

## The King's Speech 2024

Following His Majesty the King's first King's Speech of the new Parliament, below is a summary of the planned bills that we expect to impact our industry.

### Bill summaries

#### Budget Responsibility Bill

- The Bill will introduce a 'fiscal lock' to ensure any government making significant and permanent tax and spending changes will be subject to an independent assessment by the Office for Budget Responsibility (OBR), giving it power to produce an assessment at a time of its choosing.
- This seeks to reinforce market credibility and public trust by preventing large-scale unfunded commitments that are not subject to an OBR fiscal assessment.

#### National Wealth Fund Bill

- This Bill will put the National Wealth Fund (NWF) on a permanent statutory footing. It will be central to the government's mission to deliver growth and a greener economy.
- The NWF will not be a new standalone body. The government has already begun work to align the UK Infrastructure Bank (UKIB) and the British Business Bank (BBB) under the NWF.
- To ensure investments can start immediately, the NWF will deploy funding through UKIB. It will aim to generate £3 of private sector investment for every £1 of public funds it invests.
- The National Wealth Fund represents an important vehicle for mobilising greater investment into key sectors and technologies to deliver the UK's net zero transition. TheCityUK will engage with the government on the design and investment strategy of the National Wealth Fund to ensure the effective mobilisation of public and private capital to fund the UK's transition to a low carbon economy.

#### Bank Resolution (Recapitalisation) Bill

- This Bill aims to enhance the UK's resolution regime, promote financial and economic stability, and strengthen protections for public funds / taxpayers, by giving the Bank of England a more flexible toolkit to respond to failure of small banks. It also seeks to avoid imposing new upfront costs on the banking sector.
- The Bill will extend the statutory function of the Financial Services Compensation Scheme (FSCS), requiring the FSCS to provide funds to the Bank of England on request, to be used if necessary to support the resolution of a failing bank. It will allow the FSCS to recover such funds by charging levies on the banking sector, similar to the current arrangements for funding depositor pay-outs. It will also allow the Bank of England to require a bank in resolution to issue new shares, facilitating the use of FSCS funds to meet a failing bank's recapitalisation costs.

- Expanding the UK's toolkit to respond to the failure of small banks is a sensible approach. Further detail on how these fit with the existing Bank Insolvency Procedure would be welcome.

## Employment Rights Bill

- This Bill is described as fundamental to the government's growth mission and is the only bill the government has committed to introducing in the first 100 days.
- It aims to encourage more workers to switch jobs, boosting productivity and wage growth.
- It will tackle less secure work, ending exploitative zero hours contracts and 'fire and rehire/replace' practices; and apply rights such as parental leave, sick pay, flexible working, and protection from unfair dismissal from day one.
- The government has also committed to delivering a genuine living wage regardless of age.
- TheCityUK has already written to the minister responsible for piloting this bill – Justin Madders MP – seeking the opportunity for our members and industry to feed into the plans before they are finalised. Whilst most of the measures in the bill would not directly impact our members as employers, we are aware of some concerns about the impact on the overall investability of the UK.

## Great British Energy Bill

- This Bill will establish GB Energy – a new, publicly-owned clean energy production company which will own and operate clean power projects in the UK. It will contribute to delivering the government's mission to achieve clean energy by 2030.
- GB Energy will be headquartered in Scotland and will have £8.3bn of new money over the Parliament. GB Energy will facilitate, encourage and participate in the production, distribution, storage and supply of clean energy.
- The Bill will give the Secretary of State the ability to provide GB Energy with the financial backing needed to meet its aims and ambitions. The Secretary of State will prepare a strategic priorities statement for GB Energy.
- TheCityUK will seek to engage with the government on the process of setting up this publicly owned company and identify opportunities to invest in sustainable products and services it may create for our industry.

## Sustainable Aviation Fuel (Revenue Support Mechanism) Bill

- This Bill will be introduced to support sustainable aviation fuel (SAF) production and increase investment in UK plants. It will provide revenue certainty to encourage investment in the construction of SAF plants across the UK. This builds on the SAF mandate, which will create demand for SAF by setting targets on fuel suppliers to use a proportion of SAF.
- This is indicative of the more interventionist approach the new government is taking to emerging technologies and their determination to provide triggers for investment by clearly identifying products they wish to support.

## Draft Leasehold and Commonhold Reform Bill

- The Government has committed to acting quickly to provide homeowners with greater rights, powers and protections over their homes, by implementing the provisions of the Leasehold and Freehold Reform Act 2024.
- The Bill will further reform the leasehold system, enacting remaining Law Commission recommendations relating to leasehold enfranchisement and the 'right to manage', tackling unregulated and unaffordable ground rents, and removing threat of forfeiture as a means of ensuring compliance with a lease agreement.
- The government commits to bring the feudal leasehold system to an end, reinvigorating commonhold through a comprehensive new legal framework, and banning the sale of new leasehold flats so commonhold becomes the default tenure.
- There are potential implications for funds which are invested in freeholds and we will analyse the legislation carefully to understand what these may be and engage with the government as appropriate.

## Draft Equality (Race and Disability) Bill

- This Bill would enshrine in law the full right to equal pay for ethnic minorities and disabled people. It would also introduce mandatory ethnicity and disability pay reporting for larger employers (those with 250+ employees), to help close the ethnicity and disability pay gaps.
- This legislation may impact, and will need to be considered alongside, the FCA's proposals on diversity and inclusion, which they consulted on at the end of 2023.

## Digital Information and Smart Data Bill

- This Bill is a welcome step to bring back some of opportunities for our industry which had been expected via the previous government's Data Protection and Digital Information (DPDI) Bill, which fell during the pre-election wash-up period. We hope that this will be a consolidated and improved version of this fallen bill.
- This Bill is intended to harness the power of data for economic growth, accelerate innovation, investment and productivity across the UK, including better digital public services. It will create a statutory footing for three uses of data: (i) data verification / identity products and services; (ii) 'smart data' schemes, enabling secure sharing of people's data, on their request, with authorised third-party providers; (iii) a national underground asset register/ map for pipes and cables.
- The Information Commissioner's Office (ICO) will be restructured and given stronger powers.
- Open Banking is mentioned in background notes, as the only active example of a 'smart data scheme', but that a permanent legislative footing is needed to enable it to be expanded.
- Reference is also made to the importance of the data economy and data-enabled exports to boosting UK trade.
- We welcome this Bill which has the potential to unlock the benefits of UK leadership and innovation in Open Banking and Open Finance, which will provide more sources of credit for UK SMEs and export opportunities for UK FinTechs in key growth markets.

## Planning & Infrastructure Bill

- This Bill will seek to increase the speed and efficiency of the English planning system, which we know is a challenge for many of our members.
- Planned measures include streamlining the process for critical infrastructure and energy projects, reforming compulsory purchase compensation valuations, improving local planning functions and, potentially, altering some environmental protections (though the government stresses that sustainability will remain a core principle).
- We have previously highlighted problems in the planning system and impacts on investment.

## English Devolution Bill

- The government is proposing to add much greater legislative clarity and consistency to the English devolution settlement, and to offer much greater devolution to all parts of England. TheCityUK has called for this in our 2023 'Enabling growth across the UK' report.
- The Bill also envisages legislation to require Local Growth Plans, which we asked incoming mayors to produce in our series of regional manifestos in May.
- Local areas, with or without an elected mayor, may be able to take on significant new powers in areas including over strategic planning, local transport networks, skills, and employment support. This also reflects our long-standing position on English devolution.

## Skills England Bill

- The Bill will create a new national body called Skills England to oversee the proposed Growth and Skills Levy, which will replace the current Apprenticeship Levy. TheCityUK, in partnership with the Financial Services Skills Commissions (FSSC), has consistently called for this.
- Functions will be transferred to Skills England from the Institute for Apprenticeships and Technical Education (IfATE).
- Skills England will convene businesses, providers, unions, Mayoral Combined Authorities and national government to create a single shared assessment of national and local skills needs, now and in the future, something we have previously called for.
- It will create a policy link between industrial strategy, the Migration Advisory Committee and the Department for Education so that skills priorities and migration policy work in tandem to address gaps.
- It will identify what training will be accessible through the Growth and Skills Levy and ensure national and regional skills systems are aligned to deliver the skills needed. The range of options may be broader than currently, something we and the FSSC have explicitly called for.

## Draft Audit Reform and Corporate Governance Bill

- A revamped regulator - the Audit, Reporting and Governance Authority (ARGA) - would replace the Financial Reporting Council (FRC).
- This new statutory regulator will form a platform for other important changes including:

- A wider remit, extending Public Interest Entity (PIE) status to the largest private companies, ensuring that audits of such businesses are high quality and giving early warning of financial problems.
- Removing unnecessary rules on smaller Public Interest Entities, making life easier for important smaller businesses by cutting requirements that are disproportionate.
- Powers to investigate and sanction company directors for serious failures in relation to their financial reporting and audit responsibilities.
- A regime to oversee the audit market, protect against conflicts of interest at audit firms, and build resilience so quality audit is available to all companies that need it.
- TheCityUK believes audit and corporate governance are a vital part of the wider financial and related professional services ecosystem, and a national asset that plays a critical role in underpinning the attractiveness of the UK as a place to invest and do business. Ensuring the UK's audit and corporate governance regimes are globally attractive are critical to enhancing the UK's competitiveness and stimulating domestic and foreign direct investment.

## Pension Schemes Bill

- The Bill will consolidate Defined Contribution (DC) individual deferred small pots, automatically combining them into a single account, aiming to maximise retirement income.
- This is expected to also benefit pension schemes, currently required to manage many loss-making pots, undermining their ability to invest in improving savers' outcomes.
- It will introduce a standardised test for trust-based DC schemes to demonstrate they are delivering value for money. The aim is a smaller number of well-performing, well governed schemes, more productive investment of funds, and improved outcomes for savers. The FCA will apply this to contract schemes.
- It will require all schemes to offer retirement products. It is intended to lead to better retirement outcomes, more funds being invested for longer, greater potential for investments in productive assets to support economic growth.
- It will consolidate the Defined Benefit (DB) market through commercial Superfunds.
- It will reaffirm the Pensions Ombudsman (TPO) as a competent court, removing need for schemes to apply to the courts to enforce decisions on recovery of overpayments.
- It will extend the definition of 'terminal illness', allowing eligible members in the Pension Protection Fund and Financial Assistance Scheme to receive a lump sum at an earlier stage.
- We have already invited the pensions minister to a roundtable to discuss these proposals and how they will impact the wider ecosystem.

## Cyber Security and Resilience Bill

- The Bill will strengthen the UK's cyber defences, ensuring that critical infrastructure and the digital services that companies rely on are secure.
- The existing UK regulations reflect law inherited from the EU and are the UK's only cross-sector cyber security legislation. This will be updated by:
  - Expanding regulation to protect more digital services and supply chains

- Putting regulators on a strong footing to ensure essential cyber safety measures are implemented
- Mandating increased incident reporting to give government better data on cyber-attacks.

## Arbitration Bill

- This Bill is carried over from the last Parliament, as expected. It was proposed by the Law Commission to update the previous Arbitration Act, of 1996. It is supported by the industry (including our members at Chartered Institute of Arbitration) and is not controversial.

## Hillsborough Bill

- This Bill will place a legal 'duty of candour' on public servants and authorities. It aims to address a defensive culture prevalent across much of the public sector - highlighted by the inquiry into the experiences of the Hillsborough families and the NHS infected blood scandal.
- This may be of interest to our industry, for example, where any potential regulatory failure resulting in public harm is subject to public inquiry. However, delivering this will be complex, and issues around legal privilege will need to be carefully considered.

## House of Lords (Hereditary Peers) Bill

- A short and narrowly focussed Bill that will remove the right of the remaining hereditary peers to sit and vote in the House of Lords. This will be the first step in wider Lords reform.