Spring Budget 2024 – Note for NAVCA Members

6 March 2024

Headlines

- Extension of the Household Support Fund for a further six months to September 2024.
- 2% reduction on employee national insurance contributions.
- Public spending will increase by 1% higher than inflation over the next parliament.
- The Long Term Plan for Towns is extended to 20 new places.

Political Overview

There is welcome news on the extension of the Household Support Fund for a further six months, and for those in employment a further reduction of 2% on employee national insurance. However, the budget was limited in scope and whilst there was much political rhetoric there were few real new announcements. Currently, there is no additional funding for adult social care, local authorities or education, and only very limited investment in housing in a couple of areas. There was no announcement on the timing of the Comprehensive Spending Review which is due during the calendar year.

The 1% increase in government spending over inflation is insufficient to meet increasing demand and rising costs, and sticking to this will require significant cuts to unprotected departments of around £20Bn per year by 2028. This will put further pressure on all aspects of public service delivery and limit the discretionary funding available even further. However, various commentators including the credit rating agency Moody's think that it is unlikely that these spending cuts for unprotected departments are realistic or even achievable in the next parliament, due to the existing spending commitments in place.

Announcements such as the abolition of the non-dom tax status and its use to fund the cut in national insurance, will tie the hands of any future government.

General Economic Situation

Inflation, currently 4% is expected to fall to below 2% within a few months. The Office for Budget Responsibility [OBR] expects growth to be 0.8% this year, and 1.9% next year – higher than previously expected. Underlying debt will fall as a share of the economy to 92.9% in 2028/29, with borrowing falling over next five years to 1.2% of GDP. Paul Johnson of the Institute of Fiscal Studies [IFS] says that this will depend on implementing extremely tight spending plans which will imply cuts for many public services.

The OBR reports that tax as a share of GDP will fall slightly this financial year (due to the cut in national insurance in January). It then rises gradually in every year of its forecast, rising to 37.1% of GDP in 2028-29. This is the highest level since 1948 and 4 percentage points above pre-pandemic levels of 33.1%. More people will pay tax in each of the tax bands as tax allowances remain frozen.

Public Services

Public spending will increase by 1% higher than inflation over the next parliament. Paul Johnson of the IFS has commented that keeping planned growth in day to day spending at 1% per year in real terms over next parliament, with bigger increases for health, defence, and childcare, means that other public services will need to be cut by an estimated £20Bn per year by 2028.

An extra £2.5Bn for the NHS in 2024-25 to improve performance and reduce waiting times.

A public sector productivity plan costing £4.2Bn, for public services to invest in IT systems, new technologies such as AI and reduce the amount of administration carried out by frontline workers. Of this £3.4Bn will go to the NHS for digital transformation, including making the NHS app a single front door for patients and rolling out universal electronic patient records. This is predicted to generate £35Bn in savings by 2030. The remaining £800M is expected to generate £1.8Bn in productivity improvements from other public services over the next five years. There will be £230m for drones and new technology including facial recognition to free up police officer time. £75M for extension of the Violence Reduction Unit model across England and Wales.

Household Finance

The Household Support Fund will continue for the next six months from April to September 2024 with £500M to be distributed via local authorities.

For people in receipt of DWP advance loans the time for the repayment programme will increase from 12 months to 24 months, from December 2024 onwards. The £90 fee for debt relief orders is abolished.

The High Income Child Benefit Charge will move to assessment by household in April 2026 and the threshold for it to apply will increase to £60,000 from April 2024.

Charities

The Digital Markets, Competition, and Consumers Bill currently in the Lords, is introducing new protections for consumers who take out subscription contracts. The government will amend existing Gift Aid legislation by Statutory Instrument so that charities can continue to claim Gift Aid while complying with these new protections. The government's intention is that these amendments to the Gift Aid regime will be in place by the time the relevant provisions of the Bill come into force.

Tax

From April 2024 employee national insurance will be cut from 10% to 8%, and self-employed NICS from 8% to 6%.

This has been funded in part by the abolition of the non-dom tax status from April 2025, which will raise £2.7Bn per year by 2028/29.

The sunset clause on the Energy Profits Levy will be extended by a year to March 2029, raising £1.5 billion

Alcohol duty remains frozen until February 2025 and the freeze in fuel duty will continue.

The VAT registration threshold is increased from £85,000 to £90,000 which will take around 28,000 small businesses out of paying VAT altogether.

Full expensing [a capital allowance] will be extended to leased assets. Draft legislation will be published shortly.

A duty on vapes will be introduced from October 2026, alongside a one-off increase in tobacco duty. This will raise a combined £1.3 billion by 2028/29.

Other Measures

Nurseries and preschools future funding will rise with a combination of inflation, earnings and the National Living Wage. The hourly rate providers are paid to deliver the free hours offers for children aged 9 months to 4 years, will increase for the next two years in line with the figures used in the Spring Budget in 2023, an estimated additional £500M.

The Long-Term Plan for Towns is extended to 20 new places across the UK, providing £20M of endowment style funding over a 10 year period. The full list of towns is: Royal Sutton Coldfield, Darlington, Runcorn, Canvey Island, Thetford, King's Lynn, Ramsgate, Eastbourne, Harlow, Newton-le-Willows, Rawtenstall, Wisbech, Carlton (Gedling), Bedworth, Arbroath, Peterhead, Kirkwall, Rhyl, Derry/Londonderry, and Coleraine.

The government is providing an additional £5M for the Platinum Jubilee Village Halls Fund.

Devolution

There will be a new North-East trailblazer devolution deal which comes with a funding package potentially worth over £100M.

The government has finalised the first of the Level 2 Devolution powers agreements with Surrey County Council, Buckinghamshire Council and Warwickshire County Council.

£6M from community regeneration projects with the King's Foundation to pilot how community led regeneration projects anchored around heritage assets and sustainability considerations can complement government's wider place-based initiatives for levelling up, subject to business case approval.

£100M has been allocated to levelling up culture projects (subject to business case), recognising the important role that culture and pride in place have to play in levelling up. DLUHC will publish a full list and explanation on gov.uk.

For more information see: https://www.gov.uk/government/publications/spring-budget-2024