



NORTH EAST
Chamber of Commerce

Member Briefing

SPRING BUDGET 2024





On Wednesday 6 March, the Chancellor of the Exchequer announced the Spring Budget.

This on-the-day briefing has been designed for Chamber members and covers the key headlines for North East businesses.

To read the Chamber's response to the Spring Budget, [click here](#).

KEY ANNOUNCEMENTS: SUMMARY

- Office for Budget Responsibility predicts UK economy to grow by 0.8% this year and 1.9% in 2025.
- Growth of 2% is predicted for 2026, with 1.8% in 2027 and 1.7% in 2028.
- UK's inflation rate is forecast to fall below 2% target in two months.
- Underlying debt, excluding Bank of England debt, is forecast to be 91.7% of GDP this year, rising to 92.8% next year.
- National Insurance cut by 2p in the pound for employees and the self-employed.
- The threshold at which small businesses must register to pay VAT will rise from £85,000 to £90,000 from April 2024.
- Covid-era government loan scheme for small businesses extended until March 2026 and renamed Growth Guarantee Scheme.
- Full child benefit threshold to move from £50,000 to £60,000. Partial child benefit to be paid where highest earner earns up to £80,000.
- £5,000 "British ISA" tax allowance for individual savers to invest in UK-listed companies.
- Longer repayment period for people on benefits taking out emergency budgeting loans from the government.
- The government fund for people struggling with cost of living pressures will continue for a further six months.
- Overall day-to-day government spending to grow by 1% in real terms over the next five years. However, only health, education and local government spending is directly protected. All other departments look to be facing budget cuts to 2024/25.



ENTERPRISE AND GROWTH

Devolution and trailblazer status

The government has affirmed that the new North East Mayoral Combined Authority (NEMCA) will be awarded 'trailblazer' status. This will provide NEMCA with an increased pot of funding potentially worth up to £100million which the combined authority will have complete autonomy over as opposed to it being allocated to specific initiatives. This may also be followed by new responsibilities over public entities that are typically governed centrally.

Some significant components of the new trailblazer deal:

- £10million will be invested in work on a Health Innovation Zone which will include the Health Innovation Neighbourhood and Forth Yards sites in Newcastle.
- There will be a new taskforce to support biodiversity and the natural environment.
- £58million of funding brought forward to cover the maintenance and renewal of the Tyne and Wear Metro system for the next two years.
- The North East Mayoral Combined Authority will have more influence over affordable housing and access to a single funding pot for housing and regeneration.
- A rail board will be created including representatives from the government and rail industry to jointly develop plans for improvements to rail infrastructure and services in the region.
- There will be support for the expansion of the "Pop" card as a way to pay on local rail services.
- The trailblazer will create more local responsibility for developing and delivering adult education, skills and careers advice and opportunities to work in partnership with the Department for Work and Pensions to improve how people get to work.
- Opportunities to work in partnership with Homes England to have more control over delivering affordable homes for residents.
- A North East Strategic Energy Board will be created to coordinate energy supply and demand, and promote growth in the offshore wind sector.
- There will be a plan developed to support the growth of the creative industries, heritage, sport and the visitor economy, and new opportunities to attract additional investment.
- The government will also work to address barriers to growth at the North East Mayoral Combined Authority area's ports and airport; tackling grid infrastructure capacity and developing an industry-leading skills pipeline as part of the Green Superport plan.



North East Investment Zone

The government has announced further details on Investment Zones in the North East of England. The Chancellor has also confirmed that the Tees Valley Investment Zone will focus on the digital and creative sectors, including £160million for the creative sectors, centred on Middlesbrough.

The following incentives have been announced for the North East of England:

- Tax incentives will be available at Blyth Energy Central in Northumberland.
- Tax incentives will be available at The International Advanced Manufacturing Strategic Site in Sunderland and South Tyneside.
- A programme of activity to secure major inward investors, encourage co-location of wider supply chains and support the growth of existing businesses through:
 - £20million co-investment fund will unlock jobs growth along the Tyne corridor and expand capacity at NETPark in County Durham.
 - This will be complemented by £15million for a skills package co-delivered with the private sector.
 - £15million of infrastructure funding.
 - £5million to stimulate innovation and productivity growth across these sectors.

Crown Works Studio

NEMCA's trailblazer deal will help to support the progression of Crown Works Studio; an ambitious project spearheaded by Fulwell73 to create one of Europe's largest film and TV studios in the North East.

This will be welcome news to our members who have been calling for the government to support Crown Works Studio, which is set to create approximately 8,450 jobs and deliver a significant boost to the North East's culture, creative and tourism supply chain.



Culture, creative and tourism

The Spring Budget included particular announcements around supporting the culture, creative and tourism industries in the form of tax relief and new investments. As part of announcements made, Chancellor Hunt highlighted the following:

- Continuation of gross business rate relief on orchestral productions - with 45% relief on touring orchestral productions and 40% on non-touring productions.
- 40% relief on gross business rates for eligible film studios in England until 2034.
- 5% increase in tax relief for UK visual effects costs in film and high-end TV.
- A new tax credit of 53% for UK independent films for productions worth less than £15million.
- £26million invested into the National Theatre to upgrade stages.

Looking to the North East more specifically, the new trailblazer settlement for NEMCA will include the establishment of a Culture and Creative Sector Catalyst. This is intended to attract growth in the sector, alongside coordinating and aligning investments to maximise local impact.

Town centres

The government has earmarked £400million in new investment to extend the 10-year long term plan to towns including Darlington.

Public sector productivity drive

Departmental spending in health and education has been protected and local authorities will receive an overall increased budget, which has already been announced. However, all other government departments will receive a budget reduction in 2024/25, placing further pressure on public services.

As part of the Autumn Statement, the government announced that they would be conducting a review into utilising new technology to reduce admin time across the public sector.

The Treasury has confirmed that £800million is being invested to support this, with the aim of this delivering up to £1.8billion worth of benefits by 2029 in saved time and boosted productivity.



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The headline of this policy is that it will free up thousands of hours of police officers' time spent on admin, allowing for a greater focus on tackling violent crime. However, from speaking to our members we know how much the planning system is hindering firms' abilities to expand and grow. Notably, the government has announced that a new AI pilot will be used, with the vision of cutting the time it takes for planning officers to process applications by 30%.

In addition to this, there will be new investment across other notable areas of the public sector. In order to help local authorities, £165million is being provided to reduce local authority overspends on children's social care. This comes after local authorities had an overspend of £670million on children's social care in 2023. The policy aims to reduce the reliance on emergency places that are costly to local authorities, and make 200 additional child social care places available.

The government is allocating £14million for infrastructure used by public sector research and innovation organisations. This includes funding to develop the next generation of health and security technologies, unlocking productivity improvements in the public and private.

Pension fund reforms

In an effort to boost business and increase returns for savers, Chancellor Hunt has announced reforms to how pension funds will be required to operate. From 2027, pension funds will be required to publicly disclose how much they invest in UK businesses in comparison to overseas business; as well as their costs and returns on investments.



Additionally, pension funds with poorly performing schemes will not be allowed to take on new business from employers, with the Financial Conduct Authority and The Pensions Regulator being given new intervention powers to enforce this. Funds will be required to publicly compare their performance data against competitor schemes; which must include at least two schemes managing at least £10billion in assets.

Taxation and loans

Following the cut to employee National Insurance announced in the Autumn Statement (from 12% to 10%), the Chancellor announced a further reduction to employee National Insurance from 10%, down to 8%. Additionally, there will be cuts to National Insurance contributions for the self-employed by 2p to 6%.

The government will also increase the VAT registration threshold from £85,000 to £90,000, and the deregistration threshold from £83,000 to £88,000, freezing them at these levels. These changes will apply from 1 April 2024.

Alongside this, the government is increasing the repayment period on budgeting advance loans taken out by claimants on Universal Credit from 12 months to 24 months.

The Recovery Loan Scheme has been renamed as the Growth Guarantee Scheme and extended until the end of March 2026. The scheme offers a 70% government guarantee on loans to SMEs of up to £2million in Great Britain, and £1million in Northern Ireland.

Leamside Line

The region has been awarded £350,000 to progress a new “strategic outline case” for the southern section of the Leamside Line, from Washington to Ferryhill.



PEOPLE AND WORK

Public sector productivity drive

As part of the public sector productivity drive, the Chancellor has earmarked £17million for modernising the Department for Work and Pension's communications, moving away from paper-based letters.

Additionally, the public sector productivity drive will aim to reduce scan waiting times, allowing for more effective healthcare. The upgrading of 100 MRI scanners across the country with artificial intelligence will allow for 130,000 patients, including those awaiting cancer results, to receive scans sooner. We know that ill health is the largest barrier to work, and so hopefully this can help people to get the right support to work.

Finally, the government is investing £170million into the justice system to streamline processes such as determining whether an offender is safe to release.

Childcare

As part of the Spring Budget last year, the Chancellor announced plans to offer free childcare places for all children from working families. In today's announcements, the government has reaffirmed their commitment to increasing the hourly rate paid to childcare providers in line with the metric used in last year's Spring Budget for the next two years.

In addition to this, the government will increase the High Income Child Benefit Charge (HICBC) to £60,000. They will also start measuring HICBC on a household basis rather than the current individual basis by April 2026.

EDUCATION AND PARTICIPATION

Update on the apprenticeship growth sector pilot

Following on from the announcement in the Autumn Statement of the apprenticeship growth sector pilot, the Chancellor has announced further details of the £50million two-year scheme.



In order to support the training of new workers in the green sector, from April, eligible apprenticeship providers will be able to claim £3,000 per apprenticeship start for pipe welders, nuclear technicians, and laboratory technicians. The government has said these payments are intended to be used on capital investment that can unlock education providers' abilities to grow and deliver the standards in scope of the pilot.

Public sector productivity drive

As part of the public sector productivity drive, the government has committed £105million to fund an additional wave of 15 SEND free schools, in order to boost provision for children with additional needs, creating over 2,000 additional places.

GREEN INNOVATION

Clean energy and renewable energy

The Chancellor has announced that the North East of England will support new investment and innovation in electric vehicle manufacturing, battery production, offshore wind and low-carbon materials - building on the region's longstanding strengths in automotive and advanced manufacturing, and increasing prominence as a hub for clean energy.

A combination of tax incentives and funding will be used to attract investment, stimulate innovation and support businesses to grow in these sectors.

Hartlepool is home to a nuclear power station and, as previously announced, will see the construction of a new small modular reactor (SMR), this supports the government's plan for delivering energy security and a decarbonised power sector.

The government is committed to exploring a further large-scale reactor project, and Great British Nuclear is running a competitive process for the selection of SMRs. The government is moving to the next stage of the SMR process, with six companies invited to submit their initial tender responses by June 2024.



Expansion of the Green Industries Growth Accelerator (GIGA)

The Chancellor has announced an increase up to the value of £120million in the GIGA to support the expansion of low-carbon supply chains. This means the total of the fund now sits at £1.1billion.

As a result, a breakdown of the GIGA has now been released which encompasses previous announcements made in last year's fiscal events. Outside of this new investment, the GIGA includes:

- £390million to expand UK supply chains for electricity networks and offshore wind.
- £390million for carbon capture.
- £300million towards the production of fuel required to power high tech nuclear reactors.

Electricity grid reform

The government will implement a new stringent connections process from January 2025 and work with the Electricity System Operator to outline further interim reforms to the grid queue process by summer 2024.

The government will establish the National Energy System Operator in 2024 and will publish new community benefits guidance by June 2024.



We're the North East's largest and most influential business membership network.

We support, connect and represent more than 2,000 organisations employing 40% of the region's workforce. We ensure our members are at the heart of building a thriving economy and making our region the best place to live and work.

POLICY & REPRESENTATION

As a member you can ensure your business's voice is heard through our relationships with decision makers regionally and nationally, and our campaign work.

Our policy team – an experienced expert team, on hand to support you with issues affecting your business while leading representation and campaign work.

Economic survey – our survey gives us powerful information which we use to lobby the Bank of England and government.

Area meetings – discussing local business conditions and issues, engage with decision makers, improve business intelligence and shape business conditions in your local area.

North East business brief – our regular update straight to your inbox.

Policy Forums – help shape our priorities and campaigning on vital issues, focusing on topics like education, skills, transport, energy, development, and international trade.

Women's Leadership Forum – proudly championing women in business to succeed. This forum guides our work with an emphasis on equality, diversity, and inclusion.

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