6.3.24

NCF Briefing: The Spring Budget 2024

Earlier today, the Chancellor Jeremy Hunt delivered his Spring Budget to parliament. As expected, there were no new announcements for adult social care. Instead, the budget was focused on delivering pre-election tax cuts at the long-term expense of public services. It also appears to be an attempt to constrain the public spending of any future government. Any ambition that might have remained to deliver on the 2019 manifesto promise to 'fix adult social care' or to deliver on the 2021 People at the Heart of Care reform plan is well and truly gone.

- The budget documents can be found at this link.
- A transcript of the Chancellor's speech can be found at this link.
- NCF's full response can be found at this link.
- Response from the Care and Support Alliance at this link.

The big announcement was a further 2p cut to National Insurance but this and other tax cuts announced appear to rely on at least £19bn a year cuts to the day-to-day spending of government departments and public services post-election according to the Resolution Foundation. Similarly, the OBR has stated that by *"leaving departmental spending plans largely unchanged amid higher inflation growth, [the Chancellor] has also chosen no real growth in spending per person on public services over the next five years."* Departments are likely to see real terms of cuts of 2.3% a year from 2024/25 according as a result. The IFS agrees and states that the Chancellor's assumptions would require *"cuts to unprotected services of around 3.3% per year….This compares with cuts of 6.1% per year to those areas between 2009–10 and 2014–15…".* Public sector investment spending is set to fall by a full 31 per cent as a share of GDP between 2024-25 and 2028-29, a cut equivalent to £17 billion in real terms. Despite all of this the tax burden is still set to rise – rising by the equivalent of £3,900 per household.

The Chancellor has essentially set a trap for the next government by announcing that there will be no spending review until after a general election to allocate cash to government departments and make the difficult decisions about spending cuts – that's been left to the next government.

This budget is yet another demonstration of this government undermining its pledges to deliver adult social care reform. We are struck that we have gone from a position where there was a dedicated Health and Social Care Levy to "fix social care once and for all" in 2021, to one where National Insurance has been cut by 4p in the space of a year.

It is clear the Chancellor has missed a key opportunity to address the huge funding pressures on local government and social care providers alike – these pressures are leading to multiple councils from across the political spectrum declaring bankruptcy due to the spiralling costs of social care. For the thousands of people who are waiting for assessments and care packages, this budget does nothing to improve the accessibility or availability of care. For the organisations providing care and support, it does nothing to address the ongoing workforce and recruitment challenges.

We continue to call on the government to take a long-term, strategic approach to investment in adult social care as a key part of the nation's infrastructure. Adult social care is a public service which unlocks economic growth, enables people to return to work, reduces demand on other public services and leads to more social cohesion. A summary of the key announcements below.

Summary of Key Announcements

Our full summary of the measures that may impact or be of interest to members is below.

Themes from Budget Document

Reforming Public Spending

DEL Spending Assumption from 2025-26 to 2028-29 – 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. Departmental capital spending will follow the cash profile set at Autumn Statement 2023, adjusted where new commitments on productivity are funded in addition.

Public Sector Productivity Programme – The government is committing £4.2 billion of funding at Spring Budget 2024 to improve the productivity of the public sector. This includes £3.4 billion of additional Capital Departmental Expenditure Limits (CDEL) over three years from 2025-26 as part of the NHS's productivity plan in England, investing in technological and digital transformation to help unlock £35 billion cumulative savings by 2029-30, and £0.8 billion to wider public services to deliver up to £1.8 billion of benefits over the same period. **Note that all this funding is coming after the election – the Chancellor has in effect announced extra spending that doesn't exist – it would be for the next government to deliver and fund in the next Spending Review.** The 'NHS Productivity Plan' is being paid for by cutting revenue spending by another £800m a year post-election. It seems ludicrous to suggest that £3.4bn will deliver £35bn worth of productivity savings in the NHS.

Additional funding for the NHS – The government is allocating an additional £2.5 billion to the NHS in England for 2024-25 – this appears to be to avoid a real-terms spending cut between this year and next. More short-termism in action!

Children's Social Care reform – The government will provide £45 million match funding to local authorities to build an additional 200 open children's home placements and £120 million to fund the maintenance of the existing secure children's home estate, and rebuild Atkinson Secure Children's Home and Swanwick Secure Children's Home. The government will also develop proposals on what more can be done to combat profiteering, bring down costs and create a more sustainable market for residential placements which it will publish later this year. Furthermore, it will work with the Local Government Pension Scheme to consider the role they could play in unlocking investment in new children's homes. Considering the lack of adult social care in the budget, it is interesting this made it in, as is the focus on profiteering.

NHS agency staffing – The government will work with NHS England to reduce the costs of agency staffing including ending the use of expensive "off- framework" agency staffing from July 2024, while ensuring that emergency cover can continue. NHS England will also introduce measures to review agency price caps, tighten controls and rules around agency staffing, and improve support and transparency.

A fair and sustainable tax system

Replacing Non-UK Domicile tax rules with a residence-based regime – This one has been nicked from Labour. This measure abolishes the remittance basis of taxation for non-UK domiciled individuals and replaces it with a simpler residence-based regime. Individuals who opt into the new regime will not pay UK tax on any foreign income and gains arising in their first four years of tax residence, provided they have been non-tax resident for the last 10 years. This new regime will commence on 6 April 2025 and applies UK-wide. The government will introduce the following transitional arrangements for existing non-doms claiming the remittance basis:

- an option to rebase the value of capital assets to 5 April 2019
- a temporary 50% exemption for the taxation of foreign income for the first year of the new regime (2025-26)
- a two-year Temporary Repatriation Facility to bring previously accrued foreign income and gains into the UK at a 12% rate of tax.

The government will also reform Overseas Workday Relief (OWR). Eligible employees will be able to claim OWR for the first three years of tax residence, benefitting from income tax relief on earnings for employment duties carried out overseas but with current restrictions on remitting these earnings removed. Further detail on eligibility criteria will be set out in due course following engagement with stakeholders.

The government is also announcing the intention to move to a residence-based regime for Inheritance Tax (IHT) and will consult in due course on the best way to achieve this, including consulting on a 10-year exemption period for new arrivals and a 10-year 'tail-provision' for those who leave the UK and become non-resident. No changes to IHT will take effect before 6 April 2025

Rewarding working people

National Insurance contributions (NICs) rates – The government will cut the main rate of Class 1 employee NICs from 10% to 8%. This will take effect from 6 April 2024. The government will also make a further 2p cut to the main rate of self-employed National Insurance on top of the 1p cut announced at Autumn Statement. This means that from 6 April 2024 the main rate of Class 4 self-employed NICs will now be reduced from 9% to 6%. According to the Resolution Foundation people earning £26,000-£60,000 would be better off overall. An employee on £16,000 would be the worst affected proportionally. Higher rate taxpayers will be £400 worse off.

Supporting people into work

Extending Additional Jobcentre Support (AJS) pilots and introduction of new claimant commitments – The government is extending the duration of the current AJS pilot, currently live in 90 Jobcentres in England and Scotland, for a further 12 months. As part of the pilot extension, claimants will also be required to accept a new claimant commitment at 6, 13 and 26 weeks, agreeing to more work requirements or have their claim closed.

Additional funding to support the processing of increased volumes of disability benefit claims – The government is providing additional funding that will increase system capacity to meet increased demand, and therefore enable people to get the right support in a timely manner.

Housing

Capital Gains Tax: Higher rate cut for residential property – From 6 April 2024, the higher rate of Capital Gains Tax for residential property disposals will be cut from 28% to 24%. The lower rate will remain at 18% for any gains that fall within an individual's basic rate band. Private Residence Relief will continue to apply, meaning the vast majority of residential property disposals will pay no Capital Gains Tax.

Stamp Duty Land Tax: Abolition of Multiple Dwellings Relief – From 1 June 2024, Multiple Dwellings Relief, a bulk purchase relief in the Stamp Duty Land Tax regime in England and Northern Ireland, will be abolished. Property transactions with contracts that were exchanged on or before 6 March 2024 will continue to benefit from the relief regardless of when they complete, as will any other purchases that are completed before 1 June 2024. The government will engage with the agricultural industry to determine if there are any particular impacts for the sector that should be considered further.

Stamp Duty Land Tax: Acquisitions by Registered Social Landlords and public bodies – Legislation will be updated to ensure that from 6 March 2024, registered providers of social housing in England and Northern Ireland are not liable for Stamp Duty Land Tax (SDLT) when purchasing property with a public subsidy and public bodies will be exempted from the 15% anti-avoidance rate of SDLT.

Stamp Duty Land Tax: First Time Buyers' Relief for nominee purchasers – 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.

Supporting Households

Fuel duty main rates – The government is freezing fuel duty rates for 2024-25, a tax cut worth £3.1 billion over 2024-25. The temporary 5p cut in fuel duty rates will be extended until March 2025 and the planned inflation increase for 2024-25 will not take place.

Prepayment meter (PPM) levelisation – As announced by Ofgem on 23rd February, the government is delivering on its commitment to remove the prepayment meter (PPM) standing charge premium on an enduring basis, saving PPM customers an average of £50 a year.

Changes to Debt Relief Orders – The government is making changes to Debt Relief Orders (DROs) in England and Wales. In April 2024, the government will remove the £90 administration fee. In June 2024, the government will amend eligibility criteria for DRO entry, raising both the maximum debt value threshold and the maximum value of motor vehicles. Scotland and Northern Ireland will receive equivalent Barnett Consequential funding.

Universal Credit: extending Budgeting Advance repayment periods – The government will increase the maximum repayment period on new budgeting advance loans from 12 months to 24 months. This will apply to Budgeting Advances taken from December 2024 onwards.

Household Support Fund Extension – To help the most vulnerable households with the cost of essentials such as food and utilities, the government is also providing an additional £500 million (including Barnett impact) to enable the extension of the Household Support Fund in England from April to September 2024

SMEs

Extension of the Recovery Loan Scheme (RLS) – The Recovery Loan Scheme has been renamed as the Growth Guarantee Scheme and extended until the end of March 2026. The scheme offers a 70% government guarantee on loans to SMEs of up to £2 million in Great Britain, and £1 million in Northern Ireland.

HMRC guidance on retraining tax deductibility – HMRC has published new guidance around the tax deductibility of training costs for sole traders and the self- employed. This guidance ensures that updating existing skills, maintaining pace with technological advancements, or changes in industry practices, are allowable costs when calculating taxable profits. See here as well as BIM42526 and BIM35660.

VAT registration threshold: increase to £90,000 – The government will increase the VAT registration threshold from £85,000 to £90,000, and the deregistration threshold from £83,000 to £88,000, freezing them at these levels. These changes will apply from 1 April 2024.

Unlocking Investment in Growth through the financial system, savings, pension funds, and or international investment offer

Pensions Lifetime Provider – The government has confirmed that it remains committed to exploring a lifetime provider model for Defined Contribution (DC) pension schemes in the long-term. The government will undertake continued analysis and engagement to ensure that this would improve outcomes for pension savers, and build on the foundations of reforms already underway, including the Value for Money Framework.

Green Industries

Regulation of Environmental, Social and Governance Ratings – The government will regulate providers of Environmental, Social and Governance (ESG) ratings to users within the UK. ESG ratings providers will be brought into the regulatory perimeter of the Financial Conduct Authority. Full consultation response and legislative steps will follow later this year. The original consultation can be found here.