apse membership resources

**APSE Briefing 21-47** **October 2021**

## APSE Briefing: Autumn Budget and Spending Review Statement 2021

*This briefing is provided to APSE main contacts across the UK*

### 1. Introduction

On 27 October 2021 the Rt Hon Rishi Sunak, MP, Chancellor of the Exchequer, delivered his Budget and Spending Review Statement to Parliament. Whilst many of the headline statements had already been trailed in the press details about the local government settlement were less clear. This briefing therefore considers the budget announcements and spending commitments which will impact upon local authorities, including consideration of the funding impact for Wales, Scotland and Northern Ireland.

### 2. Overall Settlement

The budget overall is set to deliver a net tax rise of £16.7bn by 2026-2027, taking it to a predicated 36.2% of GDP by the same year. This has been widely compared to the early 1950s with record levels of tax-take. This is unsurprising given the scale of investments announced to assist in post-COVID recovery of the UK economy. As stated by the OBR in response to the budget *"… the chancellor has raised taxes by more this year than in any single year since Norman Lamont and Ken Clarke's two 1993 Budgets in the aftermath of Black Wednesday."* The OBR has also stated that this move represents an increase in public spending of £22.9bn by 2026-27. A large proportion of the new tax-take will be raised through the new health and social care levy; this will be collected in a way similar to National Insurance contributions with 1.25% tax on earnings for employees, the self-employed and employers, but it is slightly different in that it will also apply to the earnings of those over state pension age.

Turning to overall economic growth the OBR forecasts suggest that the economy will grow in 2021 by 4% and by 7.3% in 2022, then 1.7%, 1.6% and 1.7% in the last three years of the forecast. Unemployment is predicted by the OBR to now reach a lower peak of 6.5% compared to earlier predictions of 11.9%.

The Chancellor also stated that the through the Barnett formula his budget would increase funding to the Scottish Government by an average of £4.6bn per year, the Welsh Government funding by £2.5bn, per year and by £1.6bn for the Northern Ireland Executive.

### 3. The Local Government Settlement

The headline for local government is an additional £4.8bn for grant funding, however taken with the permitted anticipated rises in council tax this secures an additional £8.5bn in core funding. The total is however dependent on councils themselves taking a decision to maximise their council tax increases, including the social care 'precept'. Arguably this shifts some of the political risk of tax increases from central to local government.

This settlement would allow councils to budget based on an above 3% increase in spend, per year, over the next three years. The three-year settlement also allows some much-needed financial certainty for councils. Short term settlements of 12 months, which have increasingly been used in recent years, have been widely criticised across the sector and by APSE's recent local government commission report 'Local by Default'.

Whilst these new levels of funding will be welcome by councils, and go some way to addressing the calls for increased funding for beleaguered council services, the budget announcements will not be seen to fully resolve all of the financial pressures. Given the lion's share of the new taxes, raised through the health and social care levy, will be dedicated to shifting NHS backlogs in care, serious questions remain as to whether the settlement will be sufficient to meet the pressures on care funding.

Concerns remain as to the stability of care services, particularly the crisis in the care workforce, a need to invest post-COVID and to ensure that there is capacity in the service, given the perilous state of many providers, and threats to leave the care service market. What this potentially means, for other frontline services, is that budgets, in those councils with responsibility for social care, are often called upon to cross-subsidise the funding gaps in social care. It remains to be seen if this pattern will continue given the substantial new sums made available through the health and social care fund and the increased grant settlement.

**4. Other funds and areas which impact on councils**

**4.1 Business rates**

A consultation response to the Business Rates review was also published on 27 October. You can view the response here. Alongside more regular re-evaluations this document commits the Government to consider the arguments for and against an Online Sales Tax which, if introduced, could raise revenue to fund business rate reductions, and shift the balance away from a property-based tax to better reflect retail trends. This is welcomed by APSE as it reflects a key call of the APSE Local Government Commission 2030 to explore forms of transaction taxes to relieve pressure on local high streets and town centres, which suffer financially from the impact of online retail, and the detrimental effect that this has on revenue from business rates.

In addition to the consultation response the Chancellor announced an extension of business rate relief and discount schemes including; for one year, a new 50% business rates discount for businesses in the retail, hospitality, and leisure sectors including pubs, music venues, cinemas, restaurants, hotels, theatres, and gyms. This will allow eligible businesses to claim a discount of 50%, up to a maximum of £110,000. It is predicated that this will provide around 90% of retail, hospitality and leisure with a discount of at least 50%. The Chancellor also announced reforms for investment relief for property improvements, including green investment, such as solar panels.

**4.2 Housing**

A multi-year housing settlement totalling close to £24bn was announced in respect of housing investment, with £11.5bn of that to support the building of 180,000 new affordable homes. Also, as part of this sum there is £1.8bn to support bringing Brownfield land into use for housing purpose, with £300 million of this as locally led grant funding via Mayoral Combined Authorities and local authorities. A £5bn pot dedicated to removing unsafe cladding will be partly funded by the Residential Property Developers Tax; this will be levied on developers with profits specifically over £25 million. It will be charged at a rate of 4%. There was also £640 million a year identified for rough sleeping and homelessness. This is a substantial increase on previous homelessness and rough sleeping funds.

**4.3. Transport and green transport**

Overall, the Chancellor references investment of £5.7bn for integrated transport systems, though this is over a five-year period, albeit some of this funding has been previously announced. Councils who have declared a climate emergency will also note that the Chancellor announced an additional £620 million for plug-in charging infrastructure within residential areas.

In terms of walking and cycling improvements, a key concern of many councils who have attempted to increase such provision, particularly in response to COVID and the creation of low-cost bus travel the Chancellor suggested in his announcement that *'today, we're providing £5.7bn for London-style transport settlements in: Greater Manchester. Liverpool City Region. The Tees Valley. South Yorkshire. West Yorkshire. West Midlands. And the West of England.'* Whilst this will be welcomed the existing gaps in transport infrastructure, particularly in northern areas, may still leave a gap in access to effective local public transport.

£2.7bn was announced over 3 years for local roads maintenance; this will be dedicated to repairing potholes, bridge maintenance and resurfacing works.

**4.4 The environment (DEFRA) funding**

DEFRA will receive a £4.3bn cash increase over the SR21 period, which the budget book states is equivalent to a growth rate of 5.3% per year on average. This includes funding to help meet net zero goals, increase resilience to flooding and coastal destruction, support for innovation, and includes more than £250 million in public investment over three years to help implement measures within the Environment Bill, such as the legally binding targets on biodiversity net gain; there is also £750m by 2025 dedicated to peat restoration programmes. The DEFRA settlement also includes funding '*to implement free, separate food waste collections in every English local authority from 2025, supporting the near elimination of biodegradable municipal waste to landfill by 2028'.*

Out with the DEFRA settlement the Department for Levelling Up Communities and Housing states that *'£9 million in 2022-23 to fund more than 100 green spaces across the UK on unused, undeveloped, or derelict land that will broaden accessibility for all';* whilst described by the Chancellor as '100 pocket parks' in his parliamentary speech it appears that this is a wider definition of how such money could be used to improve public realm and increase greenspaces.

**4.5 Culture and Sport**

DCMS receives an increase of £0.6bn which is equivalent to real-terms growth rate of 2.9% per year on average over the SR21 period. The settlement provides £52 million for museums and cultural and sporting bodies for 2022 to support recovery from COVID-19. Whilst there is £205 million to transform grassroots football infrastructure and multi-use sports facilities, including the roll out of up to 8,000 state-of-the-art community pitches, the budget book also identifies £22 million to refurbish more than 4,500 public tennis courts. However, it is disappointing to note the paucity of funding available to recover local authority sports and leisure provision; particularly the risk presented to swimming pools, which APSE has argued is fundamental to the levelling up agenda and public health outcomes.

The lack of direction in terms of public sports and leisure provision is unsurprising given this particular area of frontline service provision to communities is lumped, rather incongruously, with digital and media issues within DCMS. Once again it would appear that public sport and leisure provision falls between departmental 'stools'.

**4.6 Carbon reduction and the BEIS settlement**

The Department for Business, Energy and Industrial Strategy (BEIS) settlement might be described as something of a departmental 'winner' in the budget statement with a £10.1bn cash increase over the term to £23.8bn in 2024-25. This is a growth rate in real terms of 7.5% per year on average.

Of particular interest to councils will be the aims for reducing greenhouse gas emissions with £15bn available as part of the Net Zero Strategy. This settlement reconfirms the £1bn Carbon Capture Usage and Storage (CCUS) Infrastructure Fund and £240 million Net Zero Hydrogen Fund. There is £380 million for the UK's offshore wind sector, supporting a target of 40 gigawatts by 2030. A pot of £3.9bn for energy efficiency improvements and clean heat installation in buildings, to assist the transition to net zero is cited in the budget book as also supporting '*decarbonisation of the public estate'*.

**APSE comment**

This briefing for APSE Member councils is not intended to capture the full and complex details of the 202 pages which represents the budget book for the '*Autumn Budget and Spending Review 2021: A stronger Economy for the British People'.*

Analysis of decisions is complicated by the interface between the different departments of government, with both policy and funding decisions failing between different departments; it is notable that 'local government' is separated out from the 'Department for Levelling Up

Communities and Housing' (DLUHC) and in areas like climate action the funding provisions may fall within the Department of Transport, Department for Agriculture Food and Rural Affairs (DEFRA) as well as Business Energy and Industrial Strategy (BEIS). Crucially as an organisation supporting the local government frontline neighbourhood level services this briefing has focused on the announcements for those key areas.

Overall, there is a relief that the settlement levels for local government do exceed expectations, given the nature of previous settlements which have left local councils as very much the 'poor relations' of other public services. However, this also exposes the low starting point for local government funding and whether, even with these welcome levels of investment, the funding will be enough to bring service-based budgets back up to the levels needed. Moreover, the implications of funding gaps, which will arguably remain as significant in areas like Adult and Childrens' services, will by default, impact on the overall budget allocations to other frontline services.

APSE welcomes the long-called for review of business rates, and notes that the relief schemes announced in the Budget, will be fully funded. The consideration of an online or transaction tax is also welcome, as was called for in the APSE Local Government Commission.

However, the ongoing transfer of risk to council tax increases to fund social care is not sustainable and the so-called Health and Social Care Levy is something of a misnomer given the bulk of spend will support the NHS, and not social care. This in APSE's view is a false economy; a lack of support in a social care setting simply exacerbates poor health outcomes, and ultimately inflates the costs to health services. If there is a genuine commitment to prevention then interventions must come through genuine and adequate investment in social care, including the workforce skills and training.

APSE will be considering the outcomes and implications of the Autumn Budget and Spending Review 2021 at its networks in the coming weeks. You can register, if you are an APSE member council for these networks using this link.

If you wish to comment on this briefing, please contact Mo Baines on mbaines@apse.org.uk

**Mo Baines**

**APSE Head of Communication and Coordination**

**Email: mbaines@apse.org.uk**