Autumn Statement 2022

Analysis on the impact on local government frontline services

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About APSE

The Association for Public Service Excellence (APSE) is a not-for-profit local government body working with over 300 councils throughout the UK.

Promoting excellence in public services, APSE is the foremost specialist in local authority frontline services and operates one of the UK's largest research programmes in local government policy and frontline service delivery matters.

1 Introduction

The Autumn Statement 2022 follows the Growth Statement made on 14 October 2022 which effectively reversed the majority of announcements made by the then Chancellor, Kwasi Kwarteng, in his 'mini' budget of 23 September 2022. That mini- budget announced tax cuts that would have reduced Treasury revenues by around £45 billion in 2026/27. The 'mini' budget also spooked the markets leading to widespread turbulence, including a significant drop in the value of the pound and interest rate rises in response from the Bank of England, alongside the institutions market interventions.

The Autumn Statement was initially delayed to allow a fuller analysis of economic conditions, once markets had stabilised and as a result today's Autumn Statement does not contain many surprises as the majority of announcements had already been trailed in press. The Treasury estimated that, taken as a whole, the decisions to cancel the 'mini' budget's tax policies would be worth around £32 billion a year for the Treasury.

2 The main headline announcements

2.1 Energy Price Guarantee

The energy price guarantee will be kept for a further 12 months at an average of £3,000 for a typical household, up from £2,500 at present. The Autumn Statement does not explicitly state how any reforms would apply to the 'Energy Bill Relief Scheme for Non-Domestic Customers' and APSE is seeking clarification on this from BEIS. This relief is a major source of support particularly for local authority leisure centres with high energy usage.

2.2 Households on means tested benefits

A new one-off payment of £900 to households on means-tested benefits, with £300 to pensioner households, and £150 for individuals on disability benefit with £1bn funding to extend the household support fund.

2.3 Benefits and Rents

Social housing rents will be capped at 7% for 2023-2024 to avoid rent increases which if in line with inflation could be up to 11% given that inflation is now at 11.1%. Benefits will rise in line with the reported September 2022 CPI at 10.1%.

2.4 Tax, pay and pensions

The national minimum wage will rise by 9.7% next year for individuals aged 23 and over by 9.7% to £10.42, and 21-22 years on £10.18.

However even when accepting the low pay commissions recommendations for uplifts across the scales this still leaves a big gap with 18-20 year olds on £7.49 an hour; and 16-17 year olds and apprentices on £5.28 an hour.

Many tax thresholds will be frozen bringing in more tax revenue for the Treasury with the promised reductions of previous Chancellors, being effectively scrapped, in so called fiscal drag whereby without seemingly tax increases more tax overall is paid. The Autumn Statement reduces the income tax additional rate threshold from £150,000 to £125,140, increasing taxes for those on higher incomes (not applicable to Scotland).

Income tax, National Insurance and Inheritance Tax thresholds will be maintained at their current levels for a further two years.

The pensions triple lock has been retained.

Electric vehicles including car and vans will now be subject to vehicle tax. Plans to increase tax revenues from energy companies and energy generation companies, as expected were also a feature.

3 Public Services

The announcements in respect of Public Services are interesting. The 'NHS' is mentioned 23 times and 'Social care' 33 times but 'local authorities' responsible for the delivery of social care is mentioned just 16 times, but are regarded as key partners in ensuring older people are able to be safely discharged from hospitals.

The key headlines here are that the charging reforms for social care to include a cost of care cap at £86,000 have now been delayed until 2025. Whilst this will be welcome news for councils who had criticised the short lead-in time to the reforms it will be less welcome by those campaigning for social care reform and funding fairness for end users of care, who will continue to face catastrophic charges.

In respect of social care the Autumn Statement at 2.38 states:-

The NHS performance also relies on the adult social care system, so the government will make available up to £2.8 billion in 2023-2024 in England and £4.7 billion in 2024-2025 to help support adult social care and discharge. This includes £1 billion of new grant funding in 2023-24 and £1.7 billion in 2024-25, further flexibility for local authorities on council tax and, having heard the concerns of local government, delaying the rollout of adult social care charging reform from October 2023 to October 2025.

£600 million will be distributed in 2023-24 and £1 billion in 2024-25 through the Better Care Fund to get people out of hospital on time into care settings, freeing up NHS beds for those that need them.

£1.3 billion in 2023-24 and £1.9 billion in 2024-25 will be distributed to local authorities through the Social Care Grant for adult and children's social care.

£400 million in 2023-24 and £680 million in 2024-25 will be distributed through a grant ringfenced for adult social care which will also help to support discharge.

The schools' budget will receive £2.3 billion of additional funding in 2023-24 and 2024-25, with a commitment to restore 2010 levels of per pupil funding in real terms.

3.1 Other departmental spending

In terms of overall spending the Autumn statement does not use the terminology of cuts but instead states that the DEL (Departmental Expenditure Limits) budgets will be maintained at least in line with the budgets set at the Spending Review. However, funding to cover employer costs of the Health and Social Care Levy will be removed as this compensatory sum is no longer necessary as the levy itself has now been abandoned.

Whilst budgets will not rise for 2023-2024 across Government departments the Spending Review Settlements of 2024-25 across all other departments are reportedly 'honoured in full, with no cash cuts, but will be expected to work more efficiently to live within these and support the government's mission of fiscal discipline.' To align public spending within the new fiscal plan from 2025-26 onwards, day to day spending will increase more slowly by 1% above inflation, with capital spending maintained at current levels in cash terms. It states "This means departmental spending will still be £90 billion higher in real terms by 2027-28, compared with 2019-20 while £30 billion of public spending will be saved".

4 Efficiency and Savings Review

The Autumn Statement at 2.23 states:-

To keep spending focused on the government's priorities and help manage pressures from higher inflation, government departments will continue to identify efficiency savings in day-today budgets. To support departments to do this, the government is launching an Efficiency and Savings Review. This will include reprioritising spending away from lower-value and low-priority programmes, and reviewing the effectiveness of public bodies.

Whilst at 2.24 onwards it states: -

The Chief Secretary to the Treasury and the Minister for the Cabinet Office will work with all the cross-cutting government functions and departments to drive up professional standards, accelerate progress on innovation and automation, and further reduce waste and duplication. The government will report on progress with the Review in the spring. 2.25 To ensure key public services continue to deliver, the government is prioritising further funding to support the healthcare system and schools. As a result of this targeted additional funding, total departmental spending (total DEL) will grow in real terms at 3.7% a year on average over this Spending Review period. 2.26 Protecting existing capital plans means public sector net investment as a proportion of GDP will average 2.5% over the forecast period, delivering over £600 billion of planned public sector gross investment over the next 5 years.

5 Council tax flexibilities and business rates

With the health and social care levy being discarded, and other announcements such as the delay in social care charging reforms it was widely predicted that council tax would once again be used to leverage additional funding for social care and local services.

5.25 of the document covers **council tax flexibility** stating that:-

The government is giving local authorities in England additional flexibility in setting council tax by increasing the referendum limit for increases in council tax to 3% per year from April 2023. In addition, local authorities with social care responsibilities will be able to increase the adult social care precept by up to 2% per year. This will give local authorities greater flexibility to set council tax levels based on the needs, resources and priorities of their area, including adult social care.

In terms of business rates from 1 April 2023, they will be updated to reflect changes in property values since the last revaluation in 2017 with a package of measures worth £13.6 billion over the next 5 years. English Local Authorities will be fully compensated for the loss of income as a result of these business rates measures and will receive new burdens funding for administrative and IT costs.

6 APSE comment

Notwithstanding the seismic geopolitical events this year’s Autumn Statement has undoubtedly been made all the worse by the ill-timed, and ill-considered, so called ‘mini’ budget of September 2022. Whilst there is broad recognition that Chancellor, Jeremy Hunt, was right to delay his announcement, to allow a more measured analysis of the state of the economy post the Growth Statement in October, – which effectively tried to undo the ‘mini’ budget announcements - the main stream media had clearly been versed to expect the worse.

In some senses the lack of a reference to ‘cuts’ highlights the political sensitivities of a government in 2019 which committed to end austerity. Thus, the doomsaying statements of widespread tax increases and public spending cuts, in advance of the statement, has been softened by the more measured language and policies set out.

However, the reality for local councils is that the rate of inflation is already impacting on services, not just in social care, but across all services. A recent survey of local councils by APSE found that near to 98% of respondents felt that the current economic circumstances would have a negative or extremely negative impact on their services, with 45% reporting supply side price increases in services between 11 and 20% and a further 20% reporting increases of up to 30%. There are very real cost issues that will not be resolved by clipping spending back to the levels of inflation set before the current economic crisis. This lack of a real term increase is de facto a cut to public spending and councils in particular.

There are also obvious and well-versed arguments as to council tax increases. Whilst many would say the arbitrary limits on council tax increases without a referendum stoked up further problems in local finance the reforms to allow council tax to rise by 5%, for those local authorities with social care responsibilities, is now clearly at the wrong time. This places local councils between a rock and hard place. To not take advantage of the ability to increase income to support universal local services, and place those services at risk, or to place a further local tax burden on already struggling residents.

In any event council tax will not provide a means of equal support to council budgets. In areas with a higher proportion of band A and band B properties it stands to reason that they will raise less from a property tax than areas with higher value homes.

However, the areas with higher levels of multiple deprivation are also the areas where social care demands are often highest, for example in adult care with older people with multiple health conditions and complex needs, and higher proportions of children living in poverty.

There are numerous other issues to emerge from the statement such as the expansion of areas to be covered by elected mayors, which is predicated to reach 50% of the English Population. The impact of the now discarded investment zones, which many viewed as lacking substance and which is some quarters may well be a welcomed move, is nevertheless disheartening for those councils who had placed time and resources to bid and which will not now be taken forward; this highlight one of the major flaws in competitive bidding approaches. Although it now creates an opportunity to refocus and target much needed investment towards 'left behind areas', as indicated by the Chancellor in his statement. It is also noted that plans for an 'amazon' tax allowing further locally raised revenue has been withdrawn on the basis that online retailers with warehousing units will be subject to Business Rate reforms. Similarly, the introduction of a tax on EV vehicles and vans will need to be explored carefully by those councils transitioning to green fleet.

Whilst capital spend is preserved at the announced rates for the next two years and maintained at that level in 'cash terms' for the following three years, this again does not cover the fact that councils will now face getting 'less for more' when it comes to major projects and the compounded impact of inflation over the period. Again, as reported in APSE's recent survey some councils are reporting that in terms of housing developments they will need to reduce the numbers of planned new units.

Overall, this Autumn Statement does not address the grave financial needs of local government. Inflation in fuel, energy, pay and contract prices places at risk core services such as Leisure, Parks and Public Realm, Highways, Social Housing, School Meals and Waste and Resources. Moreover, Social Care will remain in crisis in both adult and children's services though the additional funding is to be welcomed the gap between the service needs and available resources remains. For those councils with social care responsibilities this clearly raises hard choices about prioritise for spending and again places universal local neighbourhood level services under greater, and unequal financial pressure, as has been the case throughout the period of austerity. Conversely for those councils without social responsibilities will not see budgets keep up with demand as the real impact of inflationary will be felt across all service budgets.

Finally, a word on Scotland, Wales and Northern Ireland. Throughout the Autumn Statement measures which apply will have different outcomes in different administrations and governments. The full Barnett consequences will need to be explored and some matters such as taxation in respect of Scotland and other matters for the devolved administrations will be subject to further APSE discussions within APSE Wales, APSE Scotland and APSE Northern Ireland.

Ultimately fiscal policy is a choice of any government of any political persuasion but it is unlikely that this Autumn Statement will be warmly welcomed by the vast majority of UK councils. It is more likely to be a much more muted response of 'it could have been worse'.

Mo Baines, APSE Deputy Chief Executive

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