Chancellor’s Autumn Statement - Summary

18th November 2022

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Yesterday, the Chancellor announced a series of fiscal measures that will have an impact on high streets and BID areas.

Together with IPM’s Chief Economist, Christian Spence, the BID Foundation has analysed the Treasury’s 70-page publication and **present below the key points for your review**.

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Recession and high street impact

The UK economy is officially in recession – with GDP falling by 2% (predicted) in 2023. What this means in practical terms, together with the scale of government borrowing, is the tax increases and spending cuts to try and address a historically significant moment for the UK economy. This also means:

- A predicted 7% fall in living standards by 2024

- Business investment shrinking by 10% compared to 2019 levels – so less investment in new capital such as stores, equipment and so on.

- As real wages fall – **households have already started to cut back on spending** with retail sales volumes falling by 1.4% in September (now below pre-pandemic levels). What we will continue to see is falling spending power for consumers over the next 12-36 months. We do know that some businesses are doing better than others – people want to retain certain luxury spending, for example a meal out every month, but others may be cut – which is why anecdotally we’re hearing of good performing businesses and BID areas. This variation will continue and more than ever it’s important to track performance of centres and businesses, both in terms of footfall and consumer spend.

Business rates

There is positive news on business rates support after months of lobbying government from IPM, TBF and every other sector body. Whilst there is no fundamental review of the non-domestic rates system, there is a range of meaningful financial support for rates:

- **75% rates relief for retail, hospitality and leisure sectors** – up to £110,000 per business, in 2023/24. Effectively those in these sectors currently receiving the tapered support rate of 66% relief, a legacy of COVID-19 response, will continue to receive support. This means many levy payers will continue to save thousands of pounds a year; an unexpected and very welcome announcement.

- **Revaluation of properties in 2023** – this will happen on 1st April 2023 based on rental market values at 1 April 2021. The expectation is that over 2/3 of properties will not rise in value (the revaluation point was mid-COVID crisis, when a significant impact to the rental market was evidenced in many locations). For those worrying about an increase in business rates, there is more support announced:

- **Multipliers frozen in 2023/24** – another welcome measure that will limit the pain to businesses from rates bills.

- **Transitional relief available** - a significant package of £13.6bn over 5 years will provide support to those businesses that see their rates burden rise because of the April 1st revaluation. More details on the targeting of this support will be announced in due course.

- **Downward caps abolished** – another very welcome reform. If properties are rated downwards, there will be no cap on the effective saving that businesses will make. So, the results of the revaluation will be keenly anticipated, with many standing to benefit to a greater degree than under previous downward caps.

- **£600 upward cap for SBRR / RR** – any business that is effectively uprated out of the Small Business Rates Relief scheme or Rural Relief scheme, will see a £600 upward cap imposed. Again, this is a welcome measure that limits the level of new liabilities that businesses may incur.

- **No online sales tax** – part of previous consultations on the non-domestic rates system, this idea – itself divisive – has been officially ruled out as part of the Autumn Statement. The IPM, BID Foundation and many others considered this the wrong, punitive measure and a blunt instrument to 'level the playing field' for high street and online retail. We hope further work will be conducted to understand how best to support bricks and mortar trade.

Energy

An extension of the energy support for households was welcome, with the large caveat that the business support scheme is still under consideration. Read on to understand how new measures will be felt by businesses:

- **Energy Bill Relief Scheme (for businesses)** – the plan remains for the current level of business support for energy bills (via a cap) to end on 1st April 2023. **The Treasury is now leading a review of how this support should continue in a more targeted manner after 1st April 2023**, likely based on support for specific sectors. This review will be published by 31st December 2022 and IPM and TBF, amongst others, are working to influence it. Previous statements suggest that hospitality (with pubs specifically also mentioned) will be considered in scope for this support, but we await further detail in black and white, via the Treasury review.

- **Energy Price Guarantee (for households)** – this support will continue from 1st April 2023 to 31st March 2024, with the unit cap shifting upward slightly, meaning that the average household's consumption over 12 months will cost £3,000. This is welcomed as a positive step for consumer confidence, and to support high street spending by insulating some of the economic shock to living standards from inflation and recession.

- **Windfall taxes** – these measures will be paid for from a 10% increase in the windfall tax on oil and gas producers (up from 25% to 35%, until 2028), and a new 45% generator tax for electricity producers, given that their profits are effectively tied to the price of gas.

- **Policy target to reduce energy consumption by 15% by 2030** – we know that businesses are focusing on economic resilience and staying afloat, and conversations on issues like decarbonisation are tricky. It is worth noting in this context though, a new commitment from government on energy consumption, which will no doubt filter down to businesses through government campaigns and perhaps even BIDs' own work.

Employment and wages
The labour market continues to be tight – although a small loosening is expected with unemployment rising from 3.6% to an expected 4.9% in 2024. Finding the right talent and rewarding them will continue to be vital and a tough task in many sectors. The following measures will have an impact on this task:

- National Living Wage to increase by 9.7%; with increases across all age brackets. The NLW will be £10.42 from 1 April 2023, with the 21-22 year old rate rising even more (by 10.9%) to £10.18. A full list of the rises is below:

	Rate from April '23	**Current rate**
National living wage	£10.42	£9.50
21-22 rate	£10.18	£9.18
18-20 rate	£7.49	£6.83
16-17 rate	£5.28	£4.81
Apprentice rate	£5.28	£4.81
Accommodation offset	£9.10	£8.70

- A 10% uplift in welfare and in state pension payments will also insulate some of the most needy from increased costs due to inflation. A further cost of living payment of £900 will be provided to those on means-tested benefits in 2023/24, and for those on social rents, increases in rental payments will be capped at 7%.

Public sector budgets
Further statements in the house will outline what the economic situation means for specific government departmental spending – but what we know is that budgets will raise by the previously committed 3.7% (apart from in the NHS and areas of Health and Social Care where this is more). What this means is that inflation will create a situation of effective cuts to spending power – hence the Chancellor talking about 'efficiencies' to be found.

- Although efficiencies need to be found across government departments and likely local government, capital spending will continue at 24/25 levels – providing significant benefit to local infrastructure projects that will continue to be delivered.

Sector body responses
Broadly speaking, the statement has been welcomed by industry bodies such as UK Hospitality and the Local Government Association. The measures on rates protection for some sectors are welcomed, as are other measures to protect consumers. What perhaps is most conspicuous by its absence is a lack of policies designed to boost growth – and this will perhaps be a focus for government over the next months and year. Funds and policies to encourage business growth will be vital to ensure the economy returns to growth and enables the kind of spending on priority areas like health and social care, and innovation.

Place policy

- **Levelling Up Funds and Shared Prosperity Funds continue** – we expect up to £1.7bn to be awarded to local areas that are successful with their previously submitted bids. An announcement of successful areas will follow later this year, but it's important to note that this investment will go ahead, however without an adjustment for the rates of inflation that we're seeing currently. In practical terms, this may mean that many schemes need to adjust proposals to ensure no overspend. Likewise, the Shared Prosperity Fund still appears in government projections of spending and so, whilst this local funding was conspicuous by its absence from the Chancellor's speech, we expect these funds will still reach local authorities by the processes already outlined.

- **Trailblazer deal discussions with GMCA and WMCA** – government will consult with colleagues at the Greater Manchester Combined Authority and West Midlands Combined Authority on the potential for future 'departmental-style' funding settlements at the next spending review. This would in effect mean much more local flexibility and accountability over key funds (and moving away from competitive bidding).

- **Investment Zones to be refocused on universities and innovation** – despite a handful of investment zone plans coming forward from local authorities, this policy will be re-worked and centred around universities and innovation which can create growth for local areas. More details to be announced in due course.