NAVCA Policy Briefing: Autumn Budget
30 October 2024

Headlines

- National Living Wage to rise by 6.7% to £12.21 from April 2025. The National Minimum Wage for 18 to 20-year-olds will rise to £10 per hour, an increase of 16.3%.
- Working age benefits will increase by 1.7% from April 2025 in line with the September figure for inflation.
- The employer national insurance contribution [NIC] will increase by 1.2%, from 13.8% to 15% from April 2025. The threshold above which employer NIC is paid will be reduced to £5000 from £9100.
- £1Bn for Household Support Fund and Discretionary Housing Payments in 2025-26.
- Most departments have seen an increase in funding, with a 1.5% real terms increase in revenue funding and a 1.7% increase in capital expenditure across government.
- 2% in productivity and efficiency savings will be expected across all departments.
- The overall budget for local government has increased by £1.3Bn primarily through additional funding for social care [£600M], and £230M for homelessness and rough sleeping.
- There will be a £22.6Bn increase for day-to-day spending for the NHS and an increase of £3.1Bn in the capital budget for 2024-25 and 2025-26.
- The UK Shared Prosperity Fund [UK SPF] will continue for a further year at a reduced rate of £900M.
- £240M for pathfinder projects for employment support programmes as part of plans in the Get Britain Working White Paper.
- Charitable relief for business rates is retained, including for charity shops. There will be 40% relief for retail, hospitality and leisure (RHL) properties from 2026-27, up to a maximum of £110,000.
- The Department Expenditure Limit [DEL] for DCMS has reduced by £100M from the current financial year to £2.3Bn in 2025-26.

Implications for Local Infrastructure

This budget is characterised by increases in spending, taxes and borrowing. This will go some way to addressing the spending plans of the previous government, which were widely considered to be implausible as they required significant cuts to government spending across all departments of around £20Bn.

The most significant impacts for local infrastructure organisations [LIOs] will be the increases in National Living Wage and Employer National Insurance Contributions. Whilst the increase in National Living Wage will make a positive and very welcome difference for many millions of low-paid workers, particularly those aged 18-20, for the VCSE sector this poses two issues. Firstly, increases in salary and National Insurance costs will not be covered within existing grants and contracts. This will either squeeze overheads or see organisations having to subsidise additional costs from reserves or other charitable sources. Secondly, this further reduces the differential in pay between roles that are paid National Living Wage, with officer / administrative roles attracting salaries of £23-27,000 per annum. This is unlikely to aid continuing recruitment challenges. The costs of increased employer NICs are likely to be reflected in reduced wage increases over the next couple of years, contributing to continued pressure on overall household income for many employees.

The significant injection of **additional day-to-day and capital spending into the NHS** is extremely welcome. The change in approach to thinking about health is currently being consulted on via proposals for a Ten Year Plan for the NHS. Moving from hospital to community, sickness to prevention, and from analogue to digital will require a sizeable contribution from the VCSE sector and local infrastructure, which needs to be fully funded and resourced.

The continuation of the **Household Support Fund** [HSF] and Discretionary Housing Payments [DHP] will alleviate some pressures on the poorest households, and enable many VCSE organisations to provide frontline services for the most vulnerable. It is currently unclear how funding will be allocated between the HSF and DHP, though funding both of these will help relieve potential additional unfunded costs that would have been borne by both the VCSE sector and councils if funding had stopped in April 2025.

The continuation of the **UK Shared Prosperity Fund** [UK SPF], albeit at a reduced total of £900M for 2025-26, is very welcome. However, the total amount available to local authorities will reduce by £600M from £1.5Bn in 2024-25. This will enable the continuation of important work conducted by many LIOs and VCSE organisations, and prevent a cliff edge in April 2025. However, there will still be cuts in funding given the reduced overall budget, and the future for UK SPF and other Levelling Up funds will not be confirmed until the Spending Review, due to be published in late spring 2025.

Local government has done comparatively well from this budget, although many local authorities will still face significant budgetary pressures. Additional funding for social care, homelessness, HSF, special educational needs [SEND] and UK SPF, will bring some limited relief. We look forward to learning more about government plans to support local authorities in most difficulty, and reforms that will return the sector to a sustainable financial position.

The Office for Budget Responsibility and the Resolution Foundation both suggest that these spending plans are more plausible than previous government spending, which would have seen significant cuts across all departments, but there will be considerable pressure on spending within the forthcoming spending review, due to be published in late spring.

NAVCA Response

NAVCA will continue to work on behalf of its members and the VCSE sector for sufficient and sustainable funding from central and local government grants and contracts, to cover both existing and additional costs. In welcoming proposals for reform of local government funding, we will advocate for long term multi-year funding agreements that take the value and contribution of local infrastructure and VCSE sector into account, and for continuation of funding such as UK SPF.

We will be talking to MHCLG, DHSC, DCMS and others to push the case for local infrastructure within the spending review.

Employer National Insurance Contributions

The rate of employer NIC will increase by 1.2%, from 13.8% to 15%, from 6 April 2025. The per-employee threshold at which employers start to pay National Insurance will be reduced from £9,100 per year to £5,000 per year. This means that more low paid jobs are brought into employer NIC.

Gross Income £	**Additional Employer NIC per annum From 5 April 2025 [estimates]**
30,000	+£866
22,220 [National Living Wage – 35 hrs per week]	+£773
9,000	+£600 – would previously have been zero

The Office for Budget Responsibility, the Institute for Fiscal Studies and the Resolution Foundation both suggest that these additional employer costs will feed through either as reduced wage growth or a reduction in wages [for those not on National Living or Minimum Wages]. These organisations suggest that it is unlikely that, overall, there will be fewer people working as a result.

To support small businesses including charities and community sports associations, the Employment Allowance which reduces employer NI liability, will increase from £5,000 to £10,500. This will effectively reduce the total employer NI liability by £10,500 in 2025-26 and will apply to all eligible employers. HM Treasury estimate that 865,000 employers will pay no NICs next year, and a further 1 million will pay the same or less NI than last year. Further information is needed to understand the full implications of this for VCSE organisations.

Ministry of Housing, Communities and Local Government (MHCLG)

The Department Expenditure Limit [DEL] for MHCLG will be £12.6Bn for 2025-26. This represents an increase of £300M from 2024-25.

The UK Shared Prosperity Fund will be continued at a reduced level for a transition year by providing £900M for local authorities to invest in local growth, in advance of wider funding reforms. The Long-Term Plan for Towns will be retained and reformed into a new regeneration programme.

Core Levelling Up Fund projects to revitalise high streets, town centres and communities will receive £1.0Bn in 2025-26.

New local growth plans will be developed with places [no definition of ‘place’ given].

Integrated funding settlements in Greater Manchester and the West Midlands will be implemented from April 2025, giving Mayors meaningful control over funding and improving the fragmented funding landscape for Mayoral Combined Authorities with a flexible single pot.

An additional £500M to the Affordable Homes Programme in 2025-26, increasing the annual budget to £3.1Bn.

Local Government

The Local Government Finance Settlement provides a total of £11.4Bn in 2024-25 and £14.3Bn in 2025-26. This is equivalent to an annual real-terms growth rate of 10.2% from 2023-24 to 2025-26. This includes an additional £1.3Bn of new funding for local authority services, including:

- £600M for social care
- £233M for homelessness and rough sleeping.

There will be further detail in the Local Government Finance Settlement due in late November. The Red Book for the budget indicates that the government will have a framework in place to support local authorities in most difficulty, and that they are committed to pursuing a comprehensive set of reforms to return the sector to a sustainable financial position. Further details are awaited and will include a targeted approach to allocating additional funding in the 2025-26 financial year, and redistribution of funding through a multi-year settlement from 2026-27.

The Department of Health and Social Care (DHSC)

The Department Expenditure Limit for DHSC will be £214.1Bn in 2025-26. This is equivalent to an annual average real-terms growth rate of 3.8% from 2023-24 to 2025-26. Resource spending is set to increase by £22.6Bn, with a £3.1Bn increase in the capital budget.

This means that the NHS budget has been frontloaded in Phase 1 of the Spending Review so Phase 2 which will report in the spring of 2025 is unlikely to be as generous.

Other investment includes:

- £86M increase to the Disabled Facilities Grant to support around 7,800 more adaptations to homes for those with social care needs to reduce hospitalisations and prolong independence

- £1.5Bn for new surgical hubs and diagnostic scanners to build capacity for over 30,000 additional procedures and over 1.25 million diagnostic tests, and new beds across the estate to create more treatment space in emergency departments
- £70M to invest in new radiotherapy machines to improve cancer treatment
- £26M to open new mental health crisis centres
- £1Bn will be invested to rebuild hospitals with RAAC concrete, and address the backlog of critical maintenance, repairs and upgrades across the NHS estate
- £2Bn for technology and digital to run essential services and drive productivity improvements.

DCMS

The Department for Culture, Media and Sport (DCMS) settlement provides total DEL funding of £2.3Bn in 2025-26, a decrease of £100M from the current [2024-25] financial year.

There were no specific announcements made that relate directly to the VCSE sector. There was reiteration of funding for culture, grassroots sport and major events but no new investment announced.

Department of Work and Pensions

The Department for Work and Pensions (DWP) settlement provides total DEL funding of £10.8Bn in 2025-26. This is equivalent to an annual average real-terms increase of 6.3% from 2023-24 to 2025-26.

The settlement provides £1Bn in 2025-26 to extend the Household Support Fund in England and Discretionary Housing Payments in England and Wales. Local authorities will use this funding to support households facing the greatest hardship

Low-income households on Universal Credit (UC) needing to make repayment of UC advances will have repayments capped at 15% [reduced from 25%] of the standard allowance, benefitting 1.2 million households by allowing them to keep more of their UC award each month.

There will be £2.7Bn in 2025-26 for DWP to deliver individualised employment support programmes and reduce health related inactivity. This includes £800M for disability employment support and £240M for pathfinder projects as part of the Get Britain Working White Paper, which will be published soon.

From April 2025, to support unpaid carers, the government will increase the Carer's Allowance weekly earnings limit from £151 per week to the equivalent of 16 hours at the National Living Wage.

Education

The core schools budget will increase by an additional £2.3Bn in 2025-26, resulting in a real terms increase of per pupil funding.

- A £1Bn increase to Special Educational Needs and Disabilities (SEND) and Alternative Provision funding for local authorities, equivalent to 6% real terms increase.
- An additional £300m for further education focused on skills development.
- An additional £1.8Bn billion to continue the expansion of government-funded childcare
- £30M for the rollout of free breakfast clubs in 2025-26
- £69M to continue delivery of a network of Family Hubs.

Further Information

Autumn Budget 2024

https://www.gov.uk/government/topical-events/autumn-budget-2024

The Treasury Red Book – Autumn Budget 2024
https://assets.publishing.service.gov.uk/media/672232d010b0d582ee8c4905/Autumn_Budget_2024__web_accessible_.pdf

Resolution Foundation Analysis: More, More, More

https://www.resolutionfoundation.org/app/uploads/2024/10/More-more-more.pdf

The Institute of Fiscal Studies: Autumn Budget 2024: initial IFS response

https://ifs.org.uk/articles/autumn-budget-2024-initial-ifs-response

Further Information

You can find out more about NAVCA's research and policy work by going to our website: https://www.navca.org.uk/policy-work / https://www.navca.org.uk/research.