



IFoA Briefing: Autumn Budget 2024

Context

Facing a reported £22 billion financial “black hole” that Labour discovered upon taking office, the Budget was presented as a corrective moment, intended to pull the UK economy out of stagnation and set it on a path towards sustainable growth. Alongside its usual economic forecasts, the Office for Budget Responsibility (OBR) published its [review](#) of department overspends under the previous administration.

Central to the Government’s fiscal strategy are two new rules that Reeves says will “anchor” their approach. First, the “stability rule” requires that day-to-day spending is balanced by revenue, sending a signal of fiscal responsibility to markets and taxpayers alike. The second rule, the “investment rule,” aims to reduce debt as a percentage of GDP, making space for long-term investments in infrastructure, green energy, and growth-driven projects.

Other key factors behind the first Budget of this new Government are the compensation payments for the infected blood and Horizon Post Office scandals and the need for changes to public spending, given the pressures on public services.

Ahead of the Budget, the IFoA called for a focus on increasing pension saver outcomes and urged the Government to proceed carefully and in consultation with the pensions industry if they intend to make changes to pensions tax arrangements. The IFoA’s press release can be found here: [IFoA calls on Chancellor to focus on pension saver outcomes in Autumn Budget](#)

All Budget documents can be found here: [Autumn Budget 2024 - GOV.UK](#)

Headline announcements

- £11.8 billion for Infected Blood Scandal victims and £1.8 billion to compensate victims of the Post Office scandal.
- The National Living Wage will be increased to £12.21 and National Minimum Wage will rise to £10 per hour for 18–20-year-olds.
- Employers’ National Insurance contributions will rise from 13.8% to 15%. Lowering the threshold at which businesses start paying it from £9,100 to £5,000. These changes will apply from 6 April 2025.
- To support small businesses with the changes to Employers’ National Insurance, the Employment Allowance will increase from £5,000 to £10,500.

Business, Economy and Financial Services

- The government is making the reforms needed to deliver sustained growth in the long-term. These include ambitious planning reforms to remove barriers to growth, the development of a 10-year infrastructure strategy to be published alongside Phase 2 of the Spending Review, the forthcoming publication of the Get Britain Working White Paper, and the establishment of Skills England to ensure there is the highly trained workforce needed to deliver economic growth.
- The economy is now expected to continue its recovery from a recession in 2023 and weak performance since the Global Financial Crisis. Growth is set to increase to 2.0% in 2025 and 1.8% in 2026, before settling close to its trend rate in the later years of the forecast.
- The OBR judges that this Budget will, if sustained, permanently increase the size of the economy in the long term.
- The government is providing stability and predictability to support businesses to invest by publishing a Corporate Tax Roadmap, which confirms that the government will cap the rate of Corporation Tax at 25%, the lowest in the G7, for the duration of the Parliament.



- Supported by the new fiscal framework, the Budget significantly increases public investment and helps to crowd in private investment in the longer term. Public sector net investment will average 2.6% of GDP over the Parliament. This is supported by over £100 billion of additional investment over the next five years. This includes investing in transport, kickstarting the delivery of 1.5 million homes, supporting new industries and job creation, and protecting record R&D funding. The Budget also increases investment in public services, recognising that a well-functioning NHS and education system are critical to the economy.
- The government launched a green paper on its modern Industrial Strategy earlier this month. This set out eight growth-driving sectors (including financial services) and announced that government will produce sector plans for each as part of its promise to help these sectors thrive.
- The Chancellor will shortly set out her vision for the financial services sector in her Mansion House speech, building on new remit letters to the financial services regulators which support the growth and competitiveness of the sector, and ensuring the most is made of the talent in the sector through the Women in Finance Charter.

Pensions/Welfare

- The government has confirmed future winter fuel payments will only be made to those getting pension credit or other means-tested help.
- The government will maintain the State Pension Triple Lock for the duration of this Parliament.
- The basic and new State Pension will increase by 4.1% in 2025-26, in line with earnings growth, meaning over 12 million pensioners will receive up to £470 per year.
- Through the establishment of the British Growth Partnership and the undertaking of the pensions review, the government is seeking to encourage more investment from pension funds into UK growth assets.
- The government is bringing unspent pots into the scope of inheritance tax from April 2027, which will affect around 8% of estates each year. The government has [opened a consultation](#) on this proposal (closing date 22 January 2025).
- The government will remove the exclusion from the Overseas Transfer Charge for transfers to Qualifying Recognised Overseas Pension Schemes in the European Economic Area (EEA) or Gibraltar from 30 October 2024 to address the risk of individuals receiving double tax-free allowances.
- The government will require scheme administrators of registered pension schemes to be UK resident from 6 April 2026.
- The Get Britain Working White Paper, which will be published later this autumn, will set out the government's ambitious plans for reform to break down barriers to work and address economic inactivity.

Infrastructure

- The government announced a total of £20bn of investment in clean energy and growth industries to the newly-established National Wealth Fund (NWF), helping to catalyse £70bn of investment alongside the private sector.
- The NWF will be expected to generate returns at least matching gilts. The government expects its new debt rule will support growth by recognising the value created by investment instruments such as loans, equity, and guarantees.
- The Chancellor announced an overall increase to departmental budgets of 1.5% in real terms, which could increase the public funds available for infrastructure spending. The government will spend 2.6% of GDP on public sector net investment on average over the Parliament, and over £100 billion more in capital investment over the next five years.



- The Budget speech included an announcement that there will be funding for tunnelling for HS2 trains to run to Euston, catalysing private investment into the station and local area.

Health/Social care

- The government announced a £22.6bn increase in the day-to-day health budget to deliver an additional 40,000 elective appointments a week and make progress towards the 18 weeks target.
- The government is boosting capital investment in public services in 2025-26 including £1.5 billion to deliver capacity for more than 30,000 NHS procedures, over 1.25 million more diagnostic tests and new beds across the NHS estate, and £1 billion to reduce the backlog of critical NHS repairs and upgrades.
- A 10-year NHS plan will be published in Spring 2025. The consultation is currently open.
- The government announced at least £600m in grant funding to local authorities for social care.
- The weekly earnings limit for carer's allowance will increase to the equivalent of 16 hours per week on the National Living Wage.
- The government will renew the tobacco duty escalator at RPI plus 2%, increase duty by a further 10% on hand rolling tobacco this year, introduce a flat rate vaping duty for the first time at £2.20 per 10ml of liquid from October 2026, alongside an additional one-off increase in tobacco duty.
- The soft drinks industry levy will increase in line with CPI each year going forward.

Climate/Sustainability

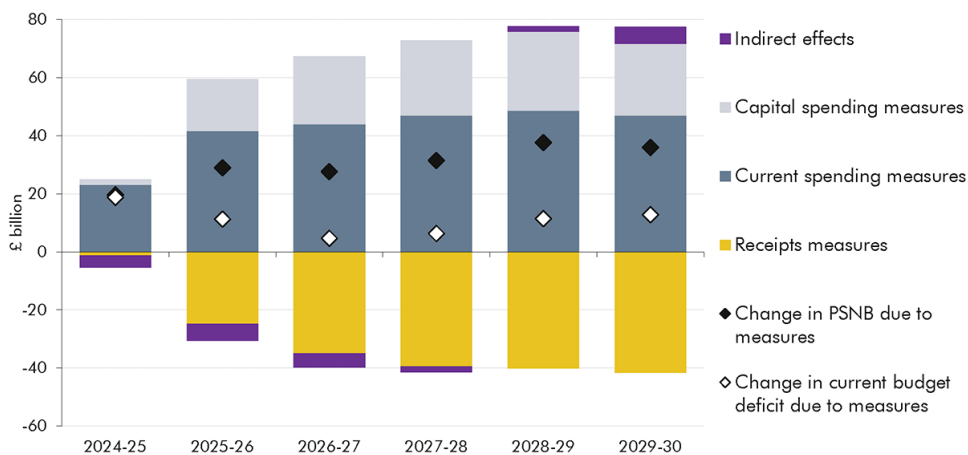
- In addition to investing £3.9 billion in 2025-26 into carbon capture usage and storage in Merseyside and Teesside, the government is investing in 11 new green hydrogen projects, among the first commercial scale projects anywhere in the world.
- The government is increasing the windfall tax on the profits oil and gas firms make in the UK. The energy profits levy is due to rise from 35% to 38% on 1 November and will remain in place until 31 March 2030. The 29% investment allowance will be removed, but the 100% first year allowance and decarbonisation allowances (set at 66%) will be maintained. The government is today publishing a consultation on new environmental guidance for assessing end use emissions related to oil and gas projects.
- This settlement provides £2.7 billion of funding to continue Sizewell C's development through 2025-26, in support of nuclear
- To support existing firms to decarbonise and grow, the government has also confirmed £163 million to continue the Industrial Energy Transformation Fund over 2025-26 to 2027-28.
- The budget confirms £5bn over two years to support the transition for the agricultural sector in England, £400m of support for tree planting and peatland restoration and £2.4bn over two years for flood resilience.
- The incentives for electric vehicles in company car tax will be maintained from 2028. The differential between EVs and other vehicles in the first-year rates of vehicle excise duty will increase from April 2025.
- Air passenger duty will rise by £2 for economy short-haul flights. For private jets, it will increase by 50%.
- The government announced an initial £3.4bn into its Warm Homes Plan over the next 3 years to transform 350,000 homes.
- £125m in 2025-26 will support Great British Energy, headquartered in Aberdeen.



Public Finances (OBR)

- The OBR has confirmed that CPI will average 2.5 percent this year, 2.6 percent in 2025, 2.3 percent in 2026, 2.1 percent in 2027, 2.1 percent in 2028, and 2.0 percent in 2028.
- Real GDP growth will average 1.1 percent in 2024, 2.0 percent in 2025, 1.8 percent in 2026, 1.5 percent in 2027, 1.5 percent in 2028 and 1.6 percent in 2029.
- Borrowing in this financial year is £127 billion. Public sector net borrowing will be £105bn in 2025-26, £88.5bn in 2026-27, £72.2bn in 2027-28, £71.9bn in 2028-29, and £70.6bn in 2029-30.

Impact of measures on public sector net borrowing and current deficit



Source: OBR

Should you wish to discuss any of the information provided in this briefing, please contact:
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