

The Alternative Budget

How to take £150bn out of the British state and hand about £97bn back in lower taxes, released only as the savings are scored.

GBTT RESEARCH

POLICY BRIEFING · 23 OCTOBER 2026

GBTT GREAT BRITISH THINK TANK

GBTT GREAT BRITISH THINK TANK

POLICY BRIEFING FOR MEDIA
23 OCTOBER 2026

GBTT ALTERNATIVE BUDGET REFORM PROGRAMME 2026

GBTT sets out a £150bn spending reform programme, with tax cuts released only as legislated savings are scored

A £150bn reform programme supported by illustrative fiscal scenarios; not a fully costed Budget.

The Great British Think Tank (GBTT) today publishes an alternative to the Budget the Chancellor, John Healey, will deliver on 28 October 2026. Its full-value reform objective is £150bn a year of lower spending, and as legislated savings are scored, it would use the room to raise the personal allowance to £15,000, lift the higher-rate threshold to £60,000, cut business rates by £5bn, and abolish inheritance tax and stamp duty land tax.

GBTT's timetable is to legislate the reforms by the end of this Parliament in 2029; the savings build after that, some well beyond 2030-31. The civil service shrinks by 200,000 posts. The state pension rises by CPI inflation alone from April 2028, two years earlier and further than the Government's own reform.

The tax cuts carry a fiscal trigger written into the Finance Act. Each stage takes effect only when measures already legislated produce net fiscal savings, after lost tax and displaced costs, of at least its cost, as scored in the Government's official forecast for that year, with the OBR scrutinising the policy costings as it does for any Budget measure. Announced or planned reductions do not count. The first stage, the £15,000 personal allowance in April 2028 at a cost of £24.2bn, depends on tier 2 reforms being legislated and scored by then. In scenario B, combined net savings in 2028-29 are £64bn after severance costs, led by procurement and subsidies (£24bn) and the first half-year of welfare reform (£23bn); tier 1 savings of £5bn alone cannot fund it. If they are not, the allowance rise waits. If a later forecast shows savings falling short, the next stage is paused and the Chancellor must set out offsetting measures at the following fiscal event. The trigger prevents implementation unless enough forecast savings have been identified. It cannot guarantee those savings materialise, and borrowing could overshoot if they disappoint after a stage has taken effect.

GBTT separates modelled savings from reform targets:

Category	2030-31 net saving, £bn	Status
Tier 1, modelled savings from specified reforms: civil service, state pension uprating	8.9	Scenario estimates on published assumptions; not independently certified
Tier 2, reform programmes with set targets: welfare, procurement, subsidies, quangos, local government, overseas aid	91.8	Illustrative, at calibration offsets; programme detail to follow
Tier 3, longer-term and not yet specified: departmental closures, public-sector pensions, full pension saving	0 in 2030-31	Not scored

> If every reform programme delivers in full, borrowing in 2030-31 would be around £55bn against the OBR's March forecast of £59bn: the tax package absorbs almost all the net saving. That is a conditional scenario, not a forecast. Section 8 sets out the year-by-year path both ways.

1. Spending reform: £150bn at full value

The £150bn is the sum of measures that mature over different periods, not a single-year figure: £122.6bn gross is in place in 2030-31, the full state pension saving arrives in the mid-2030s, and £15bn of departmental and public-sector pension reform has no maturity date until it is specified. The programme has three tiers. The first is modelled from specified reforms, on assumptions published here; it is not an independently certified costing. The second sets targets for reforms whose entitlement and programme detail GBTT will publish; their net figures are illustrative. The third is not scored at all.

Spending line	Tier	Full annual saving	2030-31 gross	2030-31 net	Legislated by
Civil service: 200,000 posts	1: modelled	10.4	10.4	6.9	2029
State pension: CPI-only uprating	1: modelled	15.0	2.2	2.0	2027, in force April 2028
Sickness and disability benefits	2: target	25.0	25.0	21.3	2028
Universal Credit and working-age benefits	2: target	20.0	20.0	17.0	2028
Public procurement	2: target	15.0	15.0	12.0	2028
Business and industrial subsidies	2: target	15.0	15.0	12.0	2028
Housing support	2: target	10.0	10.0	8.5	2028
Quangos and public bodies	2: target	10.0	10.0	8.0	2029
Local government	2: target	10.0	10.0	8.0	2029
Overseas aid	2: target	5.0	5.0	5.0	2027
Other departmental programmes	3: not scored	10.0	0	0	2029
Public-sector pensions	3: not scored	5.0	0	0	2029
Total, £bn		**150.4**	**122.6**	**100.6**	

The gross-to-net offsets for tier 2 are calibration assumptions, not estimates: 15% for welfare (lower household spending and VAT, costs pushed to temporary accommodation, the NHS and social care) and 20% for procurement, subsidies, quangos and councils (lost tax on supplier profits and wages). The true offset depends on who is affected and how, and will differ by measure: a disability award withdrawn from someone who cannot work has a different fiscal effect from a Universal Credit claim that ends because the claimant takes a job. Policy-specific estimates will replace the calibration as each reform is specified.

Every saving must be additional to the efficiency savings departments are already required to deliver in the OBR baseline; GBTT does not count those twice. The full costing will also mark each line as either an efficiency, delivering the same service for less, or a deliberate reduction in what the state provides. Overlaps are removed by rule and will be shown line by line in the full costing: civil service pay counts only in the civil service line; the housing element of Universal Credit counts only in the housing line; aid spent on asylum support in the UK is

outside the aid line; and council savings count only where the cost does not move to the NHS, police or temporary accommodation.

DELIVERY TIMETABLE

When	In force
2027	Further aid cut legislated, saving from 2028-29. Civil service hiring freeze and first reductions. Procurement and subsidy cuts begin. Departmental review reports. Welfare Reform Bill introduced
2028	Welfare Reform Act in force. State pension uprated by CPI only from April. Personal allowance rises to £15,000 from April, once the savings are scored in the official forecast
2029	Civil service 200,000 posts smaller. Quango abolitions and departmental closures complete. From April, subject to the same trigger: higher-rate threshold £60,000, taper abolished, stamp duty and inheritance tax abolished, business rates cut by £5bn
2030-31	Up to £101bn net saving in the year if every tier 2 reform delivers; pension savings keep rising

Britain's fiscal debate asks how much more the Chancellor can take, and rarely asks whether the spending being financed works. Every tax rise takes resources out of private consumption, saving and investment, and not every pound of public spending returns a pound of value. No credible growth strategy can treat the size of the state as off limits.

2. Tax reform: reward work, saving and moving for a job

GBTT cuts income tax and business rates and abolishes inheritance tax and stamp duty land tax at a static cost of about £97bn in 2030-31. The personal allowance rises in April 2028; everything else follows in April 2029, once the welfare and procurement savings are in force.

Income tax and NICs	Now (2026-27)	GBTT, from April 2029
Personal allowance	£12,570	£15,000 (from April 2028)
Basic rate (20%)	Up to £50,270	Up to £60,000
Higher rate (40%)	£50,270 to £125,140	£60,000 to £150,000
Additional rate (45%)	Above £125,140	Above £150,000
Personal allowance taper above £100,000	Applies	Abolished
NICs upper earnings limit	£50,270	£60,000, aligned with the higher-rate threshold

The NICs upper earnings limit moves with the higher-rate threshold. Without that change, the marginal rate on earnings would fall from 28% to 22% at £50,270 and then jump to 42% at £60,000. The NICs primary threshold stays at £12,570. The extra NICs this raises from earnings between £50,270 and £60,000 is not scored.

The taper withdraws £1 of allowance for every £2 earned above £100,000, which produces a 60% marginal rate of income tax between £100,000 and £125,140, before NICs. It goes.

Inheritance tax goes from April 2029. To stop death becoming a permanent capital gains tax shelter, the capital gains uplift on death goes with it: heirs inherit the deceased's original base cost and pay capital gains tax when they sell. That raises little before 2030-31 and is not scored.

Stamp duty land tax goes in England and Northern Ireland, residential and non-residential. It taxes a transaction, not an asset or an income, and so penalises the family that moves for work. Scotland and Wales set their own transaction taxes.

Business rates are cut by £5bn a year in England from April 2029, through GBTT's own design rather than exemptions for chosen sectors. Two parts:

- **2p off every multiplier, about £3bn.** On the April 2026 multipliers, which may change by 2029-30: small retail, hospitality and leisure falls from 38.2p to 36.2p; small other from 43.2p to 41.2p; standard retail, hospitality and leisure from 43.0p to 41.0p; standard other from 48.0p to 46.0p; high-value from 50.8p to 48.8p. A shop or workshop with a rateable value of £40,000 pays £800 a year less, before other reliefs.
- **A 10-year exemption for improvements, about £2bn.** The extra rateable value created by qualifying capital improvements is fixed at completion and exempt for ten years, carried through any revaluation in that period at the same share of the property's value, then returned to the tax base in thirds over years 11 to 13, under a statutory definition of qualifying works with anti-avoidance rules. A fixed term keeps the cost predictable, where a permanent exemption would grow without limit.

The first part cuts the fixed cost of occupying premises; the second removes the tax penalty on improving them. The £3bn and £2bn are design envelopes; the exact cost of each needs the Valuation Office Agency's rating-list data and the interaction with existing reliefs. How much of the gain reaches occupiers rather than landlords through higher rents will be assessed in the full costing. Councils are compensated through grant, the cost is counted once, and the £5bn sits inside the fiscal trigger.

Static cost, £bn	2028-29	2029-30	2030-31	Basis
Personal allowance to £15,000	24.2	25.0	25.8	HMRC ready reckoner: about £0.95bn per £100 in 2028-29, uprated 3.5% a year; includes £1.2bn lower Scottish income tax receipts (GBTT estimate)
Basic rate limit to £60,000		12.4	12.9	HMRC ready reckoner: £6.0bn per 10% rise in 2028-29, uprated
Abolish the taper; additional-rate threshold to £150,000		12.0	12.5	GBTT estimate: about 2.5m people above £100,000 by 2031, gaining up to about £6,000 each from a restored £15,000 allowance, plus about £1.5bn for the 45p threshold. Needs a top-income tax model
Abolish stamp duty land tax		23.8	25.7	OBR property transaction taxes of £28bn in 2030-31, less Scottish and Welsh taxes and ATED
Abolish inheritance tax		13.7	14.7	OBR March 2026, table A.5
Business rates reform, England		5.0	5.0	Design envelopes: £3bn multiplier cut, £2bn improvements exemption; not yet tested against the rating list
Total	**24.2**	**91.9**	**96.6**	**Static, before behavioural and growth effects**

The ready reckoner is designed for small changes, so the income tax costs carry more uncertainty than the OBR-based lines. GBTT will publish microsimulation costings with the full programme.

WHO GAINS FROM THE INCOME TAX CHANGES

Gross earnings	Annual gain, income tax and NICs, 2029-30
£20,000	£486
£45,000	£486
£55,000	£1,148
£60,000	£1,848
£80,000	£1,848
£120,000	£5,848
£200,000	£8,119

Individual employees outside Scotland, against 2029-30 thresholds frozen at today's levels. These are taxpayer examples, not household effects: a worker on £20,000 who also claims Universal Credit or a disability benefit could gain £486 in tax and lose more through the welfare changes. The programme cuts personal taxation substantially, with larger cash gains for higher earners and for households exposed to inheritance tax. The welfare reforms fall mainly on households receiving working-age benefits.

Household group	Main direct effect
Non-taxpayers	Little or no gain from the higher allowance
Basic-rate taxpayers	Gain from the higher personal allowance
Higher-rate taxpayers	Gain from the higher threshold and allowance, less extra NICs between £50,270 and £60,000
Earners above £100,000	Further gain from abolition of the taper
Disability benefit recipients	Losses where eligibility or awards change
Long-term Universal Credit recipients	Changes in entitlement and conditionality; gains for those who move into work under the lower taper
Housing support recipients	Losses depending on the rules adopted
Estates liable for inheritance tax	Gain from abolition, partly offset by capital gains tax on inherited assets

GBTT has not yet calculated the combined effect across the household income distribution. That needs household-level microsimulation of tax and benefit changes together, including the interactions between eligibility, employment and housing support. No distributional figures are presented as established until that work is done.

Freezing thresholds while wages rise is the Treasury's preferred way to raise tax without announcing a rate. A government serious about growth would reverse it.

3. Welfare: restore the link between support and work

The OBR's March 2026 forecast puts total welfare spending at £406.9bn in 2030-31, up from £332.9bn in 2025-26. Within that total sit £196.2bn of pensioner spending, £106.2bn on Universal Credit and legacy equivalents, and £65.5bn on disability benefits. The OBR's separate £109.8bn health and disability measure overlaps those categories and cannot be added to them.

GBTT's three working-age lines (sickness and disability £25bn, Universal Credit £20bn, housing £10bn) total £55bn, about 26% of the £210.7bn of non-pensioner welfare. Universal Credit contains health and housing elements, so each line will be set against a distinct block of spending and no pound counted twice.

The £55bn is a gross reform objective. It is not scored as a saving until each entitlement rule is specified and modelled against separate blocks of spending. GBTT builds those rules from its own framework, not from any party's manifesto:

1. **Separate disability support from income support.** Personal Independence Payment meets the extra costs of disability; Universal Credit replaces income. They serve different purposes and are assessed separately, so a change to one is never scored again in the other.
2. **Replace the binary work-capability test with a graduated one.** Partial capacity for work is recognised and supported, instead of a single assessment that either withdraws all health-related support or removes any expectation of work.
3. **Cut the Universal Credit taper from 55% to 45%.** For a basic-rate taxpayer, the combined deduction from an extra £1 of gross pay falls from 67.6% to 60.4%; on £500 a month of extra net earnings above the work allowance, the claimant keeps £50 more. This costs money at the outset; it is scored against the savings, not ignored.
4. **Reassess in proportion to circumstances.** Reassessment intervals reflect the likelihood of change, with no routine reassessment for severe and lifelong conditions; awards still change if circumstances do.
5. **Reform housing support alongside housing supply.** Rules for landlords and tenants change together, and any cost pushed into temporary accommodation or homelessness services is deducted.

For each rule GBTT tests the alternatives. Where the Government, the Conservatives or Reform UK have proposed a threshold, a rate or an eligibility test, GBTT models its own options against theirs and against current policy. It compares Exchequer cost, work incentives, effects on claimants, administrative complexity and delivery risk, and adopts the option that does most for a given fiscal cost. Going further is not assumed to be better.

The Government has to decide what the welfare state is for and who qualifies. Success is measured in sustained employment and lower net dependency, not in claims closed.

---

4. State pensions: CPI-only uprating from April 2028

From April 2028 the state pension rises each year by CPI inflation, and the earnings and 2.5% legs of the triple lock end. No pension in payment is cut or frozen in cash terms, and pensioners stay protected against inflation.

The OBR's forecast has the 2.5% floor setting the April 2028 and April 2029 upratings, above both CPI and earnings growth. With CPI near 2%, CPI-only uprating saves about 0.5 percentage points a year on the flat-rate pension, roughly 90% of state pension spending. That is about £0.7bn in 2028-29, £1.4bn in 2029-30 and £2.2bn in 2030-31, on state pension spending the OBR puts at £163.3bn that year. Once earnings growth returns to its long-run rate of around 3.5% to 4%, the triple lock would track earnings and the gap widens to more than 1.5 points a year; on that path the saving reaches £15bn a year by the mid-2030s. It is larger still if a burst of inflation or wages would otherwise have triggered the lock. These are GBTT estimates on OBR assumptions.

On 29 September the Prime Minister announced that the triple lock will be replaced from April 2030 by a formula of CPI or 2.5%, linked to earnings over the long run. The OBR's March baseline predates that announcement. GBTT goes earlier and further: CPI only, no 2.5% floor, from April 2028. Against the Government's plan, GBTT's additional saving comes from the 2028 and 2029 upratings and from removing the floor; its long-run saving is larger than the Government's, which the IFS puts at around £4bn a year in 2034-35 and says could be nothing if earnings growth is strong. GBTT will recalculate its pension savings against the OBR's post-Budget baseline, with high and low inflation and earnings scenarios.

The triple lock raised the state pension 89% between April 2011 and April 2026, against 60% for CPI. A promise that ratchets above inflation every year, funded by a shrinking share of working taxpayers, is not one any Chancellor can keep honestly. Pensioners keep their purchasing power; the ratchet goes.

5. A civil service 200,000 posts smaller, and fewer public bodies

The civil service employed 557,825 people at 31 March 2026, or 523,795 full-time equivalent, its largest since 2005. GBTT cuts 200,000 FTE posts by 2029, 38.2% of that workforce, saving £6.9bn a year net.

The cuts fall on policy, headquarters, communications, HR, finance and arm's-length administration. Operational frontline roles are protected: DWP work coaches and benefit assessors (who deliver the welfare reform), prison officers, Border Force and HMRC compliance staff. The reduction in the remaining functions is therefore well above 38%.

200,000-post reduction, 2030-31	£bn a year
Pay: 200,000 × £40,000	8.00
Estates, IT and other non-pay costs: £12,000 a post	2.40
Gross saving	**10.40**
Lost income tax and NICs: 40% of leavers not re-employed	-0.61
Extra welfare spending	-0.53
Replacement IT, contracts and services	-2.40
Net saving	**6.86**

Average pay of £40,000 sits between the civil service median of £37,820 and the higher mean. Employer NICs and employer contributions to the unfunded civil service pension schemes are payments from one part of the state to another, so they are excluded: they cut departmental budgets but do not reduce borrowing.

A hiring freeze from 2027 lets normal departures carry about half of the reduction. The other 100,000 leave through paid exits averaging nine months' pay, plus early pension costs for older staff: about £4bn of one-off costs across 2027 to 2029, included in the year-by-year path in section 8. GBTT does not assume each public post cut creates a private one.

Posts go in three ways, and the full programme will allocate the 200,000 between them by department: activities abolished outright, activities consolidated or automated, and vacancies not refilled. The net saving is sensitive to the assumptions:

£bn a year, 2030-31	Low	Central	High
Pay	7.56 (median £37,820)	8.00	8.00
Non-pay costs that disappear	1.20	2.40	2.40
Lost income tax and NICs	-0.80	-0.61	-0.30
Extra welfare	-0.53	-0.53	-0.30
Replacement contracts	-3.00	-2.40	-1.50
Net saving	**4.43**	**6.86**	**8.30**

Removing 200,000 posts over three years means about 66,700 net a year. The civil service recorded 37,945 leavers in 2025-26, so a hiring freeze can carry roughly half the reduction over the period; the rest requires closing functions.

Justice, Work and Pensions, HMRC, Defence and the Home Office employ more than two-thirds of civil servants, and 54.9% of staff work in operational delivery, against 6.8% in the policy profession. A reduction on this scale cannot come from Whitehall policy and communications roles alone; it means changing how services are delivered.

Department or group	Functions under review	Main constraint
Work and Pensions	Benefit processing, duplicated assessment functions, digital case management	Welfare reform may need more staff at first
HMRC	Routine processing, administrative duplication, IT consolidation	Cutting compliance work loses revenue
Justice	Courts administration, case processing, headquarters, shared services	Court backlogs; prison staffing protected
Home Office	Immigration and passport casework processes, headquarters	Asylum backlogs and enforcement
Defence	Civilian administration, estates, procurement support	Readiness and procurement complexity
Cabinet Office and smaller departments	Policy coordination, communications, HR, finance, duplicated central functions	Small workforce base

These are areas for functional review, not a confirmed allocation of the 200,000. The full programme will publish a closure register: each function ended, posts removed, date, pay saving, severance and replacement cost.

Quangos and public bodies: £10bn gross, £8bn net. Arm's-length bodies that are unnecessary, duplicated or cheaper to run elsewhere are abolished or merged by 2029. Taking the nameplate off an agency saves nothing if its budget and staff move next door, so savings count only against functions ended, and civil service pay is never counted twice.

Bodies named for review, not yet confirmed for closure: Skills England, the UK Space Agency, the National Wealth Fund, Great British Energy, the Independent Football Regulator and the Office for Students. The test for each is whether the function should exist at all, and if it should, whether a separate body is the cheapest way to deliver it. Abolishing a public investment body does not cut borrowing pound for pound: the effect depends on whether its transactions count as spending, financial investment or contingent liabilities.

The public sector cannot stay exempt from the restructuring every private business is expected to carry out. Each department will state why each function exists and what it costs. Fewer posts follow from deciding what government stops doing.

6. Procurement, subsidies and local government

Public procurement: £15bn gross, £12bn net. The public sector spent £461bn on procurement in 2025-26, according to HM Treasury's Public Expenditure Statistical Analyses, but that total includes purchases by one public body from another and committed spending such as medicines, defence contracts and essential maintenance. The relevant base is external, contestable spend, which is far smaller; GBTT will publish that base and the contracts behind the £15bn. The NHS, the largest buyer, is in scope for non-clinical spending: estates, back office, agency staff and consultancy. Clinical care is not cut. From 2027 every department faces open competition, an end to duplicated contracts and published supplier pricing. Savings count only when tied to a named contract, a lower price or a terminated activity, and the full costing will show the two kinds separately: paying less for the same service is an efficiency gain; buying less of it is a cut in what the state provides.

Contract areas named for review: government IT outsourcing and duplicated platforms; consultancy and professional services where internal capability exists; underused government property and leases; recruitment and agency staffing rates; facilities management; and non-clinical NHS purchasing. Savings are measured against the current baseline, after the consolidation already under way in the Government Commercial Agency, and each entry needs gross spend, avoidable cost, replacement cost and an implementation date before it is counted.

Business and industrial subsidies: £15bn gross, £12bn net. Cut by 2028 in three tranches: £5bn from industrial support programmes, £5bn from energy and environmental schemes, and £5bn from other discretionary grants. Existing Contracts for Difference are honoured in full; the energy cut falls on future allocation rounds and uncommitted schemes. Commercial investment should follow demand, expected returns and the cost of capital, not a permanent subsidy.

Programmes named for review, not yet confirmed for cancellation: Industrial Strategy support programmes, the Automotive Transformation Fund, the Aerospace Technology Institute programme, the Industrial Energy Transformation Fund, hydrogen production support and selected innovation grants. For each, GBTT will set out uncommitted budgets, termination costs and evidence of additional investment. Closing an application round saves money only where the spending is still in the 2030-31 forecast and not yet contracted.

Local government: £10bn gross, £8bn net. In force by 2029, from administrative duplication, procurement, overlapping bodies and discretionary programmes. Statutory duties in adult social care, children's services and special educational needs are funded. Council tax referendum limits stay in place, so councils cannot pass a grant cut straight to taxpayers; a cut that moves cost elsewhere is not counted. Protecting statutory services and holding council tax limits shrinks the spending the £10bn can come from, so the target is tested against discretionary and administrative spending alone.

Regulatory burden: £10bn to the private sector. GBTT cuts compliance costs on business by £10bn a year. That saving accrues to firms, not the Treasury, and is excluded from the £150bn.

Government has a habit of subsidising an activity with one hand and regulating it harder with the other, so firms spend money applying for grants and complying with rules about the same activity. Lower compliance costs release resources firms deploy on commercial grounds, which no grant does.

---

7. Overseas aid, public-sector pensions and departmental programmes

Overseas aid: £5bn. The Government's plan already takes aid to 0.3% of GNI, about £9.2bn in 2027 on the House of Commons Library's estimate, and roughly a fifth of that pays for asylum support in the UK, which sits outside this line. A further £5bn therefore removes most of the remaining overseas programme, taking total aid to about £4bn. That is a deliberate choice. GBTT will publish the programmes withdrawn; contracted multilateral commitments are honoured, so the saving is scored from 2028-29, against a baseline that already includes the cut to 0.3% of GNI.

Public-sector pensions: £5bn at full value. Reform of future accrual in the unfunded schemes is legislated by 2029. The cash saving builds after 2030-31 and is not counted in that year.

Other departmental programmes: £10bn at full value. A zero-based review of every department reports in 2027 and names the programmes to close, with closures in force by 2029. The line is scored at zero until those programmes are named.

8. Fiscal reconciliation: two scenarios

The borrowing figures below are conditional scenarios built on the OBR's March 2026 forecast, not forecasts in their own right. Scenario A counts only tier 1 savings, under which the trigger would release no tax cut. Scenario B assumes every tier 2 reform delivers its target in full and the tax package follows. Neither is a central or an adverse case. Scenario A is not a guaranteed floor: it still assumes the full 200,000-post reduction and the projected pension saving, and its severance costs depend on how fast and from where staff leave.

£bn	2027-28	2028-29	2029-30	2030-31
OBR borrowing forecast, March 2026	96.5	86.0	63.4	59.0
Scenario A: tier 1 savings only, tax cuts not triggered	95.7	82.3	56.2	50.1
Scenario B: full programme	**87.7**	**46.1**	**56.3**	**55.0**

Scenario A nets tier 1 savings of £2.3bn, £5.2bn, £8.2bn and £8.9bn across the four years, less £4bn of severance and restructuring costs. Scenario B adds tier 2 savings phased in as measures take effect (procurement and subsidies one third in 2027-28 and in full from 2028-29, half the welfare saving in 2028-29, the aid saving from 2028-29), less the static tax costs of £24.2bn in 2028-29, £91.9bn in 2029-30 and £96.6bn in 2030-31. On these numbers the full tax package absorbs almost all the net saving by 2030-31: the programme as drafted is close to fiscally neutral in that year, not a consolidation.

Neither scenario includes:

- any net cost of business rates reform beyond the £5bn envelope, including effects on rents;
- the extra NICs from aligning the upper earnings limit, and capital gains tax on inherited assets;
- lower debt interest from lower borrowing;
- behavioural and macroeconomic effects, in either direction.

The March baseline predates measures since taken by the Burnham government, including zero-rated VAT on domestic electricity and the triple lock reform from 2030. The OBR publishes a new forecast with the Budget on 28 October, and GBTT will rebase both scenarios against it.

9. Why spending reform matters for growth and the gilt market

The OBR expects the tax take to reach 38.5% of GDP in 2030-31, a record. Britain's fiscal problem cannot be separated from its productivity problem, and a strategy of raising taxes each time borrowing disappoints weakens the incentive to work, save and invest on which future receipts depend. Each further rise yields less as firms adjust investment, hiring and where they locate.

Gilt investors price the trajectory: future financing needs, debt service costs, inflation expectations and the state's ability to meet its commitments. Restraint alone does not earn a lower yield. Markets distinguish permanent reductions in spending from deferred capital projects and one-year squeezes that unwind at the next Spending Review, and they punish tax cuts that run ahead of the savings meant to pay for them. That is why each stage of the GBTT tax package waits for its savings.

In scenario B the programme tightens fiscal policy by about £40bn in 2028-29, just over 1% of GDP. Its effects on demand and on capacity run on different clocks. Benefit cuts reduce consumption at once. Lower taxes on work, moving house and investment raise labour supply and investment over several years. Cutting public employment can free resources for more productive uses, but it carries transition costs and can remove services people value.

The first-round effect is a fall in nominal spending. A lower Bank Rate is one possible offset if the MPC's inflation outlook allows, but the outcome depends on monetary conditions as a whole: inflation expectations, credit and broad money growth. A supply-side programme is not expansionary in the short run simply because its aim is higher productivity, and lower borrowing is not by itself evidence of higher output. None of these effects is scored.

A programme that shrinks the recurring cost of the state and raises the economy's capacity is a firmer basis for fiscal sustainability than another tax rise on a weak economy. The aim is growth driven by productivity, enterprise and private investment rather than by ever larger public spending.

Statement from Damian Pudner, Director, Great British Think Tank

> *"Britain has spent years raising taxes to pay for an ever more expensive state, with precious little to show for it in public services or productivity.*
>
> *"The Chancellor will tell us on Wednesday how hard his choices are. Raising taxes is the easy choice. Confronting the spending is the hard one.*
>
> *"We are proposing a change of direction, legislated before the next election: a civil service 200,000 posts smaller, a state pension that rises with prices rather than ratcheting above them from 2028, deep reform of welfare, procurement and subsidies, and a tax system that rewards work and investment. At full value the reforms are designed to take £150bn a year out of the cost of government. No tax cut takes effect until the savings that pay for it are in the official forecast.*
>
> *"Britain does not need another Budget that asks households and businesses to pay more so ministers can avoid deciding what the state should stop doing."*

Notes to editors

The programme. A full-value reform objective of £150bn a year of lower spending, legislated by 2029, with savings building after that. Tax cuts, including a £5bn business rates reform, with a static cost of about £97bn in 2030-31 take effect in stages from April 2028, each only once savings of at least its cost are scored in the official forecast. The OBR cannot assess proposals from outside government, so the trigger operates once a government adopts the programme and submits its measures for OBR scrutiny.

What is modelled and what is not. Tier 1 (civil service, state pension uprating) is modelled from specified reforms: £8.9bn net in 2030-31, a scenario estimate on published assumptions, not an independently certified costing. Tier 2 (welfare, procurement, subsidies, quangos, local government, overseas aid) sets targets; its net figures use calibration offsets and are illustrative until the entitlement rules and programme lists are published. Tier 3 is not scored. Borrowing figures are conditional scenarios, not forecasts. No distributional figures by household income are presented until household-level microsimulation of the tax and benefit changes together is complete.

Costing basis. Cash terms against the OBR's March 2026 Economic and Fiscal Outlook. Tax costs are static. Income tax costs are scaled from HMRC's ready reckoner (2028-29 values) and uprated 3.5% a year; the Scottish allowance effect and the taper and additional-rate costs are GBTT estimates. Stamp duty land tax is derived from the OBR's property transaction taxes forecast less Scottish and Welsh taxes and ATED. Triple lock savings assume CPI near 2% and the 2.5% floor binding in April 2028 and 2029. Civil service costs use £40,000 average pay and £12,000 non-pay cost per post, excluding transfers within government.

Sources

- OBR, Economic and fiscal outlook, March 2026: borrowing, welfare, tax take, property transaction taxes, inheritance tax (table A.5)
- House of Commons Library, 2026 spring forecast: a summary: borrowing forecasts by year
- House of Commons Library, Stamp duty land tax (CBP-9814): OBR residential SDLT forecast
- House of Commons Library, Procurement statistics: a short guide: £461bn gross procurement in 2025-26, from PESA 2026
- OBR, Devolved tax and spending forecasts, November 2025: Scottish share of property transaction taxes

- OBR, Economic and fiscal outlook, November 2025: state pension spending of £163.3bn in 2030-31
- Cabinet Office, Civil Service Statistics 2026: headcount and FTE at 31 March 2026
- Civil Service World, Median salary rises by 6%: median civil service salary £37,820
- HMRC, Direct effects of illustrative tax changes: personal allowance and basic rate limit costings
- IFS, What do you need to know about the triple lock?: OBR expects 2.5% upratings in April 2028 and 2029
- interactive investor, Is the state pension triple lock on borrowed time?: triple lock 89% against CPI 60%, April 2011 to April 2026
- HM Treasury, Budget 2026 date

Media contact. Damian Pudner, Director, Great British Think Tank: dpudner@gbtt.info, 07593 970671

The Great British Think Tank is an independent economic and public policy research organisation.