Weekly Monitoring

18th November 2022

Political Update

Against a backdrop of a 41-year high of 11.1% inflation which has outpaced any wage increase and news that half of UK firms are turning to the EU to navigate their way through economic turbulence, Chancellor Jeremy Hunt unveiled his Autumn Statement to the public. Hunt has made it clear that taxes must go up and spending must come down in order to tackle the "enemy" of inflation which threatens economic stability and growth. He insisted that "taking difficult decisions now" would deliver stability in the long term, whilst also being "compassionate" to the most vulnerable in society.

In his speech, Hunt was keen to emphasise the credibility of the Office for Budget Responsibility (OBR) in backing up his approach, stating that the UK economy is in recession and will shrink by 1.4% next year. He also repeated the OBR judgment that global factors are the largest contributor to the economic situation, and persistently drew favourable comparisons between the UK and other developed economies.

Please find below a summary of the Chancellor's plan, which can be found in full here:

Fiscal policy and revenue

- The dividend tax allowance is falling from £2,000 to £1,000 next year and to £500 from April 2024
- The threshold for those paying the 45p rate of tax will be reduced from £150,000 to £125,140
- Allowances and thresholds for income tax, national insurance and inheritance tax will be frozen for a further two years

- Tax free allowances for Capital Gains Tax will reduce in 2023/24 from £12,300 to £6,000 and decrease again to £3,000 in 2024/25
- The new global tax agreement will generate over £2.3bn a year from multinational corporations
- The VAT registration threshold will be maintained at its current level until March 2026
- The corporation tax rise from 19% to 26% will be maintained alongside a £13.6bn package of support on business rates
- A £1.6bn “transitional relief scheme” will be introduced for SMEs , which has been backed by the FSB, BRC and CBI
- Dividend allowances will be cut. The annual exempt allowance for capital gains tax will also be cut

Energy bills

- The Chancellor said that he had no objections to legitimate windfall taxes on unexpectedly high profits – so long as they are a temporary measure
- Until March 2028, the energy profits - oil and gas - profits levy will rise from 25% to 35%. This levy is applied on top of the 40% tax rate paid by oil and gas companies. Low carbon electricity generation will be subject to a profit levy of 45%. These measures will raise £14bn next year
- Additional support for off-gas grid consumers will double to £200 per household, with a fixed payment of £150 for non-domestic consumers
- Targeted support for business energy bills will be offered after the current package expires in March 2023

Energy and infrastructure investment

- The Government remains committed to delivering on its net zero commitments and the pact signed in Glasgow at COP26
- A new Energy Efficiency Taskforce (EETF) will be charged with delivering energy efficiency across the economy, with a plan to reduce emissions from buildings and industry by 15% by 2030. This will be supported by £6.6bn of funding between 2025 and 2028
- Electric vehicles (EVs) will no longer be exempt from the Vehicle Excise Duty starting from 2025
- EV charging infrastructure will be supported through an extension of the 100% First Year Allowance to 2025
- Additional support for off-gas grid consumers will double to £200 per household, with a fixed payment of £150 for non-domestic consumers
- Targeted support for business energy bills will be offered after the current package expires in March 2023
- The nuclear reactor at Sizewell C will proceed with Government investment
- New infrastructure such as roads, train lines and communities will be supported by over £600bn in capital investment over the next five years
- The East West Rail, core Northern Powerhouse Rail and HS2 to Manchester will be completed as planned

Levelling Up and Devolution

- Investment zones will be refocused to be centred around universities. Existing expressions of interest will not be carried forward. The first announcements regarding investment zones will be announced ahead of the Spring Statement
- Round two of the Levelling Up Fund will at least match the investment of £1.7bn in round one
- New devolution deals will introduce elected mayors to Suffolk, Cornwall and Norfolk, along with an additional location in the North East
- ‘Trailblazer’ devolution deals with the Greater Manchester Combined Authority and the West Midlands Combined Authority will go ahead, meaning that over half of England will soon be covered by devolution deals
- Schools and hospitals in devolved nations will receive an extra £1.5bn for the Scottish Government, £1.2bn for the Welsh government, and £650m for the Northern Ireland Executive

Jobs and Welfare

- Universal Credit will rise in line with September’s inflation figure of 10.1% from next April alongside the benefit cap
- The Triple-Lock manifesto promise has been maintained with the guarantee of pensions rising in line with inflation, increasing by 10.1% from April
- The new housing element of Pension Credit is delayed until 2028-29, eligible pensioners will continue to receive Housing Benefit
- £280 million will be invested to tackle benefit fraud
- An additional £1bn of funding will enable a 12-year extension to the Household Support Fund
- Additional payments of £900 will be paid to those on means-tested benefits, £300 to pensioner households and £150 to people on disability benefits
- The employment allowance will be retained at a higher level of £5000

Skills and Education

- Sir Michael Barber has been appointed as an advisor to work on implementing a ‘skills reform programme’, to tackle the growing skills gap
- Funding for schools will be increased by £2.3bn in 2023 and 2024
- DWP will review factors holding back workforce participation to address economic inactivity

We are currently working through the detail of the autumn statement to understand the potential impact it will have on our industry and on our manifesto asks.

EIA Update

Update on interactions with Department for Business, Energy and Industrial Strategy

The EIA spoke with BEIS earlier this week to ask for more information regarding the Energy Bill Relief Scheme which is set to provide support to non-domestic customers, including businesses and the third sector until 31st March 2023, with a "high bar" for firms to receive continued support which they must make a case for directly at ebrsreview@beis.gov.uk. We stressed in the meeting that this was a critical issue for the sector which would hamper our ability to stimulate trade across the UK.

News

Secretary of State for International trade promotes UK-US Trade

Last week, the Secretary of State for International Trade, Kemi Badenoch, visited Washington DC and gave a speech to promote free trade and encourage the two countries to collaborate in future-proofing the global economy against shocks. The US is the UK's largest trading partner, and every day more than one million people get up and go to work for British companies in America, and almost 1.5 million people do the same for American companies in the UK.

Minimum wage increase to protect low-paid workers' living standards

The Low Pay Commission recommendations that the National Living Wage should rise to £10.42 from 1st April 2023, an increase of 92p or 9.7%, were unanimously agreed by Commissioners and accepted in full by Government. These increases will support the wages and living standards of low-paid workers at a time where unemployment is at a record low and vacancies remain high.

UK Export Finance upgrades support for SMEs to boost global exporting ambitions

UK Export Finance launched a new Bills and Notes Guarantee at its annual finance forum as part of its wider packages to support SMEs in securing exporting contracts and facing the challenging global economy. The Guarantee enables overseas buyers of UK goods to benefit from extended payment terms, meaning small businesses can get paid more quickly and easily for their exports.

Parliament

House of Commons

Business, Energy and Industrial Committee question workforce, industry and academics on AI and tech in the workplace

The BEIS Committee examined how artificial intelligence and technology is changing the workplace and what this means for the UK workforce. A number of witnesses were questioned from companies such as Zoom and Amazon as well as from GMB. The Committee is covered topics such as how AI and tech are being deployed in the workplace and the skills needed to compliment them; the jobs at risk of automation or displacement by AI, and policies needed to ensure effective training to work alongside new tech and better regulation to protect the workforce.

International Trade Committee questioned on Gulf States trade deal

The International Trade Committee explored the implications of a potential deal with the Gulf Cooperation Council in two key areas: climate and the environment and digital and data.

Work and Pensions Committee question experts and charities on employment support for young people with disabilities

The Work and Pensions Committee, last week, heard from experts and charities providing employment support for young people and people with disabilities in the second session of its Plan for Jobs and employment support inquiry. The Committee explored why 16–24-year-olds struggle to engage with the labour market and why economic inactivity has risen among disabled people since the start of the pandemic. They also scrutinised the effectiveness of Government's employment support schemes for young people, disabled people, and how to improve the programmes to involve more individuals.

Written Question to DCMS on Hospitality Industry and Tourism: Trade Promotion

Labour MP for York Central, Rachael Maskell asked Secretary of State for Digital, Culture, Media and Sport, "whether she is taking steps with industry stakeholders to help ensure that delegations representation holiday destinations in the UK are present hospitality and tourism trade fairs."

Minister for Sport, Tourism, and Civil Society, Stuart Andrew replied:
"I recently attended the World Travel Market (WTM) in London, which is one of the global travel trade's largest events responsible for reconnecting, rebuilding and innovating the industry. Here, the UK was represented by Trade Associations (such as UKInbound), Destination Management Organisations (such as VisitWest), and delegates from countries around the world.

The WTM was an opportunity to underline the government's support for the travel and tourism sector. My attendance demonstrated that HMG is prioritising the recovery of the sector, and that bringing back inbound tourism levels to meet and surpass 2019 figures is a key driver of economic growth.

Such business events generate Foreign Direct Investment and trade in the UK's most lucrative growth sectors, with an estimated £165 billion of trade transacted each year at trade shows and exhibitions in the UK (World Travel Market itself generates £2.8 billion in industry deals).

Forums such as the Tourism Industry Council and the Inter-Ministerial Group on the Visitor Economy ensure that delegations representing holiday destinations in the UK are present and briefed to showcase Britain as a global knowledge hub for hospitality and tourism trade fairs.

VisitBritain organise trade events, such as ExploreGB, Destination Britain North America, and Destination Britain China, to connect international buyers with British suppliers and destinations in order to open up new connections and business opportunities."

Oral Questions to Treasury on Small and Medium-sized enterprises

During a debate on Small and Medium-sized enterprises the Chancellor was asked "what steps he is taking with Cabinet colleagues to reduce red tape for small and medium-sized enterprises."

Economic Secretary to the Treasury, Andrew Griffith answered:
"The Government are rightly reducing the burden of regulation for tens of thousands of small and medium-sized enterprises. Just a month ago, the presumption of exemption when Departments make regulations was extended

from businesses with fewer than 50 employees to those with fewer than 500, and we expect 40,000 SMEs to benefit from that."

Next week

House of Commons

23rd November: Westminster Hall debate on Supporting UK artists and culture
25th November: Carbon Emissions (Buildings) Bill: Second Reading