

AUTUMN BUDGET 2024

ON-THE-DAY BRIEFING

Wednesday 30th October 2024

On 30 October 2024, the Chancellor, Rachel Reeves, delivered the new Labour Government's first Budget.

The new Chancellor had warned that October's Budget would be 'painful' as it aims to plug what she claimed was a £22 billion black hole in public finances. Prime Minister Keir Starmer has said those with the 'broadest shoulders should bear the heavier burden.'

With a manifesto commitment to build 1.5 million homes over this Parliament, the new Government was expected to follow through on this commitment and demonstrate how it will be achieved.

The pre-Budget reintroduction of mandatory housing targets paved the way for a commitment to restimulate the market and to prioritise economic growth as a primary mission.

At the heart of new Chancellor's challenge is a fundamental dilemma, how to deliver on its ambitious growth agenda while managing a difficult financial position.

Going into the Budget there were huge expectations on the Government to provide clarity on how to translate sizeable housing targets into delivery.

The key announcements for the sector include:

- £500 million as a top up for the Affordable Homes Programme, something the NHC advocated strongly for in the run up to Budget
- a consultation on a 5-year CPI + 1% rent settlement (including consulting on a 10-year option)
- changes to Right to Buy discounts, including allowing councils to keep 100% of receipts.

The £500 million top-up funding for the current Affordable Homes Programme is a good first step given the financial situation. However, it does not appear to be an extension to the programme, which would have unlocked more than 1,500 stalled sites across the North.

In the briefing below, we analyse how the Budget will affect the housing sector and if it will deliver a package that supports the Government's home building ambitions.

New Housing Supply

As trailed ahead of the Budget, the Affordable Homes Programme (AHP) will receive £500 million of new funding in the financial year 2025/26 to build up to 5,000 additional affordable homes. This takes the budget in that financial year to £3.1 billion. This follows representations from affordable housing providers and sector bodies, including the Northern Housing Consortium (NHC), that the current 2021-2026 programme was almost entirely committed, leaving identified schemes at risk of failing to be taken forward.

In the run up to the Budget, the NHC called for a two-year extension of the existing programme and a top up of funds to ensure that providers can continue to develop. **It is important to note that this £500m of new funding is a top-up to the existing programme, rather than an extension to the current programme.**

The Budget confirms that the Government will set out future grant investment in the AHP in the Spending Review next year. This investment will run for at least the full duration of the Parliament and will have a greater focus on delivering more homes for social rent.

The Government will also extend the discounted lending rate that local authorities can borrow from the Public Works Loan Board through their Housing Revenue Accounts (HRAs) until March 2026. This is to support local authorities to finance greater capital expenditure in social housing.

One further spending commitment included in the Budget was a £25 million investment as part of a new joint venture to deliver 3,000 energy-efficient new homes across the country, with a target that 100% of these homes will be affordable housing.

The Budget also included measures to mitigate some of the potentially environmentally damaging impacts of building new homes. This included confirmation of £47 million to support the delivery of 28,000 homes in areas impacted by nutrient neutrality issues. In addition, there will be an additional £70 million made available in the financial year 2025/26 "to support infrastructure and housing development while boosting nature recovery."

While there were no announcements related to significant funding streams for brownfield land remediation, the Chancellor did specifically reference two remediation sites in the North. These were Liverpool Central Docks which will receive £56 million to deliver more than 2,000 new homes, and the Crown Works site in Sunderland.

Finally, with regard to expenditure on new housing supply, the Chancellor announced £3 billion of additional support for SME developers and the Build to Rent sector, through increased government backed guarantees.

NHC reaction:

We strongly support the Government's ambition in increasing levels of new housing supply, especially building more social housing. An additional £500 million for the Affordable Homes Programme is welcome, as the current programme had essentially run out of funds, risking identified schemes being unable to progress. This will not, however, fix all of the immediate problems facing affordable housing providers looking to develop new homes. In addition to providing some top-up funding, an extension of the current programme would have been incredibly welcome. This would have ensured that identified schemes could be progressed with certainty as to future funding criteria and priorities, reducing the risk associated with such sites and help maintain current development levels. Without such an extension, there remains the risk that levels of new affordable housing supply fall in the near future.

In the longer term, we eagerly await further details of the next Affordable Homes Programme, which will determine levels of affordable housing development for this parliament. We need to see the next AHP have both the levels of scale to increase development, as well as the flexibility to meet the needs of varied Northern housing markets and be able to fund regeneration where it is needed.

This budget was light on how the Government intends to deliver its ambition to better utilise previously developed land for housing, with no major announcements on brownfield remediation funding. In the North of England, there is identified capacity for 320,000 new homes on brownfield, but we need to see ambitious investment to prepare this land for redevelopment. To remediate all brownfield land in the North would cost £4.2 billion.

Social Housing Rent Settlement

The Budget statement confirmed HMT's previous announcement that there will be a consultation on a "new long-term social housing rent settlement of CPI+1% for 5 years". Government says this will "offer long-term certainty for social housing providers, giving the sector the confidence to build tens of thousands of new social homes." The consultation will also explore if any other measures – such as a 10-year settlement – could provide more certainty.

NHC reaction:

We've been calling on Government to commit to a ten-year rent settlement of Consumer Price Index (CPI) + 1%, to unlock a new wave of investment and make the sector a more attractive proposition for private lenders.

We welcome today's announcement from the Chancellor to give social housing providers more certainty to plan their own investments in new and existing homes. However, the sector will need to respond to the consultation on the rent settlement with compelling evidence to secure a ten-year commitment. There was also no mention of "rent convergence" at Budget, which we know is a key concern for members.

Reducing Right to Buy discounts

Discounts on the Right to Buy scheme will be reduced back in line with 2012 levels. Local authorities will also keep the full receipts from any Right to Buy sales in 2024-25 and 2025-26, removing the Treasury share. This measure will be effective from 21st November 2024.

NHC reaction:

We have consistently called for reforms on Right to Buy which reduces the overall level of social housing and acts as a disincentive to build new council homes. Current rules also restrict the amount of money councils can keep from any sales to reinvest in new housing in their area. These changes are very welcome and should lead to an increase in social homes in local communities.

Planning Reform

Reforms to the planning system were launched prior to the Budget with a consultation on the National Planning Policy Framework.

The consultation proposed ways to ensure sufficient capacity exists to support wider economic growth. The Chancellor confirmed the Government will provide £46 million of additional funding to support recruitment and training of 300 graduates and apprentices into local planning authorities, 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

The Government confirmed there will be a response to the National Planning Policy Framework consultation before the end of the year to confirm pro-growth reforms to the planning system.

NHC reaction:

We have highlighted that the Government's housing growth ambitions must be coordinated with investment in local planning capacity and with spatial planning on major infrastructure, such as transport services, utilities, environmental improvement and resilience, and strategic health, education and social infrastructure (such as hospitals, universities and schools).

The proposed housing targets, which are very ambitious in parts of the North, that preceded the Budget are being introduced at a time when many councils are struggling with capacity, resources, and finances. This investment will be very welcome as we have consistently argued that such a significant increase in housing delivery through the planning system will need more investment in local authority capacity. Previous NHC research has shown that the North has suffered disproportionately from cuts to planning and housing services.

Warm Homes

The Government outlined the first steps for their Warm Homes Plan, guaranteeing an extra £3.4 billion towards heat decarbonisation and household energy efficiency over the next three years, with over £1 billion available in the first year. £1.8 billion will be allocated to fuel poverty schemes, aimed to reduce the energy bills of 225,000 households by over £200.

They will also continue to support the uptake of heat pumps by increasing funding to the Boiler Upgrade Scheme and providing funding to support heat pump manufacturing supply chains.

£1 billion will also be provided over the next three years to fund local energy schemes aimed at decarbonising the public estate through the Public Sector Decarbonisation scheme.

NHC reaction:

In our recent report, ['Warm Homes, Green Jobs'](#), we set out how government can better support the social housing sector to improve the energy efficiency of our homes. Our key recommendations included increasing funding for the North to provide long term certainty for the retrofit supply chain over the next decade.

We are pleased to see that extra funding is being committed to warm homes, particularly with a focus on those in fuel poverty and a recognition that guaranteed investment will provide more certainty for the supply chain. However it is not immediately clear how much of the funding allocated today will go towards social housing decarbonisation.

The Spending Review will need to deliver a genuinely significant long-term increase in investment of £500m a year to 2030 and £1bn a year to 2035 to decarbonise the

North's social housing stock and truly unlock the opportunity to create up to 77,000 jobs across the North.

Devolution

Treasury documents outline 'place' as one of seven pillars contributing to growth. Devolution here is identified as a route through which regional growth, reform, and support for house building can be directed.

This strategy for place-based growth aims to support local leaders to drive growth in city regions and make the most of the opportunities in each part of the country, creating good jobs and spreading prosperity across the UK.

Building on recent announcements - including the formation of the Council of the Mayors and the in-development English Devolution White Paper - the Budget identifies the next steps for the Government's approach to regional growth as one of 'investment, devolution and reform'.

Announcements made include:

Devolution and Finance

The Government is introducing the first integrated settlements for Greater Manchester and the West Midlands Combined Authorities from 2025-26, giving Mayors meaningful local control over funding in a single flexible pot.

The integrated settlements will deliver a single flexible pot of funding with a single outcomes framework to support Mayoral Combined Authorities (MCAs) to deliver growth.

The Government intends for more regions to benefit from integrated settlements and confirms that from 2026-27, northern MCA's in the North East, South Yorkshire, West Yorkshire, and Liverpool City Region will be eligible to receive integrated settlements.

The forthcoming English Devolution White Paper will set out more detail on the Government's devolution plans, including the intention to widen devolution to more areas and deepen the powers of existing Mayors and their combined authorities, ensuring they have the tools needed to boost economic growth. The White Paper will also consider simpler structures for Local Government, with efficiency savings from council reorganisation signalled.

As part of this, English devolution will be extended and deepened by building mayoral capacity. The Government will roll out new Local Growth Plans working with places to take advantage of their economic potential and foster clusters of well-paid jobs. In reaffirming its intention to work with Mayors and local leaders to deliver on its

growth mission, funding will cease for the functions previously delivered by Local Enterprise Partnerships and the Business Board Network.

Housing and Regeneration

The Budget intends to 'shift the dial on growth in our great northern cities'.

Announcements include confirmed investment in the Liverpool Central Docks to deliver up to 2,000 homes and transform the waterfront.

The UK Shared Prosperity Fund will continue at a reduced level for a further year with £900 million of funding. This transitional arrangement is preparing the way for further local growth funding reforms.

The Long-Term Plan for Towns will be retained and reformed into a new regeneration programme.

Transport

The Budget also confirms increases in City Region Sustainable Transport Settlements. These Settlements fund projects such as Liverpool's Baltic Railway Station, the renewal of Sheffield's Supertram system, and the continued development of West Yorkshire Mass Transit.

The Government seeks to maintain momentum on Northern Powerhouse Rail by securing the delivery of the TransPennine Route Upgrade and progressing planning and design works. The Government will set out further details in due course.

NHC reaction:

The acknowledged role of place and local leadership in achieving the Government's national ambitions is welcomed. The forward march of devolution, building on previous Government's trailblazer pilots with integrated settlements, first for Greater Manchester and then on to the North's maturing Combined Authorities, will deliver much needed autonomy and flexibility to deliver on equally ambitious local and regional goals. We look forward to engaging with our Combined Authority Members on the forthcoming English Devolution White Paper.

As the Government pushes forward with its important housebuilding drive, transitional arrangements for wider regeneration are also noted. In particular, the Long Term Plan for Towns supported northern areas to deliver on much of the community priorities identified by [Pride in Place: Views from Northern Communities](#). Whether in new or existing neighbourhoods, a sustained commitment and strategy from the Government to empower northern communities and support the social fabric of our areas will be required.

Pride in Place

In addition to announcements in relation to place, devolution, and regeneration, the Budget also makes other announcements connected to the findings of [Pride in Place: Views from Northern Communities](#).

- Supporting businesses - the Government will deliver a fairer business rates system through permanently lower business rates multipliers for retail, hospitality and leisure (RHL) properties from 2026-27.
- The Budget also provides £1.9 billion of support to small businesses and the high street in 2025-26 by freezing the small business multiplier and providing 40% relief on bills for RHL properties, up to a £110,000 cash cap.
- Revitalising Communities - confirming funding for MHCLG's core Levelling Up Fund projects – providing £1.0 billion in 2025-26 to revitalise high streets, town centres and communities.
- Grassroots Clubs - supporting grassroots sport by investing in multi-use facilities across the UK.
- Arts and Culture - Increasing support for arts and culture by raising Grant-in-Aid for the National Museums and Galleries to help support their long-term sustainability. Providing a package of cultural infrastructure funding that will build on existing capital schemes – with additional capital investment to support cultural organisations across the country.

NHC reaction:

Today's announcements support some of the key findings from [Pride in Place Views from Northern Communities](#), which represented a resident-led audit of what makes a great place to live. The report's recommendations were wide-ranging and underlined the value of NHC members as anchor institutions with a deep role to play in towns and cities across the region, whether delivering housing and regeneration projects, supporting local employability and entrepreneurs, or connecting the residents they represent to sport and culture opportunities.

Unlocking capital funding

Today's Budget included numerous changes to the way in which Government accounts for capital spending, in an attempt to provide the Chancellor with greater room to borrow to invest and increase capital investment. The most significant of these was to adopt the "public sector net financial liabilities" definition of public debt to assess performance against the Government's fiscal rules. This change provides additional room for borrowing while ensuring that debt reduces as a % of GDP. The Budget aims to increase total capital investment by over £100 billion over the next five years, across areas including housing, research & development and transport.

Another change is that Government will look to set five-year capital budgets, to be extended every two years at regular spending reviews. This looks to eliminate 'cliff edges' where future investment levels are unclear, and provide greater certainty to

departments and supply chains who deliver publicly funded programmes. It is yet to be seen how this will play out for individual capital funding programmes, such as the Affordable Homes Programme, with further detail expected at the Spending Review next year. However, this would reflect the recommendation in the recent Public Bodies Review of Homes England to provide five-year rolling funding for the Affordable Homes Programme. This would provide much needed long-term funding certainty.

Local government and departmental budgets, including capital budgets, are set to be increased following the Budget. The tables below outlines these changes.

Total Departmental Expenditure Limits (DEL)

Department	2023/24 outturn (£bn)	2024/2025 baseline (£bn)	2025/26 plans (£bn)	Average annual real terms growth from 2023/24 to 2025/26 (%)
Local Government	9.6	12.5	14.3	10.2
Ministry of Housing, Communities and Local Government	10.1	12.3	12.6	9.7
Department for Energy Security and Net Zero	6.4	9.0	10.3	22.0

Capital Departmental Expenditure Limits (DEL)

Department	2023/24 outturn (£bn)	2024/2025 plans (£bn)	2025/26 plans (£bn)	Average annual real terms growth from 2023/24 to 2025/26 (%)
Ministry of Housing, Communities and Local Government	6.8	8.5	8.8	10.7
Department for Energy Security and Net Zero	5.1	7.5	8.4	25.2

Local Government Finance

The Government is supporting local authorities with increased funding and reforms.

Funding

The Government has allocated an additional £223 million to prevent homelessness, taking the total spend up to £1 billion in 2025-26. This is intended to prevent increases in the number of families in temporary accommodation and rough sleeping.

There will be a 3.2% increase in core funding by 2025-26, with £1.3 billion of new grant funding. £600 million of this funding has been allocated to funding social care.

The Government is investing £1 billion in children's services to improve support for children with special educational needs and disabilities (SEND), alternative provision, and kinship and fostering programmes, with further reforms planned later.

Additionally, £900 million will be allocated through the UK Shared Prosperity Fund for another year, allowing councils to fund local growth projects while broader funding changes are prepared.

Reform

The Government will also simplify the wider local funding landscape, reducing the number of grants and consolidating them into the Local Government Finance Settlement, as well as moving towards a multi-year settlement for local government so local authorities can plan more effectively.

NHC reaction:

We welcome the Government's commitment to supporting local authorities with increased funding. This funding, as well as the move towards multi-year settlements, is an important step toward enabling councils to meet rising demand and continue providing vital services to communities.

We appreciate the Government's acknowledgment of the challenges facing local authorities and look forward to receiving more details of the reforms in the upcoming local government finance policy statement.

NHS and Social Care

The headline figure from the budget is a £22.6 billion increase in funding for the Department of Health and Social Care over two years till 2025-26. The next two years will also see a 10.9% increase in capital investment for the NHS, with areas of investment including continuing the delivery of new hospitals and new mental health centres.

Announced alongside this was an announcement of at least £600 million of new grant funding for local authorities to support social care. There is also an increase of £86 million in the Disabled Facilities Grant, which aims to support 7,800 more adaptations to homes of people with social care needs.

Additionally, the Government has announced that there will be a review of children's social care in phase 2 of the Spending Review.

The Budget documents also refer to the Government's 10-year Health Plan, stating that "In shifting care from hospital to community the government wants to see more care delivered through Neighbourhood Health Services. These will provide more proactive and personalised care that will be better for patients and deliver better value for taxpayers. The government will also reform delivery of elective activity and patient care pathways, including a shift to lower cost settings wherever appropriate."

NHC reaction:

Housing has a vital preventative role to play in improving health and wellbeing, enabling people to live well at home, and keeping people out of hospital. In ['Building the Future of Housing in the North'](#) we highlighted that devolution has allowed for health, social care and housing to work together, but more could be done.

Conversations with our local authority members have brought to light the scale of the challenge that they are facing with social care. Additional funding for social care and the Disabled Facilities Grant are particularly welcome. While recognising this is early days, we will be looking for greater recognition of how to maximise the important role of the social housing sector in tackling the major health and social care challenges the North faces.

Welfare and benefit payments

The Chancellor announced Government will provide £1 billion funding for local authorities in 2025-26 to extend the Household Support Fund and Discretionary Housing Payments. This will allow local authorities to support households facing the greatest hardship with the cost of essentials and to cover additional housing costs.

The Chancellor also announced that it will create a new 'Fair Repayment Rate' which will cap Universal Credit repayments at 15% of the standard allowance, as opposed to the current 25%.

In July 2024, Government announced that those not on pension credit or other means-tested benefits will no longer receive Winter Fuel Payments from Winter 2024-25.

NHC reaction:

We welcome the additional funding to help people on low incomes. Local authorities are under increasing financial pressures to ensure residents can afford the essentials, while maintaining day-to-day council operations and the Household Support Fund will help them do this. However, there was no announcement on Local Housing Allowance, which is much needed to help people afford housing costs and prevent homelessness. We will continue to call for this to be linked to local market rents on a permanent basis.

Building Safety

The Chancellor reaffirmed the Government's commitment to improving building safety and accelerating remediation of unsafe housing in response to the Grenfell Tower disaster.

Investment in remediation will rise to over £1 billion in 2025-26. This includes new investment to speed up remediation of social housing. The Government will set out further steps on remediation later this Autumn.

NHC reaction:

We welcome additional funding specifically for social housing, which has been locked out of some building safety funds in recent years. This should help landlords remediate unsafe buildings more quickly.

Stamp Duty Land Tax: Increase to the Higher Rates on Additional Dwellings

From 31 October 2024 the stamp duty land tax surcharge on second homes will increase to 5 per cent.

These higher rates apply to purchases of second homes and buy-to-let residential properties.

This is expected to result in 130,000 additional transactions over the next five years by first-time buyers and other people buying a primary residence, due to less people buying second homes. Those who exchanged contracts prior to 31 October 2024 are not affected by this rate increase.

NHC Reaction:

The increase, which takes effect tomorrow, aims to support first-time buyers in areas where supply is constrained by the number of second homes. We will await with interest to see how this plays out in northern housing markets.

Employers' National Insurance Contributions

Today's Budget confirmed previous speculation that the rate of employers' National Insurance Contributions (NICs) would rise. The rate of employer NICs will increase by 1.2 percentage points from 13.8% to 15%. Government has said this is to help raise the revenue required to increase funding for public services. Overall this appears to be the single largest revenue-raising measure, raising up to £25bn a year by the end of the forecast period.

The per-employee threshold at which employers start to pay National Insurance will be reduced from £9,100 per year to £5,000 per year. These changes will apply from 6 April 2025.

Government is also extending the employer NICs relief for employers hiring qualifying veterans for a further year from 6 April 2025 until 5 April 2026.

NHC reaction:

Members should look into details of how these changes will affect their organisations, as they will have an impact on financial plans to a greater or lesser extent.

Concluding remarks

Today's Budget contained much that was positive for the housing sector but more detail is needed on certain policy announcements, and the long-term certainty that will unlock delivery will not come until the Spending Review now planned for "late spring". Alongside the Spending Review the Government's overarching housing strategy is expected in the spring.

The Chancellor addressed the need to move away from short-termism and set in place some important building blocks including changing the way Government fiscal rules work to unlock more long-term capital funding. There is still lots to do to achieve the long-term certainty that's really needed to drive new supply, improve quality of housing and decarbonise our homes in the run up to Spending Review and through the rent consultation.

We will be advocating strongly to make sure investment works in a way that supports delivery in the North where regeneration matters, Treasury value-for-money rules have too often locked out much needed projects, but devolution holds much promise.