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Treasury Eyes Reform to Reduce UK Fiscal Volatility

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Chancellor Rachel Reeves is reviewing proposals to limit fiscal announcements to a single annual update, aimed at reducing economic uncertainty and avoiding disruptive mid-year tax or spending reversals. The move follows recommendations from the International Monetary Fund and is designed to support long-term planning and stability.

Chancellor Rachel Reeves is considering reforms to streamline the United Kingdom's fiscal planning by reducing the number of major economic updates from two to one per year. The proposal comes in response to volatility in recent fiscal cycles and is intended to prevent short-term corrections that risk unsettling investors and businesses. The move is also in line with recommendations from the International Monetary Fund, which has advised the government to adopt a more measured approach to tax and spending decisions.

Under the new model, the annual fiscal statement, typically delivered in the autumn, would become the only official event for announcing tax and spending measures. Spring updates, currently mandated by the Office for Budget Responsibility (OBR), could be scaled back or abolished entirely. The aim is to limit overreactions to minor forecast deviations, which have previously triggered unplanned policy reversals.

Reeves is also examining a threshold that would allow the government to tolerate small breaches in its self-imposed fiscal rules, up to 0.5% of Gross Domestic Product (GDP), until the next scheduled fiscal event. This would, in theory, allow ministers to avoid knee-jerk cuts or tax hikes prompted by short-term shifts in economic projections.

While supporters of the change argue that it would offer more predictability to the markets and businesses, others caution that reducing fiscal responsiveness could weaken accountability. A former Treasury adviser warned that the reforms may be viewed as an attempt to delay necessary decisions or open the door to higher public borrowing.

Treasury officials insist the core fiscal targets will remain unchanged. These include the commitment to ensure public sector net debt is falling

as a share of GDP and that the current budget is balanced by 2029–30. The proposed adjustment is, they argue, about timing and process, not relaxing the government's long-term financial discipline.

From a centre-right perspective, a single, stable fiscal update each year could offer much-needed certainty to small businesses, investors, and households. By avoiding frequent policy shifts, the government can build confidence and create a more attractive climate for long-term investment. However, any shift must be matched by a clear commitment to restrain public spending and avoid stealth tax increases.

As the Autumn Budget approaches, the Chancellor must now decide whether fiscal stability will come from predictability or risk further political backlash if the public perceives it as an attempt to mask future economic pressures.