association for public service excellence

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Autumn Budget 2024 analysis

To: England, Scotland, Wales, Northern Ireland

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Introduction

On Wednesday 30 October, the Chancellor of the Exchequer, Rt Hon Rachel Reeves MP, presented the Autumn Budget 2024. This was the first Labour budget since March 2010.

In the intervening period, the UK has been through a tumultuous 15 years, including:

- A recession resulting from the global financial crisis in 2008-09 and consequent credit crunch;
- Public spending reductions – "austerity" – lasting more than a full Parliamentary term;
- Three important democratic votes in successive years: the referendum on Scottish independence, the 2015 general election and the referendum on departing the European Union;
- Parliamentary gridlock during the "Brexit" negotiations, an early general election in 2017, a change of Prime Minister and a further general election in December 2019;
- The Covid-19 pandemic, which had an impact on the economy and in particular the public finances similar to that of a world war – restrictions started in March 2020 and continued until the second half of 2021;
- Russian full-scale invasion of the Ukraine in February 2022; together with aftershocks from the pandemic, this caused spiralling inflation and a cost-of-living crisis;
- The "partygate" revelations, the subsequent change of prime minister in September 2022, the disastrous "mini-budget", and yet another change of prime minister.

The view of the incoming Labour government is that all these upheavals have left the public finances neglected and mismanaged, with a severe deficiency in long-term planning and investment. In the view of the new ministers, they have both short-term and long-term tasks. Their short-term task is to deal at speed with the most pressing problems, such as full prisons, a backlog of people waiting for hospital operations, the growing number of asylum seekers housed in hotels, and pay and recruitment crises in several of the public services. They also have a long-term task, to reduce the number of people who are economically inactive and help them move into employment, grow the economy, put all of the public services on a financially sustainable footing, and invest for the future, including in long-term infrastructure projects.

This dual short-term and long-term approach is seen in their fiscal management. The Government has opted for two fiscal events in the first year: a Budget and one-year spending review in October 2024 and a longer-term spending review in late Spring 2025. The Autumn Budget 2024 report to the fiscal planning culminating in the Budget as "Phase 1" "of the Spending Review" and that culminating in the Spring Spending Review (and associated documents) as "Phase 2".

On 30 October, therefore, "Phase 1" was presented; this covers all of the short-term aspects and starts to set the big picture and get things launched for the long-term. It includes:

- The regulatory structure for fiscal planning and reporting, the new fiscal rules and definitions of the measures used in them;
- Updates on the public finances for 2024-25;
- Fiscal aggregates for the period 2024-25 to 2029-30;
- Changes to tax and spend policies to be implemented in 2024-25 and 2025-26 and their implications for the public finances up to 2029-30;
- Expenditure limits for individual departments in 2025-26;
- Many documents presented alongside the Budget, many of them relating to longer-term policy planning (see the foot of the policy paper page).

Further explanation and/or detail on all of these points is given below.

It should be understood that economic forecasts (for example, for growth in the Gross Domestic Product) are updated only to take account of the policies that have been announced. Many more policy changes are likely to be announced in Phase 2, that is, up to and including the late Spring 2025 Spending Review, to be implemented from 2026-27 onwards. Various documents published in Phase 1 give a foretaste of the policy areas and cross-cutting themes that will be the focus of Phase 2 – these are summarised in Section 6 below. The policies announced in Phase result in significant changes to the growth forecasts presented in Phase 1.

The Budget includes a commitment that from now on, there will be a Spending Review every two years, setting departmental budgets for a minimum of three years. Five-year capital budgets will be extended every two years and a ten-year infrastructure strategy will be published alongside the Spring Spending Review.

The Budget contains announcements of direct funding for local authorities and other measures that affect or could affect local authority finances, as well as the start of consultations on reforms which will affect them. Section 4 of this briefing sets out the direct funding measures which take effect from 2025-26 (at latest), such as funding for social care, schools and from the Extended Producer Responsibility Scheme for recycling packaging. Section 5 highlights the other measures in the Budget which are likely to have the greatest impact on local government from 2025-26, such as changes to the National Living Wage and Employers' National Insurance, and funding for the NHS. Section 6 provides a canter through the consultations being issued, what to expect in "Phase 2" and the major reforms being planned for the years from 2026-27 onwards. These cover everything from local government grant funding and devolution to children's social care and Special Educational Needs and Disabilities (SEND).

1 Baseline and fiscal regulation

The baseline for this Budget differs significantly from the March 2024 forecast by the Office for Budget Responsibility (OBR). Prior to the Budget, the Labour Government's arguments that the previous Government had left £22bn of unfunded spending commitments, above and beyond the available reserves and projected underspends, had prompted an internal OBR review of the March 2024 forecast. The resulting report was published by the OBR on its website on the same day as the Budget. HM Treasury's response to the report was one of many documents published by the Government alongside the Budget. The baseline was consequently updated to take account of these variances.

The Budget also finalised the Government's fiscal mandate. Labour had already described the two fiscal rules it would adopt – the Stability Rule and the Investment Rule – prior to the General Election. It had widely been trailed that the debt measure used in the Investment Rule would not be Public Sector Net Debt excluding the Bank of England, the measure used in the most recent fiscal mandate.

The final version of the two rules was set out the Budget. These are:

- **Stability Rule**: to ensure that in each fiscal event for the next two years, the current budget is forecast to be "in balance" by 2029-30 at latest – that is, resource spending is met from taxes and other revenues (with a surplus or deficit of no more than 0.5% of Gross Domestic Product (GDP)). Thereafter, the current budget should always be in balance by the third year of the rolling forecast period;

- **Investment Rule**: to ensure that in each fiscal event for the next two years, net financial debt (Public Sector Net Financial Liabilities) is forecast to be falling as a proportion of GDP by 2029-30 at latest. Thereafter, this ratio should always be falling by the third year of the rolling forecast period.

A document published alongside it, A strong fiscal framework, provides a full explanation with helpful graphics which illustrate firstly, the time horizons involved in the new rules (on page 8), and secondly, the relationship between Public Sector Net Debt, Public Sector Net Financial Liabilities and another measure, Public Sector Net Worth (on page 13). In this context, it is worth noting that the Government has committed to improving fiscal management "by monitoring a wide range of metrics".

The Charter for Budget Responsibility, which sets the OBR's remit and governs its activities, is to be updated to take account of both the new fiscal mandate and the recommendations of the OBR's review. A draft of the updated Charter for Budget Responsibility was published alongside the Budget. The Budget also announced the appointment of the Chair of a new body, the Office for Value for Money.

2 Fiscal aggregates and departmental settlements

As mentioned above, the Budget set out fiscal aggregates for the period 2024-25 to 2029-30 and expenditure limits for individual departments in 2025-26.

As has been widely reported, this Budget included significant tax raising measures – some of which are implemented immediately, but most of which will be introduced at the start of the next fiscal year. These are forecast to raise £1.2bn in the current year, then £24.0bn in 2025-26, rising to £41.2bn in 2029-30. These figures are shown in Table 1 below.

There are also tax measures introduced in previous fiscal events which will increase tax yields over forthcoming years, listed in Table 5.2 of the Budget, provided as a separate spreadsheet by the Treasury. Together with the new measures and the increases in yields as a result of an growing economy, these provide significant sums towards the spend that the Government wishes to make. However, additional borrowing is required for capital investment and, for the first two years, for revenue spending.

Table 1 below shows the total impact on the public finances of the tax and spend measures in the Budget.

Table 2 shows key measures of spend, debt and deficit over forecast period. Some expenditure is allocated to departments – as Departmental Expenditure Limits (DEL). The rest – generally, items which fluctuate according to external factors, such as welfare payments – is known as Annually Managed Expenditure (AME). The figures for Resource DEL in the table are excluding depreciation (public sector net debt is also exclusive of depreciation, by definition). The figures for public sector net debt are inclusive of the Bank of England. All figures are taken from the Budget report and the OBR's Economic and Fiscal Outlook October 2024.

Table 1 – impact of measures announced in Autumn Budget 2024

Total impact of measures in Budget	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**

Tax	£1.2bn	£24.0bn	£34.8bn	£39.1bn	£39.7bn	£41.2bn
Spend	£25.9bn	£63.6bn	£70.1bn	£75.6bn	£78.5bn	£74.2bn

Table 2 – Key spending, deficit and debt measures, as forecast (all figures in £bn)

	2024-25	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**
Resource (revenue) spending	1,134	1,183	1,220	1,257	1,300	1,347
of which:						
DEL	488	517	534	552	570	589
AME	602	619	638	655	679	706
Current budget deficit	56	26	5	-11	-9	-10
Capital spending	142	152	158	161	161	163
of which:						
DEL	117	131	138	141	142	144
AME	25	21	20	20	19	19
Public sector net borrowing	127	106	88	72	72	71
Public sector net debt	2,836	2,913	3,018	3,133	3,248	3,361
Public sector net financial liabilities	2,408	2,518	2,622	2,710	2,799	2,886

From Table 2, it can be seen that the Government is forecast to get the current budget into surplus from 2027-28. While net financial debt (Public sector net financial liabilities) is expected to rise throughout the period in monetary terms, it is expected to fall as a share of GDP from 2027-28.

While the total departmental expenditure limit has been set for the whole of the forecast period, limits for individual departments have only been set for 2025-26. (Beyond that, they will be set in the Spending Review in late Spring 2025. However, the Budget confirmed a "path to spending 2.5% of GDP on defence at a future fiscal event".) All departments have been set a "2% productivity, efficiency and savings target" for 2025-26, to be met by "using technology more effectively and joining up services across government".

The departmental expenditure limits are again broken into resource and capital. For resource DEL (RDEL), three departments are broken down further. For the Ministry of Housing, Communities and Local Government (MHCLG), there is a separate "Local Government" budget. This tends to be used for direct grant funding to local government, particularly core funding. The remaining budget is denoted "Housing and Communities" in some Budget documents (but not all). However, this does not mean that funding to local government from MHCLG only comes from the Local Government budget – there are often housing-related grants, for example, paid to local authorities from the Housing and Communities budget. For the Department for Education RDEL, figures are given within the overall total for a "core schools" budget; similarly, the budgetary resource for NHS England is stated explicitly within the Department of Health total. Capital DEL (CDEL) is not broken down in these ways.

Changes to selected departmental budgets for 2025-26 which may be of particular interest to local government are as follows. All figures are in cash terms. The percentages can be compared with an expected increase in the Consumer Prices Index (CPI) of 2.5% in 2024 and 2.6% in 2025.

Resource DEL:

- MHCLG – Local Government: +£1.9bn (+15.0%)
- MHCLG – Housing and Communities: +£0.1bn (+1.7%)
- Core schools: +£2.3bn (+3.8%)
- Other education: +£1.8bn (+6.7%)
- NHS England: +£10.5bn (+5.8%)
- Other Health and Social Care: -£0.2bn (-2.0%)
- Transport: -£0.0bn (-0.2%)
- Environment, Food and Rural Affairs: -£0.0bn (-0.5%)
- Culture, Media and Sport: -£0.0bn (-1.2%)
- Work and Pensions: +£1.1bn (12.3%)

Capital DEL:

- MHCLG: +£0.3bn (+3.3%)
- Education: +£1.2bn (+22.1%)
- Health & Social Care: +£1.8bn (+15.5%)
- Transport: +£1.2bn (+5.7%)
- Environment, Food and Rural Affairs: +£0.4bn (+19.6%)
- Culture, Media and Sport: -£0.1bn (-9.2%)
- Work and Pensions: +£0.0bn (+1.2%)

3 Local government direct funding – changes from 2024-25 and 2025-26

Changes in this section start in 2025-26, except where otherwise stated.

Core spending power, including business rates and social care grant funding

The £1.9bn uplift in the Local Government RDEL in 2025-26 includes an additional £1.3 billion of new grant funding for local authorities. Within this, there is at least £600 million in new grant funding for social care.

Core spending power will increase by around 3.2% in real terms in 2025-26; this figure is subject to data changes. (The final figure will be published as part of the 2025-26 Local Government Finance Settlement. The calculation includes, as usual, council tax flexibilities and a forecast of locally-retained business rates.)

The enhanced business rates retention arrangements in Cornwall, Liverpool City Region and the West of England (100%) and for the Greater London Authority (GLA) (67%) will be extended into 2025-26.

In 2025-26, the Government will freeze the small business multiplier and provide 40% relief on bills for retail, hospitality and leisure (RHL) properties, up to a £110,000 cash cap. This will provide £1.9bn support to these businesses. From 2026-27, this support will be replaced by permanently lower business rates multipliers for high street RHL properties, funded through a higher multiplier for the most valuable properties (those with Rateable Values above £500,000). English local authorities will be compensated for the loss of income and administration costs resulting from these changes.

Charitable relief will be removed from private schools under primary legislation; subject to Parliamentary approval, this will take effect from April 2025. The Budget report states that “Private schools which are ‘wholly or mainly’ concerned with providing full time education to pupils with an

Education, Health and Care Plan will remain eligible for relief".

Funding for recycling packaging

In addition, the delayed Extended Producer Responsibility Scheme for recycling packaging will come into force in 2025-26. This makes organisations which import or supply goods responsible for the costs of recovery and recycling of packaging. The Government has estimated that local authorities will be due £1.1bn funding from this scheme in 2025-26. For this one year only, the Treasury will provide an in-year top-up if local authorities do not receive their central estimate. The detail will be set out in the Local Government Finance Settlement (LGFS). The Budget report states that funding of £1.1bn is equivalent to around a "1.6% real-terms increase in local government resources".

Schools, colleges and children's services

As noted in the previous section on departmental totals, the core schools budget will increase by £2.3bn in 2025-26, to support the delivery of the government's pledge to recruit 6,500 teachers. This includes a £1bn increase to funding for SEND and Alternative Provision, equivalent to 6% growth in real terms. Further reform of the system is promised – see below. The Budget forecasts a reduction in SEND deficits of £865m in 2025-26 as a result of this funding.
The total DfE capital budget for 2025-26 will be £6.7bn. As noted above, this is an increase of £1.2bn on 2024-25. This includes:

- £1.4bn for rebuilding the schools in greatest need – an increase of £550m. This includes starting on 100 project in 2025-26, as part of a programme for rebuilding 518 schools;
- £2.1bn to improve the condition of the school estate – an increase of £300m – including dealing with reinforced autoclaved aerated concrete (RAAC);
- £90m to renovate and build children's homes;
- £950m for skills capital. This includes £300m new funding for the maintenance and improvement of colleges;
- £15m for primary schools to being to upgrade space to create 3,000 new or expanded nurseries.
- Funding for further education will be increased by £300m.
- £250m will be provided to continue testing children's social care reforms, including £44m funding to pilot a Kinship Allowance and funding to create new foster placements. Again, further reform of the system is promised – see below.
- £69m will be provided to continue the delivery of Family Hubs.
- £30m will be provided to rollout free breakfast clubs in schools (tripling this funding).

Local hardship payments

The Government will be providing £1bn (including Barnett consequentials for authorities outside England) to extend the Household Support Fund and Discretionary Housing Payments in 2025-26.

Road maintenance

The Government will provide an extra £500m for local roads maintenance – that is, beyond the 2024-25 baseline composed of Highways Maintenance Block needs and incentive, Potholes funding and 2024-25 Network North Uplift (excluding City Region Sustainable Transport Settlements equivalents).

Energy efficiency

The Budget reiterated the announcements in February and September that the Public Sector

Decarbonisation Scheme (PSDS) would begin Phase 4, and confirmed that over £1bn of funding would be provided for this over three years. This funding supports decarbonisation of the public sector estate as whole.

Housing, homelessness and planning

The Budget confirms a "settlement of over £5 billion for housing investment in 2025-26", to enable the Government to achieve its commitment to build 1.5 million homes over Parliament. The Affordable Homes Programme budget is increased by £500m, to £3.1bn – see below for the years beyond 2025-26. Loan guarantees are provided to small- and medium-sized developers and the Build to Rent sector, to a total of £3bn.

£47m will be made available in the Round 2 of the Local Nutrient Mitigation Fund, to help local authorities mitigate nutrient pollution in waterways and consequently deliver new homes. Allocations were announced alongside the Budget.

Capital spend on remediating unsafe buildings is to rise to over £1bn in 2025-26. The Budget reports states that the Government "will set out further steps on remediation later this autumn". Until then, it is likely to be unclear how much of this £1bn will be for remediating local authority stock, but the report states that it "includes new investment to speed up remediation of social housing".

Local authorities will be able to retain Right to Buy receipts in full for reinvestment from **21 November 2024** and discounts will be reduced to pre-2012 cash discount levels. The Government's response to a review of the increased discounts introduced in 2012 states that maximum cash discounts will not be uprated annually in line with inflation and the Government will "update Parliament by the end of 2026-27 on whether any changes to discount levels are needed".
The government is extending the discounted Public Works Loan Board rate for local authorities' Housing Revenue Accounts until the end of March 2026.

The Government will be providing £233m of additional spending in 2025-26 to prevent rough sleeping and further rises in the number of families in temporary accommodation.
£50m will be provided "to expedite the planning process". This funding including for Nationally Significant Infrastructure Projects". This funding is intended to cover many things:

- Recruiting 300 planning officers;
- Improve planning authority capacity to deliver planning reform, including changes to the National Planning Policy Framework;
- Accelerate large "stuck" sites;
- Expedite Nationally Significant Infrastructure Projects.

Shared Prosperity Fund and Levelling Up funding

£900m will be provided to allow the UK Shared Prosperity Fund will be continued for a further year, at a reduced level. This will be a transitional arrangement, in advance of wider funding reforms.
For the core Levelling Up Fund projects, £1.0bn will be provided in 2025-25 to allow them to continue. For the Levelling Up Culture and Capital Projects and the West Midlands culture and inward investment funding, announced at Spring Budget 2024, the Government "is minded" to cancel them, but "will consult with potential funding recipients before making a final decision".

Combined authorities and City & Growth deals

The Budget announced that in 2025-26, the Greater Manchester and West Midlands Combined Authorities will receive integrated settlements. This follows on from the Memorandum of

Understanding for these authorities published in November last year, which covered various aspects of the settlements, such as the thematic policy areas included in these settlements, how the amounts of funding are to be determined, the authorities' flexibilities over spending them, and how targets are set and spending is monitored. Further detail was given in an Annex to the Memorandum, published in March this year. A web page published alongside the Budget states that "The overall settlements … will be set out shortly".

Four further Mayoral Combined Authorities (MCAs) will receive integrated settlements from 2026-27, as perhaps might the GLA – see below. However, one specific funding stream for an MCA was confirmed: £25m for the North East Combined Authority (NECA) for remediating a studio site, to support 8,000 jobs.

The Budget also announces that the Government will legislate to provide three newly established MCAs with borrowing powers (in line with the announcement at Autumn Statement 2016 that MCAs would have these powers, subject to a cap agreed with HM Treasury. These three are the NECA, East Midlands Combined County Authority, and York and North Yorkshire Combined Authority.
The Budget confirms £162m investment over 15 years in two City & Growth Deals in Northern Ireland (Mid South West and Causeway Coast and Glens) and £25 million for the a 10-year investment in the Argyll & Bute City & Growth Deal, subject to value for money assessments of business cases.

4 Other budget policy decisions affecting local government in 2025-26

Pay-related measures

Changes relating to pay in three areas could have an impact on local authorities.
Firstly, Employer's National Insurance:

- National Insurance relating to most individual employees will now be levied on pay above £5,000 per annum – a reduction from the previous threshold of £9,100. This new threshold will be maintained under 2028, thereafter it will increase with CPI;
- The rate at which it is levied beyond the appropriate threshold is increasing from 13.8% to 15%;
- However, the liability across an organisation's full payroll is reduced by the Employment Allowance, which is increasing from £5,000 to £10,000.

Public sector organisations are protected from these changes with an allowance in the Budget, for their own employees. The terms of this exemption have been clarified in the response to a letter from SLCC, the body representing local council clerks and senior council employees in town and parish councils. This states "The policy set by the Chancellor is to compensate those who are direct public sector employees funded out of public money". This implies that employees of companies and organisations contracted by local authorities to deliver services would be affected by the changes. This includes care providers, charities and community and voluntary sector organisations.

Secondly, the National Living Wage (for those aged 21 and over who are not apprentices) will be increasing to £12.21 per hour. There is a larger increase to the National Minimum Wage for 18-20 year olds, to close the gap – this is part of a longer-term move to a single adult rate; they will now be paid at least £10.00 per hour. Minimum wages for Under 18s and Apprentices are also increasing, to £7.55 per hour, and the Accommodation Offset rate will increase to £10.66 a day.

Thirdly, the Government accepted the independent Pay Review Bodies' recommendations for 2024-25. The 2025-26 process started in September, three months earlier than last year. The bodies are expected to deliver their recommendations for 2025-26 in the spring. The Government's approach to these is set out in paragraphs 2.85-2.88 of the Budget report.

Health, care and welfare

In 2025-26, the Department of Health and Social Care resource budget will be £22.6bn higher than in 2023-24, and within this, the NHS England resource budget will be £21.0bn higher. The Department's capital budget will have increased by £3.1bn over the two years, including £1bn for repairs and upgrades and £1.5bn for additional capacity.

The Government is intending to publish its *Get Britain Working* white paper soon. This will set out an "integrated approach across health, education and welfare" to tackle the "root causes of inactivity". The Budget described two programmes which will be contained in it:

- £240m for 16 Youth Guarantee Trailblazers to "test new ways of supporting young people into employment or training, by bringing together and enhancing existing programmes in partnership with local areas";
- Eight "trailblazer areas across England and Wales that bring together health, employment, and skills services to improve the support available to those who are inactive due to ill health and help them return to work. This will include NHS England Health and Growth Accelerators in at least three Integrated Care Systems to develop evidence of the impact of targeted action on the top health conditions driving economic inactivity".

The Government will also be launching Connect to Work, a supported employment programme for people with disabilities and health conditions. This will be funded with £115m in 2025-26. Local authorities will be able to tailor it to suit local needs, with greater flexibilities for the Greater Manchester and West Midlands Combined Authorities.

The Carer's Allowance will be increased by £45 per week, to the equivalent of 16 hours at the National Living Wage. (This is the largest increase since it was introduced in 1976.) There will also be an independent review of overpayments and the Chancellor said she is "concerned about the cliff-edge" in the system.

Several changes to the benefits system were announced in the Budget. Working age benefits are to rise with CPI in 2025-26; that is, they will increase by 1.7%. The level of debt repayment's that can be taken from a household's Universal Credit will be reduced from 25% to 15% of their standard allowance. The previous Government's plans for reforming the Welfare Capability Assessment will be delivered to achieve savings, as part of a wider set of reforms (see below).

Investment in specific local infrastructure and industrial growth sectors

In the Chancellor's speech, she listed particular growth sectors in which the Government was going to invest and provide multi-year commitments. For many of these, she mentioned the key geographic locations for investment and/or set out the scale of the investment. These sectors included:

- Aerospace research and development;
- Automotive industry;
- Life sciences;
- Electric vehicle batteries (gigafactories) and green hydrogen;
- Ports.

The Budget also announced investment in particular items of infrastructure for specific locations, including:

- The Transpennine Route Upgrade between York and Manchester, via Leeds and Huddersfield;
- HS2 between London Euston and Birmingham;
- The East West Rail network, connecting Oxford, Milton Keynes, Cambridge, Bletchley and Bedford;
- Sheffield's Supertram system;
- £56m for delivering homes in Liverpool Central Docks;
- £10m for the Cambridge Growth Company to develop an infrastructure plan for the growth of the city;
- £25m to keep Welsh coal tips maintained and safe;
- £80 for decarbonisation at the Port Talbot steel works;
- Confirming funding for Investment Zones and Freeports, with work to ensure that the Freeports policy aligns with the national Industrial Strategy.

The Budget announced an investment of over £0.5bn in 2025-26 for two existing telecommunications projects:

- Project Gigabit – to provide gigabit-capable broadband to homes and businesses hat are not included in broadband suppliers' plans;
- the Shared Rural Network – investing in a network of phone masts shared between the UK's mobile network operators to improve 4G coverage for an extra 280,000 premises and 16,000km of roads.

Other relevant measures

Other measures that could impact on the services local authorities provide to their residents and the costs of delivering these include:

- The Warm Homes Plan – investing over £1bn in 2025-26, as part of an initial £3.4bn over next three years, to improve energy efficiency and decarbonise heating in 350,000 homes. This includes £1.8bn to support fuel poverty schemes for over 225,000 homes;
- Funding for the Home Office to start to deliver 3,000 neighbourhood police and PCSOs and establish "trailblazer Young Futures Hubs" to prevent young people being drawn into crime. (Labour's intention to build these hubs was announced in October 2023 and the first pilot was announced in July. Further detail was given in the answer to a recent Parliamentary question.)
- Fuel duty has been frozen for one year (cancelling the usual inflationary uplift) and the temporary 5p cut has also been extended for 2025-26. This will impact on the budgets of any council services using petrol or diesel vehicles or any other fuel covered by the duty.
- VAT will be levied on private school fees from January 2025. The Budget report states that "To protect pupils with special educational needs that can only be met in a private school, local authorities and devolved governments that fund these places will be compensated for the VAT they are charged on those pupils' fees".
- The bus fare cap was due to end in December 2024; there will now be a fare cap of £3 throughout the 2025 calendar year.

5 Budget announcements on reforms and investments in succeeding years

Numerous consultations have now been launched and in coming months we are expecting the publication of several White Papers. Besides these, the Local Government Finance Settlement will be announced in December and the Spending Review ("Phase 2") in late Spring. Key consultations, White Papers and expected announcements for local government include:

- Reforming funding allocations through the Local Government Finance Settlement
- Local growth funding reforms
- Reform of Business Rates
- Further integrated settlements for MCAs and perhaps the GLA
- *English Devolution* White Paper
- *Get Britain Working* White Paper
- Reform of the health and disability benefits system
- Reform of Children's Social Care
- Reform of the SEND system
- Consultation on social housing rent
- Investment in affordable housing
- Infrastructure Strategy

These are explored in more detail below. The Government views this planning as taking place within "Phase 2". The Budget report states that this phase "will take a mission-led, reform-driven, technology-enabled approach to funding public services while investing in long-term growth" and that it will "set out long-term plans for improving public services, achieving value for money for taxpayers, and investing to bring about a decade of national renewal". What is meant by "mission-led", "technology-enabled" and "reform-driven" is set out on pages 57-60 of the Budget report. These pages also list and describe the Government's priority areas for reform, which it will "build on in Phase 2":

- Health
- Local government and devolution
- Children's social care
- SEND
- Homelessness
- Police
- Prisons
- Asylum
- Defence
- Transport
- Civil service

A key theme running through all of this is growth. A new Growth Delivery Unit has been set up in the Treasury. Work on the growth mission is being led by the Financial Secretary to the Treasury, under seven "pillars", explained in Chapter 3 of the Budget report:

1. Restoring economic and fiscal stability;
2. Increasing investment, building new infrastructure and reforming planning (catalysing investment through the National Wealth Fund);
3. Place: working with Mayors and devolved governments on local growth plans, building on regional strengths, devolving power and supporting house building;
4. Improving employment prospects and skills – creating Skills England, delivering plans to Make Work Pay, tackling economic inactivity;
5. Launching long-term modern industrial and trade strategies and supporting growth-driving business;

6. Supporting research and development, to harness the potential of science and drive innovation;
7. Maximising growth from clean energy – with investments in key areas and technologies.

Reforming local government grant funding

The Budget commits the Government to "pursuing a comprehensive set of reforms to return the sector to a sustainable position". This year's settlement will use a "targeted approach" to allocate additional funding. There will be a "broader redistribution of funding through a multi-year settlement from 2026-27". Funding will be redistributed "to ensure that it reflects an up-to-date assessment of need and local revenues".

The Government will also "simplify the wider local funding landscape, reducing the number of grants and consolidating them into the Local Government Finance Settlement".
In particular, the Government says it will "reform the local growth funding landscape at Phase 2 of the Spending Review: rationalising the number of funds, moving away from competitions, and better supporting local leaders to drive growth".

Reforming business rates

Alongside the Budget, the Government published a consultation on reforming business rates. The aims of such reform include:

- Rebalancing the burden to support high streets and supporting the sustainability of retail, leisure and hospitality
- Incentivising investment and growth
- Tackling avoidance and evasion
- Making the system more responsive to changes in the rental market.

The Government commits to working with local government "to ensure that longer-term tax changes are accounted for within the local government finance system so that, as far as practicable, local authority funding is unaffected from these tax reforms. Moreover, consideration will be given to the operational impacts of decisions, and these will be taken in the context of the system's current operation, including Local Authority and VOA operational capacity". Stakeholders, including local authorities, are invited to inform the Treasury of their desire to be involved with their engagement on the consultation **by 15 November**.

Further integrated settlements

The Budget states that the Government is implementing integrated settlements "for Liverpool City Region Combined Authority and the North East, South Yorkshire and West Yorkshire Mayoral Combined Authorities from the start of the 2026-27 financial year. Noting its unique devolution arrangement, the government will also explore how an integrated settlement could apply for the Greater London Authority from 2026-27".

English Devolution White Paper

The paper will cover both "deepening" the powers of existing MCAs and "widening" devolution to more areas. Again, the importance of economic growth is stressed. The Government is "minded to cease funding for the functions previously delivered by Local Enterprise Partnerships and the Business Board Network" and will consult on ending funding for pan-regional partnerships. Local Growth Plans for further areas are expected.

Get Britain Working White Paper and reform of health and disability benefits system

The white paper will set out a £240m investment to pilot new ways of getting people into work. The aim is to collect robust evidence on such new approaches. These will include:

- Eight "Youth Guarantee Trailblazers" for supporting young people into employment or training – these will bring together and enhance existing programmes.
- Eight "trailblazers" for supporting people who are inactive due to ill health into work – these will include NHS England Health and Growth Accelerators and examine the effectiveness of action on the health conditions which most result in economic activity.

Early in 2025, the Government will set out reforms to the health and disability benefit system, to ensure that "the system supports people who can work to remain in or start work, in a way that is fair and sustainable".

Both will be led by the Department of Work and Pensions.

Reform of Children's Social Care

Phase 2 will set out plans for fundamentally reforming the children's social care system. This will build on the Kinship Allowance and new foster placements mentioned above, along with existing reform pathfinders. It will "include promoting early intervention to help children to stay with their families where possible and fixing the broken care market".

Reform of the SEND system

This will also form part of Phase 2. The Government's vision is to "improve outcomes and return the system to financial sustainability". It commits to working closely with parents, teachers and local authorities on this reform.

Consultation on social housing rent

Alongside the Budget, the Government issued a consultation on fixing social housing rent to rise by one percentage point above CPI for five years from 2026-27. It is argued that this would give social housing providers certainty and the confidence to build tens of thousands of new homes. Further consultation will be held on "whether further measures could provide even greater certainty".

Investment in affordable housing

Future investment (beyond the current Affordable Homes Programme) will be set out in Phase 2. It will run for at least the rest of this Parliament, supporting a mix of tenures, but having a focus on delivering homes for social rent.

Infrastructure Strategy

A 10-year infrastructure strategy is to be "published alongside Phase 2 of the Spending Review". This will be implemented by the new National Infrastructure and Service Transformation Authority (NISTA, which combines the functions of the National Infrastructure Commission and the Infrastructure and Projects Authority), "in conjunction with industry".

6 APSE comment

The demands on local government in recent years have so far outstripped the available funding that much of the sector can be likened to a patient in hospital in a critical condition. The same goes for several other public services. What the Government is trying to achieve with this budget is to prevent the patient's total collapse and to ensure their condition stabilises before starting long-term treatment.

This budget may have moved the local government patient towards a stable condition, but the patient is not out of the danger zone yet. The level of improvement is hard to judge at present; there are a lot of moving parts in this budget and in the wider programme of the Government, and the outcome for each local authority will depend on how they interact.

The increased grant funding and the funding from recycling packaging is, of course, very welcome. The amounts received from these sources by local authorities in 2025-26 will vary from council to council, as will the growth in council tax and business rates yields.

These will be offset by, for example, higher costs of care packages as the increases in the National Living Wage and Employer's National Insurance are implemented by care providers. These cost increases may be exacerbated by the Fair Pay Agreement for care professionals trailed in the King's Speech. However, the gross costs of these changes may not be passed on to local authorities in full. That is because these changes are needed to stabilise the care sector. The improved pay, along with the greater workers' rights that the Government is promising, is needed to address the recruitment challenge it faces. Continual recruitment costs money, as does having high levels of sickness and absence. If staff are more content, less stressed and overworked, this could reduce the net cost of the Budget measures to care providers. Similarly, the increase in carer's allowance may help people who are carers for others maintain this role, which could take some pressure off care providers. Other measures will also have impacts on councils' costs, such as the freeze in fuel duty.

The overall impact of this Budget on local authority finances in 2025-26 is therefore difficult to predict. This is reflected in reactions from the sector, as described in Room 151, which says 'Local government has responded to the chancellor's Budget with a mix of cautious positivity, concern and anticipation for the future – with it being described as at once "reassuring" for some and "worrying" for others'.

This will all prove perplexing for local authority finance officers working on their own budgets. This sudden slew of new policies is arriving relatively late in the budget cycle, and that is not the end of it. The additional funding promised in the Local Government Finance Settlement has yet to be allocated between councils. There may also be large sums set by in the Budget that have not been allocated to precise policies yet: the first line in the table of budget decisions (Table 5.1, provided as a separate spreadsheet) is "Investing in Public Services: Funding £22bn overspend, fixing the NHS and supporting public services". This catch-all heading covers £44.4bn in 2025-26 (rising to £55.2bn by 2029-30). It is difficult to tell from Budget documents whether next year's total has all been allocated in the policies announced so far – it may be that further announcements are made this side of the end of the fiscal year.

However, it will be a huge relief to those same officers that this appears to be a one-off: the commitment to multi-year settlements from now on will help with budgeting in future years. Nonetheless, the Government has committed to a wide raft of reforms to the public services, many of which could impact on local government budgets. It would be helpful for the Government to commit to working with local government to ensure that the impacts of these are known at appropriate times in budget cycles wherever possible.

The measures in the Budget signal that Government understands the most acute and severe pressures on the sector. The bigger question for longer-term sustainability is whether needs pressures will reduce significantly – changes which will make people less reliant on social care, locally administered welfare and other council services.

Again, the signs are positive. This is a budget which emphasises both investing in capital upgrades – to the public sector estate, to equipment and to digital infrastructure – and revenue spending on prevention and early intervention measures. Both are crucial to supporting people into better places in their lives.

The changes to the fiscal rules put long-term fiscal planning on a sensible footing and remove a disincentive to capital investment. This is very welcome, particularly if it feeds through to capital grant funding. Together with longer-term certainty, this could facilitate investment in all types of infrastructure.

The particular changes to the fiscal rules adopted by the Chancellor, however, do not have the same effect on revenue investment in preventative measures. Consequently, the Government is still very reliant on growth in current receipts if it wants to keep up a pace of reform requiring significant spending increases. This is not entirely a matter of luck, as some commentators have implied. Appropriate policies can facilitate growth, although this is always vulnerable to external shocks (such as we saw with the Covid pandemic and the effect of the invasion of the Ukraine on prices in the UK). However, while there will be "quick wins", most growth-driving policies will take years, and in some cases decades, to provide a strong return to the public finances. The Government has therefore been prudent to make a start on them as early as possible in its tenure, while taking a few months to plan out the details of the longer-term strategies.

Local government has an important role to play in fostering this growth, as explored in APSE's recent publication, Kickstarting Economic Growth. It is reassuring to see that the potential of the public sector for contributing to growth is recognised in the Budget report, in Box 1.E. This says that the OBR, using a framework set out in one of their recent publications, has estimated "the additional public investment in Autumn Budget 2024 will directly increase potential output by 0.1% after five years and if sustained, three times as much (0.3%) after ten years". This is increased to 1.1% over a longer period of 50 years. And these figures do not include "crowding-in" effects of returns in the private sector and labour market. These additional effects are also estimated, but the supply impact of public investment is shown to be far larger in the accompanying chart.

Finally, the reforms to the local government finance system also sound promising. It is true there will always be relative winners and losers in any changes to allocations. However, the needs assessment at the heart of the business rate retention system has not been updated since the system was introduced over a decade ago, and if amendments to it are made using new money pumped into the system, it makes sense to target this at those authorities whose needs are least recognised by the current funding system. A more rational, up-to-date funding system can only be to the good of the sector as a whole. Simplifying the grant funding landscape is also massively overdue, given the hundreds (literally) of grants being issued to local authorities every year, often for just one or two years.

In the consultation on business rate reform, the Government has also signalled that it understands the conjoined, symbiotic relationship between business rates and funding local services. In the process of reforming them, it must not lose sight of the need to address practical problems with the system, such as the impact (sometimes dramatic) of business rate appeals on council funding. These problems were being dealt with on a largely cross-party, multi-sector basis through the Local Government Finance Bill, before it fell as a result of the 2017 general election. Reviving something similar to this Bill could help local government considerably. Given that Jim McMahon led for Labour on this Bill, and he is now Minister of State for Local Government and English Devolution, the sector may have cause for some hope on this point too.

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