SUMMARY OF THE KEY IMPACTS OF THE 2024 AUTUMN BUDGET ON SOCIAL CARE BUSINESSES IN SCOTLAND

The 2024 UK Autumn Budget announced on 30 October by Chancellor Rachel Reeves includes several measures that will have a direct or indirect impact on social care businesses in Scotland.

Barnett Consequentials

The budget includes an **additional immediate £1.5 billion for the Scottish Government through Barnett Consequentials, followed by a further £3.4 billion in 2025-26**. These consequentials are the result of increased spending in England on areas such as the NHS, with resource spending for the Department of Health and Social Care rising by £22.6 billion from 2023-24 to 2025-26. The Scottish Government will have discretion over how to allocate these funds, and it remains to be seen how much will be allocated to social care.

Calls have also been made by Age Scotland for part of this to be used to reinstate the devolved Pension Age Winter Heating Payment for all pensioners, which would amount to under 5% of the extra funding.

The Scottish Government is currently seeking clarity on whether it will be fully compensated for the National Insurance increase for public sector employers, which it estimates at £500m, as Scotland has a proportionally larger public sector workforce than the UK as a whole.

National Minimum Wage Increase

The budget confirms the acceptance of the recommendations of the Low Pay Commission in full, meaning the **National Living Wage (the minimum wage for over 21s) will increase by 6.7% to £12.21 per hour from April 2025**. This is likely to increase costs for social care businesses, which are already struggling to meet staffing costs. It is important to note that the National Living Wage applies across the UK. Social care workers in Scotland are currently paid in line with the previous Scottish Living Wage rate of £12. The Scottish Living Wage increased to £12.60 in October 2024.

The National Minimum Wage for 18- 20-year-olds will increase to £10.00 per hour for all eligible workers, from £8.60. The Government is also increasing the minimum wages for Under 18s and apprentices from £6.40 to £7.55 per hour.

Employer National Insurance Contributions

Employers will see a 1.2% increase in their National Insurance contributions, bringing the rate to 15%. The threshold at which employers start paying National Insurance will also be reduced from £9,100 to £5,000 per employee. This is likely to increase costs for all businesses, but especially social care providers whose staffing costs are usually between 80-90% of overall costs, depending upon the type of care and support they deliver. The National Insurance change applies to all employers in Scotland as it is a power reserved to Westminster.

The Liberal Democrats have called on the government to exempt social care from the rise in National Insurance, but the Government have said this has been accounted for in the £600m allocated for social care through Local Authorities in England. Social care funding is devolved to Scotland and it is unclear how the £1.5billion will be used to support this.

The Chancellor also announced an **increase in the Employment Allowance from £5,000 to £10,500 alongside the removal of the £100,000 threshold**, which will benefit smaller businesses. The allowance will also be expanded to include all eligible employers. This could help to mitigate the impact of the National Insurance increase for some social care businesses.

Local Government Funding for Social Care in England

Local authorities in England will receive a **real-terms increase in core spending power of around 3.2% in 2025-26**, which includes at least **£600 million of new grant funding for social care**. This funding is intended to support local authorities in delivering essential services, including social care. While this funding is for England, it will have implications for the Scottish Government's budget through the Barnett Formula.

Business & Tax Measures

The government is **publishing a Corporate Tax Roadmap**, which confirms that the government will cap the rate of Corporation Tax at 25%. This is intended to provide stability and predictability for businesses and encourage investment. While this is a UK-wide policy, it could benefit social care businesses that operate as companies.

The budget includes that the **freeze on income tax and National Insurance thresholds** will end in 2028. Income tax rates and thresholds for Scotland are set by the Scottish Government and have already diverged from those set at Westminster - so this will remain the case, and we await further announcement in the Scottish budget.

Changes to Business Asset Disposal Relief (BADR): Previously known as Entrepreneurs' Relief, the rate of Capital Gains Tax for BADR will be gradually increased. It will remain at its current rate of 10% in 2024, then rise to 14% on April 6, 2025, and finally to 18% on April 6, 2026. Business groups have warned that this may encourage early exit for business owners, especially owners of care homes, before the higher rate kicks in.

SCOTTISH CARE ANALYSIS

The budget's focus on the NHS, which sees significant funding increases, but limited detail and support for social care in England, raises concerns about the ongoing failure to recognise the importance of social care and support, sector sustainability, and reform. It does not sufficiently address funding shortfalls or ongoing demand and workforce pressures. If similar funding patterns are mirrored in Scotland, the social care sector will be gravely concerned. There needs to be a whole systems approach to investment, that prioritises investment in prevention and wellbeing beyond the NHS, and which social care is a crucial component of.

The Barnett consequentials from increased spending in England could provide the Scottish Government with additional funding to allocate to social care. However, it is important to note that the Scottish Government will have discretion over how to allocate these funds. It will be important that the Scottish Government recognises and values social care sufficiently in allocating this additional funding and uses it to urgently and practically address the significant shortfalls experienced by the sector. Scottish Care will be calling on it to do so.

The increase in the National Living Wage and Employer National Insurance contributions will increase costs for social care businesses at a time of ongoing strain. The affordability of National Insurance increases in the social care sector should be recognised and the sector exempted. We acknowledge the positive steps taken to pay social care workers the Scottish Living Wage but reiterate this remains insufficient in recognising and retaining a registered and regulated professional workforce. The fact that rates of pay, differentials, and terms and conditions for all employees are not adequately accounted for in funding and commissioning makes this additional increase unaffordable for social care employers.

The implications of the Capital Gains Tax Rate increase need to be carefully considered at time when care providers are already exiting the market because it is unsustainable. This change could drive more business owners to prematurely exit the sector and further destabilise the market, as well as limit citizen choice of services, hitting rural and remote areas hardest.

Scottish Care calls on the Scottish Government to establish mechanisms for effective engagement and partnership working with the independent social care sector, to support sector sustainability when implementing the measures outlined in the UK Budget and in ensuring that the forthcoming Scottish Budget supports social care employers, employees and those who rely on support.

The 2024 Autumn Budget creates a complex landscape for social care businesses in Scotland. It presents both potential opportunities and challenges. **The Scottish Government will announce its own Budget setting out its tax and spend plans on 4 December 2024.**