



Spring Statement 2025

H/Advisors Cicero Analysis

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'Slim pickins' as Reeves delivers Spring Statement



"I'm no piggy bank"

Sabrina Carpenter – Diamonds Are Forever (2018)

As Rachel Reeves bopped to the Pennsylvania star at the O2 earlier this week, it may have been a welcome distraction from what lay ahead. Reeves' statement today can be summed up simply: the world is a tough place; there's not much growth; and cuts must be made if defence is to be funded and fiscal rules are to be observed.

To some degree, Reeves is a prisoner of what came before her.

She inherits the enormous cost of Covid support and energy price support which caused national debt to balloon at the same time that interest rates spiked. Debt interest will cost £105bn in the current year, making it 8.2 per cent of government expenditure. This bill goes up and down following inflation and interest rates – factors which are largely out of the Chancellor's control in these uncertain times. The decision to boost defence spending was one that her Conservative predecessors repeatedly kicked down the road. This is not a luxury the Chancellor has.

So, she is right that she should be cut some slack for what are undeniably challenging times.

However, the Chancellor is also a prisoner of her own choices: the 'tax lock for working people', which ruled out so many tax increases in the election campaign, meant that the Chancellor turned to a chunky NIC rise for employers in the autumn – which, along with minimum wage increases and the Employment Rights Bill, has been a triple-whammy hit to business confidence.

She is also hemmed in by her "non-negotiable" fiscal rules, which aim to demonstrate fiscal rectitude to bond markets, but – following Truss and Kwarteng – are unlikely to give the UK the benefit of the doubt. However, the OBR's flip-flopping forecasts mean she is chasing a fiscal target which changes every few months. In opposition, Labour found the OBR a helpful tool with which to bash the Conservatives. They are realising in Government, that this is another area where political authority is frustratingly circumscribed by an external authority.

Reeves now has to find cuts to public spending that many in the Labour Party find unpalatable or even reprehensible and that, crucially, were not on the table even a few months ago. This is where the political danger lies.

Labour's strategy has been to frontload "hard choices" and then open the taps as growth and public finances inevitably improve.

However, the UK economy has not proved to be a coiled spring, ready to pop once the Conservative Government got out of the way. This is partly due to global factors, but also because of structural problems in the UK economy that cannot be quickly solved.

And here we must give the Government some credit for action:

- It is beginning to match words with action on infrastructure approvals and planning reform – even at political cost;
- The change to the culture of regulation is more convincing so far than any effort I have seen in my career;
- The nettle of poor public sector productivity is being grasped, with encouraging developments in Whitehall and the National Health Service; and
- Action on the welfare budget, which will continue to grow rapidly without reform is necessary, even if painful.

Together, these reforms are important and should be recognised for their necessity. However, so long as growth eludes the UK, each Statement and Budget the Chancellor delivers will carry the same underlying message: times are hard, and I am no piggy bank.



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A view from the parties



Simon Fitzpatrick
Partner
Labour
perspective

John opened his analysis with a Sabrina Carpenter quote, but since I don't know who she is, I will instead quote the first Lord of the Rings film, where Frodo Baggins bemoans his fate. "I wish the Ring had never come to me. I wish none of this had happened". His companion Gandalf tells him: "So do all who live to see such times. But that is not for them to decide. All we have to decide is what to do with the time that is given to us".

This is where I see the Labour Party right now. These are not the circumstances in which Labour wishes it had come to power. Many on the backbenches wish that it had never been this way and are wearied by the heavy burden they are carrying. Cutting welfare and international aid, while ramping up spending on defence, is not what most Labour MPs got into politics for.

The question is, to what extent will they go along with what Reeves is doing with the time that has been given to her? The sense of uneasiness with welfare cuts will not dissipate after today's Statement, in fact it may increase. There is pragmatism but little joy about the need for the UK to shore up its defence capabilities. The positive news from the OBR about the beneficial impact of the Government's planning reforms will be welcome, along with the forecast that people will be on average £500 per year better off by the end of the Parliament.

However, there remains plenty for Labour MPs to be worried about: the effects on the global economy of a potential Trump trade-war; the risk of Reform seizing on discontent in Labour-held constituencies at cuts to welfare; the possibility that the effects of the Chancellor's growth measures will not be felt soon enough to make a difference come the next election.

Reeves is trying to make the best she can of a bad situation. The choices she is making may not be the ones that she would make were the times different. She has to hope that, with a long journey still ahead, the Fellowship of Labour MPs will not abandon her.



Sonia Khan
Partner
Conservative
perspective

Mel Stride's response to Reeves' Spring Statement was high on criticism but low on substance. His attacks on tax, spending, and borrowing were predictable – accusing Reeves of 'tanking the economy' and 'fiddling targets' – but he struggled to offer a clear Conservative alternative. Strikingly, he even criticised welfare cuts – highlighting the lack of an impact assessment, which is an unusual stance for a Tory Shadow Chancellor. His sharpest challenge was whether Labour would introduce tax cuts down the line, given Reeves ruled them out today.

But despite the digs at fiscal headroom and borrowing, his response lacked a firm ideological position or forward-looking economic plan. And with Starmer's Labour increasingly described as 'Blue Labour,' Stride's muddled messaging raises a question - if Labour is moving right on the economy, what exactly do the Conservatives now stand for?

A view from the parties



Lizzy Tomlin
Partner & UK Public
Affairs Lead

Liberal Democrat
perspective

Daisy Cooper, the Liberal Democrat's Deputy Leader and Treasury Spokesperson, responded on behalf of the Lib Dems. It seemed a strange decision not to field Leader Ed Davey, who watched on next to Cooper, when welfare changes were announced, considering his successful General Election campaign focused on support for people who are sick and disabled.

Nevertheless, Cooper delivered a valiant speech urging the Chancellor to find a fairer way to raise revenue instead of cutting support for "those who need help to get dressed in the morning". She took aim at big banks, social media giants, and online gambling companies, who should pay their fair share. It follows the Party's Spring Conference on the weekend, which warned against Labour reviewing the Digital Services Tax as it would be "tantamount to robbing disabled people to appease Musk and Trump".

The Party's suggested changes were a nice touch but failed to provide robust opposition to the Chancellor who quickly dismissed them as "fairy tales".



Dan Lenton
Consultant

Reform UK
perspective

As ever with Reform UK, it was leader Nigel Farage who responded on behalf of the party in the chamber. Farage used his short contribution to try, and largely fail, to pin the Chancellor down in agreeing that due to immigration and a rising population, it was GDP per capita that mattered to constituents amid the melee of facts and statistics announced in the Statement.

Alongside Richard Tice's description of the Statement as 'delusional' on TV, such responses represent Reform's strategy as being a party focused on clips for its growing membership and social media following and not policymakers in Westminster.



Financial Services



Today saw the first official acknowledgement that the Treasury is mulling options to disincentivise savings via cash ISAs. As [trailed in the press](#), although there was no announcement to reduce the cash ISA limit today, the Treasury is “looking at options for reforms to ISAs that get the balance right between cash and equities to earn better returns for savers, boost the culture of retail investment, and support the growth mission”.

Language on securing “the right balance” may reassure mutuals. In the run up to the Statement, building societies effectively made the case that cash savings can account for around 75% of their total liabilities and that lowering cash ISA limits could affect mortgage supply. However, proponents of cash ISAs may still seek to challenge the premise of the mooted £4,000 cash ISA limit.

They may well ask whether limiting cash ISA provision will lead to increased investment in equities. The FCA’s first five-year strategy, published the day before the Statement, called for an “open debate” on consumer risk, including how consumers “weigh up whether to risk missing out on higher returns... or accept the volatility of markets”.

The Government may need a ‘Tell Sid’ campaign that addresses what FCA CEO Nikhil Rathi described as a climate of “predictable volatility” if it’s to see more money in equities and less in other cash savings vehicles.

David Postings, Chief Executive of UK Finance, said:

The Chancellor’s Spring Statement focused on stability and growth... the financial services sector is committed to playing its part in support. Building on recent positive regulatory reform plans, we now look forward to the upcoming Industrial Strategy, which will be key to unlocking further investment and delivering growth through various sectors, including financial services.



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Energy & Infra



Industry expectations were modest, with attention primarily directed towards forthcoming initiatives such as the Industrial Strategy and the 10-year Infrastructure Strategy. A key concern, which was avoided, was that the Chancellor may look to axe capital spending on infrastructure projects to fill the fiscal gap – historically viewed as more politically palatable in the short-term than squeezing public services.

In a rare positive note for the Chancellor, the OBR concluded that flagship planning reforms would increase real GDP by £6.8bn by 2030 and go a good way to hitting their ambitious homebuilding targets.

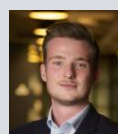
A significant announcement was the £625m package targeting skills shortages in the construction sector. This addresses a long-standing concern raised by industry bodies like the National Federation of Builders and aligns with parliamentary committee investigations into workforce challenges.

The Statement also included two technical consultations: one on the Climate Change Levy and another on providing tax certainty for major capital projects. While largely procedural, they signal the intention to provide clearer frameworks for infrastructure development.

Overall, it was a low-key affair for energy and infrastructure, focused less on immediate changes and more on setting the stage for the upcoming, and crucial, Spending Review in June.

Marie Claude-Hemming, Civil Engineering Contractors Association said:

We strongly support the Government’s focus on infrastructure. However, the benefits of infrastructure...will only be fully realised once industry can get spades in the ground on projects.



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Health



Today's Statement contained little mention of healthcare and life sciences, which won't appease recent criticism that the sector is falling behind international competitors, especially on R&D in life sciences.

The abolition of NHSE has already made the news headlines, but it was referenced once again by the Chancellor as part of the Government's drive for a more efficient state, while a portion of the new £3.25bn Transformation Fund is earmarked for redundancies.

After the significant increase in healthcare spending in the Autumn Budget and a difficult economic outlook, it was always unlikely the Government would further increase health spending. However, the Treasury's documents confirmed that health spending and capital investment would continue to increase.

From a financial perspective, attention now shifts to the Government's Spending Review, due to be published in June. The Health Secretary will be campaigning across Westminster for his budget to be protected, especially with the Treasury trying to find every penny to increase defence spending.

Wes Streeting recently indicated that he wants to tackle the social determinants of health. To do this, health leaders have called for an increase to Universal Credit, highlighting the relationship between persistent poverty and health.

However, these welfare cuts will make it difficult for Streeting to make progress. NHS Providers and the Royal College of Nursing have already voiced their concern about the broader impact these welfare cuts will have.



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Tech



The absence of tech-specific announcements in the Statement was largely expected.

The two items of note were public sector facing, with £3.25bn allocated to a new Transformation Fund within government, sitting alongside £400m for UK Defence Innovation (UKDI).

Designed to "actively foster a strong UK defence technology sector", this initiative explicitly links military readiness with domestic tech infrastructure development.

By prioritising "innovative procurement" and "economic spillovers", the Government is laying groundwork for dual-use technologies – systems applicable to both civilian and defence networks – that boosts UK infrastructure against growing threats.

UKDI's mandate to rapidly transition ideas to deployment mirrors NATO's Digital Transformation Imperative, which identifies AI and quantum-resistant as vital to collective defence.

However, the Statement's absence of detailed cybersecurity investment, references to the AI Action Plan and questions on the level of tax on the sector raises questions about whether this approach addresses the UK vulnerabilities or just represents the latest effort to streamline bureaucracy.

Away from defence, the critique in Parliament sounded familiar for the sector; Lib Dem spokesperson Daisy Cooper called out a missed opportunity to make social media tech giants "pay their fair share".

While the Government is still reviewing the Digital Services Tax's operation in 2025, any changes brought forward later in the year will now surely be re-framed as positioning the UK's tech landscape as a key pillar of the UK's defence.



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