BUDGET 2023: KEY POINTS FOR COLD CHAIN BUSINESSES

On the 15th March, the Chancellor of the Exchequer delivered his Budget, focusing on stability, calming the markets and setting the position ahead of a potential general election.

You can find the relevant documents, including the Red Book here. You can also read a House of Commons summary here.

For cold chain businesses, the announcements which will be most directly felt include the confirmation of the extension of the Cold Chain Climate Change Agreement to 2027, changes to corporation tax and freezing of fuel duty.

This was the first 'normal' budget in three years after COVID, the Liz Truss mini-budget and then the autumn statement that undid everything in the budget that went before. This was all about getting back into the normal flow of economics after such an intense period.

OVERVIEW – THE STATE OF THE ECONOMY

The chancellor outlined the state of the economy and laid down his vision for growth. The UK will technically avoid a recession this year.

- Since the Autumn statement, inflation has peaked. By the end of this year, the Office Budget Responsibility (OBR) reports it will be more than halved.
- The IMF says the current approach means the UK economy is on the right track.
- The OBR forecast that the UK will not enter a technical recession this year.
- Despite continuing global instability, OBR report that inflation will fall from 10.7% in the final quarter of 2022 to 2.9% by the end of 2023.
- The budget is to be in surplus in the final 2 years of the forecast, which means they will only borrow for investment, and not day-to-day spending.
- OBR predicts that the economy will grow every year in the forecast period – up to 1.9 per cent growth in 2027.
- The unemployment rate will rise by less than 1 percentage point this year.

ENERGY

The big energy news for domestic users is that the energy price guarantee holding prices at £2,500 for the typical household will continue for a further three months to 1st June 2023. It will increase to £3000 after that.

For businesses, there is no change to the already announced replacement of the price cap scheme to the new Energy Bills Discount Scheme which is not a cap but a small discount on the price paid once prices rise above a certain threshold – see our specific briefing on this here.

CLIMATE CHANGE AGREEMENT

The big news from a cold chain perspective in the Budget statement was the decision to extend the Climate Change Agreement scheme past its current end date of April 2025 into at least 2027. This is a big win arising out of long-term engagement by CCF (and our scheme partners Jacobs Engineering) to call for continued access to this important tax discount. The scheme has also been opened up to new entrants who will be able to apply to join in a window stretching between May and September 2023.

It means that cold store operators can continue to receive the 90% discount on the climate change levy tax they would otherwise pay on their energy bills for a further 4 years. It will also mean that CCF will continue to be able to invest and grow its Cold Chain Energy service with this robust foundation in the medium term.

The new Target Period for the scheme will last for a single year (2024), with the efficiency target to be confirmed by the end of 2023 – we are awaiting further news on the specific target and will be looking to challenge this if it is deemed to be unrealistic for businesses.

It is not all good news. The scheme will come with tougher energy efficiency targets than the stretching ones already in place, new reporting requirements and an increased 'buy out' penalty for businesses that don't meet their energy efficiency target.

The buyout price will increase to £25 T/CO_2e up from £18 in the current scheme and £12 in 2016. So that means the buyout cost has more than doubled in the past 8 years. As part of the announcement a consultation has been launched on the detail, which we will be reviewing and responding to by the May deadline.

No decision has been taken on whether a scheme will continue, or in what form after 2027. Full details on the CCA announcement and information on the government consultation, can be found here.

CORPORATION TAX

In April 2023, the rate of corporation tax will increase to 25% - it is currently 19% for some businesses. This will be on profits over £50,000.

The idea is that this tax hike is softened by the commitment to a renewed capital investment incentive termed "full expensing", which offers 100% first-year relief (full deduction from taxable profits) to companies on qualifying new main rate plant and machinery investments from 1 April 2023 until 31 March 2026.

FUEL DUTY AND OTHER LEVIES

Fuel duty is again frozen at 52.95 pence per litre (ppl). This means a 13th year in which the promised inflation-linked increase has not happened (well done The Sun) and also that last year's 5p cut is maintained.

It is a game that is played every year, there is a pretence that fuel duty could have increased and that the freeze is temporary, but nothing is temporary for 13 years and as and when a decision is taken to unfreeze rates it will start a whole new scale.

Vehicle Excise Duty on HGVS will remain frozen in 2023-24, and the proposed newly reformed HGV levy will take effect from August 2023 which is the end of the levy suspension period. The new HGV Levy organises levy payers into three bands based on the environmental rating of the vehicle (i.e. you pay the least if your vehicle is Euro VI) – more information on this can be found here, although the government is yet to publish final details for the proposals.

SKILLS

A significant element of this budget was trying to get people back into work, either parents, people who are a little bit older or thinking about taking their time on the sun lounger a little bit earlier than state pension age. We saw a raft of measures to combat this.

The headline announcement was an increase in funding for free childcare for every child over 9 months. This will be introduced in stages, starting in April 2024.

The Department for Education will introduce a new apprenticeship targeted at the over-50s – 'returnerships' – operating alongside the likes of Bootcamps, focused on flexibility and re-up-skilling.

The announcement of the Health and Disability Whitepaper sets out how those with disabilities will have the right support, opportunities, and incentives to move into and remain in work. The Work Capability Assessment will also be abolished. £40m allocated to extend further and higher education participation in Northern Ireland.

SHORTAGE OCCUPATION LIST

Labour shortages in certain sectors, including across the logistics industry, have been a major theme of the last couple of years. The Migration Advisory Committee (MAC) has the job of deciding which occupations are in sufficient need to be added to the Shortage Occupation List (SOL), making it easier for overseas workers to come to the UK to work provided they meet certain criteria.

Published as part of the Budget was the MAC's review into labour shortages in the construction and hospitality industry. This review has led to a number of construction roles added to the SOL, announced during the Budget. The review decided that hospitality roles had bounced back from their low point and while the sector remains 'under review', no hospitality roles have been added to the SOL.

We know labour issues are still significant for cold chain businesses, particularly in warehouseing roles. We continue work with other industry bodies to highlight this to the MAC, however the current anti immigration politica in the UK at the moment makes it extremely unlikely that further changes to the SOL will be made until the next government is in place.

FOR FURTHER INFORMATION OR FEEDBACK ON ANY ISSUES IN THIS BRIEFING PLEASE CONTACT TOM SOUTHALL POLICY DIRECTOR tom@coldchainfed.org.uk