



6 September 2022

The Rt Hon Kwasi Kwarteng MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
Westminster
London
SW1A 2HQ

Dear Chancellor

APPOINTMENT AS CHANCELLOR OF THE EXCHEQUER

On behalf of the Institute of Chartered Accountants in England and Wales (ICAEW), I am writing to congratulate you on your appointment as Chancellor of the Exchequer.

As you may know, ICAEW supports over 180,000 chartered accountants and students worldwide, and our members advise more than three million enterprises, across every level, sector and region of the UK economy. Whether working in practice, in the public sector or leading businesses, their expertise underpins growth and investment, both domestically and overseas. The accountancy profession drives social mobility by creating skilled and well-paid jobs in every part of the country; and it is now helping companies to be more resilient and sustainable.

The new government must use the remainder of this Parliament to restore growth in the economy and level up the UK – national missions which ICAEW and our members across the country want to work with you to deliver. Audit and corporate governance reform, essential for restoring public and investor confidence, is too long overdue and the establishment of the Audit, Reporting and Governance Authority needs to be taken forward at the earliest opportunity. There are also opportunities to lead the world in implementing corporate sustainability reporting, vital to the transition to a net zero economy, and in assuring Britain's place as the most attractive in which to invest and do business.

We do not underestimate the challenge you face. Economic conditions are deteriorating significantly under the weight of surging inflation, rising energy costs and persistent supply side constraints. ICAEW's recent Business Confidence Monitor – one of the UK's largest private-sector business surveys, and a lead indicator for GDP growth – points to a perilous turning point for the economy as headwinds mount. All sectors, regions and types of business are affected, with companies everywhere facing a real 'cost of doing business crisis'

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As trusted advisers, our members are on the economic frontline – actively helping businesses across the UK navigate difficult conditions and uncertain times. Their feedback is that urgent action by the government in three key areas would do much to support the British economy and public, and deliver long-term economically and environmentally sustainable growth:

- **Protect jobs and livelihoods this winter:** The past six months has seen energy being used as a political weapon by the Russian government following its illegal invasion of Ukraine. The consequent economic impact here in Britain has been such that we believe financial support to households and small businesses is now necessary. If it is your priority to get help to those in most need, we think that this can be achieved more quickly and more accurately by the expansion of existing direct fiscal support schemes rather than broader tax cuts. Alongside building resilience in the UK's energy sector, the government should seek to reduce the vulnerability of households and businesses to future shocks by accelerating energy efficiency improvements throughout the country. Ministers could usefully build on the recent *Help to Grow* initiatives with a campaign - including financial incentives where appropriate - to improve awareness and capability among SMEs looking to reduce their energy usage.
- **Deliver a bold skills and productivity strategy:** For a generation a shortage of business skills has undermined business confidence, investment and productivity across the UK. A new approach is needed. ICAEW would strongly support the Department for Business, Energy and Industrial Strategy being given increased responsibility for post-16 education to ensure it is aligned with the needs of business and the economy. HM Treasury should work closely with business to complete its review of capital allowances, so that companies have the incentives and the certainty they need to invest in developing world-leading net zero technologies, in large-scale infrastructure projects, in up-skilling their staff, and in productivity-boosting equipment and technologies. Finally, delivering reliable and affordable fast broadband access in all parts of the UK is essential to address regional inequality in education and skills, enabling digital friendly, skill specific and 'bite-sized' approaches to training.
- **Set out a long-term plan for tax and public spending:** Businesses urgently need certainty around the tax and spending plans of the new government, including pledges from the Prime Minister on employer National Insurance and Corporation Tax. With the prospect of recession looming, our members report that many companies are already experiencing cash flow difficulties: stability in the tax system is absolutely vital as business budgets for challenging times ahead. It is important that tax changes and spending commitments are sustainable into the medium-term. An early fiscal statement would be welcomed if it set out a clear path for taxes and spending across the rest of this Parliament (and beyond) both driving growth in the economy and putting the public finances on a sound footing.

In conclusion, as we did to good effect during the pandemic, ICAEW and our members across the UK stand ready to help the government as it works to protect and support businesses and households this winter - and to secure an early and full economic recovery. I would welcome an opportunity to discuss with your Ministers and officials how ICAEW – and our members – can support you in these objectives.

Yours sincerely

A handwritten signature in black ink that reads "Michael Izza". The signature is written in a cursive, flowing style.

Michael D M Izza
Chief Executive Officer, ICAEW

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