DODS | POLITICAL INTELLIGENCE

The Pre-Budget Briefing

Sector-by-Sector Analysis

Dods Political Intelligence

Edited by

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Introduction

This Dods Political Intelligence Briefing sets out key context and sectoral analysis ahead of the Autumn Budget on 26 November 2025. Complementing our standard coverage of Budget speculation, it provides a sector-by-sector assessment of the state of play, the main policy debates, and a forward look at what to expect from the Chancellor's statement.

For an already embattled Government, this Budget presents another inflection point. Facing a significant deficit, downgraded forecasts, and pressure to unveil further reforms, media scrutiny has aggressively turned to how the Government plans to raise the revenues required to meet its fiscal rules, while sustaining its growth mission.

Speculation over potential tax rises and spending cuts has dominated the political landscape recently, and the Autumn Budget will be viewed as a key test of the Government's fiscal credibility and political judgement.

Against this backdrop, this briefing aims to provide clear analysis to aid in understanding an increasingly saturated media and policy environment. It begins by setting out the fiscal state of play and explaining how the UK arrived at this point, before exploring the choices, pressures, and politics shaping the Autumn Budget 2025.

The following chapters then turn to sector-by-sector assessments, authored by Dods' Political Consultants. Each section outlines the sectoral context, identifies the main areas of policy debate, and highlights the measures to watch for at the Budget — offering an informed overview of the trends and priorities driving this year's fiscal decisions.

Fiscal Outlook and Tax Policy

State of Play

Since taking office in 2024, the Government has faced persistent speculation over tax rises — a debate that has quickly come to define its early narrative. Critics have dubbed it the fiscal "doom loop": a cycle of rumour and reaction over which taxes might rise, who would bear the burden, and how far any changes could stretch public tolerance.

To understand why this debate has taken hold, it's necessary to look to the fiscal framework and the Government's reforms to it.

In the lead-up to the 2024 General Election, Labour made fiscal sustainability a central pillar of its growth mission, pledging in its manifesto to "deliver economic stability with tough spending rules." That commitment laid the foundation for the much-debated fiscal rules, which accompanied Labour's first Budget of the Parliament.

These reforms were delivered against the backdrop of a widely trailed £22bn "black hole" — a deficit the Government claimed was the legacy of the preceding Conservative Government. The Chancellor claimed that addressing this "black hole" required "tough decisions." Many observers have since identified the October 2024 Budget, and the choices it contained, as the nexus of the Government's fiscal woes.

At the Autumn Budget 2024, the Chancellor of the Exchequer, Rachel Reeves, announced her two new fiscal rules: the Stability Rule and the Investment Rule. The primary rule — the Stability Rule — mandates that day-to-day spending must be met by revenues by 2029/30, and thereafter remain in balance or surplus from the third year of each rolling forecast period.

Fiscal headroom, the buffer between the Governments spending plans and the limits imposed by its own rules, is mainly assessed against the Stability Rule. This buffer acts as a form of emergency reserve, which the Government can draw upon to absorb external shocks to the public finances.

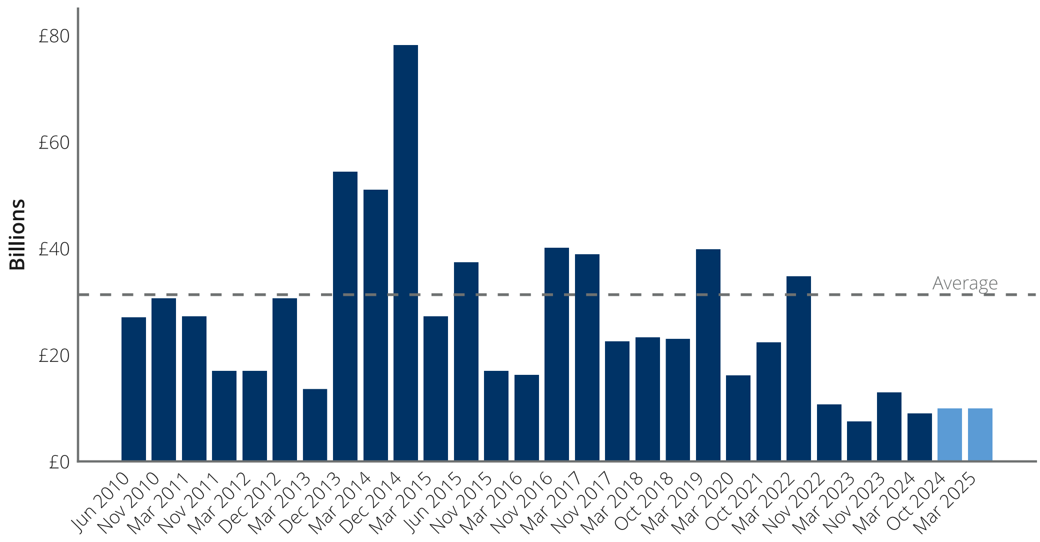
The Fiscal Framework

At present, headroom stands at £9.9bn — a figure that has effectively become Government policy. It first appeared in the Autumn Budget 2024 and, when a deficit of around £4bn emerged, it reappeared at the Spring Statement; restored with remarkable precision, to within £3m of the original figure.

The difficulty with £9.9bn is that it's not very much at all. Viewed in historical context, it appears insufficient.

At the Spring Budget 2024, the previous Government gave itself £8.9bn headroom. An uplift of £1bn is not significant, nor does it provide any effective additional buffer against economic shocks. According to the OBR, this Governments headroom of £9.9bn is only one-third of the average of £31.3bn since 2010.

Figure 1: Headroom against the Government's Primary Fiscal Rule



Source: OBR

This impression of insufficiency only deepens when the global economic environment is taken into account. Over the past 18 months, volatility has been the only constant in the world economy, and headroom remains the Government's primary line of defence against it. When that defence is inadequate, the result is a cycle of uncertainty within the public finances. If headroom is eroded every couple of months, it's understandable that speculation over tax rises and spending cuts enter mainstream political discourse. The resulting effects is tax uncertainty, which has a significant impact on business investment and sentiment.

Such a challenge was not unforeseen, and the risks of this fiscal strategy were well understood. In September 2024, the House of Lords Economic Affairs Committee, warned *"given today's geopolitical risks, the Government needs a larger fiscal buffer if it is to weather future economic shocks."* The Government has not yet heeded the committee's advice.

Effective fiscal frameworks are supposed to provide a cushion against shocks to the economy. With headroom entirely eroded at the Spring Statement 2025, and noting it has been eroded ahead of the upcoming Budget, it is evident that headroom has not fulfilled its purpose.

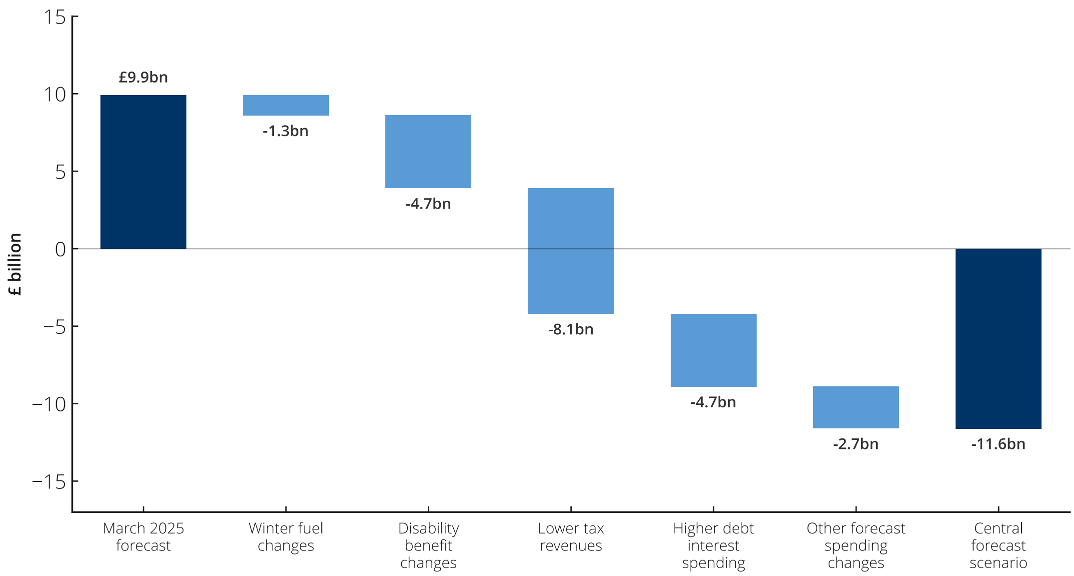
A straightforward approach to breaking this cycle is to increase the amount of headroom and build a bigger buffer. Doing so would reduce the uncertainty around tax rises and increase the Government's ability to absorb external shocks, without requiring a policy response.

But this comes with substantial political risk. Topping up headroom would require further revenues to be raised; more than would be necessary under the current fiscal target. This brings with it the unavoidable consequence of determining which taxes would rise, and who to levy them on. There are, after all, only three fiscal tools in the box: tax, spending, and fiscal rules. With the Government insistent that the fiscal rules are 'iron-clad' and spending largely spoken for following the spending review, the burden will fall, above all, on tax rises — not least given substantial internal opposition to spending cuts.

Decisions on tax and spending are inherently political. Equally, so is determining the amount of headroom. At both the 2024 Autumn Budget and the 2025 Spring Statement, the Chancellor made the political choice to devote the finite funds she had to actual spending, rather than to building the fiscal buffer. That decision was a risk. Failing to meet the rules was neither unlikely nor unforeseeable. The OBR itself only gave the Government a 54 percent probability of meeting them.

A key factor in determining the current fiscal woes is the reported downgrading of productivity forecasts by the OBR, which reportedly will cost the Treasury £20bn against the fiscal rules. A downgrade of this magnitude is unfortunate, but not unforeseeable. Since June 2010, there have been eight forecast downgrades of £20bn or more, so maintaining such a narrow buffer left the public finances exposed to an entirely plausible scenario. In, perhaps, a bout of ill fortune for the Government, the plausible has become reality. The Government's first decision will be to determine the level of headroom it would like to build, and determine the size of the consolidation needed.

Figure 2: Changes to forecast current budget surplus in 2029–30 between OBR March 2025 forecast and Barclays forecast



Source: IFS Green Budget 2025

Yet, the starting point is not the £9.9bn figure from the Spring Statement.

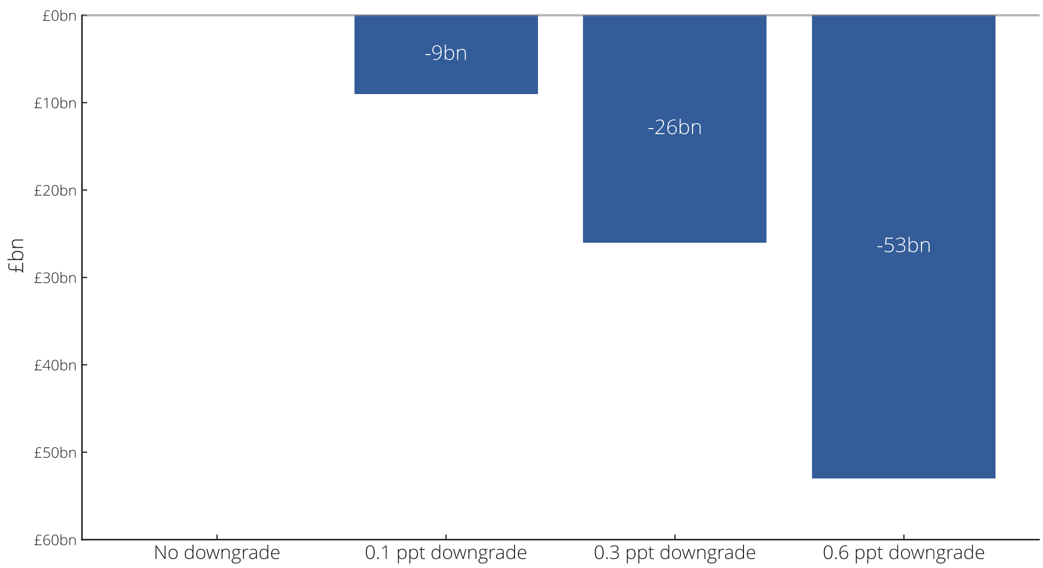
Since then, the Government has made a series of policy decisions that have eaten around £6bn into the fiscal buffer: the widely reported U-turn on benefit reform cost £4.7bn, and the decision to reintroduce the winter fuel payment cost around £1.3bn. The IFS and Barclays have estimated that movements in gilt yields could cost a further £4.7bn. In total, the IFS and Barclays estimate that a tightening of around £22bn is needed to restore headroom back to £9.9bn. Of course, any effort to build further headroom would require further revenues.

However, this projection assumes a 0.2 percentage downgrade in productivity, costing around £14bn. The FT has reported that the downgrade could be as significant as 0.3 percent, which the IFS say would deal a £21bn blow to the public finances.

Other forecasters, such as IPPR, have forecasted that a 0.3 percent downgrade could cost as much as £26bn. Either way, a downgrade of this magnitude would be devastating for the public finances, and make the task of building a larger fiscal buffer much more onerous.

Figure 3: Downgrades to the productivity forecast could be devastating for the public finances

Indicative impact of productivity downgrades on the current budget deficit in 2029/30



Source: OBR, IPPR

Speculation over the deficit's size has ranged from £15-£40bn. The size of the deficit dictates not only the scale of the damage, but the size of the consolidation needed to place the public finances on a sustainable footing. It is likely that significant fiscal consolidation will be required to meet the fiscal rules.

Fiscal Choices and Trade-offs

Yet more tools have seemingly been taken out of the Government's fiscal toolbox. In their manifesto, Labour committed to not raising the "Big 3" revenue raisers: income tax, VAT, and national insurance — as well as corporation tax. Any movement on any of these would be considered a breach of the manifesto. Raising substantial revenues outside those pledges is already a challenge. The prospect of raising £22bn to restore the status quo, let alone build a larger buffer, could prove to be a political nightmare.

That's the crux of the bind. Raising further headroom would strengthen the Government's credibility, but unavoidably means raising significant revenues that otherwise wouldn't have been raised, while also potentially breaking manifesto pledges.

Since making these commitments on tax, the Government has periodically sought to qualify it. In their manifesto, the Labour Party said they would *"not increase taxes on working people."* Naturally, scrutiny has focussed on the definition of a "working person." Various definitions have been offered.

The Prime Minister, Keir Starmer, gave his definition as people *"who earn their living, rely on our services and don't really have the ability to write a cheque they get into trouble."* When asked if he'd classify a working person as someone whose income derived from assets, such as shares or property — he said no.

Rachel Reeves has said *"working people are people who go out to work and work for their incomes."* The Chief Secretary to the Prime Minister, Darren Jones, has said that *"anyone who gets a payslip"* is a working person.

It has been reported, however, that the internal definition of a "working person" within the Treasury is anybody who earns £45,000 or less, representing the lower two-thirds of workers. This is a radically different definition to all of the above, and provides some clarity on Treasury thinking. Using this definition, it is unlikely that the basic rates of income tax and national insurance will rise. Yet, raising the higher and additional rates would still be an explicit breach of the manifesto.

What To Look For At The Budget

With this in mind, the discussion naturally focuses on how much could credibly be raised without breaching these pledges. And, if retaining the pledge isn't possible, how would the Government breach the commitment?

Media attention has now firmly turned toward both these questions.

In light of the deficit, and the need to build a larger buffer, speculation has been rife over which taxes will rise.

Much has been made of tax reform. It is very unlikely that the Government will pursue wholesale tax reform for the very simple reason that it is too intricate to rush. Yet, there are reforms that could net substantial revenues.

One of the most likely reforms the Government could make is levying employer National insurance on limited liability partnerships (LLPs). Currently members of LLPs are not subject to the tax, as partners are treated as self-employed. It has been reported that Chancellor sees the 'exemption' as unfair. More than 190,000 people use LLPs, with more than 13,000 partners earning an average of £1.25m each a year. Levying this tax would be an easy sell internally, and consistent with the sentiment of the "working people" pledge. The move would primarily burden lawyers, family doctors and accountants, and raise around £2bn. Still only a drop in the fiscal bucket.

Another likely and popular move would be raising tax on remote gambling. The Government has already consulted on a proposal, and has received the blessing of former Prime Minister Gordon Brown, IPPR, and the Social Market Foundation (SMF) in principle. The consultation proposed a new single tax for remote forms of betting and gaming to replace the current three-tax system for the sector. But again, the SMF believes their proposal will only raise £2bn, while IPPR believes theirs can raise £3bn.

Both proposals raise money, albeit very limited amounts, and are likely to happen. To fill the deficit, the Treasury will also need some larger proposals.

Another likely proposal is the extension of the freeze on income tax thresholds. Doing this could raise revenue for the Treasury through a process known as 'fiscal drag' and would, in effect, raise income tax on millions of employees. Extending the freeze would not be considered a manifesto breach, and would likely pose minimal political risk for the Government. The Fabian Society has argued that doing so would be the best available option considering the manifesto commitments, and estimate that it would raise £11.7bn in revenue.

Despite raising far more than previous proposals, it is likely that further revenues will still be needed. In this scenario, it would be prudent to examine what a breach of the manifesto commitment might look like.

One proposal reportedly under serious consideration is to cut National Insurance by 2p while simultaneously raising Income Tax by 2p. The idea, first advanced by the Resolution Foundation, would clearly constitute a breach of the manifesto.

Nevertheless, the Resolution Foundation offers a helpful framing for the Government: it argues that such a move could help tackle the "unfair" double tax on work created by employee National Insurance and Income Tax, effectively shifting the burden from the latter to the former. According to the Resolution Foundation, this switch would raise around £6bn from those who pay Income Tax but not employee National Insurance — including pensioners, landlords and the self-employed.

While the change might provide some political cover by remaining consistent with the pledge to protect "working people", it would almost certainly provoke strong criticism from opposition parties as a breach of the manifesto.

The Government's willingness to consider breaching its manifesto commitments will depend on the size of the deficit and its willingness to build greater fiscal headroom. Rachel Reeves has already signalled that further revenues will be needed to ensure there is "sufficient headroom" to provide resilience against future shocks.

Strikingly, much of this analysis could have been written prior to the last Autumn Budget. Discussions over the definition of a working person, who should shoulder the burden, the in-depth analysis of the mechanisms of OBR forecasts, and examinations of which taxes are the least detrimental to growth were all the subject of intense debate last time. It is almost identical. This time, however, it is more damaging; both politically and economically. Last Autumn, the Government had some flexibility — limited though it was — to raise taxes, and did so, with the promise that they *"weren't coming back with more."*

A year later, it is almost certain that taxes will rise. This marks the third consecutive fiscal event characterised by uncertainty and speculation, followed by a policy response to fill a deficit in the public finances — an untenable situation.

At the Budget, the priority for the Government will be to ensure we aren't having identical conversations in the Spring or Autumn 2026. For a Government seeking to revive growth, ensuring tax certainty at this Budget will be as significant as any new fiscal measure announced on the day.

Jamie Selig, Political Consultant for the Economy and Financial Services

Financial Services

State of Play

Economic policy has firmly set the tone and direction for financial services reform.

While the line between the two can seem blurred, the Government's view on the economy's structural challenges has fundamentally informed its financial services reform programme.

In its manifesto, the Labour Party identified a lack of investment as one of the primary causes of stagnating growth. With "kickstarting economic growth" as its central mission, the Government is using one of the UKs most productive sectors to achieve that goal.

A Growth-Focused Regulatory Agenda

Much of the Government's financial services agenda can be viewed through this lens.

The Chancellor of the Exchequer, Rachel Reeves, has said as much in her instructions to the Financial Conduct Authority (FCA). In her 14 November 2024 letter to the FCA, the Chancellor, Rachel Reeves, put growth first — literally. The letter urged the FCA to pursue reforms that promote innovation, support firms to start and scale up, as well as to cut unnecessary red tape.

These recommendations were followed by a further letter from the Prime Minister to all UK regulators on Christmas Eve 2024, requesting proposals for "growth-boosting" reforms. The FCA responded, publishing 50 examples of ongoing work which aligned with this objective, proposals for the future, and areas where further government action could support the objective.

The FCA's Chief Executive, Nikhil Rathi, welcomed the challenge, echoing the Prime Minister's call to make growth *"the cause that binds us together"*.

This message formed the basis of the Financial Services Growth and Competitiveness Strategy (FSGCS) and the Chancellor's "Leeds Reforms". In her most recent Mansion House speech, Reeves argued that "in too many areas" regulation acts as "a boot on the neck of business". To this end, she unveiled a wide-ranging package of reforms with the stated intent of making the UK the most attractive destination for financial services by 2035.

Key reforms included: streamlining authorisations; reforming the senior managers regime; and, resetting the Financial Ombudsman Service's role. The Government also pursued capital markets reform to strengthen London's appeal as a competitive listing destination, while aiming to unlock lending through reforms to MREL thresholds and ring-fencing.

Turning Savings into Domestic Investment

The Government's focus on boosting investment has also had a significant influence on pensions policy.

The Mansion House Accord — under which 17 workplace pension schemes, representing around 90 percent of the market, committed to allocating 10 percent of their defined contribution (DC) default funds to private markets by 2030 — is central to this agenda. At least half of that investment (5 percent) has been earmarked for UK-based opportunities, ensuring that domestic projects benefit directly from the mobilisation of long-term capital. By encouraging greater private investment in infrastructure and other productive assets, the Government aims to crowd in additional capital and help de-risk core national projects for future investors.

The Accord has led to the introduction of the Pension Schemes Bill, which seeks to enshrine the agreement in statute, with a clear enforcement mechanism.

This is a priority for the Government, following a long-term decline in UK pension funds' domestic equity holdings, which have fallen from 53 percent to just 4.4 percent in the last two decades. Meanwhile, the UK has consistently fallen behind its G7 and OECD peers in infrastructure spending, by around five percent of GDP since 2008.

Building on the Mansion House Accord, the Government announced Sterling 20 — a new investor-led partnership of 20 of the UK's largest pension funds and insurers. The initiative is focused on deployment, translating commitments into tangible investment in homes, connectivity, and modern industries such as AI, fintech, and clean energy.

Linked to the investment drive is a focus on improving returns for savers — a theme that underpins the next phase of the Government's investment reform agenda, as well as its pensions agenda. This has led to the revival of the Pensions Commission and, in parallel, a "Tell Sid 2.0" retail investment campaign.

The Chancellor has long expressed concern about the UK's savings culture, viewing it as a drag on both economic growth and household returns, with large sums still held in low-yield savings accounts. Currently, the UK is bottom of the G7 for levels of retail investment.

Reeves views financial advice as key to unlocking this issue. The FCA's 2024 financial lives survey showed that just 9 percent of adults received financial advice about their pensions or investments in the previous 12 months. To address this, the FCA and the Government announced a "targeted support" regime, which will provide this advice. Banks will also be required to flag investment opportunities for those savers with substantial bank balances.

Fintech Innovation

One of the key developments over the last year or so has been a renewed government focus on fintech. In the FSGCS, fintech was recognised as one of the UK's "frontier industries." With nearly half of Europe's fintechs based in the UK, the Government wants to double down on digital innovation. Fintech is now seen as a priority for delivering the growth mission.

Several key fintech-relevant developments have emerged via the growth-focused regulatory agenda. The Bank of England and the FCA have opened the Digital Securities Sandbox (DSS), which will allow firms to test legislative changes in real world scenarios before the changes are implemented. The FCA has also announced its intention to set out a roadmap for digital assets.

Fintech innovation is also positioned to advance innovation across government and the economy at large.

Open Banking has continued progressing towards the development of the "future entity" to ensure its commercial viability. On 23 January 2025 the FCA and PSR jointly published their next-steps statement for Open Banking, focussing on the development of variable recurring payments (VRPs). VRPs enable consumers to manage regular payments via open banking infrastructure, and the regulators have said that Open Banking Ltd will support the creation of a new independent operator to advance the technology.

With the Digital (Use & Access) Act 2025 receiving royal assent, the Government has sought to utilise Smart Data schemes, a policy-driven evolution of the Open Banking concept. It extends the same API-based data portability model to other sectors — such as energy, telecoms, insurance, and pensions — to allow consumers to share their data with trusted third parties for better deals or services. To spearhead this innovation, the Government announced in the Industrial Strategy a £36m funding commitment to support new smart data schemes. In parallel, the FCA has launched a smart data accelerator.

A key use case for Smart Data is open finance. On 13 October 2025, the FCA announced they were running 2 "techsprints", focusing on mortgages and finance for SMEs. This follows the Open Finance Sprint, which the FCA ran in March, ahead of the publication of the open finance roadmap and strategy, expected in due course.

Collectively, these initiatives illustrate the Government is determined to align financial services reform with its broader growth mission — from regulatory design to capital allocation and digital innovation.

The Government hopes that the pace and scope of the agenda will transform the UK's financial ecosystem, and place it at the forefront of innovation globally.

Key Policy Debates

A key feature of the financial services policy landscape has been the Government's desire to bring industry with it. On streamlined regulatory regimes, boosting investment, and promoting innovation, industry firmly supports the Government's objectives.

Yet, there is some divergence in opinion on the suitability of the Government's methods.

Mandating Asset Allocations

Perhaps the most contentious debate centres on the enforcement mechanism of the Mansion House Accord. Embedded within the Pension Schemes Bill is a reserve power allowing the Government to mandate how pension funds allocate their assets in line with the terms of the Accord.

Pensions Minister Torsten Bell says the powers are a "backstop", not an edict. He has been keen to stress that *"it is the industry that has set themselves the benchmark"* — and that the Government has no plans to use it.

Opposition to this power has ranged from concerns over whether pension funds could fulfil their fiduciary duties when faced with the competing priorities of maximising returns and backing infrastructure projects, to outrage over the Government exercising any authority over how funds allocate their assets. A prominent criticism is that, rather than using pension funds to prop up UK markets, the Government should focus on making domestic markets more attractive to global capital.

Although the Government has been steadfast in its resistance to drop the reserve power, it could use the Budget to unveil further incentives for pension funds to invest in domestic markets. The Government has said it will continue to work on this, with further measures expected to encourage domestic investment and sustain confidence across the wider financial services sector.

The Pace of Fintech Progress

While the debate over pension fund mandates underscores the tension between government direction and market freedom, the fintech sector faces a different challenge — one defined less by overreach and more by the pace of reform. Nowhere is this more apparent than in the debate around crypto assets and stablecoins.

Stablecoins represent both a technological opportunity and a regulatory challenge. As other jurisdictions, notably the United States and the European Union, press ahead with legislative frameworks, the UK risks falling behind. Industry leaders warn that without faster action, the UK could become a *"rule-taker rather than a rule-maker"* in the next phase of digital finance. For many in fintech, this is not a question of whether stablecoins will shape the future of financial services, but whether Britain will help define that future or be left adjusting to others' rules.

The Treasury and the FCA have committed to developing a regulatory regime, with consultations expected later this year, as well as the development of a crypto assets roadmap. Yet the contrast with the pace of reform abroad — where the US has enacted the GENIUS Act and the EU has accelerated plans for a digital euro — underscores the growing tension between the Chancellor's ambition for a "big bang on growth" and the measured caution of its regulators. For fintech, this imbalance is increasingly seen as the central test of the UK's ability to maintain its status as a global financial leader.

Much of this frustration has been directed towards the Bank of England's Governor. Andrew Bailey has frequently argued that he does not necessarily see the merit in widespread use of stablecoins. For wholesale use, he sees them as a potential systematic risk. While Bailey's tone has appeared to soften more recently, this has not translated into any concrete action. With the US pressing ahead and stablecoins acting as the gateway to wider crypto adoption, their influence is set to grow. Industry continues to press the case for embracing them. Yet without alignment between the Treasury and the Bank of England, Britain risks drifting while others set the course.

Fintech is an industry frustrated at the pace of change. The Government, however, are keen to show they will back the sector, and foster its international competitiveness. The Budget is an opportune moment for the Government to demonstrate that it is backing British fintechs.

ISA Reform

Prior to the Spring Statement 2025, there was significant speculation that the Chancellor had been looking at reforms to the Cash ISA tax-free allowance. This follows her stated desire to nudge savers with large sums still held in low-yield savings accounts towards higher yielding investments. Treasury officials have stressed that the process of instituting reforms will look at whether the current system *"strikes the right balance between cash and equities."*

Several proposals have been reported; one such proposal was a reduction in the tax-free allowance from £20,000 to £4,000. However, this prompted backlash from savers, banks, building societies and other industry bodies. Nationwide, the UK's largest building society, said that any attempt to cut tax breaks on Cash ISAs would reduce the availability of mortgages for first-time buyers. Andy Moody, Chief Commercial Officer at Leeds Building Society, said there would be *"a significant detrimental impact on mortgage lending, including the thousands of first-time buyers we support every year, if the cash Isa rules were undermined".*

This scenario would conflict with the Government's desire to get first-time buyers on to the housing ladder. But the debate isn't clear cut as that. Many within the Government and the investment industry continue to argue that savers are losing out on higher returns. The average Stocks and Shares ISA fund experienced growth of 11.86 percent between February 2024 and February 2025, compared with 3.8 percent for the average cash ISA. This is quite a considerable gap.

Consumer groups, ultimately, are unlikely to be convinced. Martin Lewis, Founder of MoneySavingExpert, has said on X, *"a cash ISA cut would simply piss millions of often older people off and I doubt will change the dial on investing,"*

Although the Chancellor ultimately chose not to lower the limit at the 2025 Spring Statement, speculation has persisted — and the forthcoming Autumn Budget will be the decisive test of whether ISA reform advances from concept to implementation, shaping the next phase of the Government's financial services reform agenda.

What To Look For At The Budget

The Autumn Budget 2025 could mark an inflection point for financial services. Although the Budget traditionally centres on public spending and is therefore often seen as peripheral to the sector in substance, it remains highly significant for its wider effects — particularly in shaping tax certainty, market sentiment, and the operating environment.

After months of growth stagnation, momentum remains weak and the outlook uncertain. Against this backdrop, the Chancellor is expected to unveil further "growth-boosting" measures aimed at restoring business confidence and accelerating investment.

Crucially, this year's statement may also include direct interventions in financial services, elevating its relevance beyond the usual indirect channels.

Is ISA Reform Back On The Table?

An obvious starting point is the Cash ISA tax-free allowance. Cash ISAs are exceptionally popular and the favoured ISA product: 66.2 percent of all ISA accounts are Cash ISAs, with 9.94m accounts subscribed to, compared to 4.09m Stocks and Shares ISA subscriptions. Although Cash ISA reform did not make the agenda at the Spring Statement, speculation has continued to swirl in the run-up to the Autumn.

To an extent, the intense lobbying by building societies and industry groups has had influence. The Chancellor is now reportedly considering a reduction of the tax-free allowance from £20,000 to a more moderate £10,000, compared with the initially trailed limit of £4,000. However, the higher limit is still unlikely to convince opponents of the change.

There is, nevertheless, reason to believe the Government may press ahead with reform.

For a median UK earner (£37,430 salary) with savings in a non-ISA easy-access account paying the average 2.11 percent, tax on interest would only be due once savings reached around £47,000. Yet the FCA has found that the median UK adult with savings holds roughly £5,000–£6,000 across all cash vehicles. Ten percent of adults have no savings, and 21 percent have less than £1,000.

The median saver would therefore be entirely unaffected by a lower ISA limit. Even at a 4 percent interest rate, an individual would need around £25,000 in savings before paying any tax on interest — a figure well beyond the reach of most savers. On that basis, any distributional analysis would likely support the reform.

Reform could also reflect the Government's desire to boost domestic investment. It has been reported that the Treasury is considering a minimum holding in UK equities — a move that could provoke fierce political debate. The earlier fury over mandation was largely a dispute between the City and the Government; it never truly cut through with the wider public. Intervening in how individuals choose to invest their own money would be a far more contentious step. Ministers may argue that it is within their discretion to shape tax incentives to achieve policy goals. If ISAs can be used to channel investment into UK markets, the Government may well press ahead – regardless of any opposition.

The Government's focus is on improving returns for those with savings. While Stocks and Shares ISAs carry greater risk, they also offer the potential for higher long-term returns. Over longer periods, compounding can significantly enhance returns and help to offset short-term market fluctuations. With many people's pension savings inadequate for retirement, the Government appears keen to encourage broader investment participation as part of its wider savings reform agenda, with ISA reform key to that effort.

Stamp Duty Reform

A central pillar of the Government's plan for financial services is its commitment to growth-friendly reform. It is therefore likely that the Budget will reflect this principle.

The most widely trailed measure is a proposed stamp duty holiday on new London Stock Exchange (LSEG) listings — a move intended to enhance the UK's competitiveness and attract fresh equity market activity. The stamp duty burden has been a frustration for a number of fintechs considering where to IPO. This follows a series of UK fintechs choosing to list in New York, including Wise, while the founders of unicorns Revolut and Cleo have signalled that a London listing is unlikely.

This has become a priority for fintech. Innovate Finance, the industry body representing fintech in the UK, has called for "fiscal incentives to reignite the UK IPO market and encourage listings in London" in its submission to the Treasury ahead of the Budget.

While there is already a stamp duty exemption for shares at the point of issue for an initial IPO, it has been reported that the stamp duty holiday would probably apply for a period of two to three years.

Stamp duty is also a concern for the wider financial services sector. In their submission to the Treasury, TheCityUK, the industry body representing UK financial services, called for the Government to "initiate a wholesale review of stamp duty on UK equities." There has been no indication from the Treasury that it intends to do anything on this scale. Nonetheless, the Treasury may choose to heed the warnings of the sector, as concerns about London's competitiveness continue to mount.

Fiscal Credibility, Tax Certainty & Business Confidence

Fiscal credibility underpins the Government's wider growth agenda. Stability in the public finances is seen as a prerequisite for both public and private investment. When that stability fractures, uncertainty over potential tax rises can undermine business confidence and dampen investment.

Fiscal headroom stands at just £9.9bn, which is historically very low. With so little margin for error to meet the Government's fiscal rules, any economic deterioration risks forcing a policy response — as seen at the Spring Statement. The alternative, though, is far from painless. Increasing the buffer is smart fiscal policy. It reduces uncertainty around tax rises and strengthens the Government's capacity to absorb shocks without requiring a policy response.

But this comes with substantial political risk. Various figures have estimated the Government's deficit to be around £15-40bn. Topping up 'headroom' would require further revenues to be raised. With the Government facing substantial internal opposition to spending cuts, and the Spending Review locking in capital and departmental spending, they will have to look primarily at tax rises to fill this hole.

In any case, the CBI's Chief Executive, Rain Newton-Smith, has warned that *"the Chancellor cannot raid corporate coffers again so she must look elsewhere."* She went further to say that *"further rises would leave us with a growth plan in name only."* Such is the strength of feeling. However, more important than who shoulders the burden this time, is ensuring there won't be a next time.

Elevated gilt yields have heightened the importance of maintaining fiscal credibility. Rising yields increase the cost of servicing government debt and, by extension, reduce the fiscal space available for new measures. This narrowing of headroom feeds uncertainty through the system, raising concerns among businesses that future tax changes may be required to restore balance. The result is hesitation: firms delay investment decisions, redirect capital, or limit expansion until the fiscal outlook stabilises.

Tax certainty is therefore not only a matter of fairness or predictability but of economic function. Stable expectations around future taxation underpin business confidence, influence borrowing costs, and shape the attractiveness of the UK as an investment destination.

If the Government can use the Budget to reinforce confidence in its fiscal framework, through a clear commitment to discipline in managing debt, it can help steady gilt markets, lower yields, and create the conditions for private capital to re-engage. For a Labour Government seeking to revive growth, ensuring tax certainty at this Budget will be as significant as any new fiscal measure announced on the day.

Jamie Selig, Political Consultant for the Economy and Financial Services

Children, Education and Skills

State of Play

The education sector is currently defined by a dense policy agenda, with several major white papers and policy strategies either newly published or imminent. These documents collectively aim to clarify the Government's direction for the sector and set the parameters for forthcoming funding decisions ahead of the Autumn Budget.

Recently published strategies include The Best Start to Life Strategy, focusing on early years provision and family support, and the Post-16 Education and Skills White Paper, which outlined reforms to improve technical education pathways and strengthen alignment with labour market needs.

Forthcoming publications are expected to further shape the policy landscape. The Child Poverty Strategy, Schools White Paper, and National Youth Strategy are all anticipated within the coming months, reaching into the New Year. Each is expected to address core aspects of educational equity, opportunity, and social mobility. Collectively, these will help define the Government's overarching framework for lifelong learning and inclusion.

Despite the abundance of policy activity, the sector remains under considerable strain. Persistent challenges include rising child poverty rates, pressures on Special Educational Needs and Disabilities (SEND) provision, and ongoing issues around attendance, retention, and workforce recruitment across both schools and further education.

Rising child poverty continues to undermine educational outcomes, with more pupils entering school below expected levels and widening attainment gaps. Simultaneously, SEND provision faces mounting pressure as demand rises, budgets tighten, and delays in assessments persist. Attendance and behaviour challenges also remain entrenched post-pandemic, with persistent absence and stretched pastoral support contributing to growing concern about pupil wellbeing.

Financial strain is intensifying in higher education; tuition fees, which have only risen by £535 since 2010, and inflation, have left universities cutting courses or relying more on international students. The Skills White Paper, however, has sought to amend this through tying tuition fees to inflation for the foreseeable future. Meanwhile, attention in further education is turning to how the funding already allocated to skills, apprenticeships, and local improvement plans will be used in practice, and whether it will deliver sustainable capacity and outcomes.

Together, these pressures make the Autumn Budget a key moment to test the Government's commitment to translating ambitions for reform into meaningful delivery.

Key Policy Debates

A defining feature of the education policy landscape has been the Government's ambition to drive reform across all stages of learning, while balancing fiscal constraint with delivery ambition. There is broad consensus on the importance of tackling inequality, improving skills, and rebuilding public services, but growing debate over how these aims will be achieved within existing spending limits.

Two-Child Limit

The Government's position on the two-child limit has been defined by both caution and mounting internal pressure. The Labour Party has long been divided over the issue. Keir Starmer ruled out scrapping the cap in 2023, but Labour's 2024 General Election manifesto pledged to develop a strategy to reduce child poverty. The Child Poverty Taskforce, co-chaired by Education Secretary Bridget Phillipson and the Work and Pensions Secretary is due to publish its final report later in the Autumn.

During the election campaign, Starmer acknowledged the Labour Party's ambition to remove the limit, but insisted this could only be done "when fiscal conditions allow", signalling that long term economic sustainability would take precedence over immediate reform.

Since Labour's landslide victory in July 2024, the issue has remained a point of tension. In that same month, the Prime Minister moved swiftly to assert control, suspending seven MPs for six months after they defied the whip to vote with the SNP in favour of scrapping the policy.

For much of the Government's first year, ministers consistently held the line that repealing the cap was unaffordable in the short term. However, signs of a shift began to emerge in May 2025, when reports surfaced that Starmer had asked the Treasury to explore potential funding options for its abolition.

It has been reported that the Government has yet to make a choice about what it will do with the limit — pushing back on the suggestion that the child poverty strategy is ready to go and insisting that both the two-child limit and other issues in the report are still being worked out.

Critics of the cap argue the policy is both inequitable and harmful, exacerbating existing inequalities. Human rights organisations, Parliamentary select committees, and anti-poverty charities have condemned the measure as punitive and unethical, claiming it disproportionately penalises children for their birth order.

The Child Poverty Action Group (CPAG), End Child Poverty, the Resolution Foundation and the Institute for Fiscal Studies (IFS) have all described ending the policy as the most "cost-effective" way for the Government to reduce the number of children living in poverty.

In April 2025, CPAG estimated that the two-child limit affects 1.6m children, with hundreds of thousands of children to be "lifted from poverty instantly" if the policy were abolished. A further 800,000 children would see a reduction in the "depth of [relative] poverty," according to the organisation.

Similarly, the IFS argues that scrapping the limit would reduce child poverty by 540,000 in the long run.

The IFS estimates that removing the limit would cost the Government around £3.4bn a year — roughly 3 percent of the total working-age benefit budget. With fiscal headroom already reportedly depleted, and the Government facing a potential £15-40bn deficit against its fiscal rules, lifting the cap is not simply about cost, but about priorities and political will.

However, Conservatives insist the cap is a matter of fairness for taxpayers, arguing that it prevents families on benefits from receiving packages worth more than the minimum wage. Opposingly, Reform UK leader, Nigel Farage, said he wants to make it easier for people to have children, previously pledging that his party would fully scrap the two-child limit should they come into power. Recently, however, Farage U-turned to say the party would only scrap it for "UK nationals only where both parents worked".

International Student Levy & Tuition Fees

The Government has proposed introducing a levy on tuition-fee income from international students, with the stated aim of raising funds to reinvest in the domestic higher education and skills system. Universities and higher-education stakeholders have raised strong objections: they argue the levy risks undermining institutional finances, research capacity, and the UK's attractiveness as a global study destination.

There is also modelling suggesting the levy could lead to economic losses and a decline in international enrolments, particularly outside the South East, raising questions about regional impact and the policy's trade-offs. The Higher Education Policy Institute found that the proposed 6 percent levy on international students' fees could cost £621m for England's higher education institutions.

When questioned about the levy, Skills Minister, Baroness Smith of Malvern, said:

"I explained … the reason behind the international student levy. I do not think it is true to say that there is not an evidence base on the elasticity of demand for international students, but we will have more to say about the design of the international student levy at the point of the Budget."

In the recent Skills White Paper, it was announced that University tuition fees and maintenance loans will also be increased in line with forecast inflation every academic year. Education Secretary Bridget Phillipson has made it clear that legislation will be put in place to enforce these changes.

The sentiment of academics towards the newly introduced policy varies. An anonymous Coventry University professor told BBC News it was a "good thing" that tuition fees were rising, but "under no circumstances will it solve the problem" of university finances. University and College Union General Secretary, Jo Grady, accused the Government of having "doubled down on the disastrous tuition-fees funding model," calling instead for "proper public funding" and a resolution to disputes over "low pay, vicious job cuts and poor working conditions."

But Universities UK, who represent 141 institutions, called the policy "a much-needed reset for our university system." Their Chief Executive, Vivienne Stern, said raising fees with inflation would *"help to halt the long-term erosion of universities' financial sustainability, following a decade of fee freezes."*

Youth Guarantee: Youth and Skills Policy Direction

The Government's renewed focus on skills and youth employment has been broadly welcomed by stakeholders, particularly the commitment to expand apprenticeships and the introduction of the Youth Employment Guarantee.

At Labour Party Conference, Prime Minister Keir Starmer announced the Government's shift away from the old "50 percent to university" target towards a new ambition: For two-thirds of young people to achieve higher-level learning by the age of 25 — Which would be a significant cultural change. An additional £800m was announced for FE and apprenticeships, underscoring this point, alongside commitments to regional skills partnerships and employer-led training.

Yet, there is uncertainty as to whether these measures will go far enough to tackle structural challenges in the labour market, such as regional inequality and declining participation in adult learning. Stakeholders will be watching closely for the successful delivery of the abundance of pledges for skills, FE, and HE, to ensure training aligns with long-term economic priorities.

Grassroot Sport

Central to the Government's National Youth Strategy is a focus on grassroots sport, arts, music, and youth centres. The Government has said it intends to develop inclusive policies that create opportunities for all young people across the UK. Secretary of State for Culture, Media and Sport, Lisa Nandy, recently announced the 'Every Child Can' initiative, designed to invest in and empower young people.

The Autumn Budget could provide further detail on the £132.5m allocated to support this policy, as part of a broader £1bn pledge towards grassroots sport and major events. This agenda links funding directly to key social outcomes, including gender equality in sport, equal access for girls, and expanded youth opportunities. Additional clarification on the distribution of spending would help stakeholders in the youth sector better understand the material support behind each of these social objectives.

What To Look For At The Budget

Several policy announcements are rumoured to appear at the Budget for the sector. The most notable policy to be rumoured is the lifting the two-child benefit limit; however, recent reports indicate that, in reality, a package of child poverty policy reforms should be expected, rather than full abolition of the limit. This reform would sit as part of the Government's wider commitment to reducing child poverty and ensuring that every child has the "best start in life", a central focus of the Government's education mission.

Further investment in SEND provision was possibly expected alongside the School's White Paper, which was due to be published in the Autumn. However, the delay to 2026 has left stakeholders doubtful that any major school-level budgetary reforms are to be expected in this Budget.

Additional funding for skills, however, — as outlined in the Post-16 Education and Skills White Paper — is likely to begin rolling out, with close attention on how these resources are targeted and delivered locally.

The Budget is expected to expand on the already-announced international student levy, making clear the details of how the changed finances will affect students and educational institutions alike. Alongside this, the Government is expected to address the raise in maintenance loans and tuition fees in line with inflation. With rising operational costs and inflation placing significant strain on university budgets, these measures reflect the Government's intent to stabilise the higher education funding landscape while reinforcing fiscal discipline and ensuring the system continues to support both economic growth and social mobility.

Lastly, in September, Chancellor Rachel Reeves announced a Youth Employment Guarantee, committing to offer paid work placements to young people who have been out of work for 18 months, aimed at supporting long-term employability and progression into sustained employment.

When questioned on the Youth Guarantee in the House of Lords, Baroness Smith, Skills Minister said,

"Too many young people are at risk of being left behind without the right skills, opportunities and support to thrive. This Government are committed to changing that, which is why the Chancellor has announced a job guarantee scheme for young people on universal credit who have been unemployed for over 18 months. This is a key part of the Government's youth guarantee, and further details will be set out in the upcoming Budget."

Collectively, these developments will be important to monitor as indicators of the Government's delivery priorities and fiscal intent.

Beatrice Travis, Senior Political Consultant for Children, Education and Skills

Defence

State of Play

Since Labour's first Budget of this Parliament, defence has retained its position as a relative winner in government spending. During the 2024 General Election campaign, the Labour Party made it clear that defence would be a high priority. As such, it pledged that the UK would spend 2.5 percent of its GDP on defence, when fiscal conditions allowed.

Once Labour entered government, defence spending was almost guaranteed to grow, even if a specific timetable for achieving this was not clear.

In February 2025, the Government was faced by an unexpected ultimatum, which created a sense of urgency about delivering greater defence spending. At the 2025 Munich Security Conference, US Vice President JD Vance announced that unless European powers began to spend more on defence, the US would begin withdrawing funding from key European defence projects.

Since then, the UK has significantly stepped up spending commitments, officially committing to spend 2.5 percent of GDP on defence by 2027. After the June 2025 NATO conference in the Hague, the UK increased its defence spending commitments again, by agreeing to spend 5 percent of GDP on 'national security'. Contained within this was a commitment to spend 3.5 percent on defence and 1.5 percent on related and supporting industries by 2035.

Also published this year was the Government's preeminent defence policy piece, the Strategic Defence Review (SDR). The review sets out an explicit ten-year plan for UK defence, emphasising procurement innovation, the development of a modernised armed forces and the reinforcing of key strategic capabilities. It focuses on achieving closer cooperation with NATO, alongside renewing the UK's defence relationship with European and Indo-Pacific allies.

The 144-page SDR contained 64 recommendations from independent reviewers to improve UK defence and warfighting readiness, which were accepted in full by the Government. The SDR reiterated the spending goal of 2.5 percent by 2027, while also arguing for achieving 3 percent spending by the 2030s. While the SDR sets clear goals and direction for the Ministry of Defence (MoD), it does not outline specifically how these commitments are to be achieved.

The last equipment-related investment plan produced by and for the MoD was the 2023 Defence Equipment Plan. Typically, the Government publishes a plan annually, setting out its intended investment in equipment and support projects for the next decade. Breaking with convention, the Government declined to do so in its first year in government. Instead, it argued, the plan should follow the SDR's "root and branch review of UK defence" that considered "the threats Britain faces, the capabilities needed to meet them, the state of UK armed forces and the resources available."

The Government argues it should find out what supplies the country has and what condition those capabilities are in, before presenting equipment spending commitments. As a result, the MoD is approaching two years without a plan and without reporting spending to the scrutinising bodies.

As it stands, affordability remains a significant structural challenge within the defence sector. The National Audit Office's (NAO) assessment of the most recent Defence Equipment Plan (2023–2033) found a serious material funding gap against the MoD's intended investments. The NAO forecasted that MoD spending plans exceed its current Budget by £16.9bn. Furthermore, the NAO highlighted an elevated concentration of high-risk, complex programmes, to the detriment of small arms and historic capabilities.

The Public Accounts Committee (PAC) has also noted a record deficit between the MoD's Budget and its capability requirements, calling for firmer control of procurement. More recently, the committee published a report on the UK's procurement of F-35 fighter jets. The committee highlighted that the project is likely to run over time and significantly over budget. This is before the inclusion of the procurement of the F-35A nuclear-missile-carrying jets, announced in late June 2025.

Another area of concern is military recruitment and retention. Within the British Military, personnel pressures remain acute. Since 2009, the military has faced significant recruitment and retention issues, failing to meet its recruitment targets year-on-year for over a decade. This is not solely an issue of interest. Despite the army having a five-year high in applications in 2019, it missed its recruitment targets by 7,000.

In terms of recruitment, the Government has streamlined the application process by removing more than 100 recruitment rules that were seen as unnecessary obstacles. The Government also introduced targets to issue conditional offers within 10 days and to set a training start date within 30 days. In February 2025, they also launched a fast-track direct-entry scheme for cyber specialists to attract coders and gamers into military roles.

In an effort to upskill and improve recruitment, the Government established new "Defence Technical Excellence Colleges." These colleges aim to train personnel for roles such as submarine engineers, welders, and cyber specialists. In the voluntary sector, the Government announced £3.6m in annual funding for the school-based cadet expansion programme, aiming to see 30 percent growth in cadet numbers by 2030.

Increasing retention has also been a priority for this Government. In their first year, recruitment time has reduced by 39 percent, down from 475 to 290 days. To aid this, the Government introduced the Armed Forces Covenant, a voluntary commitment by organisations to support members of the armed forces community and help ensure they face no disadvantage in everyday life. In addition, the Armed Forces Commissioner Act 2025, which establishes an independent commissioner to advocate for the interests and welfare of armed forces personnel and veterans, should aid this effort.

The Government have also invested significantly into service accommodation, in an attempt at improving recruitment and retention. In the late 1990's the MoD sold many of its service accommodation properties to private companies who then leased the properties back to the military. Since then, the military estate has seen chronic underfunding. Following the SDR, the Government allocated £1.5bn to tackle poor military housing, which has been reported to contain high levels of damp, mould and disrepair.

Another layer of protection, in the form of the Renters' Rights Act 2025, has meant that military family homes are subject to the Decent Homes Standard, equalising minimum standards with council housing. The Government also bought back 36,347 of the homes sold to private companies in the late 1990's at the end of last year to address the high rents and decline in military homes standards.

Finally, on 3 November 2025, the Government published a Defence Housing Strategy. This involves approximately £9bn in funding for a 10-year plan to modernise or rebuild 40,000 homes, refurbish 14,000, and utilise surplus MoD land to deliver over 100,000 new homes. It also introduced a Defence Development Fund to reinvest land-sale proceeds into future housing and infrastructure.

While these steps are a positive move forward in retention and recruitment, there is clearly still a long way to go to reach the recruitment targets suggested in the SDR of 198,000 in 2025-26. Currently, the strength of UK service personnel stands at 180,780.

At this point in time, defence spending commitments across the military estate, including equipment and personnel, remain high. The Government has laid out an ambitious programme for defence reform, but what remains to be seen is how this money will be raised and distributed within these large programmes.

Key Policy Debates

The key issue when it comes to defence and the 2025 Autumn Budget is finding a balance between affordability and war readiness. As resources are strained by rising costs for the nuclear estate, the need to digitise and improve military communications, and housing upgrades, the Government should aim to set clear priorities and explain how it will deliver on its spending commitments.

A key test will be whether the Treasury chooses to fully fund the £92bn in obligations outlined in the SDR. Ultimately, to justify higher levels of expenditure, defence must position itself not just as a cost centre but as an "engine for growth" and play a significant role in the Government's growth mission.

The war in Ukraine has taught the UK defence establishment valuable lessons, particularly on the value of innovation and stockpiles. The Lords International Relations and Defence Committee's report 'Ukraine: A Wake-Up Call', called for a renewal of stockpiles which have been significantly depleted in an effort to help Ukraine defend against Russian aggression. Likewise, the report highlighted that faster acquisitions and flexible modular technology are necessary to wage an effective fight in the modern age — two areas where the UK's defence sector continue to struggle, given its average procurement timeline of six years.

The SDR and the Public Accounts Committee have described UK defence procurement as "broken", with the Government pledging to address this challenge. The SDR proposes segmented acquisition models, where major platforms are procured within two years, modular upgrades within one year, and rapid commercial buys within three months. The aim is that increased efficiency and the elimination of bureaucratic hold-ups should not only shorten timelines, but also reduce the cost of the procurement process.

This exemplifies a core issue with current UK defence spending plans. While cuts are clearly defined, funding commitments remain vague, resulting in an unequal balance sheet. This raises questions over how these multi-billion-pound projects will ultimately be funded.

In the end, the core debate over defence spending centres on growth versus readiness. The SDR and the Defence Industrial Strategy contend that they are interlinked. However, the evidence for this has yet to be presented.

The Government only published its call for evidence for its 'Defence Industrial Strategy (DIS) Offset Written Consultation' at the end of October 2025. The SDR highlighted how international defence procurement should guarantee domestic benefits tied to contracts. Yet, the MoD appears to be in the very early stages of implementing this recommendation.

Since the SDR's publication, the UK has made many further deals, including, an updated AUKUS agreement, new deals within the UK–Germany "Trinity House" agreement, and the sale of 20 Typhoon fighter jets to Türkiye. Pushing ahead on these multi-million-pound deals, while delaying a plan to ensure these contracts produce as much domestic benefit as possible, has meant the Government is yet to properly capitalise on a lucrative and potentially vote-winning opportunity.

The Defence Investment Plan (DIP) has been billed as the answer to all defence spending-related questions, including the balance of growth and war readiness. However, the plan is set to be delivered in the Autumn, with the consensus being that it will be delivered after the Budget.

Looking forward, the forthcoming Defence Investment Plan is set to replace the Defence Equipment Plan model. It aims to integrate infrastructure, capabilities, and industry support into a single, rolling ten-year programme, which must also produce domestic economic benefits. The so-called "defence dividend", where increased defence spending will result in material domestic benefits is core to justifying the multi-billion-pound project in an era of cost-cutting.

This balance is difficult to achieve, and can only be articulated through fiscal policy. Fundamentally, MoD and Treasury have divergent aims, even if their Secretaries of State share a unified front. The battle between warfighting readiness and economic regeneration remains extremely pertinent.

Within the defence sector, many stakeholders are eager to see how defence commitments will come to fruition over the next year and beyond.

What To Look For At The Budget

Given that the publication of the Defence Investment Plan is set for after the Budget, it is unlikely there will be many new announcements regarding defence in the 2025 Autumn Budget.

Increased Defence and National Security Spending

At the Budget, there will likely be a re-commitment to spending 2.5 per cent of GDP on defence by 2027, and 4.1 per cent on national security by 2027. Likewise, it is likely that there will be a reiteration of the commitments the UK made at the NATO summit over the summer, to spend 5 percent of GDP on national security.

Ideally, there would be an articulation of a pathway to funding the 3.5 percent defence spending promised at the NATO summit. Likewise, the 1.5 per cent of GDP spent on related national security apparatus could be defined.

“National Security” is an expansive term that can encompass a range of measures, from increased spending on weapons to hiring more police officers, achieving energy security, or teaching cybersecurity in schools. The Government has yet to explain what it defines as national security spending in this NATO context, not just in relation to its National Security Strategy.

Equipment Plan/Defence Investment Plan Alignment

As a precursor to the DIP, the Government may take the opportunity to highlight the changes between the Defence Investment Plan and the legacy Equipment Plan. There has been very little published about the DIP, so expect a prologue of its aims and how it differs from the Equipment Plan.

Skills and Education

The Spring Statement 2025 made significant promises about service accommodation as part of the Government’s plan to increase recruitment and retention. Likewise, the Government reiterated that it enacted the highest service pay increase in 22 years, bringing starting salaries in line with the Living Wage.

Given the significant focus on cyber defence, Grey-Zone warfare and the integration of technology and communications across all forces, it is likely there will be a focus on fostering these skills in the workforce of tomorrow. The Government has already announced the creation of Defence Technical Excellence Colleges and a prioritisation of STEM courses in schools, so it is likely to continue this trend, announcing new initiatives to ensure Britain has the skills it needs for an evolving defence landscape.

There have also been hints that the upcoming Budget will focus less on secondary schools and graduates than it has in the past. Instead, it may focus on partnerships between the MoD and Universities.

Overall, it is unlikely there will be major announcements regarding defence. Instead, the Budget is expected to highlight areas where the Government feels it is succeeding and provide a reassuring reiteration of the many commitments made regarding defence spending.

While stakeholders await the DIP to outline specific spending plans, it is unlikely that the Budget will provide any meaningful progress on this front.

Alyson Kierans, Political Consultant for Defence, Foreign Affairs, International Trade and Development.

Energy, Utilities and Net Zero

State of Play

The Government's mission to make Britain a clean energy superpower includes goals to *"to cut bills, create jobs and deliver security with cheaper, zero-carbon electricity by 2030, [while] accelerating to net zero."*

Cut Bills

One of Labour's headline commitments during the 2024 General Election was to cut energy bills by £300 a year by 2030.

Since July 2024 — the month in which Labour won the General Election — there have been five changes to the energy price cap. The cap fell by 7 percent, before rising by 10 percent, 1.2 percent, and 6 percent each quarter through to 1 July 2025. The cap then fell by 7 percent from 1 July 2025, before increasing by 2 percent from 1 October 2025.

Overall, between July 2024 and October 2025, the annual dual fuel energy bill for a typical household moved from £1,568 per year to £1,755 per year. This represents an increase of £187 for the average household — far from the cuts that the Government had promised.

In October 2025, the BBC cast doubt on whether the £300 savings target was realistic anymore.

The BBC reported that economist Pawel Czyzak, author of a 2023 report by energy think tank Ember, which had found that *"delivering ambitious renewables deployment in line with existing government commitments (the 'Delivering commitments' scenario) would result in an average household electricity bill £300 cheaper than the Ofgem price cap in Q3 2023",* had said the analysis should be updated to reflect changes.

He reasoned this should include reflecting the changes to the cost of offshore wind. Czyzak noted *"there is a risk of these savings being wiped out if we can't get the actual electricity cost down, and that might happen if offshore wind is too expensive."*

DESNZ has so far avoided publicly disavowing the £300 savings commitment, although it is noticeably absent from government messaging on energy costs.

The Energy Security and Net Zero Committee has also been examining the impact of, and potential solutions to, the high cost of energy in the UK. As part of the committee's inquiry into the cost of energy, the committee published a report titled *"Tackling the energy cost crisis."* The committee highlighted the scale of the challenge, describing an "energy affordability crisis", with prices 75 percent higher than before the 2022 energy crisis.

The report included a series of recommendations, including suggesting reforms to winter support schemes; ways to protect the most vulnerable consumers; actions to address billing issues; and measures to support businesses with unmanageable energy costs.

The most high profile of these recommendations — that Ofgem should introduce an ambitious Energy Debt Relief Scheme — was partly addressed by Ofgem on 30 October 2025, when it introduced proposals for reducing consumer debt by £500m, out of a total nationwide energy debt of £4.4bn.

However, stakeholders including Citizens Advice Scotland have stated that the *"solution proposed by Ofgem fails to match the scale of the problem."*

The Climate Change Committee has also weighed in and said that for progressing the decarbonisation of the economy, their *"number one recommendation remains to make electricity cheaper. This means taking policy costs off electricity bills. "*

The Government is yet to respond to the ESNZ Committee's recommendations, and has so far not confirmed any intent to take policy costs off consumer electricity bills, although there has been media speculation.

Clean Power 2030

In November 2024, the National Energy System Operator (NESO) published its independent analysis of whether Clean Power 2030 could be achieved, and how the Government could achieve it.

NESO defined clean power as: *"by 2030, clean sources produce at least as much power as Great Britain consumes in total and unabated gas should provide less than 5 percent of Great Britain's generation in a typical weather year."*

The report concluded Clean Power 2030 (CP2030) was achievable but would be "a huge challenge."

In the first Contracts for Difference (CfD) auction since the 2024 election – Allocation Round 6 (AR6) — DESNZ procured 9.6GW of renewable electricity projects. This was the biggest Allocation Round to date, and 2.5 times bigger than Allocation Round 5. While one of these projects, the 2.4GW Hornsea 4 windfarm, was later cancelled by the developer, which cited high costs, AR6 demonstrated that the Government was capable of accelerating renewables deployment towards the Clean Power 2030 target.

However, AR7, taking place across 2025-26, has cast doubt on whether CP2030 can still be achieved. The budget for the offshore wind and floating offshore wind pots, released in October 2025 — standing at £1.08bn – was deemed to be enough to *"to procure slightly less than 5 gigawatts of capacity if offshore wind developers bid into the auction at a similar level to last year"*, and that this would *"probably not be enough to meet Labour's flagship goal [CP2030]."*

This came just days after a Tony Blair Institute (TBI) report recommended the CP2030 target be reformed, and reframed as "Cheaper Power 2030."

However, the Government has not indicated it will step away from the CP2030 target, and DESNZ Ministers have continued to state that *"the Government believes that our mission to deliver clean power by 2030 is the best way to break our dependence on global fossil fuel markets and protect billpayers permanently."*

In terms of progress against the target, in its response to the Climate Change Committee's June 2025 report to Parliament on Progress in reducing emissions, the Government confirmed that as of 2024, low carbon power generation made up 65 percent of total power generation.

Create Jobs and Secure a Just Transition

The Government has been consistent in its messaging that the transition to net zero is an opportunity to create jobs and drive economic growth. The Clean Energy Industries sector plan says *"there is an enormous opportunity to build the energy industries of the future and create the good jobs at good wages that people have long demanded."*

In the October 2025 Carbon Budget and Growth Delivery Plan (CBGDP), Secretary of State for Energy Security and Net Zero, Ed Miliband, described the clean energy transition as *"the economic and jobs opportunity of the 21st century."*

This conclusion has been largely supported by industry, with the Confederation of British Industry (CBI) reporting that between 2023 and 2024 the next zero economy grew 10.1 percent, and generated £83.1bn Gross Value Added.

The CBI also found employment within the net zero economy had *"seen significant growth of 10.2 percent over the past year, with the net zero sector now supporting the equivalent of 951,000 full-time jobs"* and that *"jobs in this sector stand out for their productivity, with each full-time role generating £105,500 in economic value – 38 percent above the UK average."*

The overall finding was that the UK's net zero economy was growing around three times faster than the economy as a whole.

In the CBGDP, the Government estimates that *"the number of jobs in clean energy industries and their supply chains is estimated to almost double to over 800,000 by 2030."* This growth is being supported by *"£63bn of government capital funding in clean energy, climate and nature"* alongside the over £50bn in clean energy investment into the UK that has been secured since July 2024.

While this is extremely promising for the overall net zero economy, and for the Government's growth mission, there is still a risk that the net zero transition could negatively impact workers and communities reliant on fossil fuel industries.

In October 2025, Scottish Affairs Committee published a report on "The Future of Scotland's Oil and Gas Industry", which found that *the "the scale-up of clean energy projects is taking longer than expected and is progressing slower than the decline of the oil and gas industry."* The Committee argue that clean energy jobs are not being created fast enough to match the job losses in the oil and gas sector.

The Government has committed to no new oil and gas licensing, and although it is currently consulting on a new tax regime for the oil and gas sector, the fact that *"UK oil and gas fields are reaching the end of their lifespans"* suggests the jobs decline in the sector — which has already seen over 70,000 jobs lost in the North Sea over the past decade — will continue.

So far, the Government has tried to counter the challenge of securing a just transition for these communities through a focus on transferable skills, looking to relocate workers from the oil and gas industry into clean energy industries.

Two policies stand out as part of the Government's ambition to support the oil and gas workforce in a just transition.

Firstly, the UK and Scottish Governments introduced an Energy Skills Passport in early 2025. This had the explicit goal of supporting oil and gas workers seeking to transition into careers in the renewables sector, with an initial focus on offshore wind. So far, neither the UK nor Scottish Governments have published information on the uptake of the skills passport, stating it is industry-led and the governments do not hold operational details.

Linked with the skills passport, Aberdeen has also been supported through the creation of an Energy Transition Zone, which has seen development sites made available, with the goal of creating the largest energy transition industrial complex in Scotland.

Secondly, the UK Government published a Clean Energy Jobs Plan in October 2025, which set out an ambition for the UK to be a *"global leader in clean energy sector talent, having created hundreds of thousands of good clean energy jobs"* by 2030. Alongside the specific measures set out in the plan — which will be overseen by the Office for Clean

Energy Jobs — the plan also reaffirms the Government's commitment to a "fair and equitable transition" for the energy workforce.

Accelerating to Net Zero

In the face of concerted opposition from both Reform UK and the Conservative Party— both of which have committed to repealing the Climate Change Act 2008 — the Government has sustained its support for achieving net zero by 2050.

There has been little doubt about the Government's intention to retain the commitment to this target, with consistent messaging about the benefits of the transition.

The Government has also been active in demonstrating continued ambition to achieve emissions cuts. For example, as trailed at COP29, in January 2025 the Government confirmed the UK's new Nationally Determined Contribution (NDC) — the UK's emissions reductions target it must submit under the Paris Agreement — to reduce all greenhouse gas emissions by at least 81 percent by 2035 compared to 1990 levels. This target is in line with the recommendation from the Climate Change Committee.

In October 2025, the Government also published its Carbon Budget and Growth Delivery Plan (CBGDP), setting out how it would achieve the legally binding emissions cuts required out to 2037, as set out in the carbon budgets. This followed a court ruling which found that the Net Zero Growth Plan, published in 2023, was insufficient in demonstrating how the UK would achieve the required emissions cuts.

As of 2024 — the latest available assessment — the UK has reduced its emissions by 50.4 percent compared with 1990. The UK has also met each of its carbon budgets to date, as legally required by the Climate Change Act 2008.

Key Policy Debates

Reforming Energy Bills

With high consumer and industrial energy prices impacting household finances, driving fuel poverty, and undermining the UK's economic competitiveness, there have been consistent calls to reduce the price of energy.

Much of this debate has focused on whether to remove or reform the "policy costs" on energy bills. Ofgem has found these policy costs account for 15.3 percent of the average dual fuel bill.

Notably, the majority of these policy costs fall on electricity. Not only does this system artificially drive up the price of electricity compared to gas, but it disincentivises electrification — a key requirement for decarbonising the economy.

In this context, there have been vocal calls for a rebalancing of the cost between electricity and gas via policy cost reform.

Dhara Vyas, CEO of Energy UK, said that *"reducing electricity bills for businesses largely through policy cost rebalancing... would help businesses... look to electrify heating and it would mean that we as a country would continue to contribute to reducing our exposure to international gas prices."*

However, while the Government has stated it is exploring options on rebalancing, Ed Miliband, Secretary of State for Energy Security and Net Zero, has said:

"It is really important that if you move forward with something like that, you do so in a way that is fair. The obvious problem with a straight rebalancing is that you are taking the 100 percent of people who pay for electricity and loading the levies on to the 80 percent of people who pay gas, so you are essentially increasing the price for 80 percent of households. I want to do any measure that we take in a way that is fair."

On 29 October 2025, in response to a written question on energy affordability, Michael Shanks, Minister of State at DESNZ, said:

"Any decisions regarding green levies will be informed by robust research and analysis of the distribution of levies on energy bills. We will ensure we keep fairness and affordability at the forefront of our minds throughout this process."

Shanks also said: *"the ever-increasing participation of renewables in the wholesale market also means that over time, cheaper electricity produced by renewable technologies will determine the [electricity] price more often."*

This suggests Ministers will be unlikely to take forward rebalancing proposals without finding a way to mitigate the risk of adverse impacts for the population reliant on gas. This population includes some of the most vulnerable customers and those in fuel poverty, who, likely already relying on gas for both heating and cooking, would be unlikely to be able to afford to electrify their homes.

Instead of looking to rebalance the price of gas and electricity, it appears more likely that Ministers will rely on achieving the CP2030 Mission to bring down the price of electricity.

Their argument is that more renewable generation in the system will ensure that electricity produced from renewables, rather than electricity produced from gas, is setting the price for electricity more of the time. With the price of renewable electricity generation generally cheaper – and more stable - than the price of electricity generated from gas, the goal is that a clean power system will bring down electricity costs for consumers and industry.

Clean Power 2030

Well before the TBI report recommending the Government's Clean Power 2030 be reframed as "Cheaper Power 2030", opposition parties had attacked the target.

Shadow Energy Minister, Andrew Bowie, has routinely criticised the Government for a *"narrow-minded, ideological obsession with achieving the unachievable: clean power by 2030, at any price and any cost."*

Reform UK Deputy Leader Richard Tice even took the step in July 2025 to write letters to renewable energy developers, saying that if elected a Reform UK Government would *"seek to strike down all contracts signed under AR7 [*the latest renewable energy auction*]."* Tice argued that *"Clean Power 2030 does not enjoy a social license"* and would impose *"intolerable costs on taxpayers, households, manufacturers, and the broader economy."*

As it stands, the Government has not commented on the TBI report, and remains committed to the Clean Power 2030 target, defending it as *"the only way to bring down bills for good by ending the UK's dependency on volatile fossil fuel markets."*

From the economic perspective, this consistent messaging on the Government's commitment to the target underpins investor confidence in the UKs clean energy sector.

Oil and Gas Sector

At the 2024 General Election, the Labour Party committed to no new oil and gas licensing in the North Sea if it were elected.

Since the election, there have been no new oil and gas licenses granted, although licenses for two fields — Rosebank and Jackdaw — remain under review by DESNZ, after their licenses, granted under the previous Government, were found to have been granted unlawfully.

At the 2024 Autumn Budget, the Government also altered the Energy Profits Levy (EPL) on oil and gas companies – the windfall tax – raising the levy by 3 percentage points to 38 percent, removing the Energy Profits Levy's Investment Allowance, and extending the end date of the levy to 31 March 2030.

Under the policy, the EPL would only expire ahead of that 2030 deadline if oil and gas prices both fell to thresholds set out in the Energy Security Investment Mechanism for a sustained period.

As well as a strong negative reaction from the sector, these policies towards the oil and gas sector have elicited a critical response from the Conservative Party and the SNP, whose MPs represent many of the affected communities in the North East of Scotland.

The Conservative Party has called for the abolition of the windfall tax, arguing that it harms investment in the North Sea, damaging both economic growth and energy security. The Conservatives also argue that reduced investment in the North Sea is limiting the potential tax revenue the exchequer could gather from the oil and gas sector.

The SNP has called for the EPL to be replaced at the Budget, citing the risks of continued job losses in Scottish communities which have traditionally been reliant on employment in the oil and gas sector.

Recognising the challenges facing the industry, the Treasury published a consultation in May 2025, setting out options for the future of the oil and gas fiscal regime. Alongside this, DESNZ has also consulted on the North Sea's Energy Future, looking for input on how to support a "prosperous and managed North Sea transition."

The responses to both consultations are still due.

Recognising the clear industry and workforce anxiety around the current state of the sector, as well as the implications of any sector reforms for energy security, industrial competitiveness, and net zero obligations, the Energy Security and Net Zero Committee opened an inquiry on "Managing the Future of UK Oil and Gas" on 31 October 2025.

This inquiry aims to produce *"recommendations for creating a long-term, credible North Sea Just Transition Plan for the onshore and offshore workforce."*

What To Look For At The Budget

Oil and Gas Sector

There has been extensive discussion around the negative economic impact on North Sea communities due to the oil and gas licensing suspension. Critics also argue the current oil and gas tax regime disincentivises investment, potentially reduces tax revenue, and drives unemployment and emigration among the skilled workforce.

Multiple outlets are therefore reporting that that the scrapping of the Energy Profits Levy (EPL) could be announced at the Budget, with the potential for the levy to end in 2026 — four years earlier than planned.

Offshore Energies UK, the trade association for the offshore energy industry, has estimated reform to the EPL could deliver over £40bn of new investment and £137bn in economic value.

Opponents to the further exploitation of oil and gas in the North Sea, including the Green Party, argue that further oil and gas extraction could accelerate global warming.

Reducing the Cost of Energy

Reporting has suggested the Government is considering removing VAT from consumer energy bills. This would reduce bills by 5 percent. If implemented, this would save the average household around £86 a year and cost the Treasury an estimated £2.5bn annually.

However, the Government is yet to give a strong indication that they will proceed with this change.

In response to a written question on this, on 31 October Treasury Minister Lord Livermore responded simply that:

> *"The Chancellor makes decisions on tax policy at fiscal events."*

In its response to the Climate Change Committee's Progress report on reducing emissions, the Government said:

"Over this Parliament the government will be working relentlessly to translate the much cheaper wholesale costs of clean power into lower bills for consumers. This will be core to every decision we make. We will set out our plans in due course."

Speculation on the potential VAT cut has also seen commentators criticise this option, suggesting it would disproportionately benefit richer households.

Reporting by the Guardian in November 2025 also indicated the Chancellor was exploring the possibility of changing green levies on energy bills, including potentially "reducing or eliminating the Energy Company Obligation" (ECO), under which energy suppliers must promote measures that improve the ability of low-income, fuel-poor and vulnerable households to heat their homes. The report also includes speculation that other levies, such as the Renewable Obligation Certificate (ROC) programme, could be cut.

In order to achieve the current goals of the Energy Company Obligation scheme, the report indicates funding would need to be made available from the pot agreed for the Government's much-anticipated Warm Homes Plan. Rumours of a potential ECO cut therefore drew immediate criticism, including from Energy UK's CEO, who said:

> *"Billions of pounds of investment have been on hold while we await the Warm Homes Plan – all of which could be jeopardised by any sudden change of direction. So, hijacking the Plan's budget and effectively abandoning its original purpose would be a short-sighted and disastrous move... Unfortunately, we've had ample previous experience of knee jerk cuts to investment in warmer homes that have resulted in customers paying billions of pounds more on their energy bills, damaging supply chains and businesses, with knock on impacts to investment and job losses. The Government must not repeat the same mistake."*

In the absence of any confirmed change to VAT or green levies on energy bills, it appears that the Government remains committed to achieving the Clean Power 2030 Mission as a way to ensure that electricity produced from renewables is setting a cheaper price for electricity more of the time, thereby bringing down electricity bills without cutting any taxes or reforming policy costs.

Jack Green-Morgan, Senior Political Consultant for Energy, Utilities and Net Zero

Environment, Food and Rural Affairs

State of Play

The Department for Environment, Food and Rural Affairs (DEFRA) has not shied away from picking fights this year, most notably with water companies and farmers. The support offered by DEFRA Minsters, and the Government in general, for the decision to limit Agricultural Property Relief and Business Property Relief, resulted in farmers protesting in London.

This chapter will explore what DEFRA has been doing in some of its key policy areas.

Agriculture

One of the key tests for the success of DEFRA is the performance of the agricultural sector. The nature of government support for the agricultural sector has changed significantly post-Brexit, with the Labour Government inheriting a commitment, via Environmental Land Management Schemes (ELMs), to pay farmers for environmental services. This idea is epitomised by the slogan *"public money for public goods"*.

The 2024 Labour manifesto included a commitment to ensuring ELMs work for "farmers and nature". However, this has not been without its challenges. Notably, in March 2025, DEFRA suspended the Sustainable Farming Incentive (SFI), which pays farmers to produce sustainable food in a nature friendly way, which is at the core of ELMs. The Government cited the uncapped nature of the scheme as the reason for this pause, yet despite this justification, it was still received badly by many stakeholders.

The Government is awaiting the publication of at least two documents which will significantly impact the UK agricultural sector.

The first is the Farming Profitability Review, led by Crossbench peer Baroness Minette Batters – the former NFU president - which covers farm businesses, supply chains, innovation, risk, and business models, with the aim of boosting profitability and resilience in English farming.

Secondly, DEFRA is due to publish a 25-Year Farming Roadmap for England. The roadmap will seek to set out a long-term direction for farming in England, balancing food production, farm prosperity and environmental action.

Upon the publication of the roadmap, and the Government's response to the Batters review, there will be a clearer sense of DEFRA's vision for the agricultural sector.

Food

The Government has published a national food strategy, which aims to improve the food system's health, sustainability, and fairness. To implement this, a cross-departmental Food Strategy Advisory Board was convened in March 2025, which included representatives of the health, education, and environment departments. One of the core goals for this board is the "agreement of metrics and indicators to support each outcome, and finalisation of these wider strategies and plans." As a result of the strategy, DEFRA also established a Citizens Advisory Council.

If the strategy is implemented well, it should help the Government to achieve its goal of 50 percent of food in the public sector being locally or sustainably sourced. If this aim is achieved, this should provide notable benefits to UK agricultural sector.

However, the Government's approach to food has been subject to some criticism, particularly due to the lag on implementing junk-food marketing restrictions, and delays to restrictions on advertising high-fat, salt, and sugar products.

Biodiversity, Environment and Water

Within in weeks of Labour winning the 2024 General Election, then-Secretary of State for Environment, Food and Rural Affairs, Steve Reed, ordered a "rapid review" of the 2023 Environmental Improvement Plan (EIP). The EIP is organised around achieving the Environmental targets set out under the Environment Act. It sets out what the Government's commitments are, and how they will be fulfilled. The rapid review identified limitations of the 2023 EIP, notably including evidence collection, engagement and funding. In light of these limitations the Government has committed to publishing a new EIP, which is due to published in 2025.

Given the seminal importance of this plan, there will be a much clearer idea of DEFRA's approach to the environment once it is published.

In February 2025, the Government published a national biodiversity strategy and action plan, which in part serves as a roadmap to achieving its obligations under the Convention on Biological Diversity. This strategy broadly reaffirmed existing commitments, but had the benefit of bringing them into one unified document.

Reforming the water industry has been one of the highest profile of DEFRAs priorities since the 2024 General Election. To this end, the Government has passed the Water (Special Measures) Act, which focuses on the regulation, governance and special administration of water companies. The Act includes measure to block bonuses for executives, enable automatic and severe penalties for wrongdoing, and ensure the monitoring of every sewage outlet. Beyond this, the Government set a goal to halve sewage overflows by 2030, against 2024 levels.

The Government also commissioned Sir Jon Cunliffe to lead the Independent Water Commission, which reviewed the challenges within the existing regulatory framework for the water sector. As a result of the work of the Commission, the Cunliffe Review was published June 2025.

One of the core recommendations of the review, that the Government has accepted, is to create a single water regulator in England and a single water regulator in Wales, which will result in the abolition of the existing economic regulator, Ofwat.

The aim of this new regulator is to be a *"powerful, single regulator for water... [and to] simplify the system, reduce duplication, close regulatory gaps and ensure a much stronger "whole-firm" view of each company." This* regulatory reorganisation will form part of the agenda for the Government's next water reform bill.

The likelihood of biodiversity and environmental targets being achieved will be deeply impacted by the forthcoming Land Use Framework for England. The strategy fundamentally seeks to address the question: how can England achieve its objectives which require land, within the constraints of the limited land it has? This includes addressing perceived trade-offs around how land can be used for sustainable food production, nature restoration, renewable energy generation, and house building.

Animal Welfare

At the 2024 General Election, Labour promised to end puppy smuggling, ban trail hunting and the import of hunting trophies, phase out snares, and work toward a science-led phase-out of animal testing.

Since being elected, the Government has backed a PMB on puppy smuggling - the Animal Welfare (Import of Dogs, Cats and Ferrets) Bill - which would empower the Government to raise import ages, block imports of mutilated or heavily-pregnant animals, and tighten non-commercial pet movements.

This means that there is still plenty of progress for DEFRA to make to fulfil Labour's manifesto commitments on animal welfare. Outstanding commitments include banning the importing of hunting trophies, banning the use of snares, and providing a strategy on reducing animal testing in the UK.

Key Policy Debates

Those who care about DEFRA policy are awaiting the publication of at least four key documents: the updated EIP, the Land Use Framework, the 25-Year Farming Roadmap, and the Batters Review.

The substantive policy debate is simmering while stakeholders await the publication of these strategies, which should provide more clarity on the direction of the Government.

There is, however, some policy direction which is clear and can be readily engaged with. For water, few are likely to mourn the loss of Ofwat, but there will be much richer disagreement about what should replace Ofwat and where the limitations of the new regulator's powers should be.

There is also a broader question about how the Government's housing building commitment – to build 1.5m new homes by the end of this Parliament - can be done in such a way that it does not undermine environmental targets.

What To Look For At The Budget

The likelihood of DEFRA policies receiving meaningful additional funding is low.

More realistically, those who are interested in DEFRA will want to check that there are not revisions to money which has already been pledged for activities such as nature friendly farming.

Additionally, concerns have been expressed by the agricultural community about how changes to inheritance tax and reliefs on agricultural land could impact the sector. Whilst a U-turn on these issues is highly unlikely, the Budget provides a chances for the Government to seek to ease concerns about the speed at which such taxes might need to paid.

Joshua Wells, Deputy Head of UK Political Intelligence

Health, Social Care and Life Sciences

State of Play

The political discourse on healthcare is currently centred around the Government's flagship health strategy, the NHS 10-year plan, and how this will be implemented. The plan was published in July 2025 and sets out three fundamental shifts: moving care from hospital to community, shifting from sickness to prevention, and moving from analogue to digital.

The major reforms outlined in the plan are still very much in the early stages of implementation, with few physical signs of progress so far. Many of the ambitions — such as transforming hospitals' day-to-day system from analogue to digital — require large investment. Broader changes such as implementing neighbourhood health centres are also still in the pipeline, as integrated care boards look to implement planning guidance to make community health care a sustainable reality.

Whilst the Government is still trying to implement these measures, the sector faces persistent day-to-day challenges. Workforce pressures have remained particularly challenging when looking at the treatment of significant diseases such as cancer.

Liberal Democrat Spokesperson for Trade, Clive Jones, recently highlighted that only one third of NHS staff believed there were enough personnel for them to perform their duties effectively. Clinical oncology, he noted, faced a 15 percent shortfall, which was expected to rise to 19 percent by 2029.

The Minister for Health, Karyn Smyth, has confirmed that a new workforce strategy would be launched by Spring 2026, indicating that the Government is attempting to manage multiple healthcare policy reforms to address the challenges at hand.

Social care continues to grapple with funding challenges, and the sector has received limited attention in terms of reform, with the NHS 10 year-plan offering little detail. Social care faces additional workforce pressures as continuous cuts have left the sector facing a financial squeeze since 2010.

The Institute for Fiscal Studies found that councils' core budgets are 18 percent lower than they were in 2010, which has had a significant knock-on-effect on social care. Reporting by the Guardian has revealed that 100,000 adults have been denied state funded care over the last decade due to funding pressures. The report argues that these adults have been denied care they would have received in 2010, resulting in care responsibilities falling onto friends and family, known as 'unpaid carers.'

These challenges have resulted in a need for a sector-led Care Workforce Strategy which particularly covers pay and conditions for carers, as well as a reviewing the carer's allowance, the limitations of which has left unpaid workers struggling to cope with the cost-of-living crisis.

Key Policy Debates

Mental Health Bill

Key legislation in the health and social care sector, such as the Mental Health Bill, has made significant progress in Parliament. The Bill is currently in the Lords, awaiting consideration of Commons amendments.

The purpose of the bill is to amend the Mental Health Act 1983 in England and Wales and modernise the mental health legislation to give patients greater autonomy and rights over how they are treated. Key amendments have been raised to strengthen statutory decision making for under 16s, extending care rights for under 18s, and ensuring children are only placed on adult wards in “exceptional circumstances.”

Tobacco and Vapes Bill

The Tobacco and Vapes Bill resumed progress in Parliament on the 31 October 2025, with six days of committee stage scrutiny scheduled. The Bill aims to restrict the legal sale of tobacco and vape products to anyone born on or after 1 January 2009, in an attempt to create the first ever smoke free generation. The Bill will also legislate to control the marketing and advertising of vape products, to make them less appealing as part of the Government’s health prevention agenda.

Members have put forward amendments that include: warning notices for first time offenders, in lieu of a fixed penalty notice; prohibition on supply of cigarette filters in England and Wales; an impact assessment before further regulation of certain tobacco products; a requirement for retailers to use age-verification technology; and, clarification on how the Government intends to define a vape flavour.

Terminally Ill Adults (End of Life) Bill

The Bill, introduced as a private members bill by Kim Leadbeater (Lab, Spen Valley), would allow adults in England and Wales who are terminally ill (with a prognosis of less than six months to live) to request and lawfully be provided with assistance to end their own life, subject to strict eligibility criteria. Having completed its journey through the House of Commons, and its first and second readings in the Lords, the Bill now awaits committee stage in the Lords.

What To Look For At The Budget

NHS leaders are calling for an urgent £3bn emergency funding boost to address mounting financial pressures and prevent serious consequences for patient care. They have warned ministers that without this additional support, hospitals may be forced to ration care, and patients could face longer waits for treatment. Hospital chiefs have cautioned that the lack of funding could lead to the cancellation of evening and weekend surgery sessions, which are crucial in tackling record-high waiting lists, and that hospitals may be compelled to halt procedures considered to have low clinical effectiveness. This plea for funding comes amid the wider ambitions of the NHS 10-Year Plan, which aims to modernise and strengthen the health service through targeted investment in digital infrastructure and AI technology.

Alongside this, leaders are also urging for dedicated funding for social care, particularly to improve adult social care services, support reforms, and enhance workforce pay and conditions. A longer-term funding settlement for the Department of Health and Social Care (DHSC) and NHS England is also being sought for the period beyond 2026/27, to ensure sustainable financial planning and delivery.

In addition, NHS executives are pressing for capital investment to modernise outdated buildings, equipment, and facilities, which they argue is essential to improving efficiency, patient experience, and long-term resilience across the healthcare system.

Joshua Opeaye, Political Consultant for Health and Life Sciences.

Home Affairs, Justice and Equalities

State of Play

In the run-up to the 2024 General Election, Labour made ambitious manifesto commitments on Home Affairs and Justice. Since that election, the Government has unveiled a host of measures aimed at reforming the police, stabilising the criminal justice system, decreasing crime, tackling violence against women and girls and reforming the immigration system. However, delivering on its promises is proving a challenge in light of fiscal constraints. Public services, including policing and justice, received relatively less generous increases in their capital settlements in the 2025 Spending Review (SR).

At the SR, the Home Office was allocated a settlement of £22.3bn in departmental funding by 2028–29 — an average real-terms reduction of 2.2 percent across the period, and 1.4 percent over the next three years. However, within this, police spending power will grow by 1.7 percent annually. In contrast, the Ministry of Justice (MoJ) received a more generous settlement of £15.6bn in Departmental Expenditure Limit (DEL) funding by 2028-29, an average real-terms growth of 3.1 percent (or 2.4 percent excluding capital DEL).

Migration remains a high-profile issue, with the Home Office making limited progress in reducing the asylum backlog and the Government seemingly struggling to stem the flow of small boats. Facing mounting public discontent over its limited success in halting small boat crossings, the Home Office is shifting its approach to one more closely aligned with the recently appointed Home Secretary Shabana Mahood's reputation as being a "hardliner on immigration". This includes increasing the period of eligibility for indefinite leave to remain from five years to 10 years; plans to review how UK courts interpret the ECHR in asylum cases, especially Articles 3 and 8, along with other legal provisions related to refugees and children; and, the suspension of applications for refugee family reunification.

Ahead of Labour Party Conference, the Prime Minister announced that free digital ID cards would be introduced to verify identity and residence status. The introduction of digital ID aims to make working illegally harder, and act as a disincentive for illegal migrants. The policy builds on the newly established Border Security Command to disrupt criminal smuggling networks and expedite removals.

The criminal justice system faces an ongoing state of overwhelm, with performance problems entrenched across policing, criminal courts, prisons and probation. Despite emergency measures, such as the SDS40 early release scheme being used to avert an immediate capacity crisis, prison capacity and the Crown Court backlog remain ongoing policy challenges for the Justice Secretary. Criminal courts backlogs continue to rise quarter on quarter, and while the Government took action by launching both the

Leveson Review of the Criminal Courts and David Gauke's Sentencing Review, it has yet to announce a more cohesive set of long-term reforms to stabilise a system in disarray.

Key Policy Debates

Home Affairs, Justice, and Equalities are set to remain a priority area for the Government. Following a reshuffle in September 2025, the newly appointed Secretaries of State for the Home Office and MoJ, Shabana Mahmood and David Lammy, are seeking to go 'further and faster' on their departmental ambitions.

The Home Secretary made wide-ranging criticisms of her department in an interview with the BBC, where Mahmood argued that the Home Office "was not fit for purpose" and had failed to deal with the crises it had faced in recent years. The Home Secretary's comments have reignited debate over whether the Home Office, one of the largest core departments in Whitehall, should have its responsibilities split up.

Supporters of the idea advocate for one organisation to deal with crime, policing and security, and another to oversee borders and immigration. While Downing Street has shown no interest in restructuring, Mahood has acknowledged that the Department has numerous underlying issues. A decision will need to be made whether to pursue long-term transformation of the Department, or continue down the road of persistent firefighting.

The criminal justice system (CJS) continues to face ongoing challenges, as it struggles to cope with the current level of demand. This long-term dysfunction has resulted in serious delays, the most acute of which are in the Crown Court. The Government urgently needs to reduce demand across the CJS in order to stabilise the faltering system.

In acknowledgement of the systemic nature of the issues plaguing the CJS, the Government introduced the Sentencing Bill to Parliament in September 2025, seeking to implement the recommendations made by David Gauke in the Independent Sentencing Review. This Bill seeks to reduce reoffending and address the over-reliance on custody in tackling the prison capacity crisis. Likewise, part one of the Leveson Review of the Criminal Courts was published in July 2025, with part two expected to be published before the end of the year.

While these are positive steps towards addressing the challenges in the CJS, the reforms proposed by both Leveson and Gauke will be ineffective if a whole-system approach is not taken to reform and invest at every level of the CJS, especially in probation.

Following on from the Supreme Court judgment on 'For Women Scotland' in April 2025, the Equality and Human Rights Commission (EHRC), the UK's equality law regulator, submitted its updated code of practice to the Government for ministerial approval in

September 2025. The revised guidance can only gain legal force after it has been signed off by ministers and laid in Parliament within 40 days.

With a lack of clarity over what will be in the final version of the code of practice, the extent of the regulatory burden and the financial implications of implementing the draft code of practice for the public remain unclear. In a scrutiny session with the Women and Equalities Select Committee in June 2025, Committee Chair Sarah Owen urged representatives from the EHRC to publish a financial impact assessment alongside the updated code of practice, to outline how much of their department's budget should be allocated to meeting the requirements of the updated guidance.

What To Look For At The Budget

Given the pressure on the Home Office's budget, if savings need to be found, they will most likely have to come from spending on housing asylum seekers. The Home Affairs Committee have labelled the current departmental approach as presiding over a "failing asylum accommodation system that has cost taxpayers billions of pounds."To address this, the Chancellor pledged £200m at the SR to support ending the use of hotels by 2029 — a cash injection she claimed would save £1bn a year.

In response to the funding announcement made at the SR, the Chair of the Home Affairs Committee, Dame Karen Bradley expressed concerns over the workability of the Government's pledge to end the use of asylum hotels. As several of the Government's other major priorities, such as restoring public confidence in policing and halving violence against women and girls within a decade, also fall under the Home Office's remit, it is crucial that the Department balance these competing policy areas.

The Home Office's budget is under strain. If savings on the costs of housing of asylum seekers cannot be made, Bradley warns there could be a knock-on effect that negatively impacts the Department's ability to meet the ambitious targets it has been set in other key areas including policing, immigration, and counter-terrorism.

Given the pressure the Government is facing to meet its commitments on immigration and get the asylum system under control, further funding to accelerate the transition from hotels to a more sustainable model, could be possible.

Mia Terra St. Hill, Political Consultant for Home Affairs, Justice, and Equalities

Housing, Communities and Local Government

State of Play

While recent attention for MHCLG has centred on potential reforms to property and council tax, wider spending commitments and structural changes in local government finance are also shaping the policy environment for housing, communities, and local authorities.

The Local Government Finance Policy Statement for 2025–26 confirmed the Government's intention to move to a multi-year system of local funding from 2026–27. The policy aims to "direct funding to where it is most needed" through updated assessments of need and local resources. The unpredictability of single year funding was consistently raised as an issue by numerous local authority bodies throughout England, so this change marks a shift toward longer-term financial planning.

2024' s Autumn Budget confirmed over £4bn in additional funding for local government services. In the 2025–26 Local Government Finance Settlement, local authorities in England were allocated more than £69bn in core spending power, a 6.8 percent cash-terms increase on the previous year. While this represented the largest single-year uplift for several years, it coincided with a period of sustained cost pressures on statutory services such as adult social care and homelessness assistance.

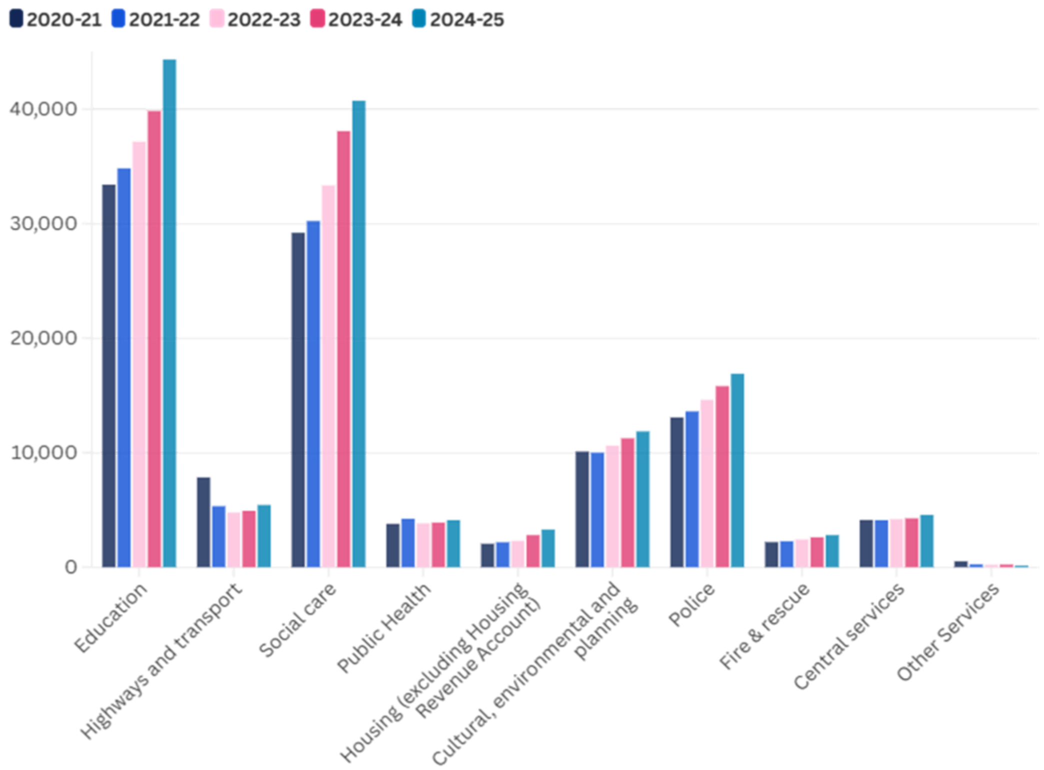
According to official spending data, local authorities' net current expenditure on housing services rose sharply in 2024–25. Local authorities' total net current service expenditure was £134.2bn in 2024-25. In real terms, this was £5.4bn higher than in 2023-24. The services with the largest changes in net current expenditure compared to 2023-24 were:

- Education services: increased by £2.9bn in real terms to £44.bn.
- Adult Social Care: increased by £803m in real terms to £25.3bn.
- Children's Social Care: increased by £297m in real terms to £15.5bn.
- Housing services (excluding Housing Revenue Account): increased by £367m in real terms to £3.3bn.

Those owed a homelessness relief duty are often placed into temporary accommodation, rather than directly into longer-term housing. According to research published by London Councils, the equivalent of 11 percent of the average household's council tax bill is now spent on temporary accommodation, and boroughs in London are spending about £5.5m a day on homelessness related services.

MHCLG's capital budgets for 2025–26 show ongoing investment in infrastructure, remediation, and regeneration. The MHCLG Main Estimate 2025–26 noted that capital spending on land and infrastructure assembly funds has been increased to support place-based growth.

Graph 1: Local Authority Spending 2020-21 to 2024-25



Source: MHCLG

Graph 1 shows service expenditure net of sales, fees and charges and of other income 2020-21 to 2024-25 (cash terms) (figures are reported in millions)

Key Policy Debates

Policymakers in housing and local government face an ongoing challenge in balancing financial stability with the need for structural reform. Many local authorities and representative bodies, including the County Councils Network, have welcomed the principle of multi-year settlements and the commitment to review distribution formulas. However, they caution that reforms must not create uncertainty for councils already under acute budgetary pressure.

A second policy issue concerns the design of place-based investment and regeneration funding. The Government's current direction favours devolved and locally coordinated approaches, moving away from the competitive national bidding rounds that characterised the previous Government's Levelling Up Fund.

The Government's emphasis on a new funding arrangement for local government, set out in June's Spending Review and reinforced by the publication of the English Devolution and Community Empowerment Bill, is intended to give local areas greater control over investment priorities. However, the question of local fiscal autonomy remains prominent.

At Autumn Budget 2024, the Government committed to permanent cuts to business rates for Retail, Hospitality and Leisure (RHL) businesses with rateable values below £500,000. Following the publication of the Discussion Paper, 'Transforming Business Rates', on 11 September 2025, the Government published an Interim Report summarising stakeholders' views and outlining priority reforms that the Government would consider over the remaining course of this Parliament to improve the business rates system. The Government is expected to provide a further update on business rates reform at the Autumn Budget 2025.

The Government has described the transformation of the business rates system as a "multi-year process, with a need for ongoing reform", so further changes are also likely beyond this Budget.

What To Look For At The Budget

The forthcoming Budget is expected to serve as a significant test of the Government's fiscal strategy in relation to housing, local government, and community resilience.

Attention will focus on how the Treasury approaches capital investment in housing and regeneration. The most recent estimates show that councils' spending on housing services, excluding the Housing Revenue Account, rose sharply in 2024–25, with homelessness expenditure increasing by more than 30 percent.

Against that backdrop, even modest increases in MHCLG's capital grants for affordable housing, temporary accommodation or building-safety remediation could substantially influence delivery capacity.

The Budget could also outline next steps for modernising local tax systems, following from the Modernising and Improving the Administration of Council Tax consultation closing in September 2025.

In an interview on BBC Breakfast, Miatta Fahnbulleh, Parliamentary Under-Secretary of State at the Ministry of Housing, Communities and Local Government, said the Government plans to overhaul the process of buying and selling homes to make it quicker, simpler, and less expensive. She said the reforms could cut transaction times by about four weeks, halve the number of failed sales and save first-time buyers around £700. The announcement of this consultation is a signal that the Government could use the Budget to announce funding to modernise property transactions. Meanwhile, the Conservatives have launched a proposal for a £5,000 national insurance rebate for homebuyers, so this Budget could be an opportunity for the Government to counter the Conservatives' offer.

Conversely, according to The Guardian, the UK housing market is showing signs of slowing, as speculation grows that Rachel Reeves may announce property tax increases in next month's Budget. Data from Rightmove indicated a more cautious approach by buyers and sellers, with fewer new inquiries to estate agents and a 5 percent decline in new listings compared with the same month last year.

There has also been speculation regarding whether a property tax may be introduced in this Budget. This would effectively be a tax that is an annual charge linked to the value of a property and would seek to replace the council tax system in the long term.

A 'mansion tax' has also been rumoured for this Budget. This would see capital gains tax being charged on the sale of properties over a certain value, regardless of whether this is your main residence or not. The current threshold under consideration is thought to be £1.5m.

The Chancellor is reportedly also considering imposing taxes on sellers of homes over £500,000. This charge would replace stamp duty. Concerns have been raised regarding those looking to downsize, and whether this tax would encourage them to stay in properties which are too big for their households.

There have also been rumblings regarding whether landlords could be charged national insurance on profit from lettings. Some estimate that this could bring in £2bn for the Treasury.

Taken together, these measures underscore the high political and fiscal stakes of this year's Budget. With housing affordability, supply pressures, and local government finances all under strain, the Chancellor faces a delicate balancing act between short-term relief and long-term reform for the sector.

Fionnuala Quinn, Senior Political Consultant for Housing, Communities Local Government and Faith

Retail, Employment, and Gambling

State of Play

While stakeholders across retail, employment, and gambling each have distinct priorities heading into the Autumn Budget, the sectors share a number of closely connected challenges.

Retail

The retail sector is experiencing strain on many fronts. A series of recent fiscal decisions have restricted wiggle room for retailers. On 1 April 2025, the Government increased the National Living Wage to £12.21 per hour — a rise of 6.7 percent. This came alongside a 1.2 percent increase in employer National Insurance contribution rates, which rose to 15 percent.

According to the British Retail Consortium, decisions made by the Labour Government during the last fiscal year cost the sector £7bn in additional costs. This has hit the sector hard, demonstrated by an unprecedented number of retail workers at 'flight risk'. 54 percent of retailer workers are considering quitting their job, as concerns around the insecurity of retail employment have deepened — the highest level in two years.

Chris Brook-Carter, CEO at the Retail Trust, said:

"ongoing insecurities around jobs... are continuing to take their toll on people working in retail. The rising employment costs announced in last year's budget are placing huge economic pressures on the sector"

Retailers have had to adapt to an increasingly complex regulatory environment. Amid difficult economic conditions, smaller businesses have relied on the sale of single-use vapes as a stable source of income. The subsequent ban on these products has added to financial pressures. Intensifying this, the introduction of HFSS (high fat, salt, and sugar) multi-buy restrictions on 1 October is expected to impact sales of affected products.

Yet retailers have faced further pressures. Over the past few years, the sector has suffered significant losses due to increased retail crime. As of June 2025, shoplifting offences have increased by 13 percent, costing retailers an estimated £316m over the last year. The British Retail Consortium has estimated that the overall cost of retail crime from September 2023 to August 2024, including crime prevention was £4.2bn.

With the addition of increasing environmental costs, the sector is facing pressures on multiple fronts. As covered in the next section, prospective government policy is not likely to ease these financial burdens. In fact, the Employment Rights Bill and digital ID may produce additional barriers and costs for retailers.

For an already embattled sector, retailers will be looking for additional support at the Budget to offset these challenges.

Employment

While the retail sector is clearly under pressure on the employment front, a broader view of the labour market reveals a more complex and less definitive picture. The ONS labour market overviews have given mixed signals over the year.

Employment stands at 75.1 percent for 16 - 64 year olds, which is down 0.2 percent on the quarter, but higher than a year ago. At the same time, unemployment has risen to 4.8 percent as overall vacancies continue to fall for the 39th consecutive quarter. This varies from sector to sector, with vacancies decreasing in 9 of 18 sectors. The worst hit sector in the last quarter was real estate, which saw a 20.6 percent decrease.

Furthermore, whilst the state of employment varies from sector to sector, certain groups are worse affected as well. The lack of opportunities for graduates has been a prominent feature of media attention. Over the last year, graduates have seen a 35 percent drop in job listings, the lowest for seven years.

Chris Eldridge, CEO at Robert Walters UK, Ireland and North America, stated that: *"It is likely to be one of the most challenging times in history for graduates to get a job today."*

Alongside this, younger people have been a key driver of persistent economic inactivity. In recent months, there have been signs that the Government recognises these challenges. In May 2025, the Department for Work and Pensions announced the creation of the Youth Guarantee trailblazers — a pilot scheme designed to match young people with job or training opportunities. The initiative aims to lay the groundwork for a national roll-out, ensuring that all 18 to 21-year-olds in England can access targeted support to help them move into work.

Over the last year, the labour market has been in a holding pattern. While some suggest that the increased adoption of AI has meant firms have been reluctant to hire, there is limited evidence to fully assess this claim. Only once this is available will the Government be able to assess the future direction of travel.

Gambling

Lastly, within the Gambling sector, the Gambling commission published its annual Gambling Survey on 2 October — the world's largest study of Gambling participation, behaviours and consequences. The survey found that 48 percent of adults aged 18+ have gambled in the last 4 weeks. The sector is currently grappling with challenges in both traditional forms of gambling — such as the failure to appropriately inspect in-person high-street gambling venues — and in newer, digital forms like skins gambling, which pose particular risks to young people through online video games.

Key Policy Debates

Employment Rights Bill

There are several concurrent policy debates around the future of retail and employment. The most substantial of these is the Employment Rights Bill (ERB). Currently enduring the turbulence of the "ping-pong" stage in Parliament, the Bill aims to introduce several measures that will have significant effects on retail and employment.

The Bill aims to introduce "day-one" rights to unfair dismissal protection, enhanced parental leave, and a statutory duty on employers to offer guaranteed hours to zero-hours and agency workers. The Government has published an implementation roadmap that outlines when certain measures would take effect, from Royal Assent through to 2027, following common regulatory start points (April and October). Measures range from "protections against dismissal for taking industrial action" that would take effect at Royal Assent, through to "Day 1" rights to protection from unfair dismissal, which would commence in 2027.

Alongside the implementation of these measures, the Government is deploying a consultation programme that covers various aspects of the Bill, from flexible work to zero-hours contracts.

The Government has been consistent in its messaging that the Bill is "pro-business and pro-worker". However, for many within the retail sector, the ERB is another potential driver of financial strain. In research conducted by the British Retail Consortium, over half of retail HR Directors said that the Bill would reduce hiring and job flexibility, while 70 percent stated that the Employment Rights Bill would have a negative impact on business. Paradoxically, while the Bill aims to extend workers' rights, 52 percent of HR Directors in the retail sector believe it will lead to a reduction in staff numbers within their businesses.

Trade unions have been supportive of the Employment Rights Bill. The Trades Union Congress (TUC) have called for the Government to "stand firm" on key protections outlined in the bill and to resist the criticisms from Conservative and Liberal Democrat peers that came during the House of Lords stages of the Bill.

Beyond the Employment Rights Bill, the retail sector also features prominently within the Digital ID policy debate. On 19 June 2025, the Data (Use and Access) Act 2025 received royal assent. The legislation provided the statutory foundation for the new Digital ID framework. The framework is expected to introduce accredited providers, a government trust mark, and data-sharing provisions to support secure and interoperable digital verification.

These policy developments are important for retailers, as it marks the beginning of Digital ID adoption for age and identity verification, supported by forthcoming secondary legislation that will allow certified digital IDs to serve as proof of age for alcohol purchases. Although the Act has now become law, its operational rollout will take place in stages from late 2025, once the necessary certification and governance frameworks are in place.

What To Look For At The Budget

As outlined above, there are significant legislative, regulatory, and political developments that have already had — and are expected to continue having — a major impact on the retail, employment, and gambling sectors.

To mitigate the financial strain felt by retailers, at the Autumn Budget 2024, the Government announced 40 percent relief on business rates for retail, hospitality, and leisure — worth £1.5bn for 2025/26. Notably, however, this relief was down from the 75 percent relief scheme in 2024/25.

Specific details on business rates reform will be confirmed at the Autumn Budget. The potential introduction of permanently lower business rates for retail, hospitality, and leisure (RHL) properties with rateable values under £500,000; the new high-value multiplier for larger properties; and the potential shift from the current "slab" system to a "slice" system, will be watched closely by stakeholders.

Key industry bodies have been pressuring the Government to mitigate the potential impacts of the proposed business rates surtax. The British Retail Consortium has organised a letter, in which nine major British supermarkets called for the exclusion of shops from the surtax. The BRC and included supermarkets cited the existent £7bn additional cost incurred in the 2024/25 budget. On this, Helen Dickinson, CEO of the British Retail Consortium, said, *"The Chancellor has rightly made tackling inflation her top priority, and with food inflation stubbornly high, ensuring retail's rates burden doesn't rise further would be one of the simplest ways to help."*

Moreover, the Association of Convenience Stores has urged retailers to put pressure on MPs ahead of the Budget. In a letter to the Chancellor and it's Budget submission, the ACS argued that convenience stores could face additional costs of £612m due to rising business rates, increases in the National Living Wage, and changes to Employer's National Insurance Contributions.

In a similar vein, the Recruitment & Employment Confederation has called for relief for employers by freezing National Insurance whilst ensuring that the Employment Rights Bill is practical and deliverable. Stakeholders with an interest in retail and employment have made significant calls for caution regarding the potential fiscal strain added to employers in the Autumn Budget.

Additionally, the gambling industry seems likely to face additional costs. In particular, online gambling is seen as operating under an outdated tax framework that no longer reflects the realities of the digital age, the widening disparities in profitability, or the differing degrees of social harm across products.

In April 2025, HM Treasury published a consultation on the tax treatment of remote gambling. The consultation invited views on proposals to consolidate the three taxes that remote operators must comply to - General Betting Duty, Pool Betting Duty, and

Remote Gaming Duty – into one remote gambling tax called Remote Betting & Gaming Duty. The Government argues that the distinctions between the existing duties apply less in the digital age as customers now engage with remote betting and remote gaming in increasingly similar ways.

However, stakeholders focused on identifying new sources of tax revenue have gone further than tax simplification, highlighting the gambling industry as a sector where taxation could be increased. Former Prime Minister Gordon Brown, citing recent reports from the IPPR and the Social Market Foundation, argued that reforming gambling taxation offers a credible route to raising substantial additional revenue.

In his Budget submission, Brown stated that he was disappointed in the Government's narrow focus on the harmonisation of online gambling taxation. He stated that reforms to remote gambling tax treatment could raise £3bn a year. This would be made up by raising Remote Gaming Duty from 21 percent to 50 percent, Machine Games Duty to 50 percent (excluding category D machines), and General Betting Duty from 15 percent to 25 percent (excluding horseracing).

At the core of his argument is the claim that current gambling taxes fail to reflect the variations in profitability or the significant public costs associated with addiction. Brown seeks to tie increases on gambling duties to the social and fiscal costs of gambling addiction – costing the NHS and wider services over £1bn per annum. He notes that cigarettes are taxed at around 80 percent and whisky at roughly 70 percent, and pointed to countries such as the Netherlands and Austria who have online casino tax rates over double the UK's 20 percent.

In September, the Chancellor, Rachel Reeves, signalled that tax hikes in this area are highly likely. Reeves stated, *"I do think there is a case for gambling firms paying more. They should pay their fair share of taxes, and we'll make sure that happens."*

Collectively, these developments highlight a challenging fiscal landscape for the retail, employment, and gambling sectors. The Treasury faces the difficult task of sustaining a pro-business tax strategy to support its growth agenda while also addressing substantial gaps in the public finances. Stakeholders across multiple industries have urged the Government to avoid burdening them further, yet both retail and gambling are unlikely to emerge unscathed. The Autumn Budget will serve as a critical test of the Government's ability to balance its growth ambitions with mounting cost pressures across these key sectors.

Ben Pegrum, Political Consultant for Science, Innovation & Technology and Culture, Media & Sport

Science and Technology

State of Play

Science and Technology has become increasingly vital to this Government and its growth mission. With the rise of AI and the race to lead on critical technologies, the Government has committed to substantial funding for the sector.

Minister of State for Science, Innovation, Research and Nuclear, Lord Vallance of Balham succinctly highlighted this newfound importance:

"...unlike previous industrial strategies you don't need to look in the appendix to find science and technology. It is woven throughout every part and every sector plan."

Domestically, the Government has looked to scientific and technological innovation in order to ease strain on public services and increase digital inclusion across the country.

Staying ahead in the race on critical technologies, from artificial intelligence to quantum computing, has become an increasingly existential challenge. In order to secure economic competitiveness, national security, and geopolitical influence, DSIT looks to position the UK at "the forefront of global scientific and technological advancement".

This focus is backed by significant investment from the Government, underpinned by a £2bn investment package to deliver the AI Opportunities Action Plan, which includes a £240m boost for the AI Security Institute and expanded compute capacity for researchers, cementing the UK's ambition to become a global digital and economic powerhouse.

The Department for Science, Innovation and Technology (DSIT) has recently launched AI Growth Zones in North East England, launched AI Growth Labs, and secured £150bn in investment from US tech firms. Simultaneously, the Government is investing £86bn in R&D over the next 5 years. Therefore, in order to capitalise on this investment, the Government is seeking to ensure these technologies are successfully adopted in both the public and private sector. This is underpinned by the AI Assurance Roadmap which is set to unlock funding for applications in early 2026.

The Government has also sought to negotiate the "virtuous cycle" of cyber growth and cyber resilience. The Cyber Growth Action Plan details several recommendations and suggestions made to the Government in order to sufficiently support the UK cyber ecosystem. Generating £13bn in revenue per year and employing 143,000 people, Baroness Lloyd, Minister for Digital Economy, indicated full backing to the cyber sector, underpinned by the Cyber Security and Resilience Bill set to be introduced by the end of the year.

Lastly while the Government has been steadfast in promoting the adoption of AI and digital technologies in the private sector, as part of DSIT's drive to be the digital centre of government, the Government has looked to adopt these technologies in the public sector also.

In January 2025, DSIT published 'A blueprint for modern digital government' in which the Incubator for Artificial Intelligence (i.AI) is targeting £45bn per annum in potential improvements to public sector productivity. It's clear that DSIT wants to unlock the potential of AI broadly by demonstrating its potential within government.

In sum, Science and Technology now sit at the heart of the Government's national missions. The sector is essential in driving growth, strengthening resilience, and shaping the country's global standing in the digital age.

Key Policy Debates

Many of the policy debates within the science and technology industry focus on the need to balance the full potential of emerging tech whilst simultaneously safeguarding against potential risk.

Legislatively, the Data (Use and Access) Act 2025 sought to unlock data and reform its protection laws in order to allow for smart data schemes, and more flexibility in research and automated decision making. Since the Act gained royal assent in June, the focus has now shifted to the Cyber Security and Resilience Bill, soon to be introduced in Parliament.

DSIT also recently published the final report of the Cyber Security Action Plan, authored by researchers at University of Bristol and Imperial College London, which detailed nine recommendations for the Government to prop up the cyber security industry and cyber resilience.

However, the focus on innovation within the data, AI, and cyber sectors has proved to be abrasive with other key sectors. A pressing challenge in the technology and AI space is the tension between two government-designated sectors for growth: technology and the creative industries. There are concerns regarding the potential job displacement for human creators due to AI's ability to generate content cheaply. Additionally, the absence of clear legal and ethical frameworks on intellectual property and copyright with AI use creates uncertainty around ownership, accountability, and the protection of creative works.

The issue surfaced in discussions between Secretary of State for Science, Innovation and Technology, Liz Kendall, and Secretary of State for Culture, Media and Sport, Lisa Nandy, just three days into Kendall's appointment. Echoing words from Kendall in Cabinet, Nandy stated they were "not going to kick this [issue] into the long grass".

There are strong indications in press reports that the Government's response to the AI and Copyright consultation are due imminently. Hence, the issues is likely to remain at the top of the Government agenda.

From a regulatory perspective, Ofcom continues to enforce various parts of the Online Safety Act. Recently, Secretary of State for Science, Innovation and Technology, Liz Kendall, announced plans to make cyberflashing a priority offence under the Act. This will require tech companies to actively prevent unsolicited nude images from being shared on platforms, with fines of up to 10 percent of worldwide revenue and potential blocking of services if there is failure to comply. Further implementation of the Act is set to provide a clear dividing line between the Labour Government and the Reform Party, which seeks to scrap it.

Another defining policy that will continue to feature prominently within the Government agenda is the recently announced Digital ID scheme. The Digital ID framework is expected to introduce accredited providers, a government trust mark, and data-sharing provisions to support secure and interoperable digital verification. This policy has proved to be another political challenge for Starmer – evidenced when the net-approval of the Digital ID Scheme fell from 32 percent in early summer to -14 percent after the announcement.

In turn, the Cabinet Office has recently taken overall responsibility for the scheme. Digital ID scheme is scheduled to come into place by the end of the Parliament (2029), allowing for substantial scrutiny.

What To Look For At The Budget

DSIT has already allocated £58.5bn of the £86bn it received for R&D funding at the Spending Review 2025. This funding looks to channel investment to bodies that are making science and tech breakthroughs in order to drive growth and improve lives.

Secretary of State for Science, Innovation and Technology, Liz Kendall said:

"Backing our best and brightest researchers and innovators is essential... By investing in their work, we are backing the long-term success of the UK, by paving the way for breakthroughs that will help us all to live and work better."

Much is known about the detail of R&D spending going into the 2025 Autumn Budget.

The commitments made in the Corporate Tax Roadmap 2024 make it hard for the Chancellor to make changes to R&D tax reliefs. This is because, through the Corporate Tax Roadmap 2024, the Government set out a corporate tax regime designed to be predictable, stable, and certain, giving businesses and investors the confidence to make long-term investment decisions. Consequently, any measures committed to within the Roadmap - such as R&D reliefs - are deliberately difficult to reverse, and doing so would undermine these core principles.

In the roadmap, the Government state:

"The R&D reliefs play a vital role in the Government's mission to boost economic growth... In order for the reliefs to be as effective as possible, it is important that companies have the certainty they need to make investment decisions.. it is now time to prioritise stability."

In turn, stakeholders within the R&D ecosystem will be confident that they will continue to benefit from such reliefs.

Stakeholders across the tech industry will look to this Budget to bolster international competitiveness, drive public sector growth, and strengthen security and resilience.

techUK argue that the Government has rightly understood the centrality of tech to its growth mission. The Department of Science, Innovation and Technology estimate that the digital economy makes up around 13 percent of the total economy.

However, techUK then argue that while the UK-US Tech Prosperity Deal, the Industrial Strategy, and plans to digitise the public sector are crucial – in order to capitalise on these policies, the UK must adopt a pro-business approach. techUK's budget submission highlights that the Government can do this by increasing competitiveness, utilising tech in the public sector, and maintaining digital resilience.

In order to attract investment and incentivise business, techUK called for modernising the Enterprise Management Incentive scheme, improving public markets for tech IPOs, and coordinating public finance institutions to catalyse private investment.

Moreover, beyond AI assurance, techUK argued for incentivising AI and digital adoption through regulatory levers, tax reliefs, and SME support tools like a "CTO-as-a-Service" model. They argue that adoption is vital in the public sector too, and the Government should provide appropriate investment to modernise public services. Lastly, they argue that the Government should allocate one percent of GDP to digital and cyber resilience by 2035.

Therefore, with the Government's steadfast commitment to R&D investment, the Budget will be assessed by tech industry stakeholders on its ability to support businesses, maintain competitiveness, drive public sector modernisation, and build a secure, resilient digital and cyber ecosystem.

Ben Pegrum, Political Consultant for Science, Innovation and Technology, and Culture, Media, and Sport

Transport

State of Play

For transport, the Autumn Budget is seldom the definitive fiscal moment. Investment in transport typically follows a longer-term horizon and is mostly allocated as capital expenditure through Spending Reviews. Even so, it remains important to assess recent fiscal developments and identify which projects may be prioritised for funding.

Day-to-day transport spending appears somewhat constrained in 2025. Analysis by the Institute for Government (IfG) indicates that while capital budgets remain relatively generous, operational budgets are under pressure. That said, the sector benefited earlier in the year through additional funding for city-region transport systems.

The 2025 Spending Review announced a £15.6bn investment in England's city-region transport schemes. Described by the Chancellor as "the biggest ever investment of its kind," the funding is set to more than double capital spending by 2029/30 compared with 2024/25. Allocations include £2.5bn for Greater Manchester's Metrolink expansion and a new fleet of 1,000 zero-emission buses; £2.1bn for West Yorkshire's long-awaited mass transit system; and £1.8bn for a Metro extension connecting Sunderland to Newcastle via Washington.

The Office for Budget Responsibility (OBR), in its March 2025 Economic and Fiscal Outlook, highlighted the long-term risk posed by the transition to electric vehicles (EVs) and the continued freeze on fuel duty. Revenues from traditional motoring taxes have been falling faster than expected as EV uptake accelerates and inflation erodes the real value of frozen duties.

For the transport sector more broadly, the transition to EVs underscores a shift in the economic landscape. As the vehicle fleet becomes increasingly electrified, investment priorities may evolve, including in charging infrastructure, energy supply, and public transport alternatives.

Key Policy Debates

The key question for policymakers ahead of this Budget is how to replace falling motoring revenues without putting additional strain on households or slowing economic growth.

Ahead of the Autumn Budget, the Road Haulage Association (RHA) has urged the Chancellor to retain the fuel duty freeze, suggesting that even a 5p per litre rise could increase household living costs by £7.3bn between now and 2029. Research commissioned by the RHA suggests such an increase would raise consumer prices by 0.3 percent, costing the average car-owning family around £100 more each year, climbing to £360 by 2029.

Within the sector, there is also debate around the potential imposition of VAT on taxi and private hire journeys. Reports in The Telegraph indicate that the Treasury is considering applying 20 percent VAT to these fares nationwide.

While this change is apparently intended to harmonise tax treatment across various transport modes, the move has provoked concern about its impact on affordability, particularly for disabled passengers and those in rural areas.

The OBR and IfG has warned that the shift to EVs, while essential for achieving net zero, poses a structural risk to public finances. Policymakers therefore face making a choice between maintaining affordability for households using non-electric vehicles, and ensuring that the Treasury has sufficient revenue to fund transport infrastructure as well as other priorities.

At the Autumn Budget 2024, the Government extended the temporary 5 pence per litre cut in fuel duty — first introduced in March 2022 — for a further 12 months, with the measure now scheduled to expire on 22 March 2026.

The treatment of fuel duty has long attracted controversy in fiscal circles, with critics accusing successive governments of engaging in a fiscal sleight of hand. Successive governments have assumed that the temporary 5p cut will expire, allowing the OBR to count the resulting revenue in its forecasts and help demonstrate compliance with fiscal rules. In practice, however, this assumption is rarely realised: the duty is almost invariably frozen, and the planned rises are deferred year after year.

Commentators, including Paul Johnson, former Director of Institute for Fiscal Studies, have been openly sceptical that the current Government will allow the cut to lapse. He argued that *"the failure to increase rates of fuel duties in line with inflation, and pretend that it will rise in the future, continues the absurd behaviour of Chancellors past."*

The expiry of the 'temporary' 5p reduction was again factored into the most recent OBR forecast, despite mounting evidence that it will be extended once more.

Options under discussion include retaining the fuel duty freeze, reintroducing inflation-linked increases, or moving towards a new road-pricing framework designed to capture usage across all vehicle types. The Electric Car Scheme, however, notes that "implementation barriers - including privacy concerns, regional fairness, and public opposition - make widespread distance-based charging unlikely in the near term."

Extending the freeze raises questions regarding the Government's priorities. Allowing the freeze to expire would be regressive. The distributional impacts would be much greater for lower earners, and would raise questions on the Government's pledge to not raise tax on "working people." Industry groups, such as the AA, have called on the Government to maintain the fuel duty freeze, suggesting that raising duty would have knock-on effects for the cost of living.

Conversely, bodies such as the Social Market Foundation state that the Treasury should not indefinitely extend the freeze. Following the Spring Budget 2024, Social Market Foundation, Senior Researcher Gideon Salutin said:

"The only thing this freeze will fuel is more inequality … the rhetoric around fuel duty focuses on the "families and sole traders" it supposedly protects from poverty. But after spending £130 billion on cuts and freezes over the past thirteen years, the policy has only decreased the average household's motoring costs by £13 a month."

Maintaining the fuel duty freeze is increasingly at odds with the Government's climate objectives. In real terms, the policy lowers the relative cost of operating petrol and diesel vehicles, thereby weakening the incentive to transition to electric vehicles. At the 2024 Autumn Budget, Green Alliance called the failure to allow the freeze to expire "disappointing" while "send[ing]s the wrong signal on the future of travel." They argue the freeze is responsible for increasing *"associated greenhouse gas emissions by seven per cent, while encouraging a dangerous trend towards larger, heavier vehicles that emit more carbon dioxide."*

Allowing the fuel duty freeze to lapse could generate between £4bn and £15bn for the Treasury. However, the move remains politically difficult, suggesting the Government may seek alternative revenue sources before seriously considering it.

The second major policy conversation concerns the delivery of the £15.6bn city-region transport fund. Local leaders welcomed the scale of investment but cautioned that implementation timelines are tight. Key challenges include procurement bottlenecks for zero-emission buses and rolling stock, as well as ensuring that revenue support for operations keeps pace with capital commitments.

A third policy tension surrounds the proposed VAT changes for taxi and private hire services. Supporters of the measure argue that applying VAT ensures consistency and levels the playing field across providers. Critics, including disability advocacy groups, warn that it could disproportionately impact those reliant on accessible transport, as well as increase costs for NHS-related travel and rural mobility.

What to Look Out For at the Budget

The Autumn Budget will be closely watched for decisions on fuel duty, with three main potential possibilities: a continued freeze, a partial re-indexation to inflation, or a reversal of the 5p cut.

Observers will also look for any roadmap outlining how the Government plans to replace motoring tax revenues lost through EV adoption. This could take the form of a consultation on national or regional road pricing, changes to vehicle excise duty (VED) for zero-emission vehicles, or pilot programmes to test per-mile charging models. Such announcements would signal a shift from short-term freezes towards a more sustainable, long-term revenue system.

On this, a government spokesperson told the BBC: *"Fuel duty covers petrol and diesel, but there's no equivalent for electric vehicles. We want a fairer system for all drivers."* The Telegraph has reported that EV drivers will be hit with a new pay-per-mile tax, charged at 3p per mile, on top of other road taxes. Reportedly, the scheme will come into effect from 2028, after a consultation.

Another area to monitor is whether the Treasury moves forward with applying VAT to taxi and private hire fares. The Budget may clarify whether this measure will be implemented in 2025 or deferred pending the outcome of ongoing legal proceedings. A government consultation into the VAT treatment of private hire vehicle (PHV) services closed in 2024, and stakeholders expect the responses to feed directly into the Budget.

Welfare

State of Play

Since early 2025, the Government has pursued a programme of welfare reform aimed at reducing benefit spending and increasing employment. Initial proposals, including tighter disability benefits, the freezing of incapacity top-ups for new Universal Credit (UC) claimants, and the abolition of the Work Capability Assessment (WCA), provoked significant opposition in Parliament. A Commons revolt forced U-turns and delayed changes to Personal Independence Payment (PIP) pending a review led by DWP Minister Stephen Timms.

Much of the Government's approach builds on the previous Conservative administration's Back to Work Plan (Autumn 2023) and the Health & Disability White Paper – Transforming Support. The Government has maintained the shift towards a single assessment system and stronger employment support, but moderated both the pace of reform and the level of protection for claimants.

Get Britain Working White Paper

Published in November 2024, the Get Britain Working White Paper set out plans to raise the UK employment rate to 80 percent and reshape the welfare state around work and opportunity.

The paper proposed the creation of a new Jobs & Careers Service by merging Jobcentres with the National Careers Service, offering more personalised and locally delivered employment support. It also introduced a Youth Guarantee for 18-to-21-year-olds to ensure all young people are "earning or learning."

Other commitments included measures to tackle health-related inactivity by linking employment support with NHS reforms and local skills systems, and empowering Mayoral areas to lead delivery through approximately £240m of "trailblazer" projects. The reforms mark a clear continuation of the work-first approach, emphasising mutual obligations and regional accountability within the welfare system.

Spring Statement 2025

The Spring Statement confirmed £6bn in welfare savings, largely through tighter disability and health-related benefits, while expanding job programmes and modernising Jobcentres. It outlined the phased abolition of the WCA by 2028, revised PIP eligibility from 2026, and included a freeze to incapacity top-ups for new UC claimants, offset by above-inflation increases to core UC rates.

Chancellor Rachel Reeves presented the package as tough choices for stability and growth, set against Office for Budget Responsibility (OBR) downgrades and a targeted rise in defence spending to 2.5 percent of GDP.

Universal Credit Act 2025

The Universal Credit Act 2025 enacted many of the Spring Statement's measures, but generated internal turmoil. Government Whip Vicky Foxcroft resigned over disability cuts, and between 37 and 49 Labour MPs rebelled during Commons stages.

Under sustained pressure from MPs and disability groups, Minister for Social Security and Disability, Stephen Timms delayed stricter PIP rules pending the outcome of his review. A revised fiscal assessment indicated fewer people would be pushed into poverty, though the decision erased most of the savings initially forecast.

Back to Work Programmes

The previous Conservative Government's £2.5–£2.6bn Back to Work Plan expanded Restart and Talking Therapies and tightened UC conditionality. It also integrated Jobcentre Plus with the National Careers Service, strengthening the link between employment and health support.

The Government has retained the work-first focus while softening disability reforms following backbench opposition and public criticism.

Health & Disability White Paper

The Conservative Government's Transforming Support White Paper mapped plans to abolish the WCA and replace it with a single health-and-disability assessment based on PIP. A High Court ruling in January 2025 criticised earlier consultations on incapacity-benefit cuts, prompting a new round of engagement.

Despite political shifts, Universal Credit has remained the structural backbone for this Governments employment and health-related reforms.

Key Policy Debates

The Autumn Budget 2025 is expected to reignite political and ideological debates over the scale and purpose of the UK's welfare state.

The Government will enter the fiscal event cautiously after the backbench revolt which followed the Spring Statement, when disability-benefit reforms provoked rebellion on its own benches. The Conservatives are expected to press for sharper welfare cuts, portraying them as necessary to fund tax reliefs and defence spending, while the Government seeks to balance fiscal credibility with social protection.

Spending and Fiscal Restraint

The central tension remains between economic credibility and social need. The OBR's economic and fiscal outlook leaves little headroom, while welfare now consumes roughly one-quarter of total managed expenditure.

The Government is under pressure to demonstrate prudence without reopening internal divisions over disability policy. Treasury officials signal a preference for "targeted containment" rather than sweeping cuts, likely revisiting savings from administration, fraud, and inactivity rather than benefit levels.

Reforming Unemployment Insurance

Attention has turned to the Government's proposals for unemployment insurance in the run-up to 26 November, especially following the IFS report Options for Reforming Unemployment Insurance.

The IFS identifies the UK's system as one of the least generous among advanced economies and models the case for a contributory scheme providing time-limited earnings-related benefits, financed by modest National Insurance increases.

Proponents argue such a scheme would reduce hardship, improve job matching, and align the UK with continental norms. Critics warn that higher contributions risk burdening employers and softening work incentives.

The Government has yet to commit, but the Budget could include a consultation on a contributory unemployment insurance pilot, testing political appetite for reform.

Opposition Pressure

Beyond Conservative criticism, Reform UK is seeking to shift the debate sharply to the right on welfare spending. At its "Reform Will Get Britain Working Again" press conference, Zia Yusuf and Lee Anderson argued that Personal Independence Payment (PIP) is being misused for "low-level" mental-health conditions.

They proposed:

- Removing eligibility for non-severe anxiety or depressive disorders.
- Reinstating face-to-face assessments.
- Launching a £0.5bn “fast-track back-to-work” programme.

Reform UK claims this would generate £9bn annual savings by 2029, and £30bn over five years, framing the issue as one of fairness to taxpayers.

What To Look For At The Budget

The Chancellor has implied that further cuts to welfare are likely in the upcoming Budget. In a recent interview with Channel 4 News, Reeves said that the Government "can't leave welfare untouched" this Parliament. After being forced to abandon its plans to cut disability benefits earlier in the year, the Chancellor acknowledged that reform needed to be done in the right way and the Government needed to take people with them. The IFS has urged the Chancellor to take "bold" action to address an expected shortfall in Government finances. Reeves could be forced to revisit the contentious issue of cuts to the welfare budget, along with tax rises, in order to meet her self-imposed fiscal rules.

Likewise, Work and Pensions Secretary Pat McFadden affirmed that reform of the welfare system was necessary. He stated the Government would continue with measures to ensure that people received the support they needed, as well as addressing the rising cost of benefits. In an interview with the BBC, McFadden did not rule out tightening the eligibility criteria for Universal Credit or removing entitlement to health-related Universal Credit payments for those aged under 22.

The Treasury is understood to be considering removing up to £1bn of tax breaks for the Motability scheme, which exempts disabled people from VAT and insurance premium tax on cars subsidised by government. While reducing the eligibility criteria for Motability cars was unlikely, a further change being considered was the scrapping of luxury brands under the scheme.

Despite initial reports that the two-child benefit limit would be scrapped in the upcoming Budget, the cap is now expected to remain in place, given the challenging fiscal backdrop the Government faces. While the complete scrapping of the limit was unlikely, other measures being considered could include additional benefits being limited to three or four children, a tapered rate being introduced where parents get the highest amount for their first child and a reduced amount for any subsequent children or the cap being lifted for working parents on universal credit.

Given the tight fiscal environment in which the Government is operating, it will be a cause for concern that the recently commissioned Timms Review is not expected to find any savings in the rapidly increasing costs of PIP. Instead, the review will operate within the OBR's existing projections for disability, which indicate that spending would almost double from £18bn in 2024 to £34bn by the end of the decade. It is understood that the Work and Pensions Secretary will be looking at wider changes to the benefits system in conjunction with the Timms review. However, a government source acknowledged that it was "unlikely" that the review would identify any savings to the benefits bill, even if it did make the system operate more effectively.

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