TheCityUK

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

Dear Chancellor,

**TheCityUK representation to the 2024 Budget**

I am writing on behalf of TheCityUK to set out our representation to your March 2024 Budget.

The financial and related professional services (FRPS) industry is a vital facilitator of investment and growth across the UK economy. The industry contributes 12% of the UK's total economic output and employs nearly 2.5 million people, with two thirds of these jobs outside London. It is the UK's largest net exporting industry and generates a trade surplus exceeding that of all other net exporting industries combined, making it the most successful exporter of its kind anywhere in the world. It is also Britain's largest taxpayer and makes a substantive difference to people in their daily lives, helping them save for the future, buy a home, invest in a business and protect and manage risk.

Our industry supports Britain to achieve its national objectives – delivering regional development, driving economic growth across the UK's regions and nations, supporting a just transition and delivering export-led growth. We also play a vital enabling role in driving economic growth in every region and nation of the country. We are therefore eager to work with the government to ensure we can continue to contribute to the UK's success, both today and in the future.

In 2023, the UK economy performed better than expected against a backdrop of continued economic challenges. In 2024, the UK must not only demonstrate its ongoing economic resilience but improve its economic performance against a backdrop of ongoing headwinds. Continued pressure to maintain lower levels of inflation, boost investment and overall economic growth, and increase productivity in key sectors will all remain important challenges. We welcome the government's approach to extending the growth duty and ensuring the economic regulators (not only the financial ones) consider UK competitiveness and growth in their rule and decision making.

The significant reduction of inflation from nearly 10% in early 2023 to 3.9% in November 2023 was a welcome achievement, but caution is vital as inflation remains a persistent threat. It is still around double the Bank of England's 2% target, and although official forecasts are for a continued decline in inflation, there is a risk that inflation may rise once again, in part because salaries are still rising by more than 7%. Lower inflation has allowed monetary tightening to be paused, but the path of monetary policy in 2024 remains uncertain, with implications for debt-carrying consumers including mortgage-holders and businesses.

In the third quarter of 2023, UK GDP stood 1.4% above its pre-pandemic level of Q4 2019. This improvement, although gradual, is welcome, but growth in 2024 is expected to be fairly flat, and still far below the long-term average of 2%. This signals the need for a strategic approach to boost economic growth. Part of this should involve improving the level of productivity; output per worker showed a 0.3% year on year decline in the third quarter of 2023. This in turn could be improved by increasing businesses investment, which experienced a fall of 1.6% year on year in the third quarter of 2023—the biggest decrease among G7 nations.

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### Delivering impactful policy change

This submission sets out a suite of proposals that our industry believes would help the economy overcome its current challenges. The Budget is a unique opportunity to start to implement this plan.

We appreciate that some of the recommendations we have made will take some months to be fully implemented and for the wider benefits to be felt. However, there are several areas we would highlight as priorities for action and have summarised these below.

1. The government should roll out the red carpet for companies that may seek to list in the UK with better and more proactive support. The Budget should establish a single point of government engagement for companies considering listing on UK exchanges to ensure there is strategic, structured and coordinated engagement across government for those companies identified as having high growth potential. The FCA should be brought into any initiative to provide a more coordinated approach for firms considering listing.

2. The UK must address its uncompetitive overall effective tax rate on banks in the UK, as this is detrimental to the growth of the UK economy. The Budget should review and ultimately phase out the bank levy as it is a key element of the UK's international competitiveness.

3. Stamp duty on trading is a direct tax on liquidity which places the UK at a competitive disadvantage. It should be removed in the Budget to incentivise greater UK institutional and retail investment into UK equities.

4. We strongly support the recommendations in Lord Harrington's review into FDI and hope the Budget will be used as a platform to implement these swiftly. We particularly support his plan for the Office for Investment to offer a "concierge service" to assist investors to navigate the business environment and relevant HMG departments in the UK, including to deliver support on visas, the domestic skills pipeline, planning, and connections to the grid.

5. The Budget should be used to create a specific government unit to focus on net zero planning and delivery and commit to delivering projects at pace, coordinating regulation and delivery such as manufacturing and installation, and dealing with bottlenecks by driving policy and delivery alignment across departments and at multiple levels of government.

We will now outline, in more detail, the key policy priorities for our industry, focusing on the following key issues.

## 1) Reforming capital markets to deliver growth

If the UK is to deliver sustained economic growth it needs higher levels of public equity investment. UK public equity markets matter because they deliver long-term capital to growing businesses to scale up and invest in innovation. Public equity is also an important source of funding for larger, more established UK businesses. These companies contribute significantly to the UK economy, employ significant numbers of people and provide investment opportunities for savers and tomorrow's pensioners. Capital markets underpin the jobs, pensions, investments and savings of UK citizens. The investment opportunities that public equity provides allow people to build long term, more-secure savings to support their financial ambitions and provide them with financial resilience. They allow people to invest in and benefit from business growth and success in the UK.

The UK is the 5th largest equity capital market in the world, with an equity market capitalisation of over £4.8tn. However, the UK's capital markets are currently not fulfilling their full potential and are hindered in their ability to service the UK public, businesses and the wider economy. TheCityUK has been considering policies to build on this strong position and create an environment which supports our public equity markets.

The UK's reputation as a financial centre relies heavily in the UK's high regulatory standards and financial stability. There is growing concern that the UK's current political, regulatory and societal mindset is focused on eliminating risk of loss from the financial system. We are not advocating for de-regulation, rather for an approach that understands the relative risks and growth opportunities in using the financial system to fund growth for the economy and savings returns for individuals.

**We would encourage you to use the Budget to commit the government to work with regulators to:**

- Provide better and more proactive support for companies that may seek to list in the UK. The government's commitment in last year Autumn Statement to establish "concierge service" for major international investors is welcome. Companies considering listing on UK exchanges would similarly benefit from a single point of government engagement to ensure there is strategic, structured and coordinated engagement across government for those companies identified as having high growth potential. The FCA should be brought into any initiative to provide a more coordinated approach for firms considering listing.
- Deliver timely completion of ongoing regulatory reforms and initiatives. The industry would like to see swifter progress on reform to support the UK's competitiveness while recognising the need to allow time for engagement with the industry to get the changes right. The longer it takes to deliver change, the more key public market listings the UK will lose to other jurisdictions, and the greater the risk that the UK's weakening competitiveness will become entrenched.
- Deliver on, and implement further initiatives to incentivise greater UK institutional and retail investment into UK equities. In particular: (i) increase incentives for capital allocation to UK public equities (the multiplier effect on growth of even small changes in allocation would be significant); and (ii) remove stamp duty on trading, as this is a direct tax on liquidity which places the UK at a competitive disadvantage.
- Ensure a funding continuum which allows companies to receive UK funding and monetary support throughout their lifecycle, avoiding incentives to move overseas at cliff edge moments.
- Retool our growth exchanges so they can access the data, research, and liquidity they need to support growth companies to transition between markets smoothly. This should include extending tax incentives, removal of frictions in transferring between different parts of the market, fostering competition, and addressing regulatory barriers which have had the unintended consequence of restricting liquidity for smaller companies.

There is no silver bullet, but together these recommendations can reposition the UK for growth, enhance competitiveness and deliver capital in service of UK citizens and businesses. Vibrant, competitive UK public equity markets will require sustained action from all stakeholders to support capital flows and liquidity to UK listed businesses of all sizes. TheCityUK stands ready to engage with you further to deliver on this important agenda.

## 2) Creating a competitive tax system

Taxation is a key factor that business and international investors consider when comparing jurisdictions to locate their business operations and investments. Creating an internationally competitive tax regime for financial services will enable our industry to contribute to boosting the UK's overall tax revenue and delivering long-term UK economic growth.

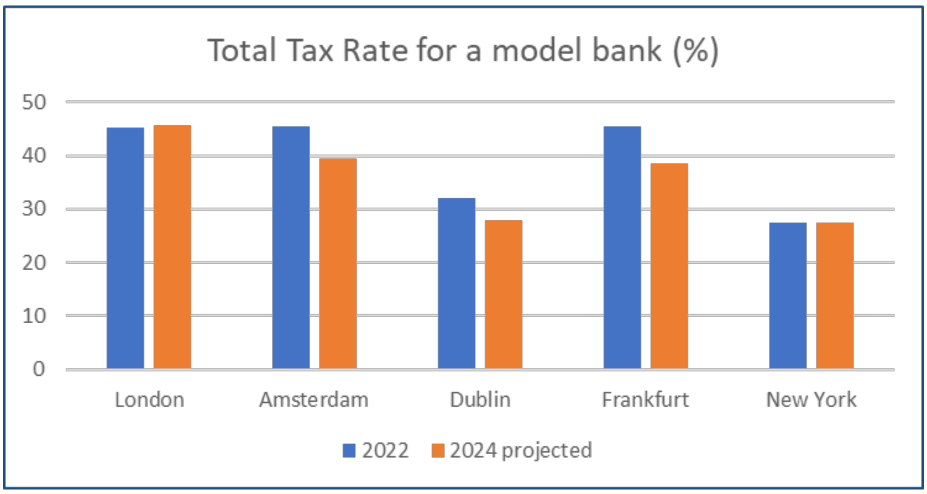
A good tax regime is built on the four pillars: rates, taxable base, administration and policy making. The quality of a country's tax system encompasses more than the final output of tax policy; it is also important to consider the way in which tax policy is approached. Frequent, short-term changes to tax policies and rates sends signals of instability and complexity to investors and financial services firms. If each of the four pillars were to be improved, including the approach to policy making, this would play to the UK's strengths in innovation and sustainability, and increase the potential total tax take.

**We recommend that you use your Budget to:**

- Deliver a clear, stable and predictable tax regime with a road map for the UK's tax policy over the next four to five years, giving business and international investors a clear view on the tax implications of investments in the UK.
- Initiate and publish the promised reviews of VAT treatment for financial services, and of the funds regime through tax and regulation. These reviews should include an impact assessment on the UK's international competitiveness.
- Adjust and broaden the R&D regime, which is still geared towards investments in manufacturing over services, to support the development of technology for the net zero transition.
- Consider tax incentives, such as R&D credits or tax wrappers for long term investments, to capitalise on the UK's financial services competitive advantage in innovation and to accelerate the net-zero transition.

When the level of the Banking Surcharge was reduced from 8% to 3%, this was accompanied by an increase in Corporation Tax, meaning that the overall level of tax paid by UK banks increased. This leaves the UK in a vulnerable position with a tax regime which is not competitive for banks in comparison with New York, Dublin, Frankfurt, Amsterdam, the UAE and Singapore. For example. the UK's total tax for banks is 45.3%, notably higher than New York at 27.4% and Dublin at 32.1%.

This year (as demonstrated in the chart to the right) the level of tax paid by a model bank is set to decrease in each of our major European competitors, whilst this level of tax is set to increase in the UK. This will lead to the UK becoming a less competitive financial centre in which to invest.



A key component of the UK's internationally uncompetitive effective rate of tax relates to the UK's Bank Levy. The Bank Levy is essentially a tax on a bank's UK balance sheet, meaning that banks choosing to locate certain activities in the UK face an associated levy, compared to choosing other locations where there is no such cost. This discrepancy reduces the UK's competitiveness, particularly with the EU, which is due to phase out its equivalent of the Bank Levy (the Single Resolution Fund) across this year, further undermining our tax competitiveness and attractiveness in comparison to the EU and other competitor jurisdictions. It will continue to discourage international banks from growing their balance sheets in the UK and serves as a drag on the UK's economic growth.

**We recommend that you use your Budget to:**

- Reconsider the uncompetitive overall effective tax rate on banks in the UK, as this is detrimental to the growth of the UK economy.
- Review and ultimately phase out the bank levy as it is a key element of the UK's internationally uncompetitive effective bank tax rate.
- Encourage international banks to invest the money that would have been paid into the Bank Levy into driving their digital and green transition initiatives instead, to improve the UK's international competitiveness.

### 3) Technology and Innovation: Supporting UK competitiveness and growth

Remaining at the forefront of technology and innovation policy will be vital in ensuring the continued competitiveness of the UK as an international financial centre and delivering long-term economic growth for our country.  The government should pursue a proportionate approach to regulating emerging technologies, protecting consumers and safeguarding financial stability, without impeding the pace of innovation and development.

To achieve this, it is important that the government continues to develop clusters for technologies such as AI across the regions and nations of the UK and assign funding for universities. This should work alongside commitments to retrain and upskill the population to meet the changing skills needs in line with technological advancements, and to educate the wider public on what emerging technologies are and what opportunities and risks they present.

**We recommend that you use your Budget to:**

- Announce plans to work with industry and regulators to provide greater clarity on the regulation of AI across the FRPS industry.
- Endorse the final recommendations of the Digitisation Taskforce and move swiftly to establish a roadmap for their implementation.
- Progress the Data Protection and Digital Information Bill and provide funding to unlock the benefits of UK leadership and innovation in Open Banking and Open Finance, which will provide more sources of credit for UK SMEs and export opportunities for UK FinTechs in key growth markets.
- Make a commitment to seek international alignment in the regulation of technologies where possible.

### 4) Making the UK a global leader in carbon markets

With the right support, the UK is well positioned to become a leading centre for carbon markets. Our report, Global carbon pricing mechanisms and their interaction with carbon markets, developed in partnership with ICE, offers quantitative and qualitative analysis of carbon pricing mechanisms and carbon markets trends in the UK and globally, emphasising the development of the compliance and voluntary markets in recent years. The report concluded that carbon markets could play a significant role in reaching net zero targets, but that greater scale is needed to make this contribution meaningful. Our policy recommendations, drawn from this report's findings, outline strategic steps the government could take to help the UK capitalise on this opportunity and are set out in detail in the bullet points below.

The UK's Emissions Trading Scheme (ETS) is an important tool in changing behaviours and pricing carbon emissions and is critical to maintain our trajectory to net zero by 2050. To remain aligned with net-zero pathways and incentivise decarbonisation, the government must ensure that the carbon price in the UK is reflective of the true cost of emissions. The UK ETS also has limited sectoral coverage at present. Sectors currently covered include energy intensive industries, the power generation sector and aviation. To catalyse action and accelerate the transition to net zero, the government must seek to increase the sectoral coverage of the UK ETS. It must also, in the medium term, seek to align the carbon price with comparable markets (such as the EU ETS) while ensuring that the UK ETS remains net zero aligned.

**We recommend that you use your Budget to:**

- Expand the size of the UK ETS to increase the proportion of the economy covered. It must also, in the medium term, seek to align the carbon price with comparable markets while ensuring that the UK ETS remains net zero aligned.
- Deliver interoperability between the ETS and voluntary carbon market (VCM), allowing purchasers to transfer credits from the voluntary to the compliance market. This will expand the supply of credits and allow firms greater flexibility to cover their emissions by purchasing credits from voluntary markets.
- Set a limit on the volume of credits that can be transferred to ensure that the carbon price does not get too low. This approach has been successful in other markets. For example, in the California cap-and trade programme, entities can use offset credits to fulfil 4% of their compliance obligation for 2021-2025 emissions, before increasing to 6% for 2026-2030 emissions.

Unlike some other markets, carbon credits in the UK are not currently subject to VAT, and the Terminal Markets Order (which provides zero-rated VAT for certain wholesale commodity transactions made by members on named commodity exchanges or market associations) currently applies only to certain carbon emissions trading. The government must provide long-term certainty and clarity on tax treatment, without this there is a risk of undermining market demand for carbon credits.

Alongside uncertainty on tax treatment, there is currently no consistency regarding the legal definition of carbon credits. The industry view is that English law is flexible enough to encapsulate intangible assets such as carbon credits. We hope that the government will support the development of legal principles for VCMs in the UK.

**We recommend that you use your Budget to:**

- Provide long-term certainty for traders on the tax treatment of carbon credits. This is especially important as the secondary market for carbon credit trading develops.
- Support the development of legal principles for VCMs, including: clarifying the legal definition of carbon credits, including offsets, as an asset; helping to foster interoperability between contracts; and helping to ensure the insurability of carbon credits as assets.

Over the past 12 months there have been significant developments in international standards and guidelines for VCMs. The release of the Integrity Council for the Voluntary Carbon Market (IC-VCM) Core Carbon Principles and the Voluntary Carbon Markets Integrity Initiative (VCMI) Claims Code of

Practice represent important steps toward providing greater integrity and quality to the carbon credit market. The government must consider officially endorsing these standards in the UK.

Alongside the quality of carbon credits, there is a need to focus on the quality of their custody, i.e. the safekeeping service that a financial institution provides for a customers' assets to minimise the risk of theft or loss. This is an area which has received limited attention to date. However, carbon credits are financial assets which need to be managed properly. The UK has the financial infrastructure and regulatory expertise to become a leader in the custody of carbon credits.

The government should establish a regulatory framework for carbon and environmental markets. This is required to achieve transparency, market confidence, environmental integrity, and standardisation of methodologies for credit certification. There are existing regulatory rulebooks which could be drawn upon. In particular, the carbon allowances market, which is already regulated and has a similar purpose to carbon credits. However, the voluntary market in the UK is rapidly developing and we hope you will ensure that regulation is proportionate to avoid undermining this growth.

**We recommend that you use your Budget to:**

- Support the development of a high-quality VCM in the UK through endorsing the IC-VCM Core Carbon Principles and the VCMI Claims Code of Practice.
- Provide the legal certainty and legislative basis to enable the UK to become a leader in the custody of carbon credits.
- Establish a regulatory framework for carbon and environmental credit markets, that is proportionate and covers both mandatory and voluntary schemes.

The UK is recognised as a world-leading green finance centre and has the potential to become a global centre for carbon markets. Expanding the size of the UK ETS and ensuring that the carbon price remains net zero aligned, alongside fostering interoperability with the voluntary market, will help to position the UK on a net zero trajectory. The UK also has huge potential to foster growth in VCMs and help provide capital to fund the net zero transition. To enable the UK to seize this opportunity, the government should provide tax, legal and regulatory certainty.

### 5) Creating an even more attractive market for green investment

The FRPS industry is responsible for capital allocation and has a critical role to play in financing and driving the net-zero transition. In our recent Enabling the net zero transition report with PwC, we called for the government to provide targeted subsidies and market guidance to incentivise and de-risk long-term investment into green infrastructure and technology.

This is exactly the approach that the US has adopted. The Inflation Reduction Act (IRA) unveiled $369bn of subsidies for US green infrastructure projects. Our members advise that the IRA is channelling more investment towards the US. The EU has responded by launching its own green industrial strategy – The Green Deal Industrial Plan. The UK must show similar ambition and we therefore welcomed the Update to the Green Finance Strategy and the current government's intention to create the world's first net-zero aligned financial centre. We hope you will now build on this work, and the UK's inherent strengths, to create an even more attractive market for green investment. We call for action in three key areas: *long-term policy*, *long-term certainty* and *nurturing competitive advantage*.

*a) Long-term policy*

Over recent years, the UK government has produced several strategies and plans for net zero including the Ten Point Plan, Net Zero Strategy, and Powering Up Britain. We hope you will now act to bring together these disparate strategies under a clear and coherent narrative for the net-zero transition, accompanied by detailed delivery plans to incentivise investment and provide clear signals to the markets and drive action across the economy.

**We recommend that you use your Budget to:**

- Work with the private sector to build on its investment roadmaps, released as part of the Green Finance Strategy, to create specific, quantifiable, and actionable implementation plans for sectors across the economy, particularly in high-emissions industries.
- Develop and communicate detailed timelines for how the UK plans to reduce its reliance on fossil-fuel energy, helping firms understand the attractiveness of projects and allocate capital.
- Develop a clear and comprehensive UK Climate Transition Plan that builds on the current Net Zero Strategy and Carbon Delivery Plan and gives clear direction to investors and the private sector. This should be aligned with the Transition Plan Taskforce (TPT) framework.

The achievement of net zero should also be pursued alongside a 'just transition' that supports local jobs and security through investment and growth. All parts of society will need to transition to net zero, and this needs to be inclusive and beneficial for all. This will require investment in green jobs and skills, providing access to low-cost finance and working with local communities to ensure the benefits are spready equally. The government must therefore ensure that all net-zero related policies and activities support a 'just transition'.

The government must also continue to engage with other jurisdictions and with international institutions, including standard setters, to drive global convergence and interoperability on sustainability disclosures and reporting standards. International harmonisation and collaboration are crucial to ensuring that the UK, as an international financial centre, can build on its strengths to deliver green and sustainable investments in the UK and beyond.

*b) Long-term certainty*
Meeting the UK's 2050 net-zero target will require investments in technologies and infrastructure projects at varying levels of maturity and attractiveness. These investments are often capital intensive and have long returns on investment, proving a risk for many private investors. We welcomed announcements from the government in the Autumn Statement to boost investment in key sectors through the Green Industries Growth Accelerator. However, to attract private investment at the scale required, the government must continue to offer the right signals to the market to provide certainty for investors, laying out clearly the incentives to invest in the UK. Given that capital is highly mobile, Britain otherwise risks losing investments to more attractive destinations.

**We recommend that you use your Budget to consider how to make best use of the tax regime, which is often short-term in focus and has been subject to frequent change, by:**

- Ensuring businesses that offer green and sustainable finance in the UK should be subject to a tax regime which is internationally competitive and provides long-term certainty in tax rates, policy making, and administration.
- Continuing to find ways to simplify and streamline the UK's tax system, which is a key part of international attractiveness.

Several countries, including the US, have given their Treasuries climate mandates at the highest level of governance. Others, including Germany and the Netherlands, have now formally integrated climate action within their Economic Ministries. If we are to deliver net zero in the UK and globally, the core policy levers at HM Treasury's disposal must explicitly support the delivery of net zero and we believe the Department should have a climate mandate.

*c) Nurturing competitive advantage*
The UK is well positioned to build on its strengths in FRPS - including strong financial markets, access to a skilled workforce, rule of law, and a competitive regulatory environment - to foster green growth. The government must use these solid foundations to introduce policy and incentives to nurture industries in which it has, or could have, competitive advantage. This includes industries such as carbon capture, utilisation and storage (CCUS), green hydrogen, tidal and wind power, battery and hydrogen storage, and sustainable aviation fuel.

In doing so, the UK can progress the net-zero transition while creating jobs, driving regional growth, and securing greater energy security.

**We recommend that you use your Budget to:**

- Create a specific government unit to focus on net zero planning and delivery and commit to delivering projects at pace, coordinating regulation and delivery such as manufacturing and installation, and dealing with bottlenecks by driving policy and delivery alignment across departments and at multiple levels of government.
- Supporting this with planning reform, upgrading grid capacity and focusing on improving green skills to reflect workforce needs.
- Use public investment to crowd private investment into projects which maybe high-risk for investors (such as through the scaling of blended finance) or subsidies, accompanied by effective and proportionate regulation and reporting standards to de-risk and scale-up low carbon investments. Blended finance is most needed where investments are not considered to be investment grade and where the perceived investment risk is high. Sectors such as hydrogen and CCUs are seen to be likely to benefit from blended finance solutions through both the start-up and scale-up stages.

In conclusion, green and sustainable finance is now a major investment area, and leaders around the world are recognising this and supporting industry to attract investment into green technologies and renewable energy. The UK government must act now to respond to the increased level of international competition, providing the right policy and signals to the market to provide long-term certainty for investors, nurture competitive advantage and drive the net zero transition.

## 6) Boosting international trade in services

The UK is an international financial centre which has formidable strengths, with our industry generating a trade surplus exceeding that of all other net exporting UK industries combined. To build on this status we believe the government should set an ambitious target for the UK to regain its position as the world's leading international financial centre within the next five years, a position which the Prime Minister endorsed when running to become Leader of the Conservative Party. Our International Strategy sets out in detail how this five-year vision can be achieved.

**To deliver this ambition we recommend that the government prioritises:**

- Taking up the recommendations from TheCityUK's report 'Driving UK growth: Capturing future international investment in a rapidly changing world' to ensure the UK continues to attract international investors and swiftly implementing the recommendations of Lord Harrington's review into FDI.
- Supporting the long-term reconstruction and recovery efforts of Ukraine by announcing measures to assist the Ukrainian government in redeveloping the Kyiv International Financial Centre so it can successfully attract private sector investment.

- Actively engaging with the FRPS industry on the form, timing and depth of screening controls for outbound investment to avoid unintended consequences, especially for key sectors like green finance and risk management.
- Equipping the UK's global diplomatic network with deeper understanding of how global financial markets operate so that they can better advocate bilaterally and multilaterally for policies which support the UK's position as an IFC, support the growth agenda and attract more investment to the UK.
- Driving a coordinated approach for T+1 settlement with the EU and Switzerland as part of a wider effort to improve global regulatory alignment.

A Budget is an important opportunity to signal the UK's commitment to deepening its relationships with important markets around the world.

**We recommend that you use your Budget to announce the government's intentions to:**

- Conclude a UK-India Free Trade Agreement that liberalises trade in services by easing restrictions on UK businesses operating in India, securing digital trade, fostering regulatory co-operation, providing investment protection, and supporting more short-term movement of business personnel.
- Put bilateral financial regulatory dialogues with markets such as the USA, EU, Singapore and Japan on a more robust footing by improving transparency, industry engagement and by adopting a more outcomes focussed approach to promote stability and growth in the global economy.
- Use the data bridge with the US to pave the way for the adoption of a 21st century UK-US digital partnership agreement.
- Put concerted effort to implement and drive the new MOUs with Saudi Arabia and United Arab Emirates as key growth markets for the UK.
- Encourage dialogue with China on issues of global importance such as green finance, through the resumption of the UK-China Joint Economic and Trade Committee (JETCO) and bilateral Economic and Financial Dialogue (EFD).
- Engage with EU counterparts to successfully advocate against the EU Agency for Cybersecurity's proposals on EU cloud sovereignty, which, if introduced, would increase costs for cross-border border businesses in the UK and the EU and reduce operational resilience.
- Ensure that the UK-Switzerland FTA works hand in glove with the Mutal Recognition Agreement, to maximise the opportunities via the financial services chapter as well as the cross-cutting and enabling areas in the FTA such as mobility, mutual recognition of professional qualifications and data and digital services.
- Secure the continuation of the World Trade Organisation (WTO) Moratorium on customs duties on electronic transmissions which, if not renewed at the 13th WTO Ministerial Conference (MC13) in February 2024, will expire on 31 March 2024.
- Consider being the first western nation to issue a green sovereign sukuk to support the positioning of the UK as a global centre for Islamic Finance.

## 7) Devolution and regional growth

We welcome the increased level of devolution you have offered to some English regions during your tenure as Chancellor of the Exchequer. However, we continue to believe that wherever possible, there should be greater consistency in the powers offered to each area, to create a clearer climate in which business can thrive and invest. Currently, a major business operating in Manchester or Birmingham can engage with their local mayor on key issues such as skills policy and trade promotion, in a way which a major business operating in another area cannot. We do not believe this is optimal or even sustainable in the long term. As devolved authorities develop there will be a need to invest in and support great civic leadership through organisational and personal development, as well as the sharing of knowledge.

**We recommend that you use your Budget to:**

- Continue to roll out the metro mayor and combined authority model to all English regions that want it, whilst simultaneously devolving greater powers for existing combined authorities.
- Use the recent deeper devolution deals for the West Midlands and Greater Manchester as a pilot for the move away from multiple funding pots and competitive bidding processes in favour of a single financial settlement for an area.
- Strive for as much consistency as possible in the powers awarded under devolution deals.
- Strengthen the current English devolution settlement by creating a new Leadership Academy, bringing in the best expertise from leaders around the world, and from business to support political leaders and their staff in personal and policy development.

The ability to communicate and to travel between locations remained a key barrier to maximising productivity. Effective digital and transport infrastructure enhance the connectivity of thriving regional hubs, supporting growth across the entire financial and related professional services ecosystem. Improvement to infrastructure to make them more sustainable also supports the UK's move towards net-zero and creates new investable opportunities to aid growth across the country.

Ensuring that the machinery of government is distributed across the country is another way in which the state can support and engage businesses and support their growth. The opening of the new HM Treasury Economic Campus in Darlington, and new bases for key bodies such as the Bank of England, FCA and UK Infrastructure Bank in other northern hubs is a trend which we have publicly welcomed and which we hope will continue.

**We recommend that you use your Budget to:**

- Ensure that the the Department for Business and Trade works with leaders in devolved and regional government to map examples of international best practice in attracting investment and share these findings with stakeholders across the country.
- Create a national portal to match investment opportunities with the UK's network of consulates and embassies, and its use by both parties should form part of future MOUs and trade deals.
- Ensure that regional and devolved leaders are fully engaged in the government's strategy for reaching net-zero and that industry hubs around the country are well placed to take advantage of economic opportunities arising from new industries and innovations.
- Build on the success of the government's Economic Campus in Darlington as well as moves by several key regulators to open bases in key UK towns and cities and identify further opportunities for senior civil service roles to be based outside the capital.

## 8) Strengthening the UK's business mobility system

The ability to attract talented individuals remains a critical driver for our industry. UK-based FRPS businesses use a variety of mobility routes to access global talent. This ranges from bringing in workers from international offices to the UK to support UK-based teams on short-term projects to sponsoring employees resident in the UK. It is important to underline the distinctions between these different routes. For example, using short-term business mobility routes is not an alternative to hiring people in the UK. Short-term business workers do not become UK-based workers and do not compete with domestic talent; they remain overseas workers and only carry out short, targeted projects before returning home.

TheCityUK has previously set out proposals to reform intra-company transfer rules on short-term business visits. We welcome the steps you announced in the Autumn Statement to ensure continued UK competitiveness by simplifying and expanding the UK's business visitor route. This includes introducing changes that will broaden and clarify activities that can be undertaken in an intra-corporate setting, specifying remote work as a specified permitted activity, and expanding the list of unpaid work activities legal professionals can undertake in the UK.

It is important that the government continues to work with industry on the effective implementation of these rules, enabling businesses to use these routes to access the talent to support them in delivering even more globally attractive products and services. The Statement of Changes to the Immigration Rules, effective from 31 January 2024, removes the restriction on visitors working directly with clients in an intra-corporate context provided the activity is "incidental" to their employment abroad and does not amount to the offshoring of a project or service to their overseas employer.

Businesses take a cautious approach to compliance with their obligations, so it is important that government provides clear guidance, including examples, on how the new rules will be interpreted and enforced.

TheCityUK, in partnership with the City of London Corporation and EY, has developed a comprehensive suite of policies designed to ensure UK mobility policy contributes to economic competitiveness and wider policy goals, such as diversity, equality and inclusion.

**We recommend that you use the Budget to implement the proposals set out in our joint report Global talent mobility: Ensuring UK competitiveness (2021), which include:**

- Allowing time spent under the Graduate Route to qualify as continuous residence to give employers more agility around Skilled Worker costs and to retain international talent.
- Continuing to prioritise the expansion of reciprocal Youth Mobility Schemes.
- Allowing sponsored, Skilled Workers to work part-time by mutual agreement with their Sponsor (even if it reduces their salary below the absolute threshold) to support DEI commitments.
- A range of measures to deliver process improvements, easing administrative burden for businesses.

More broadly, UK mobility and immigration policy is an important component in supporting the attraction of FDI. We welcomed Lord Harrington's recent review, in which he noted that the Office for Investment should be empowered to assist investors, offering a "concierge service" to navigate the business environment and relevant HMG departments in the UK, including to deliver support on visas, the domestic skills pipeline, planning, and connections to the grid. We hope that government will implement all the recommendations of the Harrington Review as soon as possible.

## Conclusion

The FRPS industry is an engine for growth for the wider economy and is well placed to help the government deliver on its priorities. When our industry thrives, so do other businesses, communities and economies across the nations and regions of the UK. We would be very happy to provide further information on any of our proposals if this would be helpful.

Yours sincerely

Chief Executive I TheCityUK