Autumn Statement – Business West reaction

James Durie, Chief Executive, Bristol Chamber of Commerce and West of England Initiative

"This was a sombre, not flashy, affair to reflect the national mood of economic and business uncertainty. We think the Chancellor judged the tone right, but also delivered on the substance: focusing on increased infrastructure investment in critical areas for our future economic health, even whilst our overall financial position is weakening."

"Businesses in Bristol and the West of England will welcome this focus on investment, particularly in areas where growth pressures are highest. To face the future confidently, the Chancellor has made some key announcements to reward economic success: notably in transport, housing, high tech and supporting local growth. Our growing and dynamic businesses will welcome these solid steps at a time when confidence needs bolstering."

"The Autumn Statement revealed that the UK faces a tougher fiscal position – the government has moved away from George Osborne's rules on deficit reduction and will increase public borrowing by £100 billion over the next five years. Given the challenge of Brexit – a major change for the UK economy, and potentially a major shock if negotiations go off course - future growth predictions for the UK economy have been downgraded and fast deficit reduction has been pushed into the long grass.

In this context, the budget was not a flashy affair. The Chancellor avoided long lists of tweaks to tax policy and sought to focus on improving the fundamentals. Business will welcome this approach: a budget should be about long term measures, not short term headlines. In particular, business will welcome the focus on infrastructure spending, including additional borrowing to invest in some of the key obstacles to growth that many local businesses face.

Much has previously been written about the need to invest more in infrastructure. For our city region the infrastructure deficit is glaring, with more investment needed, particularly in transport and housing, and obvious economic benefits that would come from reducing housing costs and congestion and improving connectivity.

The delay of implementing full rail electrification into Bristol and Bath and long time lines in tackling obvious traffic bottle necks in the city region, underline that the UK has for far too long failed to prioritise investment in these economic fundamentals, particularly if you are outside London. The shift in the government's emphasis is overdue.

The Chancellor announced a new wave of public investment – with an eye-catching £23 billion of spending announced on innovation and infrastructure over the next 5 years, via the new 'National Productivity Innovation Fund'. The government says it will target this spending at areas that are critical for productivity: housing; research and development (R&D); and economic infrastructure. In addition the Chancellor floated the idea of raising long term UK infrastructure spending levels to between 1 to 2% of GDP per year. This is in stark contrast to the rapid cuts to infrastructure spending after 2010, and is very welcome news to help counter current economic uncertainty.

Within this increase includes additional money and better focused policy on housing and transport.

On housing, the government announced an extra £2.3 billion housing infrastructure fund to help bring forward infrastructure "in areas of high demand", on a competitive basis. Our city region is undoubtedly an area of high housing demand, and this money offers a golden chance for our local leaders to increase the number of much needed homes. To do this though, our local leaders also need to be prepared to be ambitious and take on some of the entrenched voices against housing developments – if they can't there is a danger that the money will go elsewhere.

The greater flexibility on affordable housing should also make it easier to deliver more homes in the right places.

On transport, the Chancellor announced an additional £1.1 billion by 2020 21 in new funding to relieve congestion and deliver much-needed upgrades on local roads and public transport networks. This appears to be additional to previous government announcements on extra road spending, and raises hope that our area will see action to tackle Bristol's congestion.

To further support local growth, the Chancellor has also announced greater levels of money for local growth funds and new borrowing powers for Metro Mayors. The government will award £1.8 billion to Local Enterprise Partnerships (LEPs) across England through a third round of Growth Deals, £191 million of which has been set aside to the south west. Bristol and the West of England will warmly welcome greater borrowing flexibility for Metro Mayors, given the scale of Bristol and Bath's likely transport and infrastructure investments over the coming years. It is good news to see the government putting further money behind its devolution push – as local decision makers will need the resources to deliver on their agreed deals.

There were also new statements on improving digital communications and broadband. The government will invest over £1 billion by 2020-21 targeted at supporting the market to roll out full-fibre connections and future 5G communications. This will be good news for those areas which have existing coverage, but may not target the ‘not spots’ of some of our rural areas.

High knowledge and tech firms will also be cheered by an additional £4.7 billion by 2020-21 in R&D funding. This extra £2 billion a year by the end of this Parliament is an increase of around 20% to total government R&D spending. Also welcome was news that the government would put £400 million into the British Business Bank to help new start up tech firms build their future growth without having to sell up to major foreign firms.

Finally, government has also started to put some money behind its emphasis on growing UK trade. It is doubling UK export finance capacity to overcome some financing obstacles. However, whilst welcome, this needs to be followed on with a wider suite of measures to make it easier for small and medium firm to overcome the range of challenges they face when breaking into new markets. Export finance is often good for larger companies, but is less pertinent for the range of first time exporters that the UK will need to spur its new trade ambitions. We look forward to future action here. ”

Key Autumn Statement Highlights

* A new National Productivity Investment Fund will add £23 billion in high-value investment from 2017-18 to 2021-22. The government will target this spending at areas that are critical for productivity: housing; research and development (R&D); and economic infrastructure

* Housing Infrastructure Fund – a new Housing Infrastructure Fund of £2.3 billion by 2020-21, funded by the NPIF and allocated to local government on a competitive basis, will provide infrastructure targeted at unlocking new private house building in the areas where housing need is greatest. This will deliver up to 100,000 new homes. The government will also examine options to ensure that other government transport funding better supports housing growth

o Affordable homes – the government will relax restrictions on grant funding to allow providers to deliver a mix of homes for affordable rent and low cost ownership, to meet the housing needs of people in different circumstances and at different stages of their lives. The NPIF will provide an additional £1.4 billion to deliver an additional 40,000 housing starts by 2020-21.

* Roads and local transport – The NPIF will provide an additional £1.1 billion by 2020 21 in new funding to relieve congestion and deliver much-needed upgrades on local roads and public transport networks.

• Digital communications The government will invest over £1 billion by 2020-21, including £740 million through the NPIF, targeted at supporting the market to roll out full-fibre connections and future 5G communications.

* Research and development –To help boost UK productivity the NPIF will provide an additional £4.7 billion by 2020-21 in R&D funding. This extra £2 billion a year by the end of this Parliament is an increase of around 20% to total government R&D spending

• UK Export Finance (UKEF) – The government will provide additional support through UKEF to ensure that no viable UK export should fail for lack of finance or insurance from the private sector, by:

o doubling its total risk appetite to £5 billion, and increasing capacity for support in individual markets by up to 100%; this will be supported by an improved risk management framework and the use of private insurance markets to reduce Exchequer exposure

o increasing the number of pre-approved local currencies in which UKEF can offer support from 10 to 40, enabling more overseas buyers of UK exports to pay in their own currency

• Local infrastructure – The government will award £1.8 billion to Local Enterprise Partnerships (LEPs) across England through a third round of Growth Deals. £556 million of this will go to the North of England, £392 million to LEPs in the midlands, £151 million to the east of England, £492 million to London and the south east, and £191 million to the south west.

The government also announced giving mayoral combined authorities powers to borrow for their new functions, which will allow them to invest in economically productive infrastructure, subject to agreeing a borrowing cap with HM Treasury. The government will also consult on lending local authorities up to £1 billion at a new local infrastructure rate of gilts + 60 basis points for three years to support infrastructure projects that are high value for money.