

Spring Statement 2025

On 26 March 2025, Rt Hon Rachel Reeves MP presented her **Spring Statement** in a speech to Parliament, accompanied by the main findings from the Office for Budget Responsibility's (OBR) **forecast** on the UK economy. This briefing outlines the key fiscal measures from the statement from a health and social care perspective, as well as NHS Providers' press statement.

If you have any comments or queries on this briefing, please contact Sophie Heywood, policy officer (sophie.heywood@nhsproviders.org).

Political overview

When the Chancellor delivered her Budget in October 2024, she reiterated the government's commitment to its fiscal rules, that there would be no return to austerity, and that she had allowed herself £10 billion of fiscal headroom.

The government set out new fiscal rules in October 2024, at Rachel Reeves' first Budget as Chancellor following the July 2024 general election. These are:

- 1 **Stability rule** – the current budget should be on course to be in balance or surplus by 2029/30.
- 2 **Investment rule** – net financial debt should fall as a share of the economy in 2029/30.
- 3 **Welfare cap** – some types of welfare spending must remain below a pre-specified level.

The Chancellor noted the fiscal rules continue to be met, two years early, with the government restoring headroom to comply with the stability rule.

When the timing for the Spring Statement was announced in December, the government stated its intention to have a single fiscal event a year. Today the Chancellor reaffirmed this position but acknowledged that an active government must step up to domestic and global challenges which require some course correction. Ms Reeves reiterated that this was being done with no tax increases on working people and with continued investment in public services.

Economic overview



The OBR published its *Economic and fiscal outlook* alongside the Chancellor's Spring Statement. Overall, the economic and fiscal outlook has become more challenging since the Autumn Budget. Domestic output stagnated in the second half of 2024, and business and consumer confidence have recently declined.

Key points from the OBR's forecast

Since October, the economic outlook has worsened, with business and consumer confidence declining. Although the UK workforce and real GDP levels were revised up, GDP growth stagnated in late 2024 with productivity at the end of 2024 1.3% lower than in the October forecast.

Real GDP growth is projected to be 1% in 2025, half of the October 2024 forecast, due to structural weaknesses in productivity and cyclical factors like higher interest rates and gas prices. Growth is expected to accelerate to 1.9% in 2026 as monetary policy eases and gas prices fall, averaging 1.75% over the rest of the decade.

Interest rate expectations have risen since October, with the Bank Rate projected to decrease from 4.5% to 3.8% by mid-2026, and UK 10-year gilt yields rising by about 0.5 percentage points. These expectations have been highly volatile, with 10-year gilt yields fluctuating between 3.9% and 4.9%.

Annual CPI inflation is expected to rise from 2.5% in 2024 to 3.2% in 2025, driven by higher wholesale gas and oil prices, which are forecast to peak in 2025. Inflation is forecast to reach 3.8% in July 2025 before falling back to around the 2% target from 2026 as energy prices drop, food price inflation decreases, and wage growth moderates.

Living standards are expected to improve. After declines in 2023 and 2024, real GDP per person is expected to grow by 0.3% in 2025 and average 1.4% over the rest of the forecast period. Nominal earnings growth is projected to ease to 4.3% in 2025 and average just over 2% annually from 2026, while real household disposable income per person is expected to grow by around 0.5% per year from 2025-26 to 2029-30.

Health and social care announcements

Revenue funding

The Chancellor stated that the abolition of NHS England will ensure that money saved goes directly to improving services for patients. Ms Reeves recognised that the Health and Social Care Secretary is

advancing crucial reforms to boost productivity and reduce expensive agency costs within the NHS, aiming to improve patient care.

The government will outline its spending plans and key public sector reforms at the Spending Review, which will conclude on 11 June 2025. This review will detail day-to-day spending plans for the next four years, up to 2028-29, and capital spending plans for the next five years, up to 2029-30, alongside a 10-Year Infrastructure Strategy.

It was confirmed that the Resource Departmental Expenditure Limits (RDEL) envelope will grow at 1.2% in real terms per year from 2025-26 to 2029-30. Government departments will reduce their administrative budgets by 15% by the end of the decade. Savings on back-office functions will total at least £2.2 billion per year by the end of this period and ensure that front line services are prioritised.

The revised Department of Health and Social Care (DHSC) budget is set out below:

	2023/24 (outturn)	2024/25 (plans)	2025/26 (plans)
DHSC revenue budget (£bn)	177.9	193.3	202.0
Of which NHSE (£bn)	171.0	183.6	193.4

Capital spending

The government is accelerating its efforts to stimulate growth through supply-side reforms. These initiatives include boosting capital investment, implementing regulatory changes and introducing the Planning and Infrastructure Bill. The Chancellor stated the government is increasing capital spending by a further £13 billion over the parliament to support growth-enhancing investments including infrastructure, housing and defence innovation.

Last autumn, the government increased capital investment by over £100 billion for the parliament. It has since launched a modern industrial strategy focused on high-growth sectors, driven by the National Wealth Fund. The government is also overhauling the UK's regulatory system and speeding up planning decisions for major infrastructure projects. Additionally, it has introduced the AI Opportunities Action Plan to boost economic growth through AI.

In June, the government will present its capital spending plans for the parliament during the Spending Review. Ahead of this, it has announced an extra £2 billion for social and affordable housing for 2026-27, aiming to build 1.5 million homes in England within this parliament, supported by reforms in the Planning and Infrastructure Bill.

To ensure the construction industry can meet these targets, the government has committed £625 million for construction skills training, aiming to deliver up to 60,000 additional skilled workers during this parliament.

Productivity

The government is taking steps to streamline the NHS by integrating NHS England back into DHSC. This move aims to eliminate inefficiencies and duplication within the NHS.

In addition, the government has established a £3.25 billion Transformation Fund to drive fundamental reforms in public services. This fund will harness the power of digital technology and AI to enhance frontline delivery and generate long-term savings for taxpayers. The Spring Statement has announced the initial allocations from this fund, which include:

- **Children's social care:** an additional £25 million for the fostering system, which includes funding to recruit 400 new fostering households, providing stability for children and alleviating cost pressures on local governments.
- **Probation services:** in order to support the management of offenders in the community, £8 million for new technology to enable probation officers to focus on reducing reoffending rather than administrative tasks.
- **AI Projects:** £42 million for three pioneering AI initiatives led by the Department for Science, Innovation and Technology (DSIT) to improve government efficiency and reduce unnecessary bureaucracy.
- **Civil Service efficiency:** £150 million for employee exit schemes to create a leaner civil service, aiming to reduce administration costs by 15% by the end of the decade.

The Chancellor stated that the government is committed to creating a more agile and productive state by cutting regulatory compliance costs for businesses by 25%, increasing the number of digital professionals in the civil service to 1 in 10 by 2030, and reducing duplication in arm's-length bodies, starting with NHS England.

Other relevant announcements

Welfare reform

The OBR has now set out its final assessment of costings and confirmed that the welfare package announced by government will reduce welfare spending by £4.8 billion in 2029-30. During her speech, the Chancellor reiterated that there are one in eight young people who are not in employment, training or education and that the social security system will always protect those who cannot work and support those who can back into work.

Increased defence spending

The government has confirmed its Official Development Assistance (ODA) spending profile, reducing ODA to 0.3% of Gross National Income (GNI) by 2027 to fund increased defence spending.

For the 2025-26 period, the Ministry of Defence (MOD) will receive a £2.2 billion budget increase. The UK Defence Innovation (UKDI) initiative will accelerate the development of innovative technologies for defence, with a £400 million budget starting next month, set to grow in future years. Additionally, the government will allocate at least 10% of the MOD's equipment procurement budget to novel technologies, including dual-use tech, uncrewed systems, and AI-enabled capabilities, starting from 2025-26.

NHS Providers view

Benefits changes could add to pressures on the NHS

Responding to the Chancellor's Spring Statement, the interim chief executive of NHS Providers, Saffron Cordery, said:

"Today's statement is a further reminder of the scale of the financial challenges facing our economy and public services.

"After years of contending with tight finances and staffing pressures, trust leaders are keenly aware of the importance of ensuring every pound of taxpayers' money is well spent.

"Important strides are being made in improving [value](#) in the face of significant challenges including outdated and decaying buildings and equipment, staff burnout and the fact that patients are increasingly presenting with more severe, complex conditions.

"The confirmation of cuts to some benefits is a real concern.

"Mental health trust leaders [previously told us](#) that changes to universal credit and benefits were increasing demand for services, as were loneliness, homelessness and wider deprivation.

"There are particular worries over the potential impact on disabled peoples' health and their ability to support themselves.

"With poor mental health the leading driver of ill-health related economic inactivity, trust leaders fear these changes could add to pressures on mental and physical health services which are already severely stretched."

Spring Statement documents

- [The Chancellor's speech and HM Treasury press release](#)
- [The Spring Statement 2025](#)
- [The Office for Budget Responsibility's March 2025 Economic and fiscal outlook report](#)
- [NHS Providers press statement](#)