

Spring Budget 2024-25



On-the-Day Briefing: Impact on local government

Overview

The Chancellor of the Exchequer, Jeremy Hunt MP, delivered the Spring Budget for 2024-25 on 6th March 2024. This announcement outlined a set of measures aimed at delivering long-term growth. Alongside this fiscal event, the Office for Budget Responsibility (OBR) published its economic and fiscal forecasts. **This briefing focuses on the Budget's impact on local government, London and the cost of living for Londoners.**

Key Headlines for London Local Government

- **Household Support Fund** – The Household Support Fund will continue at current levels for an additional six months to 30 September 2024, but government did not indicate what will happen beyond this date.
- **Housing: Development** – The Government is providing £240m for housing developments in Barking Riverside and Canary Wharf and £4m to set up the Euston Housing Delivery Group to support plans to develop up to 10,000 new homes.
- **Housing: Right to Buy Receipts** – The Government is raising the cap from 40% to 50% on the percentage of the cost of a replacement home that can be funded by right-to-buy receipts.
- **Public Sector Productivity Programme** – The Government will provide £4.2bn towards increasing productivity, £3.4bn of which will go to the NHS. Some of the remaining funds will pilot the use of AI to support planning authorities to streamline their local plan development process.
- **Public Spending** – Planned departmental resource spending for the years beyond the current Spending Review period (2025-26 to 2028-29) will continue to grow at 1% a year on average in real terms.

Economic Outlook

- The OBR's economic outlook is largely consistent with its forecast in November 2023. However, inflation has receded quicker than expected with markets now expecting a sharper decline in interest rates. This has strengthened near-term growth prospects.
- GDP forecasts have declined slightly in the near-term since November but improved over the medium term. GDP grew by 0.1% in 2023 (0.4% lower than projected in November).
- Despite improved forecasts in the near-term, the OBR outlook states the medium-term economic and fiscal outlook remains challenging due to high debt, subdued economic growth and the highest interest rates for more than a decade.

Key Economic and Fiscal Indicators

- The Budget largely meets the Government's fiscal targets, including declining public sector net-debt in the final year of its forecast, maintaining £8.9bn in fiscal headroom, and public sector

borrowing lower than 3% of GDP. However, the OBR states there is significant risk in their forecasts that could result in the Government missing its fiscal targets.

- CPI inflation was 4.2% in the final quarter of 2023, 0.6% lower than forecast by the OBR in November. The OBR expects inflation to fall further to an average of 2.2% in 2024 and 1.5% in 2025 before returning to 2.0% by the end of the forecast period.
- Interest rates are expected to fall at a faster pace than projected in November. The Bank Rate is expected to fall to 4.20% by the end of 2024 from its peak of 5.25%. Interest rate forecasts remain volatile over the longer term.
- Weak GDP growth in the near term is expected to drive a modest rise in the unemployment rate in 2024. Unemployment is expected to rise from 3.8% in 2023 to 4.5% by the end of 2024. This forecast is largely unchanged from November.
- Real household disposable income per person, a measure of real living standards, is expected to increase faster than expected, returning to its pre-pandemic peak by 2025-26 (two years earlier than the November forecast). This increase is largely driven by lower-than-expected inflation.
- Public sector net borrowing is expected to be £114bn in 2024-25 and decrease to £39bn by 2028-29. This is slightly less than the November forecast in the near term but remains largely unchanged by the end of the forecast period.
- As a share of GDP, borrowing is expected to fall from 4.2% in 2023-24 to 1.2% in 2028-29.

Table 1 – Key Economic Indicators

	Outturn		Forecast				
	2022	2023	2024	2025	2026	2027	2028
	Percentage change on a year earlier, unless otherwise stated						
Gross domestic product (GDP) growth	4.3	0.3	0.8	1.9	2.0	1.8	1.7
CPI	9.1	7.3	2.2	1.5	1.6	1.9	2.0
Employment (millions)	32.9	33.1	33.2	33.5	3.8	34.1	34.3
LFS unemployment (%)	3.9	4.1	4.4	4.4	4.2	4.2	4.1
	Outturn		Forecast				
	2022	2023	2024	2025	2026	2027	2028
Public sector net borrowing (% GDP)	5.0	4.2	3.1	2.7	2.3	1.6	1.2
Public sector net borrowing (£B)	128.7	114.1	87.2	77.5	68.7	50.6	39.4
Public sector net debt (% GDP – Excl. Bank of Eng.)	84.9	88.8	91.7	92.8	93.2	93.2	92.9
Public sector net debt (£Bn)	2,540	2,691	2,793	2,820	2,903	2,995	3,078

Source: Office for Budget Responsibility - Economic & Fiscal Outlook, March 2024, Annex A Tables TA1 and TA9

Key Announcements

Public Spending

- Planned departmental resource spending for the years beyond the current Spending Review period (2025-26 to 2028-29) will continue to grow at 1% a year on average in real terms.
- The Treasury stated the next Spending Review would not take place until after the General Election.
- The wider outlook for public spending remains challenging as the planned departmental spending increases mentioned above imply potential cuts for non-protected departments, including local government.

Household Support Fund

- The Government announced the Household Support Fund will continue at current levels for an additional six months to 30 September 2024. London boroughs received £137m for the 12 months ending March 2024, so they will receive about half this amount for the six month extension. The fund supports the most vulnerable households with their living essentials, such as food and utilities.
- The Government also stated it will consult on options to better target economic support to households in times of crisis, although the timing and scope is unknown.

Housing

- The Government announced funding for housing development in London: £124m for 7,200 homes in Barking Riverside and £118m for 750 homes in Canary Wharf.
- Building on the Long-Term Plan for Housing announced in July 2023, the Government also announced £4m to set up the Euston Housing Delivery Group to support plans to develop up to 10,000 new homes in London.
- The Government is raising the cap from 40% to 50% on the percentage of the cost of a replacement home that can be funded by right-to-buy receipts.
- There will be a £20m investment in social finance to build up to 3,000 homes and improve capacity for local community groups to deliver housing, but the location of the homes is unclear.
- The Government committed £3m to match industry-led funding for a skills and education programme for local planners in planning authorities.
- The Government will abolish the Furnished Holiday Lettings tax regime from April 2025, subject to the passage of legislation.

Business Rates

- There will be a 40% relief on gross business rates for eligible film studios in England from April 2024 to 2034 (backdated as this will take time to implement). Local authorities will be fully compensated for the loss of income.
- The Empty Property Relief reset period will be extended to thirteen weeks from 1 April 2024.
- The Government will consult on a “General Anti-Avoidance Rule” for business rates in England.

Local Government Pension Scheme

- Taking effect from April 2024, new annual reporting guidance will require LGPS funds to provide a summary of asset allocation, including UK equity investment, as well as provide greater clarity on progress of pooling through a standardised data return. This will also apply to defined contribution pensions.

Health

- Funding for the NHS in England will increase by £2.5bn for 2024-25 up to a total budget of £165bn.
- An additional £3.4bn investment will be made into NHS digital infrastructure aiming to improve productivity as laid out in the Long Term Workforce Plan last year.

Adult Social Care

- The budget included £3.5m for two new data pilots for implementing AI in education and improving access to data in adult social care. This is based on the design details of the data research cloud pilots from last year.
- Continued and additional funding was confirmed for the Changing Futures programme, which is using locally led pilots in fifteen areas (including Westminster), to test a person-centred approach to improving outcomes for adults facing multiple disadvantages.

Children's Social Care

- There will be £45m of match funding to councils to build an additional 200 open children's home placements and £120m to fund the maintenance of the existing secure children's home estate.
- Additionally, new proposals will be published later this year to combat profiteering in the sector and explore options of leveraging LGPS funding to unlock investment in new children's homes.

Education

- With locations to be confirmed in May 2024, there will be £105m for 15 new special free schools that will create over 2,000 additional places for children with special educational needs and disabilities (SEND).

Public Safety & Violence Against Women and Girls

- There will be £75m of funding over three years from 2025 to expand the Violence Reduction Unit model across England and Wales with the aim of preventing violent crime and reducing the burdens on healthcare, schools and criminal justice.
- The Private Law Pathfinder Pilot aims to improve the experience of the courts for victims and survivors of domestic abuse through identifying needs earlier and providing specialised support.
- From 6 March 2024, the rules for claiming First-Time Buyers' Relief from Stamp Duty Land Tax in England and Northern Ireland will be amended so that individuals buying a leasehold residential property through a nominee or bare trustee will be able to claim First-Time Buyers' Relief, including victims of domestic abuse.

Net Zero

- There will be £600bn of planned public sector investment over the next five years for future growth supporting energy security, net zero and UK's vital services.
- Landfill tax rates for the year 2025-26 will be adjusted to better reflect actual RPI and ensure the tax continues to incentivise investment in more sustainable waste management infrastructure.

Employment & Business Support

- The Turing Institute, based in London, will receive up to £100m over the next five years. The National Theatre will receive £26.4 million to upgrade stages and infrastructure. There will also be a permanent higher rate of tax relief for theatres, orchestras, museums and galleries.
- For SMEs, the Government is renaming and extending the 'Recovery Loan Scheme' to 'Growth Guarantee Scheme', which is extended through March 2026. The scheme will continue to offer a 70% government guarantee on loans up to £2m. The VAT registration threshold will be increased from £85,000 to £90,000 (but then set to be frozen).
- A new UK ISA and British Savings Bond for individuals will allow personal savings to be issued to invest in British firms, giving them greater up-front capital.
- The Government also indicated it will consult on expanding full expensing to assets for leasing.

Transport

- The Government is working with Lendlease (the Euston Master Development Partner) and the London Borough of Camden to identify parts of the Euston station site for early release and development. The Government is establishing a Ministerial Taskforce to oversee the next stages of delivery as well as a Euston Housing Delivery Group to explore options to deliver housing opportunities.

Devolution

- The Government announced new Level 4 devolution deals with the North East Mayoral Combined Authority, West Yorkshire, Liverpool City Region, and South Yorkshire Combined Authority, and added new Level 4 powers for West Midlands Combined Authority.
- The Government announced it finalised Level 2 devolution deals with Buckinghamshire Council, Surrey County Council and Warwickshire County Council.

Cost of Living

- The Government will raise the threshold for the High Income Child Benefit Charge (HICBC) from £50,000 to £60,000 from April 2024, coupled with raising the taper cut-off threshold to £80,000. The Government's ultimate aim is to move this from an individual to a household charge, which they plan to consult on before April 2026.
- The Budget allowed for an increase in the repayment period on budgeting advance loans taken out by Universal Credit claimants from 12 to 24 months. This will apply to new Budgeting Advances taken out from December 2024 and will reduce the cost of monthly repayments.
- Government will maintain the rates on fuel duty at current levels, including the continuation of the previous 5p cut, until April 2025. It will also remove the current £90 fee to take out a Debt Relief Order (DRO), increase the debt value threshold from £30,000 to £50,000, and increase the car allowance for those under a DPO up to £4,000.
- Additional funding, at a to-be-determined amount, will support the processing of increased volumes of disability benefit claims to increase system capacity and meet increased demand.
- The Government extended the duration of the Additional Jobcentre Support pilot for a further 12 months. As part of the pilot extension, claimants will be required to accept new commitments and agree to more work requirements.

General Taxation

- The Government had a headline tax measure to reduce National Insurance contributions by 2p, cutting the main rate from 10% to 8% and from 8% to 6% for the self-employed.
- Non-domiciled status is also being abolished from 6 April 2025. This means anyone tax resident for more than four years in the UK will have to pay tax on their foreign income and gains. There will be transitional arrangements put in place for current 'non-doms'.
- The Government announced changes in the Capital Gains Tax, cutting the higher rate for residential property from 28% to 24% from 6 April 2024.
- Two reforms to Stamp Duty Land Tax (SDLT) are being introduced:
 - The abolition of Multiple Dwellings Relief for purchases completed after 1 June 2024.
 - Acquisitions by Registered Social Landlords will not be liable for SDLT from 6th March 2024 if they purchase property with a public subsidy. Public bodies will also be exempted from 15% anti-avoidance rate of SDLT.
- Other tax measures announced in the Budget which have less bearing on local government include: an Alcohol Duty rate freeze; a Tobacco Duty increase and the introduction of a vaping products duty; an increase of air passenger duty rates; and changes to the VAT registration threshold for small and medium sized enterprise.

Appendix A – Public Spending Figures

Table 1 - Total Managed Expenditure 2022-23 to 2028-29
(in £bn unless otherwise stated)

	Outturn 2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Current expenditure							
Resource AME	589.2	565.5	580.9	598.1	622.5	640.5	664.2
Resource DEL excluding depreciation	441.4	455.4	462.2	473.0	485.9	499.8	514.4
Ring-fenced depreciation	20.5	62.0	47.4	48.4	49.6	51.0	52.5
Total public sector current expenditure	1,051.1	1,082.9	1,090.4	1,119.6	1,158.0	1,191.3	1,231.1
Capital expenditure							
Capital AME	6.0	22.7	17.8	13.8	14.1	14.2	13.9
Capital DEL excluding ringfenced depreciation	100.3	110.7	118.1	118.3	118.2	117.6	116.7
Total public sector gross investment	106.3	133.4	136.0	132.1	132.2	131.7	130.6
Total managed expenditure	1,157.4	1,216.3	1,226.3	1,251.7	1,290.3	1,323.1	1,361.7
<i>Total managed expenditure % of GDP</i>	<i>45.3%</i>	<i>44.5%</i>	<i>44.0%</i>	<i>43.5%</i>	<i>43.2%</i>	<i>42.8%</i>	<i>42.5%</i>
of which: Total DEL	541.7	566.1	580.3	591.3	604.1	617.4	631.1

Source: HMT Budget 2024, page 29, Table 2.3

Table 2 – Total Departmental Expenditure Limits (Total DEL) from 2022-23 to 2025-26
(in £bn unless otherwise stated)

	Outturn 2022-23	2023-24	2024-25
Total Resource DEL excluding depreciation, Energy support, and SCAPE funding	428.9	455.4	456.8
Energy support funding in DEL	12.5	-	-
SCAPE funding	-	-	5.3
Allowance for shortfall		-4.7	-2.9
Total Resource DEL excluding depreciation, post Allowance for shortfall	441.4	450.7	459.2
Total Capital DEL excluding Energy support funding	98.3	110.7	118.1
Energy support funding in DEL	2.0	-	-
Remove Capital DEL not in Public Sector Gross Investment	-10.5	-9.2	-12.5
Allowance for shortfall	-	-5.8	-6.4
Public Sector Gross Investment in Capital DEL	89.8	95.6	99.2
Total departmental spending (Total DEL)	531.2	546.3	558.4

Source: HMT Budget 2024, pages 25-27, Tables 2.1 & 2.2

Table 3 – OBR Forecasts for England: Council Tax and Business Rates to 2028-29
(in £bn unless otherwise stated)

	Outturn	Forecast					
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Council tax	36.3	38.7	40.8	43.0	45.3	47.8	50.4
% change – CT receipts	-	6.6%	5.3%	5.2%	5.3%	5.4%	5.4%
% change – CT rate	-	5.1%	4.6%	4.3%	4.3%	4.3%	4.3%
% change – CT base	-	1.5%	0.7%	0.9%	1.0%	1.1%	1.1%
Business rates*	28.2	29.5	32.1	35.4	36.3	36.7	37.4
% change	-	4.6%	8.8%	10.3%	2.5%	1.1%	1.9%

*Business rates are for the UK as there is no England-only forecast available.

Source: OBR Economic and fiscal outlook, March 2024: page 150, Table A.5; Supplementary table 4.1