CWLEP SmartRegion

Powered By Business Intelligence

Coventry & Warwickshire Business Intelligence

November 2022

Contents

All previous editions of the Coventry & Warwickshire Smart Region report can be accessed from our Publications page: https://www.cwgrowthhub.co.uk/publications

More economic data and indicators about the Coventry & Warwickshire economy can be found on our Smart Region Economic Recovery Dashboard: CWLEP Economic Recovery Dashboard

1. Executive Summary

Welcome to the November 2022 edition of the Coventry & Warwickshire Smart Region report. This month our spotlight theme focusses on the **'Autumn Budget Statement 2022'** highlighting the headlines announced by the Chancellor of the Exchequer and how these will impact on the UK economy, with a response from **CWRT's Chief Executive, Sheridan Sulskis,** on what this means for business locally.

Wider recommendations and findings in this month's report are based on intelligence gathered from CWLEP Growth Hub's contacts with local businesses, alongside survey data and information provided by Coventry City Council, CWLEP, and Warwickshire County Council.

Other sources include the Official National Statistics (ONS), Office for Budget Responsibility (OBR), WM-REDI, Bank of England (BoE), and other research bodies specialising in labour market research and analysis.

Key Headlines

- **"The business community of Coventry & Warwickshire will have watched the Autumn Statement with a great deal of interest.**
- **The focus was that of stability, growth, and public services, whilst supporting the Bank of England's action to control inflation, thus giving businesses the stability and confidence to invest and scale in the UK for the future.**
- **As businesses tackle the cost of doing business with inflationary pressures on supply and energy, a package of targeted support worth £13.6bn over the next five years will be available to support businesses as they transition to their new rates bills, protect them from the full impact of inflation, and support high streets.**
- **With measures covering personal and business taxation from National Insurance to Corporation Tax, the intention is to rebuild and grow our economy out of recession, and it is therefore imperative that we support our businesses to benefit from their innovation and ambition.**
- **We know that confidence across the economy is fragile, and work still needs to be undertaken within the ecosystem to remove the barriers to growth.**
- **If we build on what we know works to create the long-term conditions for sustainable interventions deployed at a local level and connect our businesses to the talent, finance, and markets they require, then Coventry & Warwickshire will remain a good place to do business."**

Craig Humphrey, Manager Director, Coventry & Warwickshire Growth Hub

2. Latest Economic & Labour Market Trends

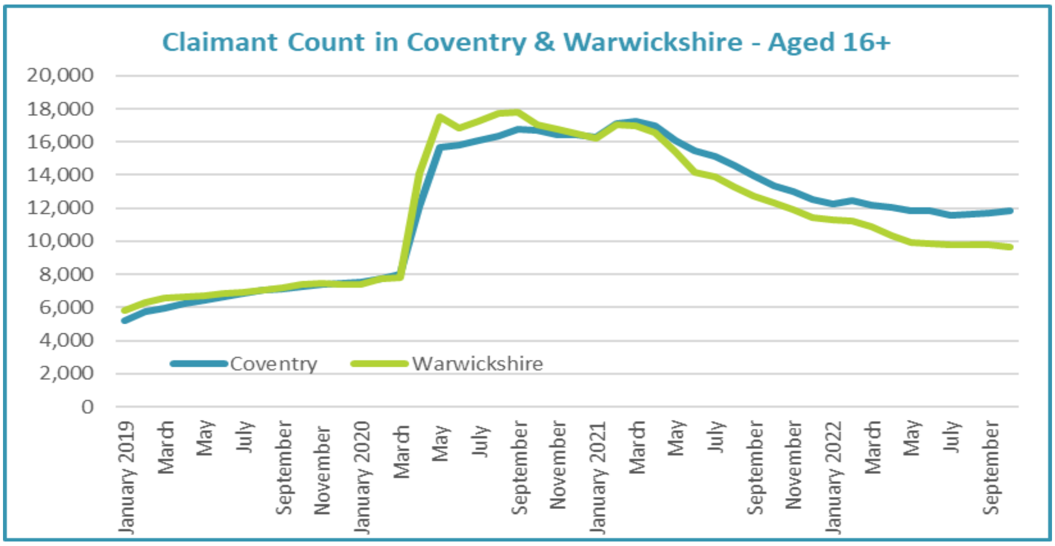
2.1 Labour Market Trends

- In October 2022, **the claimant count in Coventry & Warwickshire totalled 21,445 people.** At the start of the pandemic, in March 2020, the claimant count stood at 15,830.

Area	March 2020	October 2021		August 2022	September 2022	October 2022
Coventry	8,000	13,380		11,650	11,690	11,820
North Warwickshire	845	1,335		995	1,010	980
Nuneaton & Bedworth	2,830	3,950		3,110	3,120	3,085
Rugby	1,535	2,350		1,940	1,920	1,890
Stratford-on-Avon	1,050	2,125		1,645	1,645	1,630
Warwick	1,570	2,575		2,085	2,075	2,040
Warwickshire	7,830	12,335		9,775	9,770	9,625
CWLEP	**15,830**	**25,715**		**21,425**	**21,460**	**21,445**

***Source**: Office for National Statistics*

- **Over the past twelve months there has been a fall in the claimant count across Coventry & Warwickshire**, falling from a total of 25,715 this time last year.



***Source**: Office for National Statistics*

- **There is a widening gap emerging between the counts in Coventry and in Warwickshire**.

- **Also, the falls in both Coventry and Warwickshire's claimant counts have slowed, levelled, and started to increase since the start of 2022.** We will continue to monitor this over the coming months.

The Office for National Statistics (ONS) also reported in October 2022 that nationally:

- **The UK employment rate for July to September 2022 was 75.5%, largely unchanged on the previous quarter** and 1.1 percentage points lower than before the Covid-19 pandemic (December 2019 to February 2020). **The number of employees decreased on the quarter, while self-employed workers increased.**

- **The latest estimate of payrolled employees for October 2022 shows another monthly increase, up 74,000 on the revised September figures**, to a record 29.8 million.

- **The unemployment rate for July to September 2022 decreased by 0.2 percentage points on the quarter to 3.6%.** In the last quarter, the number of people unemployed for all duration categories decreased.

- **The economic inactivity rate increased by 0.2 percentage points to 21.6% in July to September 2022**, compared with the previous quarter, which had a notably higher economic inactivity rate than other periods. **This increase in the latest quarter was driven by those who are long-term sick, increasing to a record high.**

- **In August to October 2022, the estimated number of vacancies fell by 46,000 on the quarter to 1,225,000.** Despite four consecutive quarterly falls, the number of vacancies remain at historically high levels. An increasing number of businesses are now reporting holding back recruitment because of economic pressures.

- **Growth in average total pay (including bonuses) was 6.0% and growth in regular pay (excluding bonuses) was 5.7% among employees in July to September 2022.** This is the strongest growth in regular pay seen outside of the Covid-19 pandemic period.

- **Average regular pay growth was 6.6% for the private sector and 2.2% for the public sector**. Outside of the height of the pandemic, this is the largest growth seen for the private sector and the largest difference between the private sector and public sector.

- **In real terms (adjusted for inflation) over the year, total pay fell by 2.6% and regular pay fell by 2.7%.** This is slightly smaller than the record fall in real regular pay we saw April to June 2022 (3.0%) but remains among the largest falls in growth since comparable records began in 2001.

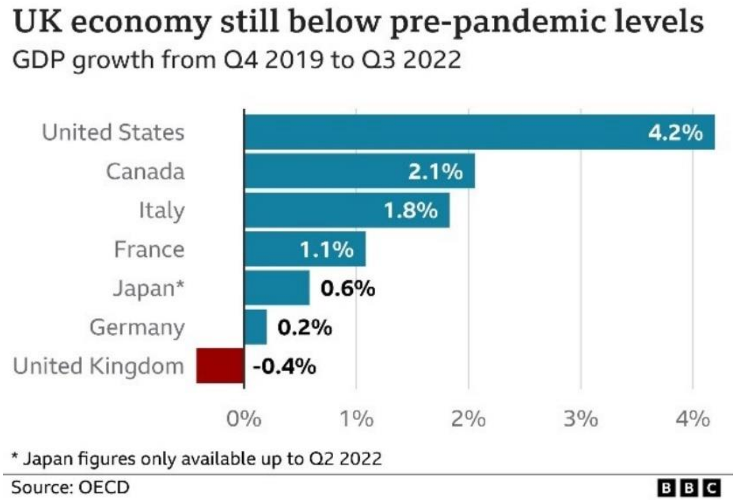
- **In September 2022, there were 205,000 working days lost to labour disputes.**

2.2 Economic Trends

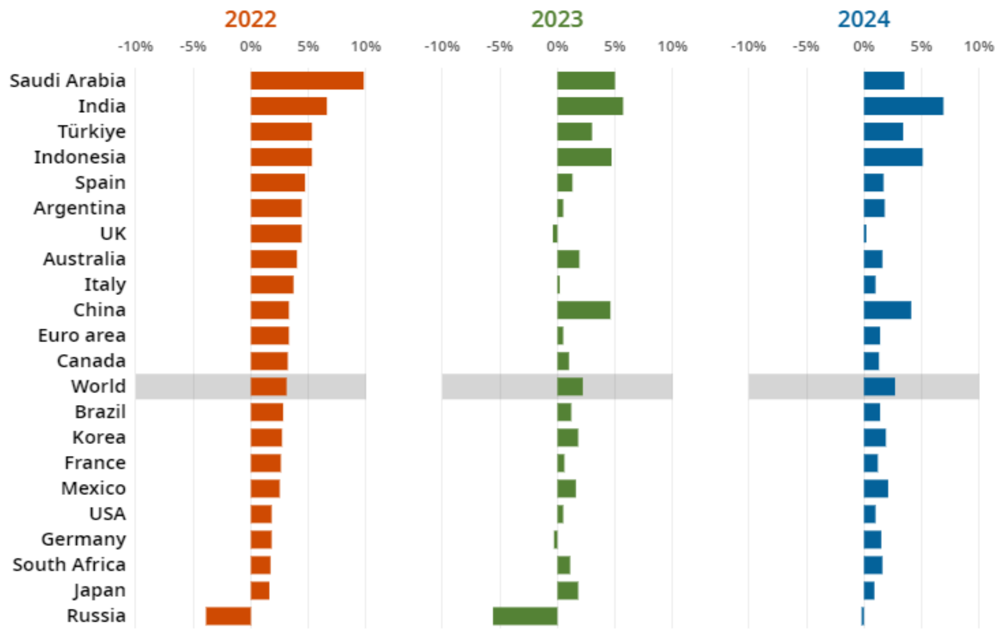
Economic Growth

UK GDP fell 0.2% in the three months to September, signalling the beginning of a recession which the Bank of England forecast will last until 2024. The UK economy shrank by 0.6% in September alone, and although the period of national mourning was a factor, underlying conditions in the economy were also worsening, with the service sector recording zero growth driven by a fall in consumer spending, and factory and manufacturing output slumping, reflecting global supply chain difficulties and shortages of key materials.

The British Chambers of Commerce called the GDP figures "worrying" and that "the figures show a decline across all 13 manufacturing sectors tracked by the ONS, with production output overall shrinking by 1.5%." The UK is now the only G7 economy that is still smaller than pre-pandemic levels. Business investment is also 8% below pre-pandemic levels, according to the OBR.



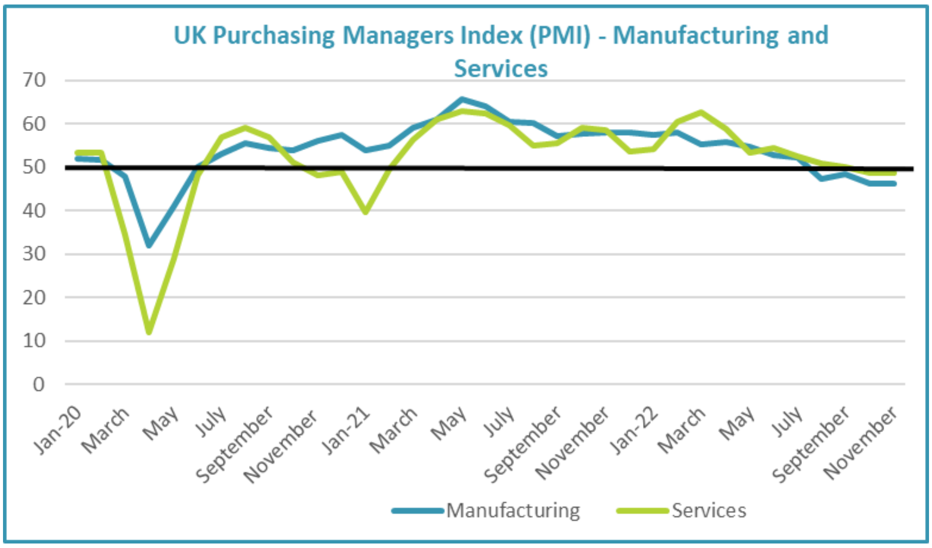
With one third of the global economy expected to be in recession during either 2022 or 2023, **the OECD has released new global economic forecasts for major economies.** The highest growth forecasts are in China, India, and Indonesia, with major European, North and South American economies expected to see steady growth. Supporting more local businesses to access expanding markets in emerging international economies, both in terms of goods and services, as well as targeting these markets for investment into Coventry & Warwickshire, could be an important enabler in supporting business resilience and provide a stronger platform for longer term recovery and growth.



Source: OECD Economic Outlook (Edition 2022/2)

Business Confidence

- **The national Purchasing Managers Index (PMI) for manufacturing remained at the same level in November as in October, at 46.2** (a figure above 50 represents growth, and contraction below 50). Reduced consumer demand, the delayed delivery of inputs, labour shortages, and increasing labour costs are continuing to contribute to this slump in confidence.



Source: *Trading Economics*

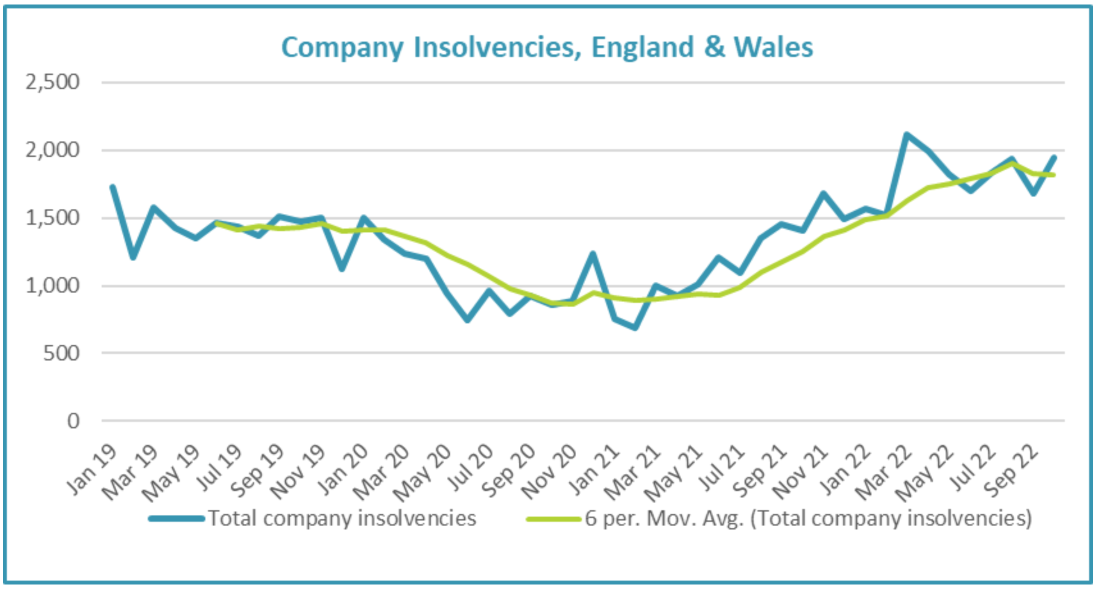
- For services, confidence has also been hit harshly over the past six months, with the cost-of-living crisis likely to be impacting on service businesses. **The services PMI has also not changed on last month's level, 48.8 in both October and November, also continuing to show a position of contraction.**

- **According to the regional PMI data, business confidence and business activity in the West Midlands has witnessed a less severe contraction, compared with other regions, and had seen a greater increase in employment and higher confidence levels about the future.** The Business Activity Index increased from 47.8 in September to 49.6 in October. However, these figures need to be viewed in the context that the West Midlands is expected to be the slowest of all regions to recover from the pandemic from an economic standpoint.

- British Chambers of Commerce have released a report which highlights the **difficulties SMEs are facing when it comes to paying their energy bills**. It found that more than a third (37%) predict they will struggle to pay bills even with the government support that is being offered. Some 47% say they will struggle to pay bills when the support scheme comes to an end, and 4% say they will not be able to pay at all. This re-enforces the need for Government to provide more certainty on the scale of support that will be available to businesses with energy costs after March 2023, when current support ends.

- A new study by the University of Birmingham shows that **the West Midlands is at high-risk of seeing automotive firms shrink or close in the coming months**. The study found that 22 of the 50 largest companies in the region are at high risk of downsizing or closure, which would be significantly harsh for the regional economy, with potential very large job losses.

- **In October 2022, there were 1,948 company insolvencies in England & Wales, the third highest level of insolvencies since 2019**.



***Source**: Insolvency Service*

Labour Supply Shortages

Almost two-fifth of West Midlands businesses encountered difficulties in recruiting employees in September 2022, with more than half of these businesses encountering particular difficulties with skilled manual/technical staff, 45% with semi-skilled staff, and almost 40% with professional/managerial staff.

The **FSB published a report this month on skills and its recommendations for how the government can address the current labour supply shortages**. Entitled 'Scaling Up Skills', the report stresses the importance of investing in skills development to stimulate UK economic growth. The report finds that 78% of small businesses that have recruited in the past 12 months experienced difficulties in that recruitment – 82% of those difficulties were related to "a lack of relevant qualifications, skills and experience".

The FSB's key recommendations include the need to:

- Introduce a 'Kickstart'-style Disability Employment scheme to get more disabled people into employment for the first time.
- Establish in legislation that by 2035 three-quarters of the working age population (18- to 64-year-olds) in England should have at least Level 3 qualifications.

- Maintain the Apprenticeship Levy and remove the 25% cap on Apprenticeship Levy transfers, so that small businesses can access more Levy transfers, and expand the Regional Levy Transfer Pilots.

International Trade

There are concerning issues comparing levels of international trade for West Midlands Businesses in September 2022 with twelve months ago, when many global economies were still in the process of fully reopening after Covid-19 restrictions, and when the pound was stronger than it is currently. Some 34% of West Midlands businesses indicated that they had exported over the past 12 months, however, of these, 22% were exporting less, notably higher than the 15% who are exporting more. The reverse is the case with importing, with 15% importing more than in September 2021 and 13% importing less.

The OBR forecasts for both growth in exports and imports are down on the earlier March forecast, and assumes that Brexit will result in the UK's trade intensity being 15% lower in the long run than had the UK had remained in the EU, with reductions in both trade volumes and trade relationships between UK and EU firms.

In response to these concerning trends, **Coventry & Warwickshire Chamber of Commerce held an International Trade Summit on 4th November 2022**. Key areas for action included:

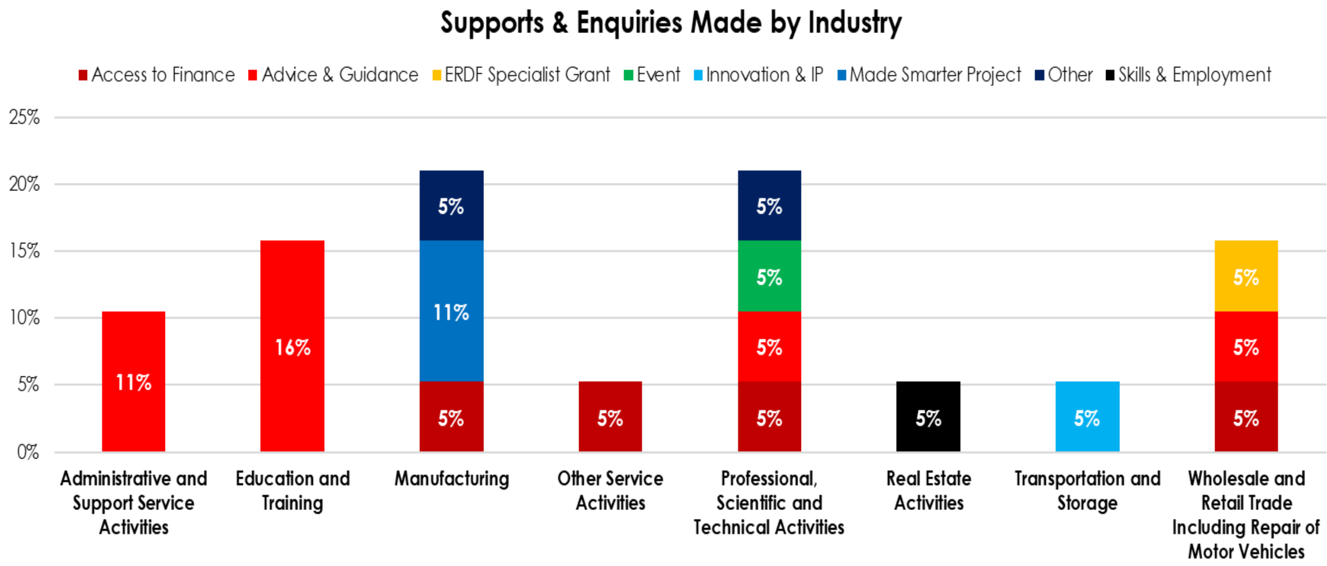
- The need for business support providers to raise awareness of e-commerce as a key enabler for accessing international markets (especially for service firms), given the rapidly increasing value of both the global B2B and B2C e-commerce markets.
- The need to raise awareness of opportunities and provide access to market support, including through British Chambers and Embassies overseas, in growing "emerging" economies for both goods and services (e.g. Africa, South & East Asia, Australasia) which have expanding populations and middle classes and are more open to rapid innovation – as well as EU economies (trading terms for other economies are unlikely to be much more arduous than UK-EU Trade & Co-operation Agreement).
- The need for business support providers to target those businesses that are current importing, as candidates who could be exporting rapidly if they were given further support.
- The development of a new Coventry & Warwickshire International Trade Network.

3. Latest CWLEP Growth Hub Insights

3.1 CWLEP Growth Hub – Support & Enquiries

Since the start of the Covid-19 pandemic in March 2020, **CWLEP Growth Hub has supported 5,041 businesses** including substantive discussions relating to a wide range of current issues impacting on their future growth.

This month's business insights are taken from intelligence gathered in **October 2022.** The chart shows the supports and the enquiries businesses made by sector.



Advice & Guidance were the most popular reasons for support/enquiries over the past month, although there was also a spread across other enquiry types too. Businesses highlighted the **Access to Finance** as their main requirement for support. There was also additional guidance provided around **Made Smarter Project, ERDF Specialist Grant, Skills & Employment, Innovation & IP, and Other support.**

The main sectors supported by CWLEP Growth Hub were Manufacturing (21%) and Professional, Scientific and Technical Activities (21%). The volume of businesses from Manufacturing seeking help also includes the Made Smarter programme.

The size profile of businesses supported over the past month consisted of **5% Sole traders; 47% Micro businesses (2-9 employees); 32% Small businesses (10-49 employees); and 16% Medium businesses (50-249 employees).**

There was an **increase in Micro and Medium Enterprise** and a **decrease in Sole Employees, Small and Large Enterprises** approaching CWLEP Growth Hub compared to the previous month. Around 11% of respondents (2 out of 18 businesses) came from businesses started trading since 2020.

3.2 CWLEP Growth Hub – Themes

Hot Topics, Business & Economic Intelligence Headlines

- **Innovation & Product Development –** A push on the allocation of remaining ERDF Innovation grants has led to a swathe of interest from Coventry & Warwickshire businesses looking to take advantage of these to bring forward innovation projects.

- **Energy Prices –** Some businesses protected by price-fixes are looking to mitigate the impact of future increases seeking guidance and grant support with low carbon projects such as Solar PV installation, new roofing, and more energy efficient heating systems. However, Growth Hub Account Managers are also hearing from businesses that are not on fixed tariffs worried about the impact of future rises, particularly when Government support is withdrawn.

- **Re-shoring** – Many businesses keen to reduce costs and speed up lead times by re-shoring production elements. An example is a Coventry based business investing in machinery to re-shore the manufacture of products for the aerospace industry, including for Rolls Royce, to aid their growth trajectory and speed up production.

New job losses, warnings, or potential economic shocks

- **Staff Retention & Recruitment –** Retention of staff remains a huge issue for businesses as pressure to offer inflated salaries to retain staff continues. Higher annual wages and bonusses are being offered to encourage staff to stay and to offset high inflation. Some businesses looking to recruit skilled and professional services offering signing-on bonusses, in some cases up to 10% of annual salaries, leading to concerns around the sustainability of such schemes as further financial pressures continue.

New Opportunities, investments, and Job Gains

- **Skills –** Opportunities to plug-in with regional support partners for skills training as employers that struggling to find suitable people, are forced to take on unskilled workers and then training a range of basic and advanced skills. Also having to "train to retain" existing staff, investing in their own personal development in the hope that their workforce stays.

Other Issues

- **Materials Costs –** Volatility in the price of materials continues, although this varies depending on sector and size of business. Steel prices remain high although have seen reductions. However, the price of high-grade plywood boards has increased by 80%, leading one company to look to grant support with a view to manufacturing plywood boards for their own use and sale.

4. Spotlight: Autumn Budget Statements 2022

On 17th October, prior to the resignation of Prime Minister Liz Truss, the new Chancellor, Jeremy Hunt, rescinded much of what had been announced by the previous Chancellor, Kwasi Kwarteng, in the Mini-Budget of 23rd September.

The Government announced that a full fiscal event would take place on Thursday 17th November 2022, with an accompanying set of forecasts from the Office for Budget Responsibility (OBR).

4.1 Context – Current and Forecasts of UK Economy

Interest, Inflation & Unemployment Rates

On 3rd November 2022, the Bank of England (BoE) raised interest rates by 0.75 percentage points to 3%, the highest level since 1989. The Monetary Policy report from the BoE highlights how projections for activity and inflation show a very challenging outlook for the UK economy over the coming years.

	2022 Q4	2023 Q4	2024 Q4	2025 Q4
GDP (c)	0.2 (0.1)	-1.9 (-1.2)	-0.1 (0.1)	0.7
CPI inflation (d)	10.9 (13.1)	5.2 (5.5)	1.4 (1.4)	0.0
LFS unemployment rate	3.7 (3.7)	4.9 (4.7)	5.9 (5.7)	6.4
Excess supply/**Excess demand** (e)	¾ (-¼)	-2½ (-2½)	-3 (-3¼)	-3
Bank Rate (f)	3.0 (2.4)	5.2 (2.9)	4.7 (2.4)	4.4

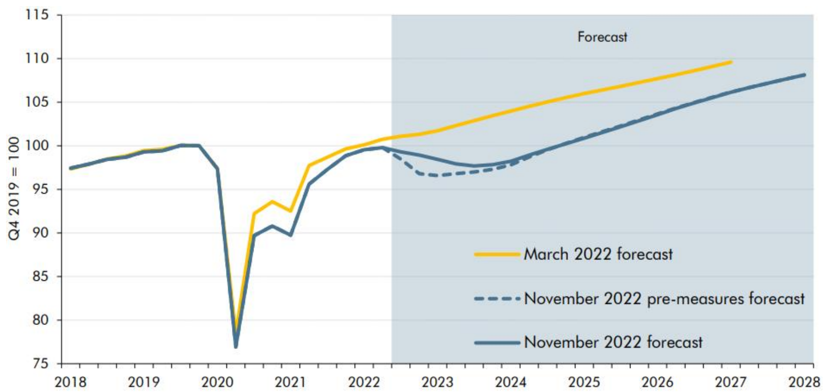
***Source**: Model Projections, August 2022 Monetary Policy Report.*

The Bank Rate is forecast to peak around 5.25% in Q3 2023, before falling back rapidly. The unemployment rate is expected to double in the next three years from its current rate of 3.7% to 6.4% by the end of 2025.

CPI inflation in will peak around 11% in Q4 2022, increasing by around 1% from 10.1% in September, largely due to increases prices of energy, food, and beverages. Looking ahead inflation is expected to fall rapidly in 2023, but the economy is forecast to contract by nearly 2% over the year. Overall, inflation is set to erode real wages and reduce living standards by 7% over the next two years, wiping out the last eight years of growth.

Gross Domestic Product

The OBR has warned that the UK economy is already in recession. Alongside the 17th November 2022 Autumn Statement, the OBR released its fiscal report, which forecasts a recession lasting just over a year from Q3 2022 before returning back to growth of 1.3% in 2024.



***Source**: ONS, OBR*

Furthermore, it is also forecast that borrowing will hit £177bn in 2022/23 and £140bn next year. Debt is also expected to peak of 97.6% of GDP in 2025/26.

4.2 Overview of the Budget Statement Announcements

Many of the announcements related to taxation, with a focus on stabilising the markets. Reductions in public spending will be more severe from 2025/26 onwards, and likely to be after the next General Election.

a. Business Taxation

- The **windfall tax targeting profits of energy companies is being extended.** From January 1st 2023 until March 2028, the Energy Profits Levy will rise from 25% to 35%.

- A new, temporary 45% **Electricity Generator Levy** will be applied on the extraordinary returns being made by electricity generators from 1st January 2023.

- The planned increase in the **Corporation Tax** rate to 25% for companies with over £250,000 in profits will go ahead, with the "small profits rate" remaining at 19%.

- Following applications from business stakeholders, **import tariff suspensions** will remove tariffs on over 100 goods for two years to help put downward pressure on costs for UK producers.

- **National Insurance Secondary Threshold** will be fixed at £9,100 until April 2028.

- The Employers National Insurance thresholds will remain at their current levels up to 2028. However, the **Employment Allowance** will remain at its new, higher level of £5,000. It is expected that 40% of businesses will pay no National Insurance Contributions at all.

- From April 2023, the **Capital Gains Tax Annual Exempt Amount** will reduce from £12,300 to £6,000, and to £3,000 from April 2024.

- To better direct government support at innovation, **R&D Tax Credits** will be reformed. In addition, for expenditure from 1st April 2023, **the Research and Development Expenditure Credit (RDEC) rate** will increase from 13% to 20%, the SME additional deduction will decrease from 130% to 86%, and the SME credit rate will decrease from 14.5% to 10%.

- The government announced it will not introduce an online sales tax.

b. Personal Taxation

- Government announced that **Income tax, National Insurance and Inheritance Tax** thresholds will be maintained at their current levels up to April 2028. Additionally, Dividends allowances and Capital Gains Tax Annual Exempt Amount will be reduced, and these measures will raise over £1.2bn per year from April 2025.

- The **Stamp Duty Land Tax** cut (announced in the September 2022 Mini-Budget) will remain in place until 31st March 2025.

- Local Authorities will have additional flexibility in setting **Council Tax** by increasing the referendum limit for increases in council tax to 3% per year from April 2023 along with 2% for the adult social care precept.

- The threshold that people start paying the **45p top rate of income** tax will be lowered from £150,000 to £125,140.

- From April 2023, the **Dividend Allowance** will decrease from £2,000 to £1,000, and to £500 from April 2024.

- To support mortgage borrowers with rising interest rates, **Government will allow those on Universal Credit to apply for a loan to help with interest repayments after three months, instead of nine.** Government will also abolish the zero earnings rule to allow claimants to continue receiving support while in work and on Universal Credit. This will come into effect in Spring 2023.

c. Targeted Support for Business

Government announced a package of targeted support for businesses, worth of £13.6bn over the next 5 years to allow businesses to transition to their new bills, protect them from the full impact of inflation, and support high streets.

- The **business rates multipliers** will be frozen in 2023-24, saving businesses £9.3bn over the next five years.

- **A new government-funded Upwards Transitional Relief** scheme will support properties by capping bill increases caused by changes in rateable values at the 2023 revaluation. This £1.6bn of support will be funded by the Exchequer rather than by limiting bill decreases, as at previous revaluations. The 'upward caps' will be 5%, 15%, and 30%, respectively, for small, medium, and large properties in 2023/24, and will be applied before any other reliefs or supplements.

- **Support for eligible retail, hospitality, and leisure businesses is being extended** and increased from 50% to 75% business rates relief up to £110,000 per business in 2023/24. Around 230,000 businesses will be eligible to receive this increased support worth £2.1bn.

- Bill increases for the **smallest businesses losing eligibility or seeing reductions in SBRR or Rural Rate Relief (RRR)** will be capped at £600 per year from 1st April 2023. The supports will worth over £500m over the next 3 years and will protect over 80,000 small businesses who are losing some or all eligibility for relief.

d. Regional Development and Levelling Up

- The second round of the **Levelling Up Fund** will allocate at least £1.7bn to priority local infrastructure projects. Successful bids will be announced before the end of the year.

- The government will refocus the **Investment Zones** programme to catalyse a limited number of the highest potential knowledge-intensive growth clusters, including through leveraging local research strengths. The existing expressions of interest submitted for Investment Zones will not be taken forward.

- Government will fulfil its commitment to sign new '**Trailblazer' Devolution Deals** with the West Midlands and Greater Manchester Combined Authorities by early 2023.

- As part of negotiations on Trailblazer Deals, Government will explore with West Midlands Combined Authority and Greater Manchester Combined Authority the potential to provide **single departmental-style settlements** at the next Spending Review. This could give local partners more flexibility and accountability over key economic growth funds, moving away from competitive bidding processes.

- The full Budget Report sets out spending profiles for **UK Shared Prosperity Fund.** It now details £0.6bn of revenue and £0.1bn of capital funds for 2023/24 and £1.3bn of revenue and £0.2bn of capital for 2024/25.

e. Business and Innovation

- The government reiterated its commitment to **increase public spending on R&D** will to £20bn a year by 2024/25, a cash increase of around one third compared to 2021/22.

- To support businesses to invest and grow, the government is setting the **Annual Investment Allowance** (AIA) at its highest ever permanent level of £1m from 1st April 2023. This amounts to full expensing for an estimated 99% of UK businesses, which means that those businesses can write off the cost of qualifying plant machinery investment in one go.

- The government will also **review retained EU law to identify changes that can be made over the next year to unlock growth (particularly through new emerging technologies) in key growth industries** - digital technology, life sciences, green industries, financial services, and advanced manufacturing.

f. Energy and Environment

- The **Energy Price Guarantee (EPG)** will be maintained through the winter, limiting typical energy bills to £2,500 per year. From April 2023 the EPG will rise to £3,000.

With prices forecast to remain elevated throughout next year, this equates to an average of £500 support for households in 2023/24.

- On top of this, to protect the most vulnerable, in 2023-24 an additional Cost of Living Payment of £900 will be provided to households on means-tested benefits, of £300 to pensioner households, and of £150 to individuals on disability benefits.

- The government has also pledged to bring forward a new targeted approach to **support businesses with energy bills** from next April, with further details expected to be released before the end of 2022.

- **Investment in domestic and industrial energy efficiency measures will be doubled to £6m from 2025 to 2028**. Aiming to reducing energy consumption from buildings and industry by 15% by 2030. This will be delivered by a new Energy Efficiency Taskforce which will oversee such measures across the economy.

- A new nuclear power plant will be built at Sizewell C in Suffolk, which will provide low carbon, reliable power.

g. Work and Welfare

- The DWP will conduct a **review, beginning in early 2023, into the high number of economically inactive** people, focusing on how to address barriers to these individuals re-entering the labour market.

- The government is to bring forward the **In-Work Progression offer**, which means over 600,000 people in work and on Universal Credit will be required to meet with a dedicated work coach so they can receive support in increasing their hours and/or income.

- The **National Living Wage** will increase by 9.7% to £10.42 per hour.

- **Benefits will rise in line with September's inflation rate**, by 10.1%, costing the government £11bn, and the benefit cap will increase with inflation next year.

- The **Pensions Triple Lock** will be kept, whilst Pension Credit will increase by 10.1%, and whilst overall benefit and pension payments will be tied to inflation.

- £1bn (including Barnett impact) will be provided to enable the **extension of the Household Support Fund** in England over 2023/24. The Fund is administered by Local Authorities who will deliver support to households to help with the cost of essentials. It will be for the devolved administrations to decide how to allocate the additional funding.

h. Transport and Infrastructure

- **Electric vehicles will no longer be exempt from Vehicle Excise Duty from April 2025** onwards. The Duty will be subject to an increase of around 1% per year up to 2028.

- There is a recommitment to progressing **HS2** to Manchester, plus Northern Powerhouse Rail and East West Rail, which will continue to have an economic impact locally at all levels of employment.

- The Chancellor also made a commitment to not cut the **Government's capital budget** for road, rail, 5G and broadband for two years, and to at least retain them at current cash levels for the following three years.

i. Housing and Planning

- The government will cap **rent increases in the social rented sector** under inflation next year, at 7% when under current rules this figure could have been in line with inflation at 11%.

- Government will continue to ensure that all infrastructure is delivered quickly through reforms to the planning system, including through updating National Policy Statements for transport, energy, and water resources during 2023, and through sector-specific interventions.

j. Education & Skills

- **Funding for schools** will increase by an extra £2.3bn a year in 2023/24 and 2024/25, with per pupil funding increasing in real terms by £1,000 in 2024/25 compared to 2021/22.

- A new adviser is to be appointed to support skills reforms. Sir Michael Barber will be given the task of implementing the reforms set out in the Skills for Jobs White Paper. The government will **introduce the Lifelong Loan Entitlement in 2025** to provide more flexible finance for adults to study throughout their lives.

k. Health and Social Care

- £8bn of funding will be available for the **NHS and adult social care** in England in 2024/25. This includes £3.3bn to respond to the huge pressures facing the NHS.

- Government will also make up to £4.7bn available in 2024/25 to put the **adult social care system** in England on a stronger financial footing and improve the quality of and access to care for many of the most vulnerable. This includes £1bn to directly support hospital discharges into the community, to support the NHS.

4.3 Q&A with Sheridan Sulskis, Chief Executive, Coventry & Warwickshire Reinvestment Trust (CWRT)

From a local business support perspective, what do you see as the positives announced by the Chancellor in the Autumn Statement?

Whilst businesses from all sectors continue to suffer from supply chain disruptions, increasing energy costs, loss of consumer confidence, and labour shortages, there are positives that have come from the Autumn Statement which should ease some of the difficulties businesses face:

- **Business rates** – the measures announced will enable local businesses to plan better and should ease some of the financial burdens that they face. This is particularly pertinent for the retail, hospitality, and leisure sectors.
- **National Living Wage rise** – needed to support increasing costs that are already stretching household budgets. However, businesses that must cover these additional costs have been provided with little support.
- **Removal of tariffs on certain products** – importers will benefit from the removal of tariffs on certain products which will hopefully aid supply chain issues currently being experienced.
- **Seed Enterprise Investment Scheme (SEIS)** – this scheme gives investors income tax and capital gains tax reliefs on investments in shares of new start-up companies. The thresholds on how much companies can raise has been increased, as well as the age limit of a business.
- **Annual Investment Allowance (AIA)** - which is available to companies and unincorporated businesses, is available for qualifying expenditure on Plant and Machinery (P&M) up to £1m. This was due to drop back down to £200,000 by the end of March 2023, however this remains in place, so businesses investing in P&M will be able to claim 100% full relief in year of purchase.
- **First Year Allowance for Electric Vehicle Charge Points** – this allowance will help to incentivise businesses to invest in charging infrastructure locally.
- **Creative industry relief** – numerous relief measures being proposed to support a variety of creative businesses, with Government keen to create packages that support the growth of this sector.

And were there areas where you have liked the Chancellor to have announced further measures to support businesses locally?

There are several measures that would have been good to see in this announcement, however, it is recognised that the Government needed to bring stability to the market, certainty to businesses, and put action in place that will aid longer-term economic growth.

The areas that would have been beneficial to see more focus are:

1. **VAT threshold** – two important aspects with VAT. Firstly, the current threshold of £85,000 is frozen until 2026, meaning that if small businesses earn more as a result of rising prices, then they will have to register to pay VAT. This can create another hurdle and burden for small businesses to overcome and may end up discouraging businesses looking to expand. Secondly, Mr Kwarteng, in his Mini-Budget, proposed to introduce a new VAT system where non-EU visitors to the UK were able to receive a refund of VAT paid on goods purchased whilst here. This could have helped to attract foreign retail customers with tax-free shopping - however, this proposal has now been scrapped.

2. **Scale of support for businesses facing the energy crisis needed longer-term.** The Energy Bill Relief Scheme will remain in place until the end of March 2023, with no mention of what will happen from April 2023 onwards. More needs to be done to give businesses the chance to 'catch their breath' and give greater certainty around future energy support measures.

3. **Skill shortages** - Many businesses are concerned about the lack of a bigger plan around tackling recruitment challenges. It would have been good to see an expansion of the criteria on the Shortages Occupations List, and in encouraging more businesses to invest in their staff and in the development of their human capital.

4. **The scrapping of Investment Zones** - This could have been hugely beneficial for Coventry & Warwickshire. Instead, Government "will now focus on leveraging research strengths, to help build clusters for our new growth industries." It is uncertain at this stage how these proposals will positively impact our local region.

Looking ahead to 2023, what do you think will be the big issues in terms of business start-ups, enterprise, and entrepreneurship in Coventry & Warwickshire?

With the Government doing relatively little with allowances and thresholds, there is a risk that this limits levels of entrepreneurship in our region. SMEs are the backbone of our economy, and if new measures put people off wanting to become self-employed, starting up their own business, or even result in the demise of existing businesses, then we are going to see a dramatic negative economic and social impacts.

The biggest challenge that many businesses will continue to face into next year will be survival, and what that may look like. I can see businesses having to make some really tough decisions about how they operate, what services and products they deliver, what investment they can make into their staff and growth, to ensure they balance the books.

My biggest piece of advice to these start-ups and businesses is to reach out for support. Throughout the pandemic and the recovery phase, leaders of the eco-system in Coventry & Warwickshire have rallied together to ensure that start-ups and existing businesses within our region have the support they need.

CWRT is a not-for-profit finance provider that has dedicated finance packages to help support businesses cover working capital needs right through to businesses that are looking to invest in capital expenditure which will enable them to grow. We also offer bespoke free pre-start training workshops for those that are considering taking the leap into self-employment and starting up their own business.

In addition, there are skilled Account Managers at the Coventry & Warwickshire Growth Hub that can help businesses navigate through these times of uncertainty. They have access to a variety of different solutions, programmes, and contacts that can aid businesses.

The Coventry & Warwickshire Chamber of Commerce offer memberships and business mentoring to local businesses. There is also FSB membership that businesses can access, offering a range of initiatives and support mechanisms. And businesses also have their local Councils, Warwickshire County Council and Coventry City Council, as well as local District & Borough Councils.

"Don't bury your head in the sand when faced with these levels of uncertainty and difficulty, reach out for support!"

Don't bury your head in the sand when faced with these levels of uncertainty and difficulty, reach out for support!

If you had three Recommendations for the new Prime Minister and Chancellor on behalf of start-up businesses in Coventry & Warwickshire, what would they be?

I think the majority of these have been set out above. However, to add a few more to the wish-list:

- **Incentivise start-ups** – some people 'chasing their dream' of being their own boss may be put off by these new measures and would rather have the stability of a job than take the risk of starting up their own business. Give greater incentives for those that want to start-up their business by offering better tax thresholds, grants for investment in training, grants for taking on and upskilling staff, cutting red-tape on exporting, and increasing the dividends threshold.

- **Rationalise national programmes and encourage more to be designed and delivered locally.** There is so much focus on devolution, yet more national initiatives are being launched that subsequently fail because they don't understand local needs or circumstances. Giving local delivery partners the funds to design and develop regional and local focussed initiatives that are more relevant and appropriate for their areas. This will enable the support to be delivered with greater economic impact and be targeted towards the businesses that need it most.
- **Support Community Development Finance Institutions (CDFIs)** – CWRT is one of these organisations and with the banks current reluctance to lend to start-ups, more investment should be made into local finance providers that are in the heart of the community and are designed to deliver economic growth with a social impact. We don't base our lending on credit scores, we take a human-centric approach to our decision-making and, with more access to capital, we would be able to support a greater amount of start-ups and businesses. This will help us to build on the impetus behind creating local sustainable economic growth.

5. Recommendations

November Golden Recommendation:

Reductions to Business Support funding remains a big risk for our local economy – we need to ensure that appropriate funds are directed towards supporting as many businesses as possible to tackle the big challenges they currently face, notably by prioritising innovation (products, processes, and services) and diversification (including into new markets).

The following recommendations have been derived from analysis of macro-economic and business-level data and intelligence collated from Coventry & Warwickshire stakeholders. We begin with three short-term recommendations:

a. Short Term

5.1.a

Following the announcement from Government about support for business with energy bills to get through the coming winter, there is a need to give for clarity around what happens beyond April 2023. With the current support scheme due to finish in less than five months' time, businesses need clarity on the level and duration of further support.

5.1.b

Continued funding of the Coventry & Warwickshire Green Business Programme will provide further help for many local businesses to reduce their future energy expenditure.

5.1.c

Incentivise start-ups – some people 'chasing their dream' of being their own boss may be put off in the current economic climate and would rather have the stability of a job than take the risk of starting up their own business. Give greater incentives for those that want to start-up their business by offering better tax thresholds, grants for investment in training, grants for taking on and upskilling staff, cutting red-tape on exporting, and increasing the dividends threshold.

b. Medium Term

Further initiatives that would help the local economy and the labour market in the medium term include the following three recommendations:

5.2.a
Government needs to offer greater incentives for businesses to invest in training and upskilling the local and regional workforce. This includes offering a more nuanced approach to deal with the high numbers of those working age economically inactive by recognising the broad spectrum of issues around the subject e.g., childcare costs, and mental and physical health challenges. We encourage Government to listen to industry groups and business bodies and consider their recommendations**.**

5.2.b
Incentivising businesses to invest in training and development will also help in attracting workers and encouraging greater staff retention with employers. This will need to include upskilling and longer term personal and career development through longer term and lifelong learning opportunities.

5.2.c
The Autumn Statement made little mention of export led growth. With our relatively poor regional performance in this, measures to support increased level of exporting will be welcomed. It is also vital that our existing business support programmes consider how they can utilise existing expertise and flexibilities in funding rules to assist local businesses in dealing with the challenges and opportunities around international trade, both with EU and wider global markets, and if necessary, support firms in broadening to embrace new international markets**.**

c. Long Term

Businesses and the economy would benefit if both central government and local stakeholders support these two long-term recommendations:

5.3.a
Maximise investment in innovation in key future growth sectors of Coventry & Warwickshire's economy. This includes closer working with the sectors that Coventry & Warwickshire leads on, including net zero future mobility and electrification.

5.3.b
Over the longer term there should be bolder and accelerated approaches to ensuring we achieve Net Zero, harnessing all the innovation and investment assets that we have, to deliver sustainable economic growth right across Coventry & Warwickshire. This will shape an economy that creates green jobs for the future, supports competitive supply chains, and invests in renewable energy-related projects such as energy storage.