

Financing Britain's future:

TheCityUK's manifesto for the next government

About TheCityUK

TheCityUK is the industry-led body representing UK-based financial and related professional services. We champion and support the success of the ecosystem, and thereby our members, promoting policies in the UK and internationally that drive competitiveness, support job creation and enable long-term economic growth. The industry contributes 12% of the UK's total economic output and employs over 2.4 million people – with two thirds of these jobs outside London across the country's regions and nations. It pays more corporation tax than any other sector and is the largest net exporting industry. The industry plays an important role in enabling the transition to net zero and driving economic growth across the wider economy through its provision of capital, investment, professional advice and insurance. It also makes a real difference to people in their daily lives, helping them save for the future, buy a home, invest in a business and manage risk.



Introduction

The financial and related professional services industry is a strategic national asset that makes a significant contribution to economic growth and stability.

It plays a central role in critical areas such as financing scale-up firms to create the technologies of the future; driving economic growth across the regions and nations; delivering vital infrastructure; and enabling the transition to net zero through its provision of capital, investment, professional advice and insurance.

We are calling on the next government to prioritise strong collaboration between the financial and related professional services industry, government and regulators to foster an environment that enables our industry to make an even greater contribution in these, and other, important areas.

Our manifesto sets out practical recommendations for the next government to deliver our shared objectives and prioritise stability, certainty and predictability in regulation, tax and other key policy areas.

Our key recommendations for the next government

1. Partner with industry to create the conditions that will drive more investment into UK companies, delivering **economic growth, job creation, and investment opportunities** for people right across the country.

2. Boost growth through enhanced trade, investment and regulatory stability by ensuring a **stable, proportionate, and predictable regulatory environment** to attract more investment and capital.

3. Deliver a coherent, stable, and predictable tax regime with a **clear roadmap for tax policy** over the next parliament, giving businesses and international investors the certainty they need to invest across the UK.

4. **Empower regions through devolution**, ensuring that metro mayors can strategically manage critical policy areas – from skills to the development of economic clusters and delivery of major infrastructure projects – and grow their regional economies.

5. **Lead the net-zero transition** by setting out long-term policy with a clear narrative and delivery roadmap, positioning Britain as a global leader in clean and renewable energy.

Why the financial and related professional services industry is a national asset



It plays an important role in enabling the **transition to net zero** and **driving economic growth** through its provision of capital, investment, professional advice and insurance



It contributes **12%** of the **UK's total economic output**



It pays more **corporation tax** than any other sector and is the **largest net exporting industry**



It employs over **2.4 million people** – two thirds of whom are based outside London across the country's regions and nations



It makes a **real difference to people in their daily lives**, helping them save for the future, buy a home, invest in a business and manage risk

1. Creating the conditions to drive investment across the UK

To deliver on this, the next government should focus on:

Building an investment and growth culture

– ensuring policy and regulation is designed and implemented with careful consideration of risk and growth trade-offs.

Revitalising capital markets to better serve savers and companies

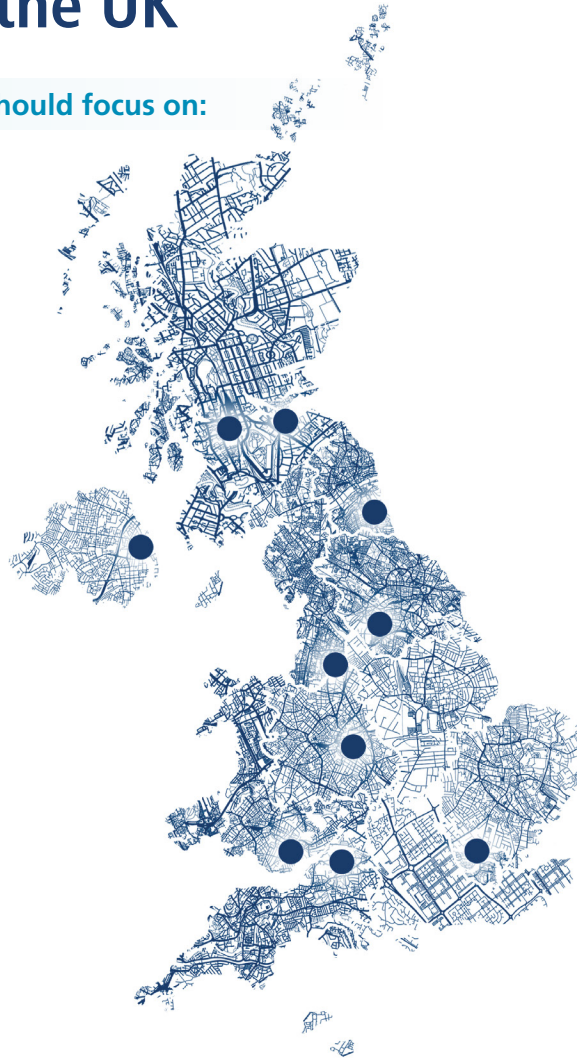
– making British equity investment more attractive, supporting better outcomes for everyday savers, helping people be better prepared for retirement, and supporting more British businesses to list in the UK.

Driving growth through technology and information

– seeking international standards and alignment in the regulation of technologies such as AI and digital assets; adopting a proportionate approach towards regulation to protect consumers and ensure financial stability without impeding the pace of innovation, investment and development; and ensuring the population is able to meet the changing skills needs in line with technological advancements.

Supporting legal services – a unique asset for Britain

– preserving the UK's status as a leading global centre for legal services, justice and the rule of law, and recognising the sector's major contribution to the economy and job creation right across the country.



Recommendations for the first 100 days:

- **Develop a strategic plan to drive investment and economic growth** to ensure that the UK has the level of long-term savings and investments (whether in private pensions and savings or state funds) necessary to meet pensions, care, health and other societal needs.
- **Work with industry to incentivise greater UK investment in shares in UK companies**, to bolster the economy, boost liquidity and deliver better returns to UK savers.
- **Deliver policies to better support the journey of companies from start-up to scale-up to maturity**, including consideration of how incentive schemes operate between markets, removing barriers to the smooth passage of companies from growth to main markets, and extending the Enterprise Investment Scheme (EIS) from start-up to scale-up markets.
- **Implement the whole suite of proposed reforms at pace**, including finalising reform of the listing rules and the Secondary Capital Raising Review.
- **Review the future of stamp duty on trading to incentivise greater UK institutional and retail investment into UK equities** - as a direct tax on liquidity, it places the UK at a competitive disadvantage.
- **Publish clear strategies for technologies that are key to securing the UK's future economic resilience.** While the announcement of an industry-led open finance taskforce is welcome, a government strategy is needed to enhance innovation in open banking and open finance to help small businesses better access credit and grow export opportunities for FinTechs. An updated AI strategy is also required.
- **Develop a modern digital infrastructure for share ownership** that aligns with – and then leapfrogs – other international jurisdictions.
- **Commit to protecting and enhancing the UK's reputation for upholding and advancing the rule of law and legal services excellence**, while making meaningful efforts to continue to improve access to justice for all.



Recommendations for the next five years:

- **Ensure that the UK has a stable, proportionate and predictable but agile regulatory environment**, with clear focus on swiftly implementing all aspects of the Financial Services and Markets Act 2023; delivering a Smarter Regulatory Framework tailored to the UK; and ensuring coherence between the different financial and related professional services regulators to drive investment and economic growth.
- **Provide appropriate scrutiny of how the regulators deliver their statutory objectives and functions, including their new secondary competitiveness and growth objective.** With the predictability and efficiency of our regulatory environment a key component of UK competitiveness, speedy regulator decisions on applications to invest capital, appoint new leaders, start new businesses, or create new products are important factors for companies considering where to locate business activities and investments.
- **Work with regulators and industry to ensure that the regulators' metrics to measure the delivery of their secondary objective on competitiveness and growth are refined over time to remain relevant; and a framework is developed to track the competitiveness of the UK regulatory environment against those of other international financial centres.** Effective reporting, scrutiny and accountability will help to ensure the UK maintains high standards that support its competitiveness, and inform where regulatory adaptation and operational enhancements are needed to boost regulatory efficiency and competitiveness.



Legal services contributed
£32bn
 to the UK economy in 2022



The UK's pension industry had made investments worth
£3.7trn
 at the end of 2022



- **Work with industry to deliver and continue to refine the plan on incentivising greater UK investment in shares in UK companies.** This should consider both Defined Benefit (DB) and Defined Contribution (DC) pension pools of capital and complete the work of the Bank of England's Productive Finance Working Group by stimulating more take-up of the Long-Term Asset Fund (LTAF) by DC pension funds. More ambitious attempts should be made to consolidate DC pension funds, alongside improving contribution rates to those funds, to build on the success of auto-enrolment.
- **Take a more holistic and considered approach to delivering British equity investment from British households,** including a comprehensive review of the ISA regime to understand what public policy goals it is striving to achieve and how it can be best streamlined to deliver on this. There should also be consideration of the boundary between 'advice' and 'guidance', open data and AI solutions.
- **Design targeted incentives for institutional investors/DC funds to put money to work at each stage of the company funding continuum** (venture capital, private equity, quoted and listed equity). The multiplier effect on economic growth of even small changes in allocation of institutional capital to UK listed and quoted equities would be significant.
- **Seek international standards and alignment in the regulation of technologies, such as AI and digital assets** to ensure global firms don't apply the 'highest watermark', which may challenge any potential gains from the UK's pro-innovation approach.
- **Encourage innovation by continuing to develop clusters for technologies such as AI across all parts of the UK and assigning additional research funding for universities.** Creating a fertile ground for collaboration between academia, industry and startups is essential to support innovation, attract investment, and drive economic growth across the country.
- **Reskill and upskill the population to future proof talent,** while providing education about emerging technologies and the opportunities they present.
- **Deliver additional investment to improve the justice system,** including upgrading the physical and digital infrastructure of the courts, tackling backlogs and adequately funding legal aid services for citizens. The international commercial success of the UK's legal sector is dependent on the continued functioning of the UK's wider domestic legal system.

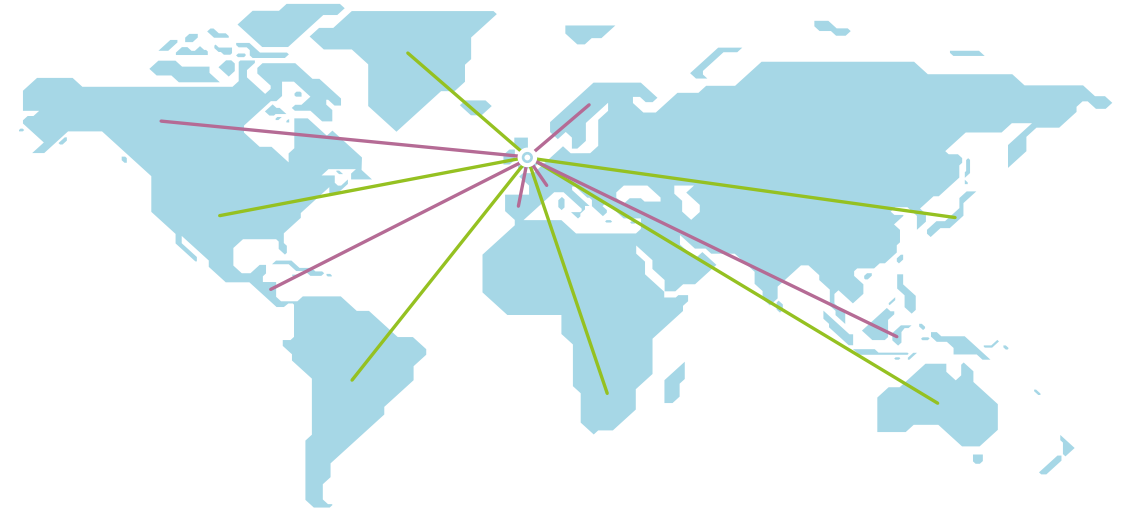
2. Boosting UK growth through enhanced trade, investment and regulatory stability

To deliver on this, the next government should focus on:

Attracting foreign investment – prioritising initiatives to ensure an open economy and support the UK to become the world's leading centre for investment, as well as implementing the recommendations from Lord Harrington's Review of Foreign Direct Investment (FDI).

Advocating for export-led growth – focusing on the benefits of international trade and investment against the backdrop of rising economic protectionism and regulatory fragmentation and prioritising innovation in strategic sectors such as green infrastructure, life sciences and digital technologies.

Embedding a constructive relationship with the EU – building on the more constructive post-Windsor Framework relationship and maximising opportunities presented by the review of the EU-UK Trade and Cooperation Agreement (TCA) in 2026 to seek improved market access for services.





Recommendations for the first 100 days:

- **Launch an ambitious new investment attraction strategy by committing to implement the Harrington Review's recommendations on attracting FDI**, in particular a new concierge service to provide a one-stop shop for investors.
- **Refresh the UK's trade strategy and work with our industry to deploy the full range of trade policy instruments**, including Digital Economy Agreements, FinTech bridges, and Mutual Recognition Agreements, to boost trade, investment and reduce regulatory frictions.
- **Actively engage with our industry to understand its priorities for the TCA review** and the challenges faced within the EU-UK relationship for financial and related professional services.
- **Advocate with EU institutions and Member State counterparts for an ambitious and wide-ranging review of the TCA in 2026** which seeks to improve the agreement in a mutually beneficial way.



Recommendations for the next five years:

- **Work with our industry to enhance the UK's attractiveness as a destination and global hub for international investment**, by setting out the strategic sectors in which the government will seek to crowd in domestic and international investment.
- **Develop an outward bound 'Team UK' approach**, where domestic investors, universities, regional mayors, investment cluster leads and regulators work together to take investment opportunities to external markets.
- **Work with the private sector to refine the form, timing and extent of investment screening controls**, to ensure that they focus on transactions that pose national security risks and provide a smoother environment for the vast majority of investments that do not pose such concerns.
- **Ensure financial regulatory dialogues with key markets**, such as the US, EU, Switzerland, Singapore and Japan, and focus on delivering stability and growth in the global economy by improving transparency, industry engagement and external reporting on deliverables.
- **Increase and deepen partnerships with emerging international financial centres** in the Middle East, ASEAN and Africa to promote the UK as a key partner of choice and increase trade and investment flows.

- **Ensure that HM Treasury and the Department for Business and Trade work with leaders in devolved and regional government to promote UK trade and investment internationally** by sharing examples of international best practice in attracting investment.
- **Continue to prioritise enhancing trade and investment in all regions and nations** in all future trade agreements and Memoranda of Understanding (MoUs).
- **Engage with EU institutions and Member State counterparts to understand where we can collaborate on strategic areas of mutual priority**, such as financing the green transition, the opportunities and challenges presented by technology and innovation and increasing economic resilience across Europe.
- **Ensure that relevant departments work closely with industry when developing their proposals to increase trade in services between the UK and EU** including short-term business mobility and the recognition of qualifications as well as the interoperability of regulatory regimes and future-proofing of regulatory dialogues.
- **Promote greater cross-border provision of financial services**, providing more efficient access to capital and lower costs for businesses.



The UK is the **largest financial and related professional services net exporter** - delivering a trade surplus of **£92bn**



The UK has **14%** of the **global total of crossborder lending**

3. Delivering a coherent, stable and predictable tax regime

To deliver on this, the next government should focus on:

Building an internationally competitive tax system – one that will bring greater investment into the economy, help businesses find the capital they need and finance people’s short-term goals and retirement needs.

Reviewing VAT policy – modernising the current regime to better support economic growth and increase the attractiveness of the UK as an international financial centre.

Addressing the uncompetitive overall tax rate on banks to support economic growth.

Broaden the R&D regime to better capture services and drive innovation.



Recommendations for the first 100 days:

- **Deliver a coherent, stable and predictable tax regime with a clear roadmap for tax policy over the next parliament**, giving businesses and international investors a clear view of the tax implications for investments in the UK.
- **Initiate and publish the promised review of VAT treatment for financial services**, including an assessment of the impact of the VAT regime on the UK’s international competitiveness.



Recommendations for the next five years:

- **Reconsider the uncompetitive overall effective tax rate on banks in the UK**, to bolster economic growth.
- **Phase out the bank levy and the surcharge**, which are key elements of the UK’s internationally uncompetitive total tax rate for banks.
- **Adjust and broaden the R&D regime**, which is still geared toward investments in manufacturing over services, to support the development of technology in the UK, including for the net zero transition.
- **Consider tax incentives, such as R&D credits or tax wrappers for long term investments**, to capitalise on the UK financial services sector’s competitive advantage in innovation and accelerate the net-zero transition.

4. Empowering regions through devolution

To deliver on this, the next government should focus on:

Deeper devolution – ensuring greater consistency in the devolution of powers offered to different parts of the country including devolving more powers to metro mayors to create a better climate for business to thrive and invest to support regional growth.

Ensuring access to talent – introducing more flexibility into the Apprenticeship Levy system and improving access to global talent, enabling businesses to tap into essential skills and spur the innovation necessary to maintain the UK's status as a world-class international financial centre.

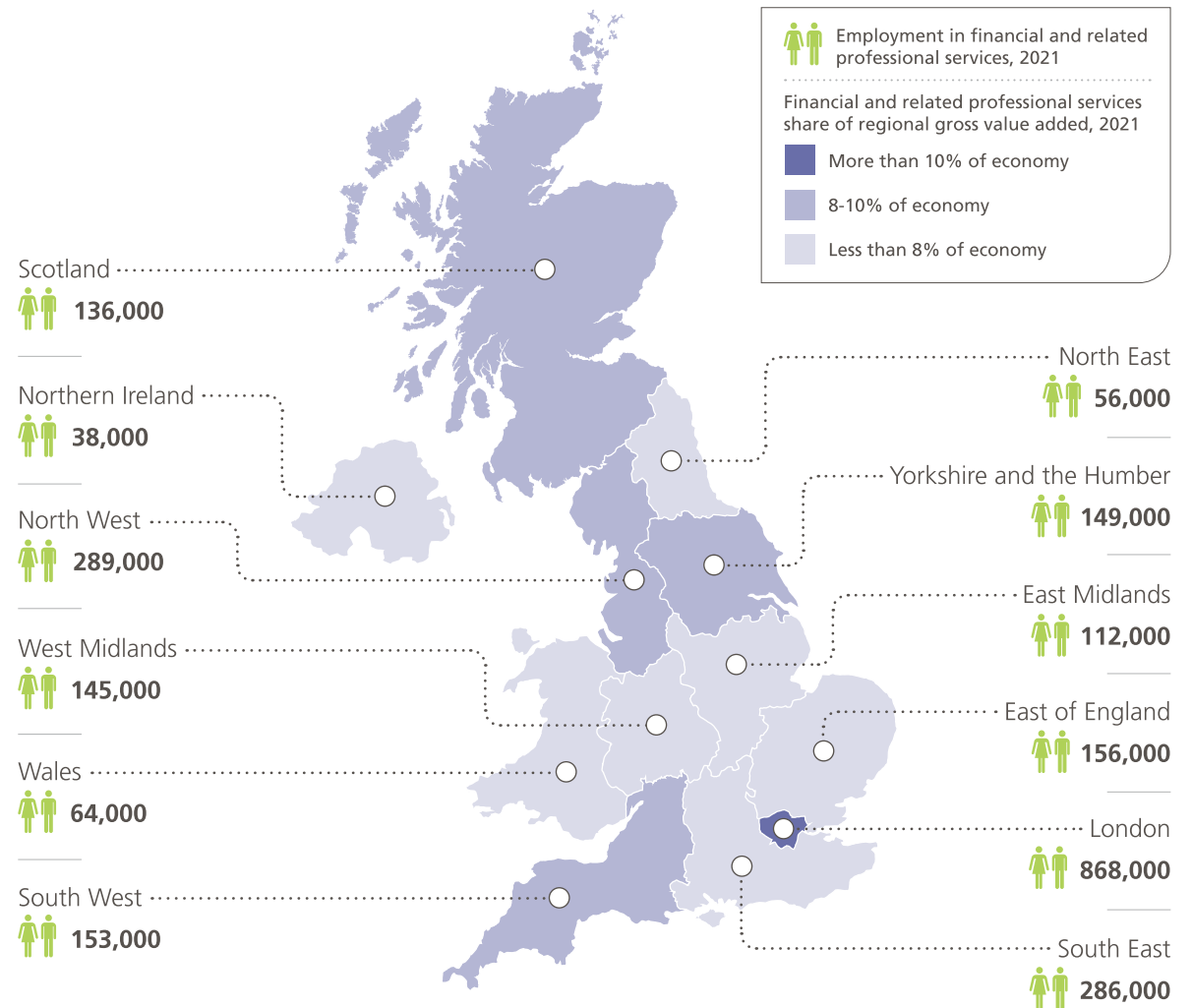


Recommendations for the first 100 days:

- **Move away from multiple funding pots and competitive bidding processes in favour of a single financial settlement for an area**, using the recent deeper devolution deals for the West Midlands, Greater Manchester and North East as a starting point.
- **Implement TheCityUK's plan to reform the Apprenticeship Levy** to increase the number of apprenticeships, support more young people into the programme and broaden the skills that are taught to support business growth.

Employment and gross value added in financial and related professional services, 2021

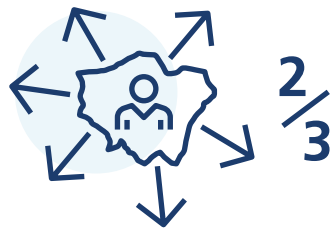
Source: Office for National Statistics, Nomis and TheCityUK estimates
 Note: Northern Ireland figures are employees





Recommendations for the next five years:

- **Continue to roll out the metro mayor and combined authority model to all English regions that want it**, while simultaneously devolving greater powers for existing Mayoral Combined Authorities and striving for as much consistency as possible in the powers awarded under devolution deals.
- **Consider how metro mayors can take strategic responsibility for major infrastructure projects** to overcome obstacles to delivery, such as delays in the planning system.
- **Strengthen the current English devolution settlement by creating a new Leadership Academy**, bringing in the best expertise from leaders around the world, and from business to support political leaders and their staff in personal and policy development.
- **Support businesses to innovate and grow by enabling short-term business mobility and supporting local talent development** by using the funds from the Immigration Skills Charge.
- **Deliver further devolution of education policy and funding to Mayoral Combined Authorities in future English devolution deals**, with the long-term aspiration of local leaders taking a greater role in overseeing education at all phases so this can be better integrated with Local Skills Improvement Plans.



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of financial and related professional **services jobs** are **based outside London**



5. Leading the transition to a sustainable future

To deliver on this, the next government should focus on:

Scaling up green finance further and faster by building on the Green Finance Strategy published in March 2023 to support the ambition for the UK to become the world's first net-zero-aligned financial centre, and collaborating across government and industry.

Delivering clear policy and market signals to attract green investment in Britain's future and transition to net zero.

Ensuring vital investments can be delivered and realised on the ground, taking steps to see new projects get timely planning approval and be connected to the wider energy grid within a commercially viable timescale.



Recommendations for the first 100 days:

- **Set out a long-term policy approach for the net-zero transition**, with a clear narrative to provide the right conditions to attract the scale of private investment needed to finance Britain's shift towards a sustainable future.



Recommendations for the next five years:

- **Produce detailed policy delivery plans and roadmaps to attract and incentivise investment**, providing clear signals to the market and driving action across the economy. This should include tax incentives, such as R&D credits or tax wrappers for long-term investments, to capitalise on the UK's financial services competitive advantage in innovation and accelerate the net-zero transition.
- **Work with the private sector to build investment roadmaps to create specific, quantifiable, and actionable implementation plans for sectors across the economy** and make the UK an internationally attractive destination for green investment.
- **Advocate for interoperability on sustainability disclosures and reporting standards** to enable the UK to build on its strengths to deliver green and sustainable investments.

Working together to deliver growth

The UK-based financial and related professional services industry is major national employer, a significant contributor to the public purse and enabler of growth across the economy.

To ensure that the industry can make an even greater contribution in these and other critical areas we are calling for the next government to prioritise strong collaboration with us and the regulators.

From creating the right conditions to drive investment right across the UK; empowering regions through devolution; and boosting growth through enhanced trade, investment and regulatory stability, to delivering a coherent, stable and predictable tax regime; and leading the transition to a sustainable future, our industry has an important role to play.

The practical recommendations set out in this manifesto for the next government will, we believe, see us deliver our shared objectives and we look forward to taking these forward.



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