

Weekly policy update from London Chamber of Commerce and Industry

A round-up of key policy changes from the past seven days – 29 July 2024

Chancellor makes statement on public finances

- Chancellor of the Exchequer Rachel Reeves has made a speech to the House of Commons, regarding an audit of public sector finances.
- Ms Reeves stated that the audit was commissioned on 8 July 2024, and has identified £21.9 billion in spending that was not accounted for by the previous government.
- As a result of the findings, the Government is taking several steps to reduce this overspend in the short-term. This includes:
 - Reviewing the previous government's transport commitments – namely this covers the A303 Stonehenge tunnel, the A27 schemes, and the Restoring Your Railway programme (individual railway restoration projects will be reconsidered in a separate review by the Transport Secretary)
 - Cancelling the Advanced British Standard – the commitment to additional teaching hours will be dropped, though the Government say it will continue to fund “more and better maths teaching”
 - Require all government departments to make savings to afford the public sector pay increases – this would be achieved through reduced use of consultancies, lower marketing and communications budgets, efficiencies, and selling surplus public sector estates
 - Targeted Winter Fuel Payments – from winter 2024/25, Winter Fuel Payments to

pensioners will be means-tested (note this is only for England and Wales). Households with someone aged over the State Pension age receiving Pension Credit, Universal Credit, Income Support, income-based Jobseeker's Allowance, and income-related Employment and Support Allowance will be eligible

- Cancelling the Investment Opportunity Fund, which the Government says has not supported any projects
- Not proceeding with adult social care charging reforms, and reviewing the New Hospital Programme
- Not undertaking a retail sale of NatWest shares
- Following consultation with relevant bodies, the Chancellor confirmed that the Government would accept the recommendations from public sector pay review bodies.
- The Chancellor stated that the Budget will be held on 30 October 2024. In addition, the Chancellor announced a multi-year spending review which will set spending plans for a minimum of three years of the five-year forecast period. The Spending Review will conclude in spring 2025. Departmental expenditure limits for 2025/26 will be set alongside the Budget in October.
- Reforms will be made to the Charter for Budget Responsibility:
 - Spending reviews are to be held every two calendar years, with a minimum duration of three years of the five-year forecast period
 - Treasury will be required to share with the Office for Budget Responsibility (OBR) its assessment of pressures against departmental expenditure limits for the current and following financial year
- In addition, the Government has announced that:
 - VAT will be [introduced](#) on private school fees from 1 January 2025
 - Preferential tax treatment based on domicile status for all new foreign income and gains (FIG) will be [removed](#) from 6 April 2025, replaced by a residence-based regime
 - The rate of the Energy Profits Levy will [increase](#) to 38% from 1 November 2024, bringing the headline rate of tax on upstream oil and gas activities to 78%. The period that the levy applies is also being extended to 31 March 2030
- The full audit document can be found [here](#).

GB Energy launched

- The Government has [announced](#) the creation of its new publicly-owned energy company, Great British Energy (GB Energy).

- GB Energy will be established to drive clean energy deployment, create jobs, and reduce the UK's reliance on energy imports. It will work in partnership with industry and unions, as well as communities, local authorities, and other public sector organisations to invest in and drive the deployment of clean energy.
- The policy intent is also for GB Energy to invest in, own, and develop clean energy projects in order to derisk and accelerate the delivery of projects and provide support where there is a market gap. For example, the Government intends for Great British Energy to partner with local authorities, as well as community energy groups, to roll out small and medium-scale renewable power projects. The policy intent is that these activities will crowd-in private investment.
- GB Energy will be provided with £8.3 billion in funding over the course of this Parliament.
- Great British Energy will have five key functions:
 - Project development – leading projects through development stages to speed up their delivery
 - Project investment – investing in energy projects alongside the private sector
 - Local Power Plan – supporting local energy generation projects through working with local authorities, combined authorities and communities
 - Supply chains – building supply chains across the UK
 - Great British Nuclear – exploring how GB Energy and Great British Nuclear will work together, including considering how Great British Nuclear functions will fit with GB Energy
- As part of the launch, the Government [announced](#) it would be partnering with The Crown Estate. The Crown Estate Bill will modernise The Crown Estate by removing restrictions on its activities, such as investing in digital technologies. The Bill will also expand The Crown Estate's investment powers and grant borrowing capabilities.

New government makes pledges on trade

- Business and Trade Secretary Jonathan Reynolds has [announced](#) the Government's intention to deliver trade talks, starting with the Gulf Cooperation Council, India, Israel, South Korea, Switzerland and Turkey.

This announcement will restart the process of getting negotiators back into the room with counterparts as soon as possible, with the first round of trade talks under the new government expected to take place during the Autumn.

- In addition, the UK has joined an [agreement](#) which is designed to grow the economy by boosting global digital trade.
- Following five years of negotiations, the UK and 90 other countries have finalised the E-Commerce Joint Initiative at the World Trade Organization (WTO), which aims to make trade faster, cheaper, fairer and more secure. Once implemented, the agreement will commit all participants to the digitalisation of customs documents and processes. The signatories to this agreement will also commit to recognising e-documents and e-signatures. Speaking on this issue, Karim Fatehi MBE, Chief Executive of the London Chamber of Commerce and Industry (LCCI) said: "Today's announcement from the Department for Business and Trade marks a significant moment in promoting global e-commerce. The deal, signed by 91 countries, including China and the United States, will remove custom duties on digital content and create a more seamless e-commerce environment for businesses. E-commerce is a major revenue source for many London businesses, who are the engine room of the UK economy. Our members welcome today's groundbreaking announcement and recognise the cost-effective impact this will have on their businesses when it comes to international trade. We're encouraged by today's news and hope to see other economies accept the terms of the deal in the future."

Tory leadership contest takes shape

- The Conservatives have [confirmed](#) the candidates for its upcoming leadership election. They are:
 - Kemi Badenoch
 - Mel Stride
 - Robert Jenrick
 - Priti Patel
 - Tom Tugendhat
 - James Cleverly
- Candidates will now begin their campaigning. The schedule for the election of the new Conservative Party leader is as follows:
 - August – candidates campaign
 - 4-11 September – Parliamentary Party votes to reduce number of candidates to 4, followed by further campaigning

- 9-10 October – Parliamentary Party votes to reduce number of candidates to 2.
Conservative Party members will then be balloted on their preference
- 31 October – Ballot closes
- 2 November – the new leader is announced

If you have any queries, please contact the LCCI Policy Team at policy@londonchamber.co.uk.