible for the main rate.⁵⁵ The OBR expects this will raise £1.5 billion from 2027/28 to 2030/31 (the end of the forecast period).⁵⁶
- introducing an international student levy to providers, set at £925 per student per year of study, from August 2028. Providers will not have to pay the charge on the first 220 international students. The government estimates this will raise £0.45 billion in 2028/29, rising to £0.48 billion in 2030/31.⁵⁷
- reducing the annual ISA cash limit from £20,000 to £12,000 from April 2027. The overall annual ISA limit will stay at £20,000, and savers over the age of 65 will still be able to save up to £20,000 in a cash ISA each year.⁵⁸

1.2

Other announcements

Benefits

Universal Credit two-child limit

The two-child limit on Universal Credit will be removed from April 2026.⁵⁹

⁵² As above, p71

⁵³ As above, p57

⁵⁴ HM Treasury, [Autumn Budget 2025: Policy costings](#) (PDF), November 2024, p49; and OBR, [Economic and Fiscal Outlook: November 2025](#) (PDF), November 2025, para 3.41

⁵⁵ HMRC, [Capital allowances: new first-year allowance and reducing main rate writing-down allowances](#), 26 November 2025

⁵⁶ OBR, [Economic and Fiscal Outlook: November 2025](#) (PDF), November 2025, table 3.6 p75

⁵⁷ HM Treasury, [Budget 2025: Policy costings](#) (PDF), November 2025, p94

⁵⁸ HM Treasury, [Budget 2025](#), 26 November 2025 – para 4.228; HMRC, [Change to tax rates for property, savings and dividend income — technical note](#), 26 November 2025

⁵⁹ HM Treasury, [Budget 2025](#), 26 November 2025 – para 4.9

Universal Credit awards can include an additional element of around £3,500 a year for each child in a household. The Universal Credit two-child limit currently prevents this additional amount being paid to claimant households for most third and subsequent children born from 6 April 2017 onwards.

This change is expected to reduce the number of children in poverty by 450,000 by 2029/30, compared with what it otherwise would have been.⁶⁰

The cost is forecast to be £2.4 billion in 2026/27 and then rise, reaching £3.2 billion in 2030/31.⁶¹

The change applies to Great Britain. The government says it is providing funding for the Northern Ireland Executive to remove the two-child limit, should it choose to do so.⁶²

For more information, see:

- Commons Library briefing, [The impact of the two-child limit in Universal Credit](#)
- Office for Budget Responsibility, [Economic and Fiscal Outlook November 2025](#) (paragraphs 3.19 and 3.20)
- Department for Work and Pensions, [Poverty impacts of social security changes at Budget 2025](#), 26 November 2026 (includes some constituency-level figures)

Energy bills

Changes to the Renewables Obligation and the Energy Company Obligation will reduce household energy bills by around £150 on average in Great Britain from April 2026.⁶³

Renewables Obligation

The government will fund 75% of the domestic share of the Renewables Obligation in 2026/27, 2027/28 and 2028/29, at a cost of £2.3 billion on average in these years.⁶⁴

This will reduce bills for domestic consumers. The Renewables Obligation is a support scheme for renewable electricity projects. It is paid for by electricity

⁶⁰ Department for Work and Pensions, [Poverty impacts of social security changes at Budget 2025](#), 26 November 2026

⁶¹ HM Treasury, [Budget 2025](#), 26 November 2025 - [Table 4.1 Budget 2025 Policy Decisions](#)

⁶² HM Treasury, [Budget 2025](#), 26 November 2025 – Box 2.A

⁶³ HM Treasury, [Budget 2025](#), 26 November 2025 – para 2.4. Footnote 77 has more details.

⁶⁴ HM Treasury, [Budget 2025](#), 26 November 2025 - [Table 4.1 Budget 2025 Policy Decisions](#)

suppliers and currently fully passed on to domestic and non-domestic electricity bills.⁶⁵

For more information, see:

- Commons Library briefing, [The Renewables Obligation](#)
- Commons Library briefing, [Debate on the Renewables Obligation Certificate Scheme](#)

Energy Company Obligation

The Energy Company Obligation (ECO) will not be renewed after the current scheme (ECO4) ends on 31 March 2026.⁶⁶

The Energy Company Obligation is a government energy efficiency scheme in Great Britain that focuses on providing support, primarily to low-income and vulnerable households.

The scheme is paid for by a levy on customer bills.⁶⁷

For more information, see the Commons Library briefing [Help with energy efficiency, heating and renewable energy in homes](#).

Warm Homes Plan

There will be additional funding for the Warm Homes Plan, with an expanded [Warm Home Discount Scheme](#).⁶⁸ The Warm Home Discount Scheme provides a £150 rebate on energy bills to support low-income and vulnerable households in Great Britain.

This will cost an average of about £450 million a year between 2026/27 and 2029/30.⁶⁹

For more information, see the Commons Library briefing [The Warm Home Discount \(WHD\)](#).

Rail fares

There will be a freeze in rail fares in England for one year, starting in March 2026 (as announced on 23 November 2025).⁷⁰ This will apply to regulated

⁶⁵ Office for Budget Responsibility, [Economic and Fiscal Outlook November 2025](#), 26 November 2025 – para 3.21

⁶⁶ HM Treasury, [Budget 2025](#), 26 November 2025 – para 4.3; Office for Budget Responsibility, [Economic and Fiscal Outlook November 2025](#), 26 November 2025 – Chapter 3, footnote 10

⁶⁷ HM Treasury, [Budget 2025](#), 26 November 2025 – para 2.4

⁶⁸ HM Treasury, [Budget 2025](#), 26 November 2025 – para 2.4. This is in line with the approach set out for 2025 to 2026 in Department for Energy Security and Net Zero, [Expanding the Warm Home Discount Scheme, 2025 to 2026](#), 25 February 2025, updated with government response 19 June 2025.

⁶⁹ HM Treasury, [Budget 2025](#), 26 November 2025 – [Table 4.1 Budget 2025 Policy Decisions](#)

⁷⁰ Department for Transport and HM Treasury, [First rail freeze in 30 years to ease the cost of living](#), 23 November 2025

fares: standard class fares (including saver returns), standard returns, off-peak fares between major cities and season tickets for most journeys.⁷¹

This will cost £145m in 2026/27 and similar amounts in future years.⁷²

For more information see Department for Transport and HM Treasury, [First rail freeze in 30 years to ease the cost of living](#), 23 November 2025.

Living wage

The National Living Wage – the minimum wage for people aged 21 and over – will increase by 4.1% to £12.71 an hour from April 2026.

The minimum wage for 18-to-20-year-olds will increase by 8.5% to £10.85 an hour and the minimum wage for 16-to-17-year-olds and apprentices will increase by 6.0% to £8.00 an hour.

These changes reflect recommendations made by the Low Pay Commission.⁷³ They apply across the UK.

For more information, see:

- Commons Library briefing, [National Minimum Wage statistics](#)
- Low Pay Commission, [Minimum wage rates for 2026](#), 26 November 2025

Student loans

The [repayment threshold for Plan 2 student loans](#) will be frozen for three years from 6 April 2027, meaning some students in England and Wales will repay more than they otherwise would have.⁷⁴

[Plan 2 applies to certain groups of students](#), including undergraduates who started their courses between 1 September 2012 and 31 July 2023 in England.

For more information, see the Commons Library briefing [The Post-18 Education and Funding Review: Government conclusion](#) (pages 16 and 17 discuss previous changes to the threshold).

⁷¹ Definition from ORR, [Rail fares index 2025](#), 31 July 2025

⁷² HM Treasury, [Budget 2025](#), 26 November 2025 – [Table 4.1 Budget 2025 Policy Decisions](#)

⁷³ Low Pay Commission, [Minimum wage rates for 2026](#), 26 November 2025

⁷⁴ HM Treasury, [Budget 2025](#), 26 November 2025 – para 4.113

Skills

There will be additional funding for jobs and skills, including an additional £725 million for the Growth and Skills Levy and £425 million for the Youth Guarantee for the period up to 2028/29.⁷⁵

Youth Guarantee

The Youth Guarantee in England will mean every young person aged 18 to 21 will have access to further learning, help to get a job, or help to get an apprenticeship. It is currently being tested in certain areas.

For more information, see the Commons Library briefing [NEET: Young People Not in Education, Employment or Training](#).

Growth and Skills Levy

The Growth and Skills Levy will replace the existing apprenticeship levy. It will allow employers to access a wider range of training with their funding.

For more information, see the Commons Library briefing [Skills policy in England](#).

The Budget document says that further details will be announced ‘shortly’.⁷⁶

NHS

Neighbourhood Health Centres

There will be 250 new Neighbourhood Health Centres in England, as announced on 24 November 2025.⁷⁷ These are intended to be health ‘one stop shops’ with GPs, nurses, dentists and pharmacists. Initially, the focus will be improving access to general practice and supporting people with complex needs/long-term conditions in areas of high deprivation.⁷⁸

Of the first 120 centres, due to be completed by 2030, 70 will be new builds delivered through public-private partnerships; the rest will be delivered through reusing existing estate or public capital funding.⁷⁹ The government has said it will only supplement public investment with private investment where it provides value for money.⁸⁰ Public-private partnerships have been

⁷⁵ HM Treasury, [Budget 2025](#), 26 November 2025 – paras 2.73 and 3.114, and footnote 4 of [Table 4.1 Budget 2025 Policy Decisions](#)

⁷⁶ HM Treasury, [Budget 2025](#), 26 November 2025 – para 3.115

⁷⁷ HM Treasury, [Budget 2025](#), 26 November 2025 – para 2.7

⁷⁸ Department of Health and Social Care and HM Treasury, [Chancellor to double down on drive to cut NHS waiting times and rollout of new Neighbourhood Health Centres](#), 24 November 2025

⁷⁹ [Written Statement on NHS Neighbourhood Health and Digital Investment](#), 25 November 2025

⁸⁰ Department of Health and Social Care and HM Treasury, [Chancellor to double down on drive to cut NHS waiting times and rollout of new Neighbourhood Health Centres](#), 24 November 2025

controversial in the UK: [PFI, the Private Finance Initiative, was abolished in 2018](#).

For more information, see:

- [Written Statement on NHS Neighbourhood Health and Digital Investment](#), 25 November 2025
- Department of Health and Social Care and HM Treasury, [Chancellor to double down on drive to cut NHS waiting times and rollout of new Neighbourhood Health Centres](#), 24 November 2025

Prescription charges

Prescription charges will be frozen at £9.90 in England, as announced on 21 November 2025, at a cost of around £15 million a year.

For more information, see:

- HM Treasury, [Chancellor freezes charges to keep prescriptions under a tenner](#), 21 November 2025
- Commons Library briefing, [NHS prescription charges in England](#)
- Commons Library briefing, [NHS charges](#)

Pensions

British Coal Staff Superannuation Scheme

The investment reserve of the British Coal Staff Superannuation Scheme will be transferred to scheme members.⁸¹

For more information, see the Commons Library briefing [Mineworkers' pensions](#) (pages 14 and 23).

Pension Protection Fund and Financial Assistance Scheme

Inflation protection will be provided for pre-1997 defined benefit pensions in the Pension Protection Fund and the Financial Assistance Scheme, where members' former schemes had it, from 1 January 2027.⁸²

For more information, see Pension Protection Fund, [Our statement on pre-97 indexation Budget announcement](#), 26 November 2025.

⁸¹ HM Treasury, [Budget 2025](#), 26 November 2025 – para 4.49

⁸² HM Treasury, [Budget 2025](#), 26 November 2025 – para 4.21

Scotland, Wales and Northern Ireland: Barnett consequentials

The devolved governments will receive funding through the operation of the [Barnett formula](#) as a result of Budget announcements.

These figures cover the Spending Review period, running to 2028/29 for resource funding (or ‘day-to-day’ funding), and until 2029/30 for capital funding:⁸³

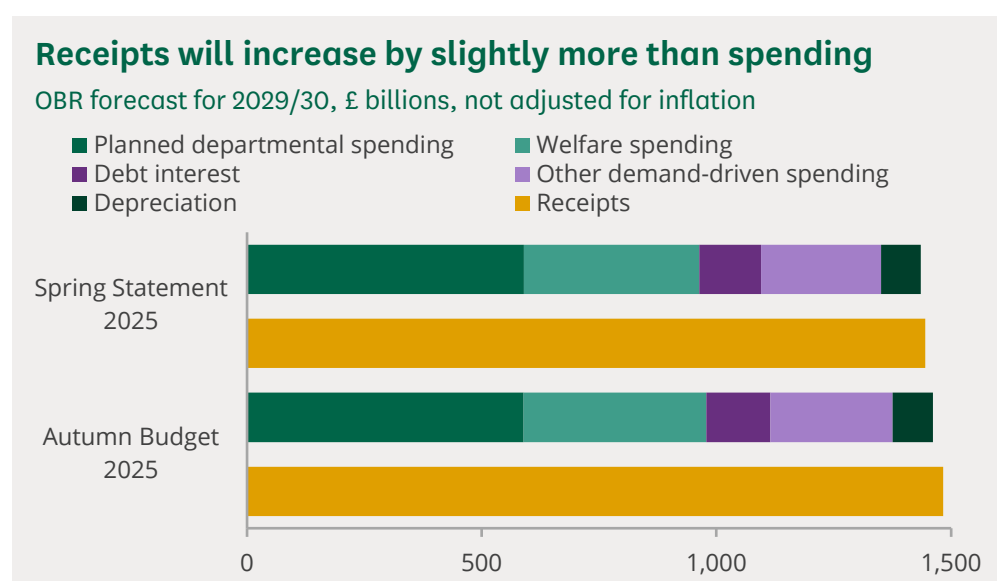
- The Scottish Government will receive an additional £820 million: £510 million resource funding and £310 million capital funding.
- The Welsh Government will receive an additional £505 million: £320 million resource funding and £185 million capital funding.
- The Northern Ireland Executive will receive an additional £370 million: £240 million resource funding and £130 million capital funding.

Annex B of the Budget document covers the Budget’s impacts in Scotland, Wales and Northern Ireland.

⁸³ HM Treasury, [Budget 2025](#), 26 November 2025 – para 4.2 and B.3

2 Public spending

Although the emphasis at this Budget was firmly on tax, the Chancellor also made several changes to public spending. In total, the Office for Budget Responsibility (OBR) forecasts that public spending will be about £32 billion per year higher in 2029/30 than it forecast at the 2025 Spring Statement. Because receipts are also forecast to increase, as the chart below shows, this will still result in a current (day-to-day) budget surplus in 2029/30.

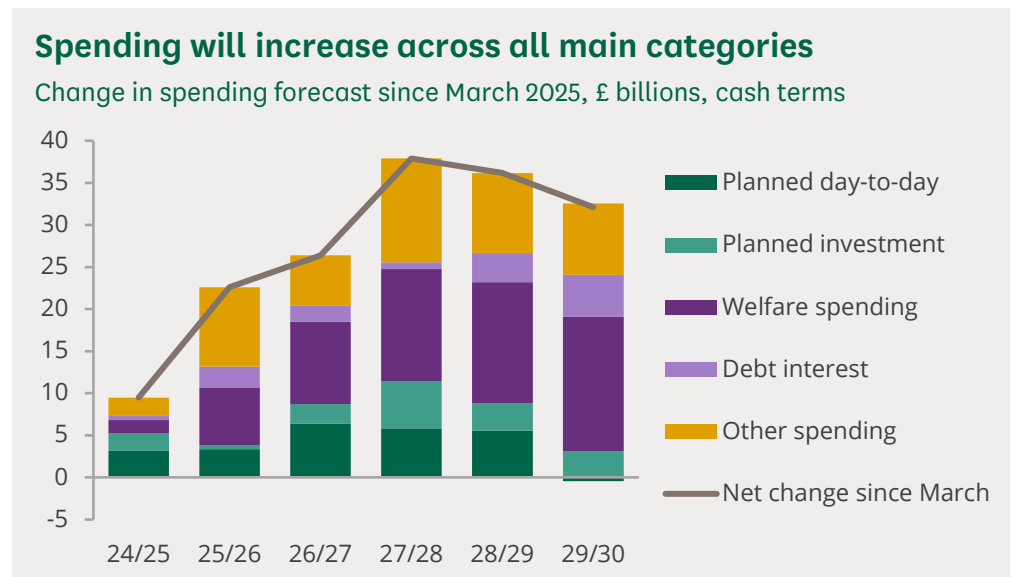


Note: Spring Statement 2025 figures have been amended to account for reclassification of the Scottish block grant from planned to demand-driven spending.

Source: OBR, [Economic and fiscal outlook – November 2025](#) and [March 2025](#), 26 November 2025 and 26 March 2025, tables A.5 and A.7

2.1 Demand-driven spending

The chart below shows the change in spending forecasts between March and November 2025. It shows that public spending is set to be higher in every year of the forecast period than had previously been forecast.

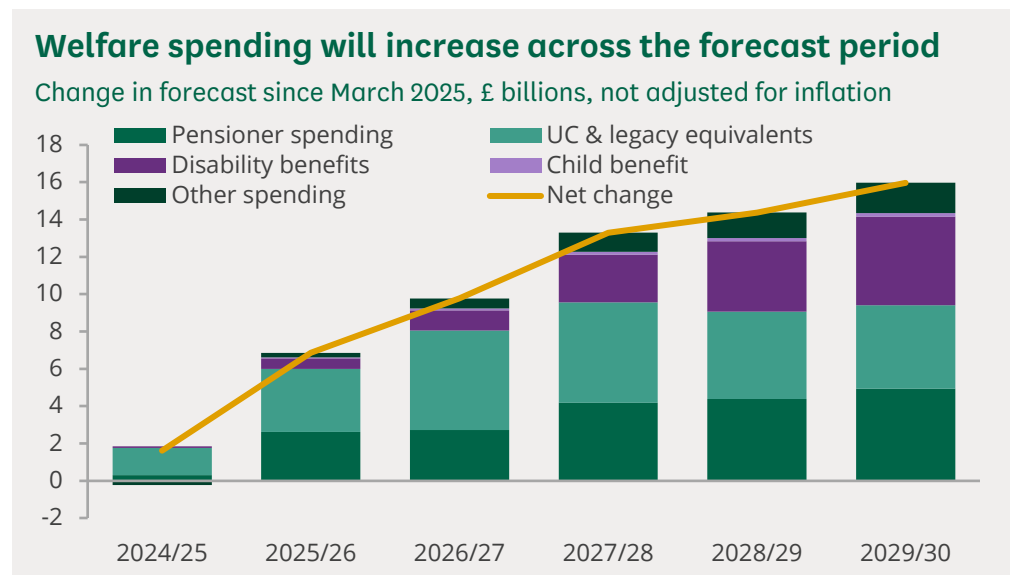


Source: OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025, table 5.2

Most of this increase comes from demand-driven spending, rather than the departmental plans set at the 2025 Spending Review. Welfare spending in particular accounts for the largest part of this increase.

Up-rating and policy choices drive the welfare increase

As the chart below shows, three main areas of welfare spending account for the majority of the increase to welfare spending: pensioner spending (including the state pension), Universal Credit and its legacy equivalents, and disability benefits.



Source: OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025, table 5.9

These increases are partly the result of up-rating the value of benefits. About a fifth of the increase in 2029/30 is due to inflation and earnings being higher in the November forecast than in the March forecast, which has implications for how fast benefits will be up-rated under mechanisms such as the state pension's triple lock.

However, a much larger proportion of the increase (over half of it in 2028/29 and 2029/30) is caused by government decisions. In particular, HM Treasury forecasts that reversing planned reforms to the Personal Independence Payment (PIP) will now cost about £4.5 billion in 2029/30, and removing the two child Universal Credit limit will cost an additional £3.1 billion.⁸⁴

2.2

Planned departmental spending

Totals within the Spending Review period are nominally unchanged (but spending may be higher anyway)

The Chancellor set departmental spending totals up to 2028/29 (for day-to-day spending) and 2029/30 (for investment spending) at the 2025 Spending Review in June. The departmental totals given in the Budget document for these years are largely unchanged from those set at the Spending Review.

These totals are limits, and departments generally spend less than them. This is because spending controls within government put a heavy emphasis on departments remaining within their spending limits (for example, requesting extra money from the [Treasury Reserve](#) or from emergency funds such as the [Contingencies Fund](#) requires special permission from the Treasury).

However, the OBR believes that spending pressures are likely to cause departments to underspend less than they have in previous years. As a result, the OBR forecasts that planned departmental spending will end up higher over the Spending Review period than it had forecast in March 2025, even though the spending limits are the same. The particular spending pressures that it has identified are:

- Higher inflation, which reduces the value of budgets in real terms
- Spending on special educational needs and disabilities, much of which is handled by local authorities but currently does not appear on their balance sheets due to the “statutory override”.⁸⁵ The government has announced that this spending will be absorbed within departmental budgets from 2028/29, but has not allocated any extra money to do so
- Spending on asylum accommodation: the number of asylum seekers in supported accommodation is higher than previously forecast
- Pressures on health spending from strikes and drug prices
- The implementation of digital ID ⁸⁶

⁸⁴ HM Treasury, Autumn Budget 2025, [Table 4.1](#)

⁸⁵ For more details, see Institute for Fiscal Studies, [Spending on special educational needs in England: something has to change](#), 10 December 2024, section 3

⁸⁶ OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025, para 5.19

Government assumptions suggest that spending from 2029/30 will be less than previously forecast

For years outside Spending Review periods, the government tells the OBR about the overall level of spending that it assumes will take place, although it has not yet set departmental spending limits. The resulting OBR forecasts show a reduction in planned day-to-day spending of £4.0 billion in 2029/30, relative to the level forecast in March 2025, and a reduction of £4.9 billion in 2030/31.⁸⁷

If these reductions were implemented, day-to-day spending would grow by an average of 0.7% per year in real terms between 2028/29 and 2030/31. This is 0.5 percentage points lower than the average growth over the 2025 Spending Review period. Investment spending would also grow more slowly than over the Spending Review period, by 0.4 percentage points.⁸⁸

As mentioned in section 1 of the Library's research briefing [Spring Statement 2025: A summary](#), spending growth in 2029/30 was already set to be much slower than in previous years. The OBR says that once certain spending commitments are taken into account (such as those on health and defence spending), the remaining departments would end up with their day-to-day spending falling by about 3.3% a year on average between 2028/29 and 2030/31.⁸⁹

Spending decreases like this may be hard to implement, particularly in the context of spending pressures such as those identified by the OBR in the section above. The Institute for Fiscal Studies says, in its initial reaction to the Budget, that “[o]ne could be forgiven for treating [the government’s promise of future spending restraint] with a healthy dose of scepticism”.⁹⁰

⁸⁷ OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025, para 3.25

⁸⁸ OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025, para 5.21

⁸⁹ OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025, para 5.23

⁹⁰ Institute for Fiscal Studies, [Autumn Budget 2025: initial response](#), 26 November 2025

3

OBR forecasts for the public finances

The Office for Budget Responsibility (OBR) published new forecasts for the public finances for the five years up to and including 2030/31. The forecasts reflect underlying changes to the economy and public finances along with the effect of the Chancellor's Budget measures and spending plans.

The OBR also assessed whether the government's policies have a better than 50:50 chance of meeting the Chancellor's targets for the public finances, which are the day-to-day budget rule and the net financial debt rule.

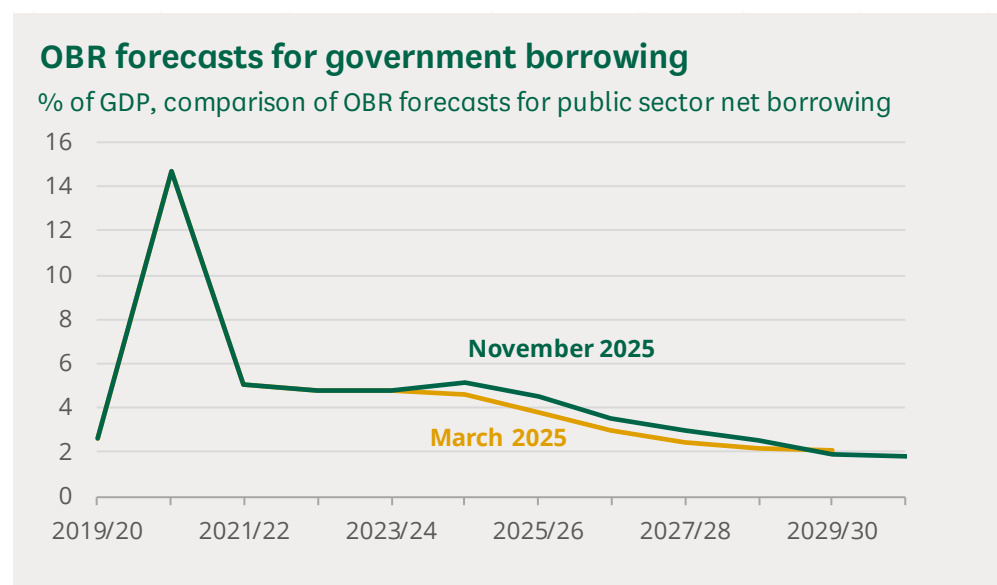
3.1

Government borrowing

When a government spends more than it raises from taxes and other sources (its receipts), it borrows money, mainly from financial institutions. This is sometimes referred to as the 'budget deficit'.

The Office for Budget Responsibility (OBR) forecasts that government borrowing will decrease from £150 billion in 2024/25 to £138 billion in 2025/26. Borrowing is then forecast to fall to £67 billion in the final year of the OBR's current forecast period (2030/31).⁹¹ As the chart below shows, there is a similar pattern for borrowing as a percentage of GDP.

⁹¹ OBR, [Public finances databank – November 2025](#)



Notes: March 2025 forecast numbers as a percentage of GDP have been rebased to remove the impact of 2025 Blue Book levels revisions.

Source: OBR, Economic and fiscal outlook – November 2025, [Chart 6.1](#)

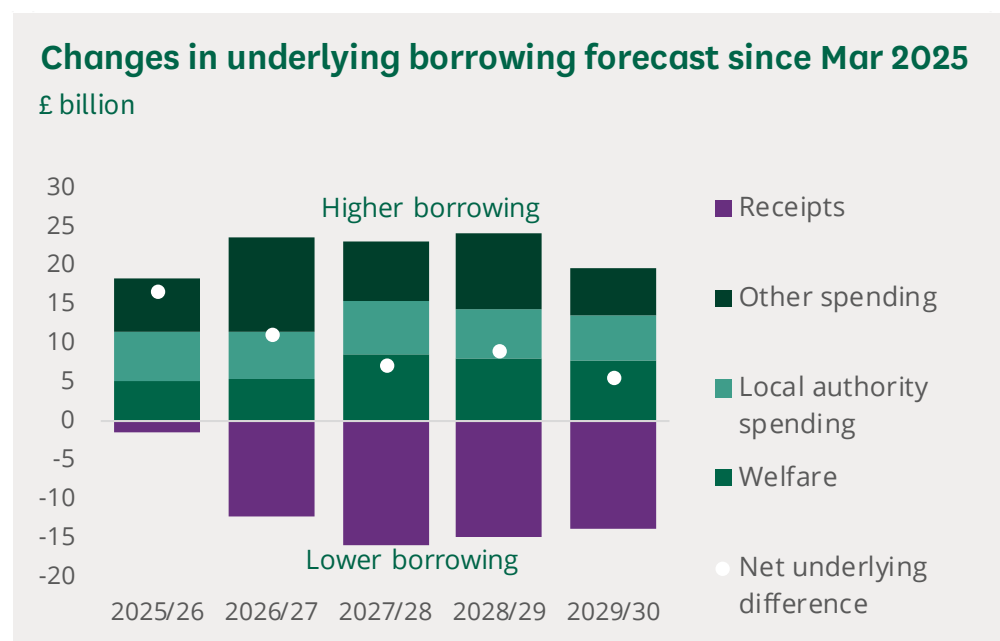
Borrowing has increased in the underlying forecast

The OBR produces an ‘underlying’ forecast, sometimes called the ‘pre-measures forecast’, which forecasts borrowing before the Chancellor’s Autumn Budget policies are included.

Borrowing is around £8 billion a year higher, on average, in the OBR’s underlying forecast for the years 2026/27 to 2029/30, compared with the March 2025 forecast. This is because the OBR expects higher underlying spending to outweigh an increase in underlying receipts.

As the chart below shows, for the years after 2025/26:

- Pre-measures spending is around £22 billion a year higher, driven by local authority spending on special education needs and disabilities (SEND) provision and welfare spending. Welfare spending is forecast to be higher because of higher forecast inflation and disability caseloads.
- Pre-measures receipts are around £14 billion a year higher. The OBR expects higher forecast earnings growth to boost income tax receipts and National Insurance contributions (NICs), while higher consumption is forecast to bring in greater VAT receipts.



Source: OBR, Economic and fiscal outlook – November 2025, [Table 6.1](#)

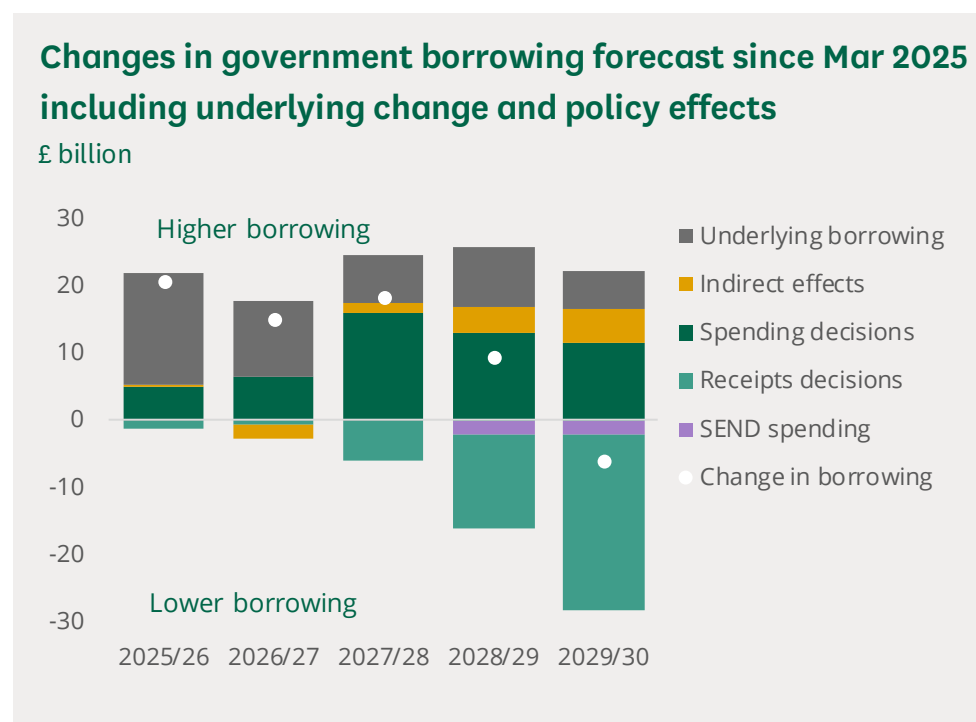
The Chancellor's decisions increase borrowing in the next two years and lower it after

The Chancellor's spending decisions cost more than her tax decisions raise in the years 2025/26 to 2027/28. This adds to borrowing, as shown in the chart below.

The spending measures include reversals of previously announced cuts to winter fuel payments and health-related benefits, and the end of the two-child limit within Universal Credit (see section 1.2).

From 2028/29, the Chancellor's decisions lower borrowing. In 2029/30, the Chancellor's tax decisions are forecast to raise around £26 billion while spending decisions are forecast to cost around £11 billion.

Extending the freezes of personal tax thresholds to April 2031 (see section 1.1) is forecast to increase revenues by increasing amounts from 2028/29.



Notes: SEND spending relates to judgements made by the OBR due to the government's decision to fund the full cost of SEND provision from within departmental spending from 2028/29. See para 3.7 of the OBR's report for more.

Source: OBR, Economic and fiscal outlook – November 2025, [Table 6.1](#)

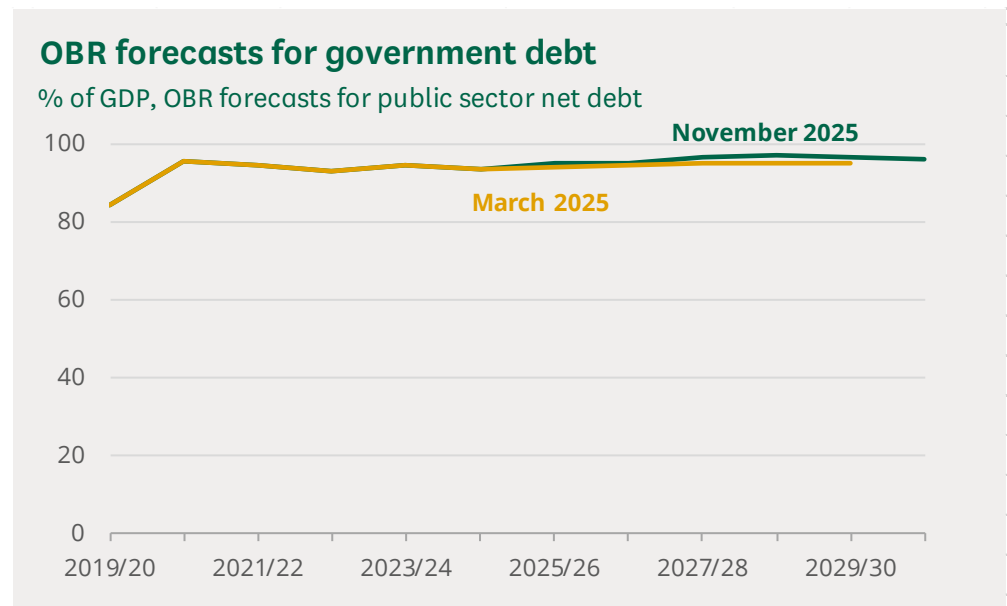
3.2

Government debt

Government debt is largely the stock of the government's borrowing arising from many years of past budget deficits.

Government debt was equivalent to 93.6% of GDP at the end of 2024/25. The OBR forecasts that government debt will increase to 97.0% at the end of 2028/29. It will then fall to around 96.1% of GDP at the end of 2030/31. This is shown in the chart below.

Government debt hasn't consistently been above 90% of GDP since the early 1960s, although it has occasionally been higher; it exceeded 200% of GDP following the Second World War.



Notes: March 2025 forecast numbers as a percentage of GDP have been rebased to remove the impact of 2025 Blue Book levels revisions.

Source: OBR, Economic and fiscal outlook – November 2025, [Chart 6.9](#)

3.3

The Chancellor's fiscal rules

'Fiscal rules' are targets which constrain the government's management of the public finances. They usually focus on one or more public finance measures, such as government borrowing or government debt.

The Commons Library briefing [The UK's fiscal targets](#) explains what the rules are and how they are measured. The UK's fiscal rules have changed frequently over the past 15 years.

The Chancellor's rules focus on the government's day-to-day budget (or current budget) and public sector net financial liabilities. They say that in the forecast for 2029/30:

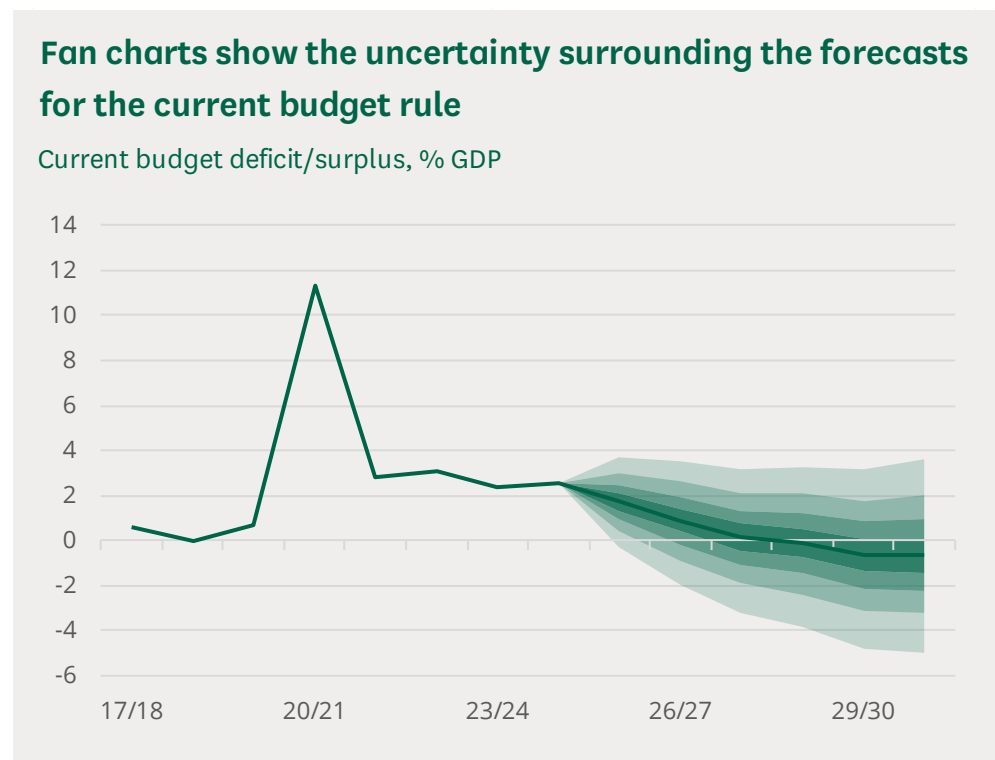
- The day-to-day budget (or current budget) should be in surplus. This means that the government's day-to-day spending should be less than its revenues. The government would, therefore, only be borrowing for investment (capital) spending. The Treasury calls this the 'stability rule'.
- Public sector net financial liabilities (PSNFL) should be falling, relative to the size of the UK economy (GDP), compared with the previous financial year (2028/29). The government describes public sector net financial liabilities as 'net financial debt'. The Treasury calls the rule the 'investment rule'.

Day-to-day budget rule

Labour's fiscal rules say that, for now, the day-to-day budget (the current budget) must be in surplus in 2029/30.⁹²

The government is forecast to meet this target by a margin of 0.6% of GDP (£22 billion) in 2029/30.⁹³ This is often described as the Chancellor's 'headroom' against the target.

The OBR says that the probability of the target being met is 59%.⁹⁴ The chart below highlights the uncertainty in the forecast for the current budget, with successive pairs of lighter-shaded areas around the central forecast representing 20% probability bands.



Source: OBR, Economic and fiscal outlook – November 2025, [Chart 7.1](#)

The Chancellor is meeting the target by more than in March 2025

In March 2025, when it was previously assessed, the day-to-day budget rule was being met by a margin of around £10 billion in 2029/30. As discussed above, the forecast margin is now closer to £22 billion.

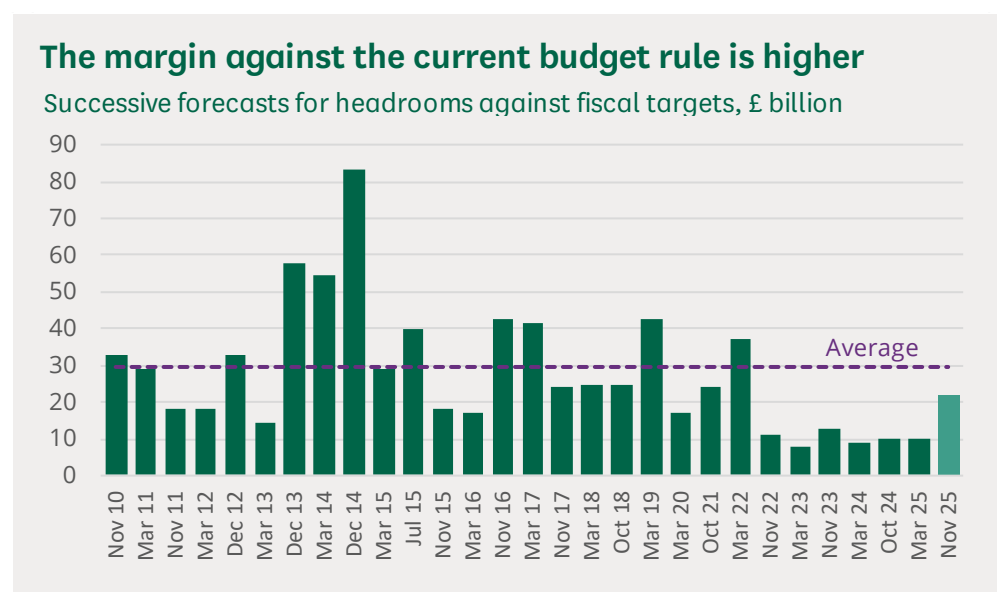
⁹² The target year will remain 2029/30 until this becomes the third year of the forecast, which will be in 2026/27. The third year of the rolling forecast will then become the target year. When the target year changes, the rule also changes. Once focusing on the third year of the forecast, the current budget will be deemed to be in balance if it is in surplus or in deficit of no more than 0.5% of GDP.

⁹³ OBR, Economic and fiscal outlook – November 2025, [para 7.6](#)

⁹⁴ OBR, Economic and fiscal outlook – November 2025, [para 7.8](#)

The forecast margin is now larger because of the Chancellor's tax decisions, which increase forecast revenues by around £26 billion in 2029/30. The revenues raised from these tax decisions more than outweigh factors that would lower the 'headroom', including the Chancellor's spending decisions and higher day-to-day borrowing in the OBR's underlying forecast.⁹⁵

Chancellors since 2010 have left an average margin of around £29 billion against their fiscal mandates, as shown in the chart below. The Chancellor's margin against the day-to-day budget rule is around three quarters of this average.



Source: OBR, Economic and fiscal outlook – November 2025, [Chart 7.3](#)

Public sector net financial liabilities rule

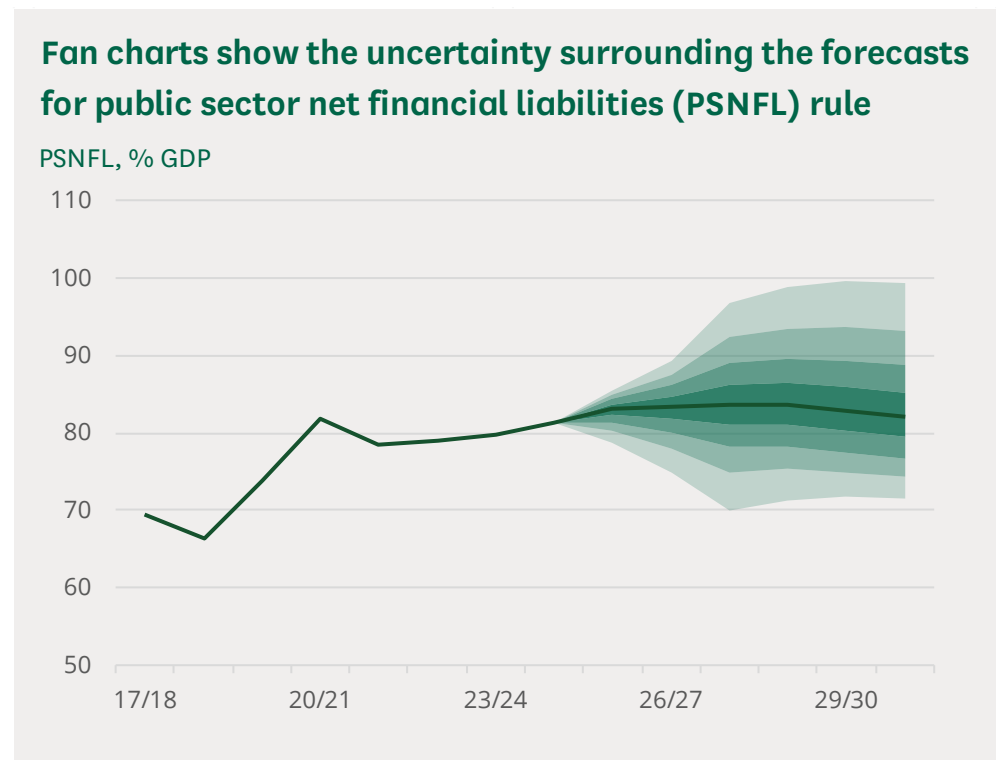
The Chancellor's rule says that public sector net financial liabilities (PSNFL) should be falling as a share of economic output (GDP) by 2029/30, until 2029/30 becomes the third year of the forecast period. It should then fall by the third year of the rolling forecast period.

The government is forecast to meet the PSNFL target by a margin of 0.7% of GDP (£24 billion) in 2029/30.⁹⁶

The OBR says the probability of the target being met is 52%. The chart below highlights the uncertainty in the forecast for the current budget, with successive pairs of lighter-shaded areas around the central forecast representing 20% probability bands.

⁹⁵ OBR, Economic and fiscal outlook – November 2025, [para 7.10](#)

⁹⁶ OBR, Economic and fiscal outlook – November 2025, [para 7.6](#)



Notes: Y-axis does not start at zero.

Source: OBR, Economic and fiscal outlook – November 2025, [Chart 7.1](#)

The OBR will start assessing the fiscal rules once a year

The OBR produces two forecasts each financial year. At each forecast, it assesses whether the government's policies have a better than 50:50 chance of meeting the Chancellor's two targets for the public finances.

The Chancellor proposes to legislate so that, in the future, the fiscal rules are only assessed once a year, in the OBR's forecasts for the Budget.⁹⁷ The OBR would continue to publish two forecasts a year but would only formally assess the fiscal rules once a year.⁹⁸

⁹⁷ The relevant legislation is the [Budget Responsibility and National Audit Act 2011](#)

⁹⁸ HM Treasury, Autumn Budget 2025, [Section 2](#)

3.4

Summary of OBR forecasts for the public finances

OBR forecasts: public finances							
Comparison of March 2025 and November 2025 forecasts							
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Net borrowing (PSNB), £ billion							
March 2025	137.3	117.7	97.2	80.2	77.4	74.0	na
November 2025	149.5	138.3	112.1	98.5	86.9	67.9	67.2
Net borrowing (PSNB), % of GDP							
March 2025	4.6	3.8	3.0	2.4	2.2	2.1	na
November 2025	5.1	4.5	3.5	3.0	2.6	1.9	1.9
Current budget deficit, % of GDP							
March 2025	2.1	1.2	0.4	-0.2	-0.2	-0.3	na
November 2025	2.6	1.7	0.9	0.1	-0.1	-0.6	-0.7
Public sector net financial liabilities (PSNFL), £ billion							
March 2025	2,404	2,526	2,639	2,734	2,828	2,919	na
November 2025	2,439	2,570	2,683	2,788	2,882	2,958	3,034
Public sector net financial liabilities (PSNFL), % of GDP							
March 2025	80.9	81.9	82.4	82.3	82.1	81.7	na
November 2025	81.3	83.1	83.3	83.6	83.7	83.0	82.2
Net debt (PSND), £ billion							
March 2025	2,813	2,897	3,026	3,152	3,274	3,391	na
November 2025	2,810	2,940	3,070	3,211	3,341	3,452	3,546
Net debt (PSND), % of GDP							
March 2025	93.6	93.9	94.5	94.9	95.0	94.9	na
November 2025	93.6	95.0	95.3	96.3	97.0	96.8	96.1
Central government net debt interest, £ billion							
March 2025	105.2	111.2	111.4	117.9	124.2	131.6	na
November 2025	105.7	113.7	113.3	118.7	127.7	136.6	140.4

Notes: March 2025 forecast numbers as a percentage of GDP have been rebased to remove the impact of 2025 Blue Book levels revisions.

4

OBR forecasts for the economy

The independent Office for Budget Responsibility (OBR) published new forecasts for the economy and public finances on 26 November 2025.⁹⁹

The OBR's forecasts are the official forecasts used by the Chancellor for the Budget. They incorporate the effect of the policy decisions that the Chancellor has announced.¹⁰⁰

The OBR's previous forecasts were published in March 2025.¹⁰¹ This section summarises the new forecasts for the economy and compares them with the forecasts from March.

The OBR's forecasts are for the next five years: up to the calendar year 2030 and the financial year 2030/31 (financial years run from April to March the following year). Quarterly forecasts up to the first quarter (Q1) of 2031 are also published.¹⁰²

4.1

GDP growth

The OBR is forecasting GDP growth of 1.5% for every year from 2025 to 2030, with the exception of 2026 when growth is forecast to be 1.4%.¹⁰³

The OBR raised its GDP growth forecast for 2025, a result of upward revisions to GDP growth at the end of 2024 from the Office for National Statistics and stronger-than-anticipated growth at the beginning of 2025.¹⁰⁴

However, the OBR lowered its GDP growth forecasts for subsequent years, as shown in the chart below. Forecasts for 2026 to 2029 were on average 0.3 percentage points lower than the OBR forecast in March 2025.¹⁰⁵

⁹⁹ OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025

¹⁰⁰ There's further information about the OBR in the Library briefing [The Office for Budget Responsibility](#) and Box 1 (page 29) of the Commons Library briefing, [Autumn Budget 2025: Background briefing](#)

¹⁰¹ OBR, [Economic and fiscal outlook – March 2025](#), 26 March 2025

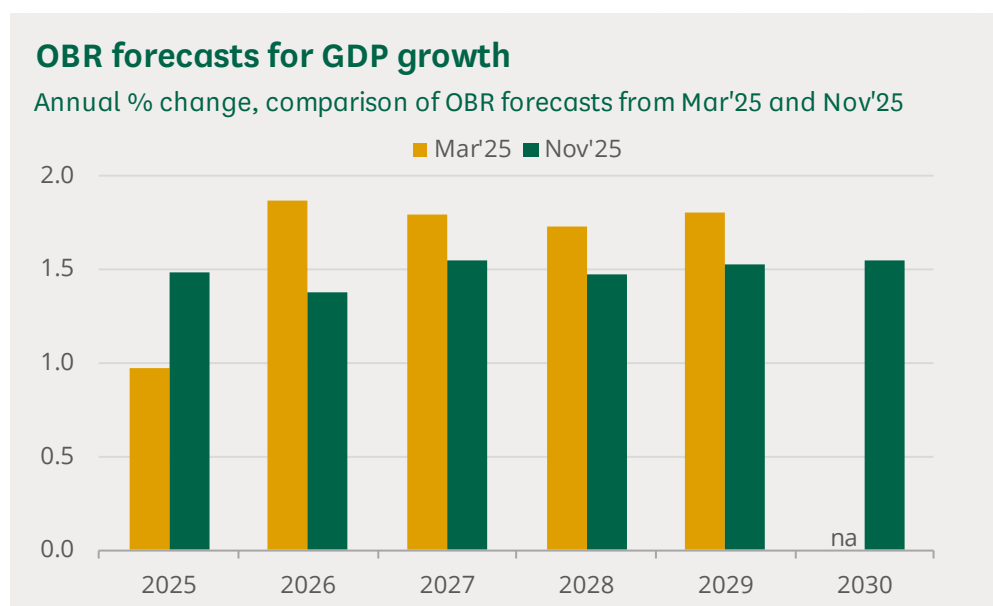
¹⁰² All references to OBR forecasts are taken from the OBR's report and detailed forecast data for the UK economy taken from OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025

¹⁰³ OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025, paras 1.4-1.6 and 2.27-2.29

¹⁰⁴ OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025, para 2.27. See Commons Library briefing, [Autumn Budget 2025: Background briefing](#), section 1 for more on GDP data

¹⁰⁵ OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025, para 2.28

This was mostly because the OBR downgraded its forecast for the underlying rate of productivity growth, which helps determine how fast the economy can grow (see section 4.2).



Source: OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025, Table A.1

The OBR estimates that the policy decisions taken at this Budget will temporarily raise GDP by 0.1 of a percentage point in 2026/27, mostly due to higher government spending.¹⁰⁶ This effect fades away in subsequent years as taxes are raised.

The OBR says there are “significant risks on either side” to their central forecast for GDP.¹⁰⁷ It cites uncertainty around geopolitical tensions and global trade developments, as well as productivity growth, as factors that could lead to growth being higher or lower than forecast.¹⁰⁸

4.2

Trend productivity growth

‘Productivity’ is a measure of the value of goods or services produced for every hour worked.¹⁰⁹ If productivity grows, it means more goods and services can be provided for the same amount of hours worked across the economy.¹¹⁰ It is therefore a vital component of the economy’s sustainable growth rate – its ‘[speed limit](#)’ – and for living standards over the long term.¹¹¹

¹⁰⁶ OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025, paras 1.6, 2.15, 2.28, 3.15

¹⁰⁷ OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025, para 2.29

¹⁰⁸ OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025, para 2.29

¹⁰⁹ This is labour productivity, which will be the focus of this section

¹¹⁰ For more, see, for example: The Productivity Institute, [Productivity Primer](#), May 2024

¹¹¹ For example see Nicholas Oulton, [Productivity and the standard of living: what is the link?](#), Economic Statistics Centre of Excellence, March 2022

The OBR reduced its forecast for the underlying – or ‘trend’ – rate of productivity growth over the medium term from 1.3% per year previously to 1.0%.¹¹²

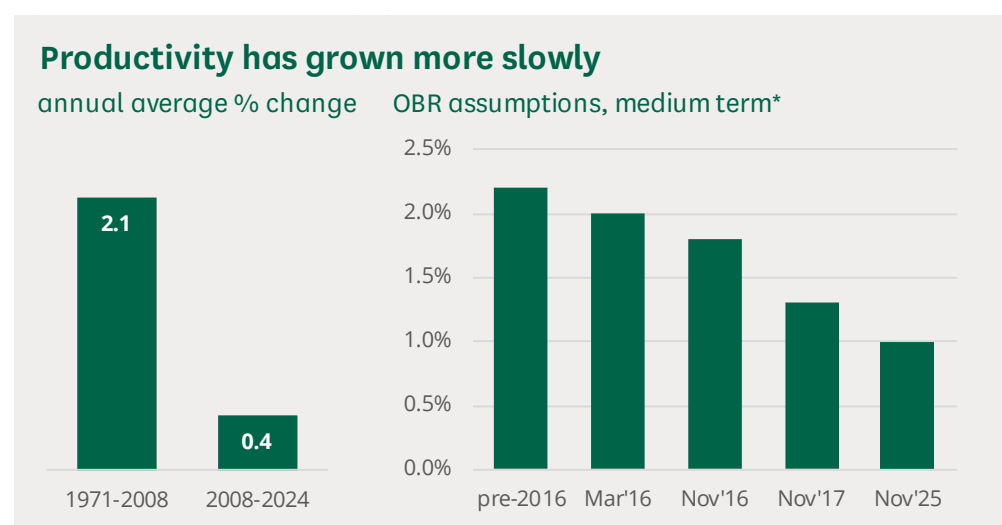
The medium term is usually defined as three to five years into the future (and sometimes beyond), which is towards the end of the OBR forecast period.

The OBR says this downgrade is not due to any particular government policies but instead to its assessment of the UK’s productivity performance, which has been much weaker since the financial crisis of 2007 to 2009.¹¹³

The OBR also assessed structural trends, like the emergence of artificial intelligence, and how those were likely to affect underlying productivity in the economy.¹¹⁴

Since it was created in 2010, the OBR’s expectations for productivity growth have consistently been over-optimistic, despite the OBR periodically downgrading its forecasts over the years.¹¹⁵

The decision to lower its assumption of the economy’s trend productivity rate to 1.0% over the medium term moves the OBR more in line with other forecasters.¹¹⁶ However, it is still above the average productivity growth since 2008, as the charts below show.



*Roughly five years ahead of the date the forecast was made; trend productivity growth

Sources: ONS, [Output per hour worked, series LZVB](#), 13 Nov 2025 and Commons Library calculations; OBR, [Economic and fiscal outlook](#), various editions

¹¹² OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025, para 1.5

¹¹³ OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025, para 1.5 and Box 2.1

¹¹⁴ OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025, para 1.5 and Box 2.1

¹¹⁵ Commons Library briefing paper, [Autumn Budget 2025: Background briefing](#), section 1.4

¹¹⁶ OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025, Box 2.1 (p30) and para 2.66

This downgrade has led to the OBR revising its GDP growth forecasts, as section 4.1.

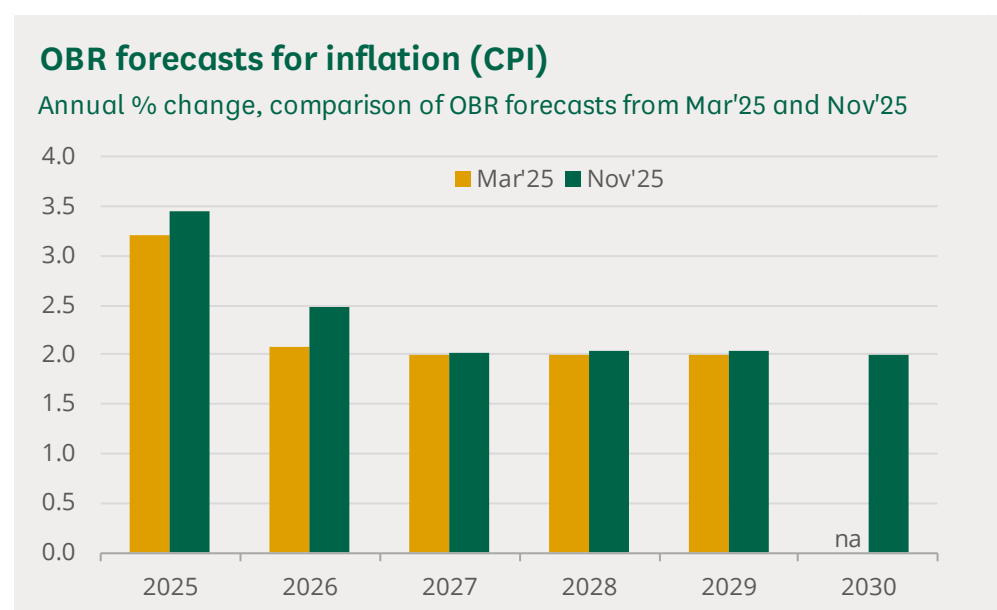
The OBR warned that productivity growth is “inherently difficult to forecast, and the outlook is subject to significant uncertainty”.¹¹⁷

Further details of the OBR’s analysis of the UK’s productivity potential is available from the OBR briefing paper, [Forecasting productivity](#) (PDF), released alongside its forecasts.

4.3 Inflation

The OBR says it “expect[s] inflation to stay higher for longer” than in its previous forecast in March.¹¹⁸ This is due to higher food and services prices than the OBR anticipated.¹¹⁹

The OBR raised its forecast of the annual rate of inflation for 2026, as measured by the Consumer Prices Index (CPI), from 2.1% to 2.5%, as the chart below shows. This is despite the OBR estimating that Budget policy measures will reduce inflation by 0.3 percentage points in 2026 compared with if they weren’t in place. This was primarily because of measures that reduce household energy bills as well as the extended freeze on fuel duty.¹²⁰



¹¹⁷ OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025, para 2.20 and Box 2.1

¹¹⁸ OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025, para 1.8

¹¹⁹ OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025, para 1.8. For more see Commons Library briefing paper, [Autumn Budget 2025: Background briefing](#), section 1.5

¹²⁰ OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025, paras 1.8, 2.33, 3.17. This is for the 2026 calendar year. For the 2026/27 financial year the OBR estimates policy measures reduce CPI inflation by 0.4 of a percentage point.

Source: OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025, quarterly forecasts of Consumer Prices Index (CPI) from Table 1.7 of ‘detailed forecast tables: economy’

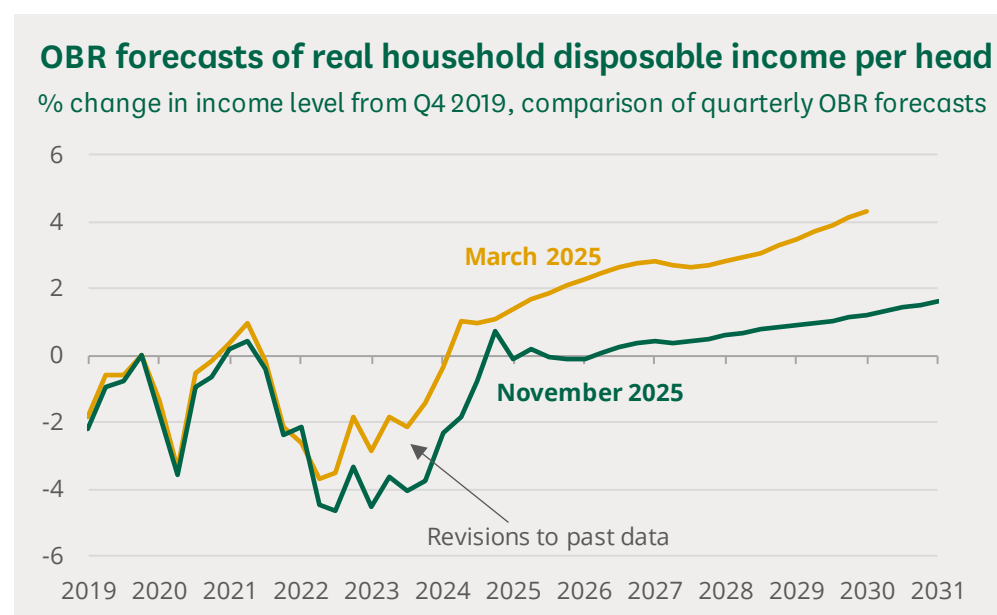
The OBR then expects inflation to ease to 2.0% – the Bank of England’s target – in early 2027 and remain around there for the rest of the forecast period.

4.4 Household incomes

The OBR has lowered its forecasts for how much living standards will rise in coming years, as the chart below shows. This is based on a measure of after-tax incomes that is adjusted for inflation and population size.¹²¹

The OBR says slower growth in this measure reflects slowing real (inflation-adjusted) wage growth and rising taxes, including the extension to the freeze in personal income tax thresholds beyond 2027/28 (see section 1.1 for more).¹²²

It forecasts that this measure of living standards will at the beginning of 2031 be less than 2% higher than it was at the end of 2019, before the covid-19 pandemic began.



Source: OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025, quarterly forecasts from Table 1.5 of ‘detailed forecast tables: economy’

¹²¹ This section is based on real household disposable income. This indicator of incomes measures total income across all UK households, after tax and adjusted for inflation, on a per person basis.

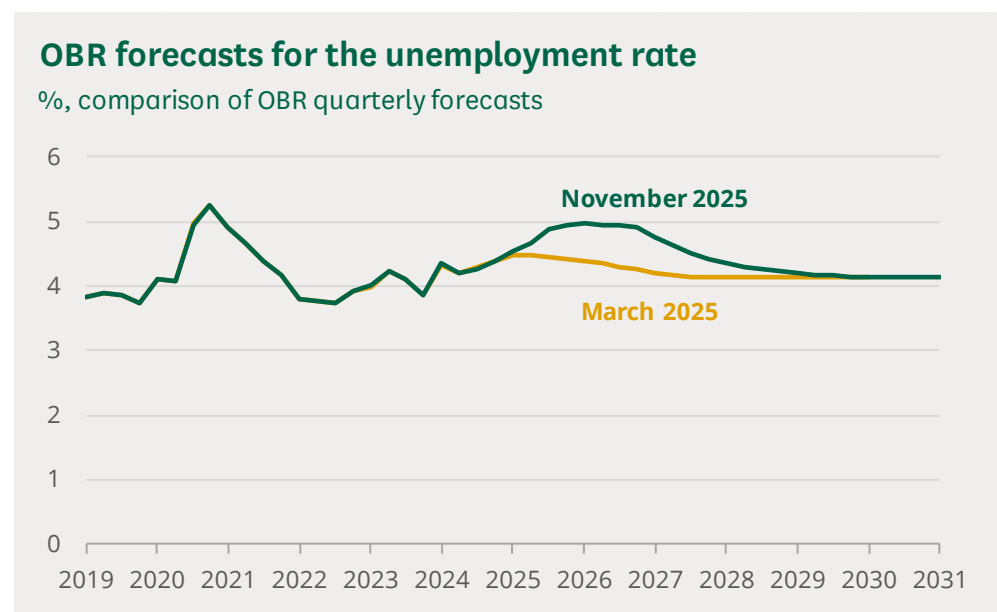
¹²² OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025, paras 2.44 and 3.16

4.5

Unemployment

The OBR says that the unemployment rate has been gradually increasing in recent years. It points to “ongoing weakness in labour demand” as a factor, resulting in entrants to the labour force struggling to find work.¹²³

The OBR forecasts the unemployment rate to remain around the current rate of around 5% until 2027, before falling toward 4% in subsequent years.¹²⁴ As the chart below shows, this is higher than was forecast in March.



Source: OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025, quarterly forecasts from Table 1.6 of ‘detailed forecast tables: economy’

4.6

Business investment

Business investment recovered more quickly after the covid-19 pandemic than was previously thought, as shown in recent revisions to past data from the Office for National Statistics (ONS).¹²⁵ Reflecting these revisions, the OBR has raised its business investment growth forecast for 2025.

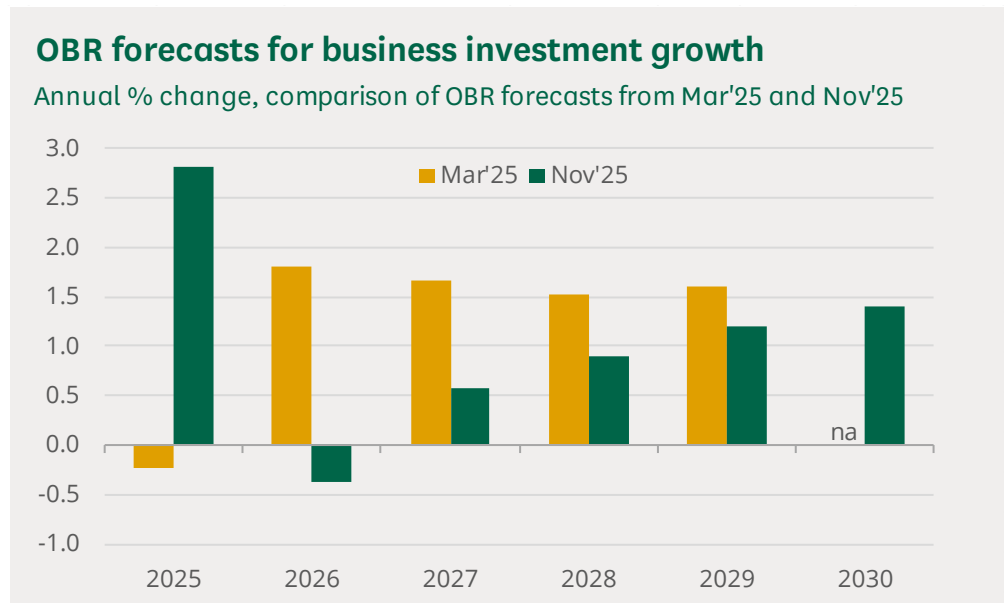
However, the OBR has, lowered its expectations for business investment growth in every subsequent year of its forecast, most notably for 2026 and 2027 (as shown in the chart below). The OBR says the weaker outlook is due to

¹²³ OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025, paras 1.9 and 2.38

¹²⁴ OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025, paras 1.9 and 2.38

¹²⁵ OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025, paras 1.10 and 2.49

subdued business confidence as well as a difficult investment climate, with higher interest rates and lower returns on capital than in recent history.¹²⁶



Source: OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025, Table A.1

4.7

Summary of OBR forecasts for economy

The table below summarises OBR forecasts from March 2025 and November 2025 for key economic indicators.

¹²⁶ OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025, paras 1.10 and 2.49

OBR forecasts: economy

Comparison of March 2025 and November 2025 forecasts

	2024	2025	2026	2027	2028	2029	2030
GDP growth, %							
March 2025	0.9	1.0	1.9	1.8	1.7	1.8	na
November 2025	1.1	1.5	1.4	1.5	1.5	1.5	1.5
GDP level, 2025=100							
March 2025	99.0	100.0	101.9	103.7	105.5	107.4	na
November 2025	98.5	100.0	101.4	102.9	104.4	106.0	107.7
Business investment growth, %							
March 2025	0.8	-0.2	1.8	1.7	1.5	1.6	na
November 2025	2.3	2.8	-0.4	0.6	0.9	1.2	1.4
ILO unemployment rate, annual ave (%)							
March 2025	4.3	4.5	4.3	4.2	4.1	4.1	na
November 2025	4.3	4.8	4.9	4.6	4.3	4.2	4.1
CPI annual inflation, %							
March 2025	2.5	3.2	2.1	2.0	2.0	2.0	na
November 2025	2.5	3.5	2.5	2.0	2.0	2.0	2.0
Trend productivity growth, %							
March 2025	0.3	0.3	0.9	1.1	1.2	1.3	na
November 2025	0.3	0.7	0.7	0.8	0.8	0.9	1.0
Average earnings growth, %							
March 2025	4.7	4.3	2.3	2.1	2.2	2.5	na
November 2025	4.9	5.2	3.3	2.3	2.1	2.2	2.3
Real household disposable income per head, % change on previous year							
March 2025	2.8	1.1	0.8	0.2	0.3	0.8	na
November 2025	3.1	1.0	0.2	0.3	0.3	0.3	0.4

Notes: CPI is Consumer Prices Index, ILO is International Labour Organisation, trend productivity growth refers to growth in potential output per hour worked

Source: OBR, [Economic and fiscal outlook – November 2025](#), 26 November 2025, Table A1; OBR, [Economic and fiscal outlook – March 2025](#), 26 March 2025, Table A1; and Library calculations based on Tables 1.1 and 1.5 of ‘detailed forecast tables: economy’ published alongside these.

5 What happens next?

5.1 Debate, resolutions and the Finance Bill

Immediately after the Budget statement, the Chancellor moved motions under the [Provisional Collection of Taxes Act \(PCTA\) 1968](#), so that changes to stamp duty reserve tax and tobacco duties could take effect on 26 November (see section 2.1). The motions were agreed to without a vote.

The Chancellor then moved the first of [101 'ways and means resolutions'](#) (PDF) on which the Budget debate will take place until 2 December. Each of the resolutions refers to a specific tax measure to be included in the forthcoming finance bill, including new proposals in the Budget as well as renewing existing taxes. Formally, the debate takes place under the first motion: “that income tax is charged for the tax year 2026-27”. The [debate began in the House of Commons](#) with a speech from the Leader of the Opposition.

Although the debate formally occurs on the first of the ways and means resolutions, the debate also relates to other parts of the Budget. Debates are usually informally structured around themes, and [parliamentary procedure allows for a debate “on the broadest lines”](#).

At the end of the Budget debate, MPs will be asked to vote on each of the resolutions. Resolutions that the House agrees to will then be incorporated in the Finance (No.2) Bill, which will give them permanent legal effect.

Under the terms of PCTA 1968, the ways and means resolutions need to be approved by the Commons within 10 sitting days of the Budget. Usually, MPs will only vote on some of these resolutions, reflecting the most controversial aspects of the Budget; the rest will pass unopposed.

[The Finance \(No.2\) Bill](#) may also cover other matters relating to the administration of the tax system.

There is further information about the process and Parliament’s role in the following:

- House of Commons Library, [What is the Budget?](#) 6 November 2025
- House of Commons Library, [The Budget and the annual Finance Bill](#), 22 September 2025
- UK Parliament, [MPs’ Guide to Procedure: Budget and Finance Bill](#)

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