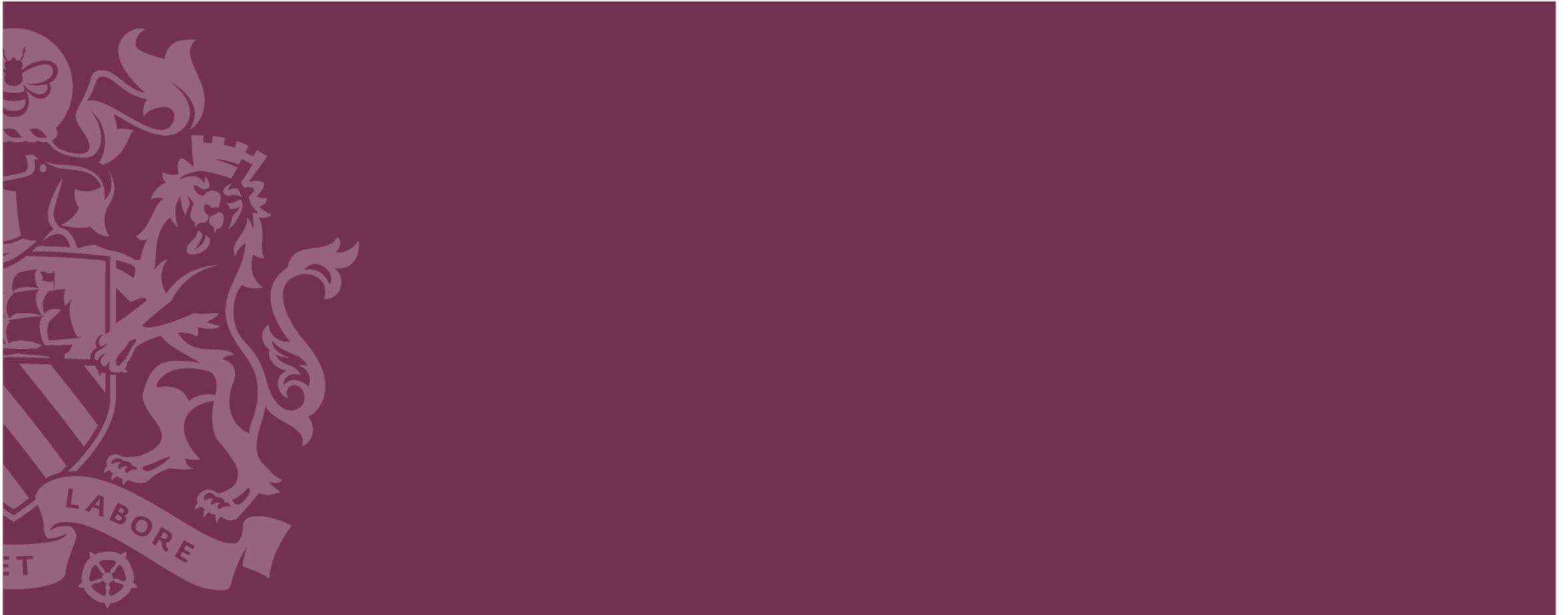


Autumn Budget 2025

Economy and Regeneration Scrutiny Committee 5 November 2024



Overview (1)

- The Chancellor of the Exchequer, Rachel Reeves MP delivered the 2024 Autumn Budget 2025/6 Spending Review on 30th October 2024, entitled “Fixing the Foundations to Deliver Change”.
- The Government is responding to low economic growth since 2008, and growing pressures on public services, and has inherited a precarious fiscal position.
- Tax measures announced will raise £40bn in additional revenue, with £25bn coming from employers’ National Insurance contributions.
- The range of measures has focused on ensuring that “working people” are not paying the cost.

Overview (2)

- A change to the fiscal rules will allow for investment in infrastructure over the course of the parliament, but will have to contain day-to-day revenue spending, balancing it over a 3-year period.
- The current budget concludes Phase 1 of the current spending review which resets budget for 2024-5 and sets budget for 2025-6. Phase 2 of the spending review will complete in spring 2025.
- The budget is focused on investing for growth with public sector net investment of 2.7% over the course of the parliament.

OBR Forecast

The table below summarises the Office for Budget Responsibility's (OBR) key economic indicators.

OBR Forecast	2024	2025	2026	2027	2028	2029
GDP Growth %	1.1	2.0	1.8	1.5	1.5	1.6
CPI Inflation %	2.5	2.6	2.3	2.1	2.1	2.0
Unemployment %	4.3	4.1	4.0	4.1	4.1	4.1
Public Sector net borrowing (% of GDP)	4.5	3.6	2.9	2.3	2.2	2.1
Public Sector net debt (% of GDP)	98.4	96.9	97.0	97.2	97.3	97.1

Rebuilding Britain

- Public Sector investment will average 2.6% over the course of the Parliament leading to £100bn of additional capital investment.
- Investment will be focused on growth-enhancing schemes including rail, 1.5m new homes, Research and Development investment and investing in health and education.
- A national wealth fund has been created to catalyse £70bn of private sector investment.
- A strategy for regional growth will include the Council of Nations and Regions, Council of Mayors, Local Growth Plans and putting place at the heart of Invest 2035: a Modern Industrial Strategy

Key Announcements for Manchester

- Confirmation of the Single (Integrated) Settlement for Greater Manchester from April 2025.
- Progress to start on A57 Link Road project to improve connectivity to Sheffield.
- Cabinet Office to progress plans for a civil service hub in Manchester at First Street
- Transpennine Route upgrade between York and Manchester.
- £115m Connect to Work programme with increased flexibility for local needs with funding as part of the Single Settlement.
- Increase in National Living Wage and increase in employer National Insurance contributions by 1.2 percentage points to 15% has implications for Manchester businesses and the public sector.

Local Authority Announcements

- Increasing Core Spending Power by 3.2% in real terms in 2025/6. with £1.3bn new grant funding, including £600m for social care. An £86m increase in Disabled Facilities grant.
- Investment in Special Education Needs and Disabilities (SEND) with a £1bn uplift, and £233m additional funding to prevent homelessness.
- New Public Sector Reform and Innovation Fund to support improvements to public services - £165m has been allocated to a range of projects in 2025/26 including support for foster care recruitment and planning reform; and £100m over next 3 years for more innovative projects.
- UK Shared Prosperity Fund will continue for another year at a reduced rate, providing £900m. This will be part of the Single (Integrated) Settlement from April 2025.
- £1bn to extend Household Support Fund and Discretionary Housing Payments.

Economic Growth

- Industrial strategy green paper, “Invest 2035” issued 14 October 2024 (consultation closes 24 November).
- Phase 2 of the Spending Review (spring 2025) will set out more detail on the strategy for regional growth alongside, and integrated with, plans for infrastructure, investment, and the Industrial Strategy.
- The green paper set out eight growth-driving sectors (advanced manufacturing, creative industries, clean energy industries, defence, digital and technologies, financial services, life sciences, and professional and business services) and a commitment to produce plans for each sector to help them thrive.
- The Budget commits the following:
 - £975m for aerospace sector over 5 years
 - £2bn over 5 years to support automotive sector
 - £520m for a new Life Sciences Innovative Manufacturing Fund
 - Tax relief for creative industries - £15bn support over 5 years
 - £3 million to expand Creative Careers Programme in schools

Business

- Employer National Insurance contributions will increase by 1.2 percentage points to 15% alongside a reduction in the per-employee threshold from £9,100 to £5,000.
- Increase Employment Allowance to £10,500 and remove the £100,000 threshold, expanding this to all eligible employers. This will mean that 865,000 smaller employers will pay no National Insurance next year.
- Permanently lower business rates for retail, hospitality and leisure properties from 2026-7, with an interim arrangement in place before then.
- Wider reform of the Business Rates system is planned, and the Government will be consulting with stakeholders including Local Authorities and would like to have views by 15 November 2024.
- Government is planning a Small Business Strategy Command Paper in 2025. It will lay out their approach for supporting SMEs.

Regeneration

- The Budget confirms funding for the Investment Zones and Freeports programmes.
- The UK Shared Prosperity Fund will continue at a reduced level for a further year in 2025/26 with £900 million of funding; this transitional arrangement will provide as much stability as possible in advance of wider local growth funding reforms. For GM this will form part of the Single Settlement.
- The Long-Term Plan for Towns will be retained and reformed into a new regeneration programme.
- The first integrated settlements for the West Midlands and Greater Manchester will start in 2025-26. The integrated settlements will deliver a single flexible pot of funding with a single outcomes framework to support Mayoral Combined Authorities to deliver growth.
- Confirming funding for MHCLG's existing Levelling Up Fund projects – providing £1.0 billion in 2025-26 to revitalise high streets, town centres and communities. Note that the Government is considering cancelling unfunded Levelling Up Culture and Capital Projects announced at Spring Budget 2024 but none of these are in Manchester or GM.

Housing

- Confirmation of an additional £500m to the Affordable Housing Programme bringing it to £12bn.
- Further housing investment will be set out at Phase 2 of the spending review for the duration of the parliament.
- Reduced discounts on the Right to Buy scheme and enabling councils in England to keep all the receipts generated by sales.
- £3 billion of additional support for SMEs and the Build to Rent sector, in the form of housing guarantee schemes.
- Government will engage with industry over the coming months on the Mortgage guarantee scheme (MGS) to develop plans to make MGS permanently available to support lending at 95% loan to value.
- Government will provide £46 million of additional funding to support recruitment and training of 300 graduates and apprentices into local planning authorities.
- Commitment to accelerate large sites that are stuck in the system, and boost and upskill local planning authority capacity to deliver the government's wider reform agenda.

Transport and Highways

- Securing delivery of the Transpennine Route Upgrade and maintaining momentum on Northern Powerhouse Rail by progressing planning and design works to support future delivery. Further details to follow.
- Work will start in the coming weeks to improve journey times between Sheffield and Greater Manchester through the A57 Links Road upgrade.
- The Chancellor confirmed that the bus fare cap would rise by 50% to £3 from 1 January 2025 and run until 31 December 2025, however, TfGM and the GM Mayor have confirmed that in GM it will remain at £2.
- Investing over £200 million in 2025-26 to accelerate the rollout of electric vehicle charging infrastructure, including funding to support local authorities to install on-street charge points across England.
- Additional £100m investment in cycling and walking infrastructure in 2025/26 including improving pavements and paths.
- £500 million cash increase on 2024/25 local roads maintenance baseline funding with interim settlement in 2025/26 and the thirteenth Road Investment Strategy including in Phase 2 of the Spending Review.

Work and Skills

- On 29 October, the Government announced that the National Living Wage will raise to £12.21 in April 2025 and 18–20-year-olds will see their pay rise from £8.60 to £10.
- The government will shortly publish a Get Britain Working white paper setting out a £240m investment in new ways of getting people back into work.
- Eight trailblazer areas will be established across England and Wales will bring together health, employment and skills services.
- £40m will be invested to transform the Apprenticeship Levy into a Growth and Skills Levy developing new shorter courses in key areas.
- Government will invest £115 million in 2025-26 to deliver Connect to Work, a new supported employment programme matching people with disabilities or health conditions into vacancies and supporting them to succeed in their roles. In GM this will form part of the Single Settlement.
- £950 million for skills capital, including £300 million of new funding to support colleges to maintain, improve and ensure suitability of their estate.

Conclusion and Reaction

- £40bn of extra revenue generated via taxes which will fall on businesses and the wealthy. Protections in place for smaller businesses and particular sectors.
- Changes to the fiscal rules will allow more public sector infrastructure investment which will be focused on delivering growth.
- Confirmation of progression of English Devolution and confirmation of GM Single Settlement from April 2025.
- Market reaction has been fairly stable with a slight increase to government borrowing costs due to increased borrowing which is likely to lead to interest rates remaining slightly higher for longer.
- Business reaction has been mixed with the increase to National Insurance Contributions being the major talking point.
- OBR predictions for growth suggest that the Government Mission to secure the highest sustained growth in the G7 is likely to take some time to deliver.