Nick Ridpath

The public finances: more of everything

27th November 2025

@TheIFS

Economic and Social Research Council

The four key points

1. Despite large productivity downgrade, OBR forecast higher revenues

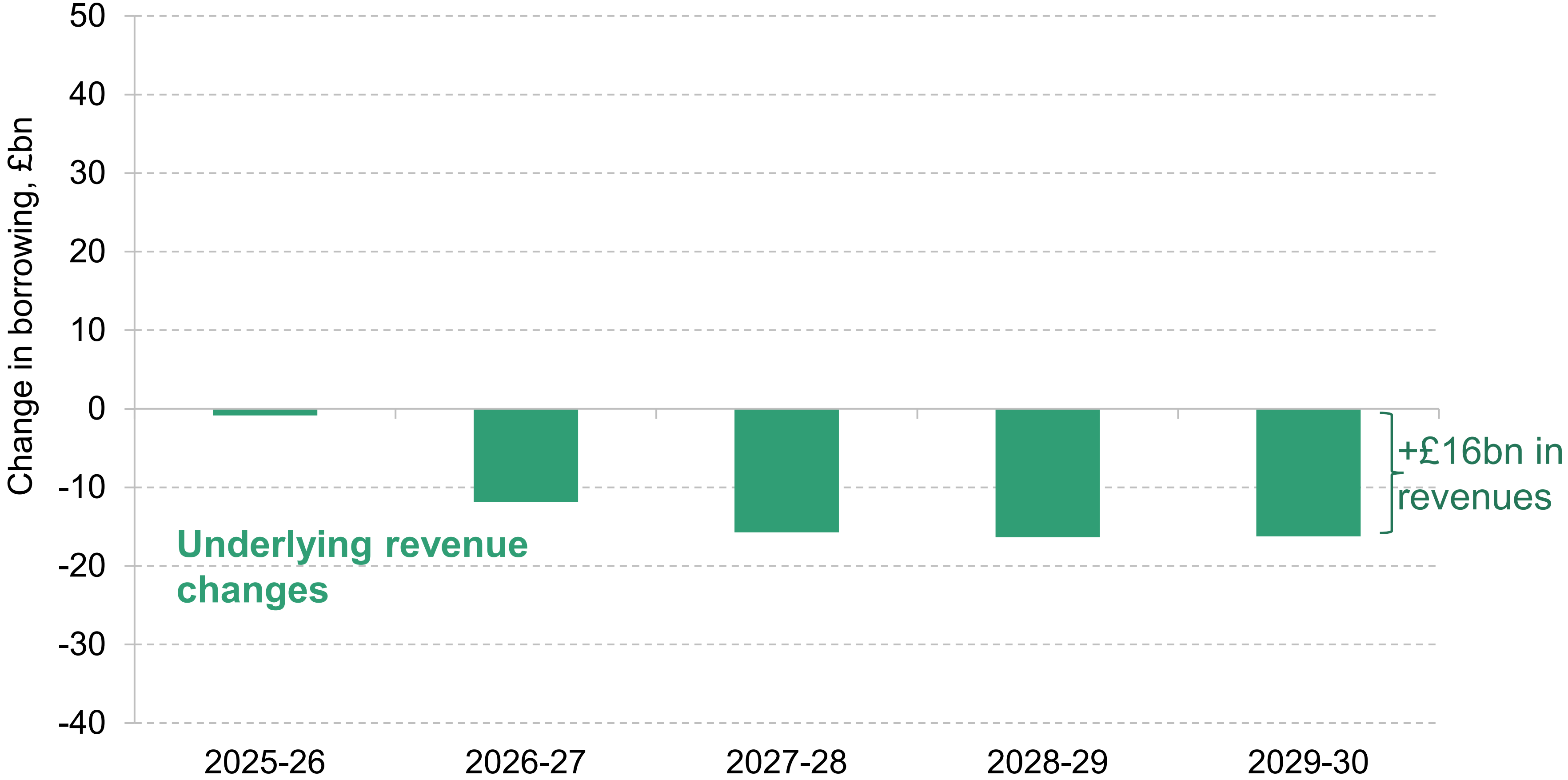
2. Underlying pressures on public spending push up borrowing

3. Both tax and spending rises announced: but spending frontloaded, tax backloaded

4. Headroom against fiscal rules more than doubled – should make for greater stability and reduce speculation

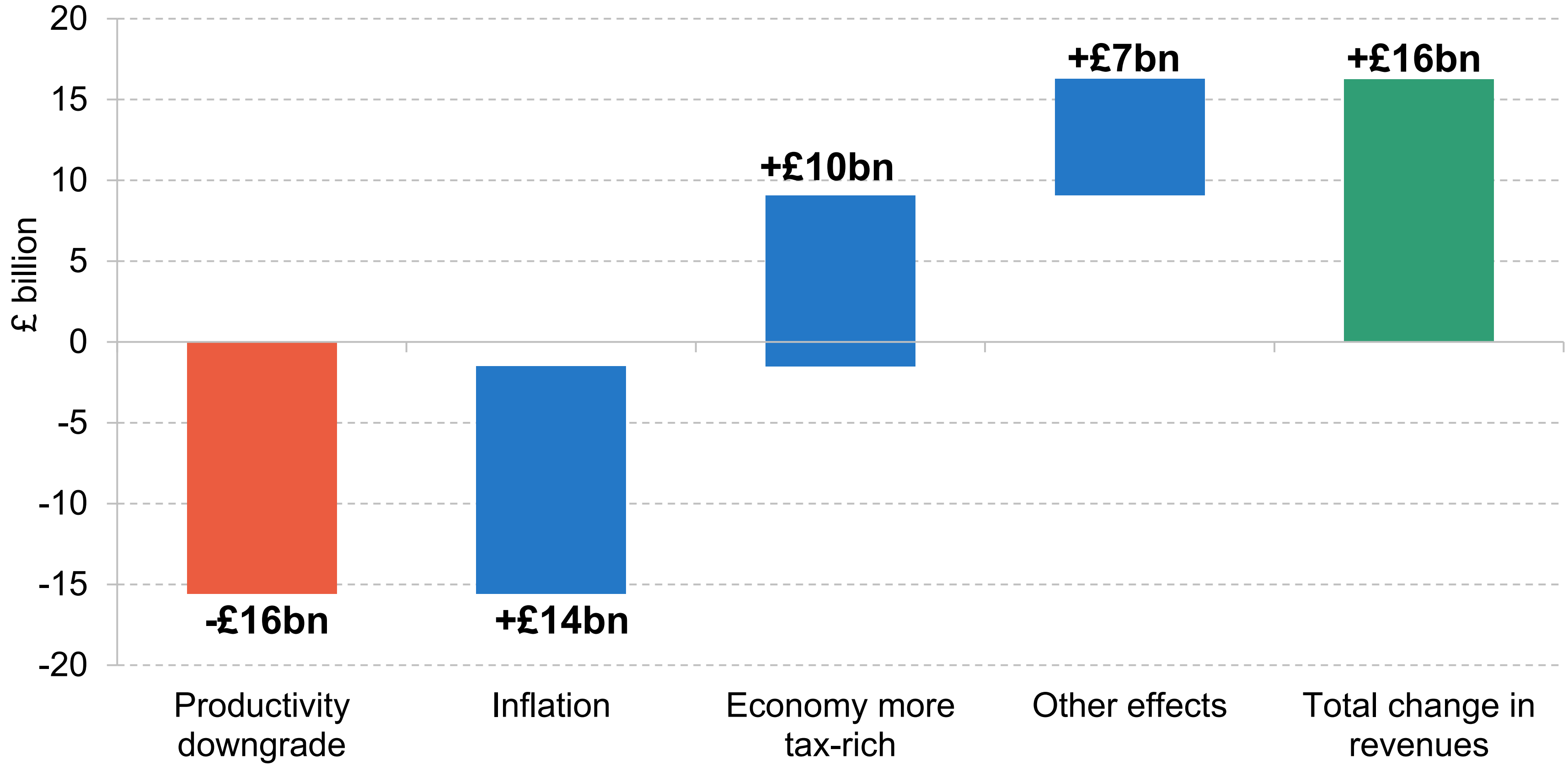
Upside surprise in revenues…

Change in public sector net borrowing since March by year



What went down, what went up

Effect of macroeconomic changes on 2029-30 revenues



But pressures on spending…

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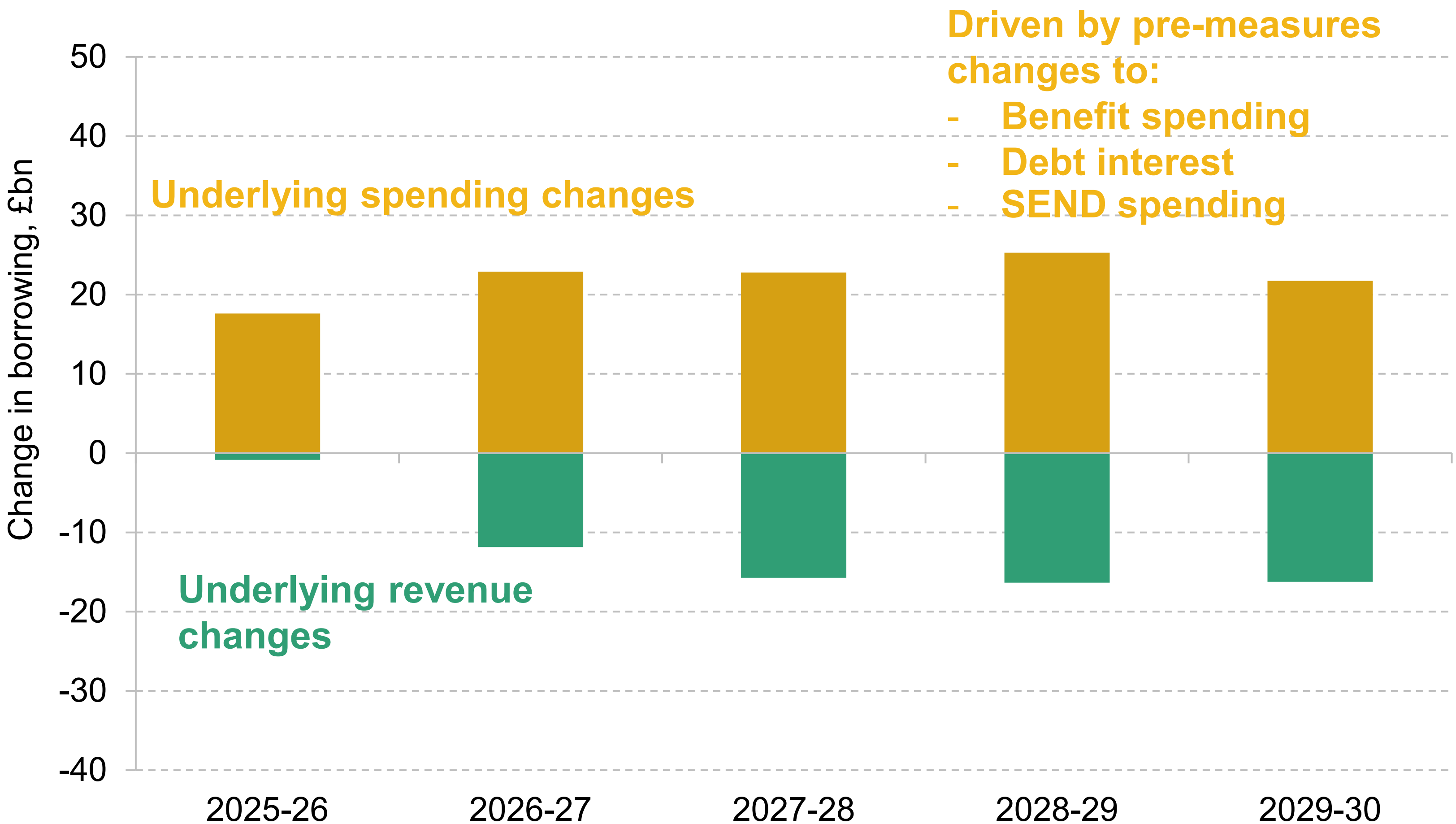
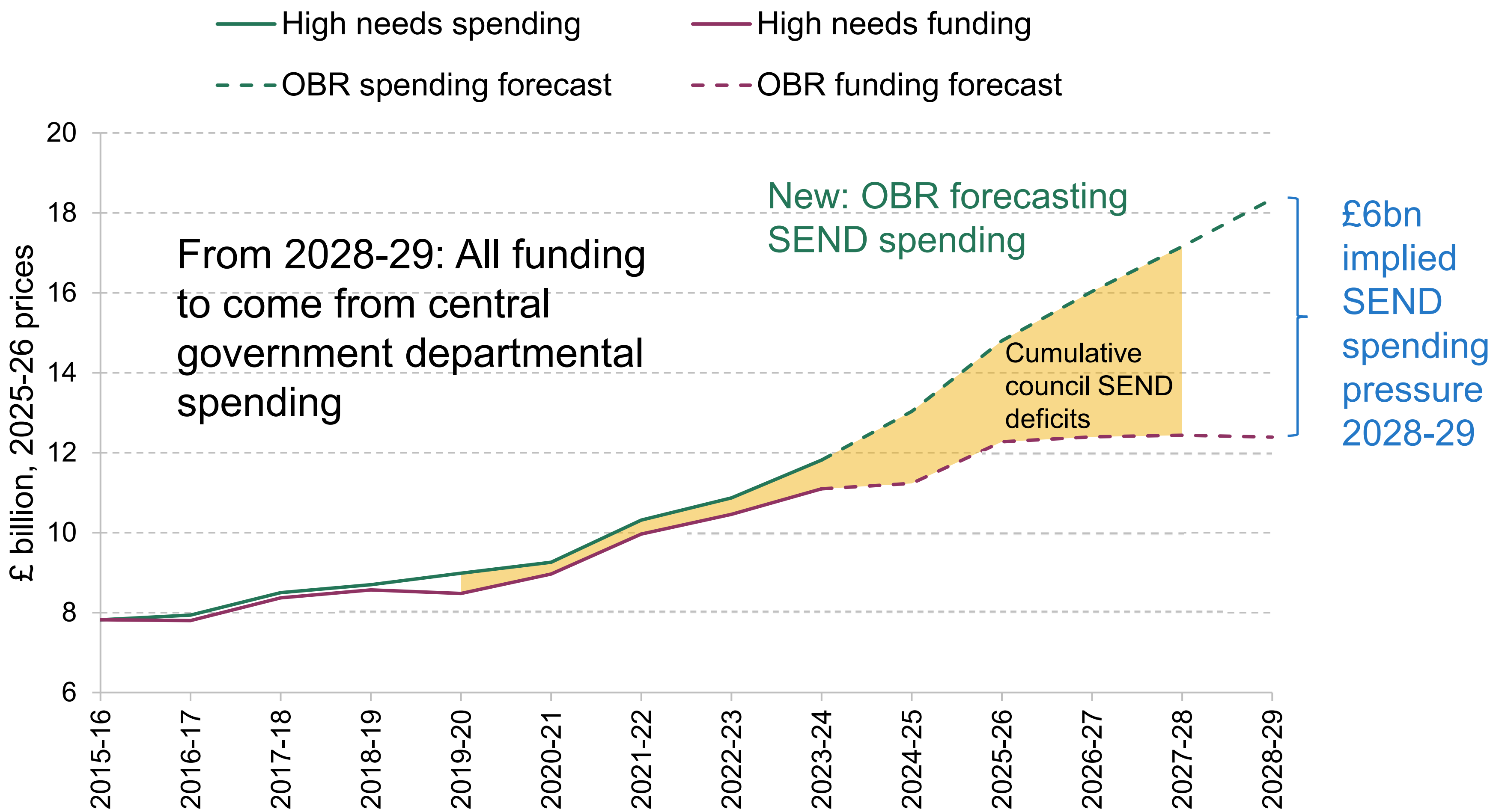


SEND me more money

High needs spending and funding in England, actual and forecast



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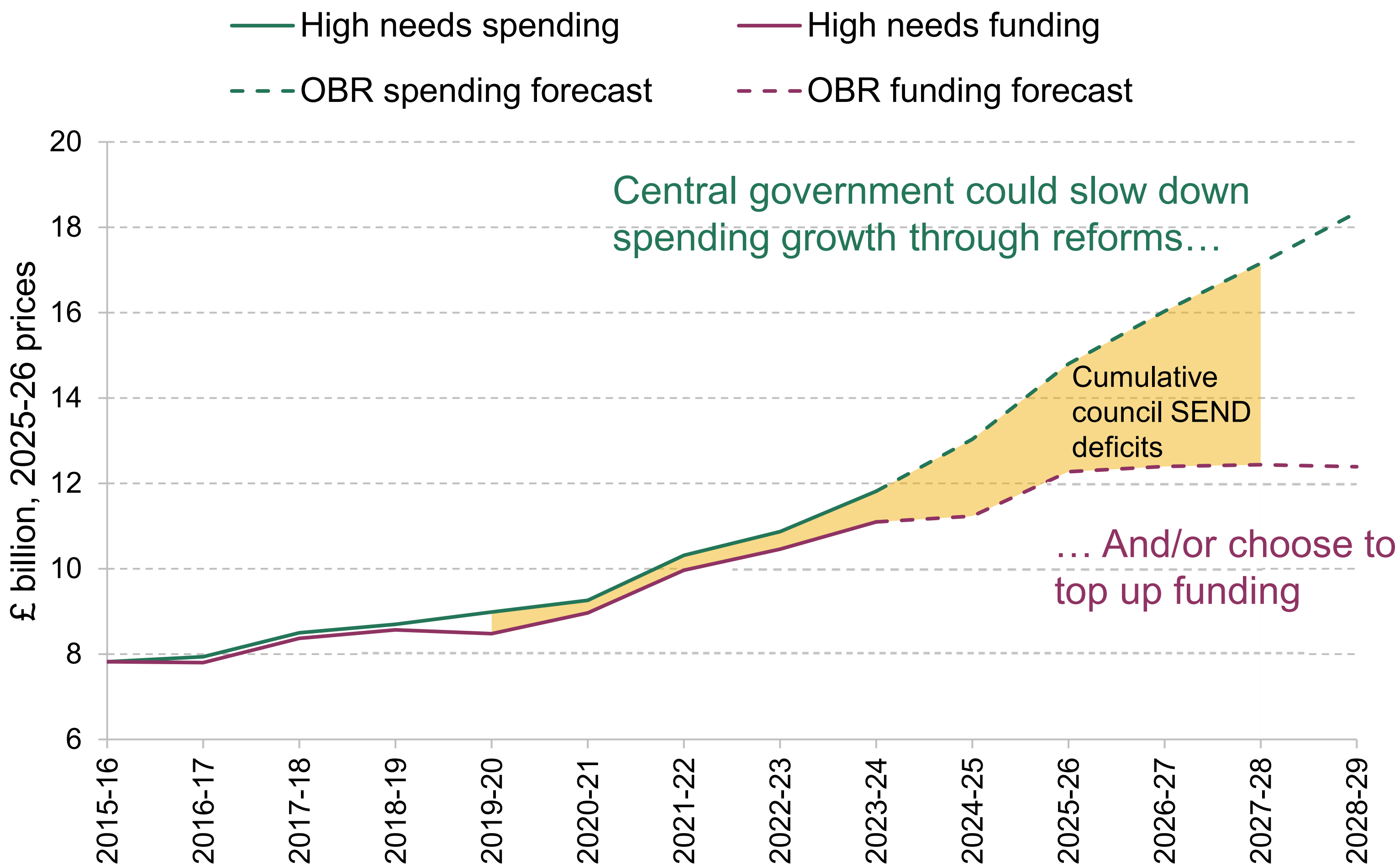

Big tax rises – in later years

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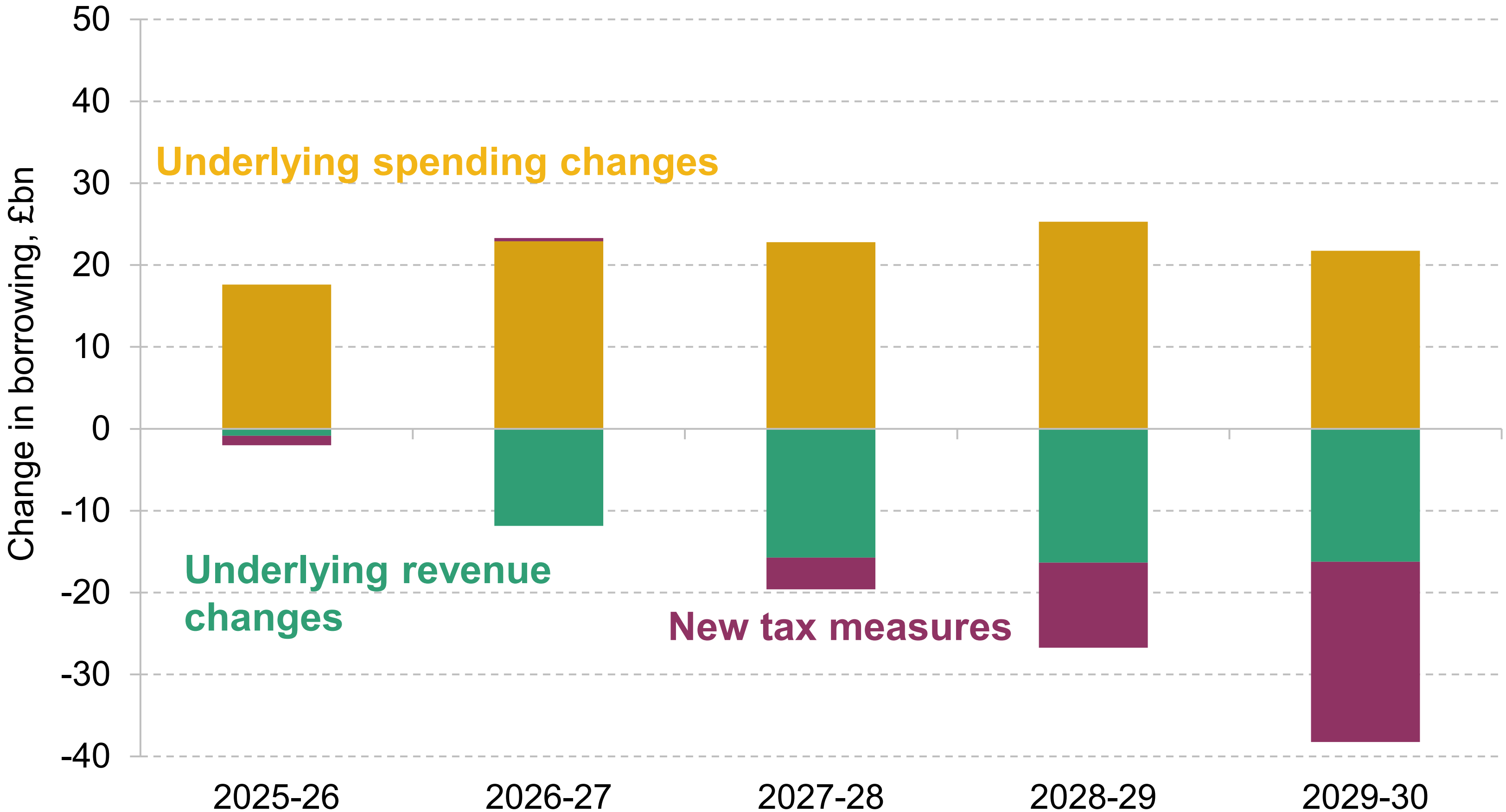

Currently forecast to be the largest tax rising parliament on record

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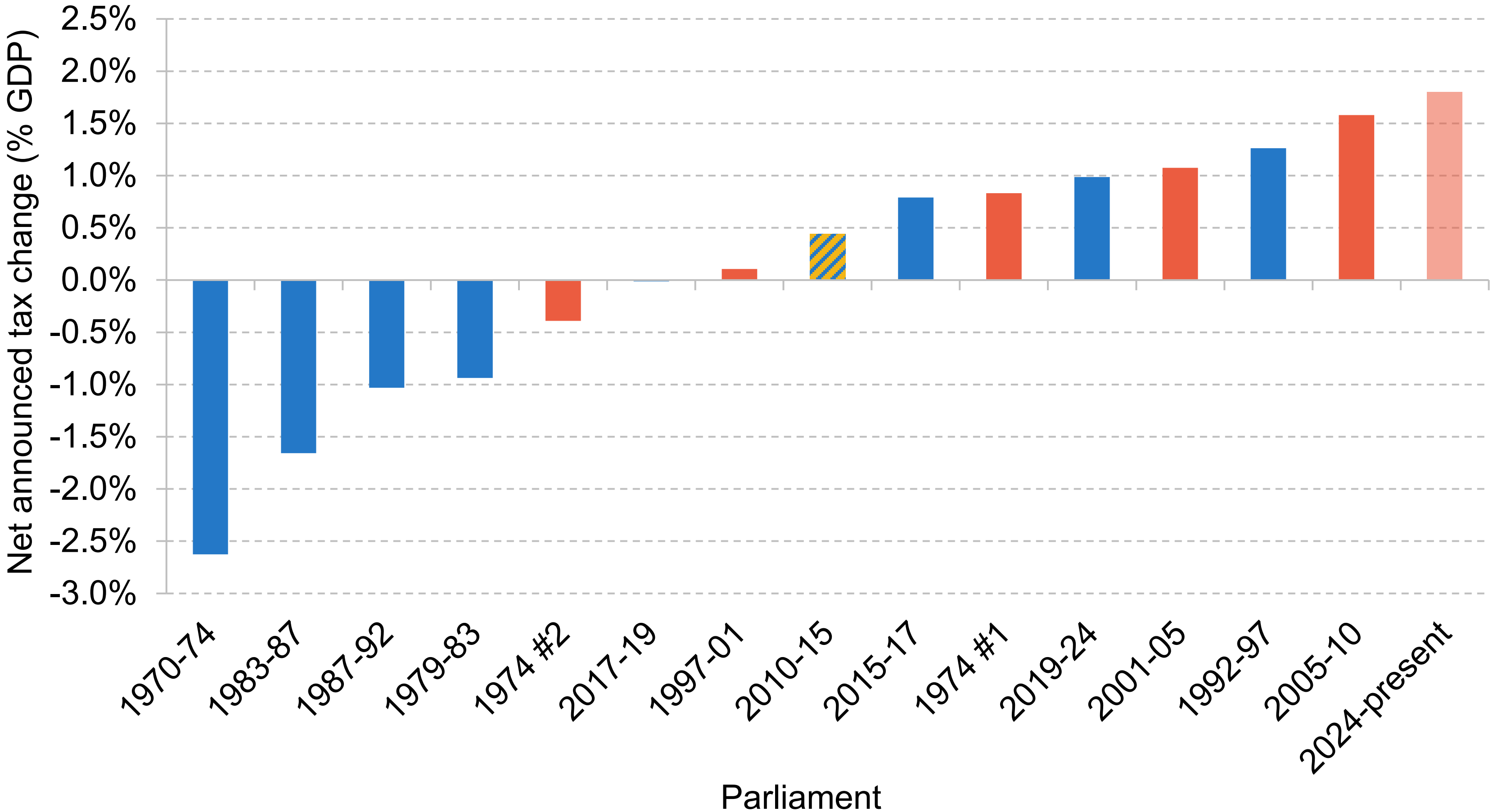
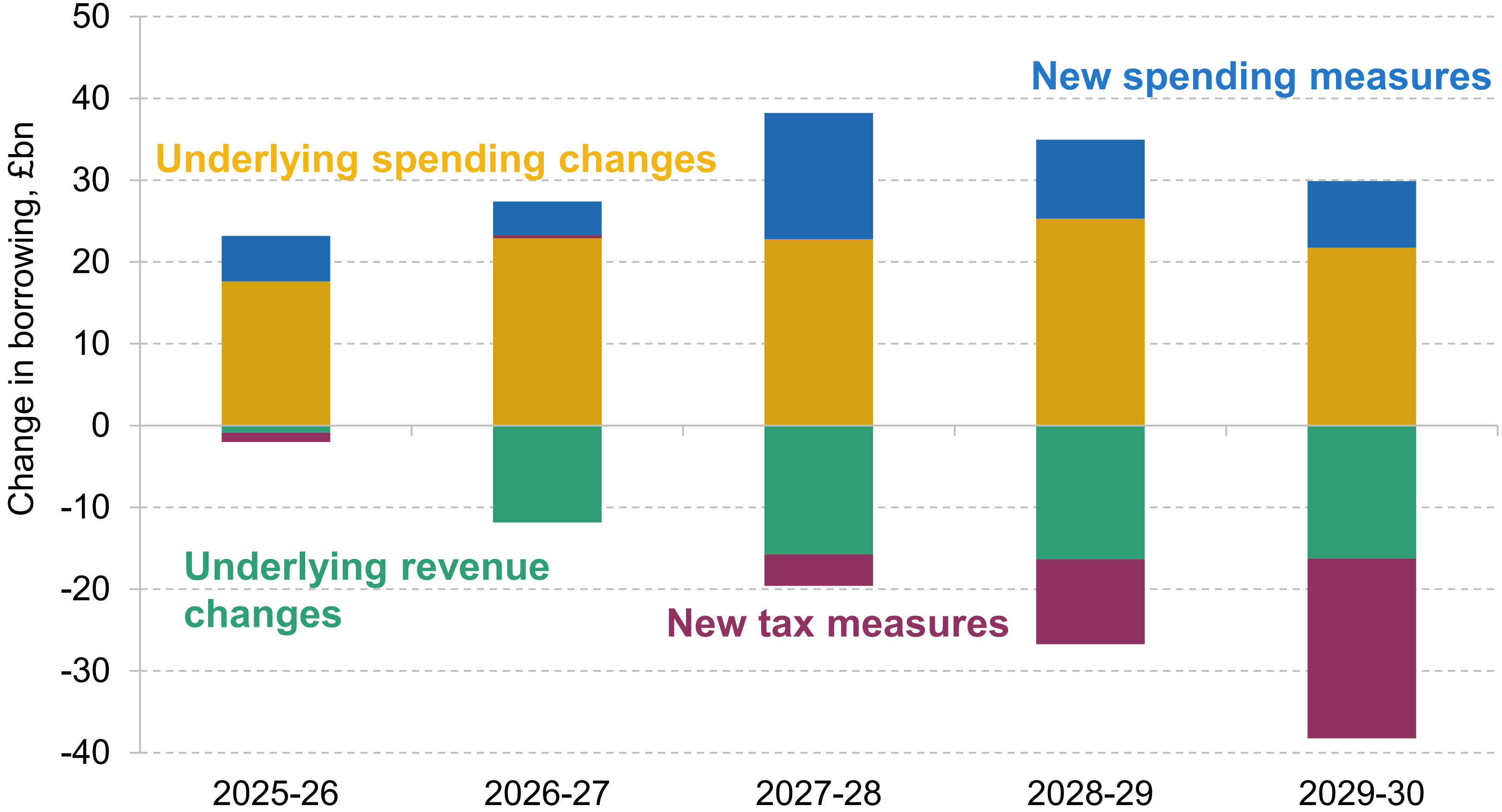
Long-term impact of announced tax changes by parliament



The buy now, pay later budget?

Change in public sector net borrowing since March by year



Spending announcements

- Extra spending on welfare
  - Ending 2-child limit
  - Benefit policy U-turns

- Cuts to planned public service spending in 2028–29 and 2029–30
  - Halving real-terms growth rate in day-to-day spending
  - Described as additional efficiency savings (on top of ambitious plans published 5 months ago)
  - Saving £4 billion in 2029–30: a third of the increase in headroom
  - Not without risks – governments have clear tendency to promise future cuts which they don't go on to deliver

The buy now, pay later budget?

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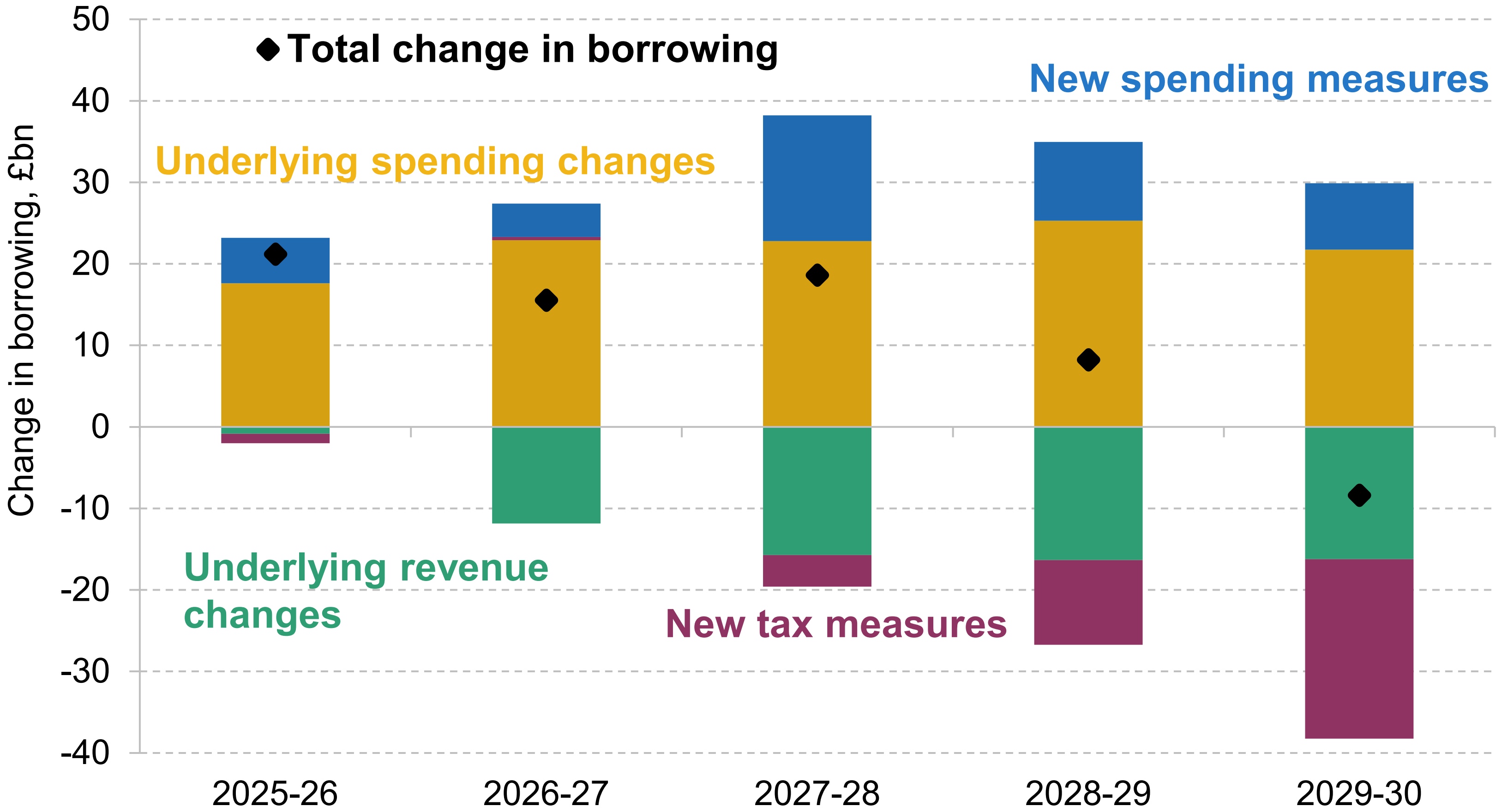
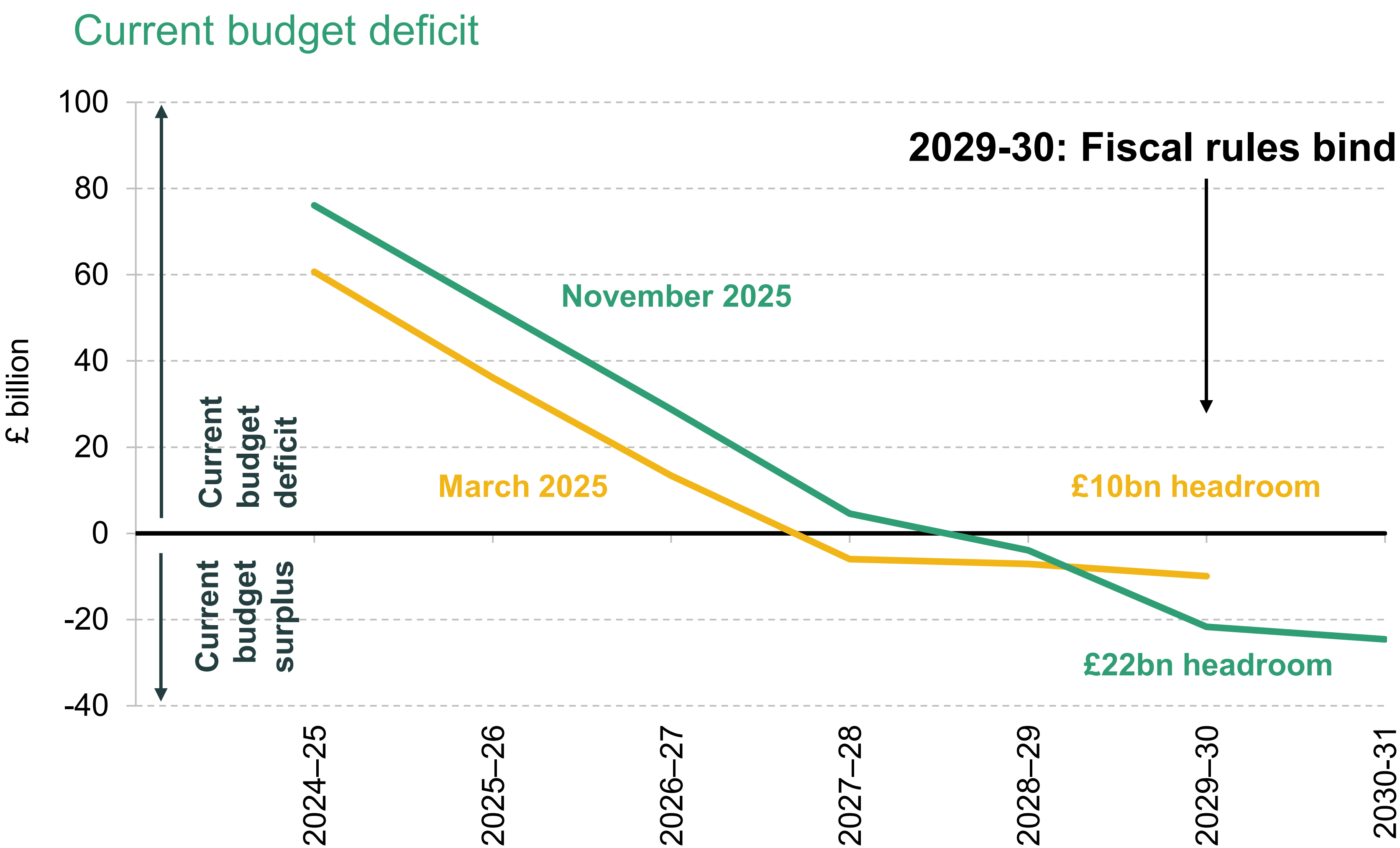


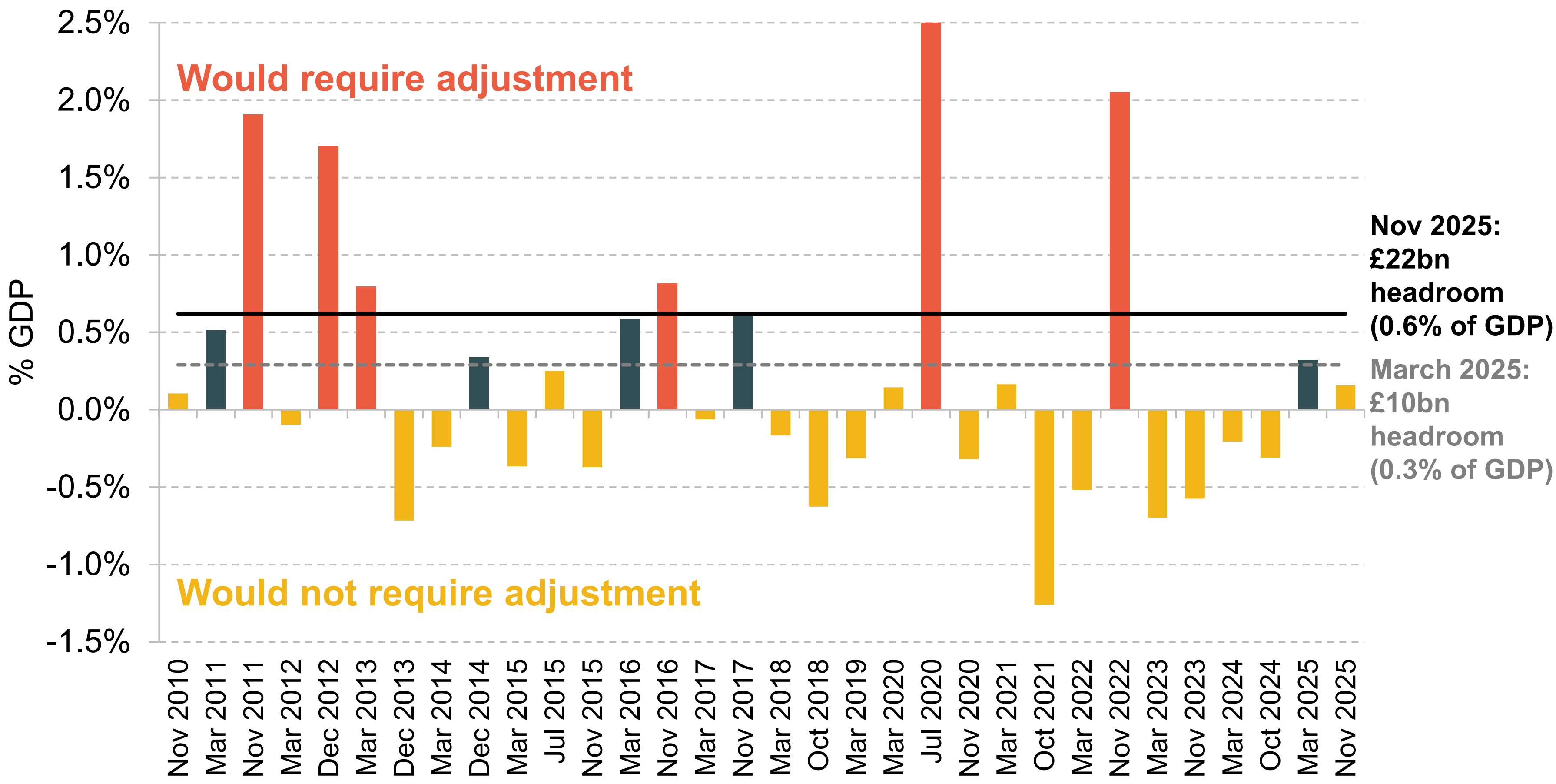
Where does this leave us?

The budget in one chart



Will we be here again in the Spring?

Underlying (non-policy) change in forecast borrowing in the fourth year of the forecast



Conclusion

- **In short:**
  - Higher underlying revenues and higher spending pressures
  - Topped up by higher taxes and higher spending
  - More borrowing in next three years, less after
- **Some commendable decisions:**
  - More than doubled headroom: should reduce sensitivity to forecast changes
  - More transparent treatment of SEND pressures
- **Some risks to deliverability:**
  - Tax increases are highly backloaded, departmental spending now even more frontloaded – clear pressures down the line
  - 1/3 of increase in headroom comes from ‘efficiency savings’

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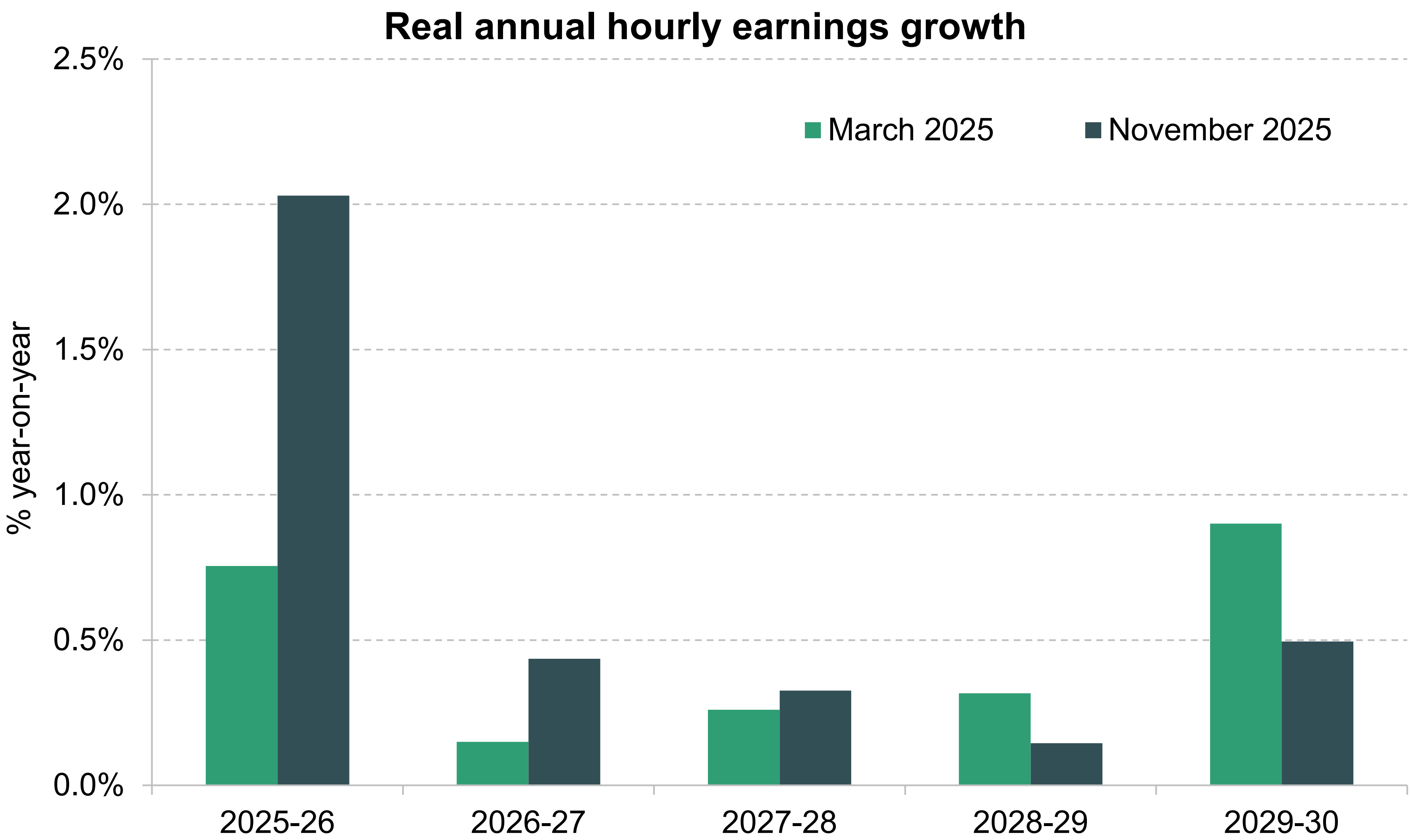
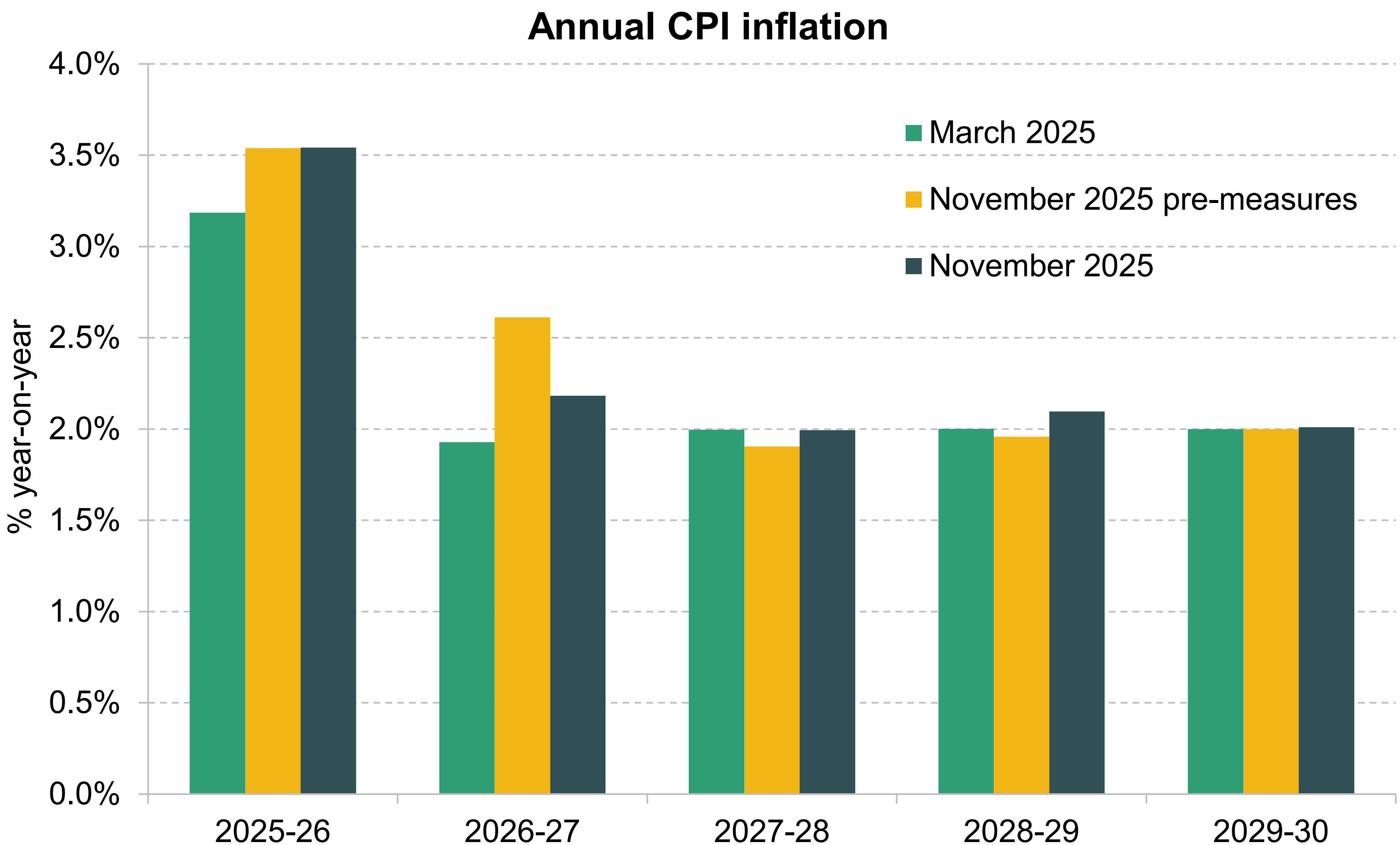
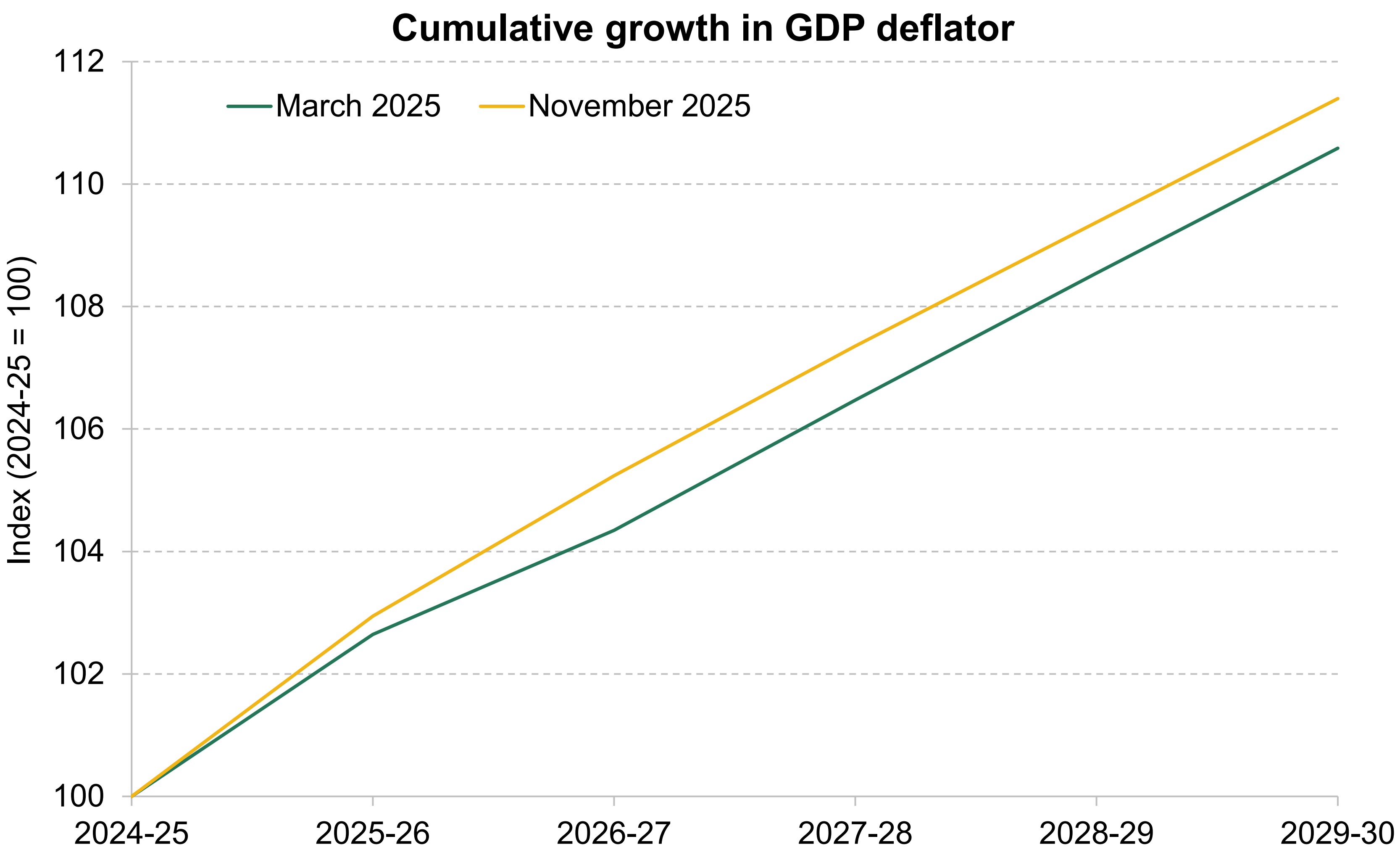
Faster real wage growth



CPI to 2% a year later

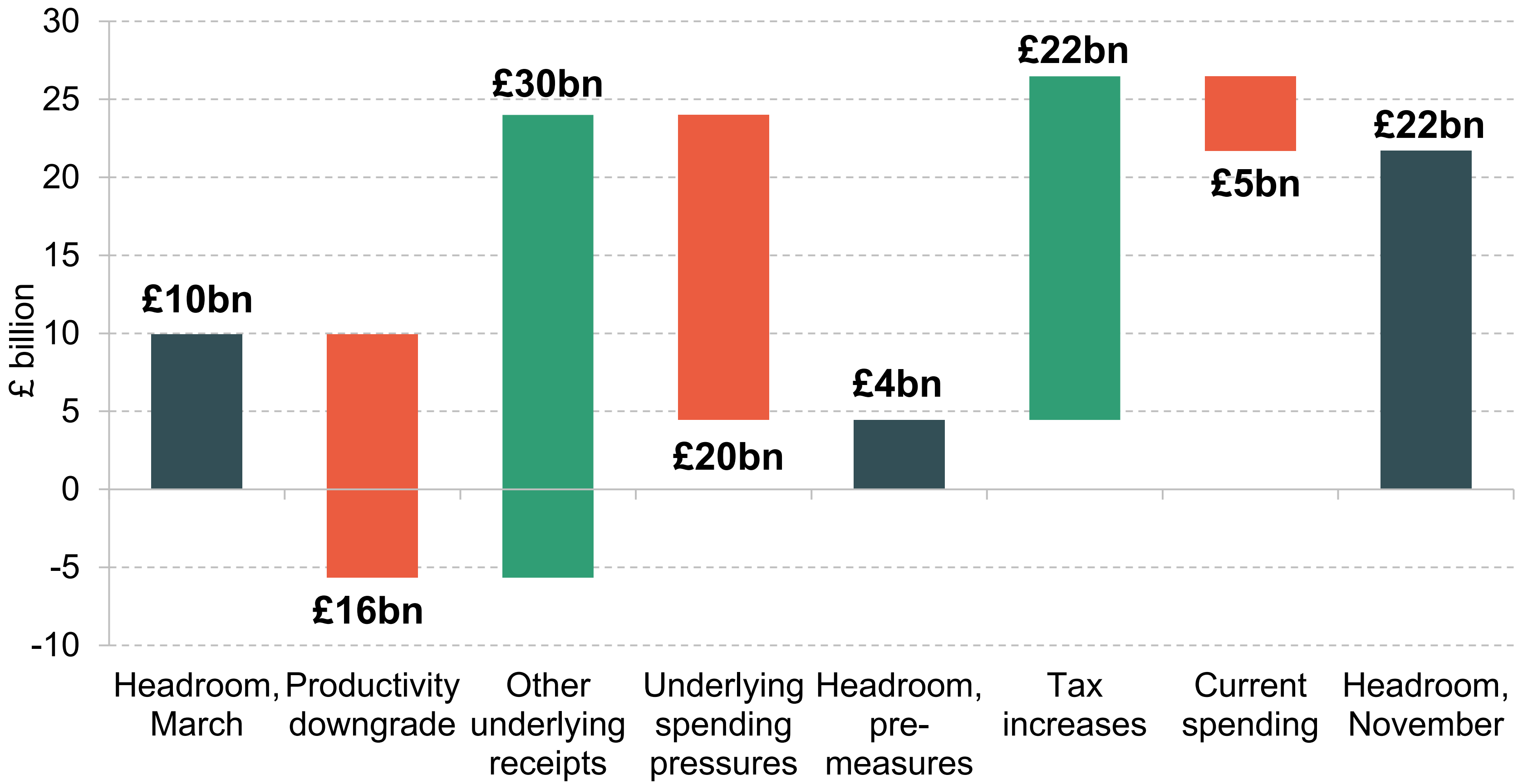


GDP deflator



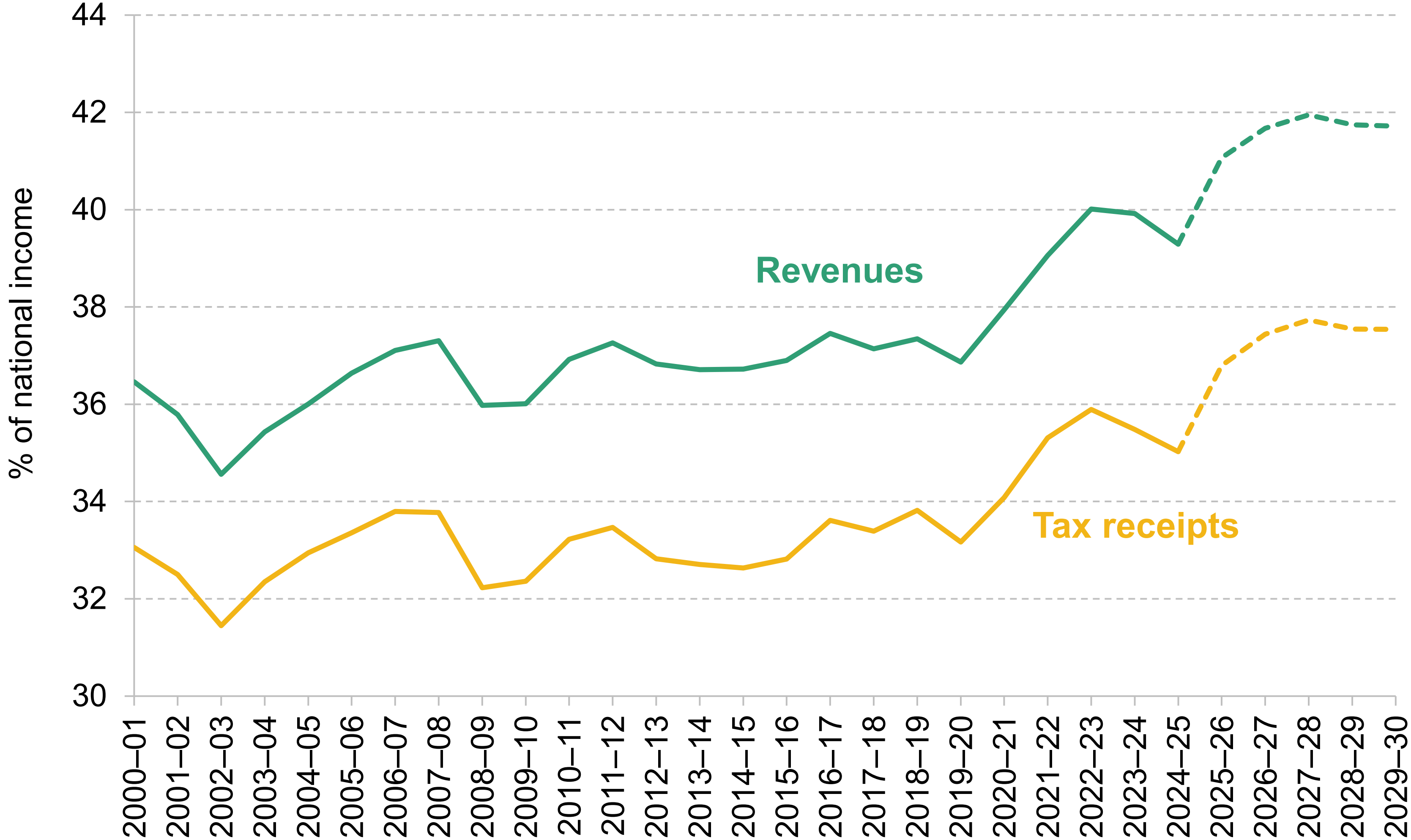
The budget in one chart

Change in headroom against current budget balance rule since March



Note: ‘Tax increases’ includes £26 billion increase in tax revenues, less indirect effects from various policy changes.

Taxes as a share of national income



Envelopes and efficiencies