

HEADLINES

- **No new announcements** for tax or spending
- **Forecasts updated** to include policy measures announced since the Autumn Budget
- **Fiscal headroom** increases from £21.7bn at Autumn Budget to £23.6bn in today’s forecast.
- **CPI** – forecast to fall from 3.4% in 2025 to 2.4% in 2026 before reaching the 2% target in 2027.
- **GDP** – forecasts largely unchanged from November.
- **SEND** – Increase in RDEL by £4.1bn in 2028-29 following publication of Schools White Paper.
- **SEND Deficits** – no effect on public sector net borrowing as OBR already assumed deficits were an effective debt on LA balance sheets.
- **Social Care** and **future SEND deficits** highlighted as a risk to the forecast.
- No mention of **LGR**, the transfer of **Police Governance to Local Government**, or **Devolution**
- **Business Rates** – large year-on-year growth forecast, resulting from the 2026 revaluation and high value properties multiplier.

INTRODUCTION

On 3 March, Chancellor of the Exchequer, Rachel Reeves, announced the [Spring Statement 2026](#) in a [speech](#) in the House of Commons.

As with the Spring Statement 2025, this Statement was less significant than those of previous Chancellors, with Reeves looking to maintain the Government’s commitment of holding only one full fiscal event per year, in the autumn. The statement was made on a Tuesday – not the usual Wednesday after Prime Minister’s Questions. Throughout her speech, the Chancellor referenced “*stability*” and “*certainty*”. At the time of writing, there appears to be no further HM Treasury report to accompany the statement.

The OBR assessment of the Chancellor’s economic policies and economic forecasts have been published in its Economic and Fiscal Outlook (EFO) but, following a security review (after the early publication of the EFO last autumn) this is now published on gov.uk [here](#).

As announced at the Autumn 2025 Budget, the OBR will now only explicitly assess whether the Government is on track to meet its fiscal rules at Budgets, not Spring Statements; helping to support the Treasury’s intent that the Spring Statement is a ‘fiscal non-event’. Nevertheless, the Chancellor confirmed that headroom was increasing from £21.7bn at the end of the forecast period at the Autumn budget to £23.6bn in today’s forecast.

This briefing outlines the key announcements in the Statement, particularly those of interest to local government. References to the relevant pages in the Budget Report for each announcement are included in square brackets.

BACKGROUND

On 20 February the ONS [published](#) its most recent statistical release on the public sector finances. The main headline was that initial estimates suggested that there was a record £30.4bn surplus in January 2026, £15.9bn higher (or double) than January 2025, and £6.3bn higher than the forecast at the November 2025 Budget.

Whilst the cost of borrowing has been a little lower than the OBR previously expected, this is partly offset by lower-than-expected growth.

Inflation remains above the 2% target with the Bank of England now expecting inflation to slow much more quickly in 2026, thanks for energy price cuts and other bill freezes announced at the Budget. The current forecast is for inflation to reach target in the following months.

At the most recent meeting of the Monetary Policy Committee the Bank held interest rates at 3.75%, with 4 of the 9 members voting to cut the rates by 0.25%. The Bank hinted at further interest rate cuts to come in 2026; the next interest rate decision is 19 March.

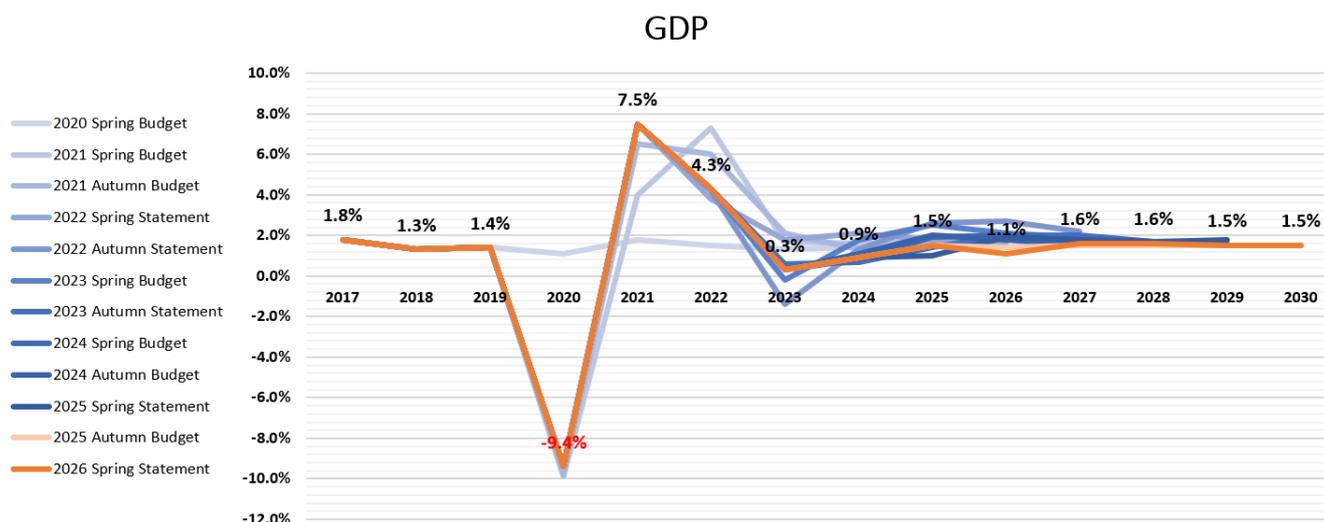
ECONOMY

Fiscal Headroom

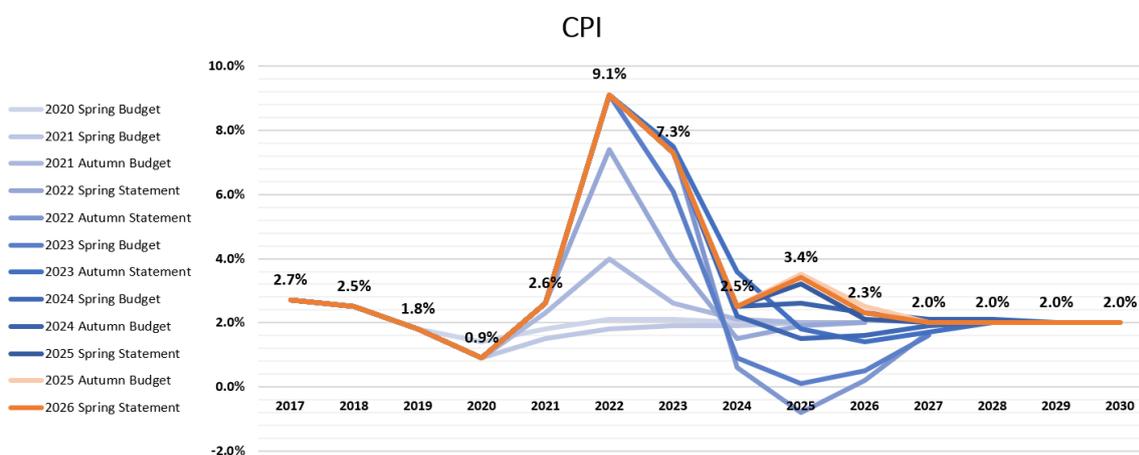
The Chancellor confirmed in her speech that headroom at the end of the forecast period had increased from £21.7bn in the Autumn Budget to £23.6bn in today's forecast.

The OBR's forecast has been updated to include Policy Measures announced since the Autumn Budget – including the partial reversal of the inheritance tax changes for agriculture (costing around £0.1bn annually), the changes to business rates on pubs (also estimated to cost around £0.1bn annually) and the announcement that the Government will repay 90% of the SEND High Needs deficits (see section below).

GDP – The Chancellor admitted in her speech that the growth forecasts were largely unchanged. The OBR has downgraded their estimate for GDP next year (2027) from 1.4% to 1.1% but increased the forecasts for 2028 and 2029 by 0.1 percentage points to 1.6% each year.

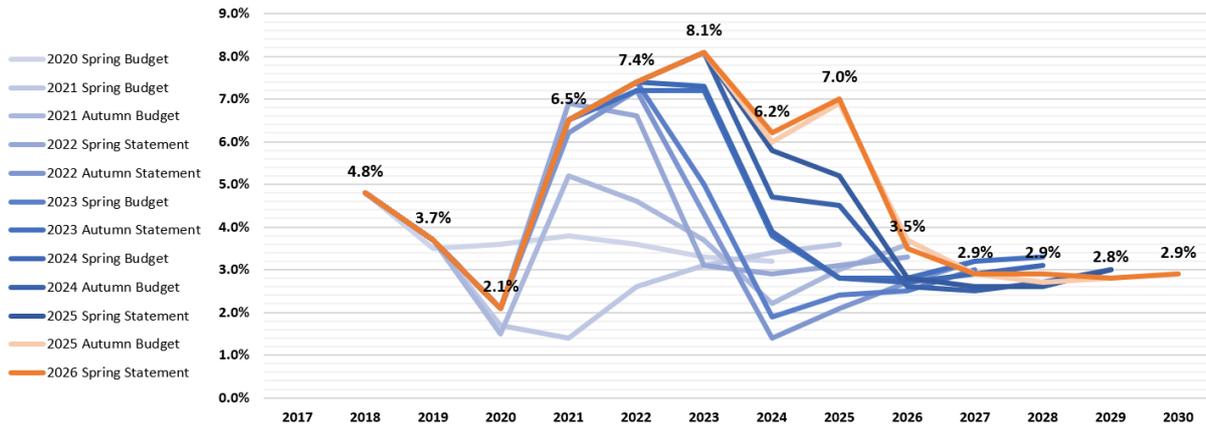


Inflation – The OBR highlight the slowing wage growth, lower food and energy prices as contributing to forecast CPI falling from 3.5% to 3.4% in 2025, and 2.5% to 2.4% in 2026. From 2027 onwards they forecast inflation to be at the 2% target.



Employment – The forecast for Wages and Salaries are largely unchanged from those shared at the Autumn Budget. Slightly higher in 2024 and 2025 before falling slightly below the previous forecast in 2026.

Wages and Salaries

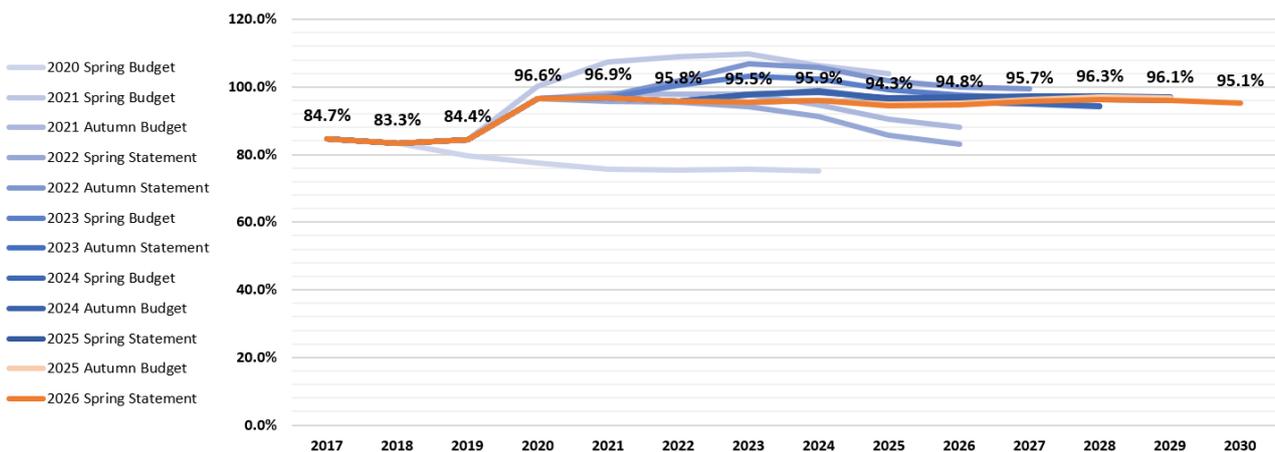


Regarding earnings, the OBR say that nominal weekly earnings growth has been strong in recent years, averaging around 5.5% a year between 2023 and 2025, mainly driven by high inflation. However, there has also been some recovery in real wages, partly driven by tight labour market conditions. More recently, real weekly wage growth has slowed to below 1% in late 2025 after averaging 2.5% in 2024. The slowdown has been in private sector pay growth, partly offset by stronger public sector pay growth due to base effects from the timing of pay awards.

Debt, Deficit and Borrowing – During the COVID-19 pandemic, forecasts for public sector net debt (PSND) showed very sharp rises followed by falls from around 2023-24 onwards. The largest OBR forecast predicted a peak at 109.7% of GDP for 2023-24.

Today’s forecasts show a much flatter profile between 94.3% in 2025-26 and 96.3% in 2028-19 before falling in the last year of the forecast to 95.1% in 2030-31. Whilst this does satisfy the Chancellor’s rule to have debt falling by the end of the forecast period, the OBR highlight that this is due to a one-off set of TFS repayments to the Bank of England expected that year.

PSND % of GDP



Public Sector Net Debt as a Percentage of GDP from 2017 to 2030

UPDATED FORECAST

OBR forecasts include the expected impact of all firm and final policy decisions announced since the previous forecast. This forecast therefore incorporates all such policy measures announced since the Budget in November 2025.

SEND: 2028-29 Onwards

In November 2025, the OBR estimated that the Government faced a £6.3 billion pressure from funding all SEND spending within the overall DEL envelope from 2028-29. The Government has since increased the RDEL envelope by £4.1 billion in 2028-29 (averaging £4.2bn annually between 2028-29 and 2030-31) and published SEND policy reform plans in the long-awaited Schools White Paper: '[Every Child Achieving and Thriving](#)'.

The OBR conclude that the provision of this additional funding has materially reduced the spending pressure, but uncertainty around the impact of the reforms represents a continued risk to the forecast. The Government's modelling assumes that the rate of increase in new Education, Health and Care Plans (EHCPs) will slow between now and 2029-30 and projects that the share of school pupils with an EHCP will fall from 2029-30 onwards.

However, the OBR point out that the Government has not set out specifically how the reforms will deliver this or provided estimates of any related cost savings. They also highlight that previously planned changes to the eligibility for public spending programmes, such as the replacement of disability living allowance with personal independence payment for extra-cost disability benefits, did not achieve the savings planned.

The OBR also highlight the risk that reforms could increase spending in the short term if the volume of assessments increases ahead of September 2029 when EHCP assessments are due to change. **[OBR EFO 4.13]**

The OBR's commentary goes on to acknowledge the Government announcement to reimburse LAs for 90% of their SEND deficits accumulated through to the end of 2025-26, through a one-time transfer of £6bn in 2026-27. However, they highlight that local authorities are forecast to accumulate around £9bn more in DSG deficits in 2026-27 and 2027-28. **[OBR EFO 4.19]**

SEND: 2025-26 and 2026-27

There are several risks to the central forecast for local authority borrowing, including the risks to local authorities from recognising SEND deficits, which the OBR estimate would reach £14 billion in 2028-29¹.

On 9 February, the Government announced that it would reimburse local authorities for 90% of these SEND deficits accumulated through to the end of 2025-26 through a one-time transfer of £5.6 billion in 2026-27. While this transfer partly mitigates these risks, local authorities are forecast to accumulate around £9 billion more in DSG deficits in 2026-27 and 2027-28 **[OBR EFO 4.19]**

The OBR states that this £5.6bn transfer to repay deficits is within the public sector and so neutral for public sector net borrowing (PSNB), but there are consequences for the Central Government Net Cash Requirement (CGNCR). The OBR estimate that LAs will respond to this transfer by repaying £1.9bn of their existing PWLB debts, thus resulting in a net £3.7bn increase to the CGNCR in 2026-27. **[OBR EFO 5.17]**

Exceptional Financial Support

The OBR highlight the growing number of authorities granted Exceptional Financial Support in 2026-27. In 2017-18 just one authority was granted EFS, whilst in 2026-27 that figures rose to 37.

The OBR have not built any future EFS into their forecasts due to it not having a multi-year commitment, but they highlight this omission, together with the pressures outlined above, as a significant risk to local government spending. **[OBR EFO 4.19]**

¹ Local authorities receive a ring-fenced grant from the Department for Education to pay for mainstream and special needs education for children and young people – the dedicated schools grant, or DSG. Since 2020, the DSG has been insufficient to cover SEND spending, and the Government has introduced a temporary 'statutory override' allowing local authorities to ignore SEND spending above the DSG (the DSG or SEND deficit) for the purpose of recording a balanced budget. This is in place until 2028-29 after which local authorities would need to recognise these deficits on their balance sheets. This would very likely result in many local authorities being unable to meet their statutory requirement to balance their budgets.

Social Care

The OBR acknowledges the rising demand for statutory services such as temporary accommodation and asylum accommodation, and adult and children's social care as a continued significant risk to local authority finances. It highlights that housing services and social care for both adults and children now make up around 30% of local authority service expenditure in England, compared to around 20% in 2015-16. **[OBR EFO 4.19]**

Business Rates

The OBR forecast business rates receipts to be £34bn in 2025-26, 5.2% higher than 2024-25. This is driven by the standard multiplier increasing by CPI inflation and less generous reliefs for retail, hospitality and leisure sectors.

Receipts are then forecast to rise by 10% in 2026-27 to £37bn, due to the revaluation adding 3.75% to gross rates payable, and increased multiplier for high value properties and the CPI increase in the standard multiplier. These increases are only partially offset by the measures in the Budget capping bill increases and the subsequent increase in reliefs for pubs and music venues announced in January.

When compared for the November forecasts, receipts are forecast to be an average £0.1bn higher, mainly due to updated information on the revaluation. In 2026-27 to 2028-29, this is offset by the £0.1 billion annual cost of the reliefs for pubs and music venues announced in January, which are set to expire alongside the scheduled April 2029 revaluation. **[OBR EFO 3.31]**

An increase in safety net payments to local authorities and an associated fall in levy receipts following the business rates retention reset costs £0.3 billion in 2026-27. **[OBR EFO Annex B.2]**

Local Authority Borrowing

Likely to be as a result, in part at least of the EFS announcements, the OBR have increased their forecasts for LA borrowing in 2023-24 by £0.2bn, and £1.7bn in 2024-25 to £17bn.

The latest 2024-25 estimate is £8bn higher than the forecasts produced last March. The latest indications from MHCLG suggest that borrowing in 2025-26 could be 8% higher than 2024-25. The result is that OBR are forecasting LA net borrowing will reach £18bn in 2025-26; £1.9bn higher than the previous forecast.

This means that LA borrowing over the past three years will have averaged £15bn a year, compared to £8bn a year in the three years preceding the pandemic.

The OBR point to the financial pressures facing local authorities, but they still assume that borrowing will fall gradually from current levels over the forecast period, due to:

- No need to borrow for SEND post 2028-29, when it will be funded by the Government (i.e. no need to borrow)
- The assumption that pressures in the sector will limit its ability to draw down reserves or borrow, or in other words EFS in future years has not been built into the forecast. The OBR highlight this as a risk to their forecast and the TST would tend to agree. **[OBR EFO 4.18]**

OTHER ANNOUNCEMENTS

In her Spring Statement the Chancellor made no mention of:

- the transfer of **Police Governance to Local Government**;
- the **Fire and Rescue service**; or
- additional tax or spending commitments.