
Edelman
CHOICES AND CONSEQUENCES
Budget 2025
NOVEMBER 26, 2025
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UK Budget 2025: Choices and Consequences

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- Chancellor Reeves says Budget will set "strong foundations for a secure future."
- Growth forecast is up, but productivity growth is down, as OBR says Budget will meet fiscal rules.
- Income tax thresholds are frozen as a Mansion Tax is introduced alongside changes to savings and pensions tax benefits.
- Labour MPs are pleased by cost-of-living policies including freezing fuel duty, rail fares, prescription charges and reducing energy bills alongside an increase to the National Living Wage and abolition of the two-child benefit cap.

Strong foundations, but is it a secure future?

Amid a moment of ultimate political risk and a Budget straining under the weight of expectations, the cheers from Labour backbenchers told their own story: For now, Chancellor Reeves has bought herself some breathing space. After months of leaks, hints, and counter-briefings, she delivered what may well be the most trailed Budget in modern times. She has more than doubled her fiscal headroom. But the question that matters is whether she has done enough to quiet her critics and chart a credible path back to economic strength.

From the outset, this Budget was shaped by political decisions made long before Rachel Reeves stepped into the Treasury. The pledge in opposition not to raise Income Tax, VAT, National Insurance or Capital Gains Tax was designed to blunt Conservative attacks. Instead, it has boxed the Government into a narrow corner at precisely the moment when public services are visibly struggling despite new cash and when the fiscal inheritance is simply not getting any better. The room for maneuver was limited from day one; after a year of internal tension and a series of bad political decisions, it has become almost suffocating.

External forces have only tightened that constraint. The imperative to increase defense spending has further depleted the Chancellor's options. Donald Trump's trade agenda has introduced fresh volatility into global markets. What began as a difficult inheritance has evolved into a far more precarious backdrop for major fiscal choices.

That context is crucial for understanding last year's GBP 40 billion tax increase, much of it shouldered by business. Ministers argued it was essential to stabilize the public finances, but it has added to inflationary pressure and depressed hiring. Business leaders have not been shy about their frustration with the combined weight of tax rises, proposed increases to employment rights, and regulatory drift. Meanwhile, households have endured months of policy kite-flying. They now enter this Budget with an uneasy sense that their personal finances are once again in the firing line. Confidence is fragile, and the political risk that comes with that cannot be overstated.

At Westminster, the weakness of the Prime Minister and Chancellor forms the backdrop to every conversation. MPs speak openly about their doubts over the Government's direction and privately question whether the current leadership team are the right people for the job. This Budget needed to buy time as much as it needed to make policy.

The Chancellor knew she had to present Labour MPs with something they felt able to defend on the doorstep. At the PLP meeting, she promised that the package would unite the party. That calculation reflects a simple political truth: many Labour MPs now judge every Government action through the lens of electoral survival. For Reeves, their support is not optional, it is existential.

The Budget was also shaped far more by political hands than her earlier fiscal events. No. 10 and senior ministers were closely involved, pushing for measures that speak to the party's core constituencies and create dividing lines with the opposition parties.

The result landed well with Labour MPs. Increases to the National Living Wage, the removal of the two-child benefit cap, help with energy bills, and freezes to rail fares and prescription charges triggered enthusiastic support. These are clear, cost-of-living-focused offers that Labour can explain in a sentence. They reinforce the party's values. But the political risk is obvious: these measures require funding, and the tax increases to pay for them take effect in the run-up to a General Election. What plays as retail politics today may look more fraught in a year's time.

Business leaders will be focused on different questions. Chief among them: where are the growth measures? Over the past year, Reeves has stressed fiscal predictability and discipline as the foundation of her economic approach. Early market reaction appears steady—an achievement in itself. But this was the moment to set the long-term foundations for growth: to reshape the tax base, drive investment, and begin the hard work of lifting productivity. Those decisions have been deferred. With an election approaching, the chance to return to them later will be limited.

Politically, this Budget aims to steady both the Prime Minister and the Chancellor. Whether it succeeds is far from certain. Labour MPs have been grumbling for months about the lack of a clear project or governing story. Today's Budget may buy breathing space, but it does not answer the broader questions about direction.

The Chancellor has opted for a package of retail policies that constrain her future choices and narrow the space for strategic action the closer she gets to polling day. It is a Budget produced from a position of political and economic weakness, and it feels like a moment when the chance to pursue deeper reform has been missed. It may have averted one immediate political crisis. But without a plan for the challenges now looming, it risks setting up a larger one.

What's in the Budget?

It has been visible from space that this would be a tax-raising Budget. This is partly because growth forecasts have improved but are still not where the Government would hope them to be. And it is also because political defeats from Labour backbenchers have resulted in increased spending commitments, principally on welfare.

There was widespread speculation that the centerpiece of the Budget would be a manifesto-breaching increase in Income Tax rates to build fiscal headroom and increase options for eye-catching measures closer to the General Election. But in recent weeks there seems to have been a screeching U-turn in plans and a shift towards what has been euphemistically dubbed "the Smorgasbord Approach"—a wide range of smaller, targeted tax increases.

The Chancellor views these measures as distributionally fair, with those in the highest deciles paying more, and those further down the income distribution receiving more support. The most high-profile examples of this are the removal of the two-child cap on Universal Credit from April 2026 and the increase in the National Living Wage.

A Mansion Tax, a long-time policy talking point for Labour people, will be introduced on properties worth GBP 2 million or more from 2028, alongside a huge reduction in salary sacrifice pension NICs relief and increases on tax for dividend income and interest on savings.

A range of policy measures are aimed at helping with reducing the cost of living. These include a freeze in fuel duty, freeze in regulated rail fares, freeze in prescription charges, and changes to green levies to bring down the cost of household energy bills.

Major Fiscal Measures

- Two-child benefit cap lifted from April 2026.
- Income tax and NIC thresholds frozen until 2031.
- National Living Wage will increase to GBP 12.71 per hour in April 2026.
- Dividend income ordinary and upper tax rates increased by 2%, from April 2026. Savings income ordinary and upper tax rates increased by 2% from April 2027.
- Tax rates for property incomes. From April 2027, the property basic rate will be 22%, the higher rate 42% and additional rate 47%.
- Salary sacrifice pension NIC relief capped at GBP 2,000, from 2029.
- High Value Council Tax Surcharge (HVCTS) in England for homes over GBP 2 million, from April 2028. GBP 2,500 for properties between GBP 2-5 million, and GBP 7,500 for properties above GBP 5 million.
- Gambling duties increased. The Remote Gaming Duty from 21% to 40% from April 2026. A new Remote Betting Rate at 25% within General Betting Duty introduced from April 2027.
- Cash ISA allowance reduced from GBP 20,000 to 12,000 for under-65s from April 2027. Over-65s will retain the existing allowance.

Retail/Consumer Measures

- Low-value import customs duty relief removed from 2029.
- Lower business rates multipliers for eligible RHL properties with ratable values below GBP 500,000 and higher-value business rates multiplier for properties with ratable values of GBP 500,000.
- Electric Vehicle Excise Duty mileage charge introduced from 2028.
- Soft Drink Industry Levy extended to milk-based drinks, and levy threshold reduced to 4.5g/100ml from January 2028.
- Duty rates on all tobacco products will increase by RPI inflation +2 ppts from November 2025.
- All Alcohol Duty rates will increase in line with RPI inflation from February 2026.
- Fuel duty 5p cut extended to August 2026, with rates to return by March 2027.
- Rail fares frozen for one year from March 2026.
- Prescription charges frozen for one year from April 2026.
- Energy Company Obligation removed from energy bills, and the Government will fund 75% of the Renewables Obligation domestic cost for three years.
- GBP 150 Warm Home Discount extended to 3 million additional low-income households.

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Reaction from across the political parties

Labour

Labour MPs were primed to expect a Budget that spoke directly to them, and the Chancellor and her team had promised a Budget "95% of which they would be happy with." Reeves would have been acutely aware that this has been a failing of her team in the past, where they have failed to triangulate the "Holy Trinity" of reactions—political, business, and markets. The most difficult balancing act for any Chancellor.

The first question Labour MPs will be asking themselves—and each other—is "will this Budget help me save my seat or not?" Because that's the yardstick by which many Labour MPs are judging every Government act right now.

And so, the cheers within the Chamber for clear red water "retail offerings" were heartily uttered. Most Labour MPs will not balk at hikes in the National Living Wage, help with energy bills, freezing rail fares, freezing prescription costs, or removing the two-child benefit cap to tackle child poverty—for this audience, easily the most popular measure announced today and welcomed by a range of factions across the party. These sentiments were echoed by the trade unions—including the TUC—important influences on the Labour Party, but latterly more critical of some of the Government's policy choices.

One ex-minister contacted by Edelman was cautiously cheered by the Budget, which they saw as taking steps to put more money into people's pockets. They said that it was "ok overall—though we will see when the small print gets found out."

While another—a 2024 new intake MP—agreed that the Budget "could have been worse" and was "vaguely sellable" on the doorstep. The pre-announcement briefing that this would be a cost-of-living Budget has survived initial contact with Labour backbenchers.

Crucially, former Deputy Leader Angela Rayner—thought to be considering a leadership bid should the Starmer-Reeves project falter—was quick to praise the Budget, making the point that ending the two-child benefit cap will help hundreds of thousands of children out of poverty and "Labour will change lives for the next generation," as it had done for her. Deputy Labour Leader Lucy Powell also focused her reaction on lifting children out of poverty.

Meanwhile, another senior Labour local government figure, known to be close to a Cabinet Minister, told us that "I thought she did well. Strong and confident…I reckon that will have encouraged the troops behind her."

So, for the Parliamentary Labour Party, there is relief that the Budget does not initially appear likely to make things significantly worse for households in their constituencies. And for the Chancellor personally, more time has been bought from her parliamentary colleagues, who now feel more listened to than hitherto.

But risk remains. Because if it was hard for Labour MPs to articulate a defining purpose for this Labour government before this Budget, it has become no easier after it. This electoral performance anxiety now seems likely to persist at least until the crucial local and devolved government elections in May.

The Chancellor may not have found the path out of the woods or the elixir of sustained economic growth just yet, but she has bought herself a little more time to continue the search.

Conservative Party

The centerpiece of Kemi Badenoch's response to the Budget was a sustained attack on the Government's approach to welfare. Seeking to establish a clear political dividing line, she distilled the Budget into a single line: "Labour are hiking taxes to pay for welfare," adding that it was "a Budget for *Benefits Street*, paid for by working people."

From a strategic standpoint, her heavy emphasis on welfare reform is no accident. The Conservative leadership increasingly views the welfare debate as one of the clearest ideological contrasts it can draw with Labour in the years ahead. One senior Conservative Party source told Edelman: "We need to reestablish ourselves as the Party for working people. Labour's decision to increase welfare spending whilst also taxing workers more certainly helps us achieve that."

Building on this narrative, Badenoch accused the Government of actively squeezing working people by freezing tax thresholds while uprating benefits in line with inflation. She highlighted the decision to scrap the two-child benefit cap as symbolic of the Government's misplaced priorities. Her reminder that even the Chancellor previously labeled the policy unaffordable was used to suggest that this Budget was shaped less by economic necessity and more by the political pressures of an unsettled Labour backbench.

Speaking with several Conservative MPs, it is clear that the party feels that Badenoch performed well today and that she is growing into the role of Leader of the Opposition. They were particularly pleased to see her articulate how the party was on the side of working people and fiscal responsibility, compared to a government who appeared beholden to the whims of its backbenchers.

Liberal Democrats

Ed Davey delivered a notably less combative, but no less cutting, response to the Budget. He argued that this was the second Budget in a row that failed to live up to Labour's promise to tackle the cost-of-living crisis or deliver meaningful economic growth. Instead of a reset, Davey said, the Chancellor had repeated the same mistake as her first attempt: believing that you can tax your way to growth.

The focal point of Davey's intervention was his argument that there is an alternative path, one anchored in repairing Britain's relationship with Europe. He claimed that the Conservative Party's Brexit deal is costing the Treasury GBP 90 billion a year in lost revenue—money that could otherwise be used to ease the pressure on families struggling with rising costs. A customs union with the EU, he suggested, would unlock economic potential and offer the Government the fiscal space it currently lacks.

Reform

Nigel Farage's response to the Budget, delivered in a punchy press conference rather than the Commons chamber, offered a characteristically provocative critique, though notably, he began not with the Budget itself, but with the Conservative Party. Farage argued that Labour had inherited an economic mess from the Conservative Party.

Farage went on to describe the Budget as an "Alice in Wonderland" exercise in fiscal fantasy. He said the Chancellor spoke of economic growth, even as official forecasts were being revised down. He added that the Chancellor claimed debt would fall, while Government borrowing continued to rise. He then mentioned the Chancellor's focus on backing entrepreneurs, before suggesting she was seemingly oblivious to the fact that many were now choosing to leave Britain altogether. For Farage, the gap between rhetoric and reality was the defining feature of the statement.

Casting Reform as the authentic voice of "alarm clock Britain," Farage argued that working people were being asked to subsidize a benefits bill which showed no sign of going down. His wider message was clear: the system itself is broken, and only radical political change can pull the UK out of what he called its economic "doom loop."

What are the markets saying?

Grant Slade, UK Economist at Morningstar:

Encouragingly, Reeves' greater tax haul and an improved set of economic forecasts from the OBR delivers improved fiscal headroom...Still, this has been achieved via *a combination of tax measures that are largely backloaded. Consequently, the gilt market was largely unimpressed by the Chancellor's widened fiscal wiggle room, with gilt yields remaining above levels in recent weeks when broad-based hike to income taxes were expected.*

Charlie Lloyd, Head of Investments, Shackleton Advisers:

For financial markets, the main surprise is that the Chancellor has increased her fiscal headroom to nearly £22bn, reducing the likelihood of further large tax raising measures in the near-term / future budgets. This may also provide some comfort to bond markets following the U-turn over increases to income tax.

Tim Service, Investment Manager, Jupiter Asset Management:

The real test will be whether the government can now grasp the mettle on supply-side reform and spending discipline—unlocking productivity and private-sector confidence rather than relying on fiscal fixes. The UK's challenge is not a lack of potential, but a complex political environment that makes execution difficult.

Andrew Jones, Portfolio Manager, Janus Henderson Investors:

The Chancellor has walked a narrow path by raising taxes in a way that does not add to inflation. This has created scope for the Bank of England to cut interest rates further, created a larger fiscal buffer to remain within her fiscal rules over the forecast period, and increased spending in some select areas.

Ryan Howsam, CEO of Staysure Group:

Warm words, cold comfort for Britain's wealth creators. The Chancellor's promise to back entrepreneurs is positive. Her message that "if you build here, Britain will back you" is exactly what founders want to hear. At least there is finally an admission that the country needs its entrepreneurs. However, the problem is that the rhetoric is immediately undone by a series of tax grabs that make it harder, not easier, to build a business here.

The major measures in Budget 2025

Taxation

Capital Allowances and Corporation Tax

- The main rate of corporation tax remains at 25%.
- From April 2026, the main rate of writing down allowances for main-rate plant and machinery will reduce from 18% to 14%.
- From January 1, 2026, a new 40% first-year allowance for main-rate assets will be introduced. Cars, second-hand assets, and assets for leasing overseas will not be eligible.

National Insurance and Income Tax Thresholds

- Personal tax thresholds, employee and self-employed NICs thresholds, and the secondary NICs threshold will remain at current levels from 2028 to 2031.
- The Plan 2 student loan repayment threshold will be maintained for three years from April 2027.

Motoring Taxation

- From April 2028, the Government will introduce Electric Vehicle Excise Duty (eVED), a per-mile charge for electric and plug-in hybrid cars.
- The charge will be paid alongside existing VED. When eVED takes effect in April 2028, an average EV driver will pay around GBP 240 per year (approximately GBP 20 per month). Other vehicle types, including vans, motorcycles, buses, coaches and HGVs, will be out of scope at introduction. The Government has launched a consultation setting out further detail on how eVED will operate and is seeking views on its implementation.
- Private hire vehicle services will be excluded from the Tour Operators' Margin Scheme from January 2, 2026.
- An additional GBP 100 million in EV charging infrastructure on top of the GBP 400 million announced at the Spending Review.

Gambling Taxation

- Remote Gaming Duty will increase from 21% to 40% from April 2026.
- A new Remote Betting Rate of 25% within the General Betting Duty will apply from April 2027, excluding horseracing bets, which remain at 15%.
- Exclusion of remote bets on horseracing from the 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. An additional GBP 26 million of funding will be provided to the Gambling Commission over the next three years to tackle the illicit market.

Business Impact

Business Rates

- New permanently lower business rates multipliers for retail, hospitality and leisure (RHL) properties will apply from April 2026, setting the small business RHL multiplier at 38.2p and the standard RHL multiplier at 43p in 2026-27.
- A new high-value business rates multiplier of 50.8p will apply from April 2026 for properties with a ratable value above GBP 500,000.
- A three-year Transitional Relief scheme worth GBP 3.2 billion will be introduced from April 2026.
- Expanding the Supporting Small Business scheme worth over £1.3 billion to businesses who were eligible for RHL relief. Expanding the Supporting Small Business scheme worth over GBP 1.3 billion to businesses who were eligible for RHL relief.
- A new business rates retention zone (Leeds City Fund) will allow Leeds City Council to retain 100% of business rates growth above a baseline for 25 years.

Low Value Imports

- Removal of the customs duty relief for low value imports (goods valued at GBP 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 details of these new arrangements.

High Streets and Hospitality

- A freeze in regulated rail fares, extended GBP 3 bus cap, and business rates reforms are part of the Government's measures affecting high streets.
- Investment will refurbish up to 200 playgrounds, tied to local regeneration.
- A new Retail and Hospitality Envoy will support reforms including improvements to the packaging Extended Producer Responsibility scheme.
- Establishment of a cross-government taskforce to develop an intelligence-led understanding of organized crime on high streets, design interventions to disrupt money laundering and related criminality, and set strategic priorities for future operational activity.
- A dedicated "hidden economy" team will be established within the new Fair Work Agency from April 2026 to target sectors with severe breaches of employment rights, illegal working, and associated tax non-compliance.

Transport

- The Government will freeze all regulated rail fares in England for one year from March 2026.
- The temporary 5p cut in fuel duty will be extended to the end of August 2026, with staged increases thereafter returning rates to March 2022 levels.
- The Government will cancel the planned inflation increase in fuel duty for 2026-27.

- Construction of the Lower Thames Crossing progresses with an additional GBP 891 million of funding to complete publicly funded works.

R&D and Investment

- By 2029-30, annual government investment in R&D will rise to GBP 22.6 billion.
- The National Wealth Fund has deployed GBP 3.8 billion in its first year and is expected to catalyze over GBP 70 billion of private investment.
- Public sector net investment is forecast to average 2.7% of GDP over the forecast period.
- The Budget confirms GBP 14 billion for Sizewell C, GBP 39 billion for the 10-year Social and Affordable Homes Programme, and transport investment across city regions.

AI and Digital Investment

- The Government is investing up to GBP 2 billion to strengthen the UK's compute and supercomputing capabilities, including expansion of the AI Research Resource.
- New AI Growth Zones have been announced, with associated investment and job creation in designated regions.
- Innovate UK will launch a GBP 130 million Growth Catalyst program to support frontier companies in priority sectors, including digital technologies.
- From 2029, all VAT invoices will be required to be issued electronically, with further digitalization measures planned for businesses and HMRC systems.

Enterprise, Growth and Skills

- Over GBP 1.5 billion across the Spending Review period will support the Youth Guarantee and Growth and Skills Levy.
- The Youth Guarantee will ensure all young people aged 16-24 have access to support to earn or learn.
- Reforms to the visa system will be introduced to support access to global talent.
- Innovate UK will launch a GBP 130 million Growth Catalyst program for frontier firms.
- UK Research and Innovation will invest GBP 4 million per year in new Enterprise Fellowships and GBP 25 million in entrepreneurship-focused doctoral training.

Energy Security and Nuclear Policy

- The Government will fund 75% of the domestic cost of the legacy Renewables Obligation between 2026-27 and 2028-29 and the Energy Company Obligation will end and not be renewed.
- The Green Financing Framework has been updated to include nuclear energy, and the Government has accepted the Nuclear Regulatory Taskforce recommendations in principle, with reforms to be implemented within two years.
- The Government confirms that Wylfa in Anglesey will host the UK's first small modular reactor, and Sizewell C has reached financial close, enabling full-scale construction.
- A new Oil and Gas Price Mechanism (OGPM) will replace the Energy Profits Levy when it ends, applying a 35% rate above specified oil and gas price thresholds.

Devolution

- Seven Mayoral Strategic Authorities receive integrated settlements totaling at least GBP 13 billion for 2026-27 to 2029-30.
- A GBP 902 million Local Growth Fund will support 11 mayoral authorities in the North and Midlands.
- A GBP 500 million Mayoral Revolving Growth Fund will support investment alongside the private sector.

Public Health (Business-Related)

- Alcohol Duty will be uprated with RPI from February 1, 2026.
- The Soft Drinks Industry Levy threshold will be reduced from 5g to 4.5g/100ml and extended to milk-based drinks from January 1, 2028.
- The Government will uplift enforcement capacity, including support for Trading Standards and HMRC, to tackle illicit tobacco and vapes.

Fuel Duty

- Fuel Duty measures are listed under Transport above and include an extension of the 5p cut and cancelled uprating.

Advanced Manufacturing

- The Government is extending the DRIVE35 program with an additional GBP 1.5 billion to 2035, bringing total funding to GBP 4 billion to support next-generation zero-emission automotive manufacturing.
- The Industrial Strategy identifies advanced manufacturing as one of eight priority growth sectors guiding public investment, skills reform and innovation policy.
- UK Research and Innovation will direct part of its annual GBP 22.6 billion R&D budget by 2029-30 into sectoral missions, including programs in advanced manufacturing.
- The British Business Bank will invest at least GBP 5 billion in growth-stage funds and scale-ups, including firms operating in automotive, engineering and industrial technologies.
- Planning reforms and accelerated consenting processes for major infrastructure projects are intended to shorten timelines for industrial and manufacturing facilities.

Defense

- Defense spending will reach 2.6% of GDP in 2027.
- GBP 1.5 billion will be invested over the Parliament in energetics and munitions, with construction expected to start next year after identifying 13 potential factories.
- UK defense activity supported by Budget measures includes deploying naval and air assets, delivering surveillance capability, and contributing to the international Coalition of the Willing supporting Ukraine.

Customer/Employee Impact

Personal Taxation and Wages

- Personal tax thresholds and NICs thresholds for employees and the self-employed will remain unchanged from 2028 to 2031.
- Dividend and savings tax rates will increase, with increases of 2 percentage points for ordinary and upper dividend rates from April 2026, and for savings income from April 2027.
- The National Living Wage will increase to GBP 12.71 per hour in April 2026.
- From 2029, National Insurance relief on pension salary sacrifice will be capped at the first GBP 2,000 of pension contributions per person, with existing arrangements above that level brought into scope.

Savings

- The Help to Save scheme will be expanded to UC claimants receiving the caring or child elements.
- ISA subscription limits are maintained until 2030–31.
- From 2027, a separate ISA cash limit of GBP 12,000 will apply to those under 65.

Housing

- A new High Value Council Tax Surcharge will apply to homes worth GBP 2 million or more in England from April 2028, starting at GBP 2,500 and rising to GBP 7,500 for properties above GBP 5 million.
- The Government restated its commitment to delivering 1.5 million homes this Parliament.
- Investment includes GBP 39 billion for the Social and Affordable Homes Programme.
- New towns will be taken forward, with early promising sites including Tempsford, Leeds South Bank and Crews Hill & Chase Park.
- GBP 1.3 billion of the National Housing Delivery Fund will be devolved to mayoral authorities.
- A Defence Housing Strategy will release surplus defence land to deliver 100,000 homes.

Energy Bills

- Household energy bills will be reduced by around GBP 150 on average from April next year through changes to the Renewables Obligation and ending the Energy Company Obligation.
- The Warm Home Discount has been expanded to cover 3 million additional households.

Education

- Free breakfast clubs will expand to 2,000 more schools in 2026–27.
- School uniform legislation will restrict the number of branded items required.
- GBP 5 million will be provided to secondary schools to increase book supplies in 2026–27.

Policing

- Funding continues for 3,000 more neighborhood police officers and PCSOs in England by March 2026.

- The Government will abolish Police and Crime Commissioners as part of wider local government reforms, saving over GBP 250 million over five years.

Pensions

- The State Pension will increase by 4.8% in April 2026 under the Triple Lock.
- The Government will launch an independent review of the State Pension age.
- Pre-1997 PPF and FAS pensions will receive CPI-linked increases capped at 2.5% where their former schemes provided it.

Other Measures

Welfare Reform

- The two-child limit in the Universal Credit Child Element will be removed from April 2026.
- The Government will extend the Targeted Case Review to 2030–31 to reduce fraud and error in the welfare system.
- Department for Work and Pensions will increase the number of face-to-face assessments and conduct 122,000 additional Work Capability Assessments by 2029–30.
- The Budget introduces tax changes to Motability (removing VAT relief on top-up payments and applying Insurance Premium Tax) and commits to correcting historic Carer's Allowance overpayments.

Compliance, Fraud and HMRC Powers

- The Government will introduce new powers to tackle promoters of tax avoidance, alongside enhanced penalties for high-value tax fraud.
- HMRC will deploy 350 new criminal investigators to target serious fraud and evasion by small businesses.
- The Government will clamp down on Electronic Sales Suppression, with a call for evidence in 2026 to develop software standards.
- A new Public Authorities Fraud Investigation and Enforcement Service will be established to pursue recovery of public sector fraud and support enforcement of Covid loan cases.

Public Sector Reform and Efficiencies

- The Government will deliver GBP 4.9 billion of efficiencies and savings by 2030–31, including a new GBP 2.8 billion target in 2028-29.
- NHS England will be abolished, with associated changes to Integrated Care Boards and an NHS productivity improvement target of 2% per year.
- The Office for Value for Money has led reforms to strengthen public spending control, program evaluation, and efficiency delivery across departments.
- The Government will launch a Strategic Asset Review and set a GBP 1 billion asset efficiency target to increase income and disposals from public sector assets by 2030.