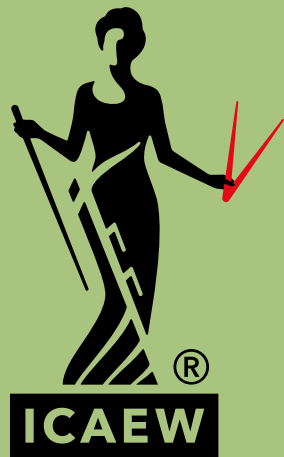




RESILIENCE AND RENEWAL

ICAEW'S VISION FOR THE FUTURE OF THE UK

Recommendations for the next UK Government



WELCOME

With a parliamentary election expected in 2024 the UK faces major decisions about the shape and direction of its future economy. This manifesto draws on the insights and expertise of our members across the UK in making a call to action for the next government. It sets out ICAEW's vision for a resilient future UK economy and a roadmap for renewal.

ICAEW's priorities for the next UK Government →

Priorities for a productive, sustainable and resilient UK economy →

Recommendations for the next UK Government

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ICAEW'S PRIORITIES FOR THE NEXT UK GOVERNMENT

The UK faces the rest of the 2020s and 2030s in a position of relative strength. It is one of the easiest places anywhere in the world to start a business.

We have world-class sectors in professional and business services, creative industries, higher education, life sciences and advanced manufacturing. ICAEW Chartered Accountants are at the heart of running and advising companies in these world-beating sectors.

However, a series of 'once-in-a-lifetime' shocks in quick succession over the past 15 years has shown that the UK economy is less resilient than it should be. This makes us more reliant on, and more vulnerable to, external factors and circumstances, which in turn leave us more exposed to supply-side challenges and price spikes, and make us less innovative, competitive and prosperous than we could and should be.

Our productivity performance, the prerequisite for rising living standards, has been poor and will be the single biggest economic challenge facing the next parliament. Bold action is therefore needed now to boost resilience and sow the seeds for future renewal. We recognise that chartered accountants have an important role to play in that future.

Our members work in all sectors of the UK economy, from some of the largest multinational companies in the world to the entrepreneurial ventures at the core of every community, including charities. They create opportunity, employment and prosperity. The accountancy profession and wider professional and business services sector is a UK success story with strong growth potential.

ICAEW is engaging with all of the political parties in advance of the general election. We have hosted roundtables with experts and key policymakers including a session with SMEs and the Small Business Commissioner on late payments and a debate, hosted by Dame Meg Hillier MP on the public finances.

This document sets out our vision for the future of the UK. We hope the next government will find our recommendations helpful in taking the bold actions necessary to achieve the economic resilience and economic renewal our members are calling for.

Mark Rhys FCA
President
ICAEW



“Clear direction and leadership from government is essential to allow businesses to plan and execute those plans.”

Andrew Williams FCA
Managing Director
Harald Consultancy Limited



“Member insights gathered in support of ICAEW’s manifesto have proved invaluable, with calls for more stability and certainty a priority.”

Simon Gray FCA
Head of Business
ICAEW



PRIORITIES FOR A PRODUCTIVE, SUSTAINABLE AND RESILIENT UK ECONOMY

The insights of ICAEW Chartered Accountants across the UK have shaped this manifesto, outlining our recommendations for the next government. Given their central role at the heart of running and advising millions of businesses, our members are keen to work with the new parliament to build a platform of improved productivity, greater efficiency and effectiveness and rising prosperity for the rest of the decade.

We stand on the edge of a new chapter in global economic history. The transition to a sustainable net zero future, while far from smooth and painless, provides one of the biggest market opportunities that the world has seen since the Industrial Revolution.

The UK's professional qualifications in services such as accountancy, law, architecture and consultancy are renowned throughout the world and a significant contributor to our global soft power. We are third only to the US and China in investment in technology. We are the second largest exporter of services in the world.

The rapid rise of Artificial Intelligence (AI), at an even earlier stage of development, has the potential to provide a wave of innovation and disruption, but most of all, opportunity unseen since the invention of the steam engine.

The UK is therefore well placed to embrace these forces that will renew the economy. However, the next parliament needs to prioritise the tackling of longstanding structural weaknesses in our economy that threaten to derail our potential. Concentrating on resilience and renewal should be the foremost economic priority.



Iain Wright FCA
Managing Director
Reputation & Influence
ICAEW

PRIORITIES FOR A PRODUCTIVE, SUSTAINABLE AND RESILIENT UK ECONOMY

Drawing on those insights, we believe decisive action is needed across seven core competencies to build a future UK that is:

PRODUCTIVE



Make the UK the best place to start, run and grow a business

Entrepreneurs are the lifeblood of the economy. The UK has a strong entrepreneurial track record. Our members help advise future businesses from the first spark of an idea, nurturing growth and supporting professionalisation to gain investment and scale. But our members tell us that starting to trade is not as easy as it should be. Vital finance doesn't always flow to where it is needed.

- While forming a company is straightforward, fledgling businesses are held back from launch by HMRC delays to VAT registration and problems opening a bank account.
- Vital funding for the UK's growth and renewal is not always deployed to where it can be most productively used.
- The tax system, which should encourage productivity, is too complex, and creates disincentives to growth and investment.
- Exceeding 3% investment of GDP in R&D would power more innovation and improve the UK's opportunity for productivity gains.
- Regulation is important but needs to be proportionate and better targeted.

HIGHLY SKILLED



Make it easier for workers to gain the strategic skills of the future

Developed economies are becoming increasingly sophisticated, with the next wave of technologies requiring ever greater and more specialised skills. Getting access to these skills will define which economies will prosper and thrive and in many areas there will be even more fierce competition for talent. With its world-leading universities and professional qualifications, the UK has a compelling offer on skills. A skills strategy can build on this base to open opportunities for all while planning ahead to alleviate future skills bottlenecks.

- As technologies become more complex, the path from school leaver to skilled worker becomes harder to plot. World-leading qualifications like ICAEW's ACA help. But more is needed to enable every individual to see clearly the skills and qualification pathways into the sectors that need talent for growth.
- Apprenticeships offer fantastic opportunities. But the scheme is currently too inflexible and bureaucratic, constraining its potential.
- Improved access to the workplace is key to businesses and their employees to create a modern and diverse workforce.

SUSTAINABLE



Lead on the transition technologies that will power growth

The future economy will be powered by green technology. In many sectors, adoption of next-generation technology will be accelerated by carbon reduction targets. These technologies will boost efficiency and transform every sector. There will be significant international demand for services that provide solutions, as well as pressure on countries that fall behind. The UK cannot lead in all these areas but, given our comparative strengths, can lead in critical components. To make the most of this we will need a nurturing environment for emerging technologies, a strong framework for green finance and a consistent commitment by government to the transition roadmap.

- The City of London is well placed to be the world's leading gateway to green finance; it is vital we keep pace with the regulation and market innovation needed to service these opportunities.
- The public sector is a powerful engine to lead on green adoption, but progress is stuttering and needs a kick start. Clearer incentives and accountability for sustainability will help.
- Reliable reporting on sustainability performance is essential to being able to make the hard choices that lie ahead.

PRIORITIES FOR A PRODUCTIVE, SUSTAINABLE AND RESILIENT UK ECONOMY

INNOVATIVE



Invest in the technologies where the UK can lead the world

The world is on the cusp of a new technological revolution, with AI and data transforming the global professional and business services that the UK leads. Every sector of the economy will be affected, with some prominent and well-established business models at risk of obsolescence because they hadn't responded to the AI challenge of the 2020s. The opportunities from AI and data mean that the UK economy faces unprecedented choices for what it wants to be in 10 or 20 years' time, choices that the next parliament will help decide. Leadership in some areas is already cemented elsewhere, but there will be many opportunities to nurture existing strengths and build new competencies in the advanced economy. Specific action is needed to:

- develop the AI skills needed to equip the workforce of the future;
- embed trust in AI, building on the UK's reputation for accountability and governance to demonstrate how third-party oversight of AI could be optimised; and
- define the standards that will shape future markets in crypto and digital assets.

RESILIENT



Ensure public administration is effective to unleash potential

The UK economy is less resilient than it should be, leaving it vulnerable to shocks and crises and less agile to embrace innovation.

Efficient public services underpin a resilient economy and provide the seed bed for renewal; they enable education of the next generation and provide accessible care to release productive workers.

The public sector contributes a huge amount to the economy, but its effectiveness is constrained by inadequate visibility of performance and accountability.

- Local government financial reports should provide the impetus for review and better targeting of scarce resources. But they are currently too hard to read and often delayed. Reform is needed to enable better decisions to be made.
- Mechanisms for accountability need to be strengthened to give clearer visibility of performance and enable issues to be identified and addressed.

TRUSTWORTHY



Secure trust in companies to encourage investment in the UK

The UK has a world-leading reputation for corporate governance and reliable accountability. This reputation is vital to attracting foreign investment and underpinning valuations in UK markets. In a rapidly-developing world, constant attention is needed to maintain this status and build the foundations for future markets. Action is needed to ensure that the UK's foundational Public Interest Entities can be held accountable for their performance and resilience.

- The regulation of governance and reporting by Public Interest Entities has been identified as needing reform. A new statutory regulator would underpin trust. Transparency could be boosted in the resilience of these important entities, the effectiveness of their internal control and the measures they take to guard against fraud.
- Sustainability reporting is rapidly taking root in global markets. The UK must keep pace with internationally aligned, robust and reliable ESG reporting.
- Protecting the UK from economic crime requires constant vigilance.

LEADING ON TRADE



Give the UK's vital services sector the prominence it deserves in trade

The UK Government has been establishing new free trade agreements with countries around the world. These provide strong potential for future trade with growing areas of the global economy. But more could be done to play to the UK's strengths. In particular, given the UK's global strength and ongoing potential for growth in services, these sectors are surprisingly often underweight in trade agreements and the actions that follow their adoption. A new strategy is needed for the 21st century that recognises the centrality of services to trade.

- Prioritising effective mechanisms to ensure that the UK's qualifications are at the heart of the doors opened by free trade agreements.
- Optimising the UK-EU Economic Partnership Agreement to open new opportunities for UK businesses and services in Europe.
- Simplifying HMRC's trade administration processes, promoting UK businesses via trade missions and signposting valuable resources for exporting.

PRODUCTIVITY

Provide long-term certainty for business and remove obstacles to growth.

The UK urgently needs a new plan to address weak productivity and tepid economic growth. The next parliament needs to focus on unleashing the potential of UK businesses and communities and powering adoption of the advanced manufacturing and green technologies that will shape the future economy.

We welcomed the permanent expensing of capital allowances in the 2023 Autumn Statement – long-term strategic decision-making like this needs to continue.



“Increasing regulations are impacting the wrong businesses. My smaller clients are having to spend significant time commitments to meet these, at what benefit?”

Mariee Payne ACA
Audit Manager
Saffery

PRODUCTIVITY

A vision for UK industry to support businesses

The UK needs to set out a vision for industry that identifies and champions technologies for the renewed and resilient economy of the future and the locations where they can draw on strong, scalable ecosystems to turbocharge growth. The aim of the vision should be not to intervene, but to enable.

As part of this vision the government should set out strategies for planning reform, housing, infrastructure, energy, security and transport.

ICAEW members operating across every region and every sector of the UK economy are clear - they want an economy underpinned by certainty, clarity, stability, as well as the right long-term incentives to influence investment, employment and growth. Importantly, there is a desire to see the government follow through on its existing policy commitments, finish projects that have been started, and invest sufficient resources in government departments and the private sector to deliver this.

Hub status for cities/regions to champion technologies would enable better integration and targeting for existing government interventions including Local Skills Improvement Plans, freeports and investment zones and R&D investment.

The government should establish an independent agency to assess the supply-side problems holding back UK potential output, make policy proposals and track government progress on these issues.

This should include an investigation into barriers to infrastructure investment in pension fund risk profiles. Where capital is released, government should ensure the right incentives are in place to direct this towards the productive green and technology investments the UK targets to nurture.

OUR RECOMMENDATIONS:

- 1 **ARTICULATE A NEW VISION FOR UK INDUSTRY** to support businesses in the next parliament, including long-term strategic visions for planning, infrastructure, housing, transport and energy.
- 2 **HOST A NATIONAL COMPETITION TO AWARD HUB STATUS** to cities/regions for champion technologies.
- 3 **ESTABLISH A NATIONAL SUPPLY SIDE COMMISSION** to address structural supply deficiencies.

Investigate barriers to infrastructure investment in pension fund risk profiles and the effectiveness of recent Insurance Solvency II reforms.



PRODUCTIVITY

R&D and investment

The UK now invests 3% of GDP in R&D, but this lags behind the US, Japan and Germany. This should be seen as the minimum; exceeding 3% would power greater innovation and boost productivity.

R&D investment in the UK is critical to developing the technologies of the future. It increases economic growth, creates new goods and services and supports the creation of higher-wage jobs. It also has the potential to tackle important challenges in environmental, health and wellbeing outcomes, and to improve living standards across the UK.

The next parliament should ensure that government aligns incentives between HMRC and the Department for Business & Trade so that there are clear guidelines and visibility on what qualifies as R&D. To make appropriate investments, companies need certainty and stability. This is particularly essential for SMEs.

Any enhancement to R&D support should include a review of HM Treasury's ability to provide more targeted assistance as appropriate, for example, in the growth areas of life sciences, advanced manufacturing and digital technology.

Extra support could also be directed towards those sectors that the government wishes to encourage, such as climate change and nature loss.

This will help to distribute skills, infrastructure and investment more evenly across the UK. Investment in net zero is one of the biggest growth opportunities for the UK and can play a key role in levelling up the UK regions; the North East of England, Humberside and Scotland may have the greatest potential as hubs and clusters of clean growth industries.

OUR RECOMMENDATIONS:

- 1 **INCREASE TARGET R&D INVESTMENT BEYOND 3% OF GDP** and use the new industrial strategy to maintain this.
- 2 **START A NEW COMPETITION FOR INTEGRATED REGIONAL HUBS TO TARGET R&D INCENTIVES** for strategic sectors and outcomes in the public interest.
- 3 **EQUIP THE SMALL BUSINESS COMMISSIONER TO INVESTIGATE R&D BARRIERS** for SMEs created by cashflow/ access to finance.



PRODUCTIVITY

Starting, running and growing a business

Concerns about banking arrangements continue to be raised by our business and charity members, with frequent reports of delays in opening accounts. A member working in logistics summed things up:

“setting up a bank account for a small business is almost impossible – you can register a company in 10 minutes, find a client in a week, but it takes three months to open an account”.

Similar issues are reported with delays in acquiring VAT registration numbers from HMRC.

Late payments are a common concern among ICAEW members. Chasing debt and delaying payment to suppliers to protect cash has created an environment where, to quote one member,

“everyone is paying everyone late”.

Some improvements in payment terms for SMEs are being noticed, but recent changes to public procurement rules do not go far enough and problems with late payments remain. Greater transparency and improved reporting on payment practices will help, but these interventions need to be proportionate and targeted, focusing on those guilty of bad practice at the margins. Improved data will be crucial to enable the Small Business Commissioner to identify problem areas and make targeted interventions where most needed.

ICAEW’s **Business Confidence Monitor** (BCM) found that 11% of businesses cited access to capital as a growing challenge between Q3 2018 and Q2

2023, compared to 8% over the previous five years. Very often, the blockage to accessing finance is not the quality of the business, but the quality of the application for finance. The government should explore a new version of the Growth Voucher Scheme that closed to new applications in March 2015. The scheme helped over 28,000 small businesses access strategic advice on areas including financing that could help them grow. Three-quarters of these businesses received a voucher that offered up to £2,000 to cover half the costs of buying strategic business advice from private sector suppliers. The government should also enable larger Start-Up Loans via the British Business Bank. The threshold of £25,000 has not changed since the start of the scheme in 2012 and is due an inflationary increase, as a minimum.

The Mansion House compact aims to boost access to capital for unquoted companies, through a commitment by Defined Contribution (DC) pension providers to aim to allocate at least 5% of their default funds to unlisted equities by 2030. The next parliament should ensure that government spearheads and coordinates communication to trustees and members of DC pension schemes so that they are fully informed about the implications for the risk profile of affected funds. The government should also lead a campaign to inform investors and potential investors about reforms to the UK’s capital markets, including replacing established investor protections in the listing regime with disclosures. The government has a responsibility to work with regulators and market participants to communicate and signpost advice and guidance.

OUR RECOMMENDATIONS:

- 1 **INTRODUCE BUSINESS START-UP PASSPORTS** to streamline HMRC registrations, integrate with Companies House verification and support banking set-up.
- 2 **REINTRODUCE GROWTH VOUCHERS AND INCREASE THE THRESHOLD FOR BRITISH BUSINESS BANK START-UP LOANS** to support access to finance.
- 3 **CREATE A TASKFORCE ON BUSINESS BANKING** and equip the Small Business Commissioner to champion the collective interest of the UK’s SMEs.
- 4 **SIGNPOST AND COMMUNICATE ADVICE AND GUIDANCE TO INVESTORS ON CHANGES TO DC PENSION FUNDS** and replacing established investor protections in the listing scheme with disclosures.



REGULATION

PRODUCTIVITY

Smarter regulation

The next government should continue to pursue the Smarter Regulation initiative for the long term, building a mechanism for structured engagement with stakeholders to improve the regime.

The benefits of good regulation should not be underestimated and ICAEW manages a [Better Regulation hub](#) to encourage dialogue with business. Reducing the volume of regulation (or number of regulators) may be a consequence of “Smarter Regulation” but should not be its driving purpose. Sound regulation and competitiveness are not mutually exclusive.

The next parliament should take steps to make it easier for the public to understand who the UK’s statutory regulators are, what is expected of them and what they cost, to assess whether they are meeting their objectives and be confident that they are being held to account. Parliament itself has the strongest possible role to ensure regulators are accountable.

The current regulatory regime is so complicated and has evolved in such a piecemeal way that it is difficult to see any coherent structural architecture, or measurement tools to enable the effectiveness of regulators to be assessed or compared against each other in an objective way.

Our members tell us that a lack of coordination between regulators is a real burden on business, as precious time and money has to be used by the business to ensure that new provisions from one regulator remain consistent with the requirements from another.

Guiding principles for regulators and government should include:

- Transparency - rules should be easy to understand and the objectives should be stated;
- Accountability - regulation should have criteria against which its effectiveness can be judged and those responsible can be held to account;
- Proportionality - regulation should be the appropriate response for the issue concerned. This involves being aware of the possible disadvantages of regulation and alternatives (eg, doing nothing or providing education);
- Consistency - so that regulation collectively is “joined up” and results in consistent outcomes;
- Targeting - regulation should focus on the problem it seeks to address with a “goals”-based approach and minimise side effects. Enforcement should be based on risk. Regulation should be subject to systematic review and modified or eliminated if necessary.

“Regulation should have purpose and be proportionate. Enabling business and keeping it safe. It should not be a challenge or barrier to success.”

Sophie Parkhouse FCA
Partner
Albert Goodman LLP



OUR RECOMMENDATIONS:

- 1 PROVIDE A REGULATION ROADMAP** to help the public understand the objectives, operation and performance of each sector’s regulatory regime.
- 2 ESTABLISH A PERMANENT BODY ACCOUNTABLE DIRECTLY TO PARLIAMENT** to check that the regulatory regime is functioning as intended.
- 3 DEVELOP THE GUIDING PRINCIPLES FOR REGULATORS AND GOVERNMENT**, provide effective mechanisms to increase consistency, and better measure and report on performance.

PRODUCTIVITY

Tax strategy

The next government should publish an overarching tax strategy, establishing the route to simplify taxes and digitalise tax collection, transform the tax system and to provide certainty and make it fit for the future.

The UK's tax rates, thresholds and allowances create cliff edges which act as a structural block to growth, inhibiting job creation and economic activity which would otherwise generate tax receipts for the Exchequer.

Meaningful tax simplification requires a clear plan, focused resource, accountability and investment. Complexity is a key issue for our business and charity members, especially when combined with the challenges they face in getting help from and engaging with HMRC customer services and systems.

ICAEW calls on the next government to endorse a tax simplification roadmap explaining how it will be embedded into HMT and HMRC policymaking following the abolition of the OTS. The UK has one of the longest tax codes in the world. The recent removal of the pension lifetime allowance generating almost 100 pages of legislation is a topical example of policy changes complicating, not simplifying the tax system.

Any tax policy changes should adopt a "digital first" position (ie, ensure that they can be implemented digitally), in order to reduce administrative burdens and consequent time costs placed on HMRC and taxpayers. However, the design of Making Tax Digital (MTD) needs improvement and ICAEW strongly opposes quarterly

reporting for MTD Income Tax Self Assessment (ITSA). A thorough review into HMRC's resources and capabilities should be undertaken and increased investment in HMRC is almost certain to be needed to develop better digital services. Agents often have to resort to using the phone or writing to HMRC only because they are unable to resolve their clients' issues digitally.

We think that there may be scope to refocus HMRC resources onto the development of digital services that will reduce phone and post demand in the short to medium term. This is particularly the case for digital services for agents.

ICAEW has previously shared with HMRC a list of improvements to digital services that would reduce demand on phone and post services, including:

- Having a single sign-on portal for agents;
- Greater access to client data for agents so they can fully understand a client's tax issues;
- A secure email facility to send documents to HMRC that is safe and allows documents to be sent in both directions by HMRC and agents; and
- Improvement in the interaction of existing HMRC digital systems.

Regrettably, ICAEW receives evidence of unacceptable HMRC service performance from members almost daily. The evidence covers both long waits for helpline calls to be answered and letters and other correspondence

left unanswered, with some correspondence delays of well over a year. HMRC's service standards need to be addressed urgently to ensure the tax system remains resilient and HMRC's performance is not a barrier to growth and productivity. HMRC needs to be incentivised to be more efficient and effective. The government should hold HMRC to account for poor service standards and missing deadlines. There should be appropriate redress for taxpayers who suffer because of poor HMRC service standards. This could include, for example, a more straightforward process to reclaim extra costs incurred due to HMRC delays and incorrect processing.

"DESIGN A SIMPLIFIED TAX SYSTEM THAT ALLOWS UK BUSINESSES TO GROW, MANAGE THEIR CASH FLOW AND EFFECTIVELY FORECAST."

SOPHIE PARKHOUSE FCA
PARTNER, ALBERT GOODMAN LLP

OUR RECOMMENDATIONS:

- 1 PUBLISH AN OVERARCHING TAX STRATEGY INCLUDING A TAX SIMPLIFICATION ROADMAP** and commitment to review tax cliff edges and disincentives to growth.
- 2 ADDRESS GAPS IN DIGITAL TAX SERVICES TO IMPROVE DATA ACCESS FOR AGENTS** and reduce demand for phone and post services.
- 3 INVEST IN HMRC TO ADDRESS POOR SERVICE STANDARDS**, remove a barrier to growth and productivity and provide equitable redress to taxpayers that have incurred extra costs due to delays.

SKILLS

Set clear routes to gain the skills of the future.

Access to the right skills remains a big challenge for businesses and the public sector across the country. Skills need to continue to be developed throughout adult life to promote resilience and renewal in the economy and to boost productivity, embrace the opportunities of AI, support the green transition and ensure that growth is inclusive to all. The ability to upskill and retrain is vital.

Action is needed to promote equality and diversity in the workplace, remove barriers to entry and widen the skills and talent pool available to employers. Access to the right labour skills should not be an obstacle to the strategic growth in the technologies of the future that the UK needs.



“Organisations are still suffering severe resource constraints in many sectors. Desperately needed increases in funding for apprenticeships would help support recruitment and training needs of employers across the economy.”

Gareth John FCA
Executive Director
First Intuition

SKILLS

Securing talent and upskilling

Businesses need support to secure the talent they need to thrive; government can provide the vision to shape the skills agenda.

Members highlight the importance of programmes to build a flexible workforce that can adapt to an ever-changing environment. This includes the need to develop soft skills among candidates, which appear to be weaker following the pandemic. Schools and businesses have a role to play in working together to shape the curriculum, along with skills acquisition routes, so that young people are more aware of possible career pathways and opportunities.

Upskilling is often a cost-effective solution to retention. However, the [Skills for the Future Financial Services report](#) found that only 50% of their members were reskilling the workforce in 2023, despite also finding that:

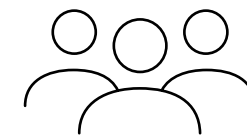
RESKILLING A FINANCIAL SERVICES EMPLOYEE COSTS ON AVERAGE:

£31,800



COMPARED TO THE REDUNDANCY AND REHIRE APPROACH WHICH COSTS ON AVERAGE:

£80,900



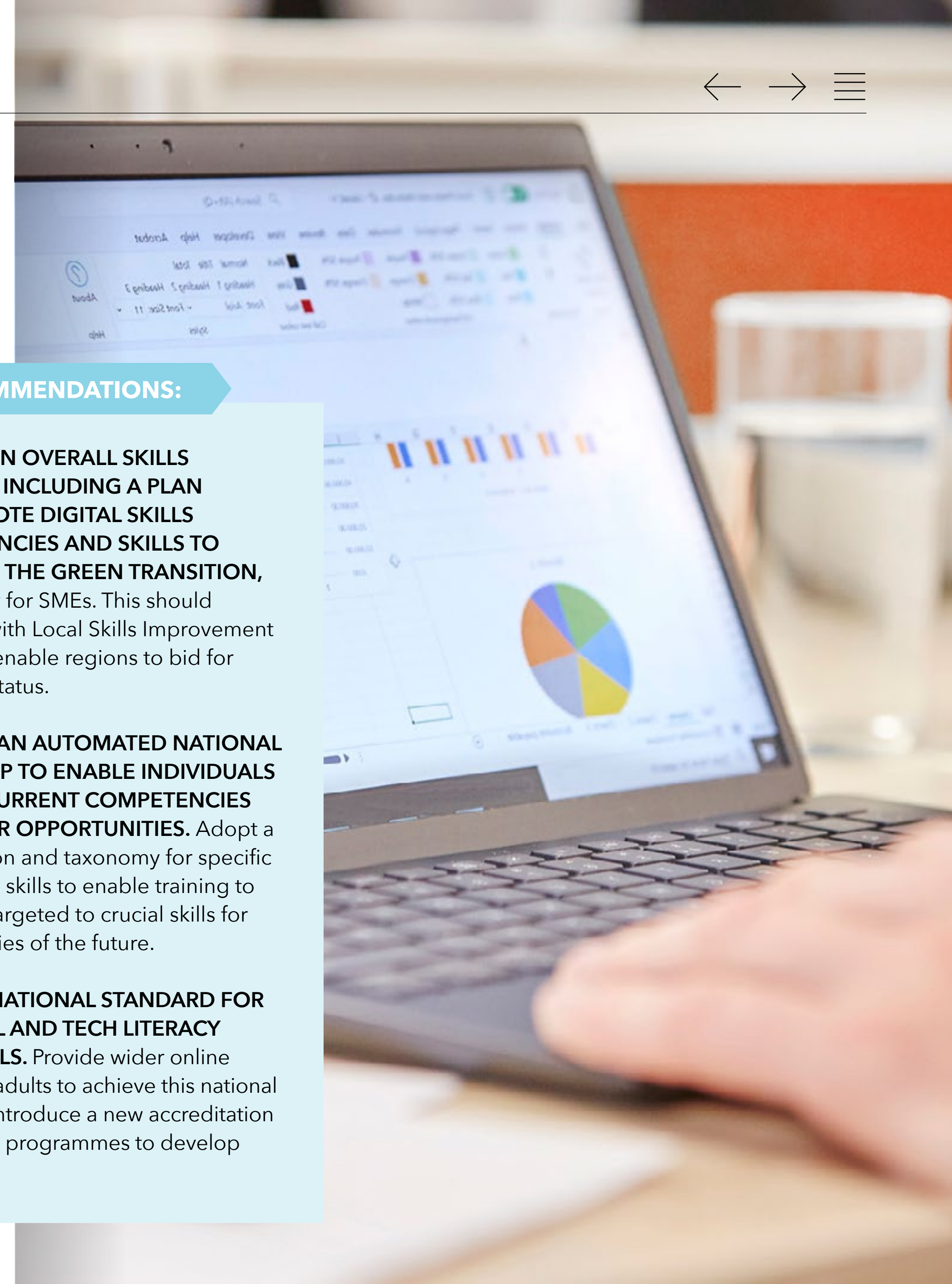
Individuals should have access to tools such as an automated skills map to give them a clear understanding of the career opportunities that will be available to them if they learn new skills, targeting their adult learning so it is most productive for both them and current and future employers.

To incentivise and facilitate investment towards a sustainable economy, new skills will be needed in the workforce, as well as a new skills strategy, to help ensure these skills are available when and where they're needed.

This is especially important for SMEs which may lack training resources. Government should implement the Independent Review of Net Zero proposed "Help to Grow Green" campaign, offering information, resources and vouchers for SMEs to upskill, plan and invest in the transition.

OUR RECOMMENDATIONS:

- 1 PUBLISH AN OVERALL SKILLS STRATEGY INCLUDING A PLAN TO PROMOTE DIGITAL SKILLS COMPETENCIES AND SKILLS TO PROMOTE THE GREEN TRANSITION,** particularly for SMEs. This should integrate with Local Skills Improvement Plans and enable regions to bid for skills hub status.
- 2 DEVELOP AN AUTOMATED NATIONAL SKILLS MAP TO ENABLE INDIVIDUALS TO MAP CURRENT COMPETENCIES TO CAREER OPPORTUNITIES.** Adopt a classification and taxonomy for specific job-related skills to enable training to be micro-targeted to crucial skills for the industries of the future.
- 3 SET UP A NATIONAL STANDARD FOR FINANCIAL AND TECH LITERACY IN SCHOOLS.** Provide wider online access for adults to achieve this national standard. Introduce a new accreditation scheme for programmes to develop "soft skills".



SKILLS

Access to labour

Our members tell us issues relating to retention and recruitment are a persistent pressure, serving as a drag on growth and a contributor to salary and wage inflation.

Labour challenges remain across all sectors and smaller businesses consistently struggle to retain and recruit staff. With increased demand for audit, accountancy and advisory services, the ability to meet demand has been hampered by a shortage of staff. Several practice firms are exploring international recruitment as an option to combat the candidate shortage they are experiencing in the UK. Economic migration rules currently focus on job roles – the Shortage Occupation List could be modernised to become more strategic and focused on skills and attracting the best people available who could be trained.

The apprenticeship funding bands are in need of review due to current inflationary pressures.

THE CURRENT FUNDING RANGE IS:

**£2,500
to £27,000**



For example, at present, the maximum funding available for the Level 7 Accountancy or Taxation Professional is £21,000. The costs of delivering apprenticeships will also continue to rise in part due to the increase in cost of assessors, programme support costs and examination expenses. As the costs of delivering the apprenticeships increase, training providers will look to employers to fund this in the absence of an increase from the levy scheme.

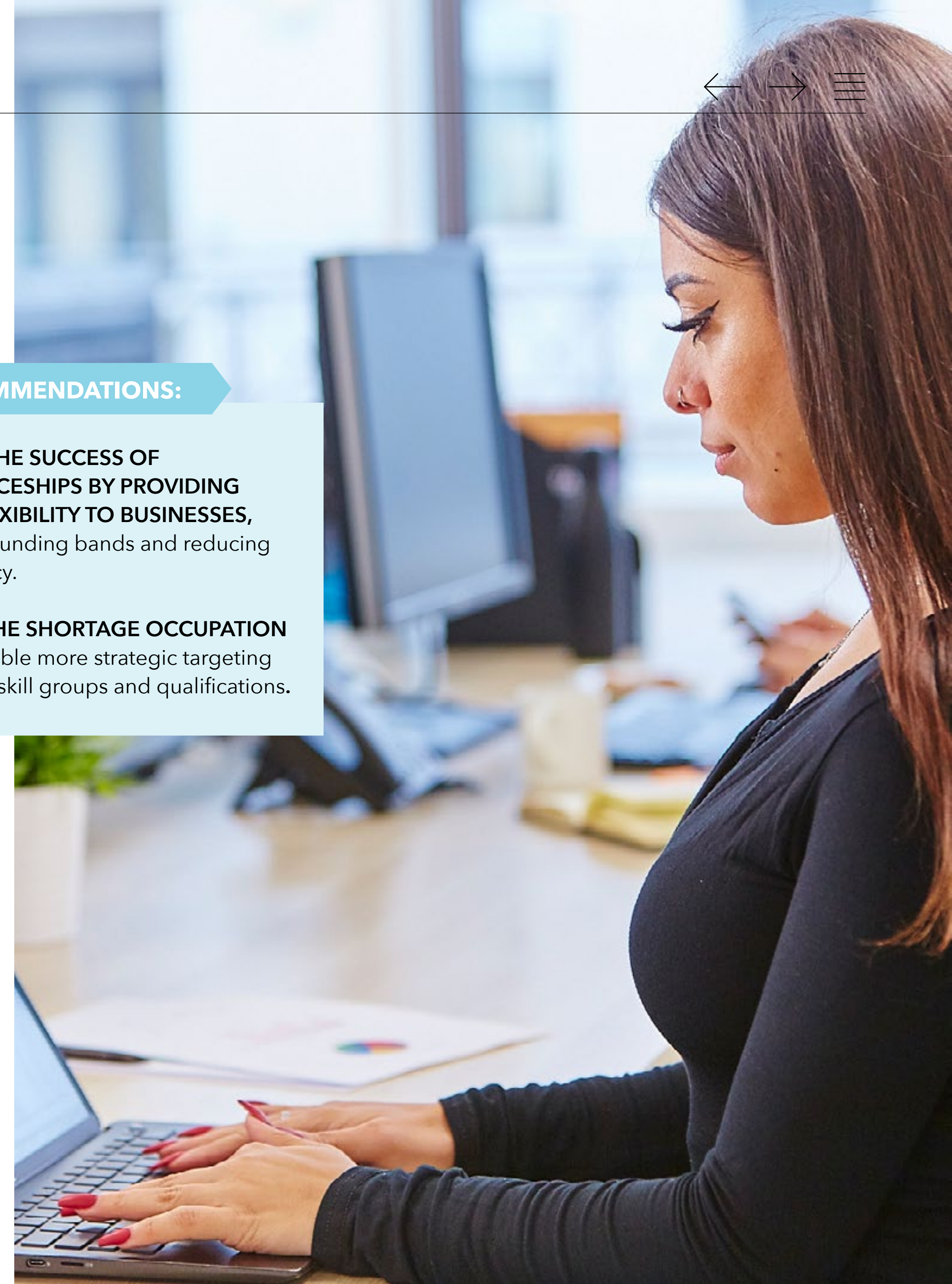
This could, in the long term, reduce the number of employers who join the apprenticeship scheme, which could reduce the amount of talent attracted into productive jobs.

Improvements to apprenticeships could address the shortage of non-management skills and develop skills in target industries including engineering, manufacturing and digital. The apprenticeship scheme needs to be flexible enough to enable employers of all sizes to adopt apprenticeships and also give flexibility to train staff in areas where there are skills shortages or emerging skills are needed.

The government should revamp apprenticeships to allow firms to use a proportion of their funding from the levy on high quality non-apprenticeship training, such as accredited courses that help upskill employees to adapt to technological change, the transition to net zero and other big changes in the economy and the workplace.

OUR RECOMMENDATIONS:

- 1 EXTEND THE SUCCESS OF APPRENTICESHIPS BY PROVIDING MORE FLEXIBILITY TO BUSINESSES,** reviewing funding bands and reducing bureaucracy.
- 2 EVOLVE THE SHORTAGE OCCUPATION LIST** to enable more strategic targeting of specific skill groups and qualifications.



SKILLS

Access to the workplace

To help people get back into work, the next parliament should focus on access to excellent healthcare provision and childcare services.

It is important that the availability of affordable childcare is not an obstacle to access the workplace and ICAEW recommends extending the positive announcements made in the 2023 Spring Budget.

To assist people with long-term physical and mental health conditions to participate in the labour market, or stay in their current roles, the next parliament needs to review the welfare system. It should pursue a policy objective of ensuring it has the flexibility and incentives to make sure the people it supports are not financially disadvantaged by working or taking on longer hours.

ICAEW has continued work to improve social mobility, launching a new work experience programme ring-fenced for students from low-income backgrounds, publishing our socio-economic pay gap for the first time, and joining a consortium of businesses to help Ukrainian refugees find skilled work.

Over the next year, PwC is taking on more than 2,000 school leavers and graduates across the UK, including through degree apprenticeships.

ICAEW hosted three students for a six-week internship as part of the 10,000 Black Interns scheme. They spent their time working across our organisation, including with the Public Sector and Tax teams, which included preparing a presentation and attending an evidence session in parliament. The next government can play an active role in promoting schemes like this and supporting diversity in financial services.

OUR RECOMMENDATIONS:

- 1 **REAFFIRM AND EXTEND COMMITMENT TO CHILDCARE MEASURES** announced at Budget 2023.
- 2 **REVIEW THE WELFARE AND TAX SYSTEM TO REDUCE CLIFF EDGES** that can financially disincentivise working.
- 3 **PROMOTE BEST PRACTICE IN SUPPORTING EQUITY AND SOCIAL MOBILITY.**

“We need to collaborate with educational institutions to provide practical financial education to bridge the gap between academic knowledge and real-world financial skills.”

James Skilton ACA
Senior Accountant and
Independent Consultant



SUSTAINABILITY

Show bold global leadership on net zero and financing the green transition.

To meet our sustainability commitments, we need to reimagine our economies and aspire towards net zero, nature positive, socially just outcomes.

This is not only the right thing to do; it is an economic imperative. The government must be proactive to make the UK economy competitive in key growth sectors and support business transition. Accountants have a leading role to play and ICAEW is taking leadership on Sustainability Assurance and Reporting to promote best practice and help the UK to lead and shape international standards.



“The next generation cannot be left facing the risks of climate change alone. For the UK to remain competitive it must be a leader in environmental action, and we must go further faster to ensure a brighter, greener future!”

Aaron Thompson ACA
Assistant Manager
BDO

SUSTAINABILITY

Sustainable development and the road to net zero

More than ever, businesses and investors are focused on addressing actions which negatively impact on climate change. Halfway to the 2030 deadline, the latest UN Sustainable Development Goal (SDG) Progress Report warns that the world is currently on track to meet only 12% of the SDG targets, with the UK on course to meet only 17% of its targets.

The UK has made notable advances on some fronts. However, the pace and scale of action falls far short of what is required. Mixed policy signals are stifling investment in low-carbon solutions, threatening UK competitiveness and putting the UK's net zero target at risk.

We urge the UK Government to show bold leadership. As other international players such as the US and EU pursue their own industrial strategies to take advantage of the opportunity presented by the transition to green economies, the government must be proactive to ensure the UK economy remains competitive.

The role of the public sector in delivering net zero is critical. Not only must it set an example by eliminating its own emissions, it also has a key role in enabling private sector investment and using its regulatory and planning powers to facilitate change. The net zero funding landscape is extremely complicated and inefficient for local authorities and counter-productive for central government. This funding landscape also holds back growth in local economies.

From 2027, goods imported into the UK from countries with a lower carbon price than the UK will have to pay a carbon border adjustment mechanism (CBAM). This is a positive and essential step in decarbonising the UK economy and levelling the playing field between imported and domestic goods. However, it will bring significant administrative challenges for affected businesses, which will have to measure and verify embedded emissions on relevant imports. The next few years will require substantial preparation by businesses and support from government.

The next government should strengthen the s172 Companies Act 2006 to require ensure that sustainability needs are embedded into business practices.

OUR RECOMMENDATIONS:

- 1 DELIVER A NET ZERO INVESTMENT STRATEGY IN A WIDER WHOLE-ECONOMY TRANSITION PLAN FOR THE UK** to support transition funding for businesses and strengthen directors' commitments to sustainability via the Companies Act.
- 2 INTRODUCE A NET ZERO DELIVERY TRACKER** which assesses the impact of budget measures on nature and climate. Keep commitments to be nature positive by 2030.
- 3 PRIORITISE CLOSE CONSULTATION WITH INDUSTRY TO PROVIDE CLARITY ON THE DETAILS OF THE CBAM** levy and ensure the administrative burden is minimised.



“We need proactive measures to make the UK a competitive force in sustainable growth sectors, supporting businesses in their transition toward a greener future.”

Ravi Abeywardana ACA
Director Strategic Affairs and Capacity Building
IFRS Foundation



“Sustainability is at the heart of our future and should be at the heart of our policies.”

Mike Clark FCA
VP Finance Strategy and Transformation
Coca-Cola Europacific Partners



SUSTAINABILITY

Green finance

London has an opportunity to be the world's first net zero and nature positive aligned financial centre. To support this, a new approach to private-public partnerships is essential to explore ways to share the risk and reward of green infrastructure projects to sustainable finance.

Blended finance arrangements could include debt arrangements where government is an equity investor or provides debt finance that is subordinated to tranches offered to the private sector. Green gilts and green savings bonds could also be expanded, providing the private sector with a way to support net zero without taking on undue risk.

The UK Infrastructure Bank was set up to provide £22bn of infrastructure finance and partnering with the private sector. This finance could be instrumental in targeted green investments across ports, gigafactories, clean steel, industrial clusters and hydrogen in the UK and would ideally be scaled up according to demand when the public finances permit this. The next government should consider ways in which the private sector is not only the recipient of funds for investment but is also given the opportunity to take part in their financing, providing incentives for greater capital flows into the UK to support green finance and investment. Regulators should also be sufficiently resourced to support the authorisations process, as delays to assessment and

approval act as an inhibitor to market entry and scale up. The UK should also continue to encourage the sandbox approach that provides firms with a safe space to trial new products and services and in doing so ensures the UK is an attractive place for firms to innovate and invest in.

The green finance strategy should be underpinned by a clear science-based definition of what is green, and what is not. Maintaining and adapting the UK's "green taxonomy" should be central to the strategy, with a suitable regulatory framework to support that by providing verification and trust processes. Sustainability assurance and reporting will be crucial to this. The government should also consider the treatment of transition technology, which is not green itself but helps put businesses on the path to net zero.

A coherent, consistent and principles-based approach to governing financial services will give businesses confidence about the future direction of policymaking. Progress on the wide-ranging Edinburgh reforms to the UK's financial services regulatory framework must not be stalled or wound back. Such action would be detrimental to confidence in, and attractiveness of, financial services in the UK. The focus should now be on ongoing alignment of regulations within the UK's jurisdiction to global international standards, as the UK is a significant exporter of financial services. This allows firms to either start up in the UK and expand seamlessly into other jurisdictions or allows for international firms to quickly set up in the UK.

OUR RECOMMENDATIONS:

- 1 POSITION LONDON AS THE WORLD'S FIRST NET ZERO, JUST AND NATURE POSITIVE FINANCIAL CENTRE.** Use UK Infrastructure Bank funding to create a new private-public partnership to share risk and reward of green infrastructure projects and improve access to blended finance structures.
- 2 REVIEW ESG DEFINITIONS AND DELIVER THE PROMISED UK GREEN TAXONOMY** to deter greenwashing.
- 3 COMPLETE THE EDINBURGH REFORMS** and seek alignment of global international financial services standards.



INNOVATION

Develop the skills and standards to lead on technology.

The potential for technology and AI to shape the future economy has arguably never been greater. In crucial sectors the UK is already leading the world. Perspective is also required: in a growing world the UK cannot lead in all technologies so careful targeting is necessary. We believe this could be combined with a sense of place to boost local clusters across UK regions as centres for excellence in target technologies, building on our world-leading universities and working with freeports and investment zones to provide the right incentives for investment and growth in the locations where they can scale to achieve the biggest impact.



“SMEs are the main power and innovation engines of the UK economy. A competitive tax system and investment in R&D and skills will support the entrepreneurs of the future.”

Qun Yang FCA
COO and Co-founder
Biorbyt

INNOVATION

AI innovation and skills

Generative and other forms of AI are at a pivotal point and businesses must engage with the technology to responsibly harness its benefits and to remain relevant.

We need to understand what it is, how it works, the opportunities it provides and the challenges it presents. This does not necessarily mean becoming a technical expert on AI, but it does mean recognising this as a skills challenge. Workers and students need to know how they can gain enough knowledge and understanding to empower them to contribute to the workplace and grasp the opportunities offered.

For accountants, AI is about more than improving efficiency and cutting costs – wholly new services could be provided to re-engineer businesses processes, integrating the accounting system with website, ordering, distribution and more to provide holistic business information. The government can help by enabling the data sharing needed to make the most of these technologies and ensuring the right skills are available in the economy for these firms to recruit from.

There is a need to upskill the workforce to use AI tools in an ethical, safe and considered way.

AI has the potential to increase productivity by automating simple tasks and even taking over complex decision-making. But an empowered and skilled workforce is still required to manage the design and implementation of AI activity and provide oversight.

The UK is leading the way on cutting-edge technology in universities by promoting innovation through the AI skills package. However, we need a broader comprehensive new AI digital skills and technology plan, supporting all sectors and particularly SMEs which are underserved at present. Accountants will have an important future role in auditing AI and promoting AI transparency and safety.

Support is needed to enable businesses to develop competencies expected for safe AI implementation, when using AI models. ICAEW's members are already trained in the key skills of critical thinking, professional judgement, ethical decision-making and scepticism of outputs.

These skills should be available to a much wider audience as they are all vital in helping individuals mitigate many of the risks of AI of which the government and political parties are aware.

OUR RECOMMENDATIONS:

- 1 DEVELOP TRUST FRAMEWORKS FOR BROADER ECONOMY DATA SHARING** for businesses to maximise the benefits of AI.
- 2 WORK WITH BUSINESSES TO SCOPE THE BEST WAYS TO INCENTIVISE THE USE OF AI** to achieve productivity gains and promote best practice.
- 3 PUBLISH A COMPREHENSIVE NEW AI DIGITAL SKILLS AND TECHNOLOGY PLAN FOR BUSINESSES**, applicable to all sectors.
- 4 OUTLINE A SPECIFIC AI SKILLS PLAN FOR SMEs.** This should include grants to buy software licences and hardware, access foundational skills and an expanded AI and digital apprenticeship scheme. The government should work with accountancy bodies to help deliver this support and share best practice.

“Innovation and digital training is key and the use of AI for good will be a key driver in productivity.”

Tanuvi Ethunandan ACA
Founder and CEO
Duopoly



INNOVATION

AI safety

Clarity around the regulation of AI is needed to give businesses the certainty and confidence to responsibly develop and use AI.

The government should quickly provide details of how the central functions identified in the AI regulation policy paper will be set up and how they will operate. This will help alleviate business concerns around working with multiple appropriate regulators including duplication, contradiction and remits that are not covered.

It will also help address appropriate regulators concerns such as access to skills. As AI is global in nature, the government should work with other countries to ensure that any UK regulation is interoperable and helps businesses to operate globally.

AT ITS CORE, REGULATION SHOULD ENSURE THE ACCOUNTABILITY, TRANSPARENCY AND HUMAN OVERSIGHT OF AI.

OUR RECOMMENDATIONS:

- 1 DESIGN AN AI GOVERNANCE FRAMEWORK** to facilitate ethical and responsible decision-making and accountability, transparency and appropriate human oversight.
- 2 EQUIP THE REGULATOR WITH POWERS TO INSTITUTE AN INDEPENDENT, THIRD-PARTY REVIEW OF AI USE** where a public interest case is met.
- 3 FACILITATE AN ETHICAL FRAMEWORK FOR AI** developers, deployers and users.

“Commitment to creating a highly skilled workforce is crucial for our business. The emphasis on lifelong learning and addressing skill gaps aligns with our need to embrace AI and innovation.”

Sam Tasker-Grindley ACA
Head of Advisor Channel
Swoop



INNOVATION

Crypto and digital assets

Consumer protection in the digital asset space requires a comprehensive regulatory approach from accounting standard setters, auditors and regulatory bodies to provide clarity and ensure the right safeguards are in place to protect consumers.

Regulatory guardrails that support good corporate governance, internal control environments and risk management will also lower the take on risk for accounting and auditing practitioners, further supporting a healthy ecosystem required for the sector to thrive in the UK.

OUR RECOMMENDATIONS:

- 1 DEFINE STANDARDS PROVIDING CLEAR GUIDANCE ON DIGITAL ASSETS** including valuation, safeguarding and audit.
- 2 ENSURE LEGISLATION ALLOWS INDIVIDUALS TO EXERCISE THEIR DATA PROTECTION/PRIVACY RIGHTS IN A BLOCKCHAIN ENVIRONMENT** and promote public education on digital assets.
- 3 SUPPORT SANDBOXES** to encourage investment and development of digital assets.



RESILIENCE

Urgently address the resilience of central and local public finances.

A long-term fiscal strategy is needed to put the public finances on a more sustainable path, after three global economic crises in the last 15 years. Steps are required to instil more confidence in local and central government financial reporting, urgently address the local audit backlog and communicate convincingly on the financial resilience of local authorities.



“Driving more efficient use of public sector resources, by reshaping the delivery of public services, is a societal and economic priority, particularly in the devolved nations.”

Bernard O'Hara FCA
Northern Ireland ICAEW Board

RESILIENCE

Public finances

Investing in strong central and local government finance is essential to achieve value for money in public spending, especially at a time when there is a need to keep borrowing under control.

Poor quality public services are an obstacle to economic development and waste the public money spent on them. A public services strategy is needed to deliver high quality public services efficiently, with investment in technology prioritised to both improve service quality and reduce costs. It is also important that there are sufficient finance skills and experience in place among civil service departments and elected representatives so that they can provide sufficient strategic direction and scrutiny.

Most countries go through a process of publishing draft budgets followed by consultation and parliamentary committee debate before approving their final budget.

Introducing a Budget Committee in the next parliament, as proposed by the House of Commons Procedural Committee, would provide a forum where government and parliament could have a meaningful dialogue around long-term fiscal strategy as well as short-term financial priorities such as tax design and public service effectiveness. This would complement the role of the Public Accounts Committee which is holding the government to account for what it has done and is doing.

OUR RECOMMENDATIONS:

- 1 COMMUNICATE A LONG-TERM FISCAL STRATEGY FOR THE PUBLIC FINANCES.**
- 2 REQUIRE EACH GOVERNMENT DEPARTMENT TO HAVE A CFO AND PROMOTE FINANCIAL LITERACY TRAINING** for local elected representatives, including councillors.
- 3 TAKE ACTION TO STRENGTHEN INTERNAL AUDIT, THE NAO AND SELECT COMMITTEES AND ESTABLISH A DEDICATED BUDGET COMMITTEE.**



RESILIENCE

Local authority funding and accounts

The growing crisis in local audit has led to most local authorities in England being two or more years behind on publishing their audited financial statements. Without up-to-date audited financial statements, critical processes for accountability, governance, internal financial control, risk management, strategic decision-making, regulatory and system oversight cannot function properly.

ICAEW has set out a [clear vision for local audit](#) that sets out our support for understandable financial reports, timely high-quality local audits, strong financial management and good governance, value for money and protecting the public interest. We have called for the abolition of the Key Audit Partner requirement to increase the ability of auditors to be able to move into the local audit market. However, almost all principal local authorities have revenues in the hundreds of millions a year, meaning that audit firms need to have sufficient scale to be able to conduct such audits.

Local accounts are not currently used or scrutinised effectively, or indeed used at all, and should be the cornerstone of local democracy and effective, efficient local public services. The next parliament should also insist that the government makes it mandatory for a local authority audit committee to have a chartered accountant on board, rather than just being best practice, and encourage third party scrutiny from Oflog.

Stable long-term funding streams should replace short-term funding pots and competitive bidding by local authorities. Too much time and effort is wasted on internal transfers of money within the public sector, instead of enabling local authorities to focus on delivering the public services and infrastructure that businesses and communities need.

Many local authorities are struggling financially and some may need recapitalising (to increase general reserves) if they are to be able to survive without needing to resort to s114 notices that can devastate local services and result in the deferral of critical infrastructure that is needed to support economic growth. Recent funding packages for local authorities do not go far enough to address the challenges facing local authorities with their biggest expense being on adult social care – an ageing population and more ill-health is pushing up demand, meaning disproportionate cuts to other local public services.

OUR RECOMMENDATIONS:

- 1 **ADOPT ICAEW'S VISION OF LOCAL AUDIT** to tackle the backlog of delayed audit opinions for English local authorities.
- 2 **PUT GREATER INVESTMENT AND SKILLS TRAINING INTO LOCAL AUTHORITY FINANCE TEAMS** and increase enforcement powers for the local audit system leader.
- 3 **MAKE LOCAL ACCOUNTS MORE ACCESSIBLE FOR SCRUTINY** and encourage Oflog to commission analysts to review public sector accounts.
- 4 **COMMIT TO REPLACE COMPETITIVE BIDDING WITH STABLE LONG-TERM FUNDING** and provide a clear basis for recapitalising struggling local authorities.



TRUST

Champion world-leading corporate governance, reporting and regulation and a joined-up approach to tackling economic crime.

Enhancing trust and accountability for corporate governance, reporting and audit is critical. Trust maintains the attractiveness of UK business to international investors and gives visibility to the resilience of keystone institutions.

A proportionate approach to standard-setting and smarter regulation is needed, paying particular attention to the impact on SMEs, emphasising simplification and avoiding duplication.



“If the public had a better understanding of the consequences of economic crime on individuals and society as a whole, this would aid the fight against such crime.”

Caroline Smale FCA
Partner
Bishop Fleming Chartered Accountants

TRUST

Corporate governance, reporting and audit reform

Following the collapse of Carillion in January 2018, several reviews were launched on corporate governance and audit reform. Despite this, almost six years on, this reform is incomplete with the new statutory regulator not yet established and ambitious reforms to the Corporate Governance Code reined back.

In capitalist economies businesses sometimes fail. Sometimes government will choose to intervene, or in the case of vital financial services, put in place a prudential regime to reduce the risk and mitigate the impact of failure, but for most Public Interest Entities (PIEs), these safeguards do not apply. Even major businesses can become insolvent when conditions turn against them and there is a limited amount that government or other third parties can do to protect jobs and creditors when the worst happens.

Where government can and should act is to reduce the risk of “surprise failure” and enhance governance at major institutions. More can be done to reduce the risk that a major business fails without the warning signs being clear to see in its corporate reports.

To address this requires legislative action to:

- enhance reporting on resilience and fraud risk;
- increase accountability for the effectiveness of internal controls; and
- ensure the regulator is properly equipped to enforce company law in these areas.

It's important these needed reforms to audit and corporate governance strike the right balance, not least to ensure that audit firms remain committed to involvement in the PIE market and the profession remains resilient. Significant development of the government's reform package has taken place and legislation should be nearly ready to go. A proper and fresh review of the proposals is now needed as a final stage before their adoption.

As noted in the sustainability chapter, ICAEW is also calling for a review of the Companies Act to improve corporate responsibility.

OUR RECOMMENDATIONS:

- 1 COMMIT TO UK EXCEEDING OECD CORPORATE GOVERNANCE MINIMUM STANDARDS.** Establish a UK governance lab to role model world-leading standards of governance.
- 2 INTRODUCE PRIMARY LEGISLATION TO ESTABLISH AND PROVIDE STATUTORY FUNDING FOR STATUTORY REGULATOR IN THE NEXT PARLIAMENT,** consulting on the scope of its implementation.
- 3 INTRODUCE FOR PIEs REPORTING REQUIREMENTS ON RESILIENCE, MITIGATION OF FRAUD RISK AND ON THE IMPLEMENTATION OF AN AUDIT & ASSURANCE POLICY.** Examine how the effectiveness of internal controls can be annually assured.

TRUST

Accountability and trust

Action is also needed to ensure the collective interest of smaller businesses can be appropriately represented in cases of unfair treatment by larger entities they lack the resources to challenge individually. That requires representative bodies like the Small Business Commissioner being equipped to act on behalf of SMEs to track and tackle particular issues when they arise.

A foundational trusted intermediary for small businesses are the practices of chartered accountants present on high streets across the UK. These trusted business advisers are the first port of call for small businesses navigating their trading relationships and cash flow. Yet while we regulate our members for quality and ethics, not all accountants in the UK have regulatory oversight.

The UK currently allows anyone to use the term "accountant" regardless of their competence or ethical behaviour. The government should take steps to protect the public by restricting use of the term "accountant in public practice" to those registered with a recognised supervisory body so when the public seek business advice they know it is advice they can trust.

OUR RECOMMENDATIONS:

- 1 EQUIP TRUSTED INTERMEDIARIES SUCH AS THE SMALL BUSINESS COMMISSIONER TO CHAMPION THE COLLECTIVE INTEREST OF THE UK'S SMEs.**
- 2 PROTECT THE PUBLIC BY RESTRICTING USE OF THE TERM "ACCOUNTANT IN PUBLIC PRACTICE" TO THOSE REGISTERED WITH A RECOGNISED SUPERVISORY BODY.**



TRUST

Economic crime and fraud

ICAEW has welcomed the measures outlined in the Economic Crime and Corporate Transparency (ECCT) Act to reduce the attractiveness and viability of the UK being used by criminals and other nefarious actors to conduct economic crime.

The significant changes to Companies House especially are long overdue and, if effectively implemented, should provide an effective mechanism to reduce the prevalence of bad actors committing economic crime in this country. But this relies on Companies House having sufficient resources. The majority of these new measures will be implemented through secondary legislation, the timing of which is, as yet, unclear, so this should be developed as a priority.

While the Failure to Prevent Fraud offence is a welcome addition to the tools available, the success of the offence will be determined by the practicalities of implementation and subsequent enforcement. It is therefore important that the Home Office continues to consult sector experts and government takes steps to implement a more joined up approach to tackling economic crime and fraud.

ICAEW takes its role as an anti-money laundering (AML) supervisor very seriously but acknowledges there are areas where the system could benefit from reform. Recent proposals to create a single AML regulator could create disruption that would harm the UK financial system. ICAEW's preferred option is for the proposed "OPBAS+" model, which would enhance the powers of the Office for Professional Body Anti-Money Laundering Supervision (OPBAS) and increase the effectiveness of professional body supervision (PBS).

This would preserve and build on the significant investment already made in OPBAS, maintain the UK's alignment with AML work in Europe, and reduce the risk of uncertainty posed by the upheaval which would be caused by the other options proposed.

OUR RECOMMENDATIONS:

- 1 **PRIORITISE IMPLEMENTATION OF THE ECONOMIC CRIME PLAN 2 AND THE ECCT ACT.** Create a single, non-departmental economic crime minister, to manage a joined-up approach and update parliament on progress once a year.
- 2 **GIVE COMPANIES HOUSE THE RESOURCES IT NEEDS TO FULFIL ITS NEW REGULATORY ROLE,** secure the register against criminals and demonstrably improve the quality of filings.
- 3 **CONCLUDE THE AML REVIEW** and introduce the OPBAS+ model.



TRADE

Devise trade policies that promote services and create opportunities for SMEs to export.

The UK's international trade performance is beset by several challenges. A tough global trade environment, changes to trading relationships with the EU and a lack of trade know-how among businesses all dampen trade activity. Yet there is a lot that can be done to tackle this. Simplification and digitalisation of trade processes, together with better education, will encourage business activity. The majority of trade involves complex products with complex pathways to market. Businesses want to be reassured that the next parliament understands how they are doing business.



“What we should be doing is imagining a world where there’s a brand new office block in South East Asia, that’s been designed by British architects, built by British engineering firms, certified as net zero by British accountants, and where British lawyers have drawn up the legal contracts. That is services trade.”

Sally Jones ACA
Trade Strategy and Policy Leader
EY

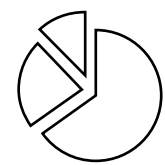
TRADE

Trade in services

There needs to be a higher profile for services exports in the UK's trade negotiations and agreements.

The UK is second only to the US for its trade in services. According to estimates by The City UK, in 2021, UK-based financial and related professional services generated a trade surplus which is estimated to have been:

£82.3bn



The UK is very well placed to shape the world of services trade policy, but too much time is spent talking about more peripheral technical barriers to services trade. The UK's professional qualifications are widely recognised as a gold standard for diligence, professionalism and proficiency around the world.

The government should support regulators by agreeing Mutual Recognition of Professional Qualifications (MRPQ) agreements with countries across the world when negotiating free trade agreements (FTA), ultimately making it easier for professionals to work outside the UK. The UK and New Zealand recently signed an agreement to recognise audit qualifications in both countries.

This was a boost for UK audit firms which will not only improve the quality of the audit markets in both countries but enhance auditor mobility as well.

While the announcement was encouraging, it is vital that the administration and operation of these deals do not place a disproportionate burden on applicants or professional bodies.

OUR RECOMMENDATIONS:

- 1 SIGNAL GOVERNMENT'S HIGH-LEVEL TRADE VISION FOR PROFESSIONAL SERVICES AND OTHER SERVICES SECTORS.** Develop a new framework for services priorities in trade negotiations.
- 2 PROMOTE MRPQ IN ALL NEW FTAs** and instruct regulators to work with professional bodies to ensure that the administration and operation of these agreements are proportionate and practical.

“Improving access to finance is absolutely key for ensuring scaling up businesses can trade globally from the UK.”

Charles Platts FCA
CFO
Paragaf



TRADE

EU-UK trade

While there is a pre-agreed review of the EU-UK Trade and Co-operation Agreement (TCA), this won't start until 2026.

This is a source of frustration for many businesses, particularly those in sectors that are required to have extra licences and file additional declarations. Given that there is little prospect of the status quo changing any time soon, this is where accountants and advisers can really be of value in helping their clients with supply chain management and trading processes. Ahead of any review, it is vital that business and other key stakeholders are consulted.

OUR RECOMMENDATIONS:

- 1 COMMIT TO PUBLISHING A NEW VISION FOR EU-UK TRADE IN THE NEXT PARLIAMENT.** Consult with businesses on how the EU-UK TCA can be enhanced.



TRADE

Trade administration, promotion and education

While trade deals and trade promotion may boost trade prospects, the reality is that most businesses involved in trade find it administratively cumbersome. This is also a disincentive for someone trying to start a new business.

Several projects are in the works to overcome these issues and HMRC should continue to work closely with business representatives to simplify customs declarations and modernise customs authorisations.

This includes the Single Trade Window, which will allow traders one point of access to the various systems they need to use for importing or exporting, rather than forcing them to log into multiple systems. However, many of these projects are years away from completion; the Single Trade Window is currently scheduled to be rolled out in 2025.

Changes to trade promotion could also make a big difference in encouraging countries to invest in, and buy from, the UK and increase British exports to those markets. However, UK organisations, including the government, could improve how they handle these.

- There is a need for a more targeted approach, for example by concentrating on sectors and geographies where the UK already has strong relations and where we've already got a globally market-leading capability like fintech, green tech, green services, pharmaceuticals, or the creative industries.
- The scheduling of trade missions could be organised better to enable more senior business leaders to attend or be allowed to join virtually.
- We can make much better use of the UK's embassies to promote British business interests, proactively spot trade opportunities for British businesses and bring together networks of UK businesses, institutions and regions in targeted missions. Services should feature prominently in these initiatives.

Education and training can be hugely important in encouraging businesses to start trading. Lack of trade know-how is one of the biggest barriers for companies to start trading overseas, and though training and support are no guarantee that they will start doing so, it is an important foundation.

To boost trade, both government and business have a role to play. There are useful resources available from the UK Export Academy, but these are hard to find on the gov.uk website and should be made much easier to access. The eCommerce Trade Commission, launched in 2023

AIMS TO ENCOURAGE THE UK'S ...

70,000 SMEs

... TO TRADE INTERNATIONALLY ONLINE.

The Commission is made up of several major organisations, including ICAEW, eBay, Amazon, Shopify and Alibaba. Each offers their own resources to help small businesses to export, but many businesses are not aware of them, or how to find them.

OUR RECOMMENDATIONS:

- 1 EXPEDITE PROJECTS TO IMPROVE THE ADMINISTRATION OF IMPORTING AND EXPORTING**, including the Single Trade Window.
- 2 IMPROVE TRADE PROMOTION BY ADOPTING A MORE TARGETED APPROACH FOCUSED ON MARKET-LEADING SERVICE SECTORS AND COUNTRIES WITH ESTABLISHED RELATIONSHIPS.** Use embassies to promote trade and make it easier for senior business leaders, institutions and regions to contribute to trade missions.
- 3 INCREASE THE VISIBILITY OF UK EXPORT ACADEMY AND E-COMMERCE TRADE COMMISSION RESOURCES**, through improved signposting and by attending business promotion events.

ICAEW ENGAGEMENT WITH POLICYMAKERS - HOW MEMBERS CAN GET INVOLVED!

RESOURCES

ICAEW has developed a dedicated [manifesto website hub](#).

ICAEW will be hosting a podcast to discuss our manifesto recommendations.

ICAEW's [Business Confidence Monitor](#) (BCM) provides a valuable barometer of business confidence.

ICAEW's [Resilience and Renewal campaign](#) films provide shining examples of members leading the charge in driving growth, developing skills and exploring international markets.

Expert [insights articles](#) on a range of topical policy issues.

Events including the Annual Conference and UK Regions: Economic Summit.

ACTION YOU CAN TAKE



JOIN an ICAEW community to meet like-minded business professionals in your sector.



ATTEND local hustings and send this manifesto to your local MP and prospective parliamentary candidates so they are aware of the major issues facing businesses.



SEND feedback on our manifesto recommendations.



SHARE your insights on policy announcements made by the political parties in advance of the election.



USE this document to catalyse debate in ICAEW community and district meetings, as well as external fora including Chamber of Commerce meetings.



PROVIDE a case study for our policy work and inclusion on our website.

ICAEW MANIFESTO

GET IN TOUCH

ICAEW's manifesto is driven by the insights of its members. As the general election approaches, we will continue to refine and develop our asks of the next government. Please get in touch to share your feedback, insights and ideas for our policy work, or to arrange a meeting to discuss our recommendations.



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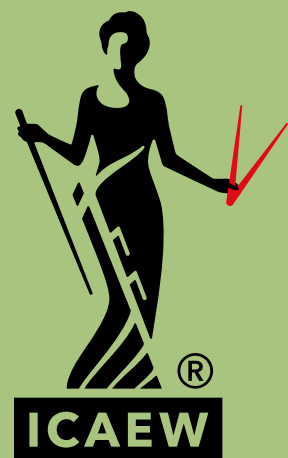
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* includes parent companies. Source: ICAEW member data March 2023, Interbrand, Best Global Brands 2022



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