Committee(s): Finance Committee – For Information	**Dated:** 12/12/2023
Subject: Autumn Statement 2023 Briefing	**Public**
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	All
Does this proposal require extra revenue and/or capital spending?	**No**
If so, how much?	**N/A**
What is the source of Funding?	
Has this Funding Source been agreed with the Chamberlain's Department?	**N/A**
Report of: Chamberlain	**For Information**
Report author: Daniel Peattie – Assistant Director, Strategic Finance	

Summary

This report provides a summary of the key implications from the Chancellor of the Exchequer's 2023 Autumn Statement delivered on 22nd November 2023. The key messages being;

- No additional funding for local government pressures including social care and children's services
- A range of tax breaks and incentives for business
- Requirements of Local Government Pension Schemes to consider allocations to levelling up and private equity if in accordance with investment strategies which is supportive of the Mansion House Compact.

Recommendation

Members are asked to:

- Note the report.

Main Report

Background

1. The Chancellor of the Exchequer, Jeremy Hunt, delivered the 2023 Autumn Statement on 22nd November 2023. This focused on five main policy areas: reducing debt; rewarding hard work; backing British business; building domestic and sustainable energy; and delivering world-class education.

2. The Autumn Statements also provided the usual update on the state of public finances and the current and future performance of the economy.

Economic and Fiscal outlook

3. Having fallen from its peak of 11% in October 2022, CPI is expected to reach the government's target of 2% by the second quarter of 2025. Current MTFP assumptions are for the rate of inflation to be 2% in 25/26 so this is consistent with the City Corporation's planning methodology.

4. The latest Office for Budget Responsibility (OBR) forecasts indicate the UK economy was 18% larger than its pre-pandemic level, compared to a summer 2023 assumption that it would be 1.1% smaller.

5. On reducing debt, the government is predicted to hit its self-imposed fiscal targets across the forecast period, namely for public sector net debt to have fallen in the final year of the forecast (2028-29) and for public sector net borrowing to not exceed 3% of GDP by 2028-29.

Key implications

6. No new funding for 24/25 for adult or children's social care or any general local government funding beyond what was announced last year. It therefore appears government expectations are for increases in demand and cost pressures within social care and children's services will be funded from council tax increases or savings in other services. Further detail of 24/25 funding allocations will be released as part of the provisional local government finance settlement 2024/25 in December. In 2023/24, the City Fund includes £7.183m in Revenue Support Grant. No growth has currently been factored into the Medium-Term Financial Plan (MTFP).

7. Employee National Insurance Contribution (NIC) rates will decrease from 12% to 10% from 6th January 2024. This will not have a direct cost impact on the City Corporation, as it relates to employee contributions, however payroll systems and calculations will need to be modified and updated in order to implement this change with a relatively short deadline.

8. The National Living Wage for people over-21 will increase to £11.44 from April an increase of 9.8%. The City Corporation is a London Living Wage which has a current rate of £13.15 per hour. Any comparable increase for the London Living Wage would equate to an additional £1.29 per hour.

9. Local authorities are now able to recover the full costs of planning fees for major planning applications. This however also comes with the potential for applicants to recover these costs if decisions are not made within certain timeframes.

10. Local Housing Allowance (LHA), which is used to calculate the amount of housing benefit or hosing element of universal credit tenants are eligible to receive, will be increased to the 30th percentile of local rents in April 2024. These have previously

been frozen since 2020, although the OBR has confirmed rates will be frozen again from April 2025.

11. For business rates, the standard multiplier will be increased by September CPI (6.7%) and the small business rate multiplier frozen for a fourth consecutive year. The 75% Retail, Hospitality and Leisure relief will be extended for 24/25. Local authorities will be fully compensated for any loss of income due to these two measures along with new burdens funding for administrative and IT costs so at this point these do not change existing MTFP assumptions.

Local Government Pension Schemes (LGPS)

12. Alongside the Autumn Statement, the Government published its response to the Local Government Pension Scheme (England and Wales): Next steps on investments. This confirmed the following.

13. LGPS Funds will be required to consider an allocation of 5% to Levelling Up assets and 10% to private equity, although are not mandated to invest in these assets if they do not fit within their investment strategy. Officers are continuing to explore the wider implication of the consultation response.

14. The Government will also revise pooling guidance to set out its preferred model and it was also announced all assets should be transferred to pools by 31 March 2025, though a comply or explain framework. Wider concerns within the sector relate to the potential that any centralised model of pooling may not suit all LGPS funds.

Business Growth

15. A number of announcements were focused on delivering sustained economic growth through business investment. Businesses will now be able to claim 100% capital allowances, known as full expensing, meaning they can write off the full cost of qualifying main rate plant and machinery in the year of investment. This represents a saving of up to 25p off tax bills for every £1 invested in qualifying areas.
16. The headline recommendations from Lord Harrington's review of foreign direct investment (Appendix 2) have been accepted and a new Ministerial Investment Group is to be established to review processes and look to increase resourcing for the Office for Investment.

Conclusion

17. This briefing sets out a summary of the key aspects from the 2023 Autumn Statement. Further review and assessment of policy changes will be undertaken as further details are released.

Appendices

Appendix 1 – London Council's on-the-day briefing
Appendix 2 – Harrington Review of Foreign Direct Investment

Background Papers

Office for Budget Responsibility – Economic and fiscal outlook November 2023 OBR Report Nov 2023

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