23 September 2022

on the day BRIEFING

NHS Providers

The Plan for Growth, and the Energy Bill Relief Scheme (EBRS)

Today the Chancellor, Kwasi Kwarteng, delivered a statement on the government's plans for growth. The Growth Plan 2022 focuses predominantly on cutting, reversing or cancelling planned tax rises as a way to boost growth, alongside steps to reduce delays in the planning system and boost infrastructure development. The Chancellor also confirmed that plans to reduce energy costs are expected to cost £60 billion over the next six months and will be paid for by borrowing.

Some of the key changes in today's statement include:

- Reversing April's National Insurance increase and repealing the Health and Social Care Levy (although health and social care funding will remain at the same level as if the Levy were in place)
- Abolishing the top rate of income tax and cutting the basic rate of income tax to 19% from April 2023
- Cancelling the planned corporation tax increase and cutting stamp duty.

This briefing sets out the measures announced in today's statement, as well as details of the Energy Bill Relief Scheme (EBRS), which was published this week. The scheme will provide a discount on gas and electricity unit prices for non-domestic energy contracts. For further information, please contact Cath Witcombe (catherine.witcombe@nhsproviders.org).

Plan for Growth

Economic and fiscal context

Despite faster than anticipated growth in 2021, gross domestic product (GDP) growth has slowed in 2022. The UK is facing the highest debt burden since the 1960s (96.6% of GDP), a result of low productivity growth (UK labour productivity growth slowed from roughly 2% in the decade before the 2008 financial crisis to 0.4% in the decade after), compounded by pressures on the public finances seen throughout the financial crisis and the Covid-19 pandemic. Despite this historic high, the UK has the second lowest gross debt as a proportion of GDP in the G7. The government has committed to raising the UK's economic growth by boosting productivity growth and labour supply and has set a target of reaching a 2.5% growth rate. The Chancellor set out plans for supply-side reforms to achieve this ambition.

The consumer price index (CPI) – the change in the prices of a basket of goods and services over time – reached an almost 40 year high of 9.9% in August 2022. Driven by rising energy prices, the impact of inflation is being felt by all public services, businesses and consumers. The government has announced measures aimed at reducing the pressure on households and businesses from rising energy bills. It is expected that these policy measures will lower CPI inflation by around 5% this winter. While these measures will lead to additional borrowing, the government believes they will support GDP growth in the near term, reducing the risk of recession.

The Monetary Policy Committee of the Bank of England has committed to controlling inflation by raising interest rates to 2.25% and beginning active sales of UK government bonds to reduce the stock of purchased bonds by £80 billion over the next twelve months.

The government will provide an update on its medium-term plan at the next fiscal event, which will build on three key pillars:

- commitment to fiscal responsibility and reducing debt as a proportion of GDP over the medium term
- making responsible decisions and keeping spending under control
- maintaining strong institutions and frameworks.

The statement was not accompanied by an Office for Budget Responsibility (OBR) forecast. The Chancellor confirmed a full OBR economic and fiscal forecast will be published before the end of the year, with another to follow next year.

Private sector investment

The government is bringing forward a number of measures to increase private sector investment. This includes cancelling the increase in the main rate of corporation tax to 25% that was due to take effect from April 2023, keeping the rate at 19%. The scheduled change to the rate of the bank corporation tax surcharge will also be cancelled, keeping the combined rate of tax on profits paid by banks and building societies at 27%.

The government believes that the financial services sector is vital in driving growth across the economy and will bring forward a deregulatory package which will include the government plan for repealing EU law for financial services and replacing it with UK laws. The plan also announces that rules limiting bankers' bonuses will be scrapped.

Health and social care related announcements

Reversing the Health and Social Care Levy

The government announced it is cancelling the Health and Social Care Levy – initially introduced via a 1.25 percentage point rise in National Insurance Contributions (NICs) – which took effect in April 2022.

This will be delivered in two parts:

- The government will reduce National Insurance rates from 6 November 2022, in effect removing the temporary 1.25 percentage point increase for the remainder of the 2022-23 tax year; and
- The 1.25% Health and Social Care Levy will not come into force as a separate tax from 6 April 2023 as previously planned.

The Levy and increased dividend tax were expected to raise approximately £13 billion a year to fund health and social care. The government confirmed that funding for health and social care services will be maintained at the same level as if the Levy was in place.

Income from the sale of surplus government land

Changes will be made to HM Treasury's rules in order to allow departments to retain more income from the sale of surplus government land. These changes will encourage departments to increase the sale of public land, including sites for housing, and allow departments to reinvest to support public services. The NHS will be given full flexibility to carry forward 100% of the proceeds from land sales into future years.

Other announcements

Infrastructure

The Growth Plan 2022 announces that new legislation will be brought forward to reduce delays in the planning system. It also sets out infrastructure projects the government will prioritise for acceleration across transport, energy and digital infrastructure.

Changes to stamp duty

From today, the government is increasing the threshold above which stamp duty land tax (SDLT) must be paid on the purchase of residential properties in England and Northern Ireland from £125,000 to £250,000. In addition, the threshold at which first-time buyers begin to pay residential stamp duty will increase from £300,000 to £425,000, and the maximum value of a property on which first-time buyers relief can be claimed will also increase, from £500,000 to £625,000.

New legislation on strike action

The government will bring forward legislation to require unions to put pay offers to a member vote, in order to ensure strikes can only be called once negotiations have genuinely broken down.

Press statement

Trusts welcome confirmation that health and social care funding will be maintained
In response to the Chancellor of the Exchequer's statement today, NHS Providers' interim deputy chief executive, Miriam Deakin, said:

"Leaders of NHS trusts will welcome the reassurance that overall funding for health and social care services won't be affected by the decision to scrap the Health and Social Care Levy, but there are further unresolved questions.

"The NHS budget is being stretched in all directions due to high energy costs, inflation, and the cost of pay awards not fully funded by the government. Now we have the added uncertainty over how the government's new fund for adult social care fund will be financed.

"At a time of unprecedented pressures, severe staff shortages, the need to address backlogs and the prospect of a very tough winter, maintaining the funding previously committed under the Levy as confirmed today is essential."

Energy Bill Relief Scheme

On Wednesday 21 September, the government announced the Energy Bill Relief Scheme (EBRS), which will provide a discount on gas and electricity unit prices for non-domestic energy contracts including:

- businesses

- voluntary sector organisations, such as charities
- public sector organisations such as schools, hospitals and care homes.

The scheme will apply to those:

- on existing fixed price contracts that were agreed on or after 1 April 2022
- signing new fixed price contracts
- on deemed / out of contract or variable tariffs
- on flexible purchase or similar contracts.

Discounts will automatically be applied to energy bills, so no action is required to sign up to the scheme. It will apply to energy usage from 1 October 2022 to 31 March 2023, running for an initial 6-month period.

A 'government supported price' for non-domestic energy users, which is lower than currently expected wholesale prices, has been set at:

- £211 per megawatt hour (MWh) for electricity
- £75 per MWh for gas

For those on fixed contracts the discount will reflect the difference between the government supported price and the relevant wholesale price for the day the contract was agreed. The government will publish the wholesale prices used for calculating this for each day from 1 April 2022.

Those on variable, deemed and all other contracts 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. This is intended to better target organisations facing rising bills between now and 31 March 2023, rather than providing grants to all those on older fixed contracts.

The government will publish a review of the scheme in three months, looking at how effective the scheme has been in giving support to the most vulnerable. This will inform decisions on support after March 2023 when the current scheme is due to end.

Press statement

Six-month energy bills relief welcome but future protection needed

Responding to government plans to help businesses and the public sector with rising energy bills, the interim deputy chief executive of NHS Providers, Miriam Deakin, said:

"Trust leaders will welcome today's announcement that they and other public service providers will receive the same help as businesses with soaring energy costs.

"Public sector bodies would have faced excessive price hikes without this support.

"Increased gas and electricity costs threatened to be a tipping point for trusts which have already been hit hard by inflation.

"While many trusts are on fixed energy contracts which will shield them from significant increases in this financial year, they will continue to be exposed as contracts expire and may face a massive hike in bills from next April without continuing financial support.

"We urge the government to be flexible when reviewing the package of measures outlined today and to ensure that all public services are protected from spiralling price rises beyond the next six months.

"Trust leaders will be watching closely further government announcements expected this week which could have an impact on NHS budgets and overstretched services as we head into what promises to be a very busy winter."