



30 October 2023

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

Dear Chancellor,

AUTUMN STATEMENT

I am writing on behalf of the Institute of Chartered Accountants in England and Wales (ICAEW) in advance of your Autumn Statement on Wednesday, 22 November.

ICAEW is a leading professional body that supports over 200,000 chartered accountants and students worldwide. In the UK, our members in business (in finance and management) and in practice (as external advisors) guide more than three million companies - in every sector and region of the country. As trusted advisers, they are on the economic frontline, helping businesses deal with uncertainty and change.

With growth in the economy still sluggish, the backdrop to the forthcoming Autumn Statement is tough for people and business. The latest results from ICAEW's Business Confidence Monitor - one of the largest and most comprehensive quarterly surveys of UK business activity - show that UK business confidence remains weak as concerns about high inflation, weak customer demand, and rising interest rates continue to take a toll.

ICAEW uses member insights to seek solutions to the challenges facing the UK economy. Our Resilience and Renewal campaign, *Building an Economy Fit for the Future*, highlights what we believe should be the key priorities and are set out in full in our recent submission ahead of your Autumn Statement.

The Government should take steps to increase productivity through boosting investment, access to finance and addressing skill shortages. The UK requires investment in its people and infrastructure to unlock its growth potential. To tackle skill shortages, we recommend revamping the Apprenticeship Levy so that businesses have the flexibility to train the UK's future workforce. To ensure businesses have the certainty to invest, we believe investment incentives, such as full capital allowance expensing, should be permanent. Too often, the blockage to accessing finance is not the quality of the business, but the quality of the application. The government should therefore introduce a new version of the Growth Voucher Scheme which closed in 2015. That scheme helped 28,000 small businesses access strategic advice on areas including financing that could help them grow. Such investment is essential in tackling the UK's productivity slump and should be treated as a priority.

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The Government should show bold leadership on sustainability by providing incentives for investment in net zero aligned R&D. A Net Zero investment strategy combining incentives, regulation and spending targeted to relevant sectors will give businesses the certainty to invest in a Net Zero future. This should be coupled with a review of current R&D incentives to create a more targeted environment, with special support for SMEs. To measure progress and effectiveness, the Government should introduce a 'Net Zero Delivery Tracker' to provide transparency on the impact of tax and spending measures.

The Government should publish an overarching tax strategy and address poor HMRC service standards. The UK tax system requires simplification and digitalisation so that it is fit for the future. Our tax system currently inhibits job creation and economic activity because complicated cliff edges on rates, thresholds and allowances act as growth blockers. Businesses are being stifled and tax revenues restricted due to poor HMRC service standards. HMRC should be resourced and organised to administer the UK tax system efficiently - and held to account when it misses its targets. As there is no headroom for tax increases in the UK economy, HM Treasury should focus on maximizing the efficiency of its tax receipts.

The Government should increase the resilience and sustainability of the public finances. A key component of this strategy should address the **problems in** local government finance, which inhibit public service delivery and cause spending inefficiencies. It should start by replacing the competitive bidding process for short-term funds with long-term funding streams. A cross-government effort is also required to clear the backlog of 918 delayed audit options for local authorities in England. Without attention to how local government is funded, tangible and sustainable reductions in regional inequality are not possible.

I look forward to meeting in December to discuss these priorities.

Yours sincerely



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