



MPs' NEWSLETTER

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A MESSAGE FROM CHAMBER CHIEF EXECUTIVE - PAUL GRIFFITHS





Welcome and overview

Firstly welcome to this spring edition of the MPs' Newsletter published by Milton Keynes Chamber of Commerce acting as the voice for business across Milton Keynes. Milton Keynes Chamber of Commerce currently represents approximately 400 businesses employing around 20% of the borough's workforce. Milton Keynes Chamber of Commerce in conjunction with 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 Milton Keynes 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 local business community and represent the views of business leaders across the borough of Milton Keynes. 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
-  British Chambers of Commerce (BCC) UK Economic Growth Outlook
-  Chambers of Commerce – put practicality and certainty at the heart of Brexit negotiations
-  Milton Keynes Chamber's full reaction to the Spring Budget

As the British Chambers of Commerce's (BCC) only accredited chamber in the borough of Milton Keynes, Milton Keynes 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 **01908 547 820** or at policy@chambermk.co.uk.



Profile



Savings



Training



Representation



Protection



International
Trade



ECONOMIC INTELLIGENCE

Milton Keynes 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 Milton Keynes.

The fieldwork for Milton Keynes Chamber Commerce's latest QES was conducted via electronic, smartphone app and hard copy questionnaire during the period 20th February to 13th March. This report therefore sets out analysis and interpretation of the findings for the third quarter of 2016. A total of 38 businesses, employing 2,068 people from across the borough responded.



Business confidence in Milton Keynes remains robust, according to the latest Quarterly Economic Survey report from Milton Keynes Chamber of Commerce.

The business barometer indicates increases in export activity during the first quarter of 2017.

A total of 38 businesses, employing 2,068 people from across Milton Keynes, took part in the review of the first quarter of the year.

At home, 76% of services sector businesses reported that their UK sales had increased over the past three months or remained in line with the fourth quarter of 2016. In total 41% of manufacturers said their UK sales had either increased or remained consistent with the previous quarter.

The services sector reported a 15% rise in export sales – this is its highest figure since Q1 2015 and also represents its second consecutive quarter of increases in export sales. In addition the sector recorded a 19% increase in export orders to 23% in Q1. As a result of this activity 19% of services sector firms reported that their headcount had increased during the first three months of 2017 compared with the previous quarter.

Looking ahead 26% of service sector businesses and 14% of manufacturers expect to increase the size of their workforces during the next quarter.

The majority of firms in both sectors reported that their investment plans for plant/machinery had remained in line with the previous quarter.



Competition was the biggest cause for concern among Milton Keynes' businesses however 71% of manufacturers and 68% of service sector businesses revealed that their turnover had increased during the period.

Milton Keynes Chamber of Commerce chief executive Paul Griffiths said: "It is very encouraging that business confidence across Milton Keynes has remained robust during the first quarter of the year.

"It is reassuring to see that the services sector is experiencing a rise in its export activities and that both sectors predict their workforces will grow during the next quarter."

**Paul Griffiths, Chief Executive
Milton Keynes Chamber of Commerce**





BCC UK ECONOMIC FORECAST

Forecast Highlights:

- GDP growth forecast for 2017 upgraded, but downgraded slightly for 2018
- Economic growth to remain well below its long-term average over the forecast period
- Consumer spending is expected to slow substantially, but UK's net trade position to improve

UK GDP growth is forecast to slow...

GDP growth stood at 1.8% in 2016, slower than in the previous two years. Economic growth is expected to remain muted over the forecast period. GDP growth is expected to slow to 1.4% in 2017 (revised up from 1.1%) and 1.3% in 2018 (revised down from 1.4%). Growth in 2019 is forecast to be slightly stronger, at 1.5%, as investment and household consumption growth pick up slightly.

...but consumption growth slows...

Household consumption growth is expected to slow down to 1.6%, 0.9% and 1.1% in 2017, 2018 and 2019 respectively, as households' real wages fall. Inflation is expected to exceed the inflation target shortly, as firms' higher input costs (from rising oil prices and Sterling depreciation) pass through to consumers. Average earnings growth is forecast to remain muted, at 2.1%-2.3% pa over the forecast period.

...trade prospects improve...

Export performance is expected to strengthen through the forecast period, bolstered by Sterling depreciation and the improved outlook for world growth. Nonetheless, political and economic uncertainties persist with the UK's major trading partners over the forecast horizon. Weaker domestic demand growth will exert downward pressure on imports. The trade balance is therefore expected to improve, but remain negative over the forecast period.

...and investment growth remains subdued.

Investment growth is forecast to remain muted in the short term, as uncertainties over the outcomes of Brexit negotiations continue to weigh on investment intentions. Business investment is forecast to fall mildly in 2017 by 0.5%, before growing weakly thereafter. In addition to rising inflation, additional upfront cost pressures, pose a risk to the investment forecast, as uncertainty remains on how businesses will respond.





CHAMBERS OF COMMERCE: PUT PRACTICALITY AND CERTAINTY AT THE HEART OF BREXIT NEGOTIATIONS.

As the Chamber Network gathers in Westminster for the BCC Annual Conference, the British Chambers of Commerce has today published a business blueprint for the UK government ahead of the upcoming Brexit negotiations, supported by Milton Keynes Chamber of Commerce.

Titled Business Brexit Priorities, the report synthesizes feedback from over 400 businesses at 16 Chamber-hosted focus groups, along with nearly 20,000 responses to Chamber surveys of which Milton Keynes Chamber of Commerce were actively involved. It puts forward priorities for action across seven key areas where business communities want practical solutions and certainty.

BCC evidence confirms that Europe will remain a key market for UK exporters and importers well into the future. As a consequence, it is imperative that the government achieves a pragmatic UK-EU deal that facilitates continued trade.

The key recommendations in the report are:

On the Labour Market, the government should provide certainty for businesses on the residence rights of their existing EU workers, provide clarity on hiring from EU countries during the negotiation period, and avoid expensive and bureaucratic processes for post-Brexit hires from the EU

On Trade, the government should aim to minimise tariffs, seek to avoid costly non-tariff barriers, grandfather existing EU free trade agreements with third countries, and expand the trade mission programme

On Customs, the government should develop future customs procedures at the UK border in partnership with business, seek to maintain the UK's position as an entry point for global businesses to Europe

On Tax, the government should guarantee that HMRC is appropriately resourced to help businesses through the transition process, and provide clarity on whether VAT legislation will continue to mirror current core VAT principles



Profile



Savings



Training



Representation



Protection



International Trade



On Regulation, the government should ensure stability by incorporating existing EU regulations into UK law and maintaining these for a minimum period following Brexit, and ensure that product standards are aligned with, and recognised by, the EU to keep UK products competitive

On EU funding, the government should maintain UK access to the European Investment Bank, and ensure there is no funding 'cliff-edge' for areas in receipt of EU funding

On Northern Ireland, the government must avoid any return to a hard border, so that businesses can move people and goods as freely as possible

Commenting on the report, Adam Marshall, BCC Director General, said: "Business communities across the UK want practical considerations, not ideology or politics, at the heart of the government's approach to Brexit negotiations.

"What's debated in Westminster often isn't what matters for most businesses. Most firms care little about the exact process for triggering Article 50, but they care a lot about an unexpected VAT hit to their cash flow, sudden changes to regulation, the inability to recruit the right people for the job, or if their products are stopped by customs authorities at the border. The everyday nitty-gritty of doing business across borders must be front and centre in the negotiation process.

"What's also clear is that the eventual Brexit deal is far from the only thing on the minds of the UK's business communities. An ambitious domestic agenda for business and the economy is also essential so that business can drive our post-Brexit success. Firms across the UK want a clear assurance that Brexit isn't going to be the only thing on the government's economic agenda for the next few years."

Marcus Mason, Head of Business at the BCC, and author of the report, added: "Since the historic vote on June 23, we have worked with Chamber business communities all across the UK to determine their key priorities for the Brexit transition.

"This report brings those practical priorities together and urges the government to adopt them in the forthcoming negotiations. Chambers of Commerce stand ready to help the government shape a pragmatic and practical approach to the coming transition, so that firms can continue to trade successfully with customers and suppliers across Europe and around the world."



MILTON KEYNES CHAMBER'S FULL REACTION TO THE SPRING BUDGET

Giving his full reaction to the Budget, Dr Adam Marshall, Director General of the British Chambers of Commerce (BCC), said:

"Businesses had been advised to expect minimal change, rather than a blockbuster Budget, and Philip Hammond did not disappoint.

"Short-term support for firms hardest hit by business rates rises will be welcomed, along with commitments to technical education, digital connectivity, easier R&D tax credits, and a one-year delay to digital tax reporting for the very smallest firms. Conversely, hikes to dividend taxes and national insurance for the self-employed will be viewed far less positively by entrepreneurs.

"While businesspeople appreciate a steady hand on the tiller, the government is sending mixed signals by holding investment largely steady at precisely the time that it is exhorting British businesses to double down. More needs to be done in the coming months to improve infrastructure, promote international trade, and encourage lagging business investment to ensure the UK is Brexit-ready."

Milton Keynes Chamber of Commerce chief executive Paul Griffiths commented specifically on particularly areas of the Budget.

On Business Rates, the top campaign priority for Chambers of Commerce at the Spring Budget, he said:

"The business communities hardest hit by this year's business rates revaluation will breathe a little easier thanks to the Chancellor's decision to offer a package of transitional reliefs.

"We now challenge councils across England to use every penny of the new funding announced by the Chancellor to offer relief to the hardest hit businesses in their areas, without excuses and without delay.

"However welcome, measures that mitigate the short-term impact of business rate rises are little more than a sticking plaster. The radical changes needed to improve the broken business rates system will have to



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Savings



Training



Representation



Protection



International Trade



wait for another day. The campaign for radical reform – and an end to punishing levels of business property tax to ensure the Treasury raises enough to fund local services – continues.”

“The decision not to bring forward the switch in indexation from RPI to CPI will cost firms billions – bills they can ill-afford when taken together with other policy costs like the Apprenticeship Levy, pensions auto-enrolment and higher tax on insurance premiums.

“The government had an opportunity to re-visit the detail of reform to the appeals system but has not addressed the serious concerns ratepayers have. This will mean that more businesses seeking to correct an erroneous bill could go without redress.

“In the longer-term, fundamental change is needed, including stripping plant and machinery from rates assessments that does so much to discourage business investment.”

On international trade, Mr Griffiths said:

“There was a noticeable and disappointing absence of any new support for exporters, or measures to encourage international trade in this Budget. As we begin the Brexit process, it’s more important than ever to get UK businesses trading their goods and services with the world. The government must do more to incentivise and promote companies to be ambitious and trade to new markets.”

On the Making Tax Digital scheme, Mr Griffiths said:

“The temporary deferral of making tax digital for firms below the VAT threshold is a welcome step. However, while this will help to ease some of the administrative burden for our smallest businesses, there continues to be serious reservations about HMRC’s ability to deliver such a major undertaking. HMRC must ensure that the move to digital tax accounts does not create new burdens for businesses, and must work closely with the business community, accountants and other stakeholders on their plans for implementation.”

Our colleagues at the British Chambers of Commerce also focussed on specific areas that the Budget addressed.

On investment in technical skills, Dr Adam Marshall, Director General, said:

“Business communities across the country tell us that improved technical education and stronger workplace experience are needed to help them fill the skills gaps they face.

“These announcements represent an important step in the right direction over the coming years. Ensuring that businesses of all sizes, and in all regions, have an input into the design of the new system will be crucial to its success.

“Business, educational institutions and government need to work together over the coming years to ensure that parity of esteem between academic and technical education is achieved. The cultural and funding bias



towards academic routes that pushes young people toward A-levels and university still needs to be addressed.”

On ‘returnships’, Adam Marshall, said:

“Encouraging people back to work is crucial for providing businesses with the skills and talent that they need. Companies across the UK are facing skills shortages, and will welcome efforts to help those who have taken career breaks get back into business.”

On research and development, Mike Spicer, director of research and economics, said:

“Reducing the cost of accessing the tax credit will encourage investment in research & development which should boost the UK economy at a time when productivity growth remains weak. However, to ensure that UK firms remain competitive on the global stage it is vital that greater investment in research and development is supported by retention of our intellectual property.”

On digital infrastructure, Fiona Krasniqi, digital spokesperson at the BCC, said:

“We welcome the announcement on full-fibre broadband connection vouchers as businesses need faster and more reliable connections that also offer impressive upload and download speeds. The governments focus must now be on rural areas and existing business parks that still do not have superfast connections. The private sector will invest where there is a demonstrable return on investment and we would urge that the scheme is communicated effectively to the business community and providers.”

On 5G strategy, Fiona Krasniqi, said:

“We have long called for the UK to lead the world in developing 5G technology, so we are pleased to see the groundwork for this finally begin with the new National 5G Innovation Network. It is positive to hear that strategy will explore how to improve coverage on road and rail routes as businesspeople must be able to work successfully and without interruption whilst on the move.”

On changes to the tax system for the self-employed, Suren Thiru, Head of Economics, said:

“Many entrepreneurs and sole traders will be disappointed to see significant rises to their National Insurance bills over the coming years. Ministers need to ensure that these businesspeople, who make a significant contribution to the economy, also get the recognition and benefits that correspond to their contribution.”



Profile



Savings



Training



Representation



Protection



International
Trade



On the reduction of the dividend allowance, Suren Thiru said:

“Whilst the reduction is relatively small, this will come as a blow to many small business owners. Alongside changes to the tax system for the self-employed, the government risks undermining the UK’s entrepreneurial spirit.”