Information on Government's Mini Budget September 2022

Afternoon Members,

I attach various briefing notes from DCN, DHLUC and LG Futures, following the announcement made at the mini budget.

Although most of the Chancellors statement was focussed on national measures with little direct effect on local government some of these announcements will affect the Budget monitoring update report (forecasted up to period 4 – July) which has been published on the PRED agenda for 3rd October.

Although we are not in a position to quantify the full implications at this stage, we've pulled together a few points of areas which may affect our finances.

Mini Budget

- Energy Bill Relief Scheme – (providing a discount on wholesale gas) The Council's annual energy contract was renewed in July, and the projected impact was included within the PRED report forecasts. The new relief scheme can be applied to local authorities, and we are in the process of quantifying this impact.
- Reversal of National Insurance increase – The government introduced a 1.25% increase to employer and employee National insurance contribution (NICs) from April 2022, which has now been reversed. Savings on the actual payroll will be approx. £30k between Nov- Mar. With higher savings expected on the budgeted position.
- Investment zones – further information to be circulated regarding selection criteria; zones will be chosen following an expression of interest process.

Cost of Living Crisis

The PRED agenda also gave a financial update on the Cost of living crisis as well as data included within the budget monitoring report.

- The bank of England have now risen the base rate to 2.25% from 1.75%
- Current UK inflation rate is 9.8% (compared to 10.1% for July 2022)
- The current proposal of the 2022/23 NJC pay award of an increase of £1,925 on basic salary (average 7%-8%) has been agreed by unison (National position approved subject to Unite's and GMB's agreement); BBC current budget assumes a 2% pay award.

Budget Consultation

Due to the death of her Majesty the Queen, the Budget consultation has been extended until 16th October 2022. Please see link below for you attention.
I would be most grateful if you could promote this to the residents/businesses in your ward areas, and across your wider networks within the borough.

https://www.brentwood.gov.uk/-/setting-a-balanced-budget-for-2023-24

If you have any questions please do get in touch.

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Addendum 1

DCN Briefing: Government policy announcements and early engagement with new ministers

23rd September 2022
Contact: DCN@Local.gov.uk

DISTRICT COUNCILS' NETWORK
BETTER LIVES – STRONGER ECONOMIES

Overview

- This briefing summarises key announcements affecting DCN councils made by the Government this week (commencing 19 September). It covers investment zones, the reversal of the National Insurance increase, and the Energy Bill Relief Scheme.
- It also provides information about ministerial appointments and the DCN's early engagement with new ministers.

Investment Zones and The Plan for Growth

Investment Zones

- The Government aims to create more than 40 investment zones across England. They will be low-tax, low-regulation zones with streamlined planning processes designed to incentivise investment and growth.
- Reliefs and incentives available in designated sites will be:
    - **Business rates**: businesses will benefit from 100% business rates relief on newly occupied and expanded premises; councils will retain 100% of the business rates growth above an agreed baseline for 25 years.
    - **Stamp duty land tax**: businesses will receive full tax relief on land bought for commercial or residential development.
    - **Employers National Insurance Contributions**: employers will pay a zero rate for contributions on new employee earnings up to £50,270 per year.
    - **Allowances**: there will be 100% first year enhanced capital allowance relief for plant and machinery used within designated sites and accelerated Enhanced Structures and Buildings Allowance relief of 20% per year.
    - **Planning**: the need for planning applications will be minimised and, where they remain necessary, they will be radically streamlined; designated development sites will be created to release more land for housing and commercial development.
- The Government says that further detail on planning changes will be announced in the coming weeks. It has not announced details of the timing for implementing investment zones but it's clear that it wants to move quickly. It will shortly set out the selection criteria for becoming an investment zone.
- The Government has produced a factsheet with more detail about the policy. It includes a list of the 38 areas initially in discussion with the Government (more areas may follow). DCN councils are present in 15 of these areas. You can find the factsheet here.
- As part of its Plan For Growth (mini budget), the Government also gave a commitment to streamlining local growth funds and to introduce a new Bill to speed up the planning process for major infrastructure projects.

DCN commentary

- The DCN supports the Government's ambition of boosting growth. In principle, investment zones could be a positive way to achieve that.

- The policy is being developed quickly and a lot of the detail is unclear, particularly around planning changes. What is certain is that district councils must play a vital part given their role as local planning authorities and their delivery capabilities.
- For investment zones to succeed districts must be true delivery partners and must play a full and active role in developing detailed proposals.
- The DCN will work closely with central government to ensure the investment zone concept is developed in a way that will work for local communities and that DCN councils are fully engaged and supported.
- You can find a link to the DCN's press statement here.

Reversal of National Insurance increase

- The Government has reversed the 1.25% increase to employer and employee National Insurance Contributions (NICs) in this financial year and dropped the Health and Social Care Levy that was due to succeed it in 2023-24.
- The income intended for the NHS and social care system will come from general taxation instead.

DCN commentary

- All councils will feel the benefit of lower-than-expected employer NICs this year and in future years. We estimate it will be worth around £20m per year to DCN councils collectively.
- DCN councils still face substantial budget pressures due to the impact of general inflation and pay inflation. The reversal of the NICs increase helps. But DCN councils will need significant further funding and flexibilities from the Government to ensure we can preserve the local services our communities need and deserve.
- It is welcome that the Government has committed to preserve the level of funding for the NHS and care system that would have been provided by the NICs increase.

Energy Bill Relief Scheme

- Under the Energy Bill Relief Scheme the Government will provide a discount on wholesale gas and electricity prices for all non-domestic customers. The support will be equivalent to the Energy Price Guarantee for households. The discount will be automatically applied by energy suppliers.
- **All councils will be eligible for the relief**.
- It will apply to fixed contracts agreed on or after 1 April 2022 as well as to variable and flexible tariffs and contracts.
- The support will initially be available for six months. After this period, the scheme may be extended for the most vulnerable non-domestic customers.

DCN commentary

- Support to tackle the rapid rise in energy bills is welcome. It will be particularly helpful for DCN councils who own and operate leisure centres (directly or through contracted providers).
- It also provides much needed help to the businesses on which our local economies rely.
- But the scheme only tackles one element of the inflationary pressures our councils face. Energy costs are dwarfed by the impact of wider price inflation and rising pay on council budgets.
- Many district councils still face substantial budget pressures for at least the next two years. The DCN will continue to engage with the Government to secure the additional support our councils will need to sustain our services.

- You can find the DCN's press release here and the full Government announcement is here.

New Ministers

- The Government has now appointed a full set of ministers in the Department for Levelling Up (DLUHC) and their portfolios have been confirmed:
  - **Secretary of State: Rt Hon Simon Clarke MP** – he was previously Minister of State with responsibility for local government in 2020.
  - **Minister of State: Paul Scully MP** – he is responsible for local government finance and funding. His full responsibilities are:
    - Local Government policy and finance, including Office for Local Government and business rates
    - Building Safety – remediation and regulation regimes
    - Climate change, net zero and energy efficiency (building regulations)
    - Grenfell recovery and rehousing
  - **Parliamentary Under Secretary of State: Dehenna Davison MP** – she is the minister for levelling up with responsibility for:
    - Local growth funding design and simplification
    - Local growth funding delivery, including UK Shared Prosperity Fund
    - Devolution deals and county deals
    - Planning casework
  - **Parliamentary Under Secretary of State: Lee Rowley MP –** he is the housing and planning minister and will have responsibility for investment zones. His full responsibilities are:
    - Overarching responsibility for housing strategy, including supply and home ownership
    - Investment Zones
    - Housing funds, including Affordable Homes Programme
    - Homes England stewardship
    - Planning reform and casework
    - Leasehold and freehold
    - Levelling Up and Regeneration Bill
  - **Parliamentary Under Secretary of State: Andrew Stephenson** – his responsibilities are:
    - Homelessness and rough sleeping
    - Refugee housing – Ukraine and Afghanistan
    - Social housing, including Social Housing Regulation Bill
    - Supporting Families and Changing Futures
    - Private Rented Sector
    - Electoral Integrity Programme
    - Lead Minister for Secondary Legislation
  - **Parliamentary Under Secretary of State: Baroness Scott of Bybrook** – she is the minister in the Lords. She was previously Leader of Wiltshire County Council and its successor Wiltshire Council unitary authority. Her responsibilities are:
    - Integration, communities and faith, including Hong Kong BNOs
    - Local resilience and emergencies, including winter preparedness
    - COVID-19 inquiry
    - Planning casework
    - Lords work for the Department

- It is worth noting that MPs representing district council areas have been appointed to Cabinet posts, notably Thérèse Coffey MP (Secretary of State for Health and Deputy Prime Minister) and Chloe Smith MP (Secretary of State for Work & Pensions).
- Influential district MPs have also been appointed to ministerial roles in departments that are important for local government, for example Neil O'Brien MP and Robert Jenrick MP at the Department for Health and Social Care.

DCN engagement with new Government

- The DCN has written to the Prime Minister, Secretary of State for Levelling Up and other key ministers to set out how district councils can help the Government deliver national priorities in a way that works for our local communities.
- Our overarching message is that:
    - District councils are the leaders of place.
    - We have repeatedly shown that we have the local knowledge, convening power and delivery capability to respond quickly and flexibly to urgent national priorities.
    - We are local government's delivery specialists with proven ability to collaborate and work as a trusted partner with government, other councils, local public sector bodies, and businesses.
- We have outlined five ways that we deliver for our local communities:
    - Cushion the impact of cost-of-living pressures on local residents, including the most vulnerable.
    - Drive economic growth and recovery in local places, fostering jobs and tackling economic inequality.
    - Deliver better health and social outcomes through early intervention and preventative services, staving off costs for the NHS and other public services.
    - Improve the local environment and deliver net zero through clean growth.
    - Integrate refugees from Ukraine and other countries successfully into our communities.
- We have emphasised that DCN councils face substantial budget pressures in the next two years (at least), primarily due to energy and fuel inflation, wider price inflation and rising pay bills. This has the potential to diminish essential frontline services, including those that help our residents with the cost of living. It also risks disrupting our ability to invest in economic growth. We are pushing the Government to work with us to provide the additional financial support that will allow us to preserve and enhance our vital local services.
- We have reiterated the DCN's support for devolution deals provided district councils are given the full and active role that will help to deliver the best outcomes for local communities, working closely with our local partners. The previous administration's approach counter-productively marginalised the role of district councils. We continue to push for the Levelling Up and Regeneration Bill to be amended to allow district councils to be full members of Combined County Authorities with appropriate rights of consent.

Addendum 2

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The Growth Plan

23 September 2022

1. Introduction

1.1. On 23 September 2022, the Chancellor delivered The Growth Plan which implements a number of measures announced by the new Prime Minister during her campaign in July and August 2022, as well as a number of further policies.

1.2. The Government's stated aim is for this package of measures to help deliver trend annual GDP growth of 2.5%.

1.3. This note sets out the main announcements made by the Chancellor as part of The Growth Plan, with a specific focus on measures that could affect English local government.

1.4. This week, the Government has made a number of other announcements which might be of interest and they are also briefly mentioned in a separate section below.

2. Announcements with a direct impact on local government

2.1. Most of the Chancellor's statement was focussed on national measures with little direct effect on local government. Some of those measures are mentioned in the next section, but a full list can be found in the full document.

2.2. In terms of measures with a direct impact on local government, the Government:

- Confirmed that the Health and Social Care Levy, due to be introduced from April 2023, has been cancelled. In addition, the increases to National Insurance contributions implemented from April 2022 will also be cancelled from 6 November. The Government has committed to the maintaining the additional spending on health and social care that was associated with the introduction of the Levy.

- Committed to streamlining local growth funds and giving local government more flexibility over the next two years.

- Will introduce a Planning and Infrastructure Bill to streamline and speed up the planning process for major infrastructure projects.

2.3. The Chancellor also announced that the Government will work with devolved administrations and local partners in England to introduce Investment Zones across the UK. These Zones will receive tax incentives (in tax sites) and liberalisation of planning rules (in development sites). All Investment Zones will include tax and development sites. In terms of local government,

- Newly occupied premises in English Investment Zone tax sites (and certain existing businesses where they expand in English Investment Zone tax sites) will benefit from 100% business rates relief for 10 years.

- Councils will retain 100% of the business rates growth above an agreed baseline for 25 years in designated sites. The Growth Plan does not detail how this reconciles with the 100% relief on business rates in the tax sites. Past practice of implementation of national reliefs suggests that this would be done through section 31 compensation grants which count towards business rates retention, but this is to be confirmed by the Government.

- Regarding the business rates measures above, these are listed as 'tax incentives under consideration' so could be subject to change.

- Subject to demonstrating readiness, Mayoral Combined Authorities (MCAs) hosting Investment Zones will receive a single local growth funding settlement in the next Spending Review period.

- The Department for Levelling Up, Housing and Communities will shortly set out more detail on liberalised planning in Investment Zones.

- Investment Zones will be delivered in partnership with upper tier local authorities and MCAs in England, who will work in partnership with relevant districts and/or constituent councils.

- Investment Zones will be chosen following a rapid expression of interest process open to everyone and after local consent is confirmed.

- The Department for Levelling Up, Housing and Communities will shortly set out the selection criteria to become an Investment Zone, and the process for designating sites within it.

2.4. In addition to The Growth Plan, the Government confirmed a number of other policy measures this week that might be of interest:

- The Secretary of State for Health and Social Care announced a Plan for Patients, which included a £500 million fund to support discharge from hospital into the community and bolster the social care workforce, to free up beds for patients who need them. The fund is intended to be used flexibly by local health and care systems – although there is yet to be confirmation of which bodies will hold the funding.

- The Secretary of State for Business, Energy and Industrial Strategy announced an Energy Bill Relief Scheme, which will benefit businesses and other non-domestic energy users, including public sector organisations by providing a discount on wholesale gas and electricity prices for six months. There will be a review of the scheme in three months to inform decisions on future support after March 2023.

3. Other announcements at a glance

3.1. The Chancellor confirmed other national measures as part of The Growth Plan. The following summarises some announcements, but the full list can be found in the Government's full publication:

- The planned increases in Corporation Tax have been cancelled. Corporation Tax will remain set at 19%, with an 8% bank surcharge.
- From April 2023, the top rate of income tax (45%) will be abolished and the basic rate of income tax will reduce to 19%.
- Off-Payroll working reforms (IR35) will be repealed from 6 April 2023.
- The Government has raised thresholds above which Stamp Duty Land Tax must be paid from 23 September. The basic threshold is now £250,000 or, in the case of first-time buyers, £425,000. First-time buyers' relief is now applicable to properties valued up to £625,000.
- The Administrative Earnings Threshold for Universal Credit (UC) is being increased to 15 hours a week at National Living Wage for an individual claimant (and 24 hours a week for coupled) from January 2023. This means that around 120,000 more low earning UC claimants will be moved to the Intensive Work Search labour market regime. The Government will also strengthen the sanctions regime and will expand the DWP 50+ offer of work coach support.

4. Approach to public spending and future statements

4.1. Alongside the measures announced in The Growth Plan, the Government has supplied costings, coming to a total of £19 billion this year, growing to £45 billion by 2026/27. This excludes the costs of the reliefs to energy bills, with the Treasury estimating this to be at around £60 billion for the period between October 2022 and March 2023.

4.2. There are no Office for Budget Responsibility (OBR) reports accompanying the announcement, but the Chancellor has commissioned the OBR to produce a forecast by the end of the year. The Government will provide an update on its position on the fiscal rules in response to the forecasts.

4.3. In addition, while there were no announcements about the trajectory of public spending in response to the tax-cutting measures, the Chancellor confirmed that the Government will publish a Medium-Term Fiscal Plan (MTFP) at the next fiscal event.

4.4. It is possible that the publication of the MTFP could happen alongside the Government's response to the full OBR forecast, but as there were no specific timings attached to either the forecast or the MTFP, they are not necessarily linked events.

4.5. It is also unclear if the MTFP could reopen the spending settlements for public services made as part of the 2021 Spending Review.

5. Further information

5.1. LG Futures will continue to update subscribers as and when new information is published on the Government's announcements (such as details of the Innovation Zones process) and will provide briefings on future fiscal events, the Medium-Term Fiscal Plan and the Government's response to OBR forecasts where local government is directly affected.

5.2. If you have any queries regarding this briefing, please do not hesitate to contact us at aivaras.statkevicius@lgfutures.co.uk

Note on implications of announcements week commencing 23 September for local government

Energy Bill Relief Scheme

1. Through the new Energy Bill Relief Scheme, the Government will provide a discount on wholesale gas and electricity prices for all non-domestic customers, including local authorities, whose current gas and electricity prices have been significantly inflated in light of global energy prices.
2. It will apply to fixed contracts agreed on or after 1 April 2022, as well as to deemed, variable and flexible tariffs and contracts.
3. It will apply to energy usage from 1 October 2022 to 31 March 2023, running for an initial six-month period for all non-domestic energy users.
4. The level of price reduction will vary depending on the contract type.
    a. For non-domestic customers on existing fixed price contracts agreed on or after 1 April 2022, provided that the wholesale element of the price the customer is paying is above the Government Supported Price, their per unit energy costs will automatically be reduced by the relevant p/kWh for the duration of the Scheme. The Supported Wholesale Price is expected to be £211 per MWh for electricity and £75 per MWh for gas. Customers entering new fixed price contracts after 1 October will receive support on the same basis.
    b. Those on default, deemed or variable (i.e. inflation-linked) tariffs will receive a per-unit discount on energy costs, up to a maximum of the difference between the Supported Price and the average expected wholesale price over the period of the Scheme. The amount of this Maximum Discount is likely to be around £405/MWh for electricity and £115/MWh for gas, subject to wholesale market developments.
    c. For businesses on flexible purchase contracts, typically some of the largest energy-using businesses, the level of reduction offered will be calculated by suppliers according to the specifics of that company's contract and will also be subject to the Maximum Discount.
5. Local authorities do not need to take action or apply to the scheme to access the support. Support (in the form of a p/kWh discount) will automatically be applied to bills.
6. The Government will publish a review into the operation of the scheme in three months to inform decisions on future support after March 2023. The review will focus in particular on identifying the most vulnerable non-domestic customers and how the Government will continue assisting them with energy costs.

Adult Social Care Discharge Fund

7. To help people get out of hospitals and into social care support, the Government are launching a £500 million Adult Social Care Discharge Fund.
8. This first step will inform further action from next year to rebalance funding across health and care, to establish a strong and sustainable social care sector with greater accountability for use of taxpayers' money.
9. The fund can be used flexibly by local health and care systems, targeting the areas facing the greatest challenges and strengthening the sector's ability to recruit and retain staff. This will improve pathways for people to leave hospital when they are ready, and with the right care and support in place.

10. The Government has also announced measures: to support more people to work in care; use IT to reduce bureaucracy; and deliver the 'cap and means test' reforms by October 2023.

Investment Zones

11. Investment Zones will drive growth and unlock housing across the UK by lowering taxes and liberalising planning frameworks to encourage rapid development and business investment.
12. Areas hosting Investment Zones will benefit from lower taxes, accelerated development and wider support for local growth.
    a. Businesses in designated areas in Investment Zones will benefit from 100% business rates relief on newly occupied and expanded premises.
    b. Local authorities hosting Investment Zones will receive 100% of the business rates growth above an agreed baseline in designated sites for 25 years.
    c. Businesses will receive full stamp duty land tax relief on land bought for commercial or residential development.
    d. There will be a zero rate for Employer National Insurance contributions on new employee earnings up to £50,270 per year.
    e. To incentivise investment there will be a 100% first year enhanced capital allowance relief for plant and machinery used within designated sites and accelerated Enhanced Structures and Buildings Allowance relief of 20% per year.
    f. We will set out further detail on the liberalised planning offer for Investment Zones in due course.
13. The Government is in discussion with 38 local and mayoral combined authority areas in England including Tees Valley, South Yorkshire and West of England who have expressed an interest in setting up Investment Zones in specific sites within their area.
14. We intend for local areas to get involved in our ambitious plan for growth and will shortly launch a rapid expression of interest process to invite all upper tier authorities and MCAs to come forward with proposals, working closely with council leaders.
15. Investment Zones will only be chosen following that expression of interest process open to everyone, and after local consent is confirmed.
16. The Secretary of State will shortly set out the selection criteria to become an Investment Zone, and the process for designating sites within it.