

## The Budget 2024

This afternoon, the Rt Hon Rachel Reeves MP, delivered the first budget from a Labour government in 14 years. The Chancellor has laid the foundations for today over the four months since the general election, to manage expectations and the balance between fiscal responsibility and her party's desire to deliver on its commitments.

This briefing outlines the key fiscal measures from the budget from a health and social care perspective, as well as other key announcements, and the NHS Providers view. If you have any questions, please contact [Sandy Cook](#), policy advisor (finance), or [David Evans](#), public affairs manager.

### Political and parliamentary overview

During the election campaign, Labour was clear on its fiscal plan, promising that economic growth and stability would be prioritised and that “working people” would not face tax rises.

On 29 July, the Chancellor delivered a [statement](#) to the House of Commons following a rapid but extensive [audit of public spending](#). She reported that there was a projected overspend of £21.9bn against the departmental budgets presented at the previous government's spring budget, stemming from a range of unfunded spending commitments. The Chancellor took a number of immediate steps to cut government spending, and announced her intention to deliver a budget on 30 October, alongside a one year spending review.

Since then, Reeves has repeatedly warned of the “difficult decisions” on tax, spending and benefits that she has been left with no choice but to make. There has been significant speculation as to the fiscal levers the Chancellor might pull to balance the books and avoid a return to austerity. Letters from several ministers, including the deputy prime minister and other cabinet members, expressing concern over cuts to departmental budgets indicate the level of friction between HM Treasury and other departments as the budget strategy was developed.

With the budget now delivered, there will be several days of themed debate concluding on 6 November. The budget is approved by a vote on the **Ways and Means resolutions** in the Commons at the conclusion of the budget. The Lords have one day of debate and no vote is taken. The budget is then examined by the Treasury Committee and the Lords Economic Affairs Sub-Committee.

After the Ways and Means resolutions are approved, the government will publish the Finance Bill. This will legally enact the tax changes and income-raising proposals and will undergo scrutiny, beginning in the Commons. Stages in the Lords are limited to a single day and no amendments can be made. The Bill then receives Royal Assent and becomes law. Scrutiny of the budget continues by the Treasury Committee, which undertakes an inquiry followed by the publication of a report to which the government must respond.

## Economic overview

The Office for Budget Responsibility (OBR) published its *Economic and fiscal outlook* alongside the Chancellor's autumn budget. Overall, the economic outlook has remained relatively consistent with the OBR's forecasts from March, with the Chancellor funding spending commitments predominantly via sustained increases in taxation and borrowing.

### Key points from the OBR's revised forecasts

**New fiscal rules to boost public investment:** the Chancellor has announced three new fiscal targets. The current budget (revenues less day-to-day spending) must be in surplus by 2029/30 (until 2029/30 becomes the third year of the forecast period). Public sector net financial liabilities must also fall as a share of GDP by 2029/30.

**Economic growth prospects improving:** the OBR is forecasting stronger economic growth over the next few years, with the economy set to grow by 1% this year, before doubling to hit 2% in 2025. In the latter half of the forecast period, the OBR forecasts that economic growth will fade and hover around 1.5% as the OBR assumes monetary policy will act to rein in any excess demand. The OBR concludes that the policies announced in the Budget today will provide a temporary stimulus to economic growth.

**Consumer price index (CPI) inflation forecast to stabilise:** the OBR forecasts that inflation will pick up to 2.6% over 2025 – partly as a response to measures announced in the Budget – before returning slowly to the target level of inflation (2%) by the end of the forecast period.

**Government borrowing set to rise:** following the policy decisions made by the Chancellor, public sector net borrowing is forecast to rise from £121.9bn (4.5% of GDP) last year to £127.5bn this year, before falling steadily back to £70.6bn (2.1% of GDP) by 2029/30. Borrowing is £28.4bn a year higher on average over the forecast period compared to the forecasts published in March.

**Living standards expected to continue to improve:** real household disposable income (RHDI) per person is forecast to grow by an average of 0.5% a year over the course of the forecast period. However, this is spread much more unevenly than originally forecast in March. Strong real wage increases will stimulate growth of 1.25% this year and next year before RHDI stabilises over the middle of the forecast period as wage growth is expected to slow and taxation will continue to increase.

## Health and social care announcements

In Phase 1 of the 2025 Spending Review, the government is adjusting public spending for 2024-25 and establishing departmental budgets for 2025-26. The Spending Review is expected to conclude in late spring 2025. The Department of Health and Social Care (DHSC) will receive total funding of £214.1bn in 2025-26.

### Revenue funding

The government is allocating an extra £22.6bn in resource spending for DHSC in 2025-26, compared to the 2023-24 outturn. This provides a two-year average real terms NHS growth rate of 4.0%, the highest since before 2010 (excluding settlements covering the years of the Covid-19 pandemic).

	2023/24 (outturn)	2024/25 (plan)	2025/26 (plan)
DHSC revenue budget (£bn)	177.9	190.1	200.5
Of which NHSE (£bn)	171.0	181.4	192.0

Of the £22.6bn increase in day-to-day spending, it is expected that this will include the funding required to cover the Pay Review Body (PRB) recommendations for all NHS staff for the 2024/25 pay award as well as the separate agreements on pay settlements for consultants, resident doctors and speciality and associate specialist (SAS) doctors. In addition to these pay pressures, the government has already funded £1.5bn of other in-year pressures, including additional elective activity.

### Capital spending

Phase 1 of the Spending Review allocates record levels of capital investment for health, with an increase of £3.1bn in 2025-26 compared to the 2023-24 outturn, bringing the total to £13.6bn. This represents an average real terms growth rate of 10.9% over two years.

	2023/24 (outturn)	2024/25 (plan)	2025/26 (plan)
DHSC capital budget (£bn)	10.5	11.8	13.6

New capital funding commitments announced at the budget include:

- £1.5bn for new surgical hubs and diagnostic scanners, enabling over 30,000 additional procedures and more than 1.25 million diagnostic tests. This funding will also expand capacity by delivering new beds, creating more treatment space in emergency departments and facilitate more community-based care. Additionally, £70m will be invested in new radiotherapy machines to enhance cancer treatment.
- Over £1bn allocated to address dangerous reinforced autoclaved aerated concrete (RAAC) and reduce the maintenance backlog across the NHS estate.
- A new capital fund to deliver c200 upgrades to GP surgeries across England by improving use of existing buildings and space.
- £460m for the UK’s pandemic preparedness and health protection.
- £26m to establish new mental health crisis centres, alleviating pressure on A&E services.

The Chancellor stated that there will be continued investment in the New Hospital Programme, with the seven hospitals most at risk regarding RAAC to be prioritised. Further details on the outcome of the government’s review of the New Hospital Programme will be set out in the new year.

The government has also committed to publishing a 10-year infrastructure strategy alongside Phase 2 of the Spending Review, as well as a commitment to set five-year capital budgets at regular spending reviews to provide greater certainty for capital projects.

## Productivity

The budget establishes a government-wide 2% target for productivity, efficiency, and savings. Funding previously announced at the Spring Budget has been confirmed, with £2bn to be allocated for investment in NHS technology and digital infrastructure to improve productivity. This funding will be focused on ensuring all trusts have electronic patient records (EPRs), enhancing cyber security and improving patient access through the NHS App.

## Other health-related announcements

The budget outlines that the government will enhance local authority services with a real terms increase of approximately 3.2% in core local government spending power. This includes at least £600m in new grant funding to support social care. Additionally, there will be an £86m boost to the Disabled Facilities Grant, enabling 7,800 more home adaptations for individuals with social care needs, aimed at reducing hospitalisations and extending independence.

## Other relevant announcements

**Vaping/tobacco duty:** the Tobacco Duty escalator of RPI+2% will be extended for the rest of this Parliament, with an additional 10% duty increase on hand-rolling tobacco this year. Starting 1 October 2026, a new Vaping Products Duty will be introduced at a flat rate of £2.20 per 10ml of vaping liquid, along with a corresponding one-off increase in Tobacco Duty to maintain the financial incentive for switching from tobacco to vaping.

**Life sciences:** the government will allocate £70m in 2025-26 for the new Life Sciences Innovative Manufacturing Fund, as part of a longer-term funding commitment totalling up to £520m.

**R&D:** an increase in real terms to the budget of the National Institute for Health and Care Research (NIHR) will be part of over £2bn in R&D funding. This investment will support life sciences innovation and accelerate the achievement of health and growth missions. The government will allocate at least £25m in 2025-26 to initiate a new multi-year R&D Missions Programme. This initiative aims to address specific challenges and attract private and third sector investment.

**SEND:** phase 1 of the Spending Review includes a £1bn increase in funding for SEND and alternative provision, representing 6% real growth. This is towards achieving the government's vision of reforming England's SEND provision to enhance outcomes and restore financial sustainability, which will be further developed in Phase 2.

**National Living Wage:** starting in April 2025, the National Living Wage will rise to £12.21 per hour for all eligible employees. The National Minimum Wage for 18- to 20-year-olds will increase to £10.00 per hour. Additionally, the minimum wages for under 18s and apprentices will be raised to £7.55 per hour, and the Accommodation Offset rate will go up to £10.66 per day.

**Supported employment programme:** the government will invest £115m in 2025-26 to launch Connect to Work, a new supported employment programme designed to match individuals with disabilities or health conditions to job vacancies and help them succeed in their roles. Starting in 2026-27, this initiative will support nearly 100,000 people annually. Local authorities will have the flexibility to tailor the delivery of Connect to Work to meet their specific needs.

**Employer National Insurance:** the government will raise the rate of employer National Insurance contributions (NICs) from 13.8% to 15% and lower the per-employee threshold for National Insurance liability (the Secondary Threshold) to £5,000, effective from 6 April 2025.

**Fuel duty rates:** the government will freeze fuel duty rates for 2025-26, resulting in a tax cut worth £3 billion over the year, which translates to a £59 saving for the average car driver. Additionally, the temporary 5p cut in fuel duty rates will be extended for another 12 months, expiring on 22 March 2026. The planned inflation increase for 2025-26 will also be cancelled.

## NHS Providers view

### Budget – Trusts determined to boost NHS productivity and value for money

Pledges for the NHS in the government's budget today (30 October) include:

- £22.6 billion increase in day-to-day health budget this year and next
- £3.1 billion increase in capital budget this year and next
- £1 billion to tackle RAAC and repairs backlog
- £1.5 billion of funding for new surgical hubs and diagnostic scanners

"Long-term financial stability is essential for the 'next generation' NHS, for top-quality care and greater productivity.

"Today's budget provides a welcome boost for NHS trust leaders and their teams who are working flat out to improve services, reduce waiting lists and see patients as quickly as possible. The government has recognised the importance of the NHS to the health of the nation and the economy.

"Trust leaders will continue to strive to make the most of every pound going into the NHS while doing everything they can to provide safe, high-quality care.

"But after years of underinvestment and severe staff shortages, we agree with ministers that we must be realistic about the speed of progress. Today's economic challenges in the face of rising demand across hospital, mental health, community and ambulance services mean services, having to find unprecedented savings, are in a very tough position.

"Almost £14billion is needed to plug a rocketing backlog of NHS repairs. Vital bits of the NHS are literally falling apart, putting quality of care and sometimes the safety of patients and staff at risk. We welcome the government's commitment to prioritise increasing capital investment across the NHS.

"Trusts in the New Hospital Programme (NHP) continue to wait for clarity on the funding and delivery timeline for their new buildings. The maintenance backlog in trusts with NHP schemes is nearly £5.7billion – more than 40 per cent of the total.

"To make the NHS more sustainable, innovative and as productive as possible requires long-term, cross-government support to nurture a thriving workforce plus capital investment in buildings and facilities - including digital technology which can transform patient care and free staff from time-consuming admin.

"The devil is often in the detail and it will be critical to ensure that welcome funding increases fall where they are needed, including to bring down waits for mental health and community services and to improve ambulance performance.

"Social care needs urgent attention too. That can't be kicked down the road any longer. An underfunded, overstretched social care sector needs urgent reform and more resources not just to give people the care they need but to help to ease mounting pressure across the NHS.

"The government's promised 10-year plan for the NHS, with a shift to more community-based healthcare and prevention of ill-health, is a chance to get to grips with the challenges facing health and social care so that trusts can make improvements faster and give people the right care in the right place at the right time."

Please see the following link for [our pre-budget submission to HM Treasury](#).

## Budget documents

- [Autumn budget 2024](#)

- The Chancellor's speech
- HM Treasury Press Release: Chancellor chooses a budget to rebuild Britain
- Office for Budget Responsibility - Economic and Fiscal Outlook
- A strong fiscal framework - Explaining the government's new fiscal framework and rules