

Hull and East Yorkshire LEP Board
Horizon Scan and Policy Update
Report by Andrew Hewitt, Senior Policy and Business Growth Manager
Thursday 29th September 2022
Paper E

1. Summary

1.1. This paper provides a high-level summary of current national and regional policy announcements and strategic developments which impact on the economy of Hull and East Yorkshire.

2. Recommendations

2.1. That the Board notes this report.

3. Report

3.1 New Government

Following Liz Truss' election on 5th September 2022 as Leader of the Conservative Party and her subsequent appointment as Prime Minister of the United Kingdom she has announced a range of cabinet appointments which directly impact upon the work of the HEY LEP.

Most directly Kwasi Kwarteng, who has been a regular visitor to the region has been appointed Chancellor of the Exchequer.

Simon Clarke has been confirmed as levelling up secretary, taking the helm at a department where he has previously served as a junior minister. Mr Clarke, whose most recent government role was chief secretary to the Treasury, served at the then Ministry of Housing, Communities & Local Government from February to September 2020 before quitting for personal reasons. During that time he was an active champion for devolution

Local Beverley and Rural MP Graham Stuart has been appointed at the Minister for Climate.

Below is the complete list of Cabinet appointments:

- **Therese Coffey** has been promoted to **Deputy Prime Minister** and **Secretary of State for Health and Social Care**, from the role of Work and Pensions Secretary – she served as parliamentary campaign manager for Truss' leadership bid
- **Kwasi Kwarteng** has been promoted to **Chancellor of the Exchequer**, from the role of Business Secretary
- **Suella Braverman**, a former leadership rival, has been promoted to **Home Secretary**, from the role of Attorney General

- **James Cleverly** has been promoted to **Secretary of State for Foreign, Commonwealth Affairs**, from the role of Education Secretary
- **Nadhim Zahawi** has been made **Chancellor of the Duchy of Lancaster, Minister for Intergovernmental Relations** and **Minister for Equalities**, from the role of Chancellor of the Exchequer
- **Jacob Rees-Mogg** has been promoted to **Secretary of State for Business, Energy and Industrial Strategy**, from the role of Brexit Minister
- **Simon Clarke** has been promoted to **Secretary of State for Levelling Up, Housing and Communities**, from the role of Chief Secretary to the Treasury
- **Ben Wallace** has been re-appointed to the post of **Secretary of State for Defence**
- **Brandon Lewis** has been promoted to **Secretary of State for Justice** (and Lord Chancellor) from the backbenches, after having served as Northern Ireland Secretary before resigning in July
- **Chloe Smith** has been promoted to **Secretary of State for Work and Pensions**, from the role of DWP Disabilities Minister
- **Kemi Badenoch**, former leadership rival, has been promoted to **Secretary of State for International Trade** (and President of the Board of Trade) from the backbenches, after having served as Communities Minister and Equalities Minister before resigning in July
- **Anne-Marie Trevelyan** has been made **Secretary of State for Transport**, from the role of Trade Secretary
- **Kit Malthouse** has been made **Secretary of State for Education**, from the role of Chancellor of the Duchy of Lancaster
- **Michelle Donelan** has been promoted to **Secretary of State for Digital, Culture, Media and Sport** from the backbenches, after having served as Education Secretary for 36 hours before resigning in July
- **Ranil Jayawardena** has been promoted to **Secretary of State for Environment, Food and Rural Affairs**, from the role of Trade Minister
- **Alister Jack** has been re-appointed to the post of **Secretary of State for Scotland**
- **Sir Robert Buckland** has been re-appointed to the post of **Secretary of State for Wales**
- **Chris Heaton-Harris** has been promoted to **Secretary of State for Northern Ireland**, from the role of Chief Whip
- **Penny Mordaunt**, another former leadership rival, has been promoted to **Leader of the House of Commons** (and Lord President of the Privy Council), from the role of Trade Minister
- **Lord True** has been promoted to **Leader of the House of Lords** (and Lord Privy Seal), from the role of Cabinet Office Minister
- **Alok Sharma** has been re-appointed to **COP26 President**
- **Jake Berry** has been promoted to **Minister without Portfolio** (and Conservative party chair) from the backbenches – he previously served as Northern Powerhouse Minister under both Cameron and May, before stepping down in 2020

Also attending Cabinet:

- **Wendy Morton** has been promoted to **Chief Whip**, from the role of Transport Minister
- **Michael Ellis** has been promoted to **Attorney General** – a post he covered while Braverman was on maternity leave – from the role of Paymaster General and Cabinet Office Minister

- **Chris Philp** has been promoted to **Chief Secretary to the Treasury** from the backbenches – he recently served as Tech Minister before resigning in July
- **Edward Argar** has been promoted to **Paymaster General** and **Minister for the Cabinet Office**, from the role of Health Minister
- **Vicky Ford** has been promoted to **Minister for Development**, from the role of Minister for Africa, Latin America and the Caribbean
- **Tom Tugendhat** has been promoted to **Minister for Security** – his first ever government post – from the backbenches, where we was also chair of the Foreign Affairs Committee
- **James Heappey** has been re-appointed **Minister for the Armed Forces** and will also add responsibility for **Veterans**
- **Graham Stuart** has been promoted to **Minister for Climate**, from the role of Minister for Europe

3.2 Energy Bill Relief Scheme – Support for Business

On the 21st of September the government announced its energy Bill Relief Scheme which will provide a discount on wholesale gas and electricity prices for all non-domestic customers (including all UK businesses, the voluntary sector like charities and the public sector such as schools and hospitals) whose current gas and electricity prices have been significantly inflated in light of global energy prices.

It will apply to fixed contracts agreed on or after 1 April 2022, as well as to deemed, variable and flexible tariffs and contracts. It will apply to energy usage from 1 October 2022 to 31 March 2023, running for an initial 6 month period for all non-domestic energy users. The savings will be first seen in October bills, which are typically received in November.

As with the Energy Price Guarantee for households, customers do not need to take action or apply to the scheme to access the support. Support (in the form of a p/kWh discount) will automatically be applied to bills.

To administer support, the government has set a Supported Wholesale Price – expected to be £211 per MWh for electricity and £75 per MWh for gas, less than half the wholesale prices anticipated this winter – which is a discounted price per unit of gas and electricity. This is equivalent to the wholesale element of the Energy Price Guarantee for households. It includes the removal of green levies paid by non-domestic customers who receive support under the scheme.

The level of price reduction for each business will vary depending on their contract type and circumstances:

- non-domestic customers on existing fixed price contracts will be eligible for support as long as the contract was agreed on or after 1 April 2022. Provided that the wholesale element of the price the customer is paying is above the Government Supported Price, their per unit energy costs will automatically be reduced by the relevant p/kWh for the duration of the Scheme. Customers

entering new fixed price contracts after 1 October will receive support on the same basis

- those on default, deemed or variable tariffs 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. The amount of this Maximum Discount is likely to be around £405/MWh for electricity and £115/MWh for gas, subject to wholesale market developments. Non-domestic customers on default or variable tariffs will therefore pay reduced bills, but these will still change over time and may still be subject to price increases. This is why the government is working with suppliers to ensure all their customers in England, Scotland and Wales are given the opportunity to switch to a fixed contract/tariff for the duration of the scheme if they wish, underpinned by the government's Energy Bill Relief Scheme support
- for businesses on flexible purchase contracts, typically some of the largest energy-using businesses, the level of reduction offered will be calculated by suppliers according to the specifics of that company's contract and will also be subject to the Maximum Discount

The government have undertaken to publish a review into the operation of this scheme in 3 months' time, to inform decisions on future support after March 2023. The review will focus in particular on identifying the most vulnerable non-domestic customers and how the government will continue assisting them with energy costs.

Government have noted that companies which are most likely to receive longer term support are those who are least able to adjust, for example by reducing energy usage or increasing energy efficiency.

The review will consider:

- how effective the scheme has been in giving support to vulnerable non-domestic customers
- which groups of non-domestic customers (by sector, size or geography) remain particularly vulnerable to energy price rises, taking into account the latest price position and forward curves, alongside other cost pressures
- how to continue supporting these customers – either by extending the existing scheme for some users, or replacing with a different scheme

Continuing support to those deemed eligible would begin at the end of the initial 6-month support scheme, without a gap.

3.3 Northern Powerhouse Economic Review/ Transport for the North's Strategic Transport Plan

The first Northern Powerhouse Economic Review (NPIER) was published in June 2016 and outlined seven key sectoral capabilities in the North, which went on to be very influential in the development of Humber LEP's Industrial Strategy submission

to government and informed the production of the HEY LEP Economic Growth and Workforce Wellbeing Strategy.

The original NPIER was a collaboration across TfN, LEPs and Central Government and identified £100bn pa additional GVA and an extra 850k jobs in its transformational scenario.

Earlier in 2022 it was decided to refresh the NPIER in the context of both TfN's role as a statutory body and the changing economic and political context since the 2016, allied with the need to understand the longer term economic outlook

In support of this refresh in May 2022, Cambridge Econometrics and SQW were commissioned by Transport for the North (TfN) to prepare a fresh set of quantified economic scenarios for the North. These will inform TfN's new Strategic Transport Plan, which is intended to be published by the end of 2023, as well as a planned refresh of the Northern Powerhouse Independent Economic Review (NPIER)¹. It is also envisaged that the scenarios may also support strategy development at sub-regional level, within the Combined Authorities and the 'NP11' group of Local Enterprise Partnerships.

The HEY LEP, Hull CC and East Riding of Yorkshire Council, alongside Humber partners have played a full role in the development of this refreshed NPIER which is currently in draft form. Once completed a copy of the NPIER will be shared with Board Members and will be an important source of information for future LEP strategic development activity.

4. Financial and resource implications

None at this stage.