

# SPRING BUDGET 2024

## OVERVIEW

“Is that box going to win you the election, Chancellor?”

As he stood outside 11 Downing Street brandishing his famous Red Box, the UK Chancellor of the Exchequer, Jeremy Hunt, will have been contemplating the answer to that barked question from a BBC journalist.

Hunt today delivered what he called ‘a Budget for long-term growth’ against a difficult backdrop. British politics has seen a tumultuous few weeks and was undoubtedly crying out for stability, but today felt more like a short-term package aimed at shoring up Conservative political fortunes. A sitting Cabinet Minister told EGA in advance of the Statement that ‘there is little Jeremy can do to still the benches’ – and it seems that instinct was right.

Two years ago, then-Chancellor Rishi Sunak told Parliament that

*“I can confirm, before the end of this Parliament in 2024, that the basic rate of Income Tax will but cut from 20 to 19 pence in the pound.”*

How times have changed. With a recession on his hands and consequently less fiscal headroom than he hoped for, Hunt went into the weekend speaking of his ambition to embark on what he called the ‘long path’ to tax cuts. Hamstrung by a self-imposed rule to have debt falling as a share of GDP within five years, in the end he settled for a 2% cut to National Insurance Contributions. This is by no means insignificant, but alongside changes to benefits and the abolition of Non-Dom status, the target audience for this Budget is voter groups which have largely abandoned the Conservatives.

The Chancellor will also have been acting under orders from the Prime Minister to deliver a Budget to preserve what remains of Party unity. As restive Tory MPs eye the most difficult election since 1997 unfurling before them, the Budget was the last opportunity to make announcements that can be implemented by polling day. A former Cabinet Minister on the right of the Party told us this morning that to achieve this, “the Chancellor must announce something which differentiates us from Labour.” It’s not clear that name-checking the Joseph Rowntree Foundation, opening with an announcement on a war memorial dedicated to the Muslim community, or announcing a raft of increases to benefits will deliver on this wish.

Ultimately, today was a Budget delivered by a Government which appears to be caught between two mindsets. On the one hand, through headline-grabbing measures such as the National Insurance cut, there is a clear attempt to appeal to voters ahead of the election by showing them it’s the Conservatives who believe in and are delivering some tax cuts. On the other, some policies have created more questions than they’ve answered – perhaps this Budget was, as Labour leader Sir Keir Starmer called it, ‘the last, desperate act of a Party that has failed.’

## WHAT DID THE CHANCELLOR SAY?

Building on the Autumn Statement, Hunt's headline measure was the announcement of a 2% cut in National Insurance Contributions. This will benefit 27 million taxpayers to the tune of around £900 when taken together with the 2% cut announced at last year's Autumn Statement – and was certainly the most memorable element of a Budget which was heavily pre-briefed and contained a raft of other, minor announcements.

Amidst the continuing battle against inflation, Hunt announced that working-age benefits will be uprated by 6.7% from April. He also abolished charges for debt relief orders and increased the repayment period on advance loans taken out by Universal Credit claimants. Maintaining the 5p fuel duty cut, he aimed to increase progress towards the Bank of England's 2% inflation target. Levies on vaping products and tobacco, starting in 2026, will also raise much-needed revenue for the Exchequer.

One measure aimed at middle-income voters was a measure to end unfairness for single-earner families in the Child Benefit system – administering High Income Child Benefit Charge on a household basis rather than an individual basis.

A key announcement was Hunt's plan to increase the VAT registration threshold for business, in a move which will be welcomed by SMEs – although some warn that this can effectively become a cap on growth as some companies simply choose to stop hiring at the £85,000 – now £90,000 – level.

The Chancellor's new "trailblazer" devolution deal with the North East Mayoral Combined Authority, worth over £100 million, signalled something of a return to 'levelling up' in this Budget, as he increased the proportion of English population benefitting from devolved powers to almost two-thirds.

By hypothecating the benefits to 'working families', the Chancellor painted the decision to abolish the current tax regime for so-called 'Non Doms' as a reduction in taxes for working people. He announced that the current system would be replaced with a residency-based regime, in which those who have been resident in the UK for more than four years will pay UK tax on their foreign income and gains, as is the case for other UK residents. This was arguably the moment in his speech which caused the most noise in the Chamber, as it was widely seen as the shooting of a Labour fox.

The key announcement today, though, was the NICs cut. Hunt stated that his intention is to end 'double taxation on work', vowing to continue to reduce NICs, and to introduce a 'fairer tax system which makes work pay'. Cutting NICs by a third in six months is enormous on paper but the decision has raised eyebrows from the Conservative backbenches as a potentially 'low reward' policy; NICs cuts as part of the Autumn Statement made no difference to the polls, where Labour lead the Conservatives by nearly 20%.

## WHAT DOES THE SPRING BUDGET MEAN FOR BUSINESS?

In what is one of the last major fiscal events before the Election, attention has naturally been focused on what the Chancellor could scrape together for a much-needed win. This naturally caused uncertainty amongst the business community about just how much there would be in the Budget for them, with no obvious answer to where large-scale economic growth could come from. While the OBR has forecast growth of 0.8% in 2024 and 1.9% in 2025 – 0.5% higher than the Autumn forecast – both the UK's economic recovery and business confidence remain fragile.

On the one hand, market interest rates are falling and there is a gradual increase in consumer spending. But business continues to contend with subdued global demand, trade barriers, and conflicts in the Middle East and Europe which are causing trade to suffer. It is against this backdrop the business community waited with bated breath to see if the Chancellor could deliver a Budget that will prioritise skills, infrastructure and R&D investment – and bring certainty.

Hunt will hope the NICs cut will have a positive effect on the labour market, boosting take-home pay and potentially encouraging people to re-enter the workforce. The reality, however, is that the decision to freeze income tax thresholds – taken when Sunak was himself Chancellor – is dragging more people into paying tax, limiting any benefit for employers. Today's tax cuts are also unlikely to dramatically change the economic outlook for the UK and could encourage the Bank of England to keep interest rates higher for longer.

The Government's decision to build on greater provision of more funded childcare hours, with more long-term stability for providers of childcare, was warmly welcomed by the CBI. Business groups also welcomed the Chancellor's commitment to introduce draft legislation on the expansion of permanent full expensing for leased and rented assets – described by the CBI as a "game-changer for many SMEs... [which] opens up more UK business investment."

The alcohol duty freeze was good news for the hospitality industry, expected to benefit 38,000 pubs, while the RAC welcomed the continued fuel duty freeze – although raising the latter would have been a bold move in an election year.

A focus on R&D, a Sunak favourite, also featured in the Budget with the Chancellor specifically looking at nuclear energy, which he said he wants to generate a quarter of our electricity by 2050. He added that he'd like the UK to lead the global race in developing cutting-edge nuclear technologies, before announcing that Great British Nuclear will begin the next phase of the Small Modular Reactor selection process, with companies now having until June to submit their initial tender responses. The Chancellor also announced £270 million of support for advanced manufacturing, to fund car and space innovation, and to grow zero emission vehicle and clean aviation technology.

While the numerous namechecks of constituency battlegrounds during the speech was a stark reminder that we're in an election year, there was little in today's announcement to suggest this was a Government gearing up to call a May election. It was nonetheless a Budget delivered in an election year – something that the Chancellor will have keenly remembered as he sought to keep business onside.

## WHAT WAS LABOUR'S RESPONSE, AND WHAT DOES IT MEAN?

"Politics, not governing. Party first, country second." Sir Keir Starmer's Budget response was rooted in what Labour sees as the economic failure of successive Conservative Prime Ministers. As he said: "Are you better off than you were 14 years ago?"

It may seem easy to respond to a Budget given during a recession, but this speech is one of the hardest jobs in British politics: there is no advanced sight of the Budget Statement and the Leader of the Opposition makes the speech, not the Shadow Chancellor. After a weekend of planning and gaming out responses, this afternoon Starmer went straight for the political jugular. He said the Government had no long term vision for the country. He accused the Government of failing to protect global supply chains, act on affordable housing, or invest in critical infrastructure projects.

Starmer wants an election now – and he used this moment to press his case. "Britain in recession. The national credit card – maxed out. And despite the measures today, the highest tax burden for 70 years." He ended his speech by throwing the gauntlet across the Commons to Sunak.

Starmer said Labour would back the Government's NICs cut "because we have campaigned to lower the tax burden on working people for the whole parliament"; and similarly, signalled his support for the fuel duty freeze. Today, Labour made a choice to accept elements of a Budget from the Conservatives – which included the abolition of the non-dom tax status after "years of rubbishing the idea" – but it means they'll need to adjust their own proposals for Government to further stimulate growth.

The measures mean the Shadow Chancellor has a steeper mountain to climb to find the money to fund the public service reforms Labour wants to deliver. There's no sign that Reeves will shift from her cautious approach to spending. Everything she has done in the last two years has been designed to reassure business and financial markets. Plans like the tax roadmap are there to give confidence, predictability and stability to the UK economy – and this means extra spending will have to come from increased growth ahead of the OBR's forecasts.

There is a ticking timebomb for Labour in the Budget document. The Chancellor made estimates for future public spending, but today confirmed the next Spending Review will take place after the General Election – a huge task for a new (Labour?) government, days into the job.

Ultimately, Starmer's response today gave us an insight into how his party intends to govern; spending to invest, cautiously, while supporting proportionate reductions in tax where this can be done responsibly. The Labour leader is right to remind the electorate how much he has done to change his party.

# KEY MEASURES

- A 2% cut to National Insurance contributions, on top of the 2% cut announced at the Autumn Statement last year. This totals a £900 reduction in personal tax for 27 million taxpayers.
- The abolition of so-called Non-Domicile tax status, to be replaced with a residence-based regime. Individuals who opt into the new system will not pay UK tax on any foreign income and gains arising in their first four years of tax residence
- A levy on vapes and an uprating of levies on tobacco products from October 2026
- An additional £2.5 billion to the NHS in England for 2024-25, protecting NHS funding in real terms, alongside an additional £3.4 billion to support the digital transformation of the NHS
- The Energy Profits Levy will be extended to the end of March 2029, and fuel duty will be frozen for a consecutive year. The temporary 5p cut in fuel duty rates will be extended until March 2025 and the planned inflation increase for 2024-25 will not take place
- The Government set out steps on the £4.5 billion funding package for Advanced manufacturing, including £2 billion for the automotive industry and £975 million for aerospace, available for five years from 2025
- Further support for the UK advanced manufacturing sector, including plans for the £50 million Apprenticeship Growth Sector pilot to boost funding for eligible providers

## THE POLITICAL ROAD AHEAD

“So, when’s the election going to be?” This is the first question everyone in SW1 asks when they speak to friends. There’s no doubt that the Prime Minister and Chancellor are doing everything they can to leave open the option for a May election. But, as a Conservative MP told us today, “we are going to lose the election whenever it is, and we’ll be in opposition for a long time”.

The real question is whether it even matters. The headline polls are stable and set. The underlying data on views of leaders and policy issues couldn’t be clearer. And the focus groups tell a story of despair. The broad sense is that people are hungry for a change of leadership and this government has run its course.

The measures in today’s budget are extensive. The total 4% NICs cut amount to a big reduction in personal taxation – nearly a thousand pounds a year for the average person is not to be sniffed at. But they come at a cost: a reduction in the ability of the Exchequer to fix public services, to fund local government, the NHS, the courts – and so on. There will also be costs to business through the raising of other taxes to pay for the NICs cuts.

If Hunt was genuine when he said we need ‘a more productive State, not a bigger State’, handing money back to working people, then this Budget may achieve its goal. But if it is to win an election then it’s likely to have missed the mark. Polling evidence is clear that most people prioritise investment in public services over tax cuts.

Conservative MPs were candid with EGA about the sanguine mood in the Party. One backbencher told us that many now accept the impending election defeat – the division in the Party is simply about when the axe must fall. Another said they have now simply stopped caring and have turned their focus onto life after Westminster.

In the absence of a so-called ‘rabbit’ in today’s Budget hat, the challenge for the Prime Minister and his team is to stop that apathy. If Conservative MPs are no longer passionate about a Conservative Government, how can they expect the public to be?

On the other hand, Labour are bullish. A senior Labour source told us: “Jeremy Hunt namechecked just about every marginal seat. But the fact he’s naming Councillors in his own patch shows that he’s even running scared in leafy Surrey.”

One thing is for certain: cut through the bluster and it’s clear the Conservatives and Labour are making two very different offers to the electorate ahead of the election. The ambition of Sunak’s Conservatives – fulfilled in part at this Budget – is to use fiscal headroom to give tax cuts to the British public. Starmer’s Labour, meanwhile, would use that headroom to allow the Exchequer to further invest in public services. Only one of these philosophies can win out at the General Election.

A final thought is that the Tories must be careful what they wish for. If they do somehow defy all odds and win the General Election, they will be horrified at the state of the public finances they inherit.

# REACTION ROUND UP

## Paul Johnson, Institute of Fiscal Studies

*“Focusing tax cuts on National Insurance, rather than income tax, is to be welcomed: doing so reduces the tax wedge between different sorts of income, benefits those of working age in work, and should have marginally more positive work incentive effects.”*

## Rain Newton-Smith, CBI

*“Great to hear the chancellor build on greater provision of more funded childcare hours last year as the CBI called for, with more long term stability for the providers of childcare. A vital part of supporting working parents & our productivity.”*

## Tony Blair Institute

*“Today’s Budget contained a genuinely important package of measures to boost labour supply – particularly generous childcare support – but that got rather lost in the speech among a multitude of micro announcements”.*

## Women’s Budget Group

*“We know that #TaxCuts aren’t what the public prioritise. People recognise that taxes are the vital contribution they make to fund social infrastructure & they want to be able to get a nursery place for their child, see a doctor when they’re ill & get support when they need it.”*

## Seb Payne, UK Onward

*“Jeremy Hunt has made the best of a bad hand, prioritising tax cuts for working families and investing in levelling up. But it’s clear that the Chancellor had little room for manoeuvre - and he was right to call Labour’s bluff. The challenge now is how to really get growth going.”*

## Jill Rutter, UK in a Changing Europe

*“I do wonder whether Hunt ever thinks he would have had more impact if he had kept all these changes for a single fiscal event.”*

## George Dibb, Institute for Public Policy Research

*“This was a budget that shows an obsession with cutting taxes today at the expense of crashing vital public services tomorrow.”*

## Robert Colvile, Centre for Policy Studies

*“It is a good thing that they’ve cut National Insurance. Yes, they raised taxes before, but this is still working people getting to keep more of the money they earn.”*

## The Taxpayers’ Alliance

*“Disappointing to hear from the Chancellor that state spending will continue to increase at its current rate. With public sector productivity barely budging for decades, serious questions will be asked about promises to improve public sector productivity without stricter limits on budgets”*



**Mohammed Hussein**  
President, UK

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