

Autumn Statement 2023

London Councils' On-the-Day Briefing

London Councils is the collective of local government in London. It is a cross-party organisation that works on behalf of all its member authorities regardless of political persuasion.

Overview

The Chancellor of the Exchequer, Jeremy Hunt, delivered the 2023 Autumn Statement on 22nd November 2023. As well as the usual updates on the state of public finances and the performance of the economy, the Chancellor organised his policies into five key areas: reducing debt; cutting tax and rewarding hard work; backing British business; building domestic and sustainable energy; and delivering world-class education.

This briefing focuses on items impacting local government services, finances and policies. Whilst the Autumn Statement included measures related to items like personal taxation, business support, and investments in areas outside of London, these have not been included below. The key policy announcements relating to public spending and local government are summarised below.

Key Headlines

Local Government Funding

- There was **no new funding for 2024-25 for adult or children's social care or any general local government funding**, beyond what was announced last year.
- Resource DEL budgets will increase by 1.0% in real terms over the medium term to 2028-29, **implying real-terms cuts for unprotected departments like the Local Government DEL.**

Housing and Homelessness

- **Local Housing Allowance rates will be raised to a level covering 30% of local market rents**
- **Additional funding of £120m for homelessness prevention (UK-wide) in 2024-25 (details TBC)**
- **Local Authority Housing Fund to be extended with a third round worth £450m** to deliver new housing units and temporary accommodation for Afghan refugees.
- **For the Housing Revenue Account, there is a rate extension of £5m** to June 2025 of the Public Works Loan Board policy margin announced in Spring 2023.
- There are plans to allow **local authorities to be able to fully recover the cost of planning fees for major planning applications** if decisions are made within certain timelines.
- **Local Planning Authorities to receive £32m to tackle planning backlogs.**

Business Rates

- **The standard business rate multiplier will be increased by September CPI (6.7%) and the small business rate multiplier will be frozen** for a fourth consecutive year.
- The **75% Retail, Hospitality and Leisure relief will be extended** for 2024-25.
- Local authorities will be **fully compensated for the loss of income** because of these two measures and will **receive new burdens funding** for administrative and IT costs.

Local Government Pension Schemes

- **Reforms to the LGPS**, including confirmation of guidance that will implement a 10% allocation ambition for investments in private equity, and establish a March 2025 deadline for the accelerated consolidation of LGPS assets into pools.

National Living Wage and Benefits

- From April 2024, **the National Living Wage will increase by 9.8% to £11.44 an hour** and lower the age threshold from 23 to 21 years old.
- The **triple-lock for pensions will be “honoured in full”** (an increase of 8.5%) and benefits will increase in line with the September CPI (6.7%).

Devolution

- A [Memorandum of Understanding](#) has been published for the approach to **single settlements for the devolution trailblazers**, West Midlands and Greater Manchester combined authorities.

Economic and Fiscal Outlook

- The Chancellor set out the Autumn Statement for 2023 with a lookback to three of the Prime Minister’s five priorities which were explicitly economic: halving inflation, growing the economy and reducing debt—his assessment is all three of these promises have been met.
- On halving inflation, CPI fell from its 11% peak in October 2022 to 4.6% in October 2023. This is predicted to reach the government’s target of 2% CPI by the second quarter 2025. The decrease is largely attributed to the following factors: lower wholesale energy prices; a fall in food and other goods inflation; and loosening of the labour market.
- On growing the economy, the Office for Budget Responsibility (OBR) indicated a better than expected recovery from the Covid-19 pandemic and the energy crisis in 2022. In March 2023, the OBR assumed by summer 2023, the UK economy would be 1.1% smaller than its pre-pandemic level; however, Office for National Statistics (ONS) figures demonstrated the economy was actually 1.8% larger.
- Real household disposable income is predicted to worsen over the next couple of years and be 3.5% lower in 2024-25 than it was pre-pandemic. The ONS said that although this improves on the prediction in March 2023, it is still the worst real-terms fall in living standards since records began in the 1950s. Now, recovery to pre-pandemic levels is not expected to happen until 2027-28.
- 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 Economic & Fiscal Indicators

- Given the high starting point, annual inflation is forecast to decrease for all measures between now and the end of the forecast period. See Table 1 – Key Economic & Fiscal Indicators below.
- Annual unemployment rates from the Labour Force Survey rise from 3.7% in 2022 to 4.6% across 2024 and 2025, before decreasing to 4.1% in 2028, which is 0.4% higher than it was in 2022.
- Public Sector Net Borrowing was £128.3bn (5% of GDP) in 2022 and is forecast to fall each year to a low of £35.0bn in 2028 (1.1% of GDP). Public Sector Net Debt is predicted to rise in 2023 to £2,458bn (89% of GDP) and then rise to £3,039bn (92.8% of GDP) by 2028.

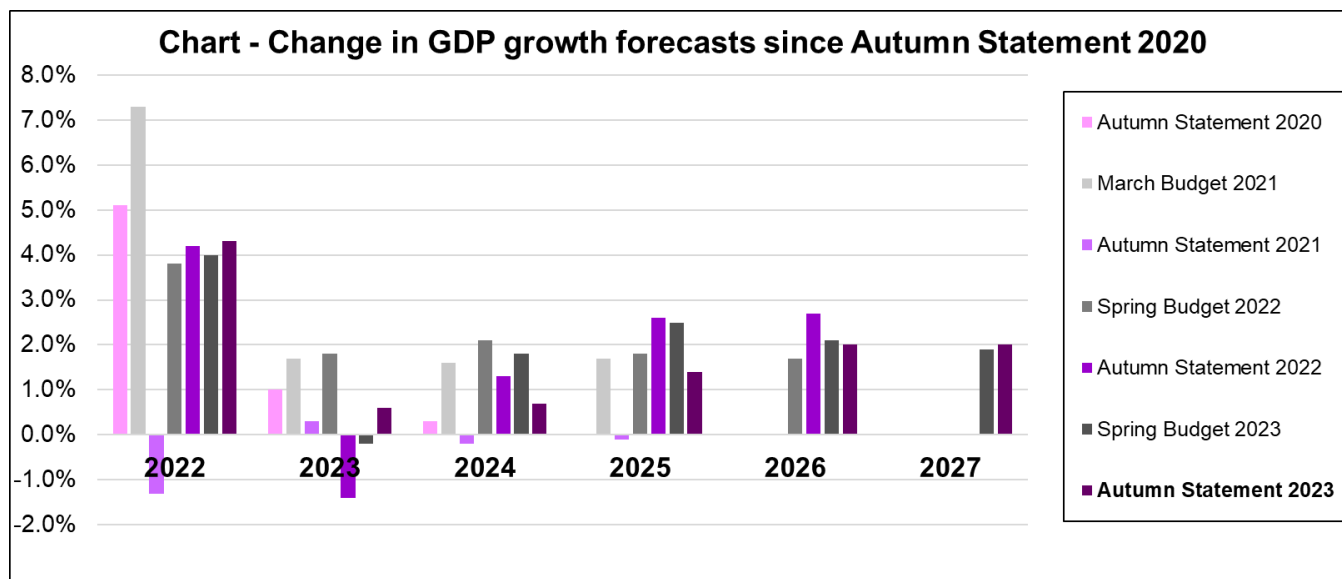
Table 1 – Key Economic & Fiscal Indicators

	Outturn	Forecast					
	2022	2023	2024	2025	2026	2027	2028
	Percentage change on a year earlier, unless otherwise stated						
Gross domestic product (GDP)	4.3	0.6	0.7	1.4	2.0	2.0	1.7
CPI	9.1	7.5	3.6	1.8	1.4	1.7	2.0
RPI	11.6	10.0	5.1	2.6	2.5	2.8	2.9
GDP Deflator	5.1	7.0	2.3	1.7	1.6	1.7	1.9
Employment (million)	32.7	32.9	32.9	33.1	33.4	33.8	34.0
LFS unemployment (%)	3.7	4.2	4.6	4.6	4.4	4.2	4.1
Public sector net borrowing (% GDP)	5.0	4.5	3.0	2.7	2.3	1.6	1.1
Public sector net borrowing (£bn)	128.3	123.9	84.6	76.8	68.4	49.1	35.0
Public sector net debt (% GDP – Excl. Bank of Eng.)	84.9	89.0	91.6	92.7	93.2	93.2	92.8
Public sector net debt (£bn – Excl. Bank of Eng.)	2,251	2,458	2,603	2,724	2,845	2,947	3,039

Source: Office for Budget Responsibility - Economic & Fiscal Outlook, November 2023, Tables TA1 and TA9

National GDP Growth

- National GDP growth is low at 0.6% in 2023 but is forecast to rise to 2.0% in 2026 and 2027 before decreasing to 1.7% in 2028. The initial sluggishness is blamed on squeezed real wages, higher interest rates and unwinding government support.
- Real GDP per capita remains 0.6% below its pre-pandemic peak and is not expected to return to this level until 2025.



Source: Office for Budget Responsibility - Economic & Fiscal Outlook, November 2023, Table TA1: Economy Forecast

Public Spending

- Total departmental spending (DEL) will grow in real terms at 2.6% per year on average over this Spending Review period and 3.2% per year on average over this Parliament.
- DEL will be £85bn higher in real terms by 2028-29 than it was at the start of the Parliament.
- Planned departmental resource spending will continue to grow at 1% per year on average in real terms, excluding the funding provided to local authorities in 2024-25 as part of the one-year Retail, Hospitality, and Leisure relief scheme.

Table 2 - Total Managed Expenditure 2022-23 to 2028-29 (in £bn, unless otherwise stated)

	Outturn 2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Current Expenditure							
Resource AME	580.6	591.2	588.2	607.4	630.3	647.5	670.8
Resource DEL excluding depreciation	445.5	456.7	467.2	478.5	490.8	504.4	519.3
Ring-fenced depreciation	20.5	41.6	47.1	48.4	49.6	51.0	52.4
Total public sector current expenditure	1046.5	1089.5	1102.5	1134.2	1170.7	1203.0	1242.5
Capital Expenditure							
Capital AME	4.6	17.2	16.0	12.9	13.3	13.9	13.9
Capital DEL	100.3	115.6	118.2	117.4	117.3	116.7	116.7
Total public sector gross investment	104.9	132.8	134.2	130.3	130.6	130.6	130.6
Total Managed Expenditure	1151.4	1222.3	1236.8	1246.5	1301.3	1333.6	1373.0
<i>Total managed expenditure % of GDP</i>	<i>45.1%</i>	<i>44.8%</i>	<i>44.2%</i>	<i>43.8%</i>	<i>43.4%</i>	<i>42.9%</i>	<i>42.7%</i>
<i>of which: Total DEL</i>	<i>545.8</i>	<i>572.3</i>	<i>585.4</i>	<i>595.8</i>	<i>608.1</i>	<i>621.2</i>	<i>636.0</i>

Source: HMT Autumn Statement 2023, page 38, Table 2.3

Key Announcements

Business Rates

- As anticipated with the new 2023 Non-Domestic Rating Act, which decoupled the small and standard multipliers, separate changes have been made to the small business and standard multipliers. The small business rate multiplier will be frozen for another year at 49.9p whilst the standard rate multiplier will be updated with September CPI (6.7%) to 54.6p.
- The 75% Retail, Hospitality and Leisure (RHL) relief will be extended for 2024-25 with a £110,000 cash cap per business.
- For both the rate freeze and RHL relief measures, local authorities will be compensated for the loss of income and for new burdens related to administrative and IT costs.

Table 3 – OBR Forecasts for England: Council Tax and Business Rates (£bn, unless otherwise stated)

	Outturn	Forecast					
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Council tax	42.0	44.7	47.0	49.3	51.9	54.5	57.4
<i>Change in council tax</i>		6.6%	5.0%	5.0%	5.1%	5.2%	5.2%
Business rates	28.3	29.5	32.7	36.2	37.0	37.3	38.0
<i>Change in business rates</i>		4.1%	10.7%	10.8%	2.4%	0.8%	1.9%

Source: OBR Fiscal Supplementary Tables, November 2023 – Table A5 Current Receipts

Housing

- From April 2024, the Government will raise Local Housing Allowance (LHA) rates from April 2024 to the 30th percentile of local market rates. This is intended to relieve pressure for those on low incomes, particularly regarding housing costs.
- Housing supply measures were announced for specific local areas, including London which is to receive £23m in bus network funding to unlock housing in the Docklands 2.0 scheme.
- Additional planning funds were also announced, including £5m for DLUHC’s Planning Skills Delivery Fund for Local Planning Authorities to improve capacity, and £110m for a Local Nutrient Mitigation Fund to deliver schemes to offset nutrient pollution.
- There will be £3bn more invested into the Affordable Homes Guarantee Scheme to support housing associations access cheaper loans for energy efficiency works and building new homes.
- There are plans to guarantee accelerated delivery decisions for major developments in exchange for a fee paid to local authorities. If accelerated timelines are not met, developers will receive a refund of these fees. Additionally, there is incentivisation for use of Local Development Orders to help approve key commercial developments more quickly.
- To support local authorities borrowing for their Housing Revenue Accounts, the HRA rate will be extended from June 2024 to June 2025 with the 40 basis point discounted rate from the Public Works Loan Board preferential rate.
- There will be a new consultation early in 2024 on a new permitted development right to convert one house into two flats without changing the façade.

Homelessness, Asylum, Refugees & Domestic Abuse

- Local authorities will receive £120m to invest in homelessness prevention. DLUHC subsequently confirmed this is new money for 2024-25, but the split for England from the overall quantum is yet to be confirmed. The delivery mechanism is still yet to be confirmed.
- A third round of funding of £450m from the Local Authority Housing Fund to deliver 2,400 new housing units and temporary accommodation for Afghan refugees. DLUHC subsequently confirmed it will be split between temporary accommodation and Afghan refugee pressures, similar to the second round of funding.
- 'Thank you' payments for 'Homes for Ukraine' sponsors will be extended another year (and continue at £500).
- Two initiatives on domestic abuse: £10m of additional funding in 2024-25 for Tackling the Economic Impacts of Domestic Abuse Fund, and £2m of additional funding to expand the Flexible Fund, which trials one-off payments to victims of domestic abuse.

Cost of Living

- From 1 April 2024, the National Living Wage will increase by 9.8% to £11.44 an hour with the age threshold lowered from 23 to 21 years old.
- Beginning in January 2024, the employee National Insurance Contribution (NIC) rates will decrease from 12% to 10% for Class 1 employees along with other reductions for the self-employed.

Education & Skills

- To stimulate training and address barriers to entry, £50m is committed for a two-year pilot on apprenticeships in growth sectors.

Welfare

- The triple-lock for pensions will be "honoured in full" (an increase of 8.5%).
- Working age benefits are increasing by 6.7% (in line with the September CPI) although the Universal Credit (UC) surplus earnings threshold will be maintained at £2,500 until April 2025.
- The Restart Scheme is being extended another two years from 2024 and the previous nine months intensive work search requirement is to be reduced to six months. Universal Credit claimants who have completed the Restart Scheme and remain unemployed after 18 months will undergo a compulsory review which can mandate work placements.
- Access to Individual Placement and Support is to be expanded to an additional 100,000 people suffering from severe mental illness over the next five years (with funding peaking at £30m yearly by 2025).
- NHS Talking Therapy services will also be increased with the aim of reaching an additional 384,000 people over the next five years (additional funding increasing yearly from £25m in 2024 to £220m in 2028).
- The Universal Support employment programme for the disabled is to be expanded to 100,000 available places supported by roughly an additional £140m per year from 2025.

Infrastructure and Net Zero

- Beginning in 2025-26, manufacturing sectors will receive £4.5bn over five years, targeted to several green industries including: £2bn to the automotive sector for zero emission vehicles; £975m to the aerospace sector for energy efficient and zero carbon aircraft; and £960m to the Green Industries Growth Accelerator for clean energy sectors.
- Funding for a National Infrastructure Commission study on making the electricity distribution network fit for net zero and connection of autonomous vehicles. The Government also seeks to designate low carbon infrastructure as a critical national priority, prioritize the roll out of EV charging infrastructure and end the blanket restriction on heat pumps one metre from a property boundary.
- There will be £8.3bn over 11 years for roads resurfacing across England and £8.55bn of additional funding for the second round of City Region Sustainable Transport Settlements (NB - this excludes London).
- Other funding includes £78m for a Landfill Remediation Pathfinder pilot to alleviate the cost of landfill tax.

Business and Innovation

- The existing full expensing business tax deduction is to be made permanent, allowing businesses to deduct the full cost of qualifying plant and machinery investments.
- Additionally, there will be programmes to simplify existing R&D tax credits, promote technology adaption in manufacturing, establish new research fellowships and provide £145m through Innovate UK to support decarbonisation, battery innovation and other critical technologies.

Devolution

- Four new devolution deals were finalised (in Lincolnshire, Hull and East Yorkshire, Lancashire and Cornwall).
- The offer for Level 2 devolution deals will be extended and DLUHC has published a [technical paper](#) on the L4 devolution framework.
- A new [Memorandum of Understanding](#) with the devolution trailblazers, Greater Manchester and West Midlands combined authorities, outlining the approach to the single funding settlements to be implemented at the next Spending Review.
- Regarding the previously announced “Funding Simplification Doctrine” for local authorities, which aims to assess suitable distribution methodologies for new funding streams, the statement indicated it would come into force from January 2024.