

Speech

Autumn Budget 2024 speech

Autumn Budget 2024 speech as delivered by Chancellor Rachel Reeves.

From: **HM Treasury** (</government/organisations/hm-treasury>) and **The Rt Hon Rachel Reeves MP** (</government/people/rachel-reeves>)

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Madam Deputy Speaker...

[redacted political content]

This government was given a mandate.

To restore stability to our economy...

... and to begin a decade of national renewal.

To fix the foundations...

... and deliver change.

Through responsible leadership in the national interest.

That is our task.

And I know that we can achieve it.

My belief in Britain burns brighter than ever.

And the prize on offer is immense.

As my Right Honourable Friend the Prime Minister said on Monday – change must be felt.

More pounds in people's pockets.

An NHS that is there when you need it.

An economy that is growing, creating wealth and opportunity for all...

... because that is the only way to improve living standards.

And the only way to drive economic growth...

... is to invest, invest, invest.

There are no shortcuts.

And to deliver that investment...

... we must restore economic stability...

[redacted political content]

INHERITANCE

[redacted political content]

... it is the first Budget in our country's history to be delivered by a woman.

I am deeply proud to be Britain's first ever female Chancellor of the Exchequer.

To girls and young women everywhere, I say:

Let there be no ceiling on your ambition, your hopes and your dreams.

And along with the pride that I feel standing here today...

... there is also a responsibility...

... to pass on a fairer society and a stronger economy to the next generation of women.

[redacted political content]

A black hole in the public finances...

Public services on their knees....

A decade of low growth.

And the worst parliament on record for living standards.

Let me begin with the public finances.

In July, I exposed a £22bn black hole

[redacted political content]

The Treasury's reserve, set aside for genuine emergencies...

... spent three times over...

... just three months into the financial year.

Today, on top of the detailed document that I have provided to the House in July...

... the government is publishing a line by line breakdown of the £22bn black hole that we inherited...

It shows hundreds of unfunded pressures on the public finances...

... this year, and into the future too.

The Office for Budget Responsibility have published their own review of the circumstances around the Spring Budget forecast.

They say that the previous government – and I quote - “did not provide the OBR with all the [available] information to them”...

... and - had they known about these “undisclosed spending pressures that have since come to light”...

... then their Spring Budget forecast for spending would have been, and I quote again: “materially different”.

Let me be clear: that means any comparison between today’s forecast and the OBR’s March forecast is false...

... because the party opposite hid the reality of their public spending plans.

Yet at the very same budget...

... they made another ten billion pounds worth of cuts to National Insurance.

[redacted political content]

That’s why today, I can confirm that we will implement in full...

... the 10 recommendations from the independent Office for Budget Responsibility’s review.

But, the country has inherited not just broken public finances...

... but broken public services too.

The British people can see and feel that in their everyday lives.

NHS waiting lists at record levels.

Children in portacabins as school roofs crumble.

Trains that do not arrive.

Rivers filled with polluted waste.

Prisons overflowing.

Crimes which are not investigated...

... and criminals who are not punished.

That is the country’s inheritance

Since 2021, there had been no detailed plans for departmental spending set out beyond this year.

And [redacted political content] plans relied on a baseline for spending this year which we now know was wrong...

... because it did not take into account the £22bn black hole.

The previous government also failed to budget for costs which they knew would materialise.

That includes funding for vital compensation schemes...

... for victims of two terrible injustices...

[redacted political content]

... the infected blood scandal...

... and the Post Office Horizon scandal.

The Leader of the Opposition rightly made an unequivocal apology for the injustice of the infected blood scandal on behalf of the British state...

... but he did not budget for the costs of compensation.

Today, for the very first time, we will provide specific funding to compensate those infected and those affected, in full...

... with £11.8bn in this budget.

And I am also today setting aside £1.8bn to compensate victims of the Post Office Horizon scandal...

... redress that is long overdue for the pain and injustice that they have suffered.

[redacted political content]

... and we will restore stability to our country again.

The scale and seriousness of the situation that we have inherited cannot be underestimated.

Together, the hole in our public finances this year, which recurs every year...

... the compensation schemes that they did not fund...

... and their failure to assess the scale of the challenges facing our public services...

... means this budget raises taxes by £40bn.

Any Chancellor standing here today would have to face this reality.

And any responsible Chancellor would take action.

That is why today, I am restoring stability to our public finances...

... and rebuilding our public services.

FISCAL RULES / OBR FORECASTS

Economy forecast/growth

As a former economist at the Bank of England, I know what it means to respect our economic institutions.

I want to put on record my thanks to the Governor of the Bank, Andrew Bailey...

... and to the independent Monetary Policy Committee.

Today, I can confirm that we will maintain the MPC's target of two per cent inflation, as measured by the 12-month increase in the Consumer Prices Index.

I want to thank James Bowler, the Permanent Secretary to the Treasury, and my team of officials.

Madam Deputy Speaker, I would also like to thank my predecessors as Chancellor of the Exchequer...

... for their wise counsel as I have prepared for this Budget.

[redacted political content]

Finally, I want to thank Richard Hughes and his team at the Office for Budget Responsibility for their work in preparing today's economic and fiscal outlook.

Let me now take the House through that forecast.

The cost of living crisis under the last government stretched household finances to their limit, with inflation hitting a peak of above 11%.

Today, the OBR say that CPI inflation will average 2.5% this year, 2.6% in 2025, then 2.3% in 2026, 2.1% in 2027, 2.1% in 2028 and 2.0% in 2029.

Next, I move on to economic growth.

Today's budget marks an end to short-termism.

So I am pleased, that for the first time, the OBR have published not only five year growth forecasts...

... but a detailed assessment of the growth impacts of our policies over the next decade, too...

... and the new Charter for Budget Responsibility, which I am publishing today, confirms that this will become a permanent feature of our framework.

The OBR forecast that real GDP growth will be 1.1% in 2024, 2.0% in 2025, 1.8% in 2026, 1.5% in 2027, 1.5% in 2028 and 1.6% in 2029.

And the OBR are clear: this Budget will permanently increase the supply capacity of the economy...

[redacted political content]

... boosting long-term growth.

Every Budget I deliver will be focused on our mission to grow the economy.

And underpinning that mission are the seven key pillars of our growth strategy...

... developed and delivered alongside business...

... all driven forward by our Financial Secretary to the Treasury.

First, and most important, is to restore economic stability. That is my focus today.

Second, increasing investment and building new infrastructure is vital for productivity, so we are catalysing £70bn of investment through our National Wealth Fund...

... and we are transforming our planning rules to get Britain building again.

Third, to ensure that all parts of the UK can realise their potential...

... we are working with the devolved governments...

... and partnering with our Mayors to develop local growth plans.

Fourth, to improve employment prospects and skills we are creating Skills England, delivering our plans to Make Work Pay and tackling economic inactivity.

Fifth, we are launching our long-term modern industrial strategy and expanding opportunities for our small and medium sized businesses to grow.

Sixth, to drive innovation we are protecting record funding for research and development to harness the full potential of the UK's science base.

And finally, to maximise the growth benefits of our clean energy mission, we have confirmed key investments such as Carbon Capture and Storage to create jobs in our industrial heartlands.

Our approach is already having an impact.

Just two weeks ago – we delivered an International Investment Summit which saw businesses commit £63.5bn of investment into this country...

... creating nearly 40,000 jobs across the United Kingdom.

[redacted political content]

Economic growth will be our mission for the duration of this parliament.

Stability rule

Madam Deputy Speaker, in our manifesto, we set out the fiscal rules that would guide this government.

I am confirming those today...

Our stability rule...

And our investment rule...

The “stability rule” means that we will bring the current budget into balance...

... so that we do not borrow to fund day to day spending.

We will meet this rule in 2029-30, until that becomes the third year of the forecast.

From then on, we will balance the current budget in the third year of every budget, held annually each autumn.

That will provide a tougher constraint on day to day spending...

... so difficult decisions cannot be constantly delayed or deferred.

The OBR say that the current budget will be in deficit by £26.2bn in 2025-26 and £5.2bn in 2026-27...

... before moving into surplus of £10.9bn in 2027-28, £9.3bn in 2028-29 and £9.9bn in 2029-30...

... meeting our stability rule...

... two years early.

Monthly public sector finances data shows that government borrowing in the first six months of this year...

... was already running significantly higher than the OBR's March forecast.

And so the OBR confirmed today, that borrowing in this financial year is now £127bn...

[redacted political content]

The increase in the net cash requirement in 24-25 is lower than the increase in borrowing, at £22.3bn higher than the spring forecast.

Because of the action that we are taking...

... borrowing falls from 4.5% of GDP this year to 2.1% of GDP by the end of the forecast.

Public sector net borrowing will be £105.6bn in 2025-26, £88.5bn in 2026-27, £72.2bn in 2027-28, £71.9bn in 2028-29 and £70.6bn in 2029-2930.

FIXING THE FOUNDATIONS

Spending

Madam Deputy Speaker, before I come to tax...

... it is vital that we are driving efficiency and reducing wasteful spending.

In July, to begin delivering, and dealing with our inheritance...

... I made £5.5bn of savings this year.

Today we are setting a 2% productivity, efficiency and savings target for all departments to meet next year...

... by using technology more effectively and joining up services across government

As set out in our manifesto, I will shortly be appointing our Covid Corruption Commissioner, they will lead our work to uncover those companies that used a national emergency to line their own pockets.

Because that money belongs in our public services. And taxpayers want that money back.

And I can confirm today that David Goldstone has been appointed as the Chair of the new Office for Value for Money...

... to help us realise the benefits from every pound of public spending.

Welfare

Today, I am also taking three steps to ensure that welfare spending is more sustainable.

First, we inherited [redacted political content] plans to reform the Work Capability Assessment.

We will deliver those savings...

...as part of our fundamental reforms to the health and disability benefits system that my Right Honourable Friend the Work and Pensions Secretary will bring forward.

Second, I can today announce a crackdown on fraud in our welfare system...

... often the work of criminal gangs.

We will expand DWP's counter-fraud teams..

... using innovative new methods to prevent illegal activity...

... and provide new legal powers to crackdown on fraudsters...

... including direct access to bank accounts to recover debt.

This package saves £4.3bn a year by the end of the forecast.

Third, the government will shortly be publishing the "Get Britain Working" white paper...

... tackling the root causes of inactivity with an integrated approach across health, education and welfare.

... and we will provide £240m for 16 trailblazer projects...

... targeted at those who are economically inactive and most at risk of being out of education, employment or training...

... to get people into work and reduce the benefits bill.

Tax avoidance

Before a government could consider any change to a tax rate or threshold...

... it must ensure that people pay what they already owe.

So we will invest to modernise HMRC's systems using the very best technology...

... and recruit additional HMRC compliance and debt staff.

We will clamp down on those umbrella companies who exploit workers...

... increase the interest rate on unpaid tax debt to ensure that people pay on time...

... and go after promoters of tax avoidance schemes.

These measures to reduce the tax gap raise £6.5bn by the end of the forecast...

... and I want to thank the Exchequer Secretary for his outstanding work on this agenda.

PROTECTING WORKING PEOPLE

Madam Deputy Speaker, I know that for working people up and down our country...

... family finances are stretched...

... and pay checks don't go as far as they once did.

So today, I am taking steps to support people with the cost of living.

Cost of living

[redacted political content]

As promised in our manifesto, we asked the Low Pay Commission to take account of the cost of living for the first time.

I can confirm that we will accept the Low Pay Commission recommendation to increase the National Living Wage by 6.7% to £12.21 an hour...

... worth up to £1,400 a year for a full-time worker.

And for the first time, we will move towards a single adult rate...

... phased in over time...

... by initially increasing the National Minimum Wage for 18-20 year olds by 16.3% as recommended by the Low Pay Commission...

... taking it to £10 an hour.

[redacted political content]

Second, I have heard representations from colleagues across this house about the Carer's Allowance...

... and the impact of the current policy on carers looking to increase the hours they work...

... including from the Honourable member for Shipley, the Honourable member for Scarborough and Whitby and the Rt Hon Member for Kingston and Surbiton, too.

Carer's allowance currently provides up to £81.90 per week to help those with additional caring responsibilities.

Today, I can confirm that we are increasing the weekly earnings limit to the equivalent of 16 hours at the National Living Wage per week...

... the largest increase in Carer's Allowance since it was introduced in 1976.

That means a carer can now earn over £10,000 a year while receiving Carer's Allowance...

... allowing them to increase their hours where they want to...

... and keep more of their money.

I am also concerned about the cliff-edge in the current system and the issue of overpayments.

My Right Honourable Friend the Work and Pensions Secretary has announced an independent review to look at the issue of overpayments, and we will work across this house to develop the right solutions.

Third, we will provide £1bn from next year to extend the Household Support Fund and Discretionary Housing Payments, to help those facing financial hardship with the cost of essentials.

Fourth, having heard representations from the Joseph Rowntree Foundation, Trussell and others...

... to reduce the level of debt repayments that can be taken from a household's Universal Credit payment each month...

... by reducing it from 25% to 15% of their standard allowance.

This means that 1.2 million of the poorest households will keep more of their award each month...

... lifting children out of poverty...

... and those who benefit will gain an average of £420 a year.

Madam Deputy Speaker, our Plan to Make Work Pay will also protect working people.

[redacted political content]

It is right that we protect those who have worked their whole lives.

In our manifesto, we promised to transfer the Investment Reserve Fund in the Mineworkers' Pension Scheme to members...

... and I have listened closely to my Honourable Friends for Easington, Doncaster Central, Blaenau Gwent, and Ayr, Carrick and Cumnock on this issue.

Today we are keeping our promise...

... so that working people who powered our country receive the fair pension that they are owed.

Our manifesto committed to the Triple Lock...

... meaning spending on the State Pension is forecast to rise by over £31bn by 2029-30...

... to ensure that our pensioners are protected in their retirement.

This commitment means that while working age benefits will be uprated in line with CPI, at 1.7%...

... the basic and new State Pension...

... will be uprated by 4.1% in 2025-26.

This means that over 12 million pensioners will gain up to £470 next year...

... up to £275 more than if uprated by inflation.

The Pension Credit Standard Minimum Guarantee will also rise by 4.1%...

... from around £11,400 per year to around £11,850 for a single pensioner.

Fuel duty

While I have sought to protect working people with measures to reduce the cost of living...

... I have had to take some very difficult decisions on tax.

I want to set out my approach to fuel duty.

Baked into the numbers that I inherited from the previous government...

... is an assumption that fuel duty will rise by RPI next year...

... and that the temporary 5p cut will be reversed.

To retain the 5p cut...

... and to freeze fuel duty again...

... would cost over £3bn next year.

At a time when the fiscal position is so difficult...

... I have to be frank with the House that this is a substantial commitment to make.

I have concluded...

... that in these difficult circumstances...

... while the cost of living remains high...

... and with a backdrop of global uncertainty...

... increasing fuel duty next year...

... would be the wrong choice for working people.

It would mean fuel duty rising by 7p per litre.

So, I have today decided to freeze fuel duty next year...

... and I will maintain the existing 5p cut for another year, too.

There will be no higher taxes at the petrol pumps next year.

Madam Deputy Speaker, the last government made cuts of £20bn to employees' and self-employed national insurance in their final two budgets.

[redacted political content]

Because we now know they were based on a forecast which the OBR say would have been "materially different"...

... had they known the true extent of the last government's cover-up.

Since July, I have been urged on multiple occasions to reconsider these cuts.

To increase the taxes that working people pay and see in their payslips.

But I have made an important choice today:

To keep every single commitment that we made on tax in our manifesto.

So I say to working people:

I will not increase your National Insurance...

...I will not increase your VAT...

...And I will not increase your income tax.

Working people will not see higher taxes in their payslips as a result of the choices I make today.

That is a promise made – and a promise fulfilled.

TAX

But any responsible Chancellor would need to take difficult decisions today.

To raise the revenues required to fund our public services.

And to restore economic stability.

So in today's Budget, I am announcing an increase in Employers' National Insurance Contributions.

We will increase the rate of Employers' National Insurance by 1.2 percentage points, to 15%, from April 2025.

And we will reduce the Secondary Threshold – the level at which employers start paying national insurance on each employee's salary – from £9,100 per year to £5,000.

This will raise £25bn per year by the end of the forecast period.

I know that this is a difficult choice.

I do not take this decision lightly.

We are asking business to contribute more...

... and I know that there will be impacts of this measure felt beyond businesses, too...

... as the OBR have set out today.

But in the circumstances that I have inherited, it is the right choice to make.

Successful businesses depend on successful schools.

Healthy businesses depend on a healthy NHS.

And a strong economy depends on strong public finances.

[redacted political content]

That is the choice our country faces too.

As I make this choice, I know it is particularly important to protect our smallest companies.

So having heard representations from the Federation of Small Businesses and others...

... I am today increasing the Employment Allowance from £5,000 to £10,500.

This means 865,000 employers won't pay any National Insurance at all next year...

... and over 1 million will pay the same or less than they did previously.

This will allow a small business to employ the equivalent of 4 full time workers on the National Living Wage...

... without paying any National Insurance on their wages.

Madam Deputy Speaker, let me come now to capital gains tax.

We need to drive growth, promote entrepreneurship, and support wealth creation...

... while raising the revenue required to fund our public services...

... and restore our public finances.

Today, we will increase the lower rate of Capital Gains Tax from 10% to 18%, and the Higher Rate from 20% to 24%...

... while maintaining the rates of capital gains tax on residential property at 18% and 24%, too.

This means the UK will still have the lowest Capital Gains Tax rate of any European G7 economy.

Alongside these changes to the headline rates of Capital Gains Tax...

... we are maintaining the lifetime limit for Business Asset Disposal Relief at £1m...

... to encourage entrepreneurs to invest in their businesses.

Business Asset Disposal Relief will remain at 10% this year...

... before rising to 14% in April 2025...

... and 18% from 2026-27...

... maintaining a significant gap compared to the higher rate of Capital Gains Tax.

Together, the OBR say these measures will raise £2.5bn by the end of the forecast.

In a sign of this government's commitment to supporting growth and entrepreneurship...

...we have already extended the Enterprise Investment Scheme and Venture Capital Trust schemes to 2035...

... and we will continue to work with leading entrepreneurs and venture capital firms...

... to ensure our policies support a positive environment for entrepreneurship in the UK.

Next, inheritance tax.

Only 6% of estates will pay inheritance tax this year.

I understand the strongly held desire to pass down savings to children and grandchildren.

So I am taking a balanced approach in my package today.

First, the previous government froze inheritance tax thresholds until 2028. I will extend that freeze for a further two years, until 2030.

That means the first £325,000 of any estate can be inherited tax-free...

... rising to £500,000 if the estate includes a residence passed to direct descendants....

... and £1m when a tax free allowance is passed to a surviving spouse or civil partner.

Second, we will close the loophole created by the previous government...

... made even bigger when the Lifetime Allowance was abolished...

... by bringing inherited pensions into inheritance tax from April 2027.

Finally, we will reform Agricultural Property Relief and Business Property Relief.

From April 2026, the first £1m of combined business and agricultural assets will continue to attract no inheritance tax at all...

... but for assets over £1m, inheritance tax will apply with 50% relief, at an effective rate of 20%.

This will ensure we continue to protect small family farms...

... and three-quarters of claims will be unaffected by these changes.

I can also announce that we will apply a 50% relief, in all circumstances, on inheritance tax for shares on the Alternative Investment Market (AIM) and other similar markets...

... setting the effective rate of tax at 20%.

Taken together, these measures raise over £2bn in the final year of the forecast.

Next, I can confirm that the government will renew the Tobacco Duty escalator for the remainder of this Parliament at RPI+2%...

... increase duty by a further 10% on hand-rolling tobacco this year...

... introduce a flat rate duty on all vaping liquid from October 2026...

... alongside an additional one off- increase in tobacco duty to maintain the incentive to give up smoking.

And we will increase the Soft Drinks Industry Levy to account for inflation since it was introduced...

... as well as increasing the duty in line with CPI each year going forward.

These measures will raise nearly £1bn per year by the end of the forecast period.

Madame Deputy Speaker, we want to support the take-up of electric vehicles.

So I will maintain incentives for electric vehicles in Company Car Tax from 2028...

... and increase the differential between fully electric and other vehicles in the first year rates of Vehicle Excise Duty from April 2025.

These measures will raise around £400m by the end of the forecast period.

Madam Deputy Speaker let me update the House on our plans for Air Passenger Duty...

[redacted political content]

Air Passenger Duty has not kept up with inflation in recent years...

... so we are introducing an adjustment...

... meaning an increase of no more than £2 for an economy class short-haul flight.

But I am taking a different approach when it comes to private jets...

... increasing the rate of Air Passenger Duty by a further 50%.

[redacted political content]

These measures will raise over £700m by the end of the forecast period.

Madam Deputy Speaker, let me turn now to our high street businesses.

I know that for them, a major source of concern is business rates.

From 2026-27, we intend to introduce two permanently lower tax rates for retail, hospitality and leisure properties which make up the backbone of high streets across the country...

... and it is our intention that is paid for by a higher multiplier for the most valuable properties.

[redacted political content]

So I will today provide 40% relief on business rates for the retail, hospitality and leisure industry in 2025-26...

... up to a cap of £110,000 per business.

Alongside this, the small business tax multiplier will be frozen next year.

Next, I can confirm that alcohol duty rates on non-draught products will increase in line with RPI from February next year...

... but nearly two-thirds of alcoholic drinks sold in pubs are served on draught.

So today, instead of uprating these products in line with inflation...

... I am cutting draught duty by 1.7%...

... which means a penny off a pint in the pub.

Alongside the changes I am making today, I am publishing a Corporate Tax Roadmap..

... providing the business certainty called for by the CBI, British Chambers of Commerce and the Institute for Directors.

This confirms our commitment to cap the rate of Corporation Tax at 25% - the lowest in the G7 – for the duration of this parliament....

... while maintaining full expensing and the £1 million Annual Investment Allowance...

...and keeping the current rates of research and development reliefs, to drive innovation.

Manifesto

Madam Deputy Speaker, in our manifesto we made a number of commitments to raise funding for our public services.

First, I have always said that if you make Britain your home, you should pay your tax here.

So today, I can confirm...

... we will abolish the non-dom tax regime...

... and remove the outdated concept of domicile from the tax system from April 2025.

We will introduce a new, residence based scheme...

... with internationally competitive arrangements for those coming to the UK on a temporary basis...

... while closing the loopholes in the scheme designed by the party opposite.

To further encourage investment into the UK, we will also extend the Temporary Repatriation Relief to three years and expand its scope...

... bringing billions of pounds of new funds into Britain.

The independent Office for Budget Responsibility say that this package of measures will raise £12.7bn over the next five years.

Next, the fund management industry provides a vital contribution to our economy...

... but as our manifesto set out, there needs to be a fairer approach to the way carried interest is taxed.

So we will increase the Capital Gains Tax rates on carried interest to 32% from April 2025...

... and – from April 2026 – we will deliver further reforms to ensure that the specific rules for carried interest are simpler, fairer and better targeted.

In our manifesto we committed to reforming stamp duty land tax to raise revenue while supporting those buying their first home.

We are increasing the stamp-duty land tax surcharge for second-homes...

...known as the “Higher Rate for Additional Dwellings”...

... by 2 percentage points, to 5%, which will come into effect from tomorrow.

This will support over 130,000 additional transactions from people buying their first home, or moving home over, the next five years.

Next, we committed to reform the Energy Profits Levy on oil and gas companies.

I can confirm today that we will increase the rate of the levy to 38%, which will now expire in March 2030...

... and we will remove the 29% investment allowance.

To ensure the oil and gas industry can protect jobs and support our energy security...

... we will maintain the 100% first year allowances and the decarbonisation allowances too.

Finally, 94% of children in the UK attend state schools.

To provide the highest quality of support and teaching that they deserve...

... we will introduce VAT on private school fees from January 2025...

... and we will shortly introduce legislation to remove their business rates relief from April 2025, too.

We said in our manifesto that these changes...

... alongside our measures to tackle tax avoidance...

... would bring in £8.5bn by the final year of the forecast.

I can confirm today that they will in fact raise over £9bn...

... to support our public services and restore our public finances.

That is a promise made – and a promise fulfilled.

Madam Deputy Speaker, I have one final decision to take on tax today.

The previous government froze income tax and National Insurance thresholds in 2021...

... and then they did so again after the mini-budget.

Extending their threshold freeze for a further two years raises billions of pounds.

Money to deal with the black hole in our public finances...

... and repair our public services.

Having considered this issue closely...

... I have come to the conclusion...

... that extending the threshold freeze...

... would hurt working people.

It would take more money out of their payslips.

I am keeping every single promise on tax that I made in our manifesto.

So there will be no extension of the freeze in income tax and National Insurance thresholds beyond the decisions of the previous government.

From 2028-29, personal tax thresholds will be uprated in line with inflation once again.

When it comes to choices on tax, this government chooses to protect working people every single time.

SPENDING

Madam Deputy Speaker, these are the choices I have made.

To restore economic stability.

And to protect working people.

The next choice I make is to begin to repair our public services.

In recent months, we have conducted the first phase of the Spending Review...

... to set departmental budgets for 2024-25 and 2025-26...

... and I want to thank my Right Honourable Friend the Chief Secretary to the Treasury for his tireless work with colleagues from across government.

Because I have taken difficult decisions on tax today...

... I am able to provide an injection of immediate funding over the next two years...

... to stabilise and to support our public services.

The next phase of the Spending Review will report in late Spring, and I have set the overall envelope today.

Day to day spending from 2024-25 onwards will grow by 1.5% in real terms...

... and total departmental spending, including capital spending, will grow by 1.7% in real terms.

At the election we promised there would be no return to austerity.

Today we deliver on that promise.

But given the scale of the challenges that are facing our public services...

... that means there will still be difficult choices in the next phase of the Spending Review.

Just as we cannot tax and spend our way to prosperity...

... nor can we simply spend our way to better public services.

So we will deliver a new approach to public service reform...

... using technology to improve public services...

... and taking a zero-based approach...

... so that taxpayers' money is spent as effectively as possible...

... and so that we focus on delivering our key priorities.

Spending Review: Phase 1

In the first phase of the Spending Review...

... I have prioritised day-to-day funding to deliver on our manifesto commitments.

I want every child to have the best start in life...

... and the best possible start to the school day, too...

... and I know my Right Honourable Friend the Education Secretary shares my ambition.

So I am today tripling investment in breakfast clubs to fund them in thousands of schools.

I am increasing the core schools budget by £2.3bn next year...

... to support our pledge to hire thousands more teachers into key subjects.

So that our young people can develop the skills that they need for the future...

... I am providing an additional £300m for further education.

And finally, this government is committed to reforming special educational needs provision...

... to improve outcomes for our most vulnerable children and ensure the system is financially sustainable.

To support that work, I am today providing a £1bn uplift in funding, a 6% real terms increase from this year.

There is no more important job for government than to keep our country safe, and we are conducting a Strategic Defence Review to be published next year.

And as set out in our manifesto, we will set a path to spending 2.5% of GDP on defence at a future fiscal event.

Today, I am announcing a total increase to the Ministry of Defence's Budget of £2.9bn next year...

... ensuring the UK comfortably exceeds our NATO commitments...

... and providing guaranteed military support to Ukraine of £3bn per year, for as long as it takes.

Last week, alongside my Right Honourable Friend the Defence Secretary, I announced, in addition to this, further support to Ukraine – on top of our NATO commitment...

... through our £2.26bn contribution to the G7's Extraordinary Revenue Acceleration agreement...

... repaid using profits from immobilised Russian sovereign assets.

And as we approach Remembrance Sunday...

... it is vital that we take time to remember those who have served our country so bravely.

So I am today announcing funding to commemorate the 80th anniversary of VE and VJ day next year...

... to honour those who have served at home and abroad.

We must also remember those who experienced the atrocities of the Nazi regime first hand.

I would like to pay tribute to Lily Ebert, the Holocaust Survivor and educator who passed away aged 100 earlier this month.

I am today committing a further £2m to holocaust education next year...

... so that charities like the Holocaust Educational Trust, can continue their work to ensure these vital testimonies are not lost and are preserved for the future.

Madam Deputy Speaker, to repair our public services we also need to work alongside our mayors and our local leaders.

We will deliver a significant real-terms funding increase for local government next year...

... including £1.3bn of additional grant funding to deliver essential services...

... with at least £600m in grant funding for social care...

... and £230m to tackle homelessness and rough sleeping

We are today confirming that Greater Manchester and the West Midlands will be the first mayoral authorities to receive integrated settlements from next year...

... giving Mayors meaningful control of the funding for their local areas.

*

And to support our local high streets...

... we are taking action to deal with the sharp rise in shoplifting we have seen in recent years.

We will scrap the effective immunity for low-value shoplifting introduced by the party opposite.

And having listened closely to organisations like the British Retail Consortium and USDAW...

... I am providing additional funding to crack down on the organised gangs which target retailers...

... and to provide more training to our police officers and retailers to help stop shoplifting in its tracks.

Finally, I am today providing funding to support public services and drive growth across Scotland, Wales and Northern Ireland.

Having discussed the matter with the First Minister of Wales, Eluned Morgan, and my HFs for Llanelli and Pontypridd...

... I am providing a £25m to the Welsh Government next year for the maintenance of coal tips to ensure we keep our communities safe.

And to support growth, including in our rural areas, we will proceed with City and Growth Deals in Northern Ireland...

... in Causeway Coast and Glens; and Mid-South West.

And we will drive growth in Scotland [redacted political content] including a City and growth Deal in Argyll and Bute.

This budget provides the devolved governments with the largest real-terms funding settlement since devolution...

... delivering an additional £3.4 billion for the Scottish Government through the Barnett formula...

... funding which must now be spent effectively to improve public services in Scotland.

This budget also provides £1.7 billion to the Welsh Government...

... and £1.5 billion to the Northern Ireland Executive in 2025-26.

I said there would be no return to austerity, and that is the choice I have made today.

REBUILDING BRITAIN

Madam Deputy Speaker, to rebuild our country we need to increase investment.

The UK lags behind every other G7 country when it comes to business investment as a share of our economy.

That matters.

It means the UK has fallen behind in the race for new jobs...

... new industries...

... and new technology.

By restoring economic stability...

... and by establishing the National Wealth Fund to catalyse private funding...

... we have begun to create the conditions that businesses need to invest.

But there is also a significant role for public investment.

Hospitals without the equipment they need.

School buildings not fit for our children.

A desperate lack of affordable housing.

Economic growth held back at every turn.

Under the plans I inherited...

... public investment was set to fall from 2.5% to 1.7% of GDP.

But in Washington last week, the International Monetary Fund were clear:

More public investment is badly needed in the UK.

So today, having listened to the case made by the former Governor of the Bank of England, Mark Carney...

... former Treasury Minister, Jim O'Neill...

... and the former Cabinet Secretary, Gus O'Donnell...

... among others...

... I am confirming our investment rule.

As set out in our manifesto, we will target debt falling as a share of the economy.

Debt will be defined as Public Sector net Financial Liabilities, or “net financial debt”, for short...

... a metric that has been measured by the Office for National Statistics since 2016...

... and forecast by the Office for Budget Responsibility since that date too.

“Net financial debt” recognises that government investment delivers returns for taxpayers...

... by counting not just the liabilities on a government's balance sheet, but the financial assets too.

This means that we count the benefits of investment, not just the costs...

And we free up our institutions to invest...

... just as they do in Germany, France and Japan.

Like our stability rule, our investment rule will apply in 2029-2030...

... until that becomes the third year of the forecast.

From that point onwards, net financial debt will fall in the third year of every forecast.

Today, the OBR say that we are already meeting our target two years early...

... with “net financial debt” falling by 2027-28...

... with £15.7bn of headroom in the final year.

So that we drive the right incentives in government investments...

... we will introduce four key guardrails to ensure capital spending is good value for money and drives growth in our economy.

First, our portfolio of new financial investments will be delivered by expert bodies like the National Wealth Fund which must, by default, earn a rate of return at least as large as that on gilts.

Second, we will strengthen the role of institutions to improve infrastructure delivery.

Third, we will improve certainty, setting capital budgets for five years and extending them at every spending review every two years.

Finally, we will ensure there is greater transparency for capital spending, with robust annual reporting of financial investments...

... based on accounts audited by the National Audit Office...

... and made available to the Office for Budget Responsibility at every forecast.

Taken together with our stability rule...

...these fiscal rules will ensure that our public finances are on a firm footing...

... while enabling us to invest prudently alongside business.

Growth projects

The capital plans I now set out...

... to drive growth across our country...

... and repair the fabric of our nation...

... are only possible because of our investment rule.

Let me set out those investment plans.

Industrial strategy

Today we are confirming our plans to capitalise the National Wealth Fund...

... to invest in the industries of the future...

... from gigafactories, to ports to green hydrogen.

Building on these investments, my Right Honourable Friend the Business Secretary is driving forward our modern industrial strategy...

... working with businesses and organisations like Make UK...

... to set out the sectors with the biggest growth potential.

Today, we are confirming multi-year funding commitments for these areas of our economy, including...

... nearly £1bn for the aerospace sector to fund vital research and development, building on our industry in the East Midlands, the South-West and Scotland...

... over £2 billion for the automotive sector...

... to support our electric vehicle industry and develop our manufacturing base...

... building on our strengths in the North East and the West Midlands...

And up to £520m for a new Life Sciences Innovative Manufacturing Fund.

For our world-leading creative industries...

... we will legislate to provide additional tax relief for visual effect costs in TV and film...

.. and we are providing £25m for the North East Combined Authority...

... which they plan to use to remediate the Crown Works Studio site in Sunderland...

... creating 8,000 new jobs.

Research & Development

To unlock these growth industries of the future, we will protect government investment in research and development with more than £20bn worth of funding.

This includes at least £6.1bn to protect core research funding for areas like engineering, biotechnology and medical science...

...through Research England, other research councils, and the National Academies.

We will extend the Innovation Accelerators programme in Glasgow, in Manchester and in the West Midlands.

And with over £500m of funding next year, my Right Honourable Friend the Science, Technology and Innovation Secretary, will continue to drive progress in improving reliable, fast broadband and mobile coverage across our country, including in rural areas.

Housing

We committed in our manifesto to build 1.5 million homes over the course of this parliament...

... and my Right Honourable Friend the Deputy Prime Minister is driving that work forward across government.

Today, I am providing over £5bn of government investment to deliver our plans on housing next year.

We will increase the Affordable Homes Programme to £3.1bn...

... delivering thousands of new homes.

We will provide £3bn of support in guarantees...

... to boost the supply of homes and support our small housebuilders.

And we will provide investment to renovate sites across our country...

... including at Liverpool Central Docks...

... where we will deliver 2,000 new homes...

... and funding to help Cambridge realise its full growth potential.

Alongside this investment, we will put the right policies in place to increase the supply of affordable housing.

Having heard representations from local authorities, social housing providers and from Shelter...

... I can today confirm that the government will reduce Right to Buy Discounts...

... and local authorities will be able to retain the full receipts from any sales of social housing...

... to reinvest back into the housing stock, and into new supply..

... so that we give more people a safe, secure and affordable place to live.

We will provide stability to social housing providers, with a social housing rent settlement of CPI+1 percent for the next five years.

And we will deliver on our manifesto commitment to hire hundreds of new planning officers, to get Britain building again.

We will also make progress on our commitment to accelerate the remediation of homes following the findings of the Grenfell Inquiry...

... with £1bn of investment to remove dangerous cladding next year.

Transport

Working with my Right Honourable Friend the Transport Secretary, I am changing that.

We are today securing the delivery of the Trans-Pennine upgrade to connect York, Leeds, Huddersfield and Manchester...

... delivering fully electric local and regional services between Manchester and Stalybridge by the end of this year...

... with a further electrification of services between Church Fenton and York by 2026....

... to help grow our economy across the North of England...

... with faster and more reliable services.

We will deliver East-West Rail to drive growth between Oxford, Milton Keynes and Cambridge...

... with the first services running between Oxford, Bletchley and Milton Keynes next year...

... and trains between Oxford and Bedford running from 2030.

We are delivering railway schemes which improve journeys for people across our country...

... including upgrades at Bradford Forster Square...

... improving capacity at Manchester Victoria...

... and electrifying the Wigan-Bolton line.

My Right Honourable Friend the Transport Secretary has also set out a plan for how to get a grip of HS2.

Today, we are securing delivery of the project between Old Oak Common and Birmingham...

... and we are committing the funding required to begin tunnelling work to London Euston station...

... This will catalyse private investment into the local area.

I am also funding significant improvements to our roads network.

For too long, potholes have been an all too visible reminder of our failure to invest as a nation.

Today, that changes...

... with a £500m increase in road maintenance budgets next year...

... more than delivering on our manifesto commitment to fix an additional one million potholes each year.

We will provide over £650m of local transport funding to improve connections across our country...

... in our towns like Crewe and Grimsby...

... and in our villages and rural areas, from Cornwall to Cumbria.

... we understand how important bus services are for our communities...

...so we will extend the cap for a further year, setting it at £3 until December 2025.

Finally we will deliver £1.3bn of funding to improve connectivity in our city regions, funding projects like...

... the Brierley Hill Metro extension in the West Midlands...

... the renewal of the Sheffield Supertram...

... and West Yorkshire Mass Transit, including in Bradford and Leeds.

Energy

Madam Deputy Speaker, to bring new jobs to Britain and drive growth across our country...

... we are delivering our mission to make Britain a clean energy superpower, led by my Right Honourable Friend the Energy Secretary.

Earlier this month, we announced a significant multi-year investment between government and business into Carbon Capture and Storage...

... creating 4,000 jobs across Merseyside and Teesside.

Today, I am providing funding for 11 new green hydrogen projects across England, Scotland and Wales – they will be among the first commercial scale projects anywhere in the world...

... including in Bridgend, East Renfrewshire and in Barrow-in-Furness

We are kickstarting the Warm Homes Plan by confirming an initial £3.4bn over the next three years...

... to transform 350,000 homes...

... including a quarter of a million low-income and social homes.

And we will establish GB Energy...

... providing funding next year to set up GB Energy at its new home in Aberdeen.

Overall, we will invest an additional £100bn over the next five years in capital spending...

... only possible because of our investment rule.

The OBR say today that this will drive growth across our country in the next five years...

... and in the longer term increase GDP by up to 1.4%.

It will crowd in private investment...

... meaning more jobs, and more opportunities...

... in every corner of the UK.

That is the choice that I have made.

To invest in our country...

... and to grow our economy.

Today, I am setting out two final areas in which investment is so badly needed...

... to repair the fabric of our nation.

Schools

[redacted political content]

... schools roofs are crumbling....

... and millions of children are facing the very same backdrop as I did.

I will be the Chancellor that changes that.

So today, I am providing £6.7bn of capital investment to the Department for Education next year...

... a 19% real-terms increase on this year.

That includes £1.4bn to rebuild over 500 schools in the greatest need...

... including St Helen's Primary School in Hartlepool, and Mercia Academy in Derby...

... and so many more across our country.

And we will provide a further £2.1bn to improve school maintenance, £300m more than this year...

... ensuring that all our children can learn somewhere safe...

... including dealing with RAAC affected schools in the constituencies of my HFs the members for Watford, Stourbridge, Hyndburn, and beyond.

Alongside investment in new teachers...

... and funding for thousands of new breakfast clubs...

... this government is giving our children and young people the opportunities that they deserve.

NHS

Madam Deputy Speaker, I come to our most cherished public service of all: our NHS.

[redacted political content]

In our first week in office, he commissioned an independent report into the state of our health service by Lord Darzi.

Its conclusions were damning.

While our NHS staff do a remarkable job, and we thank them for it...

... it is clear that, that in so many areas...

... we are moving in the wrong direction.

100,000 infants waited over 6 hours in A&E last year.

350,000 people are waiting a year for mental health support.

Cancer deaths here are higher than in other countries.

It is simply unforgiveable.

In the Spring, we will publish a 10 year plan for the NHS...

... to deliver a shift from hospital to community...

... from analogue to digital...

... and from sickness to prevention.

Today, we are announcing a downpayment on that plan...

... to enable the NHS to deliver 2% productivity growth next year.

These reforms are vital.

But we should be honest.

The state of the NHS we inherited...

... after – and I quote Lord Darzi – “the most austere decade since the NHS was founded” –

... means reform must come alongside investment.

So today...

... because of the difficult decision that I have taken on tax, welfare and spending...

... I can announce...

... that I am providing a £22.6bn increase in the day to-day health budget...

... and a £3.1bn increase in the capital budget...

... over this year and next year.

This is the largest real-terms growth in day to day NHS spending outside of Covid since 2010.

Let me set out what this funding is delivering.

Many NHS buildings have been left in a state of disrepair.

So we will provide £1 billion of health capital investment next year to address the backlog of repairs and upgrades across the NHS.

To increase capacity for tens of thousands more procedures next year...

... we will provide a further £1.5bn...

... for new beds in hospitals across the country...

... new capacity for over a million additional diagnostic tests...

... and new surgical hubs and diagnostic centres ...

... so that those people waiting for their treatment can get it as quickly as possible.

My Right Honourable Friend the Health Secretary will be announcing the details of his review into the New Hospital Programme in the coming weeks...

... and publishing in the new year...

... but I can tell the House today...

... that work will continue at pace to deliver those seven hospitals affected including...

... West Suffolk Hospital in Bury St Edmunds...

... and Leighton Hospital in Crewe.

And finally...

... because of this record injection of funding...

... because of the thousands of additional beds that we have secured...

... and because of the reforms that we are delivering in our NHS...

... we can now begin to bring waiting lists down more quickly...

... and move towards our target for waiting times no longer than 18 weeks...

... by delivering our manifesto commitment for 40,000 extra hospital appointments a week.

[redacted political content]

CLOSING

Madam Deputy Speaker, the choices that I have made today are the right choices for our country.

To restore stability to our public finances.

To protect working people.

To fix our NHS.

And to rebuild Britain.

That doesn't mean these choices are easy.

But they are responsible.

[redacted political content]

This is a moment of fundamental choice for Britain.

I have made my choices.

The responsible choices.

To restore stability to our country.

To protect working people.

More teachers in our schools.

More appointments in our NHS.

More homes being built.

Fixing the foundations of our economy.

Investing in our future.

Delivering change.

Rebuilding Britain.

We on these benches commend those choices...

... and I commend this Statement to the House.



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