



# MPs' NEWSLETTER

## EDITION 11, AUTUMN 2016



# A MESSAGE FROM CHAMBER CHIEF EXECUTIVE - PAUL GRIFFITHS

## Welcome and overview

Firstly welcome to this autumn edition of the MPs Newsletter published by Northamptonshire Chamber of Commerce acting as the voice for business across the county. Northamptonshire Chamber of Commerce currently represents over 1,000 businesses employing around a third of the counties workforce. Northamptonshire Chamber of Commerce was awarded the prestigious 'Chamber of the Year' for 2015 at the British Chambers of Commerce annual awards ceremony in London in November.

## Introduction

This newsletter reports primarily on the key concerns of members of Northamptonshire Chamber. Published to provide elected representatives with the necessary information and insight to make informed decision locally; regionally; and nationally – that then enable businesses to grow, generate jobs and boost economic output. The views put forward in this newsletter have been garnered through frequent engagement with the counties business community and represent the views of business leaders across the county. Additionally, this newsletter will provide an overview of the current economic climate and will assist key decision-makers in formulating their policy priorities.

## In this issue: -

- Local economic intelligence
- What's important to our members – responses from our Quarterly Economic Survey
- British Chambers of Commerce (BCC) UK Economic Growth Outlook
- Northamptonshire Chamber calls for immediate certainty clarity on EU employees
- Greater communication from Government urgently needed to address business uncertainty over Apprenticeship Levy.
- Latest Blog, Business Council Launch
- Northamptonshire Chambers of Commerce's asks of Government (Autumn Statement).

As the British Chambers of Commerce's (BCC) only accredited chamber in the county, Northamptonshire Chamber is keen to work with all elected representatives to influence policy formation and implementation to the benefit of the local economy and area. We can provide local evidence and, occasionally, case studies to enable elected members to put forward informed interventions in committees, debates in the House of Commons and other elected assemblies.

The Chamber is pleased to assist all elected members, therefore, should you require clarification or any further information, please contact myself on **01604 490 490** or at [policy@northants-chamber.co.uk](mailto:policy@northants-chamber.co.uk)





# ECONOMIC INTELLIGENCE

Northamptonshire Chamber of Commerce's Quarterly Economic Survey (QES) is a regular independent business survey and forms part of the biggest and most representative survey of its kind in the UK.

It is widely recognised as a key economic indicator by Government, The Bank of England and independent economists alike. It also provides both central and local policymakers with an important source of feedback of the performance, concerns and views of businesses across Northamptonshire.

The fieldwork for Northamptonshire Chamber of Commerce's latest QES was conducted via electronic, smartphone app and hard copy questionnaire during the period 22<sup>nd</sup> August to 12<sup>th</sup> September. This report therefore sets out analysis and interpretation of the findings for the third quarter of 2016. A total of 53 businesses, employing 1,576 people from across the county responded.

## **Headline - Hiring and investment picks up for manufacturing firms in Northamptonshire as export activity increases according to the latest Quarterly Economic Survey from Northamptonshire Chamber of Commerce.**

The results in the recently published report, which covers the three months from July to September 2016 show that the manufacturing sector reported an increase in their headcount over the third quarter of the year, continuing their upward trajectory.

A total of 85% of manufacturing firms said their workforce had either increased or remained the same compared to the previous quarter. And more than half had attempted to recruit new staff in that time.

The survey for Q3 2016 was conducted from 22 August to 12 September this year and contains responses from 53 businesses employing 1,576 people across the county.

Export sales activity saw an increase across both manufacturing and service sectors. Almost three quarters of manufacturing firms surveyed said export sales were the same as Q2 or had increased.

It was a different picture for UK sales however, with a decline in domestic sales activity across all industries during the same three month period.

Manufacturing firms reported a net balance figure of -31%, down from +16% in the previous quarter. For the service sector, the balance figure of 17% is the lowest recorded since Q2 2013. UK orders also saw a marked decrease across the board.



QUARTER 3 2016





But despite this, manufacturing firms indicated a marked improvement in investment plans during the third quarter of 2016. Investment intentions for these companies showed a rebound from -11% in Q2 to positive 15% in Q3. And the same firms reported an increase in confidence as determined by turnover.

For the service sector, confidence as determined by turnover decreased over the same time frame, but 80% reported that confidence as measured by profitability had increased or was consistent with the previous quarter. Also 65% of service sector firms had an increase in profitability in that time.

Northamptonshire Chamber of Commerce chief executive Paul Griffiths said: "It is unsurprising to see a decline in domestic sales activity following the Brexit vote in June, which has caused uncertainty for the whole UK economy.

"We await urgent changes from the new Prime Minister and her newly instated Government to reassure our businesses and create a much needed stability.

"Despite this, I am glad to see an increase in export sales across the board and a wary confidence still shining through among our county's firms."

**Paul Griffiths, Chief Executive  
Northamptonshire Chamber of Commerce**

**The Chamber's Quarterly Economic Review, which contains statistical evidence from the Chamber's QES, is attached for your reference.**

**Please contact the Chamber should you wish to discuss these findings in more detail.**



# WHAT'S IMPORTANT TO OUR MEMBERS? – FEEDBACK FROM OUR QES.

In addition to the standard set of questions which are produced by the British Chambers of Commerce (BCC) as part of the Quarterly Economic Survey local chambers regularly produce their own specific questions.

In order to help with lobbying work, and to ensure we know what issues are most pertinent to businesses.

The table below sets out the top five policy areas ranked in order of importance from very important to not all important.

	<b><i>Very Important</i></b>			<b><i>Fairly Important</i></b>		
<b>Rank</b>	<b>Issue</b>	<b>Percentage</b>		<b>Rank</b>	<b>Issue</b>	<b>Percentage</b>
1	Availability of skilled labour	35.78%		1	Quality of services delivered by HMRC	25.45%
2	Reducing the burden of regulation	30.63%		2	Cyber crime	23.21%
3	EU Referendum	28.18%		3	Business rates	22.52%
4	Cyber crime	26.79%		4	Availability of skilled labour	22.02%
5	Expansion into new markets overseas	21.10%		5	EU Referendum	19.09%

	<b><i>Important</i></b>			<b><i>Not at all important</i></b>		
<b>Rank</b>	<b>Issue</b>	<b>Percentage</b>		<b>Rank</b>	<b>Issue</b>	<b>Percentage</b>
1	Business crime	29.09%		1	Availability of land for business development	63.96%
2	Development of a simpler, better and more competitive tax system	26.36%		2	Devolution	45.37%
3	Business rates	26.13%		3	Availability of commercial premises	40.00%
4	Local training provision	25.69%		4	Development of better rail connectivity	34.55%
5	Reducing the burden of regulation	24.32%		5	Access to finance	30.00%



# BRITISH CHAMBERS OF COMMERCE (BCC) UK ECONOMIC GROWTH OUTLOOK

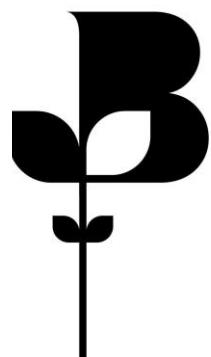
In its first economic forecast since the EU referendum, the British Chambers of Commerce (BCC) has today (Monday) downgraded its UK GDP growth forecast, from 2.2% to 1.8% in 2016, from 2.3% to 1.0% in 2017, and from 2.4% to 1.8% in 2018.

Weaker consumer spending and a large fall in investment were the main reasons for the leading business group's downgrading of its growth forecasts. The uncertainty surrounding the UK's long-term political arrangements with the EU, as well as the timeline over which any actions will take place, are expected to dampen growth prospects towards the end of 2016 and over 2017. Despite these issues, the UK is expected to skirt with, but avoid, recession. The post-referendum slide in sterling is expected to help improve the UK's net trade position.

The downgrades to the BCC's forecast for UK GDP growth imply that the UK economy will be £43.8 billion smaller at the end of the forecast period than previously predicted.

## **Key points in the forecast:**

- UK GDP growth forecasts downgraded: to 1.8% for 2016, to 1.0% for 2017, and to 1.8% 2018.
- GDP growth is expected to slow sharply in the short-term - **quarter-on-quarter growth in Q3 and Q4 2016** is forecast to slow down to 0.1%.
- If the GDP growth forecast for 2017 is realised it would be the weakest rate of growth since 2009.
- Weaker consumer spending and a large fall in investment is expected to be only partly offset by a stronger contribution from net trade.
- Business investment is expected to fall by 2.2% in 2016 and by 3.4% in 2017. The slight pick-up in business investment in 2018 (+2.0%) reflects a 'levelling-off' from the declines recorded in 2016 and 2017. This compares to our previous forecast of a 4.5% increase in 2016 and rises of 7.4% in 2017 and 2018.



British  
Chambers of  
Commerce





- Export growth is expected to drop to 2.3% in 2016, from 4.8% in 2015, but grow slowly to 3% in 2017 and 4% in 2018.
- Services and consumer spending will remain the key growth drivers of the UK economy through the forecast period.
- Employment growth is expected to slow in 2017, as uncertainty weighs on recruitment intentions.
- A further cut in interest rates is expected by the end of the year.



# NORTHAMPTONSHIRE CHAMBER CALLS FOR IMMEDIATE CERTAINTY OVER EU EMPLOYEES.

**Press Release: Monday 5<sup>th</sup> September**

**Today, as Parliament returns from summer recess, over 200 Chamber members that employ EU staff from across the East Midlands – including members of Northamptonshire Chamber of Commerce – have been surveyed. Results of this survey, released today, have revealed that around a fifth of companies report their EU employees have expressed concern over their future residency status following the vote to leave the European Union.**

The survey, undertaken a month after the referendum vote, shows that a small number of businesses (3%) have seen EU employees resign already following the June 23 vote, while 5% of businesses have reported that their EU employees have stated their intention to leave the UK.



Northamptonshire Chamber of Commerce calls on the government to provide immediate certainty for both businesses and employees on the residence rights of existing EU employees. The potential skills lost from existing EU workers leaving the UK would hamper businesses at a time when many are already reporting recruitment difficulties. Businesses also need clarity on hiring from the 27 other EU countries during the transition period.

We also urge the Government to create a future immigration policy that allows businesses to plug their skills shortages with employees from the EU, with minimal bureaucracy, cost or barriers. There is still a significant skills gap throughout Northamptonshire, and while it is vital that the government continues to address this through expanding apprenticeships and vocational training, businesses need to be able to access the specialist skills and talent that they need from all of the world, not just a part of it.

**Paul Griffiths, Chief Executive Northamptonshire Chamber of Commerce, said:**

"Since the referendum, member firms have expressed concern over the future status of their existing EU workforce. These hardworking people are absolutely vital to the success of businesses, and must be retained





– we cannot afford to lose talented and skilled workers. Therefor we call on Theresa May to reassure them as soon as possible that they will have the right to remain in the UK, to provide much-needed certainty both for EU employees and UK employers.

"The government must also clarify how new EU hires will be treated, as many businesses also say they are uncertain about whether the people they wish to recruit will be able to continue working with them in future. A sensible immigration policy that allows businesses to plug difficult skills gaps should go hand in hand with sustained investment in training UK workers for the jobs of the present and the future.

"Guaranteeing the rights of EU workers is just one of the major issues that the new government needs to make, and quickly. Decisions on airport and rail expansion are long overdue, which along with action on infrastructure investment will be crucial to solidifying business confidence and laying the foundations for continued economic growth across the county of Northamptonshire"

#### **Findings from the regional survey:**

- Nearly a fifth (18%) of companies that employ EU workers say EU staff have expressed uncertainty over their future residency status
- 3% of businesses that employ EU workers have seen EU employees resign following the vote to leave the European Union
- 5% of businesses have seen their EU employees state their intention to leave the UK
- 35% of businesses surveyed think residency guarantees for EU workers would have a positive impact on their business, whilst 40% said it would have no impact and a further 23% said they were unsure or it was not applicable – only 2% said it would have a negative impact.

#### **Findings from the national survey:**

- More than two fifths (41%) of companies that employ EU workers say EU staff have expressed uncertainty over their future residency status
- 5% of businesses that employ EU workers have seen EU employees resign following the vote to leave the European Union
- 10% of businesses have seen their EU employees state their intention to leave the UK
- 60% of businesses surveyed think residency guarantees for EU workers would have a positive impact on their business (the remaining 28% said it would have no impact and a further 9% said they were unsure or it was not applicable)



# GREATER COMMUNICATION FROM GOVERNMENT URGENTLY NEEDED TO ADDRESS BUSINESS UNCERTAINTY OVER APPRENTICESHIP LEVY

**Press release: Wednesday, 21<sup>st</sup> September**

On the day that business, government, and education leaders gathered in London for the BCC's Business and Education Summit, Northamptonshire Chamber of Commerce, in conjunction with the British Chambers of Commerce publishes a survey of businesses that shows a lack of clarity among businesses over the government's apprenticeship funding reforms, including the Apprenticeship Levy.

With just over six months to go until the Apprenticeship Levy is introduced, the survey of over 200 business leaders across the East Midlands (including Northamptonshire) undertaken in August 2016 and supported by Middlesex University, shows just over a third (35%) of business people still have no understanding, or haven't heard of, the Apprenticeship Levy.

The survey also revealed that of those businesses that responded 15% said that their pay bill exceeded the £3m threshold. However, only 25% of these firms reported that they were either likely to recover more than their levy payment or recover the whole 100% - this suggests for the majority of businesses that will feel more like a tax.

Alarmingly over half of all respondents (52%) said that they had no understanding or had not even heard about the apprenticeship levy. This demonstrates that the Government has so far failed to adequately communicate the intricacies of the apprenticeship funding policy. In order to maximize the chance of success of this policy, a greater degree of clarity must be sought from the Government.

Thus we urge the Government – ahead of the implementation date in April 2017 – to improve the process of communication to the business community who ultimately will determine the success or failure of this through increases in the number of apprenticeships and investment in training. Both of which are vital in alleviating the skills gap that businesses continue to be impacted by.



**Department  
for Business  
Innovation & Skills**

**APPRENTICESHIPS LEVY**



## Key findings in the local survey:

- 35% of firms still have no understanding, or haven't heard of, the Apprenticeship Levy
- Just over half – 53% - of businesses don't understand how the funding reforms work above or below the £3m pay bill threshold
- Businesses don't believe that apprenticeship reforms will change their training outlook – only 11% say reforms will increase their recruitment of apprentices, while just 2% say they will have a positive impact on their wider training budget

## Key findings in the national survey:

- 39% of firms still have no understanding, or haven't heard of, the Apprenticeship Levy
- Just over half – 51% - of businesses don't understand how the funding reforms work above or below the £3m pay bill threshold
- Businesses don't believe that apprenticeship reforms will change their training outlook – only 11% say reforms will increase their recruitment of apprentices, while just 5% say they will have a positive impact on their wider training budget

## Paul Griffiths, Chief Executive Northamptonshire Chamber of Commerce said:

"Firms value apprenticeships as way of developing skills and increasing productivity. However, with just six months to go until the Levy is introduced, our research shows the government needs to step up its communication to business.

"The government needs to ensure that businesses understand how they could benefit from the reforms, because if it just feels like yet another tax then the policy will have failed. Devolved administrations also need to provide a guarantee that the money raised is ring-fenced and kept for training.

"The government should allow businesses to use the Levy funding to support other high-quality workplace training or there is a risk of displacing other valid forms of training. Fundamentally, treating apprenticeships as a numbers game would benefit neither businesses nor apprentices themselves."



# LATEST BLOG – NORTHAMPTONSHIRE CHAMBER OF COMMERCE TO LAUNCH BUSINESS COUNCIL

Now more than ever, it's critical that Chambers of Commerce act as the linchpin for the business community at a local level to ensure their views, specifically our members, are heard and represented throughout the corridors of power in Westminster and Whitehall.

Consequently, Northamptonshire Chamber of Commerce in conjunction with its sister Chamber, Milton Keynes Chamber of Commerce are establishing a Business Council which will act as the sounding board for members to voice concerns and air their opinions on a wide range of issues, from skills and infrastructure to business taxation and international trade.

This will then culminate with a launch of a Business Manifesto which will act as your Chambers flagship policy and lobbying document when engaging with Local Authorities and MPs, not to mention assisting our colleagues at the [British Chambers of Commerce](#) who tirelessly lobby central Government on behalf of local Chambers' from across the UK.

We strongly urge members to engage with us through this Business Council. The first Business Council will take place on Monday, 14<sup>th</sup> November. Representing the British Chambers of Commerce at our inaugural Business Council will be [Dr Adam Marshall](#), acting Director General.

As a result of the UK's decision to leave the European Union (EU) on the 23<sup>rd</sup> June there have been a host of political ramifications including; the Labour Party's Leadership election, and most notably David Cameron's decision to stand down. The latter of which resulted in a leadership bid – albeit a truncated one – that brought about the appointment of the Rt Hon. Theresa May as the new Prime Minister on Wednesday, 13<sup>th</sup> July.

The Prime Minister then set about one of the swiftest re-organisations of Government, leading to a dramatic overall of the machinery of Government across Whitehall, the likes of which had not been seen in recent times.

The screenshot shows the Northamptonshire Chamber of Commerce website. At the top right, there are links for 'HOW TO JOIN', 'MEMBER LOGIN', 'CONTACT US', and the 'CHAMBER AWARDS 2015' logo. Below these are navigation links for 'HOME', 'WHO WE ARE', 'MEMBERSHIP', 'TRAINING', 'EVENTS', 'NEWS', 'BLOG', 'INTERNATIONAL TRADE', 'PRODUCTS', and 'SERVICES'. The main content area features a red box with the text 'To advertise here call 01604 490490 for more details'. To the right, a blue header bar says 'Latest Blog'. Below it is a table listing seven blog entries:

DATE	TITLE	AUTHOR
5th Sep 2016	Northamptonshire Chamber & Milton Keynes Chamber's new Business Council	Northamptonshire Chamber
16th Aug 2016	Political, social and economical repercussions of the EU Referendum	Northamptonshire Chamber
22nd Jul 2016	A monumental change now lies ahead for Britain	Northamptonshire Chamber
7th Jun 2016	The EU Referendum... the story so far (A Chamber's Perspective)	Northamptonshire Chamber
25th May 2016	Enter the Chamber Business Awards today!	Northamptonshire Chamber
19th Apr 2016	Open a whole new world with exporting	Northamptonshire Chamber
21st Mar 2016	Governing minds to a halt as the EU Referendum dominates the Westminster agenda	Northamptonshire Chamber



It was clearly evident in the Prime Minister's first speech outside Number 10 Downing Street that a new era of Government, and a new way of doing things was about to take hold. Further evidence was provided when Mrs May abandoned the then Chancellor George Osborne's goal of returning to a budget surplus by the end of the 2020 – the current Parliamentary session.

Nothing demonstrates the intentions and likely direction of Government more than who is appointed to each of the 25 ministerial positions.

The most high profile appointments were Philip Hammond as the new Chancellor of the Exchequer, who is now looking to capitalise on the record low borrowing costs to invest in the Britain's ailing infrastructure. Secondly, was the appointment of Liam Fox to the newly established Department for International Trade, given the mammoth task of getting Britain to build independent trading relations unconstrained by the EU.

Thirdly, and perhaps most significant was the appointment of Greg Clarke to the role of Secretary of State for Business, Energy and Industrial Strategy – merging the Department for Energy with Business, Innovation and Skills. Given the phase 'industrial strategy' was banished from the Whitehall lexicon, its noteworthy to see its reintroduction into the realm of political discourse once again.

In the first full Parliamentary session of the new Government under the leadership of Theresa May, and with great uncertainty hanging over the business community as a result of Brexit, operating in a near zero interest rate environment, delayed decisions on major infrastructure projects, and ultimately what direction the new Government takes.

Regionally, the Midlands Engine continues to gather momentum, and in concert with Midlands Connect will help ensure the region is suitably connected, helping businesses as they continue to develop, expand into new markets and generate jobs. However, important challenges remain, for example skills shortages, connectivity – be it broadband and digital, rail and road, as well as housing supply and access to growth markets both domestically and internationally.

This is why we are calling on businesses to engage with the Chamber through this newly established Business Council.



# NORTHAMPTONSHIRE CHAMBER OF COMMERCE'S ASKS OF GOVERNMENT (AUTUMN STATEMENT)

- A pledge to introduce no new input taxes or other significant costs on businesses for the remainder of this Parliament – matching the pledge made to voters on income tax, NICs and VAT during the 2015 General Election campaign
- Further fundamental reform of business rates – exclusion of plant and machinery from valuations; and bringing forward the switch of the annual uprating from RPI to CPI to 2017, from 2020
- Temporary widening of the Annual Investment Allowance – to include business premises improvements for a period of five years, alongside investments in plant and machinery
- Improving the implementation of the Apprenticeship Levy – levy-paying businesses should be able to support high-quality workplace and vocational training, in addition to apprenticeships
- Direct investment in ‘quick-start’ infrastructure projects such as housing and broadband – to ‘crowd-in’ private sector investment in infrastructure, regeneration and growth. The Chancellor has already responded in part to this with a new housebuilding programme
- Increased resources to directly support SME export plans – direct monetary support for firms to explore new markets or deepen sales abroad
- Creation of an indirect tax road map – to give businesses much needed clarity to invest with confidence



Profile



Savings



Training



Representation



Protection



International Trade