Rt Hon Jeremy Hunt MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

8 September 2023

Dear Chancellor,

We support your vision for the UK economy and the recent steps you've taken to implement this. They've continued to harness economic stability and promote a growth-minded environment, despite the challenging fiscal backdrop. This is firmly in line with the CBI's mission to speak for businesses of all sizes and sectors, across the whole economy, to ensure sustainable growth for the benefit of society in every UK nation and region.

Your commitments over the past few months have taken important steps towards this shared ambition. From the Budget to the Mansion House speech, they've provided confidence to business that the positive impacts will be felt not just by industry, but by people too.

But as you know, firms continue to face headwinds to growth in the near term. Despite inflationary pressures starting to fall, wage costs continue to rise strongly, and demand is precarious following successive interest rate rises. As a result, firms up and down the country will continue to balance difficult pressures through the winter. The higher cost of capital is also taking its toll on investment, with the CBI's composite measure suggesting that firms intend to cut back on capital expenditure over the next 12 months.[1]

The best action we can take, is to create an environment that unlocks business investment in service of sustainable growth and sets out a vision for the UK on a global stage. To do this, it's critical we give firms policy certainty and confidence to increase investment and capacity in our economy.

This Autumn, we must prioritise catalysts for sustainable growth, setting the groundwork for long-term prosperity.

Keeping in mind your focus – long-term, sustainable economic growth that delivers prosperity for all, through the four Es of Enterprise, Education, Employment and Everywhere – CBI members[2] have identified three areas of focus this Autumn. Each will unlock investment and help us capitalise on new economic opportunities, and in turn, deliver greater productivity, competitiveness, and growth.

1. Enterprise: Deliver an internationally competitive business environment. It's critical that the UK is seen as *the* place for firms to grow, scale and list. Essential to this, is the UK's investment environment. To invest, businesses need both certainty and competitiveness in areas like tax and finance, speed and consistency on planning, and a proportionate and pro-innovation based regulatory system. For FDI, the UK must also create an environment that proactively seeks and facilitates FDI, with a clear vision of the UK's strengths on the global stage. By utilising the above core levers, the UK can strive to provide the most competitive business environment. This includes:

a. **Make full expensing permanent to unlock business investment across the economy.** For business, where investment decisions can take years to deliver and see returns, certainty that the policy will continue beyond its current three-year window is critical. CBI analysis[3], shows that a permanent full expensing regime could boost business investment by 21% (£52.8bn p.a.) and GDP by 2% by 2030/31 – with the benefits felt across the economy, as critical infrastructure and keystone investments support whole supply chains. Announcing a permanent regime now will allow full expensing to be considered in investment plans, especially where the UK is not the only option where the investment could be made.

[1] CBI, Growth Indicator, August 2023
[2] Details of CBI member consultation and engagement for Autumn Statement are outlined in the submission.
[3] CBI and Oxford Economic Analysis, September 2022

b. **Wider measures: Create a tax environment that incentivises investment and innovation.** Alongside making full expensing permanent, **freeze business rates** in England and Wales from rising with inflation and introduce an internationally competitive **R&D tax credit scheme** which includes **bringing capital and social sciences within scope.**

2. Employment and Education: Mobilise the potential and productivity of the UK's workforce. To ensure the UK can deliver sustainable growth, we must remove barriers to work – including helping people gain the skills they need for the jobs of the future – while also supporting firms to enhance productivity through adoption of technology. With significant progress made at the Spring Budget, this autumn is another critical juncture. Firms recognise the need for productivity gains, rather than only labour supply for growth. But labour shortages are currently proving a barrier to investment. To help address this, the government should:

c. **Announce a two-year pilot to turn the Apprenticeship Levy into a "Skills Challenge Fund"**, enabling firms to spend the fund on a more flexible variety of accredited and modular training supporting the upskilling and productivity growth our economy needs. CBI survey evidence shows levy-payers would invest an additional 30% of their levy over the next 12 months under this policy.[4]

d. **Wider measures: Use a package of measures to boost the supply of labour and support tech adoption**, including delivering a progressive **expansion of non-taxable health support** for employees – starting with mental health, and delivering on commitments to **provide a targeted SME subsidy for procuring occupational health services**.

3. Everywhere and Enterprise: Realise the UK's net zero growth opportunity. For businesses, the journey to a net zero economy is not just a moral imperative but a vital economic opportunity. Despite fierce international competition and a challenging operating environment, businesses remain confident that the economic opportunities of net zero remain within grasp. It isn't just about public investment, but setting out policy longevity and detail that gives firms confidence to invest. We can capitalise on our opportunities by:

e. **Cut wait times to build electricity transmission infrastructure and obtain grid connections, including replacing the first-come, first-served model in grid connection queues and prioritising strategic projects.** Five times as much grid infrastructure needs to be deployed in the next seven years than has been in the last 30 years. It's crucial to connect over 70GW of new renewable capacity, meet rising electricity demand and create new jobs.

f. **Wider measures: Set out a response to the Inflation Reduction Act (IRA) by introducing a range of investment incentives for domestic investment and FDI.** While we can't outspend the USA and EU, we can outsmart in our approach. This includes **announcing plans to establish a Net Zero Investment Plan, introducing a targeted 'green' super-deduction and bringing forward proposals for next steps to mitigate carbon leakage.**

Together, government and business can raise the ambition of our economy, delivering a sustainable, future-focused and prosperous UK for all.

We would value a meeting with you to discuss these ideas and look forward to working with you and your team to deliver sustainable growth across our nations and regions.

All best wishes,

Rain Newton-Smith
Director-General

Louise Hellem

Louise Hellem
Chief Economist

[4] CBI Education and Skills survey from Skills: creating the conditions for investment, 2022

Summary of Top Recommendations

Pillars	Delivering sustainable growth for every region and nation	Annual Exchequer cost[5], [6]
	Deliver an internationally competitive business environment	
Enterprise	**Make full expensing permanent to unlock business investment across the economy.** CBI analysis shows permanent full expensing could drive significant investment and boost GDP in the long-term. And for many of the largest firms, where investment decisions take years to make, certainty that the policy will continue beyond its current three-year window is critical, especially where the UK is not the only option for where the investment could be made.	**2024/25:** £Nil **2025/26:** £Nil **2026/27:** £0.8 - £2.9bn **2027/28:** £4.1 - £6.0bn **2028/29:** £1.5 - £3.3bn
Enterprise	**Freeze the England and Wales business rate multiplier for another year while inflation is still significantly above target.** Given the high levels of inflation in the economy that businesses are facing, this would significantly add to the business tax burden and increase consumer prices.	£2.2bn
Enterprise	**Introduce a 'best of all worlds' and globally competitive R&D tax credits scheme** by bringing capital expenditure and social sciences within scope, like in Ireland and France.	**Capital:** £390m - £410m **Social Sciences:** £Unclear
	Mobilise the potential and productivity of the UK's workforce	
Education	**Announce a two-year pilot to turn the Apprenticeship Levy into a "Skills Challenge Fund",** helping to increase investment by levy payers by an additional 30% over the next 12 months.	£300-350m (each year of the pilot)
Employment	**Expand non-taxable health support for employees,** especially for mental health, kickstarted by making all Employee Assistance Programmes (EAPs) a fully tax-free benefit.	£35m - £60m
Employment	**Deliver on commitments to provide a targeted SME subsidy for procuring occupational health services,** delivering a suggested 80% relief on the cost.	£Nil
	Realise the UK's net zero growth opportunity	
Enterprise, Everywhere	**Decrease waiting times to build electricity transmission infrastructure and speed up the process for obtaining connections to the grid.** This includes: a. **replacing the first-come, first-served model** in grid connection queues, b. **publishing a new National Policy Statement for Energy Networks** and c**. establishing a more strategic approach to energy planning** that clearly sets out the grid infrastructure that is needed across the country.	£Nil
Enterprise, Everywhere	**Set out a response to the US Inflation Reduction Act (IRA), introducing a range of investment incentives.** This includes: a. **announcing plans to establish a Net Zero Investment Plan** (with delivery timelines), identifying investment gaps with the intention of crowding in private finance, b. **introducing a targeted 'green' super-deduction** for both incorporated and unincorporated businesses, with a first-year allowance rate of at least 120% and c. **bringing forward proposals to mitigate carbon leakage before 2024,** including for how it will protect both importers and exporters.	**Investment plan:** £Nil **Green super-deduction:** £350m - £700m **Carbon leakage:** £Nil

[5] Static cost – does not take account of the positive economic impact; aggregate cost for each policy package. Throughout this table figures have been rounded where appropriate.
[6] All information of the following costings can be found within the submission

Delivering sustainable growth for every region and nation

The Spring Budget provided a strong narrative for stability and growth, setting the right tone in challenging economic circumstances. Many of our member calls were answered, welcomed by businesses right across the UK. Measures announced, including enhancing childcare provision, increased support for occupational health, full capital expensing for three years, and investment zones focused on creating prosperous economic clusters, will help to increase the UK's competitiveness. While further measures in July's Mansion House address - making the UK a more attractive destination in which to start, run and grow a business, alongside improving the environment in which investors can play a more pivotal role in high-growth scale up businesses - continues to be vital. Business also remains committed to helping deliver on the government's ambition to make science, tech and innovation a key foundation underpinning UK growth.

Only continuing with ambitious strategies like these will create a more productive, sustainable UK economy, better equipped to compete with our counterparts across Europe and the G7.

But we cannot be complacent. While progress has been made, there remain key challenges this Autumn. Despite welcome signs of inflationary pressures easing, the current high-cost environment for both businesses and consumers remains a significant challenge. Government is right to prioritise tackling these. And at the same time, we must continue to grow the potential of our economy, increasing sustainable growth without adding to inflation. Jobs and businesses depend on it.

Our focus must be on boosting the economy's productivity at both a regional and national level by unlocking business investment from both domestic and FDI sources. And with around 6 in 10 adults (62%) in Great Britain spending less on non-essentials because of the rising cost of living[7], we cannot rely on household spending to drive growth. Business investment will ultimately help to reduce costs, drive sustainable levels of growth, and deliver prosperity across the economy.

Unlock business investment in service of growth for the whole of the UK.

As the CBI's latest economic forecast shows, while the UK is no longer set to enter a recession this year – a welcome confidence boost for businesses and investors – we still need to go further.[8]

Although there are many stories of successful investment across the country, and the UK remains a good place to invest, competitiveness is weakening in some structural areas of the economy. The global environment is also becoming increasingly competitive, especially in green industries through large financial packages already in deployment across the US and EU. Inaction risks sending the wrong signal to investors and undermining our competitiveness. To realise UK ambitions, the government must ensure it is doing everything possible to equip business to compete.

We should build on the four Es of economic growth and prosperity: Enterprise, Education, Employment and Everywhere, tackle the systemic issues businesses are currently facing and deliver sustainable growth for all regions and nations. This will require close partnership between government, industry and educators.

As a result, the CBI's Autumn Statement submission is centred on three pillars to unlock business investment in service of achieving growth 1**. Delivering an internationally competitive business environment**, 2. **Mobilising the potential and productivity of the UK's workforce** 3. **Capitalising on the UK's net zero growth potential.**

[7] ONS, Cost of living insights: Spending, August 2023
[8] CBI, Economic Forecast, June 2023

How CBI members have shaped this Autumn Statement submission

The CBI is committed to demonstrating transparency, democracy and an evidence-led approach to engagement and policy development. This ensures we can build robust industry-led policy solutions fit for future sustainable growth, in collaboration with government.

Since the Spring Budget, we have been consulting members and developing our thinking on business priorities. Each of these interactions have helped shape the CBI'S Autumn Statement submission, which include feedback from leading CEOs, entrepreneurs, and small businesses, across our nations and regions, sectors and utilising the CBI's Trade Association network.

Following the Budget, we collated feedback from members, looking at what was welcomed and where the government could go further next time – forming the beginning of our Autumn Statement consultation. Alongside qualitative feedback, this included a member survey, which ran from 15 March – 22 March, and received 163 respondents.

Between March – August, the CBI conducted detailed interviews with over 30 multinational companies, either headquartered in the UK or abroad, across a range of sectors from life sciences and defence, to advanced manufacturing on 'How the UK can better attract foreign direct investment'. We also consulted Trade Associations representing the pharmaceutical, tech and automotive sectors, and heard directly from overseas economic bodies in Texas, California, and other federal states, as well as from other international business federations.

Throughout May, we convened over 1,000 business leaders from member companies, to identify where they wanted the CBI to focus its policy development and influence. This also included 269 survey responses. From the survey and across many conversations with businesses, the most critical economic and national issues identified were:

- The future of work and skills.
- Establishing the UK as a leading, internationally competitive location for business.
- Tackling climate challenges and the energy transition.

To explore these issues in greater detail, in June and July the CBI held a series of member listening sessions focused on the biggest levers to stimulate sustainable growth for UK Industry as part of our Autumn Statement work. From the future of work to spurring on regional growth, the CBI heard from over 55 member organisations including Trade Associations and SMEs.

The listening sessions heard insight on policy priorities from planning reforms and tax incentives to future-focused regulation and Government continuing to play its critical role as a market-maker.

- 5 July - Equipping industry for the future of work
- 6 July - Establishing the UK as a leader in innovation and green growth
- 10 July - Ensuring the UK is a leading, internationally competitive location for business
- 11 July - Driving sustainable growth, across our regions and nations
- 17 July - dedicated session with sector trade associations representing, as a whole, 9,374 businesses, organisations and professional bodies
- 19 July – dedicated SME session which also discussed multi-year policy priorities

Beyond the listening sessions, the CBI has also held over 70 one-to-one meetings with members specifically on Autumn Statement priorities, covering topics like innovation, decarbonisation, workforce health and childcare policy. Alongside, 6 further policy specific working groups with 66 members in attendance. These included taxation (such as green, indirect and direct taxes), AI, R&D, and labour market and skills.

Autumn Statement member consultation has been conducted in addition to 'Business as usual' (BAU) member engagement and consultation. As a result, feedback from our BAU engagement, has also been captured, considered, and reflected throughout our Autumn Statement proposals.

1. Deliver an internationally competitive business environment

At Spring Budget, the government made significant and welcome moves to unlock business investment across areas like tax and regional policy. This built on the work of the Autumn Statement (2022), which set out to provide greater market confidence, and support firms with the cost of business challenge.

But with net debt reaching levels not seen since the 1960s and the interest burden amounting to 10% of total expenditure[9], there's still more work to do if we're to achieve the government's aim of long-term sustainable economic growth and strengthen public finances. Here, the private sector's role will be crucial and UK businesses are committed to play their part if we can deliver the right competitive business environment.

As a result, business has identified several existing strengths we should further leverage to support growth – including innovation and tax policy, and identified areas of future strengths we should build on, like planning and regional growth. Each are areas of economic policy that can really make the difference between a business choosing to invest in the UK or not.

Taken together, getting these foundations of growth right will help deliver a truly internationally competitive business environment, which attracts FDI and unlocks domestic investment in service of growth across our nations and regions.

A future-focused UK must continue to harness existing strengths to optimise UK competitiveness…

Investment through the tax system

With inflation and cost pressures persisting, it is essential to ensure the tax regime is balanced, provides certainty, and incentivises investment in service of government objectives. As part of this, the government should make full expensing permanent – to drive the long-term investment and growth the UK needs. Government should also look to ensure investment is sustainable, with a plan to support greener growth through the tax system. Focusing on areas where the UK is a world leader and supporting R&D and adoption of greener tech, could mean the difference between following and leading the pack.

As we look beyond the autumn, the government should create a tax system that is internationally competitive, proportionate and enables both long-term planning and sustainable funding for our public services. This should be achieved through a tax roadmap which would support businesses and people to navigate the transition to sustainable growth, including future-proofing the tax system in areas like transport, allowing for greener choices and creating a tax environment that supports sectors to thrive. The CBI has published its own Tax Roadmap which sets out where the business tax system could benefit from a comprehensive plan, including looking at how tax policy is designed and administered for a competitive UK economy.

Supporting the UK to be an innovation superpower

Innovation and tech will be essential for addressing UK labour market challenges, reaching net zero and building new and emerging sectors. That's why business welcomes the government's recognition

[9] ONS, Public sector finances, UK: July 2023

of the importance of science, tech and innovation for future UK competitiveness and growth. It has sent strong signals of its commitment to support innovative businesses, including via the establishment of the Department for Science, Innovation and Technology, its Science and Technology (S&T) Framework, and securing the much-welcomed association to Horizon Europe, facilitating essential collaboration on research and innovation. It is now time to back these up with action on all aspects of the S&T Framework. This includes delivering long-term domestic R&D funding commitments, and addressing long-standing challenges, such as improving innovation procurement.

Getting regulation right will also ensure the UK is a leading site for investment in the industries of the future. Here, the UK is at a critical juncture, with multiple frameworks and pieces of new legislation on the horizon. On digital technologies in particular, government has sent positive signals with the AI White Paper and Pro-innovation Regulation of Technologies Review. Next steps should involve establishing an Office for Future Regulation to coordinate and drive forward the pro-innovation principles identified by the review. This will spur business investment through improved coordination and long-term certainty on forward-facing regulation.

Supporting financial services and access to finance

Innovative startups and scale-ups need investment to grow. But equity finance is tightening, with a 47% reduction between the first and second halves of 2022[10]. Venture capital schemes have been a spur to high-growth companies, but the 2025 sunset clauses are causing uncertainty and will lead to a cliff-edge in investment, when businesses need it most. Their restrictive allowances are also curtailing R&D intensive scale-ups, who need larger investments to develop, commercialise and scale their products.

Financial Services regulation also plays a vital role in supporting growth and competitiveness. The government should maximise regulation as a cost-free lever for growth by continuing to remove uncertainty, identify sectoral regulatory levers that can boost competitiveness, and shift the focus of regulation towards delivering better outcomes. This will have a broader impact by allowing businesses to access innovative payments and finance solutions, with significant growth potential that can secure efficiencies, cost savings and intelligence gathering.

The significant Mansion House reforms will also play another critical role. Unlocking pension funds to channel more investment to growth companies and infrastructure will help maintain the UK's position as a global business centre.

Future strengths we can begin to build on to deliver a competitive business environment…

Addressing blockers to investment with planning reform

Planning is a perennial issue which is stifling growth. The current system is deemed to too slow and cumbersome, adversely impacting on the delivery of much-needed housing, infrastructure, and net zero investment. Businesses from energy, construction and manufacturing to housing developers and retail, all cite inconsistencies and variations in planning practices based on local politics. This undermines investor and contractor confidence. The burdensome nature of the current system also means firms spend too much time on bureaucracy and less on delivery. If the UK wants to be a world leader in the built environment and boost growth, this has to change. Planning reform this autumn could reinvigorate delivery and ensure planning is rightly treated as an economic enabler, rather than a political issue.

Unlocking FDI and exports

To really ensure the UK can secure sustainable levels of greater growth, we must supercharge our FDI and exporting potential. Business sees the Department for Business and Trade as an excellent Investment Promotion Agency. But there is a sense that the focus can often be skewed towards

[10] British Business Bank, Small Business Equity Tracker, 2023.

winning projects from new investors, rather than also supporting existing investors. And when large investments are secured, there needs to be a clear partnership with government on timely delivery and to ensure that the venture can grow, including through export opportunities. If the UK is to maintain its position as a leading investment destination in Europe, securing new investment in emerging industries will be crucial. But this shouldn't be at the expense of encouraging existing multinationals with a large footprint here, to invest. To support this dual approach of attracting new and existing investment, the government should prioritise a 'how can we make investments happen,' mindset. Ensuring we remove as many obstacles as possible for investors.

Alongside supporting FDI, the government should address the UK's low levels of exports, which remain a black spot on the UK's growth journey. UK businesses need both financial and non-financial support to increase exports, from the identification of opportunities to a more consistent and easily navigable offer across our regions and nations. This will help put the UK on a more even footing with international competitors, who are providing greater levels of financial and marketing support, for example via international exhibition pavilions.

Empowering local government

To really achieve sustainable growth, we also need to further empower our nations and regions, so they can tailor their growth plans to local needs and the local economy. This will be critical if we're to see greater and more equalised growth across our nations and regions. To support this, Mayoral Combined Authorities (MCA) need greater funding visibility to plan strategically. But a number of MCAs do not have the current capabilities to achieve this due to the absence of trailblazer devolution deals that provide streamlined, single pots of funding. This autumn, the government should build on the success of existing devolution deals in England – which were much welcomed for Greater Manchester and the West Midlands at the Spring Budget – and roll these out to areas that currently do not have deals in place.

Across this chapter, we've identified several levers the UK can pull to deliver an internationally competitive business environment, giving the UK its best chance at harnessing world leading growth. These include:

- Unlocking investment through an incentivising tax system, better utilising the tax system to alleviate cost pressures and creating a smarter and more simplified tax system.
- Unlocking greater investment by streamlining the UK's planning system and accelerating infrastructure delivery to support growth across the UK's nations and regions.
- Maintaining the UK as an innovation superpower
- Stimulating economic prosperity across the UK's regions and nations
- Supporting access to finance across the economy
- Stimulating exports and increasing FDI competitiveness

Pillars	Policy solutions to deliver an internationally competitive business environment	Annual Exchequer cost[11]
	TAX	
	Unlock investment through an incentivising tax system	
Enterprise	**Make full expensing permanent to unlock business investment across the economy.** Businesses need certainty over the long term to back the UK with vital investment, such as in critical infrastructure the UK needs. CBI analysis shows permanent full expensing could deliver a shift change in UK investment and boost GDP in the long-term[12]. Whilst welcomed, the temporary nature of the existing measure fails to unlock this vital opportunity. For many of the largest businesses, where investment decisions take years to make, certainty that the policy will continue beyond its current three-year window is critical. This will allow full expensing to be considered in investment plans being made now, especially where the UK is not the only option for where the investment could be made. Permanent full expensing should also be extended to support the circular economy by covering leasing or providing assets for rental.	**Full expensing made permanent from 2026/27:** 2024/25: £Nil 2025/26: £Nil 2026/27: £0.8 - £2.9bn 2027/28: £4.1 - £6.0bn 2028/29: £1.5 - £3.3bn[13] **Leasing inclusion:** £170 - £280m[14]
	Better utilise the tax system to alleviate cost pressures	
Enterprise	**Freeze the England and Wales business rate multiplier for another year while inflation is still significantly above target** Freeze the uniform business rate (UBR) multiplier for the 2024/25 financial year. The multiplier typically increases each year in line with CPI. Given the high levels of inflation in the economy that businesses are facing, this would significantly add to the business tax burden – much of which would have to be passed on to consumers.	£2.2bn[15]

[11] Static cost – does not take account of the positive economic impact; aggregate cost for each policy package. Throughout this table figures have been rounded where appropriate.

[12] CBI and Oxford Economic Analysis, September 2022

[13] This ask does not provide an additional tax deduction over the life of the asset but instead speeds up the timeframe over which the tax deduction is made. The costings are static and do not account for the behavioural response of firms increasing their total investment on account of the policy. Changing the relief to permanent would have no fiscal cost to the Exchequer up to 2025/26, as the cost is already anticipated, from 2026/27 to the end of the scorecard period there would be a net fiscal cost to the Exchequer from businesses benefitting from receiving tax deductions in a more timely manner. There is a significant net cost to the Exchequer in 2027/28; this would otherwise have been the first year the Exchequer realised tax gains from the temporary measure. We would expect, despite additional costs over the scorecard period, the net benefit to the economy through greater investment would boost economic growth in the long term and therefore generate greater tax revenues. There may also be some redistribution of investment spending in the short term as the measure is no longer temporary, reducing immediate costs. Upper and lower bound figures are given because data is not available to disaggregate investment spend on Transport Equipment into qualifying and non-qualifying expenditure. The lower bound assumes no Transport Equipment qualifies while the upper bound assumes all qualifies.

[14] The cost to the Exchequer is borne out from foregone corporation tax as a result of the relief. The analysis uses Finance and Leasing Association (FLA) data on the value of leasing and types of leasing in June 2023. The range provided is due to data limitations on type of assets that would not be included within the scope of the relief. The lower limit excludes all leasing of vehicles while the upper limit includes it – we would expect the actual cost to be somewhere between the two.

[15] With the business rates multiplier up-rated each year in line with CPI inflation, we estimate a £2.2bn cost for 2024/25 based on a 7.0% inflation forecast for Q3 of 2023 (Bank of England Monetary Policy Committee Forecasts) – when the rate is set each year.

	To avoid this large increase while economic conditions remain uncertain – alongside any further inflationary effect on consumer prices – the multiplier should be frozen at current rates for another year.	
Enterprise	**Expand VAT relief for business donations of goods to charities.** Currently, businesses can donate goods to charities for sale, hire or export without having to be charged VAT. However, goods used by charities or given to people in need are taxed. Businesses call on the government to urgently rectify this inconsistency to help address the cost-of-living crisis. Businesses are incurring carrying costs for unsold stock, with volumes having increased due to challenging trading conditions in the retail sector, and are discouraged from donating these at scale, impacting profitability and preventing the growth of the civil society sector. If VAT relief was expanded, this would increase access to many essential household products for struggling families and benefit the environment through supporting a circular economy by reducing unsold goods going to waste, and a welcome easement for the retail sector.	£Negligible[16]
Enterprise	**Review Approved Mileage Allowance Payments (AMAP) set by HMRC (approved by HMT) where employees use their own cars for business travel and update these annually from 6 April 2024.** With the significant rise in fuel costs since the last update 12 years ago, the current rates are no longer fit for purpose. This has resulted in employees being left out of pocket, adding to cost-of-living challenges and in some cases, discouraging employees from making business trips that are essential to commercial operations. Employers are refraining from paying higher rates due to the additional tax and extra administrative reporting requirements. HMRC should commit to annual reviews to give businesses assurance.	£110m[17]
Enterprise, employment and everywhere	**Review Overseas Scale Rates set by HMRC (approved by HMT) to cover travel and subsistence costs reimbursed by employers, and benchmark these annually from 6 April 2024 with industry stakeholder engagement.**	£Unclear[18]

[16] The cost to the Exchequer materialises through foregone tax revenue, specifically from VAT levied on goods that are donated by businesses to charities, for their own use or further donation to those in need. There is very limited publicly available data regarding the total value of goods donated by businesses to charity, preventing calculation of the current tax base and potential cost to the Exchequer of a change in VAT relief. The cost is expected to be minimal as the primary objective of the policy is unlocking donations that currently do not occur due to the VAT barrier and therefore there is no associated cost with the majority of the foregone donations.

[17] Inflating mileage rates in line with growth in motoring costs since they were last updated in 2011 would result in increased AMAP thresholds – at a rate of £0.60/mile for cars and vans, and £0.32/mile for motorcycles. The cost to the Exchequer is borne out from tax losses from the employee and employer side, namely Income Tax Corporation Tax, Class 1, and Class 4 NICs. This analysis has not included the self-employed due to poor data availability. This analysis draws on survey data and the Department for Transport's *National Transport Survey*. To mitigate the effects of COVID analysis has been conducted using 2019 data and nowcasted.

[18] This costing estimation would depend on a large number of factors including current exchange rates and local inflation rates, covering several countries.

	These were last reviewed in 2019 before the COVID pandemic and the subsequent onset of high inflation globally. As the rates are now no longer sufficient, businesses are facing a significant administrative burden in processing expense claims, and employees being paid the current flat rates are being left out of pocket for overseas travel costs. HMRC should commit to annual reviews to give businesses assurance.	
Create a smarter and more simplified tax system		
Enterprise	**Simplify the IR35 regime by creating a new user-friendly and more reliable version of HMRC's Check Employment Status for Tax (CEST) tool, and develop a new online tool to easily check if service providers are out of scope.** The current system is creating barriers for businesses to engage contingent labour in a tight labour market undergoing skills shortages. This is leading to process improvement projects being delayed, business operations being disrupted and higher costs. We welcome HMRC's stakeholder engagement, although greater reform of the CEST tool is needed to make it more user-friendly. This should include practical questions based on real-life examples, with answers aimed at non-tax specialists, to help achieve a significant reduction in 'uncertain' determinations. A feasibility study should be undertaken on the possibility of developing a new tool to help businesses easily determine if suppliers are non-IR35 outsourced service providers to be launched at the earliest opportunity.	£Nil
Enterprise	**Simplify the Cycle-to-Work (C2W) scheme, starting by relaxing the requirement to use bicycles 'most of the time' commuting to work to 'some of the time', similar to the easement during COVID.** Modern hybrid working practices now make it impractical for scheme users to meet the main condition of spending the majority of the total cycling time commuting from home to work. A simplification of the rules would reduce the administrative burden on employers and encourage greener commuting along with greater health benefits.	£Unclear[19]
Employment	**The Chancellor should respond to the Office of Tax Simplification (OTS) *Hybrid and Remote Working* report and publish a dashboard, setting out accepted and rejected policy suggestions with a timeline for implementation.** The pandemic accelerated hybrid working practices. Half of these employees are expected to continue working from home. The UK's employment tax system, which is primarily designed to support workers who commute daily to an office space, needs radical simplification and to be updated to reflect new working practices.	£Nil

[19] This analysis has made use of the Employment Studies' report, *Impact of the Cycle to Work Scheme'* that estimated the fiscal cost to the Exchequer per user − taking into account an estimated uptake of 150,000 and an average bicycle cost of £1,000. The costing is determined as unclear as it is difficult to estimate the behavioural response to the policy, which could lead to either a fiscal cost or gain depending on the relative uptake.

	Businesses call on the government to show action and as a first step, respond to the OTS's comprehensive review last year with an online dashboard, summarising the policy suggestions put forward by business being considered, with clear timeframes.	
Enterprise	**Enhance HMRC service levels for VAT customers by prioritising the digitalisation of the forms that are causing the most significant challenges.** While HMRC has reported improvements in service levels, businesses still face delays in processing forms to comply with their tax obligations. VAT customers remain particularly affected by the decline in HMRC's operational performance caused by resource transfers during COVID. HMRC could reduce delays and deploy its resource more effectively by prioritising the digitalisation of VAT group applications, to enable gateway portal submission linked to digital VAT group lists. It can also make Option to Tax records accessible online.	£Nil
Enterprise	**Streamline Making Tax Digital (MTD) for Income Tax Self-Assessment (ITSA) for small businesses, by dropping quarterly reporting requirements while maintaining digital record keeping**. Small traders have welcomed the announcement of a phased delay of MTD for ITSA last year followed by HMRC's stakeholder engagement. Premature implementation of new systems will cause complications for HMRC and taxpayers. More serious consideration, therefore, should be given to adopting a pragmatic approach for multiple trading activities, rental properties and accounting basis period changes. By making it only compulsory for digital records to be linked to final tax return submissions, the government can modernise the tax system while sparing the UK's micro-entrepreneurs from the need to provide unnecessary quarterly reports.	
	PLANNING & INFRASTRUCTURE	
	Unlock greater investment by streamlining the UK's planning system	
Enterprise and everywhere	**At Autumn Statement, announce plans to develop an 'Overarching strategy' for planning that will be consulted on and developed with industry.** The finalised plan should then be published before the Spring fiscal event to unlock trapped investment. The UK's planning system is confusing and inconsistent. Introducing an 'Overarching strategy' for planning, working closely with the Devolved Nations, would provide cohesion and consistency across all Local Planning Authorities. This would help to reduce burdensome processes and uncertainty for firms. The 'overarching strategy' should be informed by recommendations from agencies, such as the National Infrastructure Commission, and the Devolved Nations. Creating this strategy will help unleash trapped investment in crucial infrastructure, such as UK housing stock, helping both to alleviate the UK's housing crisis and ensure better planning for vital national infrastructure.	£Nil

Enterprise and everywhere	**To accelerate the delivery of infrastructure projects, speed up the planning decision-making process from 13 to 10 weeks and address local planning authority resourcing issues.** Under the current system, large developments are meant to be decided within 13 weeks. But many local planning authorities are not meeting statutory timescales for determination due to resource constraints. Reducing the statutory determination period for major developments and providing greater support for planning authorities to recruit and retain planning officers would give developers greater certainty and speed-up the delivery of housing and vital infrastructure.	£Unclear[20]
Enterprise	**Provide dedicated funding to Local Authorities to enable the ongoing production and renewal of Local Area Energy Plans (LAEP).** A significant amount of net zero planning is within the scope of influence of local authorities, who can identify the most effective route to net zero for their local area. However, funding cuts across local authorities have led to a real terms reduction in spending, with many authorities reporting a lack of people, expertise, and money. To ensure local authorities are both funded and empowered to deliver on national net zero targets, HMT must provide dedicated funding to Local Authorities to support future LAEP. This should include resource for delivery rollout in the devolved nations.	£72m[21]
Enterprise, Everywhere	**Reform the planning system for both local and major projects to enable faster delivery of green infrastructure.** An effective planning system is fundamental to delivering large-scale, nationally significant infrastructure like offshore wind, solar, nuclear power and Carbon Capture, Utilisation and Storage (CCUS), and supporting local decisions on low-carbon infrastructure. Recent announcements to remove planning barriers for onshore wind are steps in the right direction however, current planning processes are still a major blocker to rolling out low carbon infrastructure at pace. Reforms to unlock green investments should include: a) Developing mechanisms that enable financial benefits for communities that accommodate critical net zero infrastructure rapidly. b) Legislating for regular reviews of the National Policy Statements for Energy. c) Working with industry to modernise and standardise the environmental impact assessment process in the new Environmental Outcomes Report regulations. d) Ensuring all decision makers in the planning system have a remit or duty to support the transition to net zero. Around 40% of all major infrastructure projects have been delayed at the planning stage since 2017, with several major offshore wind projects awaiting approval from the Secretary of State for over two years. Reform to planning processes is urgently required alongside	£Nil

[20] It is difficult to estimate the cost of the policy due to several unknown variables. Shortening and simplifying decision-making processes may result in reduced administrative costs. The level of additional resources will vary by planning authority depending on existing resources level and demand for services.
[21] This total cost to the Exchequer is taken from [2022 analysis by the Energy Systems Catapult](), based on developing LAEPs across 210 local areas, updated for 2023 in line with ONS GDP deflator data.

	the government's response to the National Planning Policy Framework consultation by autumn 2023.	
	Accelerate infrastructure delivery to support growth across the UK's nations and regions	
Enterprise and everywhere	**Publish a national strategy to accelerate the delivery of key infrastructure projects to spur economic growth and levelling up.** Work in partnership with Devolved Nations to adopt their own strategies and, where these already exist, build them into a coherent UK-wide strategy. HMT, Cabinet Office, and the Infrastructure and Projects Authority (IPA) must prioritise publishing a clear strategy for accelerating the delivery of key infrastructure projects. This strategy should include addressing blockers to delivery. Broad blockers can include current pressures (like inflation, supply chain disruptions, and labour shortages), future challenges (such as the skills gap), and potential opportunities for policy changes (e.g. around the UK planning system or commercial pipelines). This will be critical to ensure timely delivery of strategic growth infrastructure such as HS2 - where its crucial further delays are avoided and the project is delivered in a financially viable way.	£Nil
Enterprise and everywhere	**Publish guidance to minimise the impacts of inflation on public programmes, ensuring critical projects are not delayed and can be delivered.** To tackle the real-term cut in funding caused by inflation, HMT and Cabinet Office should produce clear guidance for public bodies identifying how inflationary pressures can be addressed in public contracts and programmes to ensure essential projects are not negatively impacted. Businesses are reporting increased stresses on financial viability and supply chains due to public sector contracts and budgets, and it is crucial that government acts now to avoid long-term delay and disruption. Guidance could address the use of inflationary indices in contracts, provide clear criteria on the appropriateness of fixed-price contracts, and offer ongoing assessment about the prioritisation of existing programmes in light of the revised fiscal envelope.	£Nil
	INNOVATION	
	Maintain the UK as an innovation superpower	
Enterprise	**Deliver the commitment to consult on and review the duties of economic regulators through the proposed Office for Future Regulation (OFR).** The OFR should specifically consider how to facilitate a shift to an Outcomes Based Collaborative Regulation (OBCR) model ahead of inception by the end of 2023. This OBCR model would coordinate and drive pro-innovation principles for regulation, identified by the Chief Scientific Adviser as part of their Review of Regulation for Emerging Technologies.	£Nil

	This will unlock the UK's first-mover advantage across future sectors and spur business investment, through the long-term certainty an OFR provides.	
Enterprise	**Fully implement the AI White Paper and adequately fund the AI Governance framework**. The UK has the opportunity to become an AI superpower – which requires a world-leading AI governance ecosystem. However, businesses struggle to navigate existing governance structures when they want to adopt or develop AI. Firms support a light-touch, context-specific and outcome-driven approach. They back the recent *AI regulation: a pro-innovation approach* White Paper and the Pro-Innovation Regulation of Technologies Review: Digital Technologies led by Sir Patrick Vallance. Government should allocate sufficient resources for regulators in line with the anticipated additional duties. Government should also ensure that digital regulators are appropriately resourced for the long term to support the imminent and future pro-innovation regulation of other new and emerging technologies.	£9m - £11m[22]
Enterprise and everywhere	**Provide industry and innovators with confidence to invest by recommitting to spending £20bn on R&D in 2024/25, with an ambition to raise this to £22bn by 2026/27.** This must include a recommitment to ensuring all funding that was set aside for Horizon Europe association remains dedicated to R&D. Increasing R&D investment is key to driving long-term sustainable growth, particularly in future-focused sectors like life sciences and tech. But the UK currently lags behind comparator countries in R&D investment. Getting this right will be critical to growth, for example every £1 public R&D spend leverages around £1.40 of private investment and delivers around £7 net benefit to the UK.[23]	£Nil[24]
Enterprise and everywhere	**Following the welcome confirmation of the UK's association with Horizon Europe, commit that any underspend from money originally set aside will remain dedicated to R&D and be spent at pace.** To ensure this money supports business innovation investment, we suggest the following actions: a. Uplift the new Technology Missions Fund and commit funding until 2030. The Fund could also be expanded to follow recommendations from the recent Net Zero Review to inform technologies selection, providing certainty on R&D funding to support the net zero transition. b. Uplift Innovate UK SME innovation programmes, such as Smart Grants to mitigate the impact of the cut to the SME R&D Tax Credit scheme. These grants must also be widely publicised	£Nil[25]

[22] This estimates the cost how much it would be to set up and run a dedicated AI Government branch. This includes indicate likely ongoing costs for a small core capability of AI governance expertise that individual regulators could draw on to support their own industry or sector-based regulatory strategies, and provide some central resources and coordination for the AI governance ecosystem as proposed in the AI White Paper and Vallance Review.
[23] UKRI, The UK's research and innovation infrastructure report, 2020
[24] There is no new additional cost to government as the commitment has already been made.
[25] There is no new additional cost to government as the funding has already been allocated.

	to sectors that do not traditionally seek grant support, for example through wider promotion of the UKRI Innovation Hub.	
Enterprise and everywhere	**Introduce a ‘best of all worlds’ R&D tax credits scheme and commit not to change it again for five years.** Business supports a simpler merged R&D tax credit system. Government should therefore grasp the opportunity to make the UK scheme truly internationally competitive – by bringing capital expenditure and social sciences within scope as is already the case in, for example, Ireland and France. To give businesses the certainty they need, the government should also commit to make no further changes to the scheme until it has been in operation for at least five years.	**Capital:** £390m - £410m[26] **Social Sciences:** £Unclear[27]
Enterprise and everywhere	**Confirm at Autumn Statement that the Enterprise Investment Scheme (EIS) and Venture Capital Trust (VCT) sunset clauses scheduled for 2025 will be removed.** EIS has successfully helped UK start-ups and scale-ups attract the investment they need to grow, with nearly 4,500 businesses using the scheme to raise £2.3bn in 2021-2022[28]. While VCT issued shares to the value of £1.1bn in 2021 to 2022[29]. Removing the sunset clause would be a true Brexit dividend – ensuring the UK remains competitive rather than dropping this source of finance simply to comply with an EU ruling. It would also help the UK’s most innovative start-ups access essential investment to develop and grow in a difficult borrowing environment – and when other sources of finance like SME R&D tax credits have been cut. Government reiterated its support for the EIS and VCT schemes in late 2022. Investors and businesses now need certainty or investments will be postponed or cancelled, constraining growth.	**EIS:** From 2025/26: £550m **VCT:** From 2025/26: £350m[30]
Enterprise and everywhere	**Increase the total that can be raised from Enterprise Investment Scheme (EIS) investments for Knowledge Intensive Companies (KICs) from £20m to £30m to support R&D intensive scale-ups to grow.** EIS has successfully helped scale-ups attract the investment they need to grow. However, later-stage R&D-intensive scale-ups often have high capital expenditure and need more investment to develop and commercialise their products. By increasing the allowance, more R&D intensive scale-ups will be able to grow and successfully commercialise.	£Unclear[31]

[26] This analysis forecasts capital expenditure for R&D using UK Private Business Investment spend from Oxford Economics' Global Economic Model. The cost is borne out through losses in corporation tax from the associated business capital spend on R&D per year. This assumes that all capital-related R&D spend will be eligible and claimed from the RDEC scheme.
[27] Estimate is unclear due to a lack of data to estimate the current spend of social sciences in R&D.
[28] HMRC, Enterprise Investment Scheme, Seed Enterprise Investment Scheme and Social Investment Tax Relief statistics, 2023.
[29] HMRC, Venture Capital Trust Statistics, 2022
[30] HMRC costed the EIS and VCT relief up to 2022/23 FY. We have forecasted the cost to 2025/26 FY using HMT’s GDP deflator. These estimates are comprised of a loss in income taxes and capital gains taxes, both independently forecasted and aggregated.
[31] This is unclear due to lack of data on EIS investments for KICs and the size of the behavioural response to increase in threshold.

Enterprise and everywhere	**Increase the total that can be raised from Seed Enterprise Investment Scheme (SEIS) investments for Knowledge Intensive Companies (KICs) to £1m.** The recent increases in SEIS investment limits are welcomed; however, for R&D intensive companies, this will be reached very quickly given their high capital costs. An increased allowance for KICs should be introduced as is the case for other venture capital schemes. This should help businesses develop their technology sufficiently before being ready for the next stage of investment.	£Unclear[32]
	Unlock investment in the Chancellor's growth industries	
Enterprise and everywhere	**Rethink the approach to the Voluntary (VPAS) and Statutory schemes for branded medicines pricing and access to ensure the UK remains a world leader in the life sciences.** As negotiations for a new scheme continue with industry, the government must consider a new offer to industry on both VPAS and the Statutory Pricing and Access Scheme, ensuring these are competitive and reflect the terms agreed by the governments of fellow G7 nations. The current proposals risk undermining confidence in life sciences investment, which will make the UK's regime less competitive than similar nations and will undermine the sector's ability to be a growth industry.	£Nil
Enterprise and everywhere	**To unlock greater levels of growth and productivity, HMT should clarify the definition of Advanced Manufacturing. Manufacturing as a whole, which contributes more than £200bn to the economy, has great potential to soak up intellectual property and to improve UK productivity and growth.** The CBI, alongside several manufacturing bodies such as EAMA, FDF, CIA and ABPI, urge HMT to clarify that the term "advanced manufacturing" relates to process, not product; and to adopt a similar definition to that used in New Zealand - "The term 'advanced' refers to the use of modern technologies, processes and business practices in the manufacturing process." A strategy should then be developed to support all UK manufacturing to become advanced. As part of this process however, it is crucial HMT ensures that an all-encompassing definition does not undermine the progress already made by those sectors previously designated as Advanced Manufacturing, and is instead, complementary. Clarifying the definition will help to inform the regulatory environment, create business confidence to open-up investment and ensure that the sector as a whole can contribute to boosting productivity and sustainable growth (with supportive government policy).	£Nil

[32] This is unclear due to lack of data on SEIS investments for KICs and the size of the behavioural response to increase in threshold.

REGIONS & NATIONS		
Stimulating economic prosperity across the UK's regions and nations		
Enterprise and everywhere	**Provide funding for the continuation of the 38 English Regional Growth Hubs,** while their operations are transitioned from LEPs to local authority control. Government-commissioned independent analysis of the Growth Hubs showed that they were successful in increasing turnover, business R&D, access to finance, and job creation. Growth Hubs have engaged 8% of all businesses in England – higher than the 2.5% ambition set in BEIS reporting.[33]	£Negligible[34]
Enterprise and everywhere	**Roll out the 'Funding Simplification Doctrine' to streamline local growth funding to local authorities and include a requirement for an assessment of the impact of any proposed scheme on rural areas.** Introducing a duty to assess the impact of funding bids on rural areas in line with DEFRA's rural proofing impact assessments guidance, would enable schemes in rural areas to be funded when they might normally not be eligible because of factors, such as lack of economies of scale, distance, sparsity and demography.	£Nil
Enterprise and everywhere	**Roll out Trailblazer devolution settlements to all Mayoral Combined Authorities that do not currently have these in place.** For devolved English regions to plan strategically and set out a long-term sustainable, economic growth vision, they need a less complicated and bureaucratic funding mechanism. West Midlands and Greater Manchester have led the way with their Trailblazer devolution settlements, which include 'single pot' funding, developed in close collaboration with Whitehall. These enable greater autonomy and more regionalised decision making to fund the opportunities and initiatives that will drive regional growth.	£Unclear[35]
Enterprise	**Government should commit to undertaking an independent review of the impact of tax-free shopping and provide evidence for reinstating the VAT refund for overseas visitors.** Before the next financial year, the government should undertake this independent review, assessing the costs and benefits of reinstating the VAT refund for overseas visitors as a potential way to boost the UK's international competitiveness and regional growth.	£Nil

[33] Technopolis Group (on behalf of the Department for Business, Energy and Industrial Strategy (BEIS), Evaluation of the Growth Hubs, 2015-2020, April 2022

[34] There is no cost to the Exchequer from this policy as it is simply ringfencing the £11m that the Government currently provides LEPs for Growth Hubs. As with any transitional period in Government, there are likely to be some minor costs associated with the change and set up costs. These are expected to be negligible.

[35] The gross cost to the Exchequer is £5.6bn. We have not been able to cost only the additional funding requirements from the seven potentially new Trailblazer regions due to data limitations. Of the yearly £5.6bn cost, £1.4bn is already allocated to the West Midlands Combined Authority and Greater Manchester Combined Authority. Of the remaining £4.2bn, a significant proportion is already provided for via the competitive bid process and allocated funds. Providing the funding as laid out only serves to ensure that each region receives a proportional allocation based on the average of GMCA and WMCA's funding rate of £250 per person within their jurisdiction. Similarly, we have not attempted to cost the funds that would be saved by each region by not having to go through a competitive bidding or reporting process and losing the bid – admin costs per year in the hundreds of thousands per region. As such, the net cost to the Exchequer is likely to be significantly lower.

	VAT-free shopping incentivises tourism across the UK with significant gains to businesses from increased spending as well as wider spill-over spending benefiting HMT. Oxford Economics have shown that it would support 78,000 jobs through £2.8bn of spending, sustaining £4.1bn in GDP[36].	
Enterprise, Everywhere	**Investment Zones present an opportunity to drive innovation and R&D led investment into places. This autumn, the government should accelerate the pace of delivery, working closely with local government and businesses in the selected regions and nations to co-design these.** Investment Zones offer opportunities to develop a sandbox approach to new regulatory and tax interventions, which will facilitate formation, scaling up and retention of innovative new businesses in locations, and should have a strong focus on commercialising R&D, working closely with universities and other innovation assets. Government actions could help bring together capital investment with incentives on skills, innovation, net zero and planning reform. It is also critical that government goes for scale when developing individual investment zone offers and looks to follow natural economic geographies. Previous approaches to various zones have been too small in scale and in turn, have not delivered the levels of catalytic private sector investment which can genuinely shift the needle on UK economic growth.	£Unclear[37]
	FINANCE & INVESTMENT	
	Support access to finance across the economy	
Enterprise	**The government should delay any implementation of the Basel 3.1 recommendations until impact of the new regulation is fully understood and there is an evaluation of the costs and benefits of regulatory reforms from a wider economy perspective.** The PRA consulted on proposals to increase capital requirements on bank lending in-line with the Basel Committee's recommendations for ensuring global banking sector stability. These proposals were met with concern from the sector and wider business groups because of the impact this tightening of the lending rules would have on those seeking external finance. In particular, there is the negative impact of the removal of the SME- and infrastructure-supporting factors. Business believes the supporting factors should be maintained and government should back this position if it seeks to accomplish its other goals of creating a sustainable growth-led economy. It is also important to note that there have been several interest rate rises since the publication of the PRA's consultation paper last November (2022). Those seeking external finance for growth are therefore facing much tighter credit conditions without the impact of Basel implementation tightening. The net result could make external funding through debt unaffordable and therefore curtail the growth of businesses.	£Nil

[36] Oxford Economics, The Impact of Tax-Free Shopping in UK, May 2023
[37] Cost will be dependent on the package offered by government for individual Investment Zones

Enterprise	**Government should set out a clear strategy and timeline for reviewing the VAT treatment of financial services.** We welcome the confirmation in the Spring Budget that the government will continue to engage with industry stakeholders in considering the future of VAT and financial services. Following Brexit, the review presents a unique opportunity to ensure the UK financial services sector has the right rules for its markets to remain competitive. For more than three years, businesses have been eagerly awaiting the publication of the originally announced consultation and are seeking certainty in the VAT regime by avoiding further delay. To achieve this, a clear strategy and a timeframe for the next steps should be set out. Simplification and streamlining the partial exemption regime are key priorities.	£Nil
	Stimulating exports and increasing FDI competitiveness	
Enterprise and everywhere	**The government should explore new levers to incentivise exports, including setting up a joint business working group with the Department for Business and Trade (DBT), HMT, industry bodies and business.** A review should be launched into the ecosystem of export support across the UK, working in partnership with the Devolved Nations, to stimulate greater levels of exporting in businesses of all sizes and sectors. It is not just about new or growing opportunities for exports, but also protecting existing export levels and maintaining market share. Disjointed provision and a lack of awareness of the support available is also a cause of concern, reducing the effectiveness of support currently offered. Addressing awareness and supporting more firms to export help with reaching the “Race to a trillion” target of £1tn worth of exports per year by 2030.	£Nil
Enterprise and everywhere	**Bolster the role of the Office for Investment across Whitehall in identifying issues damaging UK competitiveness.** Look to incorporate UK competitiveness into government department objectives, with new policy being measured against its impact on the business environment. Any new government policy should be assessed as to whether it will help growth or increase burden to business. Practical ways of doing this, such as adding the metric to templates for Ministerial briefings should be considered, as well as making departmental impact assessments consider how policy proposals would affect the UK’s ability to compete for investment.	£Nil

2. Mobilise the potential and productivity of the UK's workforce

Having a strong, healthy, and productive workforce is foundational to economic prosperity. Without the right skills and people, investment plans cannot be delivered. Therefore, to ensure the UK can transition to a future-focused economy and unlock business investment to support growth, we must remove barriers to work, help people to gain the skills they need for the jobs of today and the future, and support firms to invest in technology where labour isn't available.

As it stands, current levels of shortages in the labour market is reducing business investment by sapping confidence. That's why business has welcomed the government's commitment to increase workforce participation, particularly citing measures taken at the Spring Budget to tackle economic inactivity, including the CBI's calls to expand free childcare provision and tackle inactivity due to ill-health. CBI analysis estimates that expanding childcare provision could bring 60,000 mothers (with children aged 1 to 4) back into the workforce, resulting in a £1.7bn GDP uplift, boosting female employment by 0.6% and increasing earnings by £820m.[38] Moves to widen access to occupational health services across the economy (to help tackle rising inactivity due to ill-health), also show government is listening to the needs of businesses and taking decisive action.

On skills, the extension of Skill Bootcamps and the introduction of returnerships are also positive first steps to support people to up- and re-skill. And are critical as the UK transitions to an innovation-first economy. While helping people to access flexible lifelong learning as their jobs evolve with technology, will be vital to ensuring that the whole of society benefits from the technology and innovation revolution.

But challenges in the workforce remain. We can, and must, go further.

While vacancies are decreasing, they are still higher than pre-pandemic levels, and are particularly concentrated in areas, such as health, retail, accommodation and food services[39]. Many businesses are also finding it difficult to access the skilled professionals they require with expertise and experience in emerging technologies.[40] These hiring difficulties are unlikely to resolve themselves given many of these roles are among lower paid jobs in the UK, are less able to be automated, and/or are in sectors where there are consumer price sensitivities. And although the participation of working-age adults is expected to recover a little in the near term, there are longer-term pressures on labour supply expected, with more people due to retire than enter the workforce over the next few decades. Research from the Learning and Work Institute found that over the next 17 years, 1.4m more people will retire from the workforce than young people will enter it.[41] This means it is imperative that the UK also looks at additional alternatives to support UK domestic labour supply, including both tech adoption and strategic use of the immigration system. The reality is that labour supply cannot be the driver of sustainable growth in the next decade, that it has been for the last 20 years.

Embracing this transition means doing what we can to unlock labour market mobilisation, and investment in productivity enhancing technology, while we focus skills policy on helping those in work to keep their skills up to date. To change this, and truly embrace the transition, there must be agreement across government departments on a labour market strategy (including skills, training and technology use), which takes a dual lens, addressing the shortages and skills challenges of today, as well as identifying the needs of tomorrow's economy.

[38] WBG, Gender and Childcare, 2022 and Centre for Progressive Policy, Women in the labour market, October 2021
[39] Vacancies and jobs in the UK, Office for National Statistics, August 2023
[40] Digital skills drive gains for individuals, organisations and the UK economy, Amazon, February 2023
[41] Missing workers: Understanding trends in economic inactivity, Learning & Work Institute, February 2023

In the immediate term, economic inactivity due to long-term sickness continues to reach new heights. A record 2.5m are economically inactive because of long-term sickness – of whom 592,000 want a job.[42] The disability employment gap is also widening. Taken together, these people represent a significant untapped talent pool – of which those who are able and want to work, should be supported into the workforce. Alongside the NHS, business can play a critical role supporting the health of the nation, if enabled to by government. For example, better access and increased uptake of occupational health services across industry would help reduce the number of people leaving work due to long-term sickness. We welcome the government's recent steps to explore, in consultation with businesses, new ways to make employers accountable for their impact on employee-health, and would further encourage improving the Access to Work Scheme to support people with disabilities to be in work too.

This autumn, there are several levers the UK can pull to help achieve a labour market strategy that addresses immediate workforce pressures, while also equipping the UK for the future of work. These include:

- Supporting firms to invest in technology and automation where domestic labour supply isn't available and/or utilising tech to support employees to be redeployed into more productive roles
- Forming partnerships between government, industry and training providers to create a flexible and future-focused skills and training environment
- Implementing labour market mobilisation policies that help as many people as possible into productive work
- Taking a sensible and considered approach to immigration where domestic labour supply isn't available and technology adoption is not yet achievable. This approach should use immigration to ease labour shortages enough to unlock business investment in innovation, automation and skills
- Accelerating delivery and ensuring necessary levels of funding for transport infrastructure projects to enable people to sustainably commute across the UK for work.

Pillars	**Policy solutions to mobilise the potential and productivity of the UK's workforce**	**Annual Exchequer cost[43]**
	Kickstarting an investment revolution in skills	
Education	**Announce at Autumn Statement a two-year pilot to turn the Apprenticeship Levy into a broader "Skills Challenge Fund", allowing firms to spend the levy on a more flexible variety of accredited and modular training and skills.** A CBI survey found that if this change were made, levy-payers would invest an additional 30% of their levy over the next 12 months for training.[44]	£300-350m[45] (per year of the pilot)

[42] ONS, Labour Market Overview, August 2023

[43] Static cost – does not take account of the positive economic impact; aggregate cost for each policy package. Throughout this table figures have been rounded where appropriate.

[44] CBI Education and Skills survey withing the Skills: creating the conditions for investment report, 2022

[45] A 2022 survey of CBI members found that businesses would spend an extra 30% on apprenticeships if there was funding flexibility. The estimated additional 30% levy spend by businesses will reduce the funding available for SMEs. SME apprenticeship funding should be maintained, therefore, the implied assumption is that this difference would equal the cost to the Treasury. The estimated additional 30% levy spend by businesses will reduce the funding available for SMEs. SME apprenticeship funding should be maintained, therefore, the implied assumption is that this difference would equal the cost to the Treasury. It is assumed that only a proportion of Apprenticeship Levy receipts are given to DfE to fund SME apprenticeships. HMT would need to need to provide an additional £300-350m to the Apprenticeship Levy. However, under allocated funding to DfE for the Levy in 2021/22, £758m was returned to HM Treasury in ringfenced Apprenticeship Levy funds. It is unclear where the unspent or under allocated Apprenticeship Levy funds are used, HMT could use this to fund a flexible Skills Challenge Fund.

	As identified by the Chancellor, the UK is becoming an adaptive economy, where people need training throughout their careers. And while apprenticeships work for some types of training, they aren't appropriate for others. Flexibility would enable firms to spend their funds on a range of accredited skills training, including: apprenticeships, individual apprenticeship modules, government Skills for Life programmes to cover costs of engagement, e.g., for upskilling own staff on a Skills Bootcamp; paying for an employee to undertake a Higher Technical Qualification, and covering business costs associated with taking on a T-Level placement. Once announced, the government should work with business to set terms for the trial period and the types of training the flex can be spent on; including any regulated qualification or accredited training courses and different modules within them. This will help maximise the use of the fund and more effectively address pressing skills needs. At the end of the pilot scheme, if there is an increase in skills investment, the reform of the levy should be made permanent.	
Education	**Publish annual data on the distribution of Apprenticeship Levy funds to boost employer confidence, funding transparency and streamlined processes.** Starting with the Autumn Statement, the government should commit to report annually on income received via the Apprenticeship Levy, including where the Levy is then allocated (e.g., Apprenticeship Budget in England, part of the Barnett Formula for Devolved Nations) and figures on the levels of Apprenticeship Levy funding returned to HMT. In addition, the government should produce an annual report showing which regions and sectors benefit most from the levy. As it currently stands, the government has only published the apprenticeship budget, the money raised by the Levy, and the amount of money spent on apprenticeships through ministerial question and FOI requests. Greater transparency is key to ensuring a successful apprenticeship system and giving businesses the confidence to invest.	£Nil
Education	**Announce a 'Green Careers' incentive payment for employers to increase the number of green apprentices.** Incentivising green apprentices would support upskilling the workforce in green skills and kick-start greater awareness of how apprenticeships can contribute to green growth. The Department for Education has already identified six 'gold-standard' green apprenticeships to mark the King's Coronation that could be the focus for an incentive, and/or the 44 current apprenticeships that support green careers – ranging from environmental practitioners to countryside rangers, and smart home	£2.5m[46]

[46] The cost of the programme will depend on the number of green jobs the government would ultimately target. For some sectors the shortfall in (and therefore need for) green jobs is greater than in others. An estimate is provided assuming a £3300 cash incentive is provided for 750 green apprenticeships, annually. As this is a pilot scheme, the cost could be lower if few jobs or regions are eligible for the cash grant.

	technicians – as identified by the Green Apprenticeships Advisory Panel.	
Boost the domestic supply of labour by tackling economic inactivity, supporting more people into the workforce		
Health		
Employment	**Announce the expansion of non-taxable health support for employees, starting with some quick wins, especially for mental health.** Businesses applaud the government for embarking on a comprehensive review of occupational health support that employers can provide to their employees to alleviate this. There are quick wins available that government should start with this autumn, including making all Employee Assistance Programmes (EAPs) a fully tax-free benefit. HMRC's guidance also needs to be clearer that any kind of welfare counselling provision and reimbursements for health and safety eye tests and glasses are non-taxable to instantly reduce administrative pain points for businesses.	£35m - £60m[47]
Employment	**Following the pilot expansion announcement at Spring Budget, deliver on commitments to provide a targeted SME subsidy for procuring occupational health services, delivering a suggested 80% relief on the cost.** The government acknowledged in its *Health is Everyone's Business* response that some businesses, particularly SMEs, face financial barriers to having positive and continuous relationships with occupational health providers. With long-term ill-health continuing to be a central driver in rates of economic inactivity, it is crucial that the government delivers on the recommendation, the Spring Budget expansion, and utilises the £15m previously allocated for delivery. An extension of this policy could be explored in the future for other areas of the business community, such as those beyond small and micro businesses, where engagement with occupational health services is known to be limited. In addition, it could also consider the subsidy use for beyond assessment to treatment.	£Nil[48]
Early years sector (childcare)		

[47] Extending tax relief and exemptions to all Employee Assistance Programmes would incur a fiscal cost to the Exchequer through forgone Income Tax revenue on the employee side, and reductions in Class 1A NICs on the employer side. As businesses can deduct Class 1A NICs from taxable profits, there would be a small gain to the Exchequer via either Corporation Tax for companies, or Income Tax and Class 4 NICs for unincorporated business owners. This marginally offsets tax losses on the employer side. This costing encapsulates the net overall effect of forgone tax revenue on employee and employer sides, but operates under the main assumption that currently 100% of EAPs are chargeable benefits. Given that a significant proportion of EAPs are already tax-free this assumption is a slightly unrealistic over-estimate, but necessary in the absence of reliable information around the proportion of tax-free EAPs, or existing fiscal cost of this tax relief to the Exchequer. Currently, this costing therefore reflects somewhat of an upper-bound estimate, as we are actively working with EAP providers and stakeholders to access the necessary data to improve its accuracy. Input data for this modelling, regarding EAP coverage, market size and revenue was sourced from the 2023 EAPA report, 'Holding it together'

[48] No further spending allocation required. Previous government commitment of £15m made pre-spring 2023.

Employment	**Deliver a credible workforce plan to address acute labour and skills shortages in the early years sector and ensure the successful expansion of childcare provision in England, following announcements at Spring Budget.** To ensure the successful roll-out of new childcare provision in England in April 2024 and September 2024, government should publish a credible workforce strategy that sets out a plan to create a sustainable flow of appropriately skilled labour into the early years' workforce and retain those already in it. To start, the government should explore some of the recommendations made by the Education Committee in their *Support for Childcare and the Early Years* report. Specifically, government could prioritise recommendations: 4, 5, 7, 8, 21, 22, 24, and 26.[49] These financial and regulatory reforms will help fund the sector at a sustainable rate and assist providers to attract and retain the staff they need, ensuring that parents can access the new offer and the government's policy objective to increase labour supply is met.	£Nil
Employment	**Commit to annually review the hourly funding rate for childcare providers to account for factors that determine the cost-of-service delivery of childcare.** Providers were pleased to see government recognise the need for additional funding into the childcare sector in England in the Spring Budget and welcomed the substantial investment. Given that government will now purchase 80% of the hours providers offer, it is important to annually review funding rates to take account of changing factors that determine the cost of service delivery. For example, inflation and/or increases in the national living wage can both impact the cost of service delivery. Without such a commitment to review, providers might have to take steps to safeguard the income they receive to ensure the sustainability of the business. This could inadvertently impact the accessibility and affordability of the new provision government needs the market to supply for working parents. For example, some providers may be forced to cap places, some may be unable to offer free hours to younger children, while others may have to put up other charges that limit accessibility.	£Nil
Employment	**Improve access to and understanding of the childcare system for parents, to ensure take-up of the new offer in England is high and supports labour market participation.** Ensuring childcare provision is sufficiently funded and fully staffed is crucial to the success of the roll-out of the new offer. But securing high uptake from parents to support increased labour participation is also a priority. A more streamlined system that reduces the administrative burden on parents and providers will support uptake. Therefore, implementing recommendations 11 and 18 of the Education Committee's Report on *Support for Childcare and the Early Years* could help this objective.[50] These recommendations suggest that government could consider making parents in training or education eligible to claim the 30-hours entitlement to support single parents to ensure that the expansion of	£Nil

[49] House of Commons Education Committee, Support for childcare and the early years, 2023, Available here.
[50] House of Commons Education Committee, Support for childcare and the early years, 2023. Available here.

	provision is supporting as many parents as possible who want to, to gain employment.	
	Access to Work	
Employment	**Improve the Access to Work scheme through a range of simple measures to ensure more people with disabilities can enter employment.** Both employees and employers think that when it works well, Access to Work helps people with disabilities to enter employment. But they also think that it could be improved with some small changes: 1. **DWP should launch an awareness-raising campaign to educate employers on what Access to Work can do, its processes, timelines and showcase successes.** 2. **Involve employers in the Access to Work process earlier (from the beginning when an individual makes an application) to improve the support candidates receive.** Including having a three way dialogue between employer, employee and assessor from the start. 3. **Government should increase the overall staffing levels in the Access to Work customer-facing team to reduce delays and improve the quality of support.** Reducing delays will build customer trust and help people with disabilities to gain employment faster. 4. **Continue the roll-out of the Access to Work Plus pilot and establish the scheme on a permanent basis.** Currently, firms have to wait for a candidate to successfully gain employment before the application for Access to Work support can be made by the individual. This creates a disincentive for firms to actively invest in more inclusive workplace environments. The Access to Work Plus pilot goes some way to addressing these concerns but must go further.	£Negligible
	Explore innovative solutions to enhance productivity and growth, beyond increasing domestic labour supply	
	Technology adoption	
	Appoint a single Technology Adoption champion to coordinate and review government programmes, supporting businesses to adopt AI and other productivity-enhancing technologies. Examples would include the Made Smarter, Help to Grow, Bridge AI and NHS tech adoption programmes. Working closely with business, the champion should then produce a plan for a coherent suite of offers supporting firms to adopt technology to address labour shortages and drive productivity, accessible by businesses of all sizes in all sectors. These programmes should build on the positive and negative lessons learned from existing programmes and have a clear single point of ownership within government.	£Nil

Enterprise	**Support manufacturing firms to adopt technology to address labour shortages and realise productivity gains by making Made Smarter a national programme.** The north-west Made Smarter pilot programme, supporting technology adoption in the manufacturing sector, has been hugely successful, injecting up to £118m in GVA to the region and boosting productivity for 80% of SMEs who work with Made Smarter by up to 25%. [51] This should be rolled out to a national programme by the end of 2024, to ensure the benefits of the programme are accessible to all UK businesses.	£80m[52]
	Immigration	
Employment	**This autumn, announce reform of the Migration Advisory Committee by turning it into a tripartite body to give social partners a greater voice on labour market policy.** With ongoing labour shortages across the economy, it's important for any independent body advising on shortages to give a greater voice to those experiencing the problem – businesses and workers. The government should ensure the MAC operates as an effective labour market institution by turning it into a tripartite body, made up of independent experts, business representatives and workers from across the UK. This would ensure the advice government receives on labour shortages can take better account of the evidence and experience of businesses across the UK's economy, matched with confidence that recommendations protect the interests of UK workers. Government should finalise the restructure in time for the 2024 Shortage Occupation List review.	£Nil
Employment	**Urgently scale-up capacity at the Home Office to unblock visa processing delays, reducing labour market pressures.** Ensure work visas are issued within the three-week government service time, where businesses need to hire from overseas, by upscaling Home-Office capacity. This should include recruiting additional staff. At the moment, businesses are finding that processing times are taking up to four times as long, adding to the impact labour and skills shortages are having on business outputs and services, and making it harder for UK employers to attract overseas workers that have work offers in multiple countries. Increasing capacity to process visa applications within the three-week service standard will reduce the cost associated with longer wait	£Negligible

[51] Made Smarter: Technology Adoption Pilot Report
[52] It is difficult to determine how much each region needs to be able to roll out Made Smarter in their area. The running cost is based on the £20m that was allocated to the North West in January 2019 to March 2021. However, this could be overstating the costs as not all the funds were allocated due to resourcing constraints. Allocations to the remaining regions has been provided by adjusting the annual £9m allocated for the original North West pilot for each UK region according to their relative size of the manufacturing sector (manufacturing GVA in 2021 relative to total regional GVA). The annual figure subtracts the £8m that has already been committed to the five regions: North West, North East, Yorkshire and the Humber, East Midlands, and West Midlands.

	times and help businesses to fill their vacancies and grow. While ensuring that existing shortages do not contribute to supply chain disruption and cause supply and demand pressures. As well as maximise the potential from the UK's trade in services since much of this is reciprocal.	
	Deliver transport infrastructure to enable people to sustainably commute across the UK's nations and regions, supporting productivity and labour supply	
Everywhere, Employment	**DfT and HMT should commit to continuing to work alongside Transport for London (TfL) to resolve short-term funding needs and continue to work with transport providers to agree multi-year settlements where required.** An efficient and effective public transport network is essential for connecting the labour market to jobs, enabling regions and nations to thrive and collaborate, while making the UK more internationally competitive. The government should therefore work with TfL to support it to honour its existing contracts, across its UK-wide supply chain to resolve short-term funding challenges. It should then go further, by continuing to work with TfL and other regional transport bodies, such as Transport for the North, to agree multi-year settlements (similar to that already provided to Network Rail and Highways England – who both operate over five-year control periods/investment cycles). These guaranteed longer-term settlements would create a more sustainable operating environment and enable each transport body to invest.	£Unclear[53]
Everywhere, Employment	**Publish an updated version of the Rail Network Enhancements Pipeline (RNEP) to spur private investment into the rail network in Great Britian.** The government made a commitment to update the RNEP annually, but industry awaits the first update. Updating the RNEP by the end of the year will provide confidence to the rail supply chain by showing a pipeline of projects, and demonstrate where the government intends to commit its resources to upgrading the rail network. HMT could also use this as an opportunity to seek private investment in rail infrastructure, by outlining projects it would like the private sector to finance.	£Nil
Everywhere, Employment	**Boost rail accessibility for work and wider connectivity across our regions and nations by publishing a timeline for delivery of Great British Railways.** Uncertainty surrounding the Transport Bill and the future of Great British Railways (GBR) are impacting transport connectivity UK wide. This has resulted in delays to much-needed reform, which would enable greater cross-regional commuting for work and broader connectivity across our regions and nations. At Autumn Statement, the Government should commit to bringing forward legislation that formally establishes GBR at the earliest opportunity with a timeline for delivery.	£Nil

[53] Funding settlements to be agreed between government and the transport providers.

3. Realise the UK's net zero growth opportunities

The UK has been a leader in the transition to net zero, going further and faster than many other nations. We were the first major economy to sign net zero into law, have a proven track record on emissions reductions, and a strong public, political and business consensus that backs the transition.

For businesses, the journey to a net zero economy is not just a moral imperative but also a vital economic opportunity. Companies are aligned with the conclusions of the Rt Hon Chris Skidmore's *Mission Zero* report, which describes net zero as, "The opportunity of the 21st century" and that, "without the green economy, there is no economy".[54] The OBR's FRR analysis also shows that delaying action on climate change, and then introducing it abruptly, carries a greater fiscal cost than early action.[55] So it is clear that driving the net zero transition now is good for the health of our planet, and our economy too. Despite fierce international competition for investment and a challenging operating environment, businesses remain confident that the economic opportunities of net zero remain within grasp – where government support and influence can be secured. These include ensuring energy security and effectively decarbonising the power system by swiftly rolling out renewables and nuclear. Making the most of the UK's unique assets in Carbon Capture, Utilisation and Storage (CCUS), would also enable regional growth and job creation.

It's time to unlock greater investment in green growth.

The government has taken some important steps over the past few months, following its Powering up Britain publication on carbon capture and storage, the selection of successful projects moves the UK from ambition to delivery. While the extension of the Industrial Energy Transformation Fund (IETF) and recent consultation to ensure the scheme is as successful as can be, is a valuable contribution towards us achieving energy resilience and industrial decarbonisation. In addition, the updated Green Finance Strategy shows government is committed to ensuring the UK remains a world-leader in financial services. Industry also backs the government's moves to develop the UK green taxonomy, lead standards for corporate reporting, and regulate to unlock capital for green infrastructure.

But as recent months have reinforced, countries who move at pace to adapt their economy to the risks of climate change, can secure a huge competitive advantage. With many nations beginning to combine decarbonisation strategies with industrial policy. From the United States' Inflation Reduction Act (IRA) to the EU's Net Zero Industry Act (NZIA), and Japan's Green Transformation programme, major economies are acting to secure their green supply chains and scale domestic manufacturing for the net zero transition. This is not just for the delivery of their own climate transition, but also with geostrategic and growth agendas in mind.

While these countries have increased their spend and incentives to secure green manufacturing, green jobs, and energy security, in recent years the UK has *reduced* its spending on the energy transition compared to other G7 economies, as it deals with the broader economic challenges of low growth and productivity.[56,57] As a result, despite continuing to lead on emissions reduction, the UK risks failing to capture the whole-economy benefits of the transition – benefits that are potentially unrecoverable without decisive action.

It's time to accelerate the UK's green ambitions and unlock investment for sustainable growth.

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54 Mission Zero, Independent Review of Net Zero, Rt Hon Chris Skidmore MP, January 2023
55 OBR, Fiscal Risks and Sustainability, July 2023
56 Bloomberg, NEF Energy Transition Investment Trends, 2023
57 ONS, International Comparisons of UK Productivity Final Estimates :2021, January 2023

This autumn, the government must make some ambitious moves to strengthen the UK's place as *a* global leader in green growth. This isn't simply about public investment and spend. But means unblocking barriers preventing decarbonisation and investment, like delays in grid connectivity, and utilising government's market-making levers and incentives – such as tax, regulation, and the evolution of price support mechanisms – to respond to international net zero investment packages.

In addition, it's critical that the UK starts proactively signalling its response to these international investment packages. Failing to send clear, substantive signals on investment could see the UK fall behind as a place for those with ambitious plans, and the investment to back them.

Although the UK may not be able to outspend the competition when it comes to attracting green investment, it can outsmart it. But it calls for us to quickly offer targeted incentives alongside a world-leading regulatory environment that commands confidence from businesses and investors. New CBI analysis shows that making the most of 27 green growth 'prizes' could deliver a £37-57bn GDP boost by 2030, equivalent to 1.6% - 2.4% of GDP.[58] It is critical that we take decisive action this autumn to make the most of these opportunities and cement the UK as the global home of the green economy.

This autumn, there are several opportunities the government can actualise to boost the UKs green potential and drive sustainable growth. These include;

- Unlocking green investment by removing blockers in areas such as grid connectivity.
- Detailing the UK's response to IRA by introducing a range of investment incentives for both domestic investment and FDI which would provide policy certainty and signal future focused travel towards investment and net zero goals.
- Shoring-up the UK's energy security
- Driving forward the UK's transition to a low-emission transport network
  Protecting the UK's reputation as the home of Financial Services by supporting UK competitiveness in green finance

Pillars	Policy solutions to realise the UK's net zero growth opportunities	Annual Exchequer cost[59]
	Unlock green investment by removing blockers	
Enterprise, Everywhere	**Decrease the amount of time it takes to build electricity transmission infrastructure and speed up the process for obtaining connections to the grid.** New low-carbon energy projects seeking grid connection dates are facing wait times of over a decade, with one project being quoted 2036 at the earliest for grid connection. Businesses welcomed the publication of the review by the Electricity Networks' Commissioner Nick Winser, and the corresponding proposals to reduce current timescales for delivering onshore transmission network infrastructure to seven years. As part of its commitment to respond to the proposals by the end of the year, the government should: a) Publish a new National Policy Statement for Energy Networks. b) Establish a more strategic approach to energy planning that clearly sets out the grid infrastructure that is needed across the country, such as through a Strategic Spatial Energy Plan.	£Nil

[58] CBI, Going for Green – The UK's net zero growth opportunity, July 2023
[59] Static cost – does not take account of the positive economic impact; aggregate cost for each policy package. Throughout this table figures have been rounded where appropriate.

	This includes the impact of grid connectivity challenges specific to rural and coastal areas. c) Replace the first-come, first-served model in grid connection queues with a system that considers achievement of project milestones. Specifically in relation to recommendation b), the UK's grid infrastructure was built to serve traditional fossil fuel power plants, which are typically located close to urban areas. In contrast, many of the country's renewable energy sources are located in remote and rural areas. This poses a significant challenge to developers, who must invest in expensive grid infrastructure to connect their renewable energy projects to the main grid.	
	Set out a response to IRA by introducing a range of investment incentives, providing policy certainty, and signalling the government's direction of travel	
Enterprise	**At Autumn Statement, announce plans to establish a Net Zero Investment Plan (with timelines for delivery), identifying green investment gaps and policy with the intention of crowding in private finance. Ensure this is regularly updated against carbon budget timelines.** In the *Mission Zero* Review, it is acknowledged that the majority of investment needed to reach net zero will come from the private sector. But to date, there has been little policy clarity on a plan to incentivise investment. HMT should therefore adopt the recommendation in the Review to develop a Net Zero Investment Plan. Drawing on the Net Zero Strategy, the Green Finance Strategy and the work of the Net Zero Council, this should identify where green investment gaps lie and where private finance can be crowded into close sectoral financial gaps, address market barriers, and hit our net zero targets.	£Nil
Enterprise	**Introduce a targeted 'green' super-deduction for both incorporated and unincorporated businesses to help drive the UK's transition to net zero.** In addition to making full expensing permanent, the capital allowances regime should go further for businesses investing in capital assets that reduce their carbon emissions or improve energy efficiency via green super-deduction (a first-year allowance at a rate of at least 120%). This should include solar panels, more energy efficient heating and cooling (including insulation), electric vehicles and charging infrastructure, and investment in production lines for any green technology. This will help to green UK business investment from the beginning of supply chains through to end users.	£350m - £700m[60]
Enterprise, Everywhere	**Ensure major central government policy-making and fiscal decisions are contributing to the delivery of the net zero transition.**	£Nil

[60] This analysis uses Low Carbon and Renewable Energy Economy data to estimate the value of qualifying green investments in the UK economy. A trend forecast is used to estimate the value of investment and number of businesses for 2023 from which the cost estimate is applied. The cost is borne out to the Exchequer through a loss in potential corporation tax from the relief at 120% and 140% respectively. This costing is quite uncertain and does not attempt to estimate a behavioural response to the relief. The data itself is from an experimental dataset so there is a large potential for a margin of error.

	Government expenditure represents around 45% of national income, but currently there is no way of assessing how fiscal policy aligns with the UK's commitment to reach Net Zero. Ensuring this is embedded throughout government decision-making will help show investors the UK's direction of travel and give confidence through a joined-up, coherent approach. Building on the HMT Net Zero review and to provide the signals to support business investment in the transition, HMT should: a) Introduce a Net Zero Test, requiring all government departments to assess proposed new policies against the UK's climate and environment commitments. b) In coordination with the Office for Budget Responsibility, regularly make transparent the climate impact assessments of major government budgets, spending decisions and spending reviews.	
Enterprise	**At the Autumn Statement, bring forward proposals for next steps to mitigate carbon leakage before 2024, with proposals for how it will protect both importers and exporters, to protect the competitiveness of UK industry** The UK's leading decarbonisation targets require rapid change across all sectors for industry to deliver on its share. Managing the costs of this transition places many industries, particularly energy-intensive manufacturing and those operating within the UK emissions trading system (ETS) at risk of carbon leakage, being outcompeted by products from regions with lower carbon costs. Ultimately hindering the global transition by lowering the incentive to decarbonise. The government set out several policy measures to mitigate the risks of carbon leakage in a March 2023 consultation, but made clear that further policy development was necessary. Given the EU begins implementing its own proposed carbon border adjustment mechanism in October 2023, the recently released confirmation of changes to the UK ETS beginning in 2024, and the wider pressures on UK competitiveness, UK Government's timelines and planned mechanisms to address carbon leakage are urgently required. Further consultation should be accompanied with a full impact assessment on both importers and exporters to ensure a holistic perspective of how proposed measures would impact across the economy.	£Nil
Enterprise	**Publish the government's response to the Future of the Industrial Energy Transformation Fund (IETF) consultation, setting out plans for the broadening of the eligibility criteria for Phase 3 and the long-term role of government support post 2025, to enable business investment in industrial decarbonisation.** Industry welcomed the recently increased funding to Phase 3 of the IETF, as part of the Powering up Britain package, and the subsequent	£80m[61]

[61] The costing estimates an extension of the Phase 3 funding for an additional two years, to 2030. As it is competition-based funding, it is assumed there is no behavioural investment response to the IETF. It is assumed inflation is at the 2% target in 2029 and 2030. The extension may not impact the fiscal year of 2024 as spending is subject to competition timetables, which remain unclear, and the government have already allocated funding for an IETF extension covering 2024 to 2028.

	consultation on its future design post-2025. As the only capital grant funding of its kind for industrial decarbonisation, the IETF is seen as an efficient mechanism to channel private investment into the decarbonisation of industrial sectors and increase the uptake of green technologies. Businesses continue to face high energy costs, and for those operating within the UK emissions trading system (ETS), its realignment with a net zero trajectory and reduced free allowances create the need to decarbonise faster or face increased costs. With the fund already oversubscribed, a commitment to extend the IETF to 2030 and provide additional funding, will give businesses the long-term certainty to invest further in energy efficiency projects and mitigate the risk of carbon leakage. The IETF should also be significantly simplified and reviewed to support smaller businesses more effectively.	
Enterprise	**Implement an investment allowance under the Electricity Generator Levy (EGL).** To help unlock investment in low carbon infrastructure across the UK's nations and regions, introduce an investment allowance that provides cash value at least on par with the decarbonisation allowances available under the Energy Profits Levy (EPL) for oil and gas extraction – worth £1.09 for every £1 invested. Changes to the tax regime, as well as the lack of an allowance under the EGL, is undermining confidence to invest in low-carbon technologies that will be vital to bolstering the UK's long-term energy security and support the UK's transition to net zero.	£Unclear[62]
Enterprise, Everywhere	**Plan the evolution of price support mechanisms, such as Contracts for Difference (CfD), to make nascent technologies (like hydrogen, CCUS, Long Duration Energy Storage and Sustainable Aviation Fuels (SAF)) investable and scale to a competitive market, alongside enabling the continued delivery of renewables projects.** The Contracts for Difference scheme has been hugely successful in supporting the expansion of clean, cheap, homegrown low-carbon power in the UK. Learning from its effective deployment for offshore wind projects, its key benefit of providing investors with price certainty should be extended to low-carbon technologies that are critical to enabling the energy transition but are still nascent. Without this support, these markets risk stalling due to the significant investment challenges they face. Competition in the market has been a driving force behind rapid reductions in strike price achieved through contract for Difference (CfD) auctions. As we move towards a more flexible energy system, however, the design of CfDs must also evolve. This requires moving from a sole focus on reducing costs to rolling out vast volumes of low-carbon power at the lowest available cost. Incorporating non-price factors into the tender selection process to ensure the full value of the	£Nil

[62] It is difficult to estimate the cost of the policy due to several unknown variables. There is no publicly available data in the energy industry regarding underlying capital investment corresponding to exceptional electricity generation revenue which would be impacted by the Electricity Generator Levy. As a result, the baseline level of investment cannot be determined. In addition, the behavioural impact of the levy is unknown, therefore a counterfactual cannot be established either.

	technologies, including supply chain and jobs alongside accounting for the cost increases faced by developers, as demonstrated in the latest Allocation Round 5 results, will be critical to supporting investor confidence.	
Enterprise	**Review the tax system to ensure the UK has the right tax framework to support the transition to net zero, with a timeline for implementation of any changes to the existing system starting as soon as possible.** As part of the review, consider the introduction of a targeted tax mechanism for green industries. This measure can be targeted at a limited range of activities/technologies: those that deliver green growth and support the UK's net zero strategy. It could be supported by the UK's development of a green taxonomy, defining which activities/products are formally classified as green.	£Nil
	Shore-up the UK's energy security and resilience	
Enterprise	**Work with industry and Department for Energy Security and Net Zero (DESNZ) to ensure the revenues generated from the Clean Heat Market Mechanism are reinvested to support the development of a domestic heat pump market.** With demand for heat pumps remaining low compared to the government's 2028 target, manufacturers will find it challenging to meet the required targets set out in the proposed scheme design. Businesses will be hit by large fines at a time when investing in the market is critical to cutting household energy use and reducing energy bills. To support the heat pump market and corresponding supply chain development, HMT should provide clarity on what the revenues generated from the Clean Heat Market Mechanism will be used for. This should be done in consultation with industry to establish where additional support could be targeted such as for consumer incentives, installer trainer and supply chain resilience.	£Nil
Everywhere	**By autumn 2023, publish consultations on the options for rebalancing prices between electricity and gas for both domestic and non-domestic consumers.** As identified in the government's *Powering up Britain* publication, fuel price rebalancing is critical for reflecting the fact that green products are more efficient and cheaper in the long run. Businesses welcomed the government's acceptance of the Skidmore Review recommendation to outline a clear approach to oil or gas vs electricity rebalancing by the end of 2023/4 and to make significant progress affecting relative prices by the end of 2024. Rebalancing will generate clear price signals, which are currently missing, enabling both households and businesses to invest in key decarbonisation technologies like heat pumps. To ensure this remains on track as part of the next stages of the Review into Electricity Market Arrangements, the government must outline its approach to fuel price rebalancing and consult on proposed changes this autumn.	£Nil

	Drive forward the UK's transition to a low-emission transport network	
Enterprise	**Announce VAT reforms on public charging to incentivise the uptake of zero emission vehicles by reducing the rate of VAT levied on public EV charging to 5%.** With high electricity costs impacting on both the uptake of EVs and the roll-out of public charging infrastructure, bringing VAT on public charging into line with at-home charging, could make the switch to an EV more affordable for drivers without access to a charge point at home.	£20m[63]
Enterprise	**Commit to a further two-year extension of the plug-in van and truck grant to support the decarbonisation of commercial vehicles** While the number of electric vehicles on our roads continues to increase and prices fall, on average they still cost more than petrol or diesel vehicles and charging facilities are not yet evenly available across road networks. This is particularly acute for commercial and freight vehicles for whom the current volatility of energy prices and increasing vehicle acquisition and servicing costs, coupled with sudden changes to grant funding in recent years, have curtailed investment, and made budget management more challenging. There is concern that even by 2024, when the current plug-in van and truck grant is due to end, the market for zero emission commercial vehicles won't be mature enough to remove all grants.	Unclear[64]
	Protect the UK's reputation as the home of Financial Services by supporting UK competitiveness in green finance	
Enterprise	**At Autumn Statement, publish a consultation on the design and implementation of the UK Taxonomy by the end of 2023.** The UK Green Taxonomy should properly indicate what activities and investments are defined as green and which are not. This regulatory clarity is needed to provide support for businesses with investment and business planning decisions. To enable certainty, the consultation should cover both the design and the implementation of the taxonomy and should be accompanied by policy-makers engaging with businesses across sectors and industries.	£Nil
Enterprise	**By the end of 2023, update the 2021 "*Greening Finance: A Roadmap to Sustainable Investing*" to provide regulatory clarity and deliver all policy commitments outlined in the Green Finance Strategy**. Set out clear timelines for the implementation of regulation, such as Sustainability Disclosure Requirements and transition plans.	£Nil

[63] This is based on the number of Battery Electric Vehicles in the UK as of August 2023 and the weighted average cost of charging via slow, fast, rapid, and ultra-rapid charge points. The vast majority of charging takes place at home or at work – a Which? Survey Building an Electric Vehicle Charging Infrastructure that is Fit for the Future, February 2023 showed that 13% of all charging in 2019 was done with public chargers and forms the base of the analysis.
[64] It is difficult to estimate the cost of a specific van or truck grant extension, as Government funding has been allocated for several vehicle types together. For instance, in March 2020 the Government announced a £129.5m package of grants for vans, taxis and motorcycles. In March 2022, the plug-in van and truck grant scheme was extended for two years, but the budget allocation is unknown.

The plans should appropriately reflect the need for proportionality of legislation and different speeds at which businesses of different sizes can comply with more extensive reporting requirements.