

Spring Budget submission 2023

A short, horizontal line with a rainbow gradient, positioned below the title.

Transform the UK into a high-growth innovation economy

The UK economy continues to face global and domestic headwinds, with the prospect of several more years of low growth. Now more than ever, raising our ambitions on growth matters: it's the route to higher living standards and greater resilience for households and businesses everywhere. Built on our shared belief in the UK's potential, we need collaborative action between government, businesses, and people to tackle the issues holding our economy back. This collaboration and partnership – centred around education, employment, enterprise, and growth everywhere – is essential if we are to realise our ambitions and break from our cost of living and low-growth cycle. If we fail to act now – decisively and boldly – for growth, we'll be missing the significance of both the threats and opportunities before us.

Delivering action on growth has never been more imperative.

The UK is facing a recession in 2023. Global and domestic challenges, including the ongoing war in Europe, the rise in industrial disputes and adjusting to our new relationship with the EU, create an uncertain environment. The economy is expected to contract by 0.4% this year, with consumer spending falling, inflation high, productivity weak and business investment below pre-pandemic levels.¹ Britain has experienced 15 years of low growth and flatlining productivity, the impacts of which have been felt deeply across our country. We cannot afford for this to continue.

But there's also a lot for the UK to be optimistic about. The CBI has identified **£700bn worth of economic prizes** that the UK could capture by 2030, if we start taking action soon. To get us there, we have world-leading academic institutions, high-value sectors, fast-growing FinTech accelerating innovation in open banking and open finance, alongside naturally developing clusters – creating new opportunity through cutting-edge R&D across our nations and regions. We also now have a unique opportunity to become world-leaders in regulation – setting the global gold standard in new and emerging sectors and technologies.

Together, this will enable us to leverage the huge opportunities that exist for UK businesses from winning in global green markets, exploring our new trading relationships, and taking a more dynamic approach to how we recruit, train, and develop the UK's workforce. This will be essential if we're to deliver the Chancellor's ambitious vision to attract the world's tech entrepreneurs, life science innovators, and green tech companies. This is how we ensure the UK economy is resilient and innovatively grows.

We don't need to keep debating what's required for growth. There is a large consensus on what we need to get growth going everywhere: higher business investment and entrepreneurship, the right labour market and skills, and winning in future markets, especially green; all rightly underpinned by an innovation-first approach to the economy.

Businesses have welcomed both the Prime Minister and Chancellor's personal commitments to develop an innovation-focused economy, taking inspiration taken from Nigel Lawson's Big Bang – to spur investment through smart regulatory reform. Firms, like the Government, realise that innovation in existing and future industries such as quantum and AI, will define economic competitiveness in the coming decades. R&D and innovation are both core to driving long-term growth, regionally as well as nationally. With many of our regions and nations already developing areas of specialisation that must be harnessed further.

Countries across the world are now stimulating their future innovation and economic growth through large subsidy packages. Where we cannot match this approach fiscally, we must be more agile and dynamic than our competitors to reach our goals and compete.

We've heard the Government's vision, now it's time we deliver it.

As Government and businesses know, however, setting out ambitions is only stage one. The next phase must comprise – above all else – the action required to deliver these, using the Spring Budget as the first step.

To create an innovation economy, Government must build the strong, stable foundations that give business the confidence to invest ambitiously in innovation alongside Government. Nearly two-thirds (63%) of CBI survey respondents said they would increase their innovation investment if Government set out long-term (5 year+) technology priorities and associated funding.² Long-term international partnerships, like Horizon Europe, also help cement the UK's global leadership in innovation, as well as facilitating private co-investment in research and innovation to tackle challenges that no one organisation can address alone. If we can't associate, the entire budget allocated for Horizon Europe should be used to create a globally competitive research and innovation programme, delivered at pace.

Innovation will be the golden thread that transforms the UK economy. It will be prevalent in the changing world of work and jobs of the future. Innovation will feature heavily in future business investment, as R&D and greater capital intensity transforms industries. And innovation will be the key to unlocking the low carbon technologies and markets of the future in every nation and region.

Throughout the following chapters, the CBI sets out how innovation and innovative thinking, can help the UK: tackle labour and skills shortages and deliver a more productive workforce, unlock trapped business investment by creating the most entrepreneurial business landscape, capture green markets where we can lead the world, and level-up to ensure every corner of the UK reaches its potential. It also highlights the areas of policy we're continuing to develop alongside our members, and which we will be returning to, to deliver in partnership with the Government throughout 2023 and beyond.

Summary of Top Recommendations

Chancellor's Pillars	Transform the UK into a high-growth innovation economy	Annual exchequer cost
Addressing labour market activation and skills shortages		
Employment	Announce investment and reform to childcare and early years support to create an accessible and affordable system. This should include 1. launching an Independent Review of childcare , 2. increasing funding so providers receive funding that reflects the true cost of service provision, 3. the roll-out of existing provision for 3- and 4-year-olds to all 1- and 2-year-olds as well .	£8.9bn
Employment	Enable employers to help tackle the UK's high levels of inactivity due to long-term ill-health by 1. Expanding the scope of health support as a non-taxable benefit in kind to cover: musculoskeletal conditions, mental health and ergonomics , 2. Deliver the commitment for an SME subsidy (with 80% relief) for procuring occupational health services and 3. launch a Heath and Work Taskforce .	£Unclear
Education	Launch a two-year pilot of turning the Apprenticeship Levy into a "Skills Challenge Fund" , allowing firms to spend the fund on a variety of accredited training and skills.	£0.9bn - £1.0bn
Unlocking business investment		
Enterprise	Announce a successor to the super-deduction. Introducing full expensing for capital investment will simplify the regime, ensure boardrooms take allowances into account in their investment decisions, and improve cashflow at a time of rising costs. If full expensing is not achievable straight away, set out a three-year roadmap to reach full expensing with the introduction of a 50% investment allowance for capital spending from April 2023 .	£4.4bn – 7.7bn in 23/24 (Full Expensing from 23/24) Or £1.2bn - 2.5bn in 23/24 (Roadmap)
Unleashing green markets and energy resilience		
Everywhere	Deliver a secure, low-cost and low-carbon energy system by establishing an investment allowance under the Electricity Generator Levy on a par with the allowances available under the Energy Profits Levy.	£Unclear
Everywhere	Support firms to enhance their energy efficiency and reduce bills and emissions by extending the Industrial Energy Transformation Fund (IETF) from 2025 to 2030.	£63m per year from 2024/25

1. Take a bigger, bolder approach to tackle acute labour and skills shortages

Right now, acute labour and skills shortages are an albatross hampering UK growth. Difficulties hiring, upskilling and re-training staff are making it harder for businesses to enhance productivity, create sustainable wage growth, and launch investment plans. If left unaddressed, labour shortages could cost the economy £30-39bn every year.³ That's why, as the Chancellor noted in his Bloomberg Speech, action on education and employment is essential for growth. The Spring Budget should therefore focus first on increasing labour supply, and supporting firms to invest both in skills and long-term productivity-boosting measures.

The CBI has brought together our business and education provider members to develop recommendations that, together, will strengthen the UK's labour market and adult skills provision in the short- and longer-term. They will help ensure more people can work and train, regardless of their age, background, or stage in their career.

While there is no 'one size fits all' approach, there are clear choices for Government to make this Spring.

Supporting people to enter, stay and increase employment.

The UK labour market is tight, with unemployment low and vacancies across the economy reaching a record 1.3m in 2022. Hampered by labour shortages, firms have found it much harder to invest in long-term solutions that could help – such as automation and skills development.

The Government could ease some of this pressure and enable firms to invest by using the existing levers in the points-based immigration system. If political constraints prevent this, Government must double down on other areas to address workforce challenges. These include bold policies to: prevent and treat long-term sickness, reform the childcare market, enable more agile and flexible training provision, and enhance productivity through digitisation. If these are considered fiscally unaffordable right now, the intransigence on short-term, lower-skilled immigration will have to change.

The truth is, there are simply too few people in the workforce. 75% of businesses say they've been hit by labour shortages in the last 12 months⁴ yet there are also 1.7m economically inactive people who *want* to work.⁵ The most common reason for this is long-term sickness (33%). Annually, the UK loses 131m working days to ill-health, which is why health and wellbeing is the number one priority for nearly two-thirds of businesses' Diversity & Inclusion Strategies.

Business therefore welcomes the commitment to a programme of fundamental reforms to support people with long-term conditions or mental illness to overcome the barriers and prejudices that prevent them working.⁶ Although removing many of these barriers will be complex and require upfront costs, it should be a top priority of the Spring Budget to tackle as many of them, as possible. CBI research shows that increasing the uptake of business health interventions could reduce the workforce disease burden by up to 20% by 2030, delivering a boost of up to £60bn to the economy annually.⁷

Another almost one in five (19%) inactive people who want to work are held back by caring responsibilities⁸ – with UK parents facing some of the most expensive childcare costs in the OECD.⁹ Many people also limit their hours because of childcare costs. One study estimated that inadequate access to childcare prevented approximately 1.7m women from taking on more hours, equating to £28.2bn economic output lost every year¹⁰ and exacerbating families' cost-of-living challenges.

We need a system where people who want to increase their hours – or just get back to work – are supported to do so. It's why there's an imperative to have a coordinated labour market strategy for both skills and labour market activation. Firms are taking proactive steps where they can support and retain workers – for example, through flexible working, phased retirements or 'returnships', as well as apprenticeship programmes. Others have introduced tailored, six-month "Return to Work" programmes for people who have taken a career break – boosting productivity and talent acquisition and, crucially, allowing parents to keep working once they start a family. They now need Government policy to underpin these steps and to expand workplace support.

This spring, the Government must create an education system that allows people and firms to upskill and retrain throughout their careers.

As the Chancellor rightly stated in his Bloomberg Speech, learning doesn't end when we leave school, with many people likely to require training 'for not one but several jobs in their working lives'.

But since 2017, over £2bn in unspent Apprenticeship Levy funds has been returned to the Treasury.¹¹ This isn't because employers don't want to train employees – or because they want to reduce apprenticeship numbers – but because the current system cannot deliver the training needed. With the right skills environment, businesses can continue to invest in apprenticeships, *alongside* other types of skills training – including shorter, more flexible modular courses that allow for an agile response to labour and skills needs. This includes training like data academies, where firms are using new delivery methods to create an internal pipeline of future data skillsets, essential for an innovation economy. Addressing this barrier would help create an education system that delivers world-class skills as well as degrees.

We must get to grips with this to unleash a training revolution across the UK that will provide sustainable (and not inflationary) higher wages and productivity increases, deliver services and support the UK's net zero and digital transition. Allowing firms to spend Levy funds on a broader range of training solutions passes the challenge to train back to employers.

Investment in digital technologies and automation will also be critical if we're to boost productivity and deliver a high-wage, high-skill economy. This would enable us to digitise and automate in shortage areas, then upskill people to work with new technologies in future-focused careers.

Now is the time for the Government to work with business and employees to deliver its mission on education and employment, transform the UK labour market and turn the tide on economic inactivity and skills challenges. Only then can we truly build a highly skilled, innovative, and resilient workforce that can seize the economic and technological opportunities before us.

But the job doesn't finish here... throughout 2023, the CBI will also be looking to work with HMT and the Government to:

- **Work with businesses to incentivise and support the adoption of innovation across sectors to alleviate labour market pressures:** Following the end of Help to Grow Digital, business is keen to work with Government to understand how to accelerate the adoption of innovation at scale to reduce labour market pressures – especially transformational tech like AI. Greater AI uptake alone could add £38bn to UK GVA in 2030,¹² while increased SME adoption of digital technologies could add around £45bn to UK GVA by 2030.¹³
- **Implement Green Jobs taskforce recommendations:** Throughout 2023, the Government should work with businesses, the skills community and training providers on how to implement the recommendations set out in the Green Jobs taskforce, including reviewing, developing, and promoting green apprenticeships.
- **Accelerate the development of the Lifelong Loan Entitlement:** which could drive greater investment in training if funds can be used to co-finance with money from employers.
- **Explore whether the Government balance sheet could be used to create a 'pay as you benefit' approach to investing in skills to overcome issues that stop some firms investing:** This would look at putting the cost of qualifying training onto the Government's balance sheet, with companies who employ the workers after their training then paying for it.

Support parents to return to work and increase their hours

Announce additional investment and reform to childcare and early years support to create an accessible and affordable childcare system, which maintains its high quality and enables parents to participate in work or increase their hours.

The prohibitive cost of childcare is preventing parents from increasing their hours to participate in the labour market. Particularly parents with children aged 1 and 2. At the Spring Budget, Government should announce:

Employment

1. the launch of an Independent Review to investigate the UK's childcare system with the objective of reducing the service cost for parents, while maintaining high-quality provision, creating a sustainable funding and employment model, and increasing parental employment.
2. an increase in funding to the existing system to ensure providers are receiving funding that reflects the true cost of service provision, with a clear timeline for when funding will be provided.
3. the roll out of existing provision for 3- and 4-year-olds to all 1- and 2-year-olds, taking into account their differing needs.

£8.9bn¹⁵

This Spring, bring in changes to the Universal Credit system, so that childcare support is paid upfront, rather than in arrears.

Employment

High up-front costs of childcare mean that parents on a low-income face significant affordability challenges when paying for childcare. The current system - whereby 85% of childcare costs are paid in arrears via Universal Credit - means that many parents who are unable to afford to pay for these costs upfront either have to reduce their working hours (in order to reduce their costs) or be absent from the workforce altogether. This is creating a steep trade-off for families, furthering their cost-of-living challenges and also workforce inactivity.

£Nil

To address this, HMT should work with the DWP (and other relevant departments) to change the Universal Credit system, so that childcare support is paid up front, removing prohibitive childcare costs which prevent parents from working or taking on more hours.

Enable employers to provide pro-prevention health incentives to support people to remain in work and return

Expand the scope of health support businesses can provide to employees as a non-taxable benefit in kind (via the *Expenses and benefits: medical or dental treatment and insurance policy*), so that it reflects the three highest workforce health risks: musculoskeletal conditions, mental health and ergonomics.

Employment

The current policy is not fit for purpose as it does not reflect the increasing health offer employees require. Nor does it support the provision required to address the most common workforce health risks such as mental health.

£Unclear¹⁶

Expanding the scope of provision will enable firms to take greater preventative steps to support colleague health, including supporting older workers to remain in the workforce or return.

At Spring Budget, deliver on Government commitments to provide a targeted SME subsidy for procuring occupational health services, providing 80% relief on the cost.

Employment

The Government acknowledged in its Health is Everyone's Business response that some businesses, particularly SMEs face financial barriers to having positive and continuous relationships with occupational health providers.

£Nil

With long-term ill-health being a key factor in economic inactivity, it is crucial that the Government delivers on the recommendation and utilises the £15m allocated for delivery.

An extension of this policy could be explored in the future for other areas of the business community where engagement with occupational health services is also limited.

Announce the launch of an industry co-chaired Health and Work Taskforce to design and report on the role of employers in increasing economic participation and reducing societal ill-health.

Employment

Convening government officials and industry leaders, an 8–12-week taskforce should be immediately established to identify and provide policymakers with levers that the Government and industry can immediately use to support the health of the workforce and reset the UK's trajectory on societal ill-health. This can help reduce NHS pressures and health related inactivity.

£Nil

The findings of the Taskforce should then be published before the Parliamentary Summer Recess, with practical actions that can be taken by employers.

Ensure employers can support their staff through the cost of living crisis

Enable employers to support lower income employees with a tax-free Cost of Living support allowance in 2023/24.

Many employers have supported employees with one off cost-of-living payments over 2022/23. But support is reduced through tax liabilities and potential interactions with the Universal Credit benefits system.

Employment	<p>For 2023/24, a cost-of-living allowance could be enabled tax-free, and protected from benefit calculations, up to a maximum amount, for example of £650 (based on the Government's welfare scheme last year), for all employees on lower earnings.¹⁷</p> <p>This would align the UK with similar schemes operating in other comparator countries, including Germany and Ireland, and could help alleviate strained industrial relations, while curbing inflationary pressures by avoiding higher permanent salary increases.</p>	£99m ¹⁸
------------	--	--------------------

Review Approved Mileage Allowance Payments (AMAP) set by HMRC (approved by HMT) where employees use their own cars for business travel and update these annually from 6 April 2023.

Employment	<p>With the significant rise in fuel costs over the last 12 years, the current rates are no longer fit for purpose. This has resulted in the current rates leaving employees out of pocket, adding to the cost-of-living burden, and in some cases discouraging employees from making business trips which are essential to businesses' operations.</p> <p>HMRC should commit to annual reviews to give businesses assurance.</p>	£Unclear ¹⁹
------------	---	------------------------

Review Overseas Scale Rates set by HMRC (approved by HMT) to cover travel and subsistence costs reimbursed by employers, and benchmark these annually from 6 April 2023.

Employment	<p>These were last reviewed in 2019 before the COVID pandemic and the subsequent onset of high inflation globally. As the rates are now no longer sufficient, businesses are facing a significant administrative burden in processing expense claims, and employees being paid the current flat rates are being left out of pocket for overseas travel costs.</p> <p>HMRC should commit to annual reviews to give businesses assurance.</p>	£Unclear ²⁰
------------	---	------------------------

Support digital adoption to reduce labour market pressures and enhance productivity

Scale-up Made Smarter into a national programme by 2024.

With labour supply limited, incentives to help firms invest in automation and technology are crucial as the UK transitions to a growth model driven by productivity. This will then provide space to upskill current workers, enabling them to move into higher skilled and higher paid jobs, based around digital technologies.

Enterprise

Firms recognise the possibilities and value innovation creates. With widespread adoption of industrial digital technologies by the manufacturing sector predicted to improve productivity by at least 25%.²¹

£165m²²

Once the programme is rolled out nationally, the Government should also explore creating a pilot scheme, using the Made Smarter model, to support AI adoption in sectors beyond manufacturing – with a focus on professional services and transportation. This will help other sectors to also benefit from productivity increases.

Utilise existing levers in the UK's immigration system to ease the most severe shortages and create the capacity for firms to invest in digital technologies and skills

Complete the implementation of the new points-based system by urgently establishing up-to-date Shortage Occupations Lists (SOL) for the UK and ask the Migration Advisory Committee (MAC) to assess the merit of adding roles at all skill levels, where there are severe shortages.

Employment

Temporarily granting visas for roles in obvious shortage as an interim measure, will enable firms and education providers to then focus on developing homegrown talent. And help alleviate immediate labour market pressures.

£Nil

The new SOLs should be flexible, making lower skilled roles eligible where persistent shortages mean they meet the salary requirement. Replicating the approach taken with adult social care.

Urgently scale up Home Office capacity to unblock visa processing delays to reduce labour market pressures.

Ensure work visas are issued within the 3-week government service time, where businesses need to hire from overseas, by upscaling Home Office capacity. This should include recruiting additional staff.

Employment

At the moment, businesses are finding that processing times are taking up to four times as long, adding to the impact labour and skills shortages are having on business outputs and services, making it harder for UK employers to attract overseas workers that have work offers in multiple countries.

£Negligible

Increasing capacity to process visa applications within the three-week service standard will reduce the cost associated with longer wait times and help businesses to fill their vacancies and grow. While ensuring that existing shortages do not contribute to supply chain disruption and cause supply and demand pressures. As well as maximise the potential from the UK's trade in services, since much of this is reciprocal.

Policy solutions to create an education system that works at the beginning of a career and throughout

Announce at Spring Budget a two-year pilot of turning the Apprenticeship Levy into a “Skills Challenge Fund” allowing firms to spend the fund on a variety of training and skills, putting the challenge to invest in skills back to business.

A CBI survey found that levy-payers would invest an additional 30% of their levy over the next 12 months for training under this policy change.²³

As identified by the Chancellor, the UK is becoming an adaptive economy, where people need training throughout their careers. But the current Apprenticeship Levy structure doesn't support this approach.

To help meet this challenge and support labour market activation, the skills and training system also needs to be adaptive. This can be achieved by turning the Apprenticeship Levy in England into a Skills Challenge Fund, allowing businesses to invest in a broader range of training, while maintaining critical high standards.

At the end of the pilot scheme, if there is an increase in skills investment, it should be made permanent.

Once announced, the Government should work with business to set terms for the trial period and the types of training the flex can be spent on; including any regulated qualification or accredited training courses and different modules within them. This will help maximise the use of the fund and more effectively address pressing skills needs.

Flexibility should enable firms to spend their funds on a range of skills including apprenticeships, individual apprenticeship modules, Government Skills for Life programmes to cover costs of engagement e.g., for upskilling own staff on a Skills Bootcamp; paying for an employee to undertake a Higher Technical Qualification; and covering business costs associated with taking on a T-Level placement.

As this area is devolved, the CBI will be engaging in conversations on the appropriate level of skill support with each of the Devolved Nations.

Education

£0.9bn - £1.0bn²⁴

Publish data on the re-distribution of unspent Apprenticeship Levy Funds.

Providing transparency of unspent and re-distributed Apprenticeship Levy funding will improve business confidence in the system and take-up of Apprenticeships, particularly among smaller businesses.

Education

£Nil

This requires increased data and funding transparency as well as simpler, streamlined processes. DfE should report on apprenticeship funding returned to Treasury on an annual basis detailing budget, spend and amount re-distributed.

2. Unlock investment to reignite UK productivity, boost innovation and entrepreneurialism

Since the financial crisis, the UK has been plagued by low levels of business investment. That's not just an academic concern: it matters for the whole country. Businesses that invest more create better jobs. They automate more, which means prices come down. They build better healthcare equipment for hospitals, safer trains for railway networks and more.

Yet business investment is expected to continue declining through much of 2023, both due to falling activity and the end of the Government's flagship Super-deduction.²⁵ Much of the structural weakness in our economy before COVID remains and business investment is expected to stay 9% below its pre-covid level until the end of 2024. It's time Government and business work to break this cycle.

Across the country, firms are putting their investment plans on ice because they need to divert cash to deal with higher energy costs, wage bills and tax rates. They also report being unable to see investment through because of planning delays and the end of the Super-deduction. SMEs are also looking to either cut back or offshore R&D investment because of the reduction in the SME R&D tax credit rate.

Meanwhile, the Office for Budget Responsibility (OBR) expects households to experience a 7% cumulative fall in disposable income between 2021-22 and 2023-24,²⁶ and the Government faces increasingly tough choices on public spending.

While support should continue to be provided to the most vulnerable, widespread measures to fuel higher consumption-led growth risk stoking inflation. Investment-led growth is therefore essential as a means of breaking out of this high-inflation, low-growth trap and driving a recovery in the public finances.

The Government has therefore rightly taken some positive first steps. Firstly, the Chancellor's Review of Regulation for Emerging Technologies and reform of Solvency II into Solvency UK sends a powerful signal that the UK is going to lead the world on new regulation. It will be crucial that when the review concludes, the Government commits sufficient resource to ensure the outputs of the review can be implemented at pace - ensuring we 'nurture battalions of dynamic new challenger businesses.'²⁷ To capitalise on this potential further, we will also require long-term R&D funding commitments alongside pro-innovation regulatory systems. Together, this will ensure that the UK can realise the economic and social benefits of new technologies as quickly as possible and give businesses the confidence to invest alongside.

While the Prime Minister's Super-deduction made the UK the fifth-most competitive tax system in the OECD for capital investment – up from 30th.²⁸ This was an innovative approach to UK tax policy that made investors – both domestic and international – sit up and take notice. CBI research shows that 20% of qualifying capital investment over the super-deduction period would not have taken place without it, a further 19% has been brought forward to take advantage of the relief, and another 2% is additional investment brought to the UK from elsewhere because of it.²⁹

It's time to unlock business investment and go bigger and further.

This Spring, it's critical we create a system that tackles the current blockers to investment and allows firms to focus on delivery – zooming in on the Chancellor's principles to create an enterprise culture, built on low taxes, reward for risk, access to capital and smarter regulation. Alongside skills and labour market reforms, the Government can achieve this by taking an innovative approach to unlock trapped private capital. This involves investment-focused tax policies, future-focused supply side reforms and the creation of an eco-system that supports entrepreneurialism, access to finance and business investment in innovation. Getting these foundations right and providing long-term certainty for businesses will create a system that promotes, rather than hinders, investment – and thus growth. It would unlock private business investment in the service of government ambitions, both bolstering the UK's strategic advantage and alleviating public funding pressures.

As a result, the Government will be able to focus public spending where it's needed most, like in the NHS, social care and cost-of-living support. But if we don't follow words with action, business investment will stall, and so will the UK's public finances.

But the job doesn't finish here... throughout 2023, the CBI will also be looking to work with HMT and the Government to:

- **Create a Business Tax Roadmap that gives firms at home and abroad confidence to invest in the UK:** Constant unexpected and short-term tax changes make the UK a less attractive place to invest. A roadmap of how the business tax landscape will drive the Government's strategic objectives over the next few years will raise confidence. It should look to map out globally competitive and effective tax rates, while adapting to a changing world. The tax system can do much more to support our net zero transition in the short term and ensure sustainable revenue in the longer term, for example, as fuel duty and other carbon tax revenues fall away. It must work for the new world of flexible and hybrid working, support retailers to offer the greatest choice to consumers, and ensure the competitiveness of key growth driving sectors like innovative businesses and financial services.
- **Nurture new home-grown global champions, creating the conditions for these companies to thrive and drive future UK growth:** The UK does really well at creating Unicorn businesses (worth \$1bn in value) but has struggled in developing Decacorns (\$10bn in value). The CBI is working with Unicorn founders to understand and identify the common barriers faced by UK Unicorns and soon to be Unicorns.
- **Reduce the burden of Business Rates:** Business welcomed the Government's much-needed intervention to smooth the Business Rates cliff-edge at the Autumn Statement. To level-up business investment across the UK and support our struggling high-streets, further reform of the Business Rates system should be made to reduce the overall burden, increase digitalisation and move to annual revaluations.
- **Ease the burden of the IR35 regime on business by creating clearer guidance, making HMRC's CEST tool more reliable, and developing a new tool to help businesses understand if suppliers are outside the scope of IR35:** Businesses still face uncertainty and complexities engaging contingent labour under the regime. This creates barriers to hiring when there is a shortage of labour and skills, leading to projects being delayed, operations being disrupted and higher costs. The CBI welcomes HMRC's decision to create an IR35 Stakeholder Engagement Strategy – now it must deliver.

- **Explore funding options and initiatives to increase exports, both to new and existing markets such as the EU:** UK Export Finance is a key asset for the UK and should be funded appropriately to support firms to increase and expand their exports while minimising risk. The Export Support Service, internationalisation fund and other DIT schemes such as trade show funding, should be continued and expanded so trade contributes more to GDP and drives growth in all regions and nations of the UK. Exports are currently a significant weakness in the UK's economic outlook – and remain below their pre-pandemic peak.³⁰ Firms must be empowered – with the support of DIT – to take advantage of this opportunity, if the UK is to achieve higher growth and match world trade flows.
- **Continue supporting the work of the British Business Bank:** so that it can aid the long-term growth of companies and projects. This should also include British Patient Capital.
- **Ensure that financial services prudential regulatory developments align with the wider economic objectives of HMT and are continued to be developed and implemented in consultation with industry:** For example, the Government should ensure that the finalisation of Basel III does not lead to the significant reduction in banking capital flows into the UK economy and that UK banks are not placed at competitive disadvantage. The implementation of the UK's Ring-Fencing Review should also seek to maximise the flow of growth finance to the economy.
- **Deliver the findings of the Review of Regulation for Emerging Technologies and ensure all digital and economic regulation supportively underpins an innovation-first economy:** This should include ensuring economic and digital regulators and supportive departments like the Office for Science and Technology Strategy are appropriately resourced for the long-term. And where required, provide sufficient funding to implement the outcomes of the Review, delivering at pace and scale supportive pro-innovation regulation for new and emerging technologies.
- **Explore how to grow the sharing economy to make it world-leading:** The Government should build on the success of the world's first 'sharing economy tax breaks' by exploring how to support the usage and growth of the sharing economy, which would benefit micro-entrepreneurship and support green growth. This would include expediting the ONS's work defining and measuring the sharing economy.

Ensure the UK has the most competitive Investment Allowances regime in the G7

Supercharge business investment and UK competitiveness by announcing a successor to the super-deduction.

The quid pro quo for the biggest increase in Corporation Tax rates in nearly fifty years, is to reward businesses that choose to invest in the UK.

A 100% allowance for plant and machinery would free up cash so businesses can invest more, and more quickly.

Enterprise

As this requires an upfront cost, the Government could signal its intention to move to this regime over time by starting with a 50% allowance from April 2023, alongside a published roadmap to achieve full-expensing within three years. This will enable businesses to take this into account in their investment decisions immediately and will help offset the 6pt increase in Corporation Tax.

A 50% allowance could boost business investment by 13% - or £33bn a year by 2030/31. While 100% full expensing from April 2023, could see an increase in business investment of 21% - or £52bn a year over the same period.³²

Full Expensing from 2023/24:

2023/24: £4.5-7.7bn
2024/25: £3.4-6.2bn
2025/26: £2.7-5.2bn
2026/27: £2.3-4.5bn
2027/28: £1.9-3.8bn

Or:

Roadmap:

2023/24: £1.2-2.5bn
2024/25: £1.6-3.3bn
2025/26: £5.3-9.3bn
2026/27: £3.6-6.5bn
2027/28: £2.5-4.8bn³³

Introduce targeted 'green' investment-focused capital allowance mechanisms for both incorporated and unincorporated businesses so firms help drive the UK's transition to net zero.

Enterprise

For businesses investing in capital assets which reduce their carbon emissions or improve energy efficiency - including solar panels, more energy efficient heating and cooling including insulation, electric vehicles and charging infrastructure, and investment in production lines for any green technology - a capital allowance 'green uplift' rate at least 20% above the standard rate should apply. This will help to green UK business investment from the beginning of supply chains through to end users.

£Unclear³⁴

Supercharge R&D investment across the UK

Combine the two R&D tax credit schemes into a 'best of all worlds' scheme, with an 'above the line' credit so business leaders can clearly see the benefit, and a rate at least as generous as the current RDEC rate.³⁵

Enterprise

Instead of limiting the discussion to a binary choice between the current RDEC and SME tax credit schemes, the Government must use this opportunity to look again at how to create an R&D tax credit that outranks international competitors - by including capital in scope, giving stronger incentives for green R&D and making sure the definition of R&D works for our most innovative sectors - like AI and machine learning.

£Unclear

The UK is slipping behind competitors in terms of private business R&D spending, productivity, and technology adoption. The R&D tax credits are a well regarded tool to address these concerns.

Review and amend government guidance on the meaning of R&D for the purpose of the R&D Tax Credits system.

Enterprise

BEIS and HMRC both share responsibility for guidance on the R&D Tax Credits system. The UK defines R&D differently to many OECD countries. The consultation on combining the SME and RDEC credit schemes is a unique opportunity to look again at the definition, and at how HMRC explains the tax credit system to taxpayers. This will help to reduce error and fraud by giving better advice, rather than adding additional compliance and limiting the value of the scheme.

£Nil

Expand the R&D tax credit to include Capital Expenditure as an allowable expense.

Enterprise

Any combined R&D tax credit scheme should include capital in scope to bring it in line with competitors like Ireland and France.

£445m³⁶

Innovative firms that invest in long-term capital – like labs and test facilities – and large-scale plant and machinery, are more likely to use it again and again. Being able to claim an immediate, above-the-line credit is more attractive to investors and early stage and loss-making businesses than claiming R&D capital allowances.

Enterprise	<p>Establish a 'green' uplift in the current – and any future combined – R&D tax credit scheme to remain internationally competitive and help unlock private sector investment to reach net zero and capture green markets.</p> <p>As per the recently published Mission Zero review, R&D tax credits are an essential tool to ensure the UK can reach its net zero targets and capture the green markets of the future.</p> <p>To aid this, the R&D tax credit system should adjust credit rates to provide a 'green uplift' for the development of green technologies and processes. And ensure the net rate is at least 20% higher for activities which seek to create positive climate externalities, e.g.: carbon capture, energy, heat, water, lighting, battery and EV tech etc.</p>	£Unclear ³⁷
Enterprise	<p>Provide additional SME support to mitigate the impact of the cut to the SME R&D Tax Credit scheme for R&D intensive SMEs.</p> <p>Following the cut to the rate of the SME Tax Credit scheme, the Government committed to look at additional support that may be required by R&D intensive SMEs.</p> <p>Existing grant funding schemes that specifically support SME innovation, such as the Innovate UK SMART grants should be uplifted. These grants must also be widely publicised to sectors that do not traditionally seek grant support, this can be done through wider promotion of the UKRI Innovation Hub.</p> <p>It is important that the bureaucracy of grant schemes is also reviewed and minimised, to reduce burden for SMEs, particularly those unused to engaging with innovation grants.</p>	£Unclear
Enterprise	<p>Deliver planned Tech Missions funding in 2023/24 and commit funding until 2030.</p> <p>To achieve government ambitions to harness science, technology and innovation for strategic advantage and economic growth, there is a need to significantly increase business innovation investment.</p> <p>Long term certainty on government technology priorities and funding support is essential to provide confidence to businesses to invest in key technologies in the UK.</p> <p>The fund – which should be allocated from the £22bn R&D budget – should also follow recommendations from the recent Net Zero Review to inform technologies selection, providing certainty on R&D funding to support the net zero transition. For example, supporting greater R&D into the use of CCUS, hydrogen, offshore wind and battery development.</p>	£Nil

Unlock investment in the Chancellor's five growth industries

Rethink the approach to the Voluntary scheme for branded medicines pricing and access (VPAS) to ensure the UK remains a world leader in the life sciences.

Enterprise	<p>The Government must consider a new offer to industry in VPAS negotiations for the remainder of the Parliamentary term, ensuring these are competitive and reflect the terms agreed by the Governments of fellow G7 nations.</p> <p>The current VPAS proposals risk undermining confidence in life sciences investment, which will make the UK's regime less competitive than similar nations. And will undermine the sector's ability to be a growth industry.</p>	£Unclear
------------	---	----------

Reform clinical trials to unlock greater investment from UK Life Science and enhance the UK's reputation in clinical research.

Enterprise	<p>At Spring Budget, set out a roadmap detailing how the Government will allocate departmental resource within BEIS and DHSC to work with industry leaders to reverse the declining average uptake in UK clinical trials.</p> <p>Specifically, use phase 2 recommendations within the Future of Clinical Research Delivery Plan to frame a commitment from the Government and industry, aligning with the Government's ambitions in the Major Conditions Strategy.</p> <p>Ensuring more clinical trials take place in the UK will enable greater investment from the sector and enhance its international reputation.</p>	£Nil
------------	---	------

The Government should launch a landscape review of funding available for the manufacturing sector following the Manufacturing Prospectus, with a final report of the findings published before the end of 2023.

Enterprise	<p>The review should consider the full and varied policy and funding context within which manufacturing organisations operate, which is complex and challenging for many in the sector to utilise.</p> <p>Streamlining and simplifying the current mechanisms available will help create a more visible and accessible manufacturing landscape which can stimulate greater investment in the sector and help attract FDI.</p>	£Nil
------------	---	------

Enterprise	<p>Deliver Solvency UK by the end of Summer 2023, to unlock higher levels of patient capital and long-term finance into the economy.</p> <p>HMT confirmed reforms of the rules could see the insurance industry unlock an estimated £100bn in investment for the UK economy.³⁸ Particularly in UK social infrastructure and green energy supply, while ensuring very high levels of protection for policyholders remain in place.</p> <p>Swift implementation of Solvency UK is the key to realising this opportunity and should be accelerated to support UK growth and competitiveness.</p>	£Nil
Enterprise	<p>Government should commit to no further rises in Insurance Premium Tax for the duration of this Parliament.</p> <p>With the costs associated with IPT often passed on to customers, no further rises would support businesses as they face a host of competing cost challenges - and avoid punishing prudent businesses who need resilience to build the certainty for investment and growth.</p>	£Nil
Enterprise	<p>Commit to deliver the Financial Services VAT review by Autumn Budget 2023.</p> <p>The review was previously announced in the 2020 Budget but has yet to be delivered.</p> <p>Without accelerated action, we risk missing this Brexit opportunity to ensure VAT rules for financial services support the competitiveness of this key sector.</p>	£Nil
Deliver smarter, more agile regulation to unlock investment and innovation		
Enterprise	<p>At Spring Budget, announce the Government's intention to create an Office for Future Regulation (OFR) by the end of 2023 to oversee a strategic and coordinated approach to regulation. This should include the rollout of an Outcomes Based Collaborative Regulation (OBCR) model.</p> <p>As a first step, the Government should deliver on the commitment to consult and review on the duties of economic regulators, ensuring that this considers how a shift to OBCR could be facilitated. The OFR could also be used to embed the findings of the Review of Regulation for Emerging Technologies. Introducing a OBCR framework and increasing cross-government coordination of regulation will give the UK first mover advantage on the big bets for the economy, unlock investment and unblock innovation. With certainty on the regulatory and market environment essential to enable businesses to innovate with confidence in the UK.</p>	£Negligible

Streamline the UK's slow and inconsistent planning system to unlock trapped infrastructure and supercharge delivery and growth

Announce plans to develop a 'National Plan' for planning, which will be consulted on and developed with industry.

The finalised plan should then be published before the Autumn Statement to unlock trapped investment.

Enterprise and
Everywhere

The planning system in the UK is confusing and inconsistent. Introducing a 'National Plan' for planning would provide cohesion and consistency across the planning system. The 'National Plan' would be informed by recommendations from agencies such as the National Infrastructure Commission.

£Nil

This would unlock trapped investment. For example, providing construction firms the confidence they need to invest in UK housing stock, helping to alleviate the UK's housing crisis and better planning for vital national infrastructure.

To accelerate the delivery of projects, speed up the planning decision-making process from 13 to 10 weeks and address local planning authority resourcing issues.

Enterprise and
Everywhere

Under the current system, large developments are meant to be decided within 13 weeks. But many local planning authorities are not meeting statutory timescales for determination due to resource constraints.

£Nil

Reducing the statutory determination period for major developments and providing greater support for planning authorities to recruit and retain planning officers, would give developers greater certainty and would increase the speed of delivery of housing and vital infrastructure.

Give local planning authorities greater flexibility in fee setting and allow them to outsource planning functions to drive competition and performance.

Enterprise and
Everywhere

Under the current system, planning fees are set by central Government. This gives planning authorities no flexibility in their fee rates.

£Nil

By allowing greater flexibility, authorities would be able to increase fees to cover resourcing costs but it would also give flexibility to reduce fees to encourage development. Furthermore, by allowing authorities to outsource planning functions it could reduce costs and improve outcomes.

Improve finance flows across the economy

Increase the review period for the British Business Bank's (BBB) business plan to once every five years, enabling the bank to take a long-term approach to boosting growth finance.

Enterprise	<p>This will provide greater independence to invest in growth. At present, the BBB's business plan is subject to approval by government on an annual basis. This makes it difficult for the BBB to pursue its objectives on a long-term basis – with its KPIs and strategy at risk of changing annually. A 5-year cycle will create an environment where the BBB is able to be both more nimble and decisive in its attempts to boost growth finance.</p> <p>The Government should also consider whether profits of BBB functions could remain with the bank for an extended period to help support its growth funding activities.</p>	£Nil
------------	--	------

HMT should ensure that FCA rules pave the way for all retail investors to access the Long-Term Asset Funds (LTAFs) to boost growth capital.

Enterprise	<p>LTAFs have the potential to support growth across the UK by channelling finance into projects with a direct impact on the UK economy.</p> <p>To maximise their impact, the FCA's rules (due in H1 2023), must facilitate appropriate retail access and, recognising its strong investor protections, treat the LTAF as a standard asset for SIPP providers. HMRC should also recognise LTAF as an ISA qualifying investment.</p> <p>By working together, the Government, regulator and industry can ensure the LTAF fulfils its potential benefit to the wider UK economy.</p>	£Nil
------------	---	------

Innovatively use the tax system to support the UK's start and scale-up eco-system

Confirm that the Enterprise Investment Scheme (EIS) sunset clause scheduled for 2025 will be removed under the Spring Finance Act 2023.

Enterprise	<p>EIS has successfully helped UK start and scaleups attract the investment they need to grow, with nearly 4,000 businesses using the scheme to raise £1.7bn in 2020-2021.³⁹</p> <p>Following on from the Autumn Statement 2022, the Government reiterated its support of the scheme. However, investors and businesses now need certainty that sunset clause will be removed. Without this certainty provided at the Spring Budget, investments will be postponed or not happen, and growth will be constrained.</p>	£525m from 2025/26 onwards ⁴⁰
------------	--	--

3. Get the UK winning on green growth again

The UK is at a critical juncture. While other countries are doubling down on decarbonisation, the UK's progress has stalled. Businesses and households alike continue to grapple with high energy bills, diverting money away from low carbon investments. And the Government has lost pace with our international counterparts. This holds us back not just from meeting our legally binding net zero targets, but from growing our economy, creating a culture of innovation and enterprise, and levelling up across the UK. Without action on green competitiveness, energy security and energy efficiency, the UK will be stuck with an economy geared to the global markets of the 1990s, not the 2030s. And we'll continue to lose our first-mover advantage as global competitors double down on stimulus for their green economies.

Now is the time to go full throttle on securing green growth.

The UK now has one of the lowest proportions of spending to address climate change of many comparable global economies. France has committed over twice- and Germany over four-times as much. And it's not just Government spending. Progress has also slowed on market mechanisms and "opportunities are being missed because of weaknesses in the UK's investment environment – whether that be skills shortages or inconsistent policy commitments." As the Rt Hon Chris Skidmore summarised, "whether it is lack of policy clarity, capital waiting for investible propositions, infrastructure bottlenecks, or delays in the planning system, it is clear that we need action to catalyse the deployment of clean solutions, particularly if we want British companies to capture the economic benefits."⁴¹ All this means the UK is losing significant share in new and emerging markets.

UK automotive manufacturing, for example, has traditionally been an economic bright spot. Yet as things stand, the UK is estimated to lose around £3bn in EV assembly and battery production by 2030, as investment and jobs shift elsewhere. Overall, CBI research has found that across a range of high-potential green technologies, the UK's market share has declined in the green opportunities we should be capturing, equivalent to £4.3bn in total projected lost value by 2030.⁴²

Sector	UK's market share as of 2020 Seize The Moment 2020 % ¹	UK's market share as of 2022 Green Growth 2022 %	STM stretch market share goal by 2030 %	Change in market share, % points	Implied 2030 market value captured/lost, £bn ³
① EVs - Assembly	6	5 ²	10%	-1	-2.5
② EVs - Batteries	2	1	14%	-1	-0.5
③ Offshore wind - Cabling	12	12	35%	No change	No change
④ Hydrogen - Electrolysers	6	2	35%	-4	-1.3

1. UK companies' market share in the European market.
2. UK's YTD 2022 share of European EV production used as proxy for market share.
3. Size of prize capture or lost assuming the UK maintains the 2022 market share by 2030. Prize sizing is based on STM estimates.

Source: McKinsey Battery Support Tracker, Bloomberg New Energy Finance, McKinsey EV volumes 2022

But the UK also has both natural and hard-won advantages that make it well-placed to capture fast-growing green markets. And it's not too late to accelerate our moves to capture green growth. It's why we've installed the second largest amount of offshore wind capacity in the world after China. And have more firms aligned to the UN's Race to Zero headquartered in the UK than any other nation – almost 70% of the FTSE 100.⁴³ It's also why UK business knows the shift to net zero is a catalyst for transforming the economy and creating regional growth. All while reducing emissions, energy bills and our exposure to volatile global energy markets. The question for firms is not whether we decarbonise, but how fast.

Underpinning all of this, will be innovation. The Net Zero Review highlighted that the Government must do more to prioritise and incentivise R&D in green technologies. A key part of this will be building strong, stable economic foundations of an innovation economy that give business confidence to invest ambitiously in green innovation alongside Government – including through the tax system, regulation, and planning. This will be critical if we're to continue rising to the challenge of smart risk-taking.⁴⁴

Going green is essential both for our international competitiveness and our energy resilience.

Catalysing investment is crucial not only for net zero, but also for ending the UK's exposure to volatile global gas markets, and, by extension, to the soaring energy costs that have hit households and businesses across the country. The Government has recognised the scale of the challenge, and the recent Energy Bill Discount Scheme provides a welcome buffer to many businesses already assessing the challenges of next winter. But delivering a home-grown, secure, low-cost and low-carbon energy system is the only long-term, sustainable solution to this crisis. Contracts for Difference has substantially reduced the cost of offshore wind, and there is also huge potential in onshore wind and solar – the lowest-cost forms of generation. But Government must act quickly to rebuild appetite to invest in these critical technologies, overcoming key barriers to deployment – including planning and regulation, and rebuilding stability in the tax regime.

Another area where decisive action will be critical is in Small Modular Reactors (SMRs). As set out in the British Energy Security Strategy, SMRs promise to make a significant contribution to our future energy mix. With Rolls Royce's technology solution set to create economic value in supply chains across the country. By developing this technology domestically, it also has the potential to contribute tens of billions of export value this decade,⁴⁵ particularly as other European nations look to diversify and decarbonise their energy supplies alongside the UK.

This Spring, with the right government intervention, we can show the world that the UK is the place to invest, whether in electric vehicles, low carbon power, heating and insulation or green services, Carbon Capture, Utilisation and Storage (CCUS), Hydrogen and Small Modular Reactors (SMRs).

Taken together, the below recommendations set out a path to supercharge our green competitiveness, energy security and energy efficiency. The UK has always been a beacon for emerging technologies and innovation. We led the world through an Industrial Revolution. And now we must lead the green growth generation.

But the job doesn't finish here... throughout 2023, the CBI will also be looking to work with HMT and the Government to:

- **Identify where the UK has competitive advantages in green technologies that will drive economic growth during the 2020s and accelerate these opportunities:** This should include holistically reviewing and adapting the UK's mix of incentives, regulations, and policies to put us at the top of the league table for green investment destinations.
- **Rapidly improve the UK's record of building critical infrastructure that will underpin the shift to the green economy.**

Supercharge the UK's international competitiveness in green markets

Establish a Contracts for Difference (CfD) price support mechanism for the development of a Sustainable Aviation Fuels market, placing the UK at the forefront of aviation decarbonisation.

The Government's Jet Zero Strategy set bold commitments to have at least five commercial sustainable aviation fuel plants under construction by 2025, alongside a mandate for at least 10% of aviation fuel from sustainable sources by 2030.

Enterprise

But closing the price gap between kerosene and its low emissions alternatives requires additional support to incentivise demand during the early adoption phase. With multiple incentives schemes announced globally to attract investment in SAF, the UK has a window of opportunity to utilise its structural advantages to develop a world leading green industry. Therefore, HMT should work with industry to establish a Contracts for Difference (CfD) price support mechanism as soon as possible.

£Nil⁴⁸

If we act decisively, the UK still has a chance to be the European leader in SAF, creating up to 5,200 UK jobs, and a GVA of up to £2.7bn from production and global exports.⁴⁷

Move forward with proposals to increase the subsidy intensity of the Exemption Scheme for Energy Intensive Industries (EIs) from 85% to 100%.

Enterprise

The current exemption level for eligible companies at risk of carbon leakage is 85%, which is low compared to UK counterparts, for example c.95% in Germany.

£13m⁴⁹

Increasing the exemptions would help ensure UK companies are not at a competitive disadvantage compared to their competitors.

Reduce Network Charges for EIs in line with international competitors.

Enterprise

Soaring energy prices have exacerbated energy cost disparities between the UK and European competitors. This is further exacerbated by the network costs, where Germany and France apply a 90% exemption to all three elements of network charging (transmission, distribution and balancing).

£104m⁵⁰

New exemptions must be introduced similar to German/French style network cost reductions. Reducing network costs for EIs would support the international competitiveness of the UK's EI industries.

Deliver a secure, low cost and low carbon energy system

Urgently finalise and legislate the hydrogen business model to scale up the UK hydrogen economy and enable first of a kind projects to come on stream by 2025.

Enterprise and
Everywhere

This should include confirmation of the draft budget allocation and capacity targets to underpin the first allocation round of contracts.

£Nil

Establishing the UK as a world-leading destination for investment in hydrogen technologies will yield benefits across the supply chain. For example, hydrogen electrolyser production could provide £8bn worth of exports.⁵¹ But a lack of clarity on funding models is holding back private investment.

At Spring Budget, establish a route to finance for Small Modular Reactors (SMR) in partnership with industry and Great British Nuclear.

Enterprise and
Everywhere

Establishing a route to finance as quickly as possible will ensure delivery of the Government's ambition for at least one Small Modular Reactor project to reach a final investment decision in the next Parliament.

£Unclear⁵²

Drive private sector investment in Carbon, Capture, Usage and Storage projects by urgently fulfilling the commitment to launch the Track 2 cluster selection process to deploy at least two more carbon clusters by 2030.

Enterprise and
Everywhere

This Spring, the Government should announce the launch of Track 2, clearly setting out the fiscal envelope for 2025 onwards.

Delivering CCUS is not only vital for enabling low-carbon technologies like electrification and hydrogen, but for ensuring we meet our target to have a fully decarbonised electricity system by 2035. Furthermore, it will make the UK a global leader in one of the industries of the future.

£92.5m⁵⁴

By capturing the same share of European storage capacity as (a) its share of European CO₂ storage sites (25%) or (b) its share of European gas production (36%), the UK could capture £600-800m in revenues in 2030.⁵³

Implement an investment allowance for the Electricity Generator Levy (EGL).

Enterprise and
Everywhere

To help unlock investment in low carbon infrastructure, introduce an investment allowance that provides cash value at least on par with the decarbonisation allowances available for the Energy Profits Levy (EPL) for oil and gas extraction – worth £1.09 for every £1 invested.

£Unclear⁵⁵

Changes to the tax regime and the current absence of an allowance for the EGL is undermining confidence to invest in low carbon technologies that will be vital to bolstering the UK's long-term energy security and support the UK's transition to net zero.

Double down on the UK's energy efficiency transformation to sustainably reduce energy costs for households and industry

Extend the Industrial Energy Transformation Fund (IETF) from 2025 to 2030 to support industrial sectors to decarbonise and become global leaders in green technology.

Enterprise and
Everywhere

Applications for the IETF will end on 17 February 2023. Currently, this is the only form of capital grant and funding from the Government to support industry in deep decarbonisation, energy efficiency, fuel switching and CCUS.

£63m from 2024/25⁵⁶

Given current cost pressures, including energy prices and wider supply chain disruption, this has become increasingly vital to industry. Extending the fund by five years, with a funding pot of £315m equivalent to current phases, will spur business investment in energy efficiency projects that are key to reducing costs and emissions.

Launch 'Help to Green' vouchers for small and micro businesses to help them invest in energy efficiency measures.

Enterprise and
Everywhere

Up against a challenging and costly operating environment, additional assistance should be considered for small and micro businesses to decarbonise through a voucher scheme. For instance, the Government should launch a 'Help to Green' scheme, offering £5,000 vouchers for businesses to spend on qualifying energy saving-products and services for business premises.

£2.27bn⁵⁷

The scheme would be administered by the Department for Business, Energy & Industrial Strategy (BEIS) and should operate until 2025 to ensure that businesses are able to comply with new legislation for instance on EPC ratings and phasing out of diesel and petrol cars.

Announce the publication of ECO+ guidance and scheme design, to reduce the risk of delays to critical energy efficiency improvements to help households take back control of their energy bills.

Enterprise and
Everywhere

Publishing guidance is crucial to provide the supply chain sufficient lead time to prepare for the introduction of the scheme from April 2023. And must ensure that both suppliers and installers have access to the information needed to ensure the industry has the tools to deliver.

£Nil

Catalyse net zero investments in the UK through a competitive green finance regime

Deliver an ambitious, updated Green Finance Strategy in the first half of 2023.

Enterprise	<p>The strategy should include a commitment to develop a clear net zero investment strategy and should provide an updated timeline for a swift roll-out of key policy frameworks for investors and corporates. The latter should cover a consultation on the UK Taxonomy and the implementation of key frameworks such as corporate Sustainability Disclosure Requirements aligned with the ISSB framework, and transition plans.</p> <p>A clear net zero investment strategy will help increase investor confidence providing certainty and catalyse net zero investments in the UK. While the Sustainability Disclosure Requirements will provide clarity and help direct capital to firms and projects that promote decarbonisation of the UK economy.</p>	£Nil
------------	---	------

Decarbonise road transport to accelerate the UK's journey to net zero

At Spring Budget, publish a roadmap for the deployment of the £950m Rapid Electric Charging Fund to be delivered by the end of 2023, ensuring swifter delivery of vital Electric Vehicle infrastructure.

Everywhere	<p>This should include further details on how the funding will be allocated, and how the bidding process is expected to be run. In addition, consideration should be given to practical details such as utilisation rates and queue management which will be critical to support a smooth consumer charging experience.</p> <p>At present, the installation of charging infrastructure is lagging significantly behind both government and industry estimates of the amount of charging that will be needed. Deploying this fund quickly is key to ramping up the amount of charging infrastructure available, and accelerating the EV transition.</p>	£Nil
------------	--	------

Announce VAT reform on public charging to incentivise the uptake of zero emission vehicles by reducing the rate of VAT levied on public EV charging to 5%.

Everywhere	<p>With high electricity having an impact on both the uptake of EVs and the roll-out of public charging infrastructure, bringing public charging into line with at-home charging will allow drivers without access to a charge point at home to make the switch to an EV easier.</p>	£19m ⁵⁸
------------	--	--------------------

4. Ensuring the benefits of economic growth are felt everywhere

As the Chancellor rightly said in his Bloomberg Speech, driving shared prosperity the length and breadth of the UK is not only a moral and social imperative: it's also an economic one. The UK cannot maximise its growth potential without all our nations and regions firing on all cylinders. To underpin this, it's essential that wherever someone chooses to work, live, or set up a business, they have the same opportunities and access to critical infrastructure – such as transport and digital connectivity.

Today, however, the UK is one of the most unequal developed countries in the world. We have big productivity variations not just between regions, but also *within* regions. And this trend is worsening. The UK's rural economy, for example, is 18% less productive than the overall national average. In rural parts of the country, not only are skills training and public services harder to access but only 46% of these areas have good 4G coverage. Closing these gaps would add £43bn to the economy.⁵⁹

The strong focus on labour productivity, investment, and green growth that we have set out in this submission would drive growth across the UK. But CBI analysis shows we could push this further by leveraging each region's comparative advantage to build competitive regions and nations. Achieving this calls for an ambitious approach to economic clusters and infrastructure delivery, alongside the empowerment of local communities to establish their own growth plans – geared towards their distinctive local strengths and needs.

There's huge potential already, with industry up and down the country – from retail and manufacturing to life sciences and tech – driving economic prosperity which the government can propel and accelerate.

The UK has already begun to develop several world-leading clusters, built around its specialist knowledge, expertise and experience in high-value sectors. These range from the pioneering compound semiconductor cluster in South Wales – which generates more than £600m each year and employs over 2,000 people – to Western Europe's largest space cluster at Harwell in Oxfordshire, which contains over 100 space organisations and employs 1,400+ people (a further snapshot of UK Clusters can be found on pages 34-35). As the global economy continues to evolve creating new growth opportunities, such as the net-zero transition, several new clusters are likely to emerge in the UK by 2030.

Make the UK a world leader in cluster development to ensure the benefits of economic growth are felt not just in London and the South-East but across the whole of the UK.

Economic clusters bring high-value jobs, innovation diffusion, and sectors to a place. They crowd in adjacent industries such as finance and professional services, have spill over benefits to the wider economy such as retail and leisure and create economic collaboration between surrounding areas. And longer-term, they offer young people the prospect of forging a career and a reason to stay local.

Through the CBI's demonstrator clusters and our [Cluster Playbook](#), we have begun to codify the factors that enable a cluster to thrive. They include:

- **Shared economic prize** – cluster members have a shared goal
- **Anchor institutions** – strong organisations with a “gravitational pull”, such as universities and education providers
- **Storytelling** – a compelling place-based narrative and a unique selling point to attract investors, partners and talent
- **Strong leadership** – a “go-to” leader who represents the cluster as a whole
- **Great partner collaboration** – a dynamic ecosystem in which there are deep partnerships between firms and between the public and private sectors
- **Supportive policy environment** – a proactive and ambitious approach to nurturing the cluster's assets for competitive advantage.

There are some important early takeaways to inform government economic decision-making on cluster policy:

1. Go for scale and follow natural economic geography .
2. Don't pick winners, but unashamedly back emerging success stories to propel them from good to great
3. Be highly responsive to the needs of individual clusters, for example with flexible funding pots and agile regulatory environments.

This Spring, the Government can help spur growth everywhere by driving infrastructure delivery, working to develop world-class clusters and allowing regions to build on their individual strengths through devolution deals. Together, action on these fronts would help the UK's regions to both individually and collectively thrive.

But the job doesn't finish here... throughout 2023, the CBI will also be looking to work with HMT and the Government to:

- **Work with businesses across the UK's nations and regions to kickstart an exporting boom that will ensure UK trade and investment are key drivers of growth and regional prosperity:** there is strong evidence that firms who trade internationally are more productive and generally outperform those who only trade in the UK.⁶⁰ There is therefore a significant opportunity to drive growth in the UK's regions and nations by encouraging firms across the country to export to markets across the world, including the EU. To achieve this, Government should work with industry partners to develop a UK-wide campaign to support the utilisation of Free Trade Agreements building on the Export Strategy. Adopting this strategic approach with the private sector could make trade and investment a key growth-driver.
- **Work with industry to support the return to rail, restoring passengers and services to pre-pandemic levels:** This could include publishing a roadmap for when Government expects to be able to restore key rail services to pre-pandemic levels, and continuing to support local authorities with drawing up and implementing Bus Service Improvement Plans (BSIPs).

Chancellor's Pillars	Policy Solutions to spur economic growth everywhere	Annual exchequer cost ⁶¹
Back successful clusters in all nations and regions		
	This Spring, commit to backing economic clusters as the arrowhead of regional growth policy and outline a clear set of principles for how this policy will be developed over the coming months. Taking the lessons from CBI's own clusters work these should be:	
Enterprise	<ol style="list-style-type: none">1. Back emerging successes to propel them from good to great,2. Go for scale and follow natural economic geography,3. Be highly responsive to the needs of individual clusters, for example with flexible funding pots and agile regulatory environments.	

Empower local regions to drive growth

Agree to a trailblazer devolution deal with Greater Manchester Combined Authority and the West Midlands Combined Authority that's announced at the Spring Budget.

Everywhere	<p>The devolution deal should include new specific powers over areas such as skills, inward investment, and social housing to enable local areas to design and implement policy specific to their needs. Moreover, the Government should agree to a single departmental-style funding mechanism.</p> <p>This would give the Combined Authorities more flexibility and accountability over key economic growth funds and move away from competitive bidding processes.</p>	£Unclear
------------	---	----------

Announce the location of the first Welsh freeport at the Spring Budget.

Everywhere	<p>As explained by the Government, Freeports are designed to create thousands of high-quality jobs in some of our most disadvantaged communities.⁶² To ensure that every part of the UK benefits from the location of Freeports, the Government should announce the first location of a Welsh freeport.</p> <p>This will ensure that Wales can continue contributing to the UK as a hub for trade and innovation and help level up the local area.</p>	£Nil
------------	---	------

Deliver critical infrastructure in service of cluster development, regional growth and levelling up

Following the Government's commitment to East West Rail, release funds for the next stage of the project.

Everywhere	<p>In addition, the Government should also set out a timeline for when the subsequent rounds of funding will be committed to provide confidence to business and investors.</p> <p>By capitalising on the world leading opportunities in the Oxford Cambridge Corridor, this will deliver a further £50bn GVA to the economy by 2030 and propel the UK's ambitions to become a Science & Technology Superpower.⁶³</p> <p>Investment into the Corridors knowledge economy will create commercialisation opportunities for industries to grow in high priority areas around the country, helping us build back from the pandemic and navigate the cost-of-living crisis.</p>	£Nil
------------	--	------

Publish a national strategy to accelerate vital infrastructure delivery to spur regional growth and levelling up.

Following the scrapping of the 2022 Growth Plan and the accelerated infrastructure projects list, HMT, Cabinet Office, and the IPA must prioritise publishing a clear strategy for accelerating the delivery of key infrastructure projects.

Everywhere

This strategy should explore both broader blockers to effective project delivery and the role of nationally important infrastructure projects in supporting UK growth. Broad blockers can include current pressures (including inflation, supply chain disruptions, and labour shortages), future challenges (such as the skills gap), and potential opportunities for policy changes (e.g. around the UK planning system or commercial pipelines).

£Nil

Support for vital projects could include legislative changes (e.g. around Procurement) and non-legislative (i.e. targeted support from HMT and the IPA).

Publish guidance to define a consistent and standardised format for commercial pipelines of all government departments to ensure delivery of vital infrastructure.

To drive the efficient and effective delivery of vital infrastructure projects across the country, the Government must ensure commercial pipelines are working for public bodies and industry.

Everywhere

Specifically, HMT, Cabinet Office, and the IPA should produce guidance to define a consistent and standardised format for pipelines of all government departments, including specifying the level of detail, extending the minimum publication requirements to 3-5 years, and mandating the use of regular forecasting updates.

£Nil

To implement these changes, HMT, Cabinet Office, and the IPA should draw on examples like the Scottish Construction Pipeline Forecast Tool to utilise accessible digital formats for pipelines, driving better data quality and more current information about project stages.

<p>Everywhere</p>	<p>Publish guidance on minimising inflation disruption in public programmes to ensure critical projects are not delayed and can be delivered.</p> <p>To tackle the real-term cut in funding caused by inflation and the project budget freeze, HMT and Cabinet Office must produce clear instructive guidance for public bodies identifying how inflationary pressures can be identified and addressed in public contracts and programmes to ensure essential projects are not negatively impacted.</p> <p>Businesses are reporting increased stresses on financial viability and supply chains due to public sector contracts and budgets, and it is crucial that government acts now to avoid long-term delay and disruption.</p> <p>Guidance could address the use of inflationary indices in contracts, clear criteria on the appropriateness of fixed-price contracts, and ongoing assessment about the prioritisation of existing programmes in light of revised fiscal envelope.</p>	<p>£Nil</p>
<p>Everywhere</p>	<p>Publish an updated version of the Rail Network Enhancements Pipeline (RNEP) to spur private investment into the rail network.</p> <p>The Government made a commitment to update the RNEP annually, and has failed to do so for over 3 years. Updating the RNEP by the end of the year will provide confidence to the rail supply chain by showing a pipeline of projects, and demonstrate where the Government intends to commit its resources to upgrading the rail network.</p> <p>HM Treasury could use this as an opportunity to seek private investment in rail infrastructure, by outlining projects it would like the private sector to finance.</p>	<p>£Nil</p>

A snapshot of some of the UK's leading clusters:

- Humber Cluster:** The CBI is supporting the promotion of shared prosperity across the UK with its first national cluster demonstrator in the Humber, which was launched in 2022. This cluster has been recognised by the WEF who have said: "There are few places around the world more crucial to the road to net zero and industrial decarbonization than the Humber – it is a location from which so much can be achieved and learned." This programme will underpin efforts to decarbonise the UK's highest emitting industrial area while unlocking £1bn of new investment in green technologies.
- Cyber Tech West:** Cyber Tech West, the CBI's second national cluster demonstrator, was announced at Annual Conference 2022. The business-led Cluster will engage with cyber security, defence, and intelligence, and it will explore cross-sector applications for relevant technologies. The Cluster will be anchored in Cheltenham and delivered in partnership with CyNam (Cyber Cheltenham), a DCMS-endorsed UKC3 Cluster. The cluster will cover a 60-mile radius around Cheltenham, including Bristol, Cardiff, Malvern, Hereford, and Chippenham. It will also connect to and share best practice with other cyber hubs across the country. Cyber Tech West will draw from GCHQ's global reputation, and this world-leading cluster of excellence represents an estimated £10bn opportunity for the UK economy.

- **Northern Ireland FinTech:** Northern Ireland has fast become a leading business location – especially for FinTech. Belfast is currently the world’s number-one location for FinTech investment, with almost 40,000 employees in the financial and professional services sector across NI. The sector is worth £392 million, and its areas of Fintech expertise include: Trading Tech, Regtech & Compliance, AI & Data Analytics and Cyber Security.
- **Innovation Greater Manchester:** Innovation GM is a business-led partnership between private, public, and academic bodies (the triple helix model) – including Manchester University. It is the most developed blueprint in the country for levelling up through innovation, ensuring that investment lands in the right place to guarantee pioneering businesses receive the support and funding they need. It is delivering on projects such as AMPI, the £2.5bn Crescent Salford innovation zone, and the £1.5bn ID Manchester innovation district.
- **CSconnected Cluster, South Wales:** South Wales is home to the world’s first and only dedicated compound semiconductor cluster (CSconnected cluster), pioneering the design, development, and the commercialisation of the compound semiconductors needed for a net zero economy. With its high concentration of assets and expertise in technology development, South Wales offers companies an end-to-end opportunity to service the growing global demand for compound semiconductor technology, worth a predicted £230 billion by 2024. With anchor institutions such as the Institute for Compound Semiconductors and the Centre for integrative Materials, the region is driving innovation and accelerating the integration and commercialisation of this technology in sectors such as transport, clean energy, digital communications, security and defence, healthcare, and novel materials innovation.
- **Scottish Space Cluster:** Over the last decade, Glasgow has established itself as a central part of the UK space cluster. During this time, it has manufactured more satellites than any other city in Europe and with nearby Sunderland selected as the site for the UK’s first spaceport, this can only grow. Scotland’s pioneering research, innovation, manufacturing facilities and launch sites mean it has a unique end-to-end capability in the European small satellite value chain. Space firms headquartered in Scotland bring in £254m and about 20 per cent of those working on British space projects do so in Scotland, employed by 133 organisations.
- **AMRC Sheffield:** this network of advanced manufacturing companies and innovation centres has over 120 industrial members ranging from Boeing and BAE Systems to smaller firms within the supply chains. The aim is to transform industrial and economic performance by making step changes in productivity, increasing competition, developing new products and processes, and training new talent and skills. Part of the High-Value Manufacturing Catapult network, funded by Innovate UK, AMRC forms a world-leading research, innovation, and training cluster.
- **Motorsport Valley:** For over 20 years, Motorsport Valley has been a dominant economic cluster that is widely recognised as the biggest motor racing hub in the world. The cluster is comprised of 4,300 companies and around 41,000 employees based around Oxfordshire and the Midlands – all involved in the supply of cutting-edge technology to the motorsports sector. Motorsports Valley companies spend between 25-30% of turnover on R&D (even more than the pharmaceutical industry) and are at the cutting edge of motorsports innovation. Crucially, the innovation generated by the cluster has catalysed new products and technologies into sectors such as healthcare and medical devices, aerospace and satellite applications and digital and data analytics.

References



1. CBI, *Economic Forecast*, December 2022
2. CBI, *Autumn Budget Survey*, July 2022
3. CBI Economics & REC, *Overcoming shortages: How to create a sustainable labour market*, July 2022
4. Of those affected, almost half (46%) have been unable to meet output demands, more than a third (36%) have had to make changes to or reduce the products or services they offer, and a quarter (26%) have reduced planned capital investment in other parts of the business. CBI and Pertemps Network, *The true cost of labour shortages* - the 2022 CBI/Pertemps Employment Trends Survey results, published November 2022
5. ONS, *Labour Market Statistics*, January 2022
6. HMT and The Rt Hon Jeremy Hunt MP, Bloomberg speech, delivered 27 January 2023
7. CBI, *Seize the Moment*, May 2021
8. ONS, *Labour Market Statistics*, January 2022
9. OECD, *Net childcare costs (indicator)*, accessed on 27 January 2023
10. WBG, *Gender and Childcare*, 2022 and Centre for Progressive Policy, *Women in the labour market*, October 2021
11. Department for Education, Freedom of Information request by FE Week, accessed 17 January 2023
12. CBI, *Seize the Moment*, May 2021
13. Ibid.
14. Static cost – does not take account of the positive economic impact; aggregate cost for each policy package.
15. Based on CBI calculations using publicly available figures. Costing evaluated in two parts. Firstly, increasing the current funding rate per hour per child to a rate reflective of the true cost of service provision, as detailed in a Department for Education 2015 document retrieved as part of a 2021 Freedom of Information request by the Early Years Alliance, the most recent publicly available figure. Secondly, extending the service provision to all 1- and 2-year olds, based on population estimates for each of these age groups. For those children aged 3-4, an assumption has been made that there will be a drop off in the number of eligible 4-year olds throughout the year as they start school.
16. The cost to the exchequer depends on the current uptake of the relevant workplace health interventions across musculoskeletal conditions, mental health and ergonomics, for which data is not publicly available. The cost of the policy also depends on the cost of delivery of the interventions, for which there is incomplete data available. National Cost Collection data available from the NHS indicates that the unit cost of musculoskeletal interventions delivered to NHS patients in England can range between £674 and £3,934, and the unit cost for mental health interventions can range between £1,252 and £7,318. However, these costs may not match the cost of private intervention delivery.
17. This scheme could be designed in several ways but could be modelled on the 2022 Government Cost-of-Living Payment for DWP benefit claimants, e.g. £650, and available to employees earning below median earnings. Payments would be ring-fenced from DWP benefits (which caused complexities for employers providing support last year) and NMW requirements, and would be non-pensionable. If employers choose to make payments, they would need to be paid to all qualifying employees. Employees must still receive a minimum incremental annual pay rise, at or above a level to be set by Government, and the payment cannot be used as part of salary sacrifice scheme to avoid substitution. Company directors would not qualify.

18. The cost arises to the Exchequer due to reductions in corporation tax (paid by companies) and income tax/ Class 4 NIC (paid by owners of unincorporated businesses) where businesses claim relief from taxable profits for the allowance payments. This is calculated using ONS data on total UK employees (covering both part- and full-time). This is a static estimate and assumes: the same proportion of businesses that paid a one-off cost-of-living allowance to their staff in 2022 would do so again in 2023/4; one COL allowance would be paid per eligible employee; equal proportions/even representation of eligible employees across business type and size. The loss of employment tax revenue is expected to be minimal, and has not been factored into the cost, as payment of the tax-free allowance is conditional on an annual incremental pay rise and no reductions to existing taxable remuneration packages.
19. A fiscal cost will only be incurred by the Exchequer where businesses are reimbursing employees for business travel above the current rates for AMAP. CBI engagement with members indicates that due to the complexities involved in paying above the rates set out by HMRC, many businesses do not pay above the current rates. As such, we expect any cost of raising rates to be minimal. For reference, the [last increase in 2011](#) was estimated to cost the Exchequer £35m per year.
20. This costing estimation would depend on a large number of factors including currency exchange rates and local inflation rates, covering several countries.
21. Made Smarter Review, 2017
22. There is uncertainty around this costing estimate as there is a lack of clarity as to how the current amounts of funding for each region have been decided. An estimate has been provided by adjusting the £20m allocated for the original North West pilot for each UK region according to their relative size of the manufacturing sector (manufacturing GVA in 2020 relative to total regional GVA) compared to North West's manufacturing sector in 2019 (when the pilot funding was announced). For example, Wales's manufacturing sector represented 16.1% of total regional GVA in 2020, compared to 14.6% for the North West in 2019; as a result, the estimated cost for this region is £22.0m. The scheme has subsequently been rolled out to additional regions with funding being provided to the North East, Yorkshire & the Humber, East Midlands and areas in the South West (West of England Combined Authority). Adding up these new costs across all UK regions (exc. the North West), and subtracting this current funding from the total cost provides this estimate.
23. This is based on CBI's Autumn Budget survey in July 2022 where respondents were asked how much of their levy they expect to spend over the next 12 months, and how much they would spend over the next 12 months in a scenario where the levy was made more flexible.
24. The estimated additional 30% levy spend by businesses will reduce the funding available for SMEs. SME apprenticeship funding should be maintained, therefore, the implied assumption is that this difference would equal the cost to the Treasury.
25. CBI, *Economic Forecast*, December 2022
26. OBR, *Economic and Fiscal Outlook*, November 2022
27. HMT and The Rt Hon Jeremy Hunt MP, Bloomberg Speech, delivered 27 January 2023
28. After the introduction of the super-deduction, the UK ranked 5th overall for capital cost recovery. This compared with 30th before the super-deduction was introduced. Tax Foundation, *Capital Cost Recovery across the OECD*, April 2022 and March 2021
29. CBI, *Super-deduction survey*, January 2022
30. CBI, *Economic Forecast*, December 2022
31. Static cost – does not take account of the positive economic impact; aggregate cost for each policy package.
32. CBI and Oxford Economic Analysis, September 2022

33. This ask does not provide an additional tax deduction over the life of the asset but instead speeds up the timeframe over which the tax deduction is made. The roadmap costing is calculated as a 50% Writing Down Allowance (WDA) applied to all investments which qualify for main rate plant and machinery WDA under the current rules, where these are made in 23/24 or 24/25, and 100% for such investments made in 25/26 and beyond. The WDA applied is dependent on the year of investment. The Full Expensing ask from 2023/24 applies 100% to all investments from this point. The costings are static and do not account for the likely behavioural response of firms increasing their total investment on account of the policy. Whilst this effect would increase the cost to the Exchequer in the short-term, greater investment will boost economic growth which should lead to greater tax revenues in the future. Upper and lower bound figures are given because data is not available to divide investment spend on Transport Equipment into qualifying and non-qualifying expenditure. The lower bound assumes no Transport Equipment qualifies and the upper bound assumes all Transport Equipment qualifies for the relevant investment deduction.
34. As the policy is an uplift relative to non-green capital allowances, the cost of this policy depends on the impact of any changes made to the non-green capital allowances system – including if government decides to introduce full expensing. It also depends on the definition of what is a green investment.
35. The CBI will be providing further detail on its proposals for a new R&D Tax Credit scheme in response to the Government's formal consultation.
36. This is a static cost, which assumes the amount of capital expenditure on R&D undertaken by businesses does not change in response to the policy. The expenditure for 2023/24 is based on historic ONS data and grown in line with the OBR's November 2022 EFO forecasts for business investment. Note that our cost assumes all capital expenditure would be claimed against the RDEC scheme (rather than against the SME R&D tax credit scheme), so is subject to a 20% gross credit rate (as applicable from April 2023 onwards).
37. As the policy is an uplift relative to non-green R&D tax credits, the cost of this policy depends on the impact of any changes made to the R&D scheme more generally – including if government decides to combine the SME and RDEC schemes, and to widen the scope of the regime to include capital spending. It also depends on the definition of green innovation.
38. ABI, November 2022
39. HMRC, *National Statistics*
40. The cost of the EIS scheme is built into government budgets until the sunset clause takes effect in 2025 so there would be no immediate cost to the Exchequer of confirming the policy change. The estimated cost represents the forecast annual cost of the EIS to the exchequer for fiscal year 2022/23, in [estimates of non-structural tax relief costs published by HMRC in January 2023](#). These estimates show that the cost of the scheme have remained relatively constant since 2016. It is comprised of £520m in Income tax losses and £5m of Capital Gains tax losses.
41. HMRC, *National Statistics*
42. Between 2020 and 2022, the UK's share of the European markets in both EV assembly and battery production fell by 1 percentage point. If there is no change in UK production shares before 2030, the UK will have lost £3bn in projected value in total across both areas. The UK's share of the European market in hydrogen electrolyzers also fell by 4 percentage points in the last two years, equivalent to a loss of £1.3bn in value by 2030 if current shares remain consistent. CBI, *Green growth: The UK is falling behind*, January 2023
43. CBI, *Green growth: the UK is falling behind*, January 2023
44. HMT and The Rt Hon Jeremy Hunt MP, Bloomberg Speech, delivered 27 January 2023
45. Rolls Royce, Briefing on Rolls-Royce SMR
46. Static cost – does not take account of the positive economic impact; aggregate cost for each policy package.
47. DfT, *Jet Zero strategy: delivering net zero aviation by 2050*, August 2022
48. This assumes that all funding previously committed to by HMT is used to deliver on Government priorities, thus no additional funding is required.
49. Fiscal cost of the loan scheme would be a factor of uptake of the scheme, value of the loans, as well as the share of defaults on these loans. These variables are currently difficult to determine.

50. Estimate of a 90% network cost reduction for the trade and electro ELLs. Data for the average network charges to steelmakers were provided by UK Steel. Typically cost reductions would be passed onto consumers, however given the rising cost of energy to consumers, it would be more appropriate for this cost to be borne by the taxpayer instead.
51. CBI, *Seize the Moment*, May 2021
52. Cost will be dependent on Government negotiations.
53. CBI, *Seize the Moment*, May 2021
54. Based on analysis by the Carbon Capture and Storage Association's estimate the UK support costs for CCUS are likely to be £2.6bn per year by 2030, however this could fluctuate depending on commodity costs and funding revenue streams.
55. Due to a lack of data available in the energy industry regarding underlying capital investment corresponding to exceptional electricity generation revenue which would be impacted by the Electricity Generator Levy, it is not possible to estimate the cost to the Exchequer in respect of implementing an investment allowance on par with the decarbonisation allowances available for the Energy Profits Levy.
56. Over the 5-year period from 2025 to 2030, the annual cost would be £63m per year. The total amount of £315m to cover additional phases.
57. This has been calculated based upon the previous Small Business Grant Fund (SBGF) and Retail, Hospitality and Leisure Business Grants (RHLBG) available during the Covid-19 pandemic, specifically the £10,000 Business Rates relief that was available to eligible businesses. The proposed payment in this scheme is £5,000 and take up of this scheme has been based on the number of eligible businesses who made use of the Small Business Grant Fund (taken as 50% of the number who made use of the SBGF and RHLBG schemes – due to the combined reporting of these schemes we have chosen 50% as an estimate).
58. This is based on the number of Battery-Electric Vehicles in the UK as of December 2022 and the cost of charging an electric vehicle based on December 2022 values. The vast majority of EV charging takes place at home or at work, therefore the analysis assumes that only 13% of all EV charging is done using a public charging point.
59. CLA and APPG for Rural Business and the Rural Powerhouse, *Levelling up the rural economy: an inquiry into the rural economy*, April 2022
60. ONS, *UK trade in goods and productivity: new findings*, July 2018
61. Static cost – does not take account of the positive economic impact; aggregate cost for each policy package.
62. DLUHC, *Guidance: Freeports*
63. Blackstock Consulting, *Radical Capital: Landmark Report*, 1 March 2022