BUSINESS BOARD NETWORK

Spring Statement

Key Points for Business Boards

Business Board Network

26 March 2025

Overview

Three key themes emerged – defence, public services reform, and growth. Much was reiterating what the government had already done in the Budget with some additional policy highlights backed by OBR data to support the chancellor's growth points. As Sky's Beth Rigby points out – "this was an intensely political performance from the Chancellor" – underpinning the Autumn Budget and the government's position.

Although the OBR halved the forecast for 2025 – it did increase the growth forecast for each year thereafter of the parliament and the Chancellor underlined these OBR figures.

The Chancellor also focussed on the planning reforms saying that the National Planning and Policy Framework with the mandatory housing targets had led the OBR to increase real terms GDP growth from 0.2% by 2029/2030 – with the explicit claim that her policies here are increasing growth by £6.8bn.

But there is a vast array of caveats and details in the OBR numbers. Initial reactions from some BROs can be viewed at **Annex A**.

The HM Treasury Spring Statement Policy Paper:	**available here**
The HM Treasury news release:	**available here**.
The OBR Economic and Fiscal Outlook:	**available here**

Defence

The Chancellor said she was "going further and faster to protect our national security and maximise the economic growth potential of the UK defence sector." The Spring Statement said:

1. Government is increasing the **defence budget** by £2.2 billion in 2025-26, taking additional spending on defence to over £5 billion since the Autumn Budget.
2. This raises spending on defence to **2.36% next year** and will be invested in fitting Royal Navy ships with Directed Energy Weapons five years earlier than planned.
3. Setting a minimum 10 percent ringfence for equipment spending on **emerging technologies** like drones and autonomous systems, dual-use technology, and AI-powered capabilities.
4. Government will get **new tech** to armed forces quicker by cutting away bureaucracy, with a new **UK Defence Innovation Unit** within the Ministry of Defence spearheading efforts to identify promising technology and ensure these get to the frontline at speed, while also bolstering the **UK tech sector** and crowding in private investment.

5. Government will create **bespoke procurement processes** for different types of military equipment, learning lessons from rapid support for Ukraine to drive faster timescale targets for operationalising new tanks, aircraft and other essential tools for modern warfare.
6. This government is determined to transform the defence sector into an **engine for growth** by focusing this investment on where it boosts the productive capacity of the economy such as investment in innovation and novel technologies.
7. As a result of the increase in defence spending to 2.5%, the government estimates this could lead to around **0.3% higher GDP** in the long run, equivalent to around £11 billion of GDP in today's money.
8. The government's investment in defence will also support its number one mission to **deliver economic growth** - creating a stable environment in which businesses can thrive, and supporting highly skilled jobs and apprenticeships across the whole of the UK.

The government says it will ensure that the benefits of defence spending will be felt by people in all nations and **regions of the UK**. Defence currently supports 434,000 jobs across the UK – employing 1 in 60 people – providing sustainable, high-quality and well-paid jobs across the country. The defence industrial base is geographically diverse – from shipyards in Scotland to missile plants in Stevenage. 68% of defence spending goes to businesses outside London and the South-East, bolstering regional economies from Northern Ireland to the North-West.

Later this year, in the upcoming **Strategic Defence Review** and **Defence Industrial Strategy**, MOD will detail how it is transforming the defence sector into an **engine for growth** that can rapidly integrate new technologies with our military capabilities. Both will set out reforms including:

There will be a significant increase in the proportion of MOD's equipment procurement spent on **novel technologies** such as dual use technologies, uncrewed and autonomous systems and AI-enabled capabilities, spending at least 10% from next year.

For too long **innovative companies**, **start-ups** and **SMEs** have struggled to engage with and see a pathway to scale through a slow and confusing MOD innovation landscape, which in turn makes it hard for these companies to secure the necessary investment to grow. The new UK Defence Innovation (UKDI) will significantly simplify and consolidate the current MOD structures for innovation in line with the government's agile state agenda.

The new UKDI will enable **innovative technology** to rapidly progress from idea to the front line to secure competitive advantage. It will drive significantly faster innovative procurement, and actively foster a strong UK defence technology sector.

Public service reform
The OBR have now set out their final assessment of costings and confirmed the welfare reform package will reduce welfare spending by £4.8 billion in 2029-30. Other measures in the Spring Statement include:

1. Modernising the Civil Service into a more productive and agile organisation that can effectively deliver the Plan for Change, underpinned by a 'digital revolution', while cancelling thousands of government procurement cards.
2. The Chancellor has confirmed the creation of a £3.25 billion Transformation Fund to support the fundamental reform of public services, seize the opportunities of digital technology and Artificial Intelligence (AI), and transform frontline delivery.
3. The Fund will invest in vital public services and accelerate the modernisation of the state by taking the next step to reform the children's social care system through an additional £25 million for the fostering system.
4. The fund will also support the managing offenders in the community, by providing £8 million for new technology so probation officers can focus on reducing reoffending, rather than filling out forms.
5. In addition, it will provide £42 million for three pioneering DSIT-led Frontier AI Exemplars. These Exemplars will test and deploy AI applications to make government operations more efficient and effective and improve outcomes for citizens by reducing unnecessary bureaucracy.
6. To create an agile and productive state we are also providing £150 million for government employee exit schemes. This will support a leaner and more efficient Civil Service, helping to reduce administration costs by 15% by the end of the decade.

The Chancellor also announced a package of measures to close the tax gap, raising £1 billion per year by 2029-30. The UK tax gap was estimated to be around £40 billion in 2022-23.

Growing the Economy
The Spring Statement said that:

1. The government will "go further and faster" to get Britain building, the Chancellor announced a further £13 billion of capital investment over the Parliament to go further on growth, on top of the £100 billion uplift announced at Autumn Budget.
2. This will deliver the projects needed to catalyse private investment, boost growth and drive forward the UK's modern industrial strategy - unlocking the potential of the Oxford Cambridge Growth Corridor which could add up to £78 billion to the UK economy by 2035.
3. Taken together, this greater capital investment more than offsets the modest savings on day to day spending and means the total departmental spending will increase over the next five years, when compared with plans in the Autumn.
4. Over this Parliament, the government is funding a £625 million package to boost skills in the construction sector, which is expected to provide up to 60,000 more skilled construction workers to support the government's plans to deliver 1.5 million homes in England over the parliament and progress vital infrastructure projects,
5. As part of this, the government is providing further support to scale up existing construction skills pathway over this Parliament through £100 million for 35,000 additional training places

in construction-focused Skills Bootcamps, supporting trainees, 'returners', and existing employees to succeed in the sector.

6. Building on the £40 million investment in the new Growth and Skills Levy at Autumn Budget 2024, the government is also providing a further £40 million to support up to 10,000 more young people to access new construction Foundation Apprenticeships, which will provide a key entry route into a thriving industry.
7. The government is ensuring there are enough skilled construction workers in the system, with £100 million to deliver 10 Technical Excellence Colleges specialised in construction across every region in England, and £165 million to increase funding for training providers delivering construction courses for 16-19-year-olds and adults.
8. The government is supporting employers to unlock further investment in training to deliver more skilled construction workers, and is providing £100 million, alongside a £32 million contribution from the Construction Industry Training Board to deliver up to 40,000 industry placements in construction each year.
9. Supported by the construction skills package, the government confirmed this week that there will be a £2 billion injection of new grant funding to deliver up to 18,000 new social and affordable homes. The new funding will only support developments on sites that will deliver in this Parliament, getting spades in the ground quickly to build homes in places such as Manchester and Liverpool.

The OBR expects the increase in housing supply will raise **long-run economic growth** sustainably, increasing the level of GDP by 0.2% by 2029-30, adding £6.8 billion to the economy. The effect on the economy within the forecast horizon is driven by increases in:

- Housing services – reflecting the welfare gains from having more housing space per person. This contributes around a third of the increase in GDP by 2029-30.
- Construction sector productivity – reducing regulatory constraints on the sector allows land, labour and capital to be reallocated to more productive uses in residential housebuilding.
- The OBR also judges that the increase in residential investment will raise aggregate demand between 2026-27 and 2028-29, raising GDP growth.

The **Regulation Action Plan**, published in March 2025, commits the government to cut the administrative costs of **regulation on business** by 25% by the end of the Parliament. It sets out the government's vision for a regulatory system that not only protects consumers and supports competition, but also encourages new investment, innovation, and growth.

The Spring Statement demonstrates the government's continued commitment to unleashing growth across the **regions of the UK**. The government has set the NWF's new strategic steer, which will see it delivering on the government's growth mission, including the core ambition to ensure growth is felt in all regions of the UK.

Following on from the publication of Invest 2035 in October 2024, the government will publish its **modern Industrial Strategy** alongside the Spending Review. This will set out the government and industry's 10-year plan to meet its shared ambitions for unlocking investment and accelerating growth across the 8 growth-driving sectors.

The government has committed £4.8 billion to the **Strategic Road Network** in 2025-26. The funding includes £1.3 billion for road renewals, which, alongside the £1.6 billion for local road maintenance, represents a record level of spending on fixing the road network.

The government is also confirming that businesses will be able to obtain certainty on the transfer pricing treatment of **Cost Contribution Arrangements** (CCAs) through the UK's Advanced Pricing Agreement programme.

At the Budget last autumn the government set out a commitment to **reforming the business rates** system to support the High Street and boost investment and published a discussion paper on priority areas for reform. In summer, the government will publish an interim report that sets out a clear direction of travel for the business rates system, with further policy detail to follow at the Budget this autumn.

The government is determined to ensure that the UK is the best place in the world to **start and grow a business** and is committed to fostering a positive, dynamic environment for entrepreneurs and scale-ups as a central part of the growth mission. The government will continue to work with leading entrepreneurs and venture capital firms on how policy supports that, including the role of tax reliefs such as the Enterprise Management Incentives Scheme, the Enterprise Investment Scheme and the Venture Capital Trust Scheme. As part of this, the government will be holding a series of roundtables with key stakeholders over April.

Boosting **skills** in construction is a crucial part of delivering on this government's plans to build 1.5 million homes in England this Parliament and progress vital infrastructure projects. At Spring Statement, the government is committing £625 million in England over four years to boost existing training routes, ensure a sustainable flow of skilled construction workers and support employers to invest in training. This is expected to deliver up to 60,000 additional skilled construction workers this Parliament. Those already delivering **skills bootcamps** have been asked to submit responses by 31 March on how they might increase construction delivery through additional funding.

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

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Annex A

Business Board Network Chair, Mark Bretton:
"With the economy battling constant headwinds and precarious growth – it is vital that we support our local business leaders to overcome these challenges and boost economic growth – whether that's getting ambitious Local Growth Plans in place, bolstering the opportunities for investment and innovation, underpinning the devolution agenda, building local skills, implementing the industrial and trade strategies at a local level, or delivering infrastructure at pace – it is business, particularly local business and our Business Board leaders, that are the catalysts best placed to deliver real world growth.

"We have done a vast amount of groundwork that has helped many regions establish successful and influential Business Boards across the country that are already making a positive impact on growth in their local areas – and, despite the funding challenges, we are determined that they and the local business voice continue to be championed and supported by the Business Board Network as they build in strength. They are key to successful economic growth."

CBI CEO Rain Newton-Smith:
"Weaker growth this year is a serious setback but not a surprise given the burden businesses are shouldering after the Budget….Firms are already braced for a difficult few months ahead with NICs, and National Living Wage increases next week.

"In its current form, the Employment Rights Bill risks imposing a significant regulatory burden onto companies with damaging consequences for growth, jobs and investment….

"The government must use the Spending Review to double down on unlocking investment to secure the more positive outlook for long-term growth. Setting a world-leading goal for R&D investment, giving employers the flexibility to choose the training and qualifications that make sense for their workforce, and improved public private partnerships to fund better homes, better schools and better transport would all help deliver growth."

Institute of Directors, Chief Economist, Anna Leach:
"The Chancellor has rightly responded to a fiscal rules 'miss' by taking proportionate action to reduce the deficit and re-build fiscal headroom. This was necessary to ensure market confidence and stability. But the balance of spending and tax measures is rather more tax rich than expected, with £5.6 billion more in tax receipts against £4 billion of spending cuts by 2029-30.

"There are some positives for growth – particularly with the OBR giving planning reform a thumbs up. Defence spending is rightly funded through retrenchment elsewhere…

"A fixation with whether or not this is a fiscal event misses the point. It is clear that a small fiscal rules shortfall has diverted huge amounts of government energy from more productive activity.

Once again, fiscal retrenchment is heavily backloaded to the final two years of the forecast, with departmental current budgets actually increasing in nominal terms before that once their NICs compensation is added in. And the OBR judge that the probability of meeting the target is only about 50%....

"It is clear that the updated fiscal rules are not yet delivering the necessary stability for departmental budgets and therefore for government policy. The greater emphasis on applying AI and innovative technology in the defence sector and in government is to be welcomed, given the imperative of improving public sector productivity."

British Chambers of Commerce Director General, Shevaun Haviland:
"…her statement was made against a backdrop of downgraded economic growth for 2025. It all paints a challenging spring landscape as businesses struggle to bloom. The government must focus on reducing the cost pressures for businesses, boosting investment and exports. Firms are realistic, but they are also hurting. Within days they will be faced with higher national insurance (NI) contributions and a rise in the national living wage. Our research shows 82% of businesses will be impacted by the NI hike – with firms forced to raise prices, postpone investment and cut back on recruitment.

"…The financial impact of the Employment Rights Bill has yet to be assessed by the OBR, but they expect it to be negative. The threat of US tariffs also looms large. The government is right to prioritise increased defence spending…we particularly welcome plans to make it easier for SMEs to bid for defence contracts…Investment in construction training to get the country building is encouraging…

"For the economy to grow, businesses need to thrive. Ahead of the Comprehensive Spending Review we'll be working closely with ministers to ensure that they create the right environment for firms."

Recruitment and Employment Confederation (REC) Chief Executive, Neil Carberry:

"Success for the Chancellor and this government comes from economic growth, and the Chancellor was right to emphasise this today. But economic growth comes from private sector success – generating the income that funds jobs, tax revenues and ultimately our public services. On that, we remain at a crossroads. The upcoming rise in Employer's National Insurance, anti-business rhetoric from some parts of government and worries about impractical new employment regulation are all acting as anchors on business confidence to invest….we need more from the government on the broader industrial strategy. Progress on reforming the apprenticeship levy, easing bureaucracy for employers and proper partnership working is what is needed now to underpin the labour market and unleash growth across all sectors."

Make UK

"Industry will welcome and support the Chancellor's focus on maintaining economic stability and, increases in infrastructure and defence investment but, it is clear the Chancellor will continue to face difficult spending choices amid the likelihood that investment in defence and security will have to rise further given the scale of threats we face. UK manufacturers stand ready to support the government to scale up our defence manufacturing, a critical national priority."