



South Yorkshire Chambers of Commerce Quarterly Policy Briefing

2022 Q4



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In this briefing...

03 2022 Q4 South Yorkshire Quarterly Economic Survey: what you need to know

05 The business view on...infrastructure in South Yorkshire

09 Business policy highlights – The business reaction to the Autumn Statement, Investment Zones to be scaled back and refocused, new legislation on UKCA marking, and the outlook for business energy costs

11 Policy and research updates from the British Chambers of Commerce

12 Policy forward look – Delivering the Local Skills and Improvement Plan, business rate re-evaluation and relief scheme, and the Project Gigabit schedule in South Yorkshire





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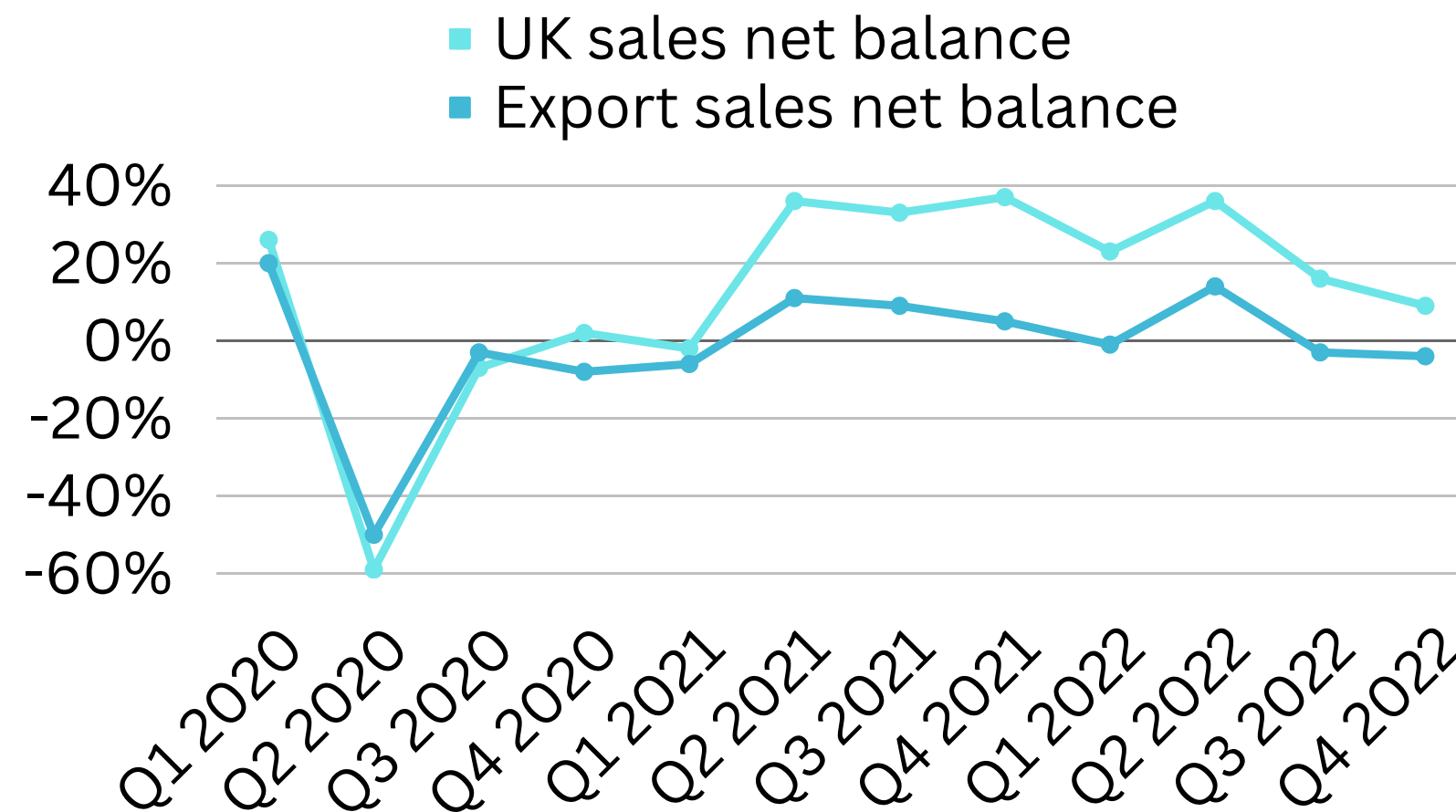
QES Highlights 2022 Q4*

SOUTH YORKSHIRE FIRMS FACED A WORSENING ECONOMIC OUTLOOK IN Q4 2022

Many QES indicators pointed to difficult economic conditions for local firms in Q4 2022. While the balance of firms reporting an increase in UK sales remained positive (+9%), it fell for the second consecutive quarter and was at its lowest level since Q1 2021 – amid pandemic lockdown restrictions. Alongside weak UK sales growth, UK forward orders (-3% net balance) and export activity (-4% sales and -12% orders) indicated

contraction for the second consecutive quarter, resulting in fewer firms operating at full capacity (40%, down from 44% last quarter and 48% a year ago). More respondents also reported that their cashflow position had deteriorated, while business confidence in future turnover and profitability was significantly weaker than a year ago. This negatively impacted investment, with investment intentions for capital and training being revised down.

OVER THE PAST THREE MONTHS, HAVE SALES/CUSTOM/BOOKINGS IMPROVED, REMAINED THE SAME OR WORSENEDED?



*300 responses, fieldwork 7 - 30 November 2022

QES Highlights 2022 Q4...cont

A RECORD SHARE OF RESPONDENTS EXPECTED TO RAISE THE PRICES OF THEIR GOODS OR SERVICES OVER THE NEXT THREE MONTHS

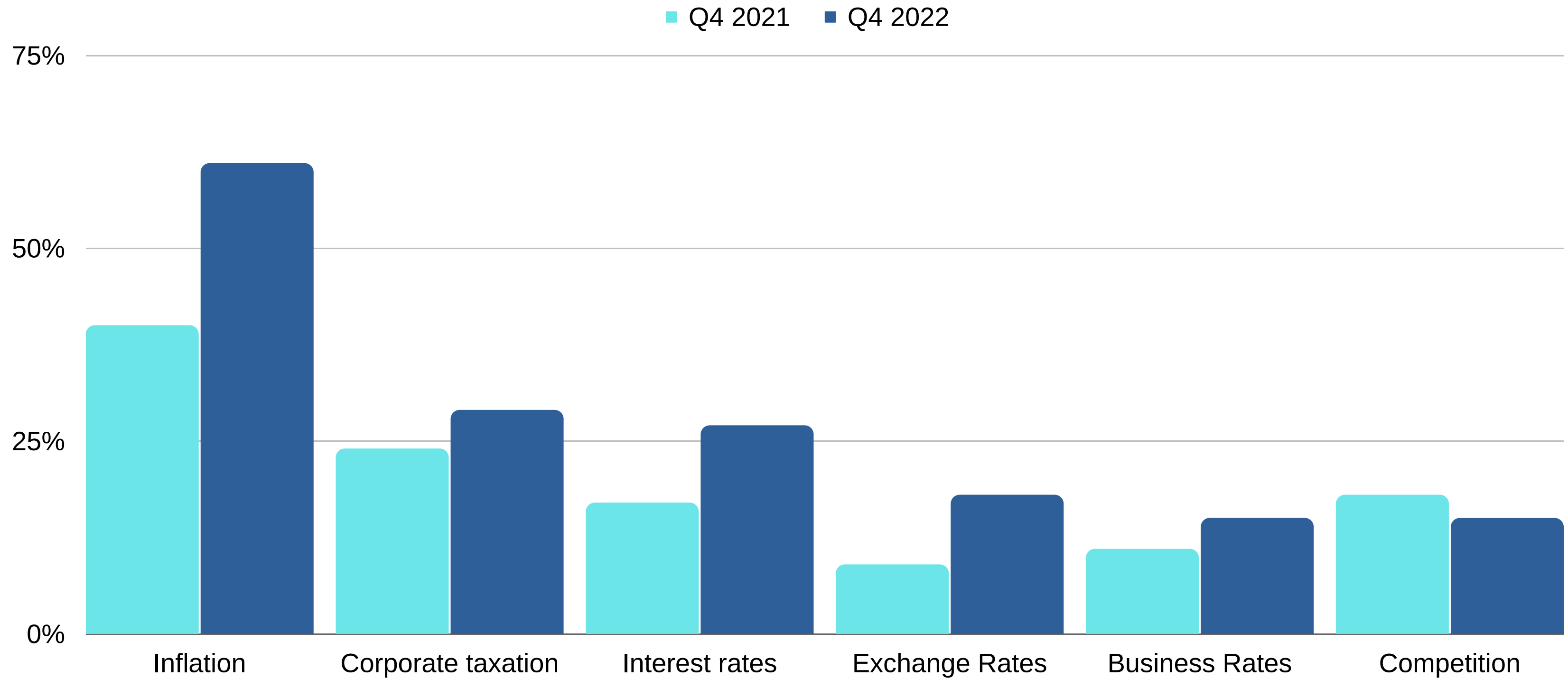
The percentage of respondents expecting the prices of their goods and services to increase over the next three months rose to its highest rate (69%) since the earliest quarter of data (Q1 2020), with large proportions of firms

under pressure to raise their prices due to higher labour costs (56%), utilities costs (53%) and fuel costs (43%). Unsurprisingly, inflation remained respondents' biggest concern (61%), while greater shares of respondents were more concerned about corporate taxation (29%), interest rates (27%), exchange rates (18%), and business rates (15%) than three months ago.

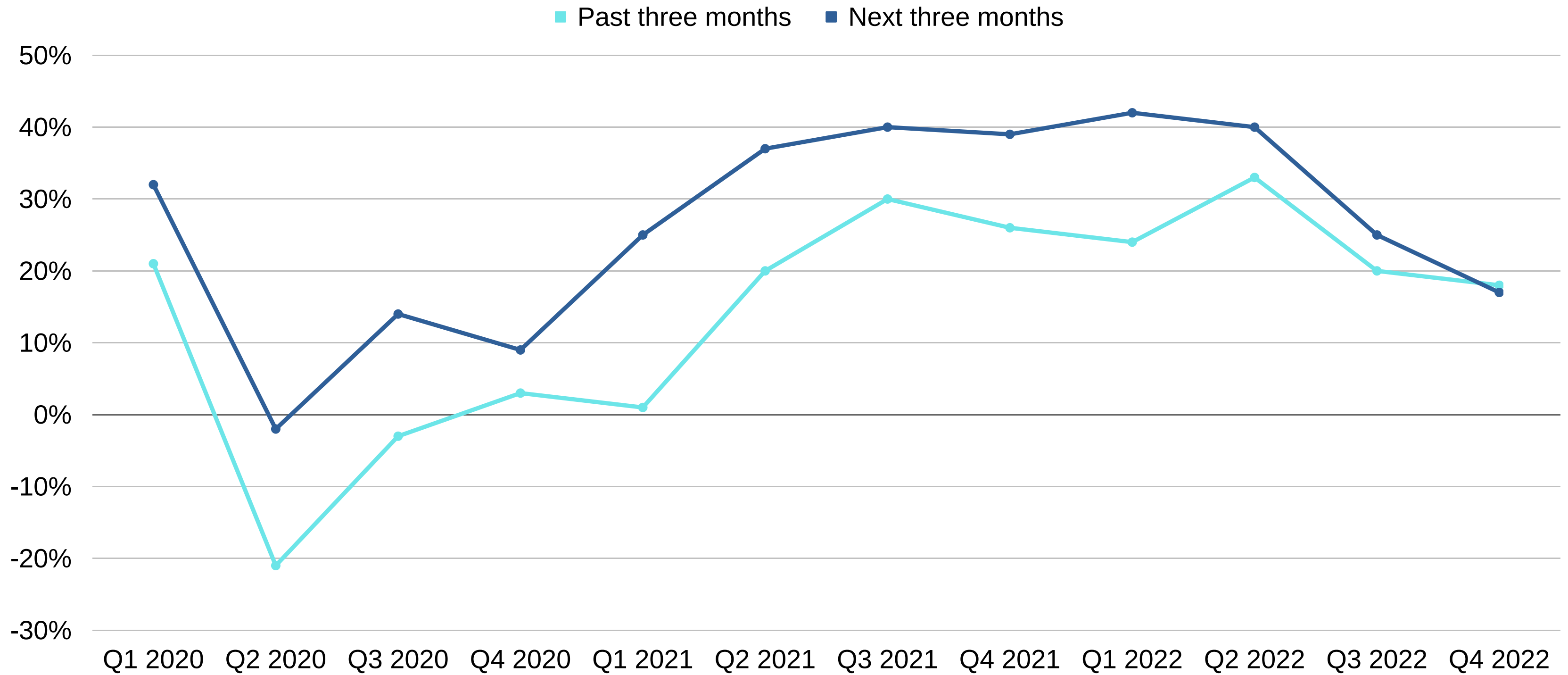
WORKFORCE GROWTH SLOWED WHILE RECRUITMENT DIFFICULTIES REMAINED ACUTE

The balance of firms reporting an increase in their labour force remained positive (+18%) – indicating overall employment growth. However, the percentage of respondents reporting increased workforce levels fell for the second consecutive quarter, with the majority of respondents reporting no change (60%). Further growth was expected over the next three months (net balance of +17%), although the share of respondents expecting to cut their workforces increased to 10% (from 6% the previous quarter and 4% a year ago). Of those that had attempted to recruit (56%), an overwhelming majority (90%) continued to report recruitment difficulties, particularly for Managerial and Professional workers and Skilled Manual/Technical staff.

Which factors are more of a concern than three months ago?



Net balance of firms reporting actual / expected growth in workforce





QES spotlight on...infrastructure

RAIL AND AIRPORT INFRASTRUCTURE IN SOUTH YORKSHIRE NOT MEETING BUSINESS NEEDS

More firms than not see roads and broadband as meeting their business's needs in accessing new and existing customers, suppliers and employees (net balances of +13% and +21%). More disagreed than agreed for rail and airport infrastructure (net balances of -15% and -39%) while 68% were in favour of a Compulsory Purchase Order of Doncaster Sheffield Airport to keep it operational.

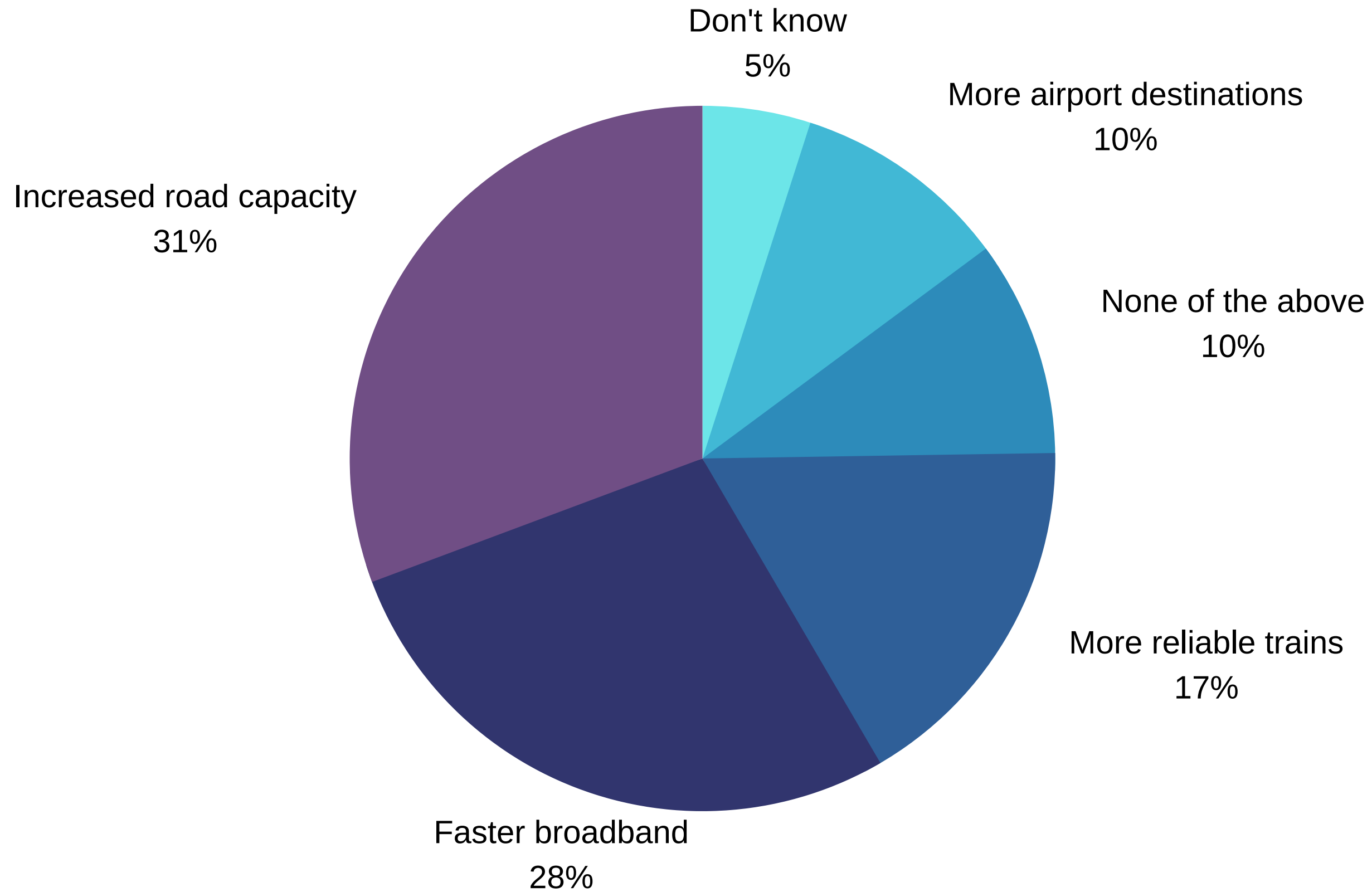
MORE THAN HALF OF BUSINESSES HAVE FREQUENTLY EXPERIENCED DELAYS OR PROBLEMS AS A RESULT OF ROAD INFRASTRUCTURE

Businesses were asked how frequently they had faced delays or other problems relating to South Yorkshire's transport and broadband infrastructure. Respondents had most commonly experienced delays/issues as a result of the road network (53%), followed by the rail network (33%). The biggest business impacts resulting from infrastructure issues had been increased direct travel costs (42%), increased costs of products/services (31%) and loss of business opportunity/client dissatisfaction (25%).

BUSINESSES VIEW ROAD AND BROADBAND INFRASTRUCTURE AS PRIORITIES FOR INVESTMENT

South Yorkshire firms viewed road and broadband as the biggest priorities for infrastructure investment (79% and 75% viewed these as very/fairly high priorities) and rated 'increased road capacity' and 'faster broadband' as having the most impact on their business over the next 12 months. Funding was seen as the biggest factor influencing the speed of delivery of infrastructure projects in the region (42% of respondents).

Improvements to this infrastructure in South Yorkshire would have the most impact on your business over the next 12 months...



Q4 Business policy highlights

Hot topics in the last quarter...

Business reaction to the Autumn Statement

November's Autumn Statement outlined a number of measures affecting businesses, including maintaining VAT rates; freezing the employers' NICs threshold; retaining the Employment Allowance on employer NICs; removing import tariffs for over 100 goods; increasing the National Living Wage; cutting the dividend tax allowance; cutting R&D tax credit rates; increasing the main rate of corporation tax; and proceeding with the business rates re-evaluation. South Yorkshire's Chambers of Commerce stated that 'the balance of measures should have been more pro-business' with increases to Corporation Tax and the reduction in the dividend tax allowance likely to affect risk taking and entrepreneurship in the UK. See the press release from South Yorkshire Chambers [here](#), and from the British Chambers of Commerce (BCC) [here](#).

Outlook for business energy costs

[Research](#) looking at Great Britain's power market has suggested that, while energy prices will fall from their recent peaks, they are likely to be at least double their five-year pre-2021 historic winter average up to 2030 and beyond. The Government's 'Energy Bill Relief Scheme' (EBRS) came into force on 1 October 2022, providing a discount on wholesale gas and electricity prices to 31 March 2023. The [BCC has warned of a cliff-edge](#) beyond this date, with almost half (47%) of SMEs saying it will be difficult to pay their energy bills, and 4% saying they will be unable to pay their energy bills, when government support ends. The Autumn Statement committed the government to reviewing the EBRS to determine what support will be given to non-domestic energy customers from April 2023, with findings to be published by 31 December. However, the government indicated that the scale of any future support will be significantly lower, and targeted at those most affected to ensure fiscal sustainability. Chambers of Commerce are calling on the government to consult with firms on how to target support.

Q4 Business policy highlights

Hot topics in the last quarter...

New legislation on UKCA marking

The new UK Conformity Assessed (UKCA) quality mark, denoting compliance with product safety regulations, has been operational since 1 January 2021 and was due to replace the EU's 'CE' badge from 1 January 2023. However, on 14 November, the government announced that the introduction of the UKCA system will be delayed for two years, reflecting difficult economic conditions and allowing businesses until 31 December 2024 to prepare. Whilst the UKCA marking can be used now, the extension means businesses can choose to use the CE marking until the end of 2024. The new legislation has been welcomed by the BCC, which sees 'strong benefits in having a single system for testing and marking of industrial and electrical goods for business'. It is calling for no changes on product marking until beyond 2026. See the BCC press release [here](#).

Investment Zones (IZs) to be scaled back and refocused

After combined and local authorities (including South Yorkshire) submitted expressions of interest for Investment Zones – areas offering business tax reliefs and relaxed planning rules – following October's mini-budget, the government is now scaling back the programme. The Autumn Statement included that IZs would be refocused on building clusters for new growth industries, catalysing 'a limited number of the highest potential knowledge-intensive growth clusters, including through leveraging local research strengths.' The Department for Levelling Up, Housing and Communities 'will work closely with mayors, devolved administrations, local authorities, businesses and other local partners to consider how best to identify and support these clusters...with the first clusters to be announced in the coming months.'

Policy and research updates from the British Chambers of Commerce



BCC identifies low business awareness of the Retained EU Law Bill and low priority for deregulation. [Learn more >>](#)
(Nov '22)



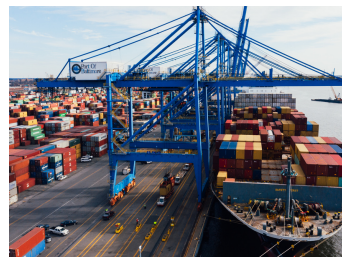
Recruitment struggles remain at record high levels (BCC Quarterly Recruitment Outlook). [Learn more >>](#)
(Oct '22)



BCC's business manifesto for the new Prime Minister. [Learn more >>](#)
(Nov '22)



SME exporters report falling sales (BCC Quarterly Trade Confidence Outlook). [Learn more >>](#)
(Oct '22)



Boosting international trade: Removing trade barriers is key to boosting exports ([learn more](#)), with BCC welcoming paperless trade bill ([learn more](#)). But cost transparency is holding back trade. [Learn more >>](#)
(Oct and Nov '22)



Only one in five pounds of direct government public procurement spending awarded to SMEs. [Learn more >>](#)
(Oct '22)

Ones to watch...

Hot topics for the next quarter

Following this year's trailblazer, South Yorkshire to deliver full Local Skills and Improvement Plan in 2023

Earlier this year, South Yorkshire served as one of eight Local Skills and Improvement Plan (LSIP) trailblazers, testing employer-led approaches to skills planning. Produced by South Yorkshire's Chambers of Commerce, the outcomes were used to produce an innovative [People & Skills Manifesto](#), which laid out over 40 practical recommendations for creating an improved skills strategy for our region. South Yorkshire has now been chosen by the Department for Education to deliver a full LSIP. The Chambers will be working closely alongside stakeholders—including colleges, universities, private training providers, businesses, government and other employer groups – to build on the initial research, with a specific focus on digital skills – a key concern identified within the trailblazer report. Intensive consultations will take place with businesses to better understand their digital skills needs, in the form of short surveys, events and diagnostic interviews. The full LSIP will be submitted to the Secretary of State by May 2023. It will also form the evidence base for South Yorkshire's Skills Strategy, with the Chambers working closely with SYMCA to determine the region's skills priorities. For more information about the LSIP process, please contact SouthYorkshireLSIP@doncaster-chamber.co.uk.



Ones to watch...

Hot topics for the next quarter

Business rate re-evaluation and relief scheme

From 1 April 2023, many businesses will be facing new business rates bills, following new valuations of their properties. As announced in the Autumn Statement, the government is offering a package of support to help rate payers, including: freezing the business rates multiplier in 2023/24 to protect businesses from rising inflation, providing an extended and increased relief for retail, hospitality and leisure businesses (from 50% to 75% in 2023/24), capping bill increases for businesses who will see higher bills as a result of their revaluation, removing the downwards cap so that businesses seeing lower bills will benefit from that decrease in full, and providing protection for small businesses who will lose eligibility for either Small Business or Rural Rate Relief through a more generous Supporting Small Business scheme. See [here](#) for more information about the business rates support package, [here](#) to find out the future rateable value of your commercial property, and [here](#) to calculate your business rates.

Project Gigabit – South Yorkshire review

Project Gigabit is the UK Government's £5 billion programme to improve digital connectivity for homes and businesses that are not included in broadband suppliers' plans, levelling-up mostly rural and remote communities, as well as tackling pockets of poor connectivity in urban areas. Earlier this year, Building Digital UK (BDUK) conducted reviews in South Yorkshire requesting information from suppliers regarding current and planned broadband infrastructure within the next three years. A finalised list of postcodes eligible for subsidy (those classified as 'White' and potentially those classified as 'Under Review') can be found [here](#) and a map can be found [here](#). Procurement of contracts in South Yorkshire is expected to take place in February to April 2023, with contracts awarded during November 2023 to January 2024. See [here](#) for more information about the programme.

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