Budget 2024

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GK's View

The mission to grow the economy: The Chancellor of the Exchequer, Rachel Reeves today delivered Labour's first Budget in almost 15 years, the first by a woman Chancellor in the position's 803-year history. This was a seminal moment for the new Government after a lacklustre first three months in office. A significant stage in which the Chancellor set the direction of the Government for the years to come – restoring economic stability and delivering a decade of national renewal.

The statement was a departure from the doom of the early months of the government with a message of hope – a 'belief in Britain burns brighter than ever' and a pledge to put money back in people's pockets and deliver economic growth. However as heavily trailed, the Budget has delivered significant tax rises across the economy. The prelude that difficult decisions would see the greatest burden fall on those with the broadest shoulders has resulted in additional planned revenue generation of £40bn. With higher taxes and commitment to capital spend this is a classic tax and spend Budget, against a backdrop of poor near-term growth, rising to 2 per cent in 2025 before falling to around 1.5 per cent over the remainder of the forecast.

This was a confident and powerful statement, centred around large and sustained increases in spend, tax and borrowing, concluding with the message that the country would be rebuilt with significant capital investment across transport, health and education and investment delivered across the four nations in the industries of the future, underpinned by a modern industrial strategy, including in the aerospace, automotive, creative and life sciences sectors. A Budget to rebuild Britain.

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Analysis from GK Strategic Advisers

***David Laws**, former coalition government minister*
Reflections on tax and public services

"Budget 2024 saw a decisive break from those of the last 14 years - a return to tax and spend.

Reeves has decided to spend big - adding some £78bn per year more to public services and capital spend by 2029/30. Around £40bn of this will be funded by higher taxes, and the rest by higher borrowing.

On tax, an increase of £26bn in employers NICs will bear most of the burden, with capital gains, inheritance tax and "compliance" making up most of the rest. In "nice" surprises on tax, there is no petrol duty hike, no further extension of the tax allowance freeze, and - very surprisingly - pretty much nothing from pension tax. But the tax burden will rise to a historic high of 38.3% by 2027/28.

On spending, the surprise is the huge planned rise between 2023/24 and 2025/26 - a big rejection of the cautious approach taken by Brown and Blair from 1997-1999. The NHS gets an extra £22.6bn over this period for day to day spend and £3.1bn for capital spending - a lot! But the initial burst in real spending will slow after 25/26, with real day to day spending growing by 2.0% from 23/24 to 29/30, and by 1.5% from 2026. A key economic risk is whether this slowdown is credible.

On growth, the Office of Budget Responsibility is basically forecasting no change in the anaemic outlook. If Labour's growth plan succeeds, they forecast this will have a long term impact, but nothing this Parliament.

Borrowing is higher too - but this is largely explained by the plan to borrow much more for investment spending.

Education is a winner in this initial spending review - with a big real rise of 3.4% in day to day spend next year- more for schools, colleges, breakfast clubs, and SEN - and an even larger rise in the school building budget. There is no retreat on VAT on school fees, which will start in January 2025.

The next Spending Review (late Spring 2025) will look further at the issue of Children's Social Care and SEN.

The City has mostly taken all this in its stride - as close to expectations.

But how do we sum it up? The Budget is good news for most public services, and means more capital spend by the government, which might help long term growth. On tax, some of the painful options have been avoided. and the big rise falls on employers.

But raising taxes is never popular and the government will need to show positive results. The rise in employer taxes will also be partly passed on in lower wage settlements. And how will business respond to this? If they don't invest more, the outlook for growth will remain poor. And the Spending Plans from 2026 onwards could still come under upward pressure. It remains to be seen whether the UK can deliver on growth. If not, the country may be stuck with higher taxes instead".

***Robert Halfon**, former Conservative government minister and Education Select Committee chair*
Reflections on the impact on skills and education

"Most of the increased spending on education focuses on core school expenditure (and breakfast clubs), along with significant increases to the capital budget. Of the £6.7 billion announced, £950 million will be allocated to 'skills' capital spending.

While the £300 million for further education (FE) is significantly smaller in comparison, it represents additional funding (assuming it is indeed extra money and not just eaten up in funds to meet NI rises or wages et al). More details are expected to emerge in the coming days. We must wait to see if this funding includes apprenticeships, as the Chancellor did not mention this during her Budget speech. However, there is £40 million that will be allocated for foundation apprenticeships, demonstrating the government's commitment to paid 'pre-apprenticeships.'

The substantial additional investment aimed at "unlocking growth industries" such as aerospace, automotive, and life sciences indicates the government's direction for developing skills in these sectors to achieve the necessary economic growth.

There is some disappointing news regarding the Lifelong Learning Entitlement (LLE), which has been delayed for a year and is now not expected to begin until 2026/27. However, on a positive note, the government has committed to moving forward with the LLE, as there has been little said about LLE since the election.

Skills England was also mentioned in the Budget and seen as one of the critical levers for growth.

For those on welfare benefits, £240 million will be invested in 16 trailblazer projects to get inactive recipients back to work - focused around education, employment and training.

All in all, a mixed bag. Some (relatively) good news at least for further education - but the proof of the pudding is in the eating".

Steve Brine, *former Conservative government minister and Health Select Committee chair*
Reflections on the Conservative mood and impact on health and social care

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"My initial reaction to the Autumn Budget of 2024, largely focused on health and social care as it is, comes with a health warning of its own.

More than 14 years in Parliament, watching Budgets up close, has taught me there's always two stories to any fiscal event; what's reported (largely what the Chancellor wants reported) on the day and what unfolds in the days and weeks after. This is focused on the former.

Unusually for a Budget, much of the GOOD news in health was briefed the day before (Tuesday) as the Secretary of State did the morning media round.

In a nutshell, that revolved around a focus on the Labour manifesto promise of 40,000 more appointments and procedures in England per week; although I note that figure has been shifted to 30,000 in the Treasury Budget documents.

For this, £1.57bn of capital investment was announced for the next financial year (2025/26) to be spent on new surgical hubs and scanners.

Whether this is new money - as the £1.8bn found shortly after the election to reduce waiting lists for elective care - has to be seen in the context of the overall capital budget for next year. Taken together these figures total very near the £3.1bn NHS capital figure included in the Chancellor's speech for this year and next.

Of course, it is impossible to know what impact this investment will have without a commitment for the next two years to fund the revenue needed to support this level of additional activity. Independent analysis speaks to a revenue funding gap due to recent pay awards and other overspending by systems so a lot of scrutiny will now fall in coming days on the £22.6bn increase in "day to day NHS spending" (which is actually for 2023-24 through 2025-26) announced in the Budget.

That was described by the Chancellor as a "down payment" (so more money before reform did come) on the pending NHS Ten Year Plan and in real terms is 4.0% growth.

Focus will now likely be on how new that money is, how much is to be spent on pay uplifts (and the rise in employers NICs) and how much of it is dependent on the system hitting its' 2% productivity target as set out in the workforce plan.

The overall policy aim is to return the NHS in England to meeting the 18-week elective waiting time target by the end of this Parliament as outlined in the NHS Constitution. It was not clear from the Budget statement whether any use of the independent sector will form part of this increased activity for patients. In reality that will depend on how well local NHS systems keep the money in the public sector (they will) and how well NHSE really police that (they won't).

There was no substantive mention of social care except for a modest uplift (£600m) as seen in previous years. Perhaps more telling was a comment from the Secretary of State on Radio 4 (Tuesday morning) which said "as with the NHS, we need a serious ten year plan for social care". Watch this space.

Overall story for health remains the Ten Year Plan, which the Chancellor repeated as being published in the "Spring" and the next phase of the CSR which is where the rubber really hits road in what reform - shaped around Wes Streeting's three shifts - looks like.

Conservative response - a visibly angry Rishi Sunak, making his last appearance at the dispatch box, said the Government are damaging the economy for political gain, fiddling the fiscal rules and making "broken promise after broken promise". He said Labour are on an "enormous borrowing spree" and "working people will pay the price".
