



21 February 2023

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

Dear Chancellor

## SPRING BUDGET

I am writing in advance of the Spring Budget on 15 March 2023 following our submission, entitled [Resilience and Renewal](#).

ICAEW supports over 200,000 chartered accountants and students worldwide. In the UK, our members in business (as corporate leaders and financial managers) and in practice (as external advisors) guide more than three million companies - in every sector and region of the country.

We believe that the resilience of the UK's economy and public finances is the bedrock on which the pillars of 'Enterprise', 'Education', 'Employment' and 'Everywhere' can be based: otherwise we risk building on sand. This foundation - combined with a renewed approach to infrastructure investment and public services – will enable us to achieve a prosperous and carbon neutral future.

We believe that resilience depends on delivery of the following priorities:

- **A focus on growth:** ICAEW's most recent Business Confidence Monitor (BCM) starkly highlighted the financial strain being experienced by many companies. Contributing significantly to this is the administrative burden of the tax system, with costs and compliance delays constituting a big obstacle to growth. I am therefore urging you to establish an emergency cross-sector taskforce to help eliminate HMRC's backlog and to make recommendations to improve HMRC's service standards.
- **Labour market participation:** ONS data shows a tight labour market with fewer new entrants. The Institute for Employment Studies estimates that of 1.7 million economically inactive people willing to work, there are 390,000 with caring responsibilities who are willing to take a job now. We therefore believe that childcare is a key issue, with limits on availability and affordability disproportionately impacting lower-income families, and a growing factor in early retirement. ICAEW recommends that government treats affordable childcare as an economic priority, including exploring how the tax system can support low-income households and sectors with a critical shortage of workers.

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### ICAEW

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- **Resilience for the public sector:** Failures in local government highlight the need for better financial reporting and stronger governance. Uncertainty over long-term funding, funding formulae based on out-of-date information, and multiple competitive pots for local growth are contributing towards instability. Greater clarity for funding over the longer term will allow regional and local authorities to plan services and infrastructure, while ensuring funds are directed where there is most need.

To underpin these, we recommend the following:

- **Skills and Training:** The economy is hampered by poor skills: as apprenticeships develop as a preferred training route, it is vital to address design issues in the Apprenticeship Levy. We recommend four specific reforms: remove the cap on apprenticeships in SMEs; review funding bands; accelerate uptake and completion rates; and incentivise sectors with skills shortages.
- **Productivity and Investment:** Higher investment in R&D leads to more innovative practices and productivity gains. However, investment in R&D is currently down, while inflation has increased uncertainty over future levels of public investment, a crucial source for attracting private finance. To establish greater long-term certainty, government should introduce tax relief for businesses that invest in net zero-aligned R&D and their own transition to net zero.
- **Levelling up to net zero:** Net zero is central to making UK regions outside the South East more productive and competitive as hubs of clean growth. However, SMEs and local government currently lack the finance and information to facilitate change. Government must implement the Skidmore Review recommendations on multi-year funding streams and the 'Help to Grow Green' campaign for SMEs, helping both groups to invest, upskill and plan.

I would welcome the opportunity to meet with you to discuss these priorities.

Yours sincerely

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

**Michael Izza**  
**Chief Executive**