

1. Local Government Finance – Economic & Statutory Context

Autumn Statement & Wider Economy

- 1.1 On 22nd November 2023 the government announced its Autumn Statement, a six-month update on the Spring Budget. The Chancellor set out his approach to public spending, with priorities to keep debt falling, cut taxes for working people and businesses, reform welfare to help people into work and remove barriers to business investment in order to boost growth.
- 1.2 The Government confirmed that it would continue to freeze tax allowances and that unprotected Departmental budgets (including local government resources) will not be uplifted in line with inflation forecasts.
- 1.3 Alongside the Autumn Statement, the Office for Budget Responsibility published its Economic and Fiscal Outlook. This outlined that whilst the forecasts for inflation indicate that the peak has now been passed, CPI inflation will remain higher than the target of 2% during 2024 before returning to 2% in 2025.
- 1.4 Key economic forecasts in the report included:
 - In the UK, CPI inflation is expected to reduce to 4.8% in the final quarter of 2023. Inflation is then expected to drop further over the course of next year to 2.8% by the final quarter of 2024 returning to its 2 per cent target in 2025.
 - It is anticipated that the economy will grow in 2024, as opposed to the possibility of falling into recession as was considered a risk in 2023, but that the growth will be relatively minor at 0.6% of GDP in 2023 and 0.7% in 2024.
 - Pressures therefore remain, but the Chancellor is anticipating that the measures announced will provide a positive stimulus to investment in the economy, which in turn will promote overall growth. These measures have been funded via a decrease in public sector borrowing but this in turn has led to both fiscal drag on public sector spending and the Chancellor's expectation that the public sector will increase productivity by 0.5% per annum.

Impacts for Local Government

- 1.5 Overall there was little within the Autumn Statement that had an immediate direct impact upon local government. Changes to Business Rates to support economic growth came with compensatory funding to ensure local government was not disadvantaged as a consequence.
- 1.6 In the medium term there are potentially significant impacts arising from the confirmation that unprotected government spending budgets, i.e. excluding health, schools and defence services, will increase by less than forecast inflation rates. The Office for Budget Responsibility has warned that, from 2025/26, spending on public services will have to fall by 2.3% per year in real terms. (Source: Office for Budget Responsibility Economic and fiscal outlook – November 2023). The Chancellor announced as part of the Autumn Statement that the Chief Secretary to the Treasury is running an

ambitious Public Sector Productivity Programme with all departments to reimagine the way public services are delivered.

- 1.7 **Council Tax.** The Local Government Finance Policy Statement published in December 2022 had previously confirmed that the Council Tax increase referendum threshold for 2024/25 would remain at 3% and no announcements were made to contradict this.
- 1.8 **Business Rates:** Business Rates are calculated for individual business properties depending on several criteria, one of which is the business rate multiplier, which is effectively used to apply a different rate relative to the size of the business concerned i.e. whether a business is deemed to be small or standard. These multipliers have traditionally been uplifted each year to reflect inflation by the same amount. With effect from April 2024 the multipliers will be uplifted by different inflationary amounts, the small business multiplier has been frozen whilst the standard multiplier has been increased by the September CPI rate (6.7%).
- 1.9 In addition, the more generous Retail, Hospitality and Leisure relief introduced in 2023 has been extended for a further year.
 - Local authorities are fully compensated for any loss of income as a result of these business rates measures not being in line with inflation and will also receive new burdens funding for administrative and IT costs.
- 1.10 **Living Wage.** There will be an increase in the National Living Wage, from £10.42 per hour, to £11.44 per hour from April 2024.
- 1.11 **Levelling Up.** Norwich City Council received notification of the success of the Norwich North bid, which potentially will provide additional capital funding of at least £7.6 million.