Appendix B

Budget Monitoring Report

For the period 1 April 2022 - 30 September 2022

1. Update

1.1 Mini-Budget / Growth Plan 2022 and Other Government Policy Announcements

As referred to in the Quarter 2 Budget Monitoring Report, on 23 September 2022, the Chancellor of the Exchequer announced a Mini-Budget / Growth Plan 2022. A link to the Growth Plan document is here: BUDGET 2021: Protecting the jobs and livelihoods of the British people (publishing.service.gov.uk) There have also been a number of other policy announcements that are significant in respect of the Council's financial position, including the Energy Bill Relief Scheme and Investment Zones. The purpose of this additional appendix is to provide a brief update on the announcements and measures that are directly relevant to the Council, not on all of the measures announced. No measures were announced in respect of the Council's key income streams of council tax or business rates, nor on any specific details regarding Government departmental spending, of which local government finance forms a part. However, the Chancellor has indicated that the Government "is sticking to spending settlements for this spending review period". The Office for Budget Responsibility (OBR) will publish a full forecast alongside the publication of a Medium Term Fiscal Plan on 23 November 2022 regarding the Government's fiscal policy, prior to the Provisional Local Government Finance Settlement in December.

1.2 Reversal of National Insurance increase

The Government has reversed the 1.25% increase to employer and employee National Insurance Contributions (NICs) with effect from 6 November 2022 in this financial year and has 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 from this will come from general taxation instead.

The reduction in employer NICs will produce savings against budget for the Council in both the current and subsequent years. The estimated budget savings attributable to this are summarised in the table below. However, it should be noted that local government received funding of around £400m for the employer NICs increase through the 2022/23 local government finance settlement, although the actual amounts for local government, either collectively or individually, were never explicitly confirmed. If this funding is going to be removed from local government then the Settlement Funding Assessment (SFA) or Services Grant would have to be reduced in 2023/24 and 2024/25. If this is the case, there may consequently be some offset to these forecast savings, although it will probably be difficult to ascertain the quantum of this from the settlement.

Employers NIC Savings

East Suffolk Council	***2022/23 Part Year (Nov 2022-Mar 2023) £'000***	***Per annum 2023/24 onwards £'000***
General Fund	*80*	*200*
Port Health	*15*	*30*
Housing Revenue Account	*20*	*45*
Total	***115***	***275***

1.3 Investment Zones

New Investment Zones have been announced which will "provide time-limited tax reliefs, and planning liberalisation to support employment, investment and home ownership". DLUHC is already in discussion with 38 mayoral combined authorities and other upper-tier authorities to host the new investment zones. Features of the investment zones will include:

• 100% relief from business rates in newly-occupied premises

• Local authorities will retain 100% of business rates above an agreed baseline, with no baseline reset for 25 years

• Enhanced capital allowances (100% relief in first year of qualifying expenditure in plant and machinery), and enhanced structures and buildings allowance

• Employer National Insurance relief (on earnings up to £50,270)

In the media release regarding Investment Zones, the following excerpt of the Notes to Editors is worth noting: *"Freeports will continue to support growth and investment in left-behind port regions of the UK. The Government will consider the potential for Freeports to convert to Investment Zones on a case-by-case basis, as part of the wider process for identifying new zones in the future."*

1.4 Energy Bill Relief Scheme

On 21 September 2022 the Government outlined plans to help cut energy bills for businesses and published guidance. The Energy Bill Relief Scheme will see energy prices for non-domestic energy customers such as businesses, charities and public sector organisations – including councils and schools – reduced from what they would have been without government intervention. Suppliers will apply reductions to the bills of all eligible non-domestic customers. It will apply to fixed contracts agreed on or after 1 April 2022, as well as to deemed, variable and flexible tariffs and contracts. The scheme 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. The financial implications of this measure to the Council are being worked on and will be reflected in the Medium Term Financial Strategy, 2023/24 Budget, and further Budget Monitoring reports.

1.5 Infrastructure Projects

The Growth Plan also sets out in Annex B the infrastructure projects that the government will prioritise for acceleration, across transport, energy and digital infrastructure, including a number that are relevant to East Suffolk.

1.6 Off Payroll Working – IR35

Finally, although they do not have any direct financial effect on the Council, the Government has announced the repeal of the 2017 and 2021 reforms to off payroll working rules known as IR 35, with effect from 6 April 2023. This affects workers who provide their services via an intermediary such as a personal service company. Local authority organisations are seeking confirmation that this also affects such arrangements with councils.