

HEY LEP Business Support Board

12th May 2022

Paper C - Spring Statement 2022

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1. Summary

- 1.1. Rishi Sunak, Chancellor of the Exchequer presented the Spring Statement 2022 to Parliament on the 23rd of March 2022.
- 1.2. Rising inflation and higher than expected prices for energy and goods on the global market provided a challenging backdrop to this statement. Conflict in Ukraine has exacerbated these trends.

2. Recommendations

- 2.1. That the Board notes the key elements of the Spring Statement

3. Key Points from Spring Statement

3.1. Economic Performance

- 3.1.1. The Office for Budget Responsibility (OBR) is expecting the UK economy to grow 3.8 per cent this year, down from six per cent in its previous forecast at the last budget.
- 3.1.2. Inflation will average 7.4 per cent over the course of 2022. The previous projection by OBR was for cost of 4 per cent this year.
- 3.1.3. Higher energy costs tend to feed through quickly to the rate of price rises in an economy due to oil, gas and coal being commodities that are consumed widely by businesses and households.

3.2. Policy Decisions Directed at Business

- 3.2.1. *Levelling Up Fund second round* – The government is launching the second round of the Levelling Up Fund and is publishing a refreshed Prospectus, inviting bids to come forward from all eligible organisations across the UK. This Fund provides £4.8 billion for local infrastructure projects, with £1.7 billion already allocated to 105 successful projects from the first round.
- 3.2.2. *Business Rates Multiplier* -. The business rates multiplier will be frozen in 2022-23. Eligible retail, hospitality, and leisure businesses will also benefit from a new temporary 50% Business Rates Relief.
- 3.2.3. *Increasing the Employment Allowance* – The Employment Allowance will increase from April 2022, meaning eligible employers will be able to reduce their employer NICs bills by up to £5,000 per year.
- 3.2.4. *Business Investment* - To support businesses to invest and grow, the temporary £1 million level of the Annual Investment Allowance has been

extended to 31 March 2023. This is the highest level of support for capital expenditure ever provided through the Annual Investment Allowance and provides generous relief for investment across over a million SMEs. The government is also helping firms to adopt new digital technologies, with Help to Grow: Digital, offering eligible SMEs a 50% discount on approved software worth up to £5,000.

- 3.2.5. *Skills Support for SMEs* - To help SMEs gain the skills they need to succeed; the government is subsidising the cost of high-quality training. Help to Grow: Management offers businesses 12 weeks of world class leadership training through the UK's top business schools, with government covering 90% of the cost. The cost of apprenticeship training is 95% subsidised for SMEs that do not pay the Apprenticeship Levy.
- 3.2.6. *Business Decarbonisation* - To support the decarbonisation of non-domestic buildings, the government is introducing targeted business rates exemptions for eligible plant and machinery used in onsite renewable energy generation and storage, and a 100% relief for eligible low-carbon heat networks with their own rates bill. Spring Statement announces that these measures will now take effect from April 2022, a year earlier than previously planned.
- 3.2.7. *VAT relief for Energy Saving Materials* – The Spring Statement announces VAT relief on the installation of Energy Saving Materials (ESMs). Wind and water turbines will be added to the list of ESMs. 31 eligibility conditions will be removed. The government will also increase the relief further by introducing a time-limited zero rate for the installation of ESMs. The changes will take effect from April 2022.
- 3.2.8. *Green reliefs for Business Rates* – At Autumn Budget 2021 the government announced the introduction of targeted business rate exemptions from 1 April 2023 until 31 March 2035 for eligible plant and machinery used in onsite renewable energy generation and storage, and a 100% relief for eligible low-carbon heat networks with their own rates bill, to support the decarbonisation of non-domestic buildings. The government is bringing forward the implementation of these measures and is announcing that they will now take effect from April 2022.
- 3.2.9. *Temporary cut to fuel duty* – The government will cut the duty on petrol and diesel by 5p per litre for 12 months.
- 3.2.10. *AI Centres for Doctoral training* – The government will partner with industry and academia to create 1000 new AI PhDs. The government will invest £117 million to create the PhDs through Centres for Doctoral Training (CDTs), with the investment further leveraging industry and university funding. This will build on the 16 existing CDTs across the UK, to train a new generation of AI researchers to develop and use AI in areas such as healthcare, climate change and creating new commercial opportunities

3.3. Tax Plan

- 3.3.1. The government announced its Tax Plan for the UK which will cover 3 specific areas 1) Helping families with the cost of living 2) Boosting Productivity and 3) Sharing the proceeds of growth fairly.

3.3.2. The focus of boosting productivity and growth announced in Tax Plan is in creating the conditions for the private sector to invest more, train more and innovate more. To do this, the government intends to cut and reform business taxes, to create a culture of enterprise and the conditions for private sector-led growth. The government states in the Spring Statement that it seeks to consult on this Tax Plan over the next year will confirm plans for reforms to reliefs and allowances ahead of 2024.