Spending Review 2025

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

7 February 2025

Dear Chancellor/Chief Secretary to the Treasury,

The CBI fully backs this government's positive pitch for growth and willingness to make bold choices. Your speech in Oxford pledging to go further and faster on growth rightly sought to grasp decisions that have sat on government desks for too long. As you consider Spending Review decisions against a weakening growth outlook, now is the time to deliver a programme for government that hardwires growth into the priorities of all government departments.

Following extensive and close consultation with hundreds of members and over 20 trade associations, operating across every sector of the economy, our submission presents a bold and ambitious suite of policy priorities which will turbocharge our current growth trajectory and achieve our shared ambitions: to raise living standards and put the UK on a flightpath to having the highest sustained growth in the G7. Whilst we recognise the tight fiscal environment, the Spending Review provides a catalyst to consider long overdue decisions where public services can be delivered in a better way, improving digitalisation and building partnerships to drive growth across our four nations.

CBI members have told us that they will judge the Spending Review's success by its ability to meet the following goals:

1. **Providing Long-term Certainty** – Members are encouraged by the long-term approach the government is taking towards critical growth-driving strategies, including the Industrial Strategy, ten-year Infrastructure Strategy, and the commitment to boost capital investment by over £100 billion over the next five years. The government must now use the Spending Review to set out further long-term commitments to growth enhancing strategies. This includes matching our ambition to be an innovative nation with a commitment to lead the G7 on R&D intensity, presenting a coherent national technology adoption plan, setting a clear timeline for subsequent CCS deployment opportunities, and ensuring the Growth and Skills Levy allows investment in the workforce of the future. Driving innovation, infrastructure to achieve net zero, and addressing skills gaps will be critical to enhancing the UK's long-term growth potential.

2. **Driving Efficiencies** – Previous governments, in times of fiscal constraint, made cuts to already stretched departments delivering similarly stretched public services to detrimental effect. This government should choose a different path, taking advantage of developments in technology to drive efficiencies, streamlining processes alongside

reducing burdensome regulations. Members have welcomed positive early progress in these areas, such as the AI Opportunities Action Plan, but continue to see outdated and under-resourced systems hindering critical improvements to UK productivity. Through the Spending Review, the government should fully commit to digitalising remaining paper-based HMRC processes and commit to a targeted audit of regulatory costs in high growth enabling sectors from the Industrial Strategy. These actions will save both businesses and government time and money in the long term.

3. **Delivering Meaningful Partnership** – The government cannot deliver growth alone. Overcoming today's challenges requires the collective effort and strength of businesses, civil society and institutions but also local industry ecosystems across our four nations. The Spending Review provides an opportunity to crystalise what effective public-private partnership involves, and members want to see exploration of new partnership financing models as a key priority. In addition, the English Devolution Bill should aim to reinforce national and local partnerships through delivering multi-year devolution settlements. With public finances stretched, honest conversations on risk appetite are needed to unlock the private sector investment required to boost growth.

4. **Building on Successes** – Boldness does not necessarily require novelty. Rather, the government's ambition will be seen in its confidence to back programmes and policies that are already delivering positive outcomes for society and the economy. Members have been clear that several programmes and policies should not only be protected, but receive additional funding, because of their role in progressing decarbonisation, innovation, and growth. These include the Industrial Energy Transformation Fund, Made Smarter Programme, and the British Business Bank's Growth Guarantee Scheme. Backing what works, and applying best practice to new funding programmes, will strengthen business confidence and provide stronger investment foundations.

The CBI and our members recognise the difficult decisions this government will need to make during this Spending Review but believe bold decisions now can drive UK prosperity for years to come. You are not alone in wanting to shift the dial on the UK's growth trajectory and businesses stand ready to row in behind you and help deliver your mission.

We would welcome the opportunity to meet with you to discuss these priorities. In the meantime, we look forward to continuing to work with you and your teams to restore business confidence in the immediate term, including to ensure the Employment Rights Bill achieves its objectives without further impacts on hiring, investment and growth.

Yours sincerely,

Rain Newton-Smith
Chief Executive

Louise Hellem
Chief Economist

Achieving the Growth Mission

The CBI fully endorses the relentless focus and importance the government places on driving economic growth. After more than a decade of lost productivity, and complex challenges that neither business nor government can solve alone, we have reached a critical juncture. A new partnership for prosperity is required: government and business working together to build a stronger economy that lifts communities, improves living standards and realises the potential of all parts of the UK.

The key to this partnership, and ultimately growth, is investment – the majority of which will come from the private sector. Businesses are true champions of economic advancement, and they stand ready to apply their innovation, ideas, and investment to make this shared mission a reality.

Members tell us every day; the government is making positive steps to removing barriers to growth: revising the National Planning Policy Framework, setting out ambition for growth sectors in the Industrial Strategy, and outlining how it wants to seize the opportunities AI presents. Now is the time to go further and faster. Together, we need to move beyond the difficult decisions taken at the Autumn Budget, to deliver on positive announcements, and support the realisation of our shared Growth Mission.

Our asks are aligned to the Growth Mission's seven foundational pillars and the four goals CBI members have told us that they will judge the Spending Review's success against. They include a focus on large scale systemic changes and funding required to shift the dial on the UK's growth potential, alongside smaller scale interventions that could be made to improve business confidence in the short term. We look forward to engaging with HM Treasury and departments on their plans in more detail before the conclusion of the Spending Review later this year.

Above all, this submission outlines where, to see the Growth Mission succeed, businesses across our four nations need to see the welcome narrative on growth translated into corresponding action.

Investment, Infrastructure and Planning

The government's announcements already made to speed up infrastructure delivery and planning reform are long overdue, extremely encouraging, and positive impacts are already being seen across the construction industry and in local authorities.

As the Chancellor's growth speech at the end of January reaffirmed, progress made to date only scratches the surface of the government's ambitions, and the challenges still ahead require meaningful public-private partnership to overcome. The Harrington Review and the Industrial Strategy Green Paper both rightly noted that our international peers are more strategic in attracting mobile investment and – despite welcome moves to strengthen the Office for Investment – more can be done to embed the attraction and retention of both foreign and domestic investment as a cross-Whitehall priority.

We must also continue to increase the certainty, incentives, and resources that enable delivery of much needed infrastructure and investment. The ten-year infrastructure strategy, industrial strategy, and the commitment to boost capital investment by £100 billion over the next five years will go some way to addressing shortcomings, but further commitments are needed. Growth will continue to be hindered if we do not provide adequate funding to deliver the government's infrastructure ambitions, make clear the financial incentives available to investors, and protect funding needed to deliver timely planning decisions.

The Spending Review provides an opportunity for government to move from strategy, announcement and narrative, towards delivery and implementation by allocating funding to key priorities. Maximising outcomes, the government must continue to push regulators towards pro-growth agendas, freeing business to quickly test and deliver innovations that will drive efficiencies and unlock productivity improvements.

Allocating more infrastructure funding to specific projects and institutions, publishing clearer financial incentives, and removing overburdensome regulations will allow meaningful partnership between business and government to flourish; in turn unlocking the UK's growth potential.

The government can go further and faster by prioritising large scale systemic changes and funding, including:

Investment, Infrastructure and Planning

Action	Economic Impact
Setting a scale of ambition on facilitating private investment for public good, through a suite of modern financing models for public-private partnerships. Supporting the government's ambitions to unlock the power of private investment in mission delivery, this will also assess the impact of things like Contracts for Difference (CfD) and Mutual Investment Models, as the UK adapts to a post Private Finance Initiative (PFI) landscape.	CfD partnerships have been successful in bringing large scale investment – including over £20 billion through AR6 - into renewable energy projects but we have not seen a new partnership funding model for buildings and infrastructure since 2018 when PFIs ended.[1] By leveraging public resources and expertise, PPPs can attract substantial private capital for large-scale projects. These collaborations will drive innovation, improve service delivery, and share risks between public and private entities.
Department: HMT	**SR Goal:** Delivering Meaningful Partnership

1 Energy UK (2024) [Energy UK Explains: Allocation Round Six - Energy UK]

Action	Economic Impact
Setting out the role of NISTA, including a long-term funding settlement that brings together the previous IPA and NIC settlements. This will ensure the necessary design and delivery capabilities required to identify the most value for money projects are established to support the ten-year infrastructure strategy.	The UK has lacked a clear strategic direction and suffers from slow consenting and compliance. Since 2012, consenting times for nationally significant infrastructure projects (NSIPs) have increased by 65%, to an average of over four years, slowing the road to net zero and holding back productivity improvements.[2] Providing a long-term funding settlement for NISTA will give industry confidence, clarity and certainty over the future pipeline of projects needed to deliver on our infrastructure requirements over the next decade.
Department: MHCLG	**SR Goal:** Providing Long-Term Certainty

Action	Economic Impact
Commit to a targeted audit of regulatory costs, in high growth and/or enabling sectors from the Industrial Strategy. This audit should serve as a new baseline, assessing the average cost of economic regulatory compliance, to support the Department for Business & Trade's *Better Regulation* ambitions.	Using the audit outcomes to guide planned regulatory reform from the centre of government will allow the UK's pitch to the world on 'proportionality' in economic regulation to be more empirically rooted - further enabling strategic steers to regulators to be in line with industry's cost to comply.
Department: HMT/DBT	**SR Goal:** Driving Efficiencies

Action	Economic Impact
Backing the British Business Bank's plans to extend its **Growth Guarantee Scheme (GGS) until the next Spending Review,** with a larger funding envelope to meet unmet demand in the economy. The government should also back the British Business Bank's plans to introduce a **'Green' variant, Green GGS**.	The GGS is an important tool to enable lenders to provide finance to help smaller businesses invest and grow. British Business Bank estimates suggest extending the GGS at a cost of £880 million over the SR period, will facilitate £9.8 billion of lending with an expected GVA impact of £10.5 billion (in nominal terms) over the life of the loans supported.

[2] National Infrastructure Commission (2023) NIC-Planning-Study-Final-Report.pdf

Department: HMT/DESNZ	**SR Goal:** Building on Successes

Action	Economic Impact
Backing the British Business Bank in setting up **British Growth Partnership (BGP)** as a regulated entity which can raise funds, taking commitments from private institutional investors to invest in high growth companies, focusing on late-stage venture capital.	The BGP will be an important vehicle to help bridge the funding gap at scale up stage and provide more innovative businesses with the finance they need to grow. British Business Bank estimates this cost at £66 million over the SR period. This is expected to crowd in an additional £1.2bn of private capital (at a ratio of 4:1) in four years. An additional GVA impact of £3.2bn (in nominal terms) over the life of the finance is expected.
Department: HMT	**SR Goal:** Building on Successes

The government can go further and faster by <u>prioritising smaller scale interventions to boost business confidence</u>, including:

Investment, Infrastructure and Planning

Action	Economic Impact
Re-committing to a Regulators Council within government to enhance strategic dialogue between economic regulators and sponsoring departments. This Council should be formally supported by the CBI's annual Business-Regulator Forum, preceding Council meetings, and injecting the voice of the regulated into progress discussions.	This provides a more visible and signposted series of 'moments' to assess regulatory policy reform and address the challenges and opportunities facing heavily regulated sectors and/or those on which the success of the Industrial Strategy relies.
Department: HMT/DBT	**SR Goal:** Driving Efficiencies

Action	Economic Impact
Committing to leveraging standards adoption, where appropriate, as a flexible alternative to more rigid regulatory measures. The **Regulatory Innovation Office (RIO) should initially pilot this**	When combined with complementary regulation, this approach can create a dynamic and efficient regulatory environment that fosters innovation, ensure

approach within its four focus sectors before scaling it across the wider economy.	consumer protection, and support the government in achieving its strategic goals.
Department: DSIT/HMT/DBT	**SR Goal:** Driving Efficiencies

Action	Economic Impact
Committing to publishing and keeping updated a **clear guide on financial incentives** for investors, collating all departmental funding pots, criteria and timelines to improve clarity for investors. This guide could be held within the bolstered Office for Investment.	A perennial struggle for investors is the lack of clarity and transparency over the inward investment package that could be available to investors. A guide to financial incentives available, that goes beyond what other countries are delivering and proactively highlights the funding opportunities, will boost investor confidence and better position the UK to win the competition for investment.
Department: HMT	**SR Goal:** Delivering Meaningful Partnership

Action	Economic Impact
Providing clearer criteria for social value within procurement that more explicitly links the required impact with the delivery of the government's missions will make social value work better for business, government and society. Additional training for officers engaged in procurement activities to reflect this change would help mitigate inconsistencies businesses encounter across different procurement processes.	Providing clear and uniform guidelines in procurement will lead to better outcomes in the measurement and reporting of social value. Explicitly linking criteria to the successful delivery of the government's missions will help businesses deliver more impactful social value. Without clear criteria government could be inhibited in the delivery of the Growth Mission. Social value is increasingly recognised as a critical component of the procurement process – 77% of consumers now favour companies that prioritise social value, and 73% of investors are more inclined to support firms with established social value programmes.[3] Social value being linked to the success of the missions will alleviate the perception that social value conditions simply place extra burdens on firms.

[3] DPL Group (2024) How important is social value during public procurement | DPL Group

Department: Cabinet Office	**SR Goal:** Delivering Meaningful Partnership

Action	Economic Impact
Piloting and funding the use of Local Planning Hubs that can advise Local Planning Authorities (LPAs) on major infrastructure applications as well as major housing developments.	This would allow LPAs to import the knowledge and expertise required to process major applications for housing and infrastructure crucial to delivering the government's economic growth, housing and net zero targets.
Department: MHCLG	**SR Goal:** Building on Successes

People

The UK labour market has traditionally been a strength of the economy, but recent rises in the National Living Wage, National Insurance Contributions, inflexibility of the Apprenticeship Levy, rising inactivity and concerns about the Employment Rights Bill are making it harder for firms to find, hire and upskill talent in their organisations.

Ensuring the UK has a flexible and competitive labour market which is able to identify and build the pipelines for talent we need will be critical in ensuring the success of the Industrial Strategy and UK's Growth Mission. The scale of the challenge cannot be overstated. For decades, businesses have faced labour shortages, productivity issues, and difficulties in investing in and accessing the right skills. With high levels of economic inactivity adding to these challenges, the government must support businesses as the longstanding champions of skills investment, positioning them to deliver the workforce needed for growth.

Early commitments to improve skills delivery across the country have been welcomed by business. This includes the establishment of Skills England to provide strategic oversight of the post-16 skills system aligned to the Industrial Strategy's growth sectors and committing to ensuring the Growth and Skills Levy allows businesses to use their skills funding more flexibly and effectively. The Growth and Skills Levy will represent a great deal for business whose commitment to the Apprenticeship Levy has not always been maximised.

We have also welcomed the positive engagement seen on the Employment Rights Bill, and the openness for dialogue on ensuring the Bill balances the need for growth and strengthening workers' rights. It is vital that these concerns are heard and the Bill does not lead to unintended consequences in reducing hiring, job creation and investment against the backdrop of a weakening labour market. Businesses must remain involved in the detailed implementation of the Bill and the Plan to Make Work Pay, avoiding them adding to pressures on both businesses and workers.

Committing to an honest discussion on the importance of immigration in addressing our skills needs, embedding business needs in the design of skills funding programmes through Skills England, and providing immediate flexibility and transparency to the Apprenticeship Levy are important steps the government can take to ensuring we futureproof the workforce we need to kickstart economic growth.

The government can go further and faster by prioritising large scale systemic changes and funding, including:

People	
Action	**Economic Impact**
Enabling businesses to effectively train their workforces to meet business needs and deliver tomorrow's workforce. This includes: • Ensuring the Growth and Skills Levy is well-resourced, allowing businesses to flexibly invest 100% of their contributions instantly on both apprenticeship and non-apprenticeship training options as determined by Skills England. This should include fully funding apprenticeship training and assessment costs for SMEs. • Providing immediate flexibility of the Apprenticeship Levy as a transition to the Growth & Skills Levy to include an urgently needed broader range of training solutions now. • Publicly funding apprentices aged 16-18 in line with national funding rates for their same-aged peers studying other qualifications.	Delivering much needed flexibility through both the Growth and Skills Levy and Apprenticeship Levy will ensure funds are better utilised for a wider range of training needs, enhancing urgently needed workforce skills and supporting economic growth. Meanwhile, fully funding training for non-levy payers from outside of the levy will ensure equitable access to apprenticeships, preventing training opportunity rationing. Publicly funding 16-18 apprentices in line with national funding rates for their peers studying other qualifications will incentivise delivery of apprenticeships for 16-18 year olds and reduce pressure on the apprenticeship budget. These interventions will help create a more skilled and adaptable workforce, benefitting both businesses and the broader economy. **Fiscal Cost:** Fully funding apprenticeship provision for SMEs would incur a fiscal cost of £2.5 billion annually, while fully resourcing the Growth and Skills Levy would cost £36 million annually.[4]

[4] **Fully funding apprenticeship provision for SMEs.** This would incur a fiscal cost to the Exchequer through money spent on apprenticeship training costs. We used historic apprenticeship participation data as the base of our model, and we also forecasted future apprenticeship estimates. More information can be provided on how these estimates were made.

Resourcing the Growth and Skills Levy. The cost of fully resourcing the Growth and Skills Levy represents the expected non-ringfenced DfE levy budget. In practice, this may be up to £1 billion but there is a lack of transparency around how the apprenticeship levy funding is spent.

Department: DfE	**SR Goal:** Providing Long-Term Certainty

Action	Economic Impact
Establishing Skills England through comprehensive business engagement and ensuring it is adequately funded and aligned to the Industrial Strategy.	Greater investment in skills will be crucial to tackling the UK's poor workplace productivity performance. It would help equip people for changing job opportunities, give businesses the skills they need to survive and grow, support wage growth and help the economy recover lost ground as quickly as possible.
Department: DfE	**SR Goal:** Delivering Meaningful Partnership

The government can go further and faster by <u>prioritising smaller scale interventions to boost business confidence</u>, including:

People

Action	Economic Impact
Speed up the resolution of workplace disputes, including reducing the claims backlog.	Hearing delays are causing businesses to hold back capital to fund potential legal disputes, which could otherwise be invested in growth and development. Additional resources and the implementation of efficient processes will expedite the resolution of cases, thereby supporting business growth and economic stability. The forthcoming changes in the Employment Rights Bill will also add to the pressure on the Employment Tribunal system.
Department: DBT	**SR Goal:** Driving Efficiencies

Action	Economic Impact
Increasing resources for the Advisory, Conciliation and Arbitration Service (Acas) and the Central Arbitration Committee (CAC) in response to the expansion of collective bargaining and the demands of the Employment Rights Bill (ERB).	Adequate funding and support for these bodies is crucial to effectively manage the increasing workload and ensure timely and fair resolution of disputes.
Department: DBT	**SR Goal:** Driving Efficiencies

Action	Economic Impact
Allocating additional resources to the UK Visa and Immigration (UKVI) Service.	Employers find it difficult to access the UKVI service to make queries or provide requested information necessary to accept applications. Scaling up UKVI resources will be key to ensuring visas are processed quicker, and to minimise a return to unmanageable backlogs as and when visa applications begin to increase.
Department: Home Office	**SR Goal:** Driving Efficiencies

Action	Economic Impact
Ensuring the Lifelong Learning Entitlement is aligned with industry needs by collaborating with businesses in the co-design of the programme making the most of employer representative groups in partnership.	Aligning closely with industry needs through co-creation will ensure that skills being taught are relevant and beneficial, helping to address skills shortages.
Department: DfE	**SR Goal:** Delivering Meaningful Partnership

Innovation

Innovation will be at the heart of any successful new growth story, but the UK's relatively low level of investment in innovation compared to G7 peers has undermined the economy's ability to harness it for growth.

It is well established that public sector R&D investment crowds in private investment[5] and drives growth.[6]From the AI Opportunities Action Plan and the Cross Government Review of Technology Adoption to the Pensions Review, the government has listened to businesses and recognised the need for decisive action and bold decisions to turn the tide on investment, productivity, and growth. Government commitment to walk the walk and invest to accelerate adoption of technology across the public sector, to drive productivity and improved public services, is the right move too.

However, in the short term, decisions in the budget and delays in setting out plans have reduced business headroom and appetite for innovation investment. Businesses tell us they're pausing, reducing or reconsidering the location of investment. The UK is lagging behind leading R&D-intensive nations including the US, Japan and Germany in business R&D investment. Data published last year, indicated that 2021 saw a decline in UK business R&D investment for the first time, despite global levels growing by 8%.[7] With international

[5] National Centre for Universities and Business (2024) Unlocking growth: The impact of public R&D spending on private sector investment in the UK - National Centre for Universities & Business
[6] Frontier Economics (2024) Returns to public R&D
[7] OECD (2024) Main Science and Technology Indicators | OECD

governments taking action to capture this growing pool of globally mobile investment, the UK needs to be bold and decisive to compete and grow.

Government must firmly signal intent and back its ambition with investment to turn the tide on business confidence in the UK. Protecting R&D budgets or redirecting existing funding will not deliver the kind of returns needed to deliver on the government's ambitions. Businesses recognise the difficult decisions and trade-offs. However, this is foundational investment underpinning wide-ranging government goals. An ambitious and well-designed R&D agenda is foundational to achieving Clean Power targets, seizing the AI prize, transforming health outcomes, underpinning new growth markets and strengthening the security of our citizens, businesses and borders.

The UK has the potential to deliver a coherent attractive offer for businesses looking to invest and grow. Alongside ambitious R&D investment that protects research strength and increases innovation investment, wider levers including regulation and procurement, that support later stage business investment need to be aligned to create a coherent, compelling environment. The Regulatory Innovation Office has high potential and must be supported to deliver an ambitious agenda. There is substantial opportunity to build on Cabinet Office work with spending departments to pilot, test and scale new routes for procurement of innovation.

Accelerating technology adoption across the economy has extraordinary potential to drive productivity, growth, improve public services, and address labour market challenges. The outcomes of the Cross-Government Review of Technology Adoption need to be combined with wider programmes and incentives to drive technology adoption into a coherent plan that supports informed sequencing of government action and business planning. Committing to expanding Made Smarter to all sectors of the economy would pull through innovation across markets and drive growth.

The government can go further and faster by <u>prioritising large scale systemic changes and funding</u>, including:

Innovation	
Action	**Economic Impact**
Setting an ambitious goal to lead the G7 on R&D intensity. A target for UK R&D spending to be 3.4% of GDP by 2030, would put us in the top 3 of G7 nations based on current spending. Setting a 10-year target to reach 3.6% would match the highest rate in the G7 currently and send a strong signal that the UK's ambition is to be a world leading nation in innovation.	Public sector investment in R&D crowds in private investment. A clear and ambitious objective for UK R&D intensity would send a strong signal to attract domestic and globally mobile investment into the UK. Long-term predictability will give confidence to support private R&D investment. The target should include setting ambitious ten-year budgets for the programmes and institutions that can unlock innovation investment, an increase

	in funding for the UK's Catapult Network, and growing the R&D missions programme in scale. **Fiscal Cost:** To protect public R&D investment in real terms and meet the 3.4% target, public sector investment should increase by £2.5 billion in FY2026/27, £4.6 billion in FY2027/28, £6.5 billion in FY2028/29, £8.2 billion in FY2029/30 and £9.7 billion in FY2030/31 to reach a total of £30 bn of public R&D expenditure. The additional cost would fall year on year as more private sector investment is crowded in to meet the target.[8]
Department: DSIT	**SR Goal:** Providing Long-Term Certainty

Action	Economic Impact
Publishing a national technology adoption plan that maps and coordinates government action to accelerate private sector technology adoption. This should include actions from the Cross-Government Review of Technology Adoption alongside the SME Digital Adoption Taskforce and wider programmes and incentives across infrastructure, skills, and relevant public sector transformation.	This will help support tech adoption across the economy by co-ordinating government action and addressing sector specific and sector wide barriers.
Department: DSIT	**SR Goal:** Providing Long-Term Certainty

Action	Economic Impact
Expanding the Made Smarter programme to all sectors of the economy to give firms the advice, funding, and support they need to adopt technologies, including AI.	This will enable businesses to leverage advanced technologies to drive innovation and boost productivity and should include public-private sector reinforcement to allow for digitalisation, like e-invoicing.

[8] **Setting an ambitious goal to lead the G7 on R&D intensity**. Costing based on the difference in R&D expenditure in cash flat terms vs. forecasted 3.4% target. Input data for this modelling, regarding R&D intensity of the G7 countries and R&D spending in the UK, were sourced from the OECD database, ONS, OBR, Russell Group and from NCUB's Unlocking Growth report, taking into account the additional private sector investment that would be generated by increased public sector R&D.

	Fiscal Cost: £440 million annually.[9]
Department: DSIT	**SR Goal:** Building on Successes

The government can go further and faster by prioritising smaller scale interventions to boost business confidence, including:

Innovation

Action	Economic Impact
Providing sufficient resource to the Regulatory Innovation Office (RIO) for it to effectively carry out its remit.	This will increase the speed of regulatory decision making.
Department: HMT/DBT/DSIT	**SR Goal:** Driving Efficiencies

Action	Economic Impact
Providing additional funding and support to regulators to ensure they have the capacity, resource, and expertise to fulfil their obligations as set out in the AI Opportunities Action Plan. This should include, but not be limited to, **expanding the Regulators Pioneer Fund (RPF) to £50 million over the three-year period**, with increased flexibility to support longer-term projects of strategic importance.	**Fiscal Cost:** Expanding the RPF to £50 million would cost £13 million in FY2025/26, £26 million in FY2026/27, and £38 million afterwards.[10] The RPF has proven instrumental in enabling regulators and local authorities to identify key challenges, remove barriers to innovation, and deliver initiatives that position the UK as a global leader in regulatory innovation and experimentation. Increasing the fund would empower the RPF to support more ambitious, collaborative and innovative projects, fostering a culture of research, learning, and experimentation at scale. Additionally, the current short project timelines have constrained regulators' ability to embed meaningful change and effectively address regulatory barriers to

[9] **Expanding the Made Smarter Programme.** We estimate the fiscal cost of this measure to be around £440 million annually. This costing is rooted in the Autumn Budget 2023 announcement to roll out the Made Smarter Adoption Scheme to all English regions. This figure has been scaled up in line with the absolute number of SME businesses in each sector and region (using latest available 2024 ONS GVA data). This approach operates under the assumption that the proportion of eligible SME businesses is constant between sectors. The annual figure subtracts the £16m that has already been committed to the manufacturing sector in England.

[10] **Providing additional funding and support to regulators.** As the current budget of the RPF is £12 million, we expect a linear increase to £50 million over the three-year period. However, this is not the total cost of the ask: the RPF is just one way to provide support to regulators, and it should not be limited to the RPF only.

	innovation. Greater flexibility in how the fund is allocated and delivered would ensure that it achieves its full potential in unlocking innovation and driving economic growth.
Department: HMT/DBT/DSIT	**SR Goal:** Driving Efficiencies

Action	Economic Impact
Piloting, testing and scaling routes to increase public procurement of innovation, including the use of clear innovation criteria into public procurement contracts, outcomes-based procurement, and Innovate UK's Contracts for Innovation.	This will help create and shape markets for innovative new products and services, can be a route to delivering on defined challenges within Missions, and enhancing attractiveness of environment for scaling businesses.
Department: Cabinet Office/DSIT	**SR Goal:** Delivering Meaningful Partnership

Industrial Strategy and Trade

An Industrial Strategy which focuses on our competitiveness through our key growth sectors and foundational enablers; a Trade Strategy which balances economic security alongside much-needed boosted trade and investment; and a Spending Review which places equal weight on the importance and interplay between them both are essential to securing growth in an increasingly protectionist world. To achieve growth, attract and retain investment, the UK needs a clear pitch to the world, focusing on our strengths in areas including life sciences, financial services, and clean energy industries, and not being diverted by tension between the established global blocs of the US, the EU and China.

If the Industrial Strategy is to provide firms with stability and certainty to unlock the innovation and investment needed to grow the economy, it cannot seek to be everything to everyone. By focusing on eight highly productive sectors, the government is already identifying where the UK can compete to win on the global stage – but these sectors do not act alone. Businesses of all sizes and sectors are critical to their, and our, success, and the Industrial Strategy Council should set out how it will engage the 'everyday economy', as well as the identified growth sectors.

Strengthening existing trade relationships and forging new ones is critical for achieving the Growth Mission and the success of the Industrial Strategy; as business continues to navigate changing global dynamics, persistent economic headwinds, and geopolitical uncertainty, a clear vision about the future of our economy is essential. The UK has slipped back in the global race for export market share, and the trade intensity of the UK's economy has fallen to the bottom of the G7 in recent years.

To be a key player in the global race for growth, the UK needs certainty and direction: a bold, ambitious and realistic Trade Strategy. Talking about goods and services together within political messaging will provide clarity and certainty for both UK and foreign headquartered firms, giving them the confidence to invest in and trade from the UK. Research indicates businesses that export experience higher growth than those operating in only domestic markets; only 12% of UK firms trade overseas but 39% of businesses who are not exporting plan to do so in the next three years.[11][12]

Committing to align the Industrial Strategy with developing and funding a new trade promotion programme, and robustly reviewing export support provided to business will boost certainty, open new markets, and give more businesses the confidence needed to explore new global partnerships that will help fuel growth.

The government can go further and faster by prioritising large scale systemic changes and funding, including:

Industrial Strategy and Trade

Action	Economic Impact
Establishing a **long-term pipeline of government funded projects** aligned with the Industrial Strategy and to help realise its delivery.	Developing a transparent, long-term pipeline will provide businesses with certainty and strategic planning opportunities. This enables firms to scale their capacity to deliver projects quickly and incentivises them to maintain their assets, such as staffing levels and facilities, between projects, ensuring sustained capability.
Department: DBT	**SR Goal:** Providing Long-Term Certainty

Action	Economic Impact
Providing the support businesses need to benefit from stronger trading relationships with key partners. This includes: • Developing and funding a new trade promotion programme.	A strong trade promotion programme better enables the UK to champion business globally. Coupled with more focused export support, these interventions will help boost the UK's competitiveness. With risks for SMEs engaging in international trade particularly high, government intervention is incredibly important: services firms want

[11] Department for Business and Trade (2025) UK trade in numbers (web version) - GOV.UK

[12] Santander (2024) https://www.santander.co.uk/corporate/beyond-banking/insights/trade-barometer

• <u>Undertaking a full review of the current export support</u> offered by government to help understand whether business is adequately supported and empowered to trade internationally and to identify gaps in government's offering. • Creating a virtual <u>one-stop shop for services to interpret bilateral and multilateral agreements</u>.	to see government subsidise or fully fund these opportunities as seen in Australia and France. Service firms also often experience difficulty when trying to interpret bilateral and multilateral agreements, with some not fully understanding what these mean practically for their businesses and how they can take advantage of opportunities in new markets. A one-stop shop will help businesses better interpret bilateral and multilateral agreements and take advantage of opportunities in new markets.
Department: DBT	**SR Goal:** Providing Long-Term Certainty

Action	Economic Impact
Backing the British Business Bank to channel an **additional £3.2 billion of commitments into supporting companies in Industrial Strategy priority sectors to grow and stay in the UK.** Commitments include backing industrial strategy scale up and emerging sectors.	This will enable the BBB to help smaller businesses in priority sectors to access the finance they need and therefore to play their part in delivering the government's Industrial Strategy. The British Business Bank estimate this cost to be £1.4 billion over the SR period, enabling a GVA impact of £21.4 billion (in nominal terms) over the life of the finance, with the most promising companies starting and scaling in the UK.
Department: HMT	**SR Goal:** Building on Successes

Net Zero

Making the UK a clean energy superpower is a mission that will drive growth across many areas of the UK. The net zero economy has consistently grown at a faster pace than the rest of the economy, reflecting investor confidence that adapting the economy from climate risk will secure huge competitive advantage through inward investment and export opportunities and mitigate volatility of high-exposure to international energy markets.

The government's Clean Power 2030 Action Plan sets the course for low-carbon power, but it will take an upswing in decarbonisation across the economy, in buildings, transport and industry especially, to harness the acceleration towards net zero and grow clean energy markets. This will precipitate significant infrastructure investment, further technology developments and maintain the UK as a leader in transition finance.

The UK's Climate Chane Committee forthcoming seventh carbon budget will highlight the urgency of decarbonisation outside of energy, making the Net Zero Council's commitment to co-design sectoral transition pathways that inform policy and support firm-level planning. Investment decisions on CCUS track-1 clusters and confirmed financial support since the Autumn Budget further signal this government's commitment to industrial decarbonisation.

Ultimately, firms' ability to transition depends upon their headroom to invest. Decisions taken to increase the cost of doing business have squeezed appetite for capital investments, with high energy costs cited as a drag-factor across multiple sectors. Firms in the UK pay more to power their business than anywhere in the world. High electricity prices particularly erode incentives to transition with firms squeezed on upfront costs and unable to wait for longer paybacks. Accelerating low carbon power deployment and incentivising flexibility will reduce the proportion of time that unabated gas sets the electricity price and, as part of wider reforms and the need for certainty of future market arrangements, the government should consult on how to proportionately rebalance policy costs on electricity bills.

Committing to provide additional funding to help decarbonise buildings, transport and industry, sticking to target dates whilst presenting a timeline for subsequent CCS deployment, and linking the UK and EU carbon pricing systems will help overcome some of the transition challenges faced and continue to incentivise business to invest in green technologies that will enable strong and sustainable growth.

The government can go further and faster by prioritising large scale systemic changes and funding, including:

Net Zero

Action	Economic Impact
Linking the UK and EU carbon pricing systems to improve carbon price stability, increase market liquidity and reduce carbon leakage.	As UK industry decarbonises, effective carbon pricing mechanisms are crucial for supporting investment and creating new markets in green technologies. The UK Emissions Trading Scheme (ETS) has faced challenges, including reduced allowances, decreased liquidity, and increased price volatility, which have hindered investor confidence. A lower UK carbon price leads to reduced revenues for Treasury and lessens the incentive to decarbonise.

	Linking the UK and EU ETS is also essential to avoid unintended consequences from the upcoming introduction CBAM policy across the UK and EU. A significant challenge is the exclusion of electricity from the UK CBAM, due to the interconnectedness of markets, particularly with the Northern Ireland protocol, which could lead to differential treatment and create barriers to cross-border trade between Great Britain and the Single Electricity Market (SEM).
Department: DESNZ	**SR Goal:** Providing Long-Term Certainty

Action	Economic Impact
Providing sufficient funding and backing to help businesses drive forward industrial decarbonisation by increasing and extending funding through the Industrial Energy Transformation Fund (IETF).	The IETF is helping high-energy-use businesses transition to a low-carbon future and, whilst the government has committed £163 million in the 2024 Autumn Budget to continue IETF projects, funding for the second competition window in Phase 3, announced by the previous government, was not included. The UK is now the only major economy without capital grant funding for deploying mature energy efficiency and decarbonisation technologies in its industry. The announcement of £63 million for Sustainable Aviation Fuel (SAF) following the Chancellor's speech at the end of January is welcome, but further support is required. This includes ensuring the revenue certainty mechanism does not place too great a burden on industry and avoids disincentivising continued SAF investment.
Department: DESNZ	**SR Goal:** Building on Successes

Action	Economic Impact
Provide clear timelines and funding for CCUS projects that have been committed to in Track 1, Track 2 and Track 1	Sticking to target dates and providing a clear timeline for CCS deployment opportunities underpins investor confidence and supply chain

expansion, alongside an outline for industrial clusters beyond Track 2.	development. It is therefore crucial to get track 1, track 2 and track 1 expansion projects to final investment decision in this spending review period, and that subsequent allocation rounds are supported with a fiscal envelope. This also stands to support the decarbonisation of UK industry and the creation of low carbon products.
Department: DESNZ	**SR Goal:** Providing Long-Term Certainty

Action	Economic Impact
Providing sufficient funding and backing to help progress domestic decarbonisation. This includes: • Supporting the uptake of electric vehicles through developing a targeted purchase incentive that builds on the success of the Plug-In Car grant alongside extending the Plug-in Van grant beyond the current extension to April 2026. • Supporting home energy efficiency by meeting the Warm Homes Plan commitment of £13bn including through the Boiler Upgrade Scheme, a simplified, long-term Energy Company Obligation (ECO) scheme and development of low-interest loans for green home upgrades.	Stimulating private demand is essential for developing markets for low-carbon technologies, reducing risks for private investors, and lowering costs. Mandates like the ZEV and Clean Heat Market Mechanism alone are insufficient to create these opportunities. A key lesson from past initiatives, such as the Green Homes Grant, is the importance of establishing strong and stable fiscal incentives. The UK energy efficiency market is estimated to be worth £15bn and supports 82,000 jobs, while the automotive sector directly employs 198,000 people in manufacturing and another 813,000 the wider industry, adding £22bn to the UK economy.[13][14]
Department: DESNZ	**SR Goal:** Building on Successes

Action	Economic Impact
Maintain and accelerate the award of hydrogen projects through the Hydrogen Allocation Rounds (HAR) process.	Developing hydrogen production (both green and blue) is essential as part of the energy mix to decarbonise UK Energy Intensive Industries and to provide opportunities for the decarbonisation of heavy transport. The UK needs to accelerate hydrogen production to meet its 2030 10 GW target, and progressing

[13] Office for National Statistics (2024) Low carbon and renewable energy economy estimates - Office for National Statistics
[14]SMNT (2024) SMMT-Vision-2035-Ready-to-Grow.pdf

	HA2 and HA3 is central to this. This should include ensuring support is available for early-stage developments of transport and storage and hydrogen to power, alongside the existing hydrogen production incentives.
Department: DESNZ	**SR Goal:** Providing Long-Term Certainty

Action	Economic Impact
Providing sufficient funding and backing to help secure home-grown energy, putting the UK on track to at least 95% clean power by 2030. This includes: • Enabling the long-term buildout of renewables through a modernised CfD scheme and an auction schedule with clear targets out to AR10, with sufficient funding for AR7 and AR8. • Funding for nuclear projects including progressing Sizewell C to final investment decision, clarifying an approach to large scale nuclear deployment at Wylfa and deployment of Small and Advanced Modular reactors.	The Contracts for Difference scheme has been hugely successful in supporting the expansion of clean, cheap, homegrown low-carbon power in the UK. AR7 and AR8 are critically timed to deliver for 2030 Clean Power targets, with sufficient funding vital to build investor confidence and the supply chain. Nuclear power will be an essential non-fluctuating energy asset to help meet increasing electricity demands as the UK's decarbonises. Particularly given recent forecasts by the National Energy System Operator suggest that electricity demand from data centres will rise by 340% to 22 TWh in 2030.
Department: DESNZ	**SR Goal:** Building on Successes

Action	Economic Impact
Support the commercialisation of low and zero emission technologies for aviation to support cross sector outcomes. This includes: • A well-designed SAF revenue certainty mechanism (RCM), which minimizes cost-risk for the industry while facilitating the construction of first-of-a-kind facilities, should be implemented as soon as possible.	Investments in SAF initiatives are expected to add over £1.8 billion to the economy and create over 10,000 jobs across the country while supporting decarbonisation. The creation of the SAF mandate and the RCM are a step forward to making the UK an attractive place to invest. It is welcomed that the Advanced Fuels Fund was extended in the Budget by 12 months, this will be critical for delivering key projects that will provide SAF required under the UK mandate this year. However, first of a kind, large capital-intensive projects like these require stable government support to

• Providing a further extension to the Advanced Fuels Fund until the RCM is in place. • Providing a long-term funding programme for the Aerospace Technology Institute (ATI) to support innovation, R&D, and commercialisation of low and zero emission technology.	provide investor confidence in these projects. Meanwhile the ATI has been crucial for driving innovation in new technologies that will be critical to delivering on sustainable aviation. It has played a crucial role in making the UK one of the world's leading aerospace nations, driving growth across all parts of the country.
Department: DfT	**SR Goal:** Providing Long Term Certainty

The government can go further and faster by prioritising smaller scale interventions to boost business confidence, including:

Net Zero	
Action	**Economic Impact**
Establishing a Net Zero Investment Plan that ensures public and private investment flows at the speed and scale required to meet the Climate Change Committee's (CCC) balanced pathway to net zero by 2050. It should outline the investment requirements for sectors to decarbonise, targets and the delivery plan to scale-up the deployment of net zero technologies and consistent tax and regulatory responses to market barriers inhibiting project delivery. The Plan should be owned by Mission Control as part of its remit to progress delivery priorities, updated to align with the CCC's five-yearly carbon budget setting cycle or as tax, spend and regulatory commitments are operational.	To attract private investment at the necessary speed and scale, investors need clear policies, regulatory certainty, and transparency regarding investment levels across the economy. Introducing a Net Zero Investment Plan can address these needs.
Department: DESNZ	**SR Goal:** Providing Long-Term Certainty

Place

The CBI and our members are embedded in regions across the UK and are longstanding champions of devolution and the distribution of prosperity and power right across the UK. As the Growth Mission strives to raise living standards right across the UK, it is essential that we move past the historical patchwork devolution picture that has complicated businesses' understanding of their operating environments.

Positive progress has been made in going deeper and further with devolution and members have welcomed the government's plans outlined in the Devolution White Paper and commitment to resetting the relationship with our devolved governments to support growth across Scotland, Wales and Northern Ireland. The provision of long-term integrated settlements for Established Mayoral Strategic Authorities will provide the ownership and tools needed to drive forward Local Growth Plans (LGPs) that align with national priorities. The CBI is also encouraged by plans to turbocharge investment across the UK, steering the National Wealth Fund and the Office for Investment to work more closely with local leaders to build pipelines of incoming investments and projects linked to regional growth priorities.

By collaborating, instead of competing for investment, regions can effectively leverage local insights, avoid duplication, and build a national case for investment that promotes respective regional advantages.

Committing to integrated settlements as per the English Devolution Bill and delivering additional funding that can address investment gaps witnessed in different parts of the country are critical next steps. Rolling out devolution in lockstep with funding opportunities will help embed innovative clusters and strengthen the government, business, and civic society partnerships central to boosting regional growth right across the UK.

The government can go further and faster by <u>prioritising large scale systemic changes and funding</u>, including:

Place

Action	Economic Impact
Confirming multi-year devolution settlements as per the English Devolution Bill	Local leaders know what is best for their places and providing multi-year devolution settlements will ensure Established Mayoral Strategic Authorities have the funding they need to deliver Local Growth Plan priorities and unlock economic growth.
Department: MHCLG	**SR Goal:** Delivering Meaningful Partnership

Action	Economic Impact
Including, within the proposed multi-year local authority funding agreements, ringfenced packages for planning services that will support increased capacity and resource to process planning applications. This should include funding for mandatory training of planning panel members.	The announcement of an additional 300 planners in the Budget is a good start in meeting the scale of the planning challenge. However, more resource is required. Ringfencing planning fees will ensure that funding is not redirected away from Local Planning Authorities (LPAs)

	and focused on expediting planning decisions. Securing this funding will be critical if the government is to achieve its goal of delivering 1.5 million homes across this parliament.
Department: MHCLG	**SR Goal:** Delivering Meaningful Partnership

Action	Economic Impact
Backing the British Business Bank's 'people and place' proposals which aim to enhance the Bank's strong and impactful regional footprint, make the most of the UK's world class R&D developed in universities, and broaden the pool of investors in the UK to increase capital going to a broad pool of entrepreneurs.	These proposals will ensure businesses across the UK will be able to benefit from access to finance to help them both invest and grow. The British Business Bank estimate the fiscal cost to be £392 million over the SR period. This is expected to result in additional GVA of £3.2 billion (in nominal terms) over the life of the finance.
Department: HMT	**SR Goal:** Building on Successes

Economic and Fiscal Stability

The CBI's economic analysis, insight from members, and independent research shows us that decisions made at the Autumn Budget, with limited business input or advice, carried shockwaves throughout the economy. Businesses are set to reduce output and hiring, and many have needed to pass price increases onto customers. This has led to many forecasters, including ourselves and the Bank of England to downgrade their growth estimates for 2025.[15][16]

Now is the time for the government to send a strong signal that it continues to champion stability. Reaffirming this commitment will boost business confidence and provide further opportunities to attract investment at the scale witnessed following last year's International Investment Summit. The Spending Review provides a unique opportunity to further embed the economic and fiscal stability required to unlock the UK's investment potential.

As an immediate priority, the government should re-commit to not rising the business tax burden further over the course of this Parliament, as announced by the Chancellor to the CBI Annual Conference in November 2024.This submission has set out the priority areas for our members across each pillar of the government's Growth Mission, for the tax system, focus at the Spending Review should turn to modernising the UK's tax system, providing greater certainty for firms as they make financial decisions.

[15] Bank of England (2025) Monetary Policy Report - February 2025 | Bank of England
[16] CBI (2024) CBI Economic Forecast - December 2024 | CBI

Whilst the CBI was delighted to see publication of the Corporate Tax Roadmap alongside the Autumn Budget, members continue to highlight tax administration challenges resulting from HMRC's resourcing and system shortcomings. Challenges include inefficient HMRC compliance checks, the continuing burden imposed by the IR35 regime, and the manual processes of many HMRC tax forms.

Digitisation is key to overcoming these challenges and delivering an efficient tax system. This can only be achieved through effective tech adoption across all government departments and HMRC should be front and centre as the government continues to push innovation across the public sector.

Administrative and financial burdens on businesses complying with the tax system divert funds and internal resource from investment and growth. We welcomed the opportunity to contribute to the NAO's report on the drivers of cost in the tax system and look forward to the publication of the findings later this year.

At the Autumn Budget, the government's announcement on an intention to publish a package of measures to simplify tax administration and improve HMRC customer experience this spring is welcome. This should be expanded to collaborate further with small and large stakeholders to identify impractical areas of the tax system that can be designed out to make it easier for businesses to pay the right amount of tax.

Committing to no further tax rises and focusing on modernising the tax system will rebuild trust and unlock critical efficiencies. The following recommendations are improvements our members view as central to achieving an efficient tax system that enhances the ease of doing business.

The government can go further and faster by prioritising large scale systemic changes and funding, including:

Economic and Fiscal Stability

Action	Economic Impact
Streamlining HMRC's systems and processes through digital transformation to enhance customer service levels. This includes: • Creating a business rates system for the 21st Century, ensuring that the Valuation Office Agency is adequately resourced to support the	More frequent revaluations would ensure greater business certainty and fairness as rateable values would be kept up to date, reflecting the impact of inflation such that multipliers could stay fixed. The DBR programme will deliver data to enable targeted financial support and transparency of rates calculations.

move to more frequent valuations and that the Digitalising Business Rates (DBR) programme is delivered by March 2028. • Introducing an online HMRC customer ticketing system to enable taxpayers to track the progress of enquiries and administration requests. • Reforming HMRC's business tax account portal to provide clearer audit trails for businesses to track re-allocations of tax payments, report misallocations and request which tax account or period this should be moved to. • Digitalising paper-based tax forms before implementing any further real-time reporting regimes.	Introducing an online HMRC customer ticketing system would reduce HMRC's annual £68m spend on postage and printing costs, and free up 1.7 million hours of call handlers' time, enhancing efficiency and service delivery. This system would also improve accountability and customer satisfaction by enabling secure digital communication and case tracking.[17][18] Reforming HMRC's business tax account portal to provide clearer audit trails and visibility of mis-allocated payments would reduce reconciliation issues, saving businesses and HMRC staff time. This would enhance compliance, improve communication, and allow businesses to manage higher tax risks more effectively. Digitalising paper-based tax forms such as VAT groups, VAT Option to Tax records and Corporation Tax Group Payment Arrangements would significantly reduce processing times and costs for both businesses and HMRC, leading to faster certainty of tax treatment, and would enhance productivity and customer experience by eliminating manual processes and delays.
Department: HMRC	**SR Goal:** Driving Efficiencies

The government can go further and faster by prioritising smaller scale interventions to boost business confidence, including:

Action	Economic Impact
Actively incorporating feedback form businesses in HMRC tax policy design through meaningful stakeholder engagement. This includes:	Delaying the mandatory payrolling of benefits-in-kind would prevent exacerbating existing payroll reconciliation issues for large businesses, covering around two million employees. This delay would allow time for necessary software updates and

[17] Public Accounts Committee (2025) https://committees.parliament.uk/publications/46301/documents/233200/default/
[18] CIOT and ICAEW (2024) CIOT and ICAEW report – Tackling HMRC's customer service challenge

• Delaying the implementation of mandatory payrolling of benefits-in-kind, originally scheduled for April 2026, until there has been a significant reduction in current payroll tax reconciliation and disputed charges for large businesses. • Removing the quarterly reporting requirements for Making Tax Digital (MTD) for Income Tax Self-Assessment (ITSA) by only mandating the linking of digital records to the final self-assessment tax return. • Ensuring there is meaningful stakeholder engagement and an extensive lead-in time if the government intends to implement Making Tax Digital (MTD) for Corporation Tax in the future, to align compatibility between HMRC and businesses' systems. • Launching a review to modernise the administration of employee expenses and benefits by conducting research into the use of flat rate and legacy allowances and set up stakeholder engagement with businesses to co-design a simplified regime, including on how to make PAYE Settlement Agreements more flexible. • Implementing a 12-week minimum consultation period and sufficient implementation lead-in time for any changes to HMRC guidance that materially affect business operations or result in changes in previously accepted tax treatment.	preparation, reducing administrative burdens and improving compliance. Removing the quarterly reporting requirements for MTD for ITSA would reduce compliance costs for small and micro traders, while still achieving the policy objective of digital record keeping. This change would improve efficiency and accuracy of financial information without burdening businesses with additional reporting obligations. Ensuring meaningful stakeholder engagement and an extensive lead-in time for MTD for Corporation Tax would facilitate smoother transitions, reduce implementation costs, and enhance stability by better aligning HMRC and business systems. Simplifying tax legislation would further streamline financial flows for businesses with complex affairs. Modernising the administration of employee expenses and benefits, and uplifting legacy allowances to real-time values, would reduce compliance costs and save time for both businesses and HMRC in managing risks. This would streamline tax processes, making them more practical and equitable, especially in the context of hybrid working. Implementing a 12-week minimum consultation period and sufficient lead-in time for HMRC guidance changes would reduce administrative burdens and enhance the stability of the tax system for businesses. This approach would particularly improve the attractiveness of the UK's VAT regime in light of the implementation of the Retained EU Law (Revocation and Reform) Act 2023 by ensuring fair stakeholder engagement.
Department: HMRC	**SR Goal:** Driving Efficiencies

Action	Economic Impact
Strategically deploying HMRC's resources to improve business relationships and ease administrative burdens. This includes: • <u>Utilising part of the 5,000 new HMRC compliance officers' resource to ease administrative burdens and provide proactive business support</u> to strategically close the tax gap. • <u>Empowering HMRC Customer Compliance Managers (CCMs) to agree tax positions faster</u> to close down long-standing enquiries and reduce the administrative burden of impractical information requests. • <u>Delivering more support to businesses administering "IR35"</u> to ease the burden of the complexity the regime imposes.	Utilising part of HMRC's additional resource to ease administrative burdens by prioritising the closure of long-standing open enquiries, improving access to technical specialists, and accelerating response times for processes like VAT Partial Exemption Special Methods (PESM), Advanced Pricing Agreements, Seed EIS/ EIS Advanced Assurance applications and R&D tax credit claims would enable HMRC to proactively close the tax gap, helping businesses get their tax affairs right first time. Empowering HMRC Customer Compliance Managers (CCMs) to agree tax positions faster would reduce the administrative burden of impractical information requests and close long-standing enquiries. This approach would free up time for both businesses and HMRC to focus on strategically targeting higher tax risks, enhancing efficiency and compliance. Delivering more support to businesses administering IR35 would reduce administrative burdens and increase confidence in applying the rules, preventing loss of work for contractors who are genuinely self-employed. A new tool to determine 'out of scope' services, HMRC 1:1 technical support, and an advance clearance facility would streamline processes, making it easier for small suppliers to sign contracts with larger businesses.
Department: HMRC	**SR Goal:** Driving Efficiencies