

# Weekly policy update from London Chamber of Commerce and Industry

*A round-up of key policy changes from the past seven days*

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## Chancellor's Speech at the International Investment Summit

Chancellor Rachel Reeves addressed the UK's International Investment Summit, announcing £60 billion in "shovel-ready" projects expected to create 40,000 jobs. She highlighted the importance of these investments in driving economic growth and supporting key sectors, including green technology and infrastructure. Reeves confirmed plans to cap corporation tax at 25%, maintain current rates of research and development relief, and introduce a corporate tax roadmap to stabilise businesses.

Additionally, she announced the transformation of the UK Infrastructure Bank into the National Wealth Fund, which will expand its role beyond infrastructure projects to stimulate investment across various sectors. The establishment of the British Growth Partnership aims to attract pension fund investments into innovative businesses. These initiatives are designed to encourage private-sector investment and support long-term economic growth in the UK.

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## Briefing on the Minister's Speech on Transition Finance Market Review

The Minister for Industry's speech at the Transition Finance Market Review launch event outlined significant steps towards achieving the UK's clean energy goals and enhancing financial support for the transition. Emphasising the importance of legislative and monetary measures, the speech highlighted the Government's commitment to a sustainable future. Below are the key policy announcements made during the speech:

- **Clean Energy Goals**

The Government reiterated its commitment to achieving clean power by 2030 and net zero by 2050. This involves accelerating the deployment of renewable energy sources and reducing reliance on fossil fuels. The initiative aims to create new opportunities for businesses in the clean energy sector.

- **Planning and Infrastructure Bill**

A new Planning and Infrastructure Bill will be introduced to streamline the planning process for clean energy projects. This bill is designed to reduce bureaucratic delays and facilitate faster development of renewable energy infrastructure. It aims to ensure that clean energy projects can be implemented

more efficiently, benefiting local businesses and communities.

- **National Wealth Fund**

The Government announced the creation of a £27.8 billion National Wealth Fund. This fund will invest in future industries and mobilise private investment to support the transition to a green economy. It is intended to drive innovation and growth in sectors critical to achieving net zero, providing new opportunities for small and medium-sized enterprises (SMEs).

- **Green Finance Initiatives**

Plans were unveiled to mandate UK financial institutions and large companies to implement credible transition plans. Developing a UK Green Taxonomy will also provide clear guidelines for sustainable investments. These measures aim to ensure financial markets support the transition to a low-carbon economy, offering SMEs access to green finance options.

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## **UK Government Launches Modern Industrial Strategy**

The Government has introduced its new Industrial Strategy, designed to foster long-term growth by focusing on eight key sectors, including clean energy, advanced manufacturing, and life sciences. It aims to create a stable and pro-business environment for sustained development.

Businesses in growth sectors like clean energy and digital technologies are expected to benefit from increased investment and policy support. This will enhance their capacity to scale and innovate, helping them to compete better in the global market.

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## **New AI Safety Research Programme Launch**

The Government has launched a new AI Safety Institute scheme to fund research to address AI risks like deepfakes, misinformation, and cyber-attacks. The program, valued at £8.5 million, will provide up to £200,000 per project in its first phase to support research into systemic AI safety.

The scheme will fund approximately 20 projects with an initial budget of £4 million. The grants are part of a broader effort announced at the AI Seoul Summit and will be open to UK-based organisations until 26 November 2024.

SMEs involved in AI development or cybersecurity stand to benefit from funding opportunities and collaborations. This initiative also helps foster public trust, allowing businesses to adopt AI technologies safely boosting long-term growth and productivity.

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## ONS Labour Market Statistics for October 2024

The Office for National Statistics (ONS) has released the latest labour market statistics, revealing a mixed picture of the UK's employment landscape. Key highlights include decreased paid employees by 35,000 (0.1%) between July and August 2024, although a rise of 165,000 (0.5%) compared to August 2023. The employment level remains relatively stable at 75% from June to August 2024, while the unemployment rate stands at 4%, showing improvement from previous periods.

Despite the increase in employment levels, the Treasury has attributed slower pay growth to the Government's "difficult inheritance." The ongoing decline in vacancies, which fell by 34,000 to 841,000, suggests that businesses are holding back on hiring in anticipation of the upcoming Budget. This cooling labour market challenges policymakers, particularly as rising employer national insurance contributions could further strain hiring prospects.

Average regular earnings have risen to 4.9%, while total revenues increased by 3.8% from June to August 2024. However, the Resolution Foundation warns that future pay growth must be driven by rising productivity rather than a robust job market. The claimant count has also increased to 1.797 million, indicating rising unemployment concerns, especially among youth, as highlighted by the TUC.

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## UK Inflation Falls to 1.7%

UK inflation unexpectedly decreased to 1.7% for the year ending in September, marking the lowest rate in over three years. This surprising drop was primarily driven by lower airfares and petrol prices, which contributed significantly to the overall inflation decline. The latest figures indicate a shift in economic conditions, prompting discussions about potential implications for monetary policy and consumer spending.

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## GB Energy's Ambitious Vision for the Future

Jurgen Maier, the inaugural chair of GB Energy, envisions the organisation evolving into a significant power generator with its own wind farms, tidal power, and carbon capture initiatives. In a recent interview, he urged the Chancellor to keep GB Energy off the public balance sheet to facilitate borrowing for future investments. Over the next five years, GB Energy will allocate £8.3 billion for energy schemes and plans to start by taking minority stakes in new projects. However, it will not operate any of them immediately.

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## Westminster Debates and Legislation Overview: Business Confidence

In a recent Westminster Hall debate, conservative MP Mims Davies outlined the achievements of the outgoing Conservative Government, emphasising that despite ongoing challenges from the lingering effects of the COVID-19 pandemic and the war in Ukraine, Davies highlighted a notable recovery in economic development, citing a 0.5% increase in the second quarter of 2024. However, she acknowledged concerns about declining confidence among business leaders and called on the Government to reassure local businesses about their understanding of the current economic landscape.

Responding on behalf of the Government, Parliamentary Under-Secretary of State for Business and Trade Gareth Thomas emphasised the administration's commitment to supporting small businesses and driving economic growth. He highlighted ongoing efforts to implement a nine-point plan to foster a business-friendly environment and noted the Government's goal of achieving the highest sustained growth in the G7. Thomas also pointed to measures announced during the recent International Investment Summit aimed at enhancing business confidence and encouraging investment in the UK, including a new corporate re-domiciliation regime designed to simplify the relocation process for companies.

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## Westminster Debates and Legislation Overview: International Investment Summit

During a debate at the International Investment Summit, Parliamentary Secretary to the Treasury and Pensions Minister Emma Reynolds emphasised the Government's commitment to making the UK a favourable destination for business once again. She highlighted the £63 billion investment raised at the summit and the launch of an industrial strategy advisory council, signalling a mission-driven approach to foster long-term growth. Reynolds reiterated the Government's plans to reform the Office for Investment to enhance investor support.

Shadow Business and Trade Secretary Kevin Hollinrake acknowledged the positive reception of 300 investors at the summit but raised concerns regarding changes to business taxation, particularly capital gains tax and national insurance for employers. He argued that uncertainty around these issues could hinder investment and hiring, urging the Government to maintain business relief measures to support economic growth. In response, Minister for Industry Sarah Jones pointed to significant investments announced during the summit, including Iberdrola's doubled wind energy commitment and a focus on clean energy initiatives, reaffirming the Government's dedication to creating a pro-business environment while addressing business rates in line with manifesto commitments.

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## Westminster Debates and Legislation Overview: Steel Industry

The UK Government is set to introduce a Steel Strategy in March aimed at maintaining the country's production capability of primary steel. During a recent debate, Reform MP Richard Tice expressed urgent concerns about the potential loss of steelmaking capacity within the next six to twelve months, particularly highlighting the risk of closing blast furnaces in Scunthorpe. Tice argued that high industrial electricity prices could render electric arc furnaces unviable and emphasised that steel production is a strategic national interest. He called for the publication of the Steel Strategy before Christmas. He outlined five key policies he would implement to support the sector, including a strategic stake in British Steel and the scrapping of carbon taxes.

In response, Shadow Minister for Business and Trade Greg Smith warned that the closure of Scunthorpe would increase dependence on imports from China and questioned the Government's commitment to the steel industry as outlined in their manifesto. He criticised the Labour Government for failing to support the steel sector and associated industries, calling for immediate action on the Steel Strategy. Minister for Industry Sarah Jones, representing the Government, acknowledged the 50% decline in UK steel production over the past decade but argued that this decline is not inevitable. She committed to investing in the steel industry, stating that the Government aims to develop the Steel Strategy in collaboration with the steel sector and trade unions while exploring new technologies that can enhance productivity. Jones concluded by reaffirming the Government's determination to make the steel industry fit for the future.

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## **UK-Switzerland trade deal negotiations commence**

UK and Swiss negotiators have restarted discussions on a modernised trade agreement to enhance economic ties post-election. The UK Department for Business and Trade estimates that an updated deal could support 120,000 jobs in the services sector. Business Secretary Jonathan Reynolds emphasised that the new agreement aims to foster economic growth, creating jobs and prosperity across the UK.

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## **Appointment of Industrial Strategy Advisory Council Chair**

Clare Barclay, CEO of Microsoft UK, has been appointed Chair of the newly formed Industrial Strategy Advisory Council, which will play a critical role in shaping the direction of the UK's industrial policy. The council will include experts from business, academia, trade unions, and local governments, providing various insights to shape government policy for long-term industrial growth. Companies can benefit from direct representation in industrial policy discussions, as the council's diverse membership includes voices from across the business landscape.

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## **Launch of the Consultation Green Paper for Industrial Strategy**

The UK government has published a green paper inviting businesses, unions, and stakeholders to contribute to developing the new Industrial Strategy. The consultation aims to ensure a collaborative approach to creating policies that drive sustainable growth. The green paper will focus on encouraging innovation and long-term development in critical sectors like advanced manufacturing and financial services. Stakeholders are encouraged to provide feedback that will shape future policies.

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## **Establishment of the Industrial Strategy Supply Chains Taskforce**

The UK government will establish a supply chain taskforce as part of the Industrial Strategy to address vulnerabilities in critical sectors and ensure the country's economic security. It will focus on industries identified as high growth, such as aerospace and defence, where resilient supply chains are essential for maintaining competitiveness. Businesses involved in these sectors will benefit from more stable and secure supply chains, reducing operational risks. This may also present opportunities for smaller companies to integrate into more extensive supply chains, increasing their reach and business prospects.

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## **Rayner Announces Plans for Council Housing Expansion**

Deputy Prime Minister Angela Rayner is launching a "council housing revolution" with a nearly £1 billion funding boost expected in the upcoming Budget. This initiative aims to double the construction of council houses to address the ongoing loss of social housing in England while alleviating benefits bills and mitigating council bankruptcy issues. The investment will support Labour's goal of building 1.5 million new homes, with additional funding anticipated in the spring's Spending Review.

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## UK Ministers Alarmed by Proposed Spending Cuts

Senior ministers have expressed concerns to Prime Minister Keir Starmer about significant spending cuts ahead of the upcoming UK budget. Multiple cabinet members have sent formal letters highlighting the challenges posed by the one-year departmental spending review, which may hinder the Government's ability to fulfil election pledges. Education Secretary Bridget Phillipson acknowledged the difficult choices ahead and the ongoing discussions with the Treasury for a favourable settlement.

Chancellor of the Exchequer Rachel Reeves is facing a challenging political landscape as she seeks to address a £22 billion fiscal deficit while implementing a £40 billion package of tax increases and spending cuts. Ministers are particularly worried about tight allocations for 2025-26 and the impact on essential services like healthcare and criminal justice. In a cabinet meeting, Starmer stressed the need for tough decisions that support future investments. At the same time, some ministers seek to reverse specific cuts, reflecting a broad range of discontent within the cabinet.

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## Trade Strategy to Prioritise Digital Trade, EU Relations, and AI Regulation

During a data and digital trade session on Wednesday, 16 October, Ministers discussed the UK's trade strategy and digital collaboration. Minister of State for Trade Policy and Economic Security Douglas Alexander emphasised the need to reset EU relations while strengthening ties with the Asia-Pacific region, highlighting the importance of engaging with the multilateral trade system beyond traditional free trade agreements (FTAs).

DSIT Parliamentary Under Secretary Baroness Jones confirmed that maintaining EU data adequacy is a priority while addressing essential safeguards like AI regulation and national security exemptions. The discussion included the importance of cross-departmental collaboration and supporting SMEs to enhance the UK's role in global digitisation and ensure regional inclusion in the digital economy.

## Jenrick Pledges to Restore Pre-Pandemic Economic Activity Levels

Conservative leadership candidate Robert Jenrick has committed to reducing economic inactivity to levels seen before the pandemic. During a speech at the Centre for Policy Studies, he emphasised that bringing people back to work would enable the Government to "cut taxes responsibly." Jenrick's goal is to reintegrate nearly 500,000 individuals into the workforce, which he believes would allow for a reduction of approximately £12 billion from the working-age benefits bill and a nearly 2p decrease in the basic income tax rate.

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## Badenoch's Shifting Stance on Flexible Working

Kemi Badenoch, a Conservative leadership contender, has been criticised for her inconsistent views on flexible working during her time as Business Secretary. While she reportedly defended the benefits of flexible working in a private meeting with James Dyson, she later expressed concerns that such arrangements could hinder skill development and learning in a public statement. This contradiction highlights ongoing debates about the implications of flexible working policies for employee growth and productivity.

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## New “Buy Now, Pay Later” Rules to Protect Shoppers from 2026

The UK government is set to introduce new safeguards for “buy now, pay later” (BNPL) loans to prevent unaffordable borrowing and extend credit card-style protections. Under these rules, the Financial Conduct Authority (FCA) will be empowered to require BNPL companies to conduct affordability checks before approving loans, ensuring consumers are better informed about the risks involved.

Additionally, BNPL will fall under the Consumer Credit Act, granting customers Section 75 protections for purchases between £100 and £30,000 in cases of retailer failure or faulty goods. However, the new regulations won't take effect until 2026, raising concerns among campaigners about the urgent need for consumer protection in a rapidly growing BNPL market. A consultation on the proposed rules is set to conclude on 29 November 2024.

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## Faster Grid Connections Planned for Energy Projects

In light of a challenging Budget, the Government is considering reforms to the country's infrastructure regime to stimulate economic growth, mainly focusing on energy and grid connections. With an emphasis on increasing renewable energy production, the Government aims to expedite the connection of new wind and solar farms to the National Grid.

New energy projects face a “first come, first served” queue congested with non-viable “zombie projects,” leading to lengthy delays—some projects have waited nearly a decade for a connection. The national grid operator, NESO, proposes a “first ready and needed, first connected” approach to prioritising essential wind and solar projects crucial for meeting the Government's 2030 clean energy targets. NESO plans to submit reform proposals to the regulator, Ofgem, by the end of the year.

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## Airbus Plans to Cut Jobs in the Defence and Space Sector

Airbus has announced plans to reduce its workforce by 2,500 positions in its defence and space division as part of a broader restructuring initiative. The company aims to implement these job cuts by mid-2026, with no compulsory redundancies expected. According to Mike Schoellhorn, the chief executive of Airbus Defence and Space, the division is facing a “fast-changing and very challenging business context,” including disrupted supply chains, rapid changes in warfare, and increasing cost pressures stemming from budgetary constraints.

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## Overview of House of Commons Select Committees

The selection process for Commons Select Committees is underway, with the Labour and Conservative parties appointing MPs to various committees. Labour follows guidelines that mandate that at least half of the selected members are women. Total committee membership is expected to be confirmed after the Conservative leadership election in November. Among the extensive list, the following committees have appointed MPs: Business and Trade; Energy and Net Zero; International Development; Housing, Communities and Local Government; Science, Innovation and Technology; Transport; Treasury; Women and Equalities; and Work and Pensions.

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