Member Briefing: Autumn Budget 2024

On Wednesday 30 October, the Chancellor delivered the much-anticipated Budget on behalf of the UK Government – the first Budget statement from a Labour Chancellor since 2010. It came against the backdrop of the heavily briefed £22bn fiscal 'black hole' Labour says it inherited from the previous administration. The Autumn Budget included £40bn of tax increases on businesses that the Chancellor claimed would be vital to avoid fresh austerity and reverse the decline in Britain's public services.

This briefing takes a closer look at what was—and what wasn't—in the Budget, how this affects the cultural and creative industries.

Key points at a glance

- The creative sector considered alongside other growth-driving sectors
    - In the Budget, the Chancellor announced new funding of £1bn for the aerospace manufacturing sector; £2bn for the automobile manufacturing sector; and £6.5bn for the life sciences sector. This is compared to no new funding announced for the creative sector, although the overall value of tax reliefs in summary total could be argued by HM Treasury as being significant.
    - The CIs' GVA contribution in 2023 stood at £125.3bn. For comparison, in 2023 the GVA contribution of the aerospace manufacturing sector was £10.86bn; £18.85bn for automobile manufacturing; and £43.3bn for life sciences.
        - ***The tax reliefs announced for the CIs, providing £15bn of support over the next five years, are proof that the existing suite have demonstrated their value as a fiscal tool to incentivise investment and bolster global competitiveness.***
        - ***While the CIs outperform other priority sectors who will feature in the industrial strategy, when using GVA as a metric, this is a narrow definition of growth and does not capture the true value of the broader creative ecosystem. The UK Government needs a more complete suite of metrics to fully appreciate the growth potential of the sector at large, as well as to drive sustainable growth. This makes it particularly important that any submissions to the UK Government's consultation on the industrial strategy demonstrate the economic and social value of individual creative subsectors and the wider cultural and creative industries. Responses to the consultation should lay the groundwork for the sector's collective case for targeted funding in the multi-year UK Government Spending Review next Spring.***

- National Insurance Contributions (NIC)
    - An increase to the rate of NICs by 1.2% to 15%. The per-employee threshold at which employers start to pay NI will be reduced from £9,100 per year to £5,000 per year, starting from April 2025.
    - To support small businesses with these changes, the Chancellor announced an increase to the Employment Allowance from £5,000 to £10,500 and removed the £100,000 threshold.
        - ***While an increase to the Employment Allowance and the removal of the £100,000 threshold means an estimated 865,000 businesses will pay no NICs, the impact on businesses across the supply chain is uncertain. The change***

risks placing strain across the ecosystem, particularly for medium-sized enterprises - potentially leaving them exposed and forced to pass on these added costs through reduced wages.

- National Living Wage
  - The National Living Wage will increase by 6.7% to £12.21 per hour from April 2025. This was based off a recommendation from the Low Pay Commission and is expected to benefit over 3 million low paid workers across the UK.
  - UK Government has also accepted a recommendation from the Low Pay Commission to increase the National Living Wage for 18-20-year-olds to £10 per hour, an increase of 16.3%, which will also come into effect from April 2025. This is a precursor to a single adult wage rate—ensuring 18-20-year-olds are paid the same wage for a day's work—being phased in over time.
    - ***An increase to the National Living Wage is welcome, but the Government needs to be mindful of the potential implications for smaller companies and freelancers. Similarly, freelancers may become the victims of downwards pressure from businesses facing higher costs, therefore leading to either a stagnation or decline in freelancer rates. The Government needs to assess the impact of these changes on small businesses and freelancers who face less stable income and growth trajectories as a consequence.***

- Business Rates
  - Permanently lower business rates multipliers will be introduced for high-street retail, hospitality and leisure properties (RHL) from 2026/27. To support RHL properties in the interim, the small business multiplier will be frozen.
  - A Business Rates Discussion Paper has been published, setting out the UK Government's priority areas for reform and inviting industry to help co-design the new business rates system.
    - ***While the UK Government has promised to deliver a new lower rate of taxes on RHL properties in April 2026, many businesses will face having to pay more than double the current rate after next April. Analysis has suggested said that, as one example, this could place over 350 grassroots music venues at immediate risk of closure, representing the potential loss of 12,000 jobs and 75,000 music events. A new Business Rates system, as set out in the Discussion Paper, presents a new opportunity to also set out requirements and views of the sector. Those physical premises though run of the risk of being exposed while the new Business Rates system is finalised, with the potentially positive effects to be realised further down the line offset by the negative impacts of increased employers' NICs.***

- Enterprise Investment Scheme (EIS) and Venture Capital Trust
  - Both the EIS and Venture Capital Trust schemes have been extended to 2035, while the Budget also committed over £250 million in funding in 2025/26 for the British Business Bank's small business loans programme.
    - ***The extension of the EIS and Venture Capital Trust presents potential opportunities for scaling organisations. Responses to this consultation could be framed as a chance to extend more scaling opportunities to the creative sector,***

particularly for organisations whose unique financial structures and risk profiles do not fit traditional investment models. More can be done to ensure startups that operate at the intersection of technological innovation and creative output benefit from these schemes. Part of this will depend on reform of R&D tax credits, which would bring significant benefit to the creative sector at large, including enabling creative organisations to benefit from the same financial support and R&D cycles as science and technology startups.

<u>Spending allocations</u>

Department for Culture, Media and Sport (DCMS)

- The DCMS settlement provides total HM Treasury funding of £2.37bn in 2025/26, compared to a £2.07bn departmental budget last year. This is equivalent to an average annual real-terms growth rate of 2.6% from 2023/24 to 2025/26.
    - Commitment to continuing to fund the Create Growth Programme and UK Games Fund.
    - An expansion of the Creative Careers Programme, worth £3 million. This is designed to raise awareness of career routes into the CCIs and to tackle skills gaps in the sector.
    - Support for arts and culture by raising Grant-in-Aid for the National Museums and Galleries, supplemented by additional capital investment to support cultural organisations across the country.
        - ***While this year's DCMS budget will be £2.37bn, which amounts to an increase of £100 million for day-to-day spending and £194 million for capital spending, when adjusted for inflation, day-to-day spending is projected to fall by 1.5% this year. Next year, the total DCMS budget will decrease to £2.28bn, with day-to-day spending projected to fall by 3.5% in real terms. This means an average 2.5% cut in day-to-day-spending and 16.2% increase in capital spending between 2023/24 and 2025/26, in real terms.***
        - ***This is before the UK Government's 2% efficiency target has been taken into account. Departmental planning is taking place over the next four weeks, after which the scale of continued financial support for funds like CGP and UK Games Fund will be clearer.***
        - ***As the biggest funders of culture, heritage and libraries in England, the Chancellor has committed to support local authority services "through a real terms increase in core local government spending of around 3.2%". This includes £600 million of new grant funding to support social care.***

Department for Education

- The Budget confirmed the UK Government was allocating an extra £2.3bn to the core schools budget for 2025/26. The Chancellor also announced she was giving the Department for Education £6.7bn of capital investment next year, which will go towards the existing school rebuilding programme and improving school maintenance.

- With regards to the core schools budget, this means real-terms spending per pupil will rise to around £8,100, exceeding the high-point of £8,000 in 2010. £1bn of that funding is for high needs and forms part of the Government's plans to reform England's SEND system.
- It also included investment of an extra £1.8bn in early years education.
- An additional £300 million was allocated to further education (FE), with the UK Government yet to set out how these funds will be distributed.
- The extra investment in FE will be supplemented by £40 million to deliver the transformation of the Apprenticeship Levy into the new Growth and Skills Levy. The investment will focus on delivering new shorter and foundation apprenticeships in key sectors.
  - ***Treasury documents have not given any indication of where the additional £300 million for FE will be spent. Likewise, it's unclear whether the £40 million for shorter and foundation apprenticeships will come from the current apprenticeships budget or is new funding.***

Industrial Strategy

- After the CIs were identified as one of the eight growth-driving sectors in the Industrial Strategy, the Budget confirmed where interventions would be targeted to help the UK extend, or develop, a comparative advantage. With regards to the CIs:
  - Tax reliefs for the creative industries are set to provide £15bn of support over the next 5 years.
  - £25 million in funding for the North East Mayoral Combined Authority (NEMCA), which will be used to remediate the Crown Works Studios site.
    - ***The tax relief and NEMCA announcements are legacies of the previous administration. Responses to the live consultation on the Industrial Strategy need to make the case for why our sector urgently needs access to blended finance, or a new wholesale institution, so the unique financial structures and risk profiles of creative businesses are recognised and enabled to deliver growth that is not defined only in narrow productivity terms.***