

Hull and East Yorkshire LEP Business Support Board
Horizon Scan and Policy Update
Report by Andrew Hewitt, Senior Policy and Business Growth Manager
Wednesday 7th December 2022
Paper F

1. Summary

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

That the Board notes this report.

3. Report

3.1 Autumn Statement

The Chancellor Jeremy Hunt delivered his autumn statement on Thursday 17th November 2022.

The headlines in the statement were that it provided a mix of increased taxation alongside spending cuts, albeit the latter deferred to predominantly 2027/28 and so falling within the term of the next administration. The statement announcement referenced 'soon to concluded' devolution deals for Suffolk and Cornwall, as well as a shift in focus on Investment Zones, which will now major on research and clustering and centred on universities in left behind areas. This refocusing of Investment Zones may provide some opportunities for the LEP area although there is still no clarity as to how these refocused Investment Zones will interact with proposed Freeports.

A top line summary of the announcements in the autumn statement are as follows:

Business, Economy and Financial Services

- Tax free allowance for capital gains will reduce in 2023-24 from £12,300 to £6,000 and again to £3,000 in 2024-25.
- Stamp Duty cuts announced in the Growth Plan will now be time-limited, ending on 31 March 2025.
- From 2025, road tax will be introduced for EV vehicles.
- From 31 December 2023 the Government will introduce the OECD's global tax reforms to make sure multinational corporations pay the right tax in the countries they operate, generating over £2.3bn a year.
- The Energy Profits Levy is being increased from 25 percent to 35 percent and will be extended. They are also introducing a temporary 45 percent levy tax on proceeds from electricity generators. Together this will generate £55bn in tax revenue.
- A package of £13.6bn business rates support will be provided to help businesses through the current economic climate.

- Employment NICs threshold will be frozen until April 2028.
- Employment allowance will be retained at higher level of £5,000.
- To enable supply side transformation, by the end of the next year the Government will decide and announce changes to EU regulations in 5 industries: (1) life sciences (2) digital (3) financial services (4) advanced manufacturing (5) green industries.
- The Government will remove import tariffs on over 100 goods used by UK business in production processes
- The Government will change the approach to investment zones, which will now focus on leveraging research strengths by being centred on universities and left behind areas.
- The Government will increase public funding for R&D to £20bn by 2024-2025 to make the UK a science superpower.
- Solvency II decision will be published today unlock tens of billions of pounds for growth enhancing industries.
- The government is giving local authorities in England additional flexibility in setting council tax by increasing the referendum limit for increases in council tax to 3 percent year from April 2023.

Devolution

- Devolution deals will be concluded soon to provide directly elected mayors in Suffolk, Cornwall and "an area in the north east".
- The Chancellor said that soon almost half of England will be covered by devolution deals.

Digital, Culture, Media and Sport

- The Government would like to combine technology and science with financial services, to turn Britain into the "world's next Silicon Valley".
- By the end of 2023, the Government will decide and announce changes to EU regulations in digital; life sciences; green industries and advanced manufacturing.
- The Government will legislate to give the Digital Markets Unit new powers to challenge monopolies and increase the competitive pressure to innovate.
- The Government will protect the research budget and will increase public funding for R&D to £20bn by 2024/25.

Education and Skills

- Sir Michael Barber has been appointed to advise the Chancellor and the Education Secretary on the implementation of a skills reform programme.
- The schools budget will be increased with an additional £2.3bn per annum over next two years in schools.
- Using Brexit freedoms, Hunt said by the end of the next year the Government will decide and announce changes to EU regulations in their five growth industries: digital, life sciences, green industries, financial services, and advanced manufacturing. Hunt asked Chief Scientific Officer, Sir Patrick Vallance, to lead this work.

- The Government will change their approach to investment zones which will leverage research strengths by being centred on universities in left behind areas to help build clusters for new growth industries. First decisions announced ahead of the spring budget.
- Government will protect the entire research budget and will increase public funding for R&D to £20bn by 2024-25.

Housing, Communities and Local Government

- The stamp duty cut announced by Truss will carry on only until March 2025.
- A £13.6bn package of business rates support was announced with the aim of helping businesses through this period of high bills and inflation.
- New funding was announced for a further £6.6bn for retrofitting buildings starting from 2025.
- Round two of the levelling up fund will "at least" match round one.

Transport and Infrastructure

- From 2025, electric vehicles will no longer be exempt from Vehicle Excise Duty. Company car tax rates will remain lower for EVs, and rate increases will be limited to 1 percentage point a year for 3 years, from 2025.
- There will be no cuts from capital budgets for the next two years, they will also be maintained in cash terms for the subsequent three years.
- Core Northern Powerhouse Rail, HS2 to Manchester, East-West Rail and gigabit broadband rollout will be funded as promised.

4. Financial and resource implications

None at this stage.