

Committee(s)	Dated:
Finance Committee	14 December 2022
Subject: Autumn Statement 2022 Briefing	Public
Does this proposal require extra revenue and/or capital spending?	N/A
If so, how much?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: The Chamberlain	For Information
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Summary

The Chancellor announced the Autumn Statement in Parliament on 17th November this report provides a brief update on what this means and how this impacts City Fund.

The overall settlement for day-to-day departmental spending across the current spending period (2022/23 to 2024/25), accounting for the changing inflation forecast, looks broadly comparable to the original statement in October 2021.

Whilst the headline figures might imply relatively generous settlements for public services, the reality is that from this year services are unlikely to have enough money to transform performance and will see an increasing share of their budgets will need to be spent on higher pay awards to keep services functioning.

The main message from Local Authorities seems to be that there is still a significant gap between income and expenditure, much of which has been caused by inflation and increasing demands. Local Government budget pressures will remain for the foreseeable future.

There was no specific mention of Police, so we will need to await the Provisional Settlement from the Home Secretary.

Key Headlines:

- 1. The Council tax referendum limit will rise from 2% to 3% in 2023/24** and in addition, **adult social care precept flexibility rising from 1% to 2%**, so 5% in total – This could generate £350k p.a. (noting for every 1% increase this is c£70k increase p.a.) for the City Fund. Department of Children and Community Services have raised an increase in children services of £300k for 2023/24 with a further additional pressure of £600k on Unaccompanied Asylum-Seeking Children.

2. **Business rates** – significant package of measures, with impact likely to be confirmed at the Local Government Settlement. This package includes:
 - a. **Business Rates multipliers frozen for 2023/24**, so no increase in business rates from indexation.
 - b. **Business Rate Revaluation going ahead** – likely to be a small increase in RV of 1%
 - c. Transition will apply but there will be no downward transition, meaning businesses that benefit from a reduction in their property valuation will get the immediate benefit of the reduction rather than phased as in previous revaluations. This will be funded by the Government. Upward transition will apply. **The ‘upward caps’ will be 5%, 15% and 30%, respectively, for small, medium, and large properties in 2023-24**, and will be applied before any other reliefs or supplements.
 - d. Supporting Small Business Scheme (SSBS) - Bill increases for the smallest businesses losing eligibility or seeing reductions in Small Business Rate Relief (SBRR) will be capped at £600 per year from 1 April 2023.
 - e. **Retail and Hospitality Relief will increase from 50% to 75% in 2023/24** still capped at £110k.
 - f. **Business Rates Improvement Relief will be delayed** and now introduced in 2024
 - g. **No Online Sales Tax**
3. **Social care – new funding of £2.8 billion in 2023-2024 and £4.7 billion in 2024-2025** to help support adult social care and discharge. This comes from two sources:
 - a. New grant funding - £1bn in 2023-24 and £1.7bn in 2024-25
 - b. Further council tax flexibility – as noted in paragraph 1 above
4. **Adult social care reforms** - Adult Social Care funding reforms will be pushed back by two years to October 2025. **The funding to deliver ASC reforms will be repurposed, with £1.3bn in 2023-24 and £1.9bn in 2024-25 distributed to local authorities through the Social Care Grant.**
5. **Investment Zones programme will be refocused – to support “highest potential knowledge-intensive growth clusters”, most likely around universities.** The current expressions of interest will not be taken forward – including the market site at Dagenham Docks. Department of Levelling Up Housing and Communities will announce new areas in the Spring.
6. **Housing** - Social housing rent increases will be capped at 7%. Currently, our HRA 23/24 budget includes a 5% rent increase. If 7% was adopted that would be an additional £240k income p.a..
7. **Benefits**
 - a. Housing Benefit merger to Pension Credit now delayed until 28/29.
 - b. Both Universal Credit and pensions (via the triple lock) will rise with inflation from April 2023

- c. **Household Support fund – an extra £1bn across the UK to extend this scheme to 2023-24.** This fund is administered by council to help households with the costs of essential goods.

8. Education

- a. For the next two years, schools in England will receive an additional £2.3bn of funding – taking core schools budget to £58.8bn by 2025.
- b. The government will not impose VAT on independent schools.

9. Energy

- a. **No obvious support for public organisations with energy bills –** assume savings will need to be found from existing budgets
- b. Additional funding announced for energy efficiency – **new UK goal to reduce energy consumption by 15% by 2030 against 2021 levels. This is backed by £6.6bn of funding up to 2025 (already announced) and a further £6bn from 2025-2028.**
- c. **Windfall tax of 35% on energy companies.**

Alongside the measures directly benefiting local government, the Chancellor of the Exchequer also announced:

- An increase in National Living Wage, from £9.50 per hour to £10.42 per hour from April 2023. The CoLC lowest Base pay rate is £19,470 and is within the parameters of National Living Wage, however further increases may need to be looked at again before April 2024.
- Given that employers are no longer facing the additional pressure of increased employer National Insurance contributions – grant funding for councils will be adjusted by £200m in 2023/24 and 2024/25.

The Local Government Provisional settlement is expected on 21st December, which will advise on specific allocations for the City Corporation.

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