

Labour is going to announce a budget black hole everyone...

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The [Guardian is reporting](#) the least surprising news of the morning:

Rachel Reeves is expected to reveal a £20bn hole in government spending for essential public services on Monday, paving the way for potential tax rises in the autumn budget.

They added:

Labour sources said the blame lay with the Tory government, describing it as a “shocking inheritance” and accusing the former chancellor of “presiding over a black hole and still campaigning for tax cuts”.

And they note:

They pointed to spending concerns on the asylum system, welfare, defence and prisons. However, work is still being done on the audit and the final figure of £20bn could shift as officials examine the spending commitments of each department.

Why is this not surprising? It is because all of this was foretold. Take [this from the Institute for Fiscal Studies](#) in March, after Jeremy Hunt's last budget:

One thing is for certain. Whoever is chancellor after the next election, they are going to have one heck of a difficult circle to square. They will inherit historically high taxes, struggling public services, a big debt interest bill, the highest debt in 60 years, and poor growth. The first post-election budget and spending review will contain some nasty surprises.

In other words, everything that Rachel Reeves will say on Monday was already known. We knew that his forecasts were dubious, and included cuts to spending no one thought deliverable. That's what a Chancellor who knows he cannot be in office to deliver his Budget can do. But note, the Office for Budget Responsibility, in which Labour puts so much faith, signed that off.

So what happens next? The Guardian suggests:

Experts expect she will be forced to announce tax changes in the budget, with options including capital gains or inheritance taxes and slashing other tax reliefs. Reeves has ruled out changes to income tax, VAT, national insurance and corporation tax – the largest revenue raisers.

In other words, she will have to pick from the selection of tax changes outlined in The Taxing Wealth Report, as I always thought would be the case, which is why I wrote it.

So why has Labour denied this reality for so long? That's where its own fiscal credibility comes into question.

Reeves has choices, including borrowing more, or simply extending the government's overdraft with the Bank of England, which is called the Ways and Means Account. Doing so would provide the growth stimulus she says the economy needs. But what will she do? Are tax increases coming? Only time will tell.