AUTUMN STATEMENT 2022

Analysis by the British Property Federation

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Contents

View the UK Government's Autumn Statement documents online here. Numbers in [brackets] below refer to paragraph numbers in the Autumn Statement paper. Information provided by the Government (which may have been edited for length) is shown in **bold** type.

1. Tax and Finance

Business Rates

[5.45] Business Rates – Overall Package - From 1 April 2023, business rate bills in England will be updated to reflect changes in property values since the last revaluation in 2017. A package of targeted support worth £13.6 billion over the next 5 years will support businesses as they transition to their new bills, protect businesses from the full impact of inflation, and support our high streets. 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.

[5.46] Business Rates - Multiplier Freeze - The business rates multipliers will be frozen in 2023-24 at 49.9 pence and 51.2 pence, preventing them from increasing to 52.9 pence and 54.2 pence. This is a tax cut worth £9.3 billion over the next five years. This will support all ratepayers, large and small, and mean bills are 6% lower than without the freeze, before any reliefs are applied.

[5.47] Business Rates - Transitional Relief Scheme - Upwards Transitional Relief will support properties by capping bill increases caused by changes in rateable values at the 2023 revaluation. This £1.6 billion of support will be funded by the Exchequer rather than by limiting bill decreases, as at previous revaluations. The 'upward caps' will be 5%, 15% and 30%, respectively, for small, medium, and large properties in 2023-24, and will be applied before any other reliefs or supplements. This delivers significant reform to the business rates system and responds to a key stakeholder ask. The 300,000 properties with falls in rateable values will see the full benefit of that reduction in their new business rates bill from April 2023. Over the life of the 3-year list the scheme will support around 700,000 ratepayers.

> We are delighted that the Government has listened to our calls to freeze the multiplier, so that inflationary-linked hikes in bills are not passed onto business at a time when cost pressures are already putting a huge strain on business. However, in the medium term, we would like to see the Government go further to reduce the tax rate - at over 50%, it means the UK has one of the highest property tax rates in the OECD.

We are also pleased that the Government has abolished downwards phasing, which has been a bane for retail properties over the past few years. This is an important policy change to ensure that rates bills reflect property values more quickly. It's also positive that Government has committed to fund an upwards transitional relief, ensuring that uplifts in rates bills after next April's revaluation (expected to be hefty in parts of the logistics sector) are phased in over time.

Further information on the Government's plans to reform the transitional relief arrangements can be found in the Government's response to their earlier consultation on this which was published today – and can be found **here**.

[5.48] Business Rates - Retail, Hospitality and Leisure Relief - Support for eligible retail, hospitality, and leisure businesses is being extended and increased from 50% to 75% business rates relief up to £110,000 per business in 2023-24. Around 230,000 RHL properties will be eligible to receive this increased support worth £2.1 billion.

> The retail, hospitality and leisure sectors are still recovering from the pandemic and will be some of the hardest hit sectors as a result of the cost of living crisis – it is therefore right to target further support at these sectors. It is disappointing that the support is limited to £110,000 per business – larger businesses and chains will not be immune to the economic challenges, but this measure will do very little to support the largest businesses in these sectors.

[5.49] Business Rates - Supporting Small Business Scheme (SSBS) - Bill increases for the smallest businesses losing eligibility or seeing reductions in SBRR or Rural Rate Relief (RRR) will be capped at £600 per year from 1 April 2023. This is support worth over £500 million over the next 3 years and will protect over 80,000 small businesses who are losing some or all eligibility for relief. This means no small business losing eligibility for SBRR or RRR will see a bill increase of more than £50 per month in 2023-24.

> Providing support to those businesses who pay more in business rates at a revaluation is sensible – it will help businesses to budget and soften the increase in costs over time.

[5.50] Business Rates - Improvement Relief - At Autumn Budget 2021 the Government announced a new improvement relief to ensure ratepayers do not see an increase in their rates for 12 months as a result of making qualifying improvements to a property they occupy. This will now be introduced from April 2024. This relief will be available until 2028, at which point the Government will review the measure.

> While the Government has prioritised the most urgent reforms in the short term (notably freezing the multiplier and removing downwards phasing), it is disappointing that the business rates improvement relief has been delayed by a year. It is important that business rates do not act as a disincentive to investment – especially to much-needed investment in retrofitting our property stock to improve the energy efficiency standards, which the Improvement Relief would have helped to support.

Solvency II

[5.75] Solvency II Reform - The Government has today published a consultation response setting out the final reforms of Solvency II. These reforms will unlock tens of billions of pounds for investment across a range of sectors.

> Reform of Solvency II has the potential to unlock billions of pounds of investment to transform UK towns and cities and spur the decarbonisation of buildings. We are therefore pleased that the Government has committed to allowing a wider range of investments to qualify for the Matching Adjustment. Our challenge now is to push for suitable long-term property investment to fall in this

category.

The Government's consultation response was silent on a range of property-specific issues that we raised in our **submission** to HM Treasury earlier in the year, including the need for a new methodology to assess the risk of long-term life insurers' investments in property.

Online Sales Tax

[5.44] Online Sales Tax (OST). Following consultation, the Government has decided not to introduce an OST, an idea put forward by certain stakeholders in the context of Business Rates reform. The Government's decision reflects concerns raised about an OST's complexity and the risk of creating unintended distortion or unfair outcomes between different business models. A response to the OST consultation will be published shortly

> OST has divided retailers since proposals were first mooted; with some arguing that given modern retailing's omnichannel nature, an OST would not reduce the overall tax burden for that sector while others were strongly in favour of a tax that would "rebalance" the tax cost profiles of bricks vs. clicks. Balking at the potential complexity of a new tax, the Government is hoping that next April's business rates revaluation will result in a significant shift in the burden of business rates away from retail businesses towards those involved in logistics and that this will reduce perceptions of an unlevel playing field.

2. Housing

[2.50] The Government is also supporting people in social housing in England with the cost of living by limiting the increase in their rents. Under current rules, rents could have risen by up to 11.1% – but now they will only be able to rise by a maximum of 7% in 2023-24. This will save the average tenant in the social rented sector £200 next year and will generate an overall saving for the Government of around £630 million over 5 years.

> Like many in the housing sector, we had called for flexibility on any support to be devolved to providers. The Government had expressed a preference for a cap of 5% in the earlier consultation exercise. By opting for a 7% cap there has been some meeting in the middle. Residents will get some protection from the full cost of living increase, but by choosing the higher cap, the Government has also indicated it didn't want to lose significant investment and has made a small saving of £630m in the housing benefit budget.

[2.51] To support mortgage borrowers with rising interest rates during periods of low-income, from spring 2023, the Government will allow those on Universal Credit to apply for a loan to help with interest repayments after three months, instead of nine. The Government will also abolish the zero earnings rule to allow claimants to continue receiving support while in work and on Universal Credit.

> An eminently sensible move to ensure people in mortgage distress have access to Government support. The way such support is offered, however, has changed in recent years, moving away from grant payment to a system where support is repayable.

[5.23] Stamp Duty Land Tax cuts - On 23 September 2022, the Government increased the nil rate threshold of Stamp Duty Land Tax (SDLT) from £125,000 to £250,000 for all purchasers of residential property in England and Northern Ireland and increased the nil-rate threshold paid by first-time buyers from £300,000 to £425,000. The maximum purchase price for which First Time Buyers' Relief can be claimed was increased from £500,000 to £625,000. This will now be a temporary SDLT reduction. The SDLT cut will remain in place until 31 March 2025 to support the housing market and the hundreds of thousands of jobs and businesses which rely on it. The Government will amend the Stamp Duty Land Tax (Reduction) Bill to implement this measure.

> It was probably inevitable that Government would look at one of the last remaining vestiges of the Truss growth plan. Retaining the reliefs to 2025 makes sense with the potential of a challenging housing market on the horizon.

[5.25] Council Tax flexibility - 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 a nod to the pressures on local authority budgets the Government has increased the referendum limit on council tax slightly from 2% to 3%. Whilst this may help in a small way to alleviate current budget pressures, it stops way short of the more fundamental reform of local taxation that is probably needed.

3. Levelling Up and Town Centres

Investment Zones

[3.25] The Government will refocus the Investment Zones programme. The Government will use this programme to catalyse a limited number of the highest potential knowledge-intensive growth clusters, including through leveraging local research strengths. The Department for Levelling Up, Housing and Communities will work closely with mayors, devolved administrations, local authorities, businesses and other local partners to consider how best to identify and support these clusters, driving growth while maintaining high environmental standards, with the first clusters to be announced in the coming months. The existing expressions of interest will therefore not be taken forward. The Government is grateful to local authorities for their work to develop proposals.

> We continue to believe that investment zones can and should play a major role in delivering levelling up and it's good to see that rumours of their death were unfounded even if they are taken forward in what seems to be a fairly limited way in supporting existing and potential new knowledge-intensive growth clusters.

Levelling Up Fund

[3.21] The Government remains committed to levelling up and spreading opportunity across all areas of the UK. To support this, the Autumn Statement confirms that the second round of the Levelling Up Fund will allocate at least £1.7 billion to priority local infrastructure projects. Successful bids will be announced before the end of the year.

> The BPF welcomes this continued commitment to support left behind parts of England, and our members are keen to work with central and local Government to see how this investment could be optimised.

New devolution deals

[5.72] The Government has agreed new mayoral devolution deals with Suffolk County Council, and will shortly be agreeing a mayoral deal with Cornwall Council and an expanded mayoral deal with local authorities in the North East of England. Good progress is also being made towards signing a deal with Norfolk County Council. Once agreed, these deals, taken together, will increase the proportion of people living under a directly elected mayor with devolved powers in England to over 50%.

[5.73] Trailblazer devolution deals. The Government will deliver the Levelling Up White Paper commitment to sign new 'trailblazer' devolution deals with Greater Manchester and the West Midlands Combined Authorities by early 2023. The Government is in discussion with the Mayors of these areas to devolve powers to deliver levelling up in areas such as skills, transport and housing, including through consolidating funding. These 'trailblazer' deals will act as a blueprint for other areas to follow.

[5.74] Single settlements for mayoral combined authorities. As part of negotiations on trailblazer deals, the Government will explore with Greater Manchester Combined Authority and West Midlands Combined Authority the potential to provide single departmental-style settlements at the next Spending Review. This could give local partners more flexibility and accountability over key economic growth funds, moving away from competitive bidding processes. Subject to progress of these discussions, the Government will consider the eligibility of other mayoral combined authorities for these settlements, noting the need to ensure appropriate accountability structures are in place.

> The extension of devolution, additional powers for existing mayors, and interestingly, possible single budgets, all indicate welcome greater control by localities over the decisions and funding that affect them.

4. Energy

[5.1] Review of the Energy Price Guarantee (EPG). From April 2023, the Government will adjust the EPG, which places a limit on the price households pay per unit of gas and electricity. This means that a typical household in Great Britain will pay £3,000 per annum (up from the current £2,500 per annum) from April 2023 to April 2024, saving £14 billion of Government spending. Equivalent support will continue to be provided in Northern Ireland. The Government will keep the EPG under review and may revisit the parameters of the scheme, for example if the forecast cost increases significantly. The Government will consult on amending the scheme as soon as is feasible after April 2023 so that those who use very large volumes of energy have their state support capped, whilst the vast majority of households can continue to benefit. This proposal is intended to ensure taxpayers do not subsidise all of the energy usage of those households with extremely high usage. The consultation will explore the best way to ensure that vulnerable high energy users, such as those with medical requirements, are not put at risk.

> The rise in the second-year energy cap to £3,000 is one of the most significant ways that the Government has balanced its books in this Autumn Statement. The Government may be betting on energy prices easing, but has said it will keep the situation under review.

[5.4] Review of the Energy Bill Relief Scheme (EBRS). A HM Treasury-led review of the EBRS will determine support for non-domestic energy consumers, excluding public sector organisations, beyond 31 March 2023. The Government has today published terms of reference for the review, with the findings to be published by 31 December 2022. While the Government recognises that some businesses may continue to require support beyond March 2023, the overall scale of support the Government can offer will be significantly lower, and targeted at those most affected to ensure fiscal sustainability and value for money for the taxpayer.

> This review will have important implications for some members. For example, those members that are in effect offering domestic supply through a non-domestic contract (student accommodation or other communal heating systems) and any member which has high energy usage that could impact on their viability (small builders for example). The terms of reference for the review can be found **here**.

[5.6] Energy Efficiency Taskforce (EETF). The Government is announcing a new long-term commitment to drive improvements in energy efficiency to bring down bills for households, businesses and the public sector with an ambition to reduce the UK's final energy consumption from buildings and industry by 15% by 2030 against 2021 levels. New Government funding worth £6 billion will be made available from 2025 to 2028, in addition to the £6.6 billion provided in this Parliament. To achieve this target, a new EETF will be charged with delivering energy efficiency across the economy.

> We welcome the new target and the renewed focus on the role of buildings in tackling climate change. Buildings are responsible for around 25% of all greenhouse gas emissions, and we know the UK will not meet its net zero ambitions unless we accelerate investment into making all of our buildings – both residential and commercial – more energy efficient. We also look forward to working with the new Energy Efficiency Taskforce. The sector has long campaigned for a national retrofit strategy, and we hope the new Taskforce will be the catalyst to drive this forward.

5. Healthcare

[2.34] The Government recognises that the NHS is under significant pressure, including from the ongoing recovery from the impact of the pandemic. The Autumn Statement therefore makes up to £8 billion of funding available for the NHS and adult social care in England in 2024-25. As part of this, the Government is investing an additional £3.3 billion in each of 2023-24 and 2024- 25 to support the NHS in England, enabling rapid action to improve emergency, elective and primary care performance towards pre-pandemic levels.

> We welcome additional funding to support NHS England but while there remains a shortfall in NHS Capital Investment in its buildings and estates, we encourage clearer pathways for the private sector to support investment, as it is willing and ready to do.

[2.37] The Government will continue with the New Hospital Programme to deliver healthcare more efficiently, and will introduce measures to support and grow the workforce and improve performance across the health system, including:

• ensuring the NHS has the workforce it needs for the future, including publishing a comprehensive workforce plan next year. This will include independently-verified forecasts for the number of doctors, nurses and other professionals that will be needed in 5, 10 and 15 years' time, taking full account of improvements in retention and productivity

• further measures to support greater local decision making and freedom for healthcare professionals to do their job. This will include commissioning an independent review by Patricia Hewitt into how best the new Integrated Care Boards can work with appropriate autonomy and accountability

> We welcome the commissioning of an independent review by Patricia Hewitt into how best the new Integrated Care Boards can work with appropriate autonomy and accountability. Certainty, transparency and clarity on how these will work would be very welcome within the sector as current ambiguity is slowing investment.

[2.38] 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.

> We wholly support more funding for the social care sector, which it is greatly in need of. We would recommend that the Government further back adult social care by supporting the Housing for Older People sector and creating a planning environment which aids its growth. This, alongside greater capacity in primary care, will free up valuable space and ease pressure on the social care system.

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