

# INVEST 2035: THE UK'S MODERN INDUSTRIAL STRATEGY

A public consultation issued by the UK Department for Business & Trade  
Comments from ACCA to the UK Department for Business & Trade

**24 November 2024**

**REF: TECH-CDR-2185**

## **About ACCA:**

We are ACCA (the Association of Chartered Certified Accountants), a globally recognised professional accountancy body providing qualifications and advancing standards in accountancy worldwide.

Founded in 1904 to widen access to the accountancy profession, we've long championed inclusion and today proudly support a diverse community of over **252,500 members** and **526,000 future members** in 180 countries.

Our forward-looking qualifications, continuous learning and insights are respected and valued by employers in every sector. They equip individuals with the business and finance expertise and ethical judgment to create, protect, and report the sustainable value delivered by organisations and economies.

Guided by our purpose and values, our vision is to develop the accountancy profession the world needs. Partnering with policymakers, standard setters, the donor community, educators and other accountancy bodies, we're strengthening and building a profession that drives a sustainable future for all.

Find out more at: [www.accaglobal.com](http://www.accaglobal.com)

## **For further enquiries please contact:**

Jessica Bingham ACA FRSA  
Regional Lead, Policy and insights (UK,  
Europe, Eurasia, Middle East & Americas)

[jessica.bingham@accaglobal.com](mailto:jessica.bingham@accaglobal.com)

Joe Fitzsimons  
Senior Policy Manager (UK, Europe,  
Eurasia, Middle East & Americas)

[joe.fitzsimons@accaglobal.com](mailto:joe.fitzsimons@accaglobal.com)

## GENERAL COMMENTS

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ACCA is supportive of what Government is seeking to achieve through the industrial strategy and look forward to reviewing the developed plans as they become available.

When the UK seeks to champion business in an era which is changing forever how businesses operate; how they judge success, and how they measure long-term value, there is much professional bodies, and the UK government can accomplish together. Accountants work in strategically important high-value roles, bringing a breadth of vision and expertise to government, financial institutions, businesses, the public sector and public practice. The future of thriving international trade; of sustainable economic growth which benefits all; and of harmonious commercial relations between nations, depends on the strength of a healthy finance profession – with dedicated people who are devoted to the public good. ACCA's contribution will continue to give the UK – and the world – the accountancy profession it needs.

The Industrial Strategy<sup>1</sup> highlights that the UK's professional and business services operate with a comparative advantage in a market with global demand of \$1.9 trillion. Through provision of essential business sectors and trusted business advisors, it is also an enabler of growth across the economy, helping businesses to raise finance, scale up, export and invest. CCAB data finds that the Accountancy profession contributed £98bn to UK and Irish economies in 2022 alone<sup>2</sup>. The UK exported £4 billion in accounting services in 2022, increasing its share of total UK service exports since 2016 by 0.3% percentage points. The Office for National Statistics Balance of Payments Yearbook<sup>3</sup> 2024 provides a trade balance figure for the accountancy market of £4.9bn. Championing a refreshed understanding of the vital contribution of professional accountants in this changing world will directly contribute to the delivery of two industrial strategy objectives:

- *Support good jobs; and*
- *Unlock investment.*

Not only is accountancy a key sub-sector of 'professional and business services' (one of the eight growth driving sectors) but the profession's work underpins the critical delivery of the seven other sectors identified.

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<sup>1</sup> <https://www.gov.uk/government/consultations/invest-2035-the-uks-modern-industrial-strategy>

<sup>2</sup> <https://www.ccab.org.uk/wp-content/uploads/2024/01/CCAB-Accountancy-Report-WEB-2.pdf>

<sup>3</sup> <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/bulletins/unitedkingdombalanceofpaymentsthepinkbook/2024>

## Skills

Demand for professional finance skills is growing, with many employers unable to recruit the talent they need. Across the wider economy, spending on training has declined amongst a complex skills landscape where employers struggle to navigate training opportunities and funding. Skills development is fundamental to harnessing the opportunities cited by businesses, that include: the use of data and AI; expansion into overseas markets; opportunities in supporting the climate transition and digital transformation. Our qualifications and learning opportunities develop strategic business leaders, forward-thinking professionals with the financial, business and digital expertise essential for the creation of sustainable organisations and flourishing societies.

In June 2024 ACCA published a policy prospectus for the UK<sup>4</sup> setting out clear goals and aims which will help the UK strengthen its position on sustainable business, global trade, AI, and talent retention. To address the skills and employability challenges within the UK, ACCA's four key skills recommendations are as follows:

- Introduce a Skills Tax Credit Pilot which enables SMEs to offset up to £5,000 of the cost of selected accredited training from their tax liabilities.
- Review the career guidance and support landscape in England to identify gaps or weaknesses in provision.
- Review the apprenticeship levy to ensure it is fit for purpose and enable broader uptake of accredited training schemes.
- Ensure that mutual recognition of professional qualifications and trade in services are at the heart of ongoing and future Free Trade Agreement negotiations between the UK and other nations to expand opportunities for exchange of talent and support social inclusion.

ACCA strongly supports apprenticeships as a vital route into the profession. Since our formation, we have provided opportunities for learners from any background to access a career in accountancy and finance. We are concerned about the Government's recent announcement about changes to the L7 Apprenticeship funding regime and the potential negative impact on social mobility into the profession. As Professional and Business Services have been identified as a priority sector in the Industrial Strategy and to ensure that accountancy continues to provide the contribution to the UK economy and the further growth

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<sup>4</sup> [PI-UK-POLICY-PROSPECTUS.pdf](#)

opportunities outlined, we would urge the government to look again at how to continue to support this vital pathway.

We believe that taken together these core policy interventions can further the skills landscape for employers by improving skills provision and access to talent for organisations of all sizes across all sectors.

### **Recruitment of international talent**

ACCA's February 2024 Global Talent Trends<sup>5</sup> research surveyed almost 10,000 professional accountants from 157 countries to ask about the concerns they held around the future of work and aspirations for their careers. Our data indicates that global economic pressures continue to place a huge strain on talent attraction and retention. We found that 58% of professionals plan to ask their employer for a pay rise in 2024 – but 50% believe they will have to leave their organisation to get one. Business confidence in international recruitment capabilities can be driven by an increased number of mutual recognition of professional qualification agreements, as highlighted in the Industrial Strategy.

Professional accountants have endless career opportunities, this is further underlined by our research, which finds that over half expect their next move to be external to their organisation, 45% of those based outside the UK seeking to move internationally at some point in their career, and 15% of those based in the UK expressing the same desire. While this creates an ongoing retention puzzle for employers, it presents opportunities for the UK in attracting key talent from around the world.

### **Research and development**

As detailed in our Autumn Budget 2024 representation to HM Treasury<sup>6</sup>, existing incentives to encourage business investment have had limited success, particularly for SMEs, in times of instability and stretched resources. Innovation can be incentivised by tax reliefs and, in particular, research and development-based tax reliefs (R&D). ACCA strongly supports the UK R&D initiatives to encourage investment, however, to ensure businesses make best use of them and to ensure robust return on investment for the exchequer, improvements are needed to the system.

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<sup>5</sup> <https://www.accaglobal.com/uk/en/professional-insights/pro-accountants-the-future/global-talent-trends-2024.html>

<sup>6</sup> [https://www.accaglobal.com/content/dam/ACCA\\_Global/Technical/consultation-responses/ACCA\\_Budget\\_Representation\\_Autumn\\_2024.pdf](https://www.accaglobal.com/content/dam/ACCA_Global/Technical/consultation-responses/ACCA_Budget_Representation_Autumn_2024.pdf)

It is clear that HMRC's compliance methodology has not worked. The risk to the exchequer of fraud and tax loss is significant. We also see risk to UK business investment and growth and a significant drain on HMRC resources which further negatively impacts on their service. We believe that where these challenges exist, professionally qualified accountants could support a more effective approach. Providing HMRC with additional resources, would help better engage business and their advisors.

Government must ensure that the UK is clear in its promotion of an R&D tax environment. The environment has been impacted by failure to take action against bad players in the market while not supporting those which have conducted business within government aims. Clear and consistent communication on commitment is crucial.

We responded to the upcoming spending reviews with our feedback and research on how the tax system could evolve over the next two parliamentary terms. Our most recent research titled: *Where next for tax and ethics in the 21st century?*<sup>7</sup> suggests that governments need to look beyond profit as the basis of taxing companies and consider their impacts on the environment and society if we want businesses to support a sustainable future. The UK tax environment must remain competitive in the global environment, taking account of approaches across major economic powers such as Singapore.

### **Technology adoption**

Research published earlier this month by Intuit QuickBooks in conjunction with ACCA<sup>8</sup> highlighted the transformative impact of professional accounting and bookkeeping services in UK small and medium sized enterprises (SMEs). Those enterprises with 0-250 employees account for 99.9% of all businesses and contribute approximately £2.4 trillion to the UK market<sup>9</sup>. Professional accountants manage the intricate technical and regulatory aspects of business, enabling SMB owners to focus on growth, build confidence, and enhance overall wellbeing across the board.

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<sup>7</sup> <https://www.accaglobal.com/gb/en/professional-insights/global-profession/policy-taxation.html>

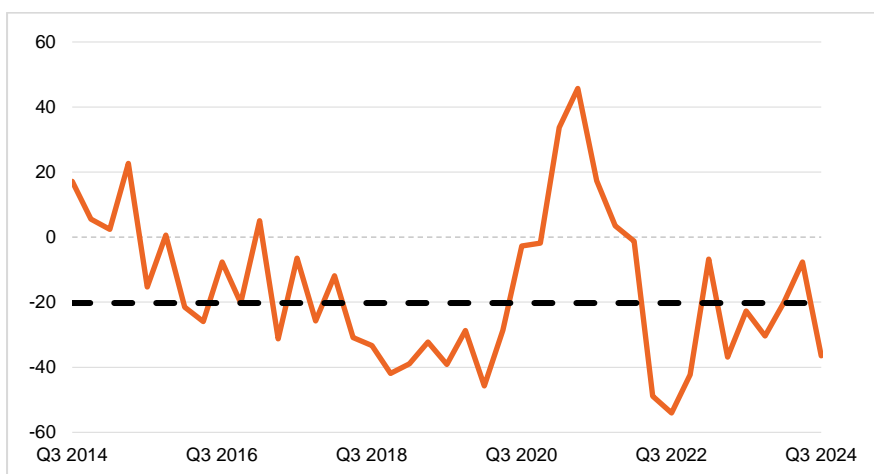
<sup>8</sup> <https://quickbooks.intuit.com/uk/blog/accounting-for-smb-economy-study-2024/>

<sup>9</sup> [https://www.fsb.org.uk/uk-small-business-statistics.html#:~:text=SMEs%20and%20the%20economy&text=SMEs%20account%20for%20three%20fifths,%C2%A32.4%20trillion%20\(53%25\).](https://www.fsb.org.uk/uk-small-business-statistics.html#:~:text=SMEs%20and%20the%20economy&text=SMEs%20account%20for%20three%20fifths,%C2%A32.4%20trillion%20(53%25).)

## Access to finance

Insight from ACCA's Global Economic Conditions Survey<sup>10</sup> (GECS) has highlighted a number of factors affecting SME access to finance over a number of years. Despite a significant fall in the headline confidence index for UK SMEs, there was a marked fall in Q3 2024 of the proportion of respondents reporting problems accessing finance, however, this had risen for the previous two quarters and remains close to its historic average. In place now for over 10 years, the quarterly GECS work remains the world's largest regular survey of accountants, both in terms of the number of respondents and the range of economic variables monitored.

UK SME Confidence - GECS Index



We have additional survey data from UK members which shows that against the backdrop of high inflation, firms are struggling to secure working capital due to a number of factors including rising interest rates. Over half (57%) reported borrowing to manage cash flow and almost half (47%) said that supplier credit is harder to access.

A recent survey of ACCA accountants in the UK demonstrated the scale of the challenges facing small businesses, in particular. Over half (53%) of respondents believe that increased interest costs have negatively affected organisational growth or investment plans, with 49% seeing availability of finance as more difficult than the previous year.

Already effort is invested in encouraging banks to reach out to the SME sector and to provide more suitable financial products to their existing clients, but alternatives to bank lending need to generate similar attention and investment in order to build more complete financing markets for SMEs.

<sup>10</sup> [https://www.accaglobal.com/us/en/professional-insights/global-economics/GECS\\_q3\\_2024.html](https://www.accaglobal.com/us/en/professional-insights/global-economics/GECS_q3_2024.html)

ACCA member feedback indicates that the typical channels for SME finance are trending away from traditional high street banks. While some still recognise high street banks as the most frequent method of securing finance, more are starting to look at alternatives due to lack of access to a dedicated account manager, impersonal service, fixed procedures that do not take account of different types and sizes of business and long complicated processes that can lead to lost opportunities. We are aware of inconsistency in approach and process and decisions are made which are not based on information in the public domain. Some businesses, sectors and those involved in export, including to countries where the UK is currently discussing FTAs, note that, in many cases, the information being requested by the banks asks for customer and trade details and requires SMEs to invest considerable time in collating the information. We understand that the impact of these inconsistencies has driven some to pause on investment.

This is consistent with the British Business Bank's Small Business Finance Market's Report finding that challenger and specialist banks accounted for over half of gross lending to small businesses in 2022. The British Business Bank itself receives praise from members for enabling lending to businesses that would otherwise miss out and for its programmes to support start-up businesses in particular. We are pleased to see the backing of regional investment funds and the rollout of these to additional geographic areas, which we support, and we continue to engage with BBB and highlight their work to our members.

Notwithstanding general challenges facing SMEs accessing finance, there is a need to consider the impact on under-represented groups. Our members report that in their experience, applicants with marginalised characteristics find securing finance more challenging, particularly LGBTQIA+ people, those who speak English as a second language, and those from a lower socio-economic background, citing issues in language/oracy, presumptions about 'lifestyle' businesses, and difficulties presenting a meaningful business case. These factors are compounded by lack of access to networks where people can better understand the processes involved and gain support from experts.

More transparency in this area would be greatly beneficial. ACCA would recommend funders to publish their statistics to show the proportions of funding applications approved, agreed in full, partially agreed or rejected by demographic, for example, gender, ethnicity, type of business. Such statistics might help establish whether there is or continues to be a disparity or whether businesses might be self-selecting out through perception issues. Appropriate action might then be taken by funders or could highlight the need for further legislation in this area.

## Regulation

ACCA believe that a common legal framework is central to economic activity and growth, to enable trade and business to flourish. Effective business law facilitates trade between friends and peers but also across long distances and national boundaries. There are four key tenets or principles of business law that underpin a good environment for doing business<sup>11</sup> these are:

- Simplicity - the laws that govern businesses should be stringent but not complex.
- Openness and transparency - Lawmakers should be open and transparent with businesses when designing and implementing business law.
- Fairness - business law must be applied consistently and equally among business enterprises.
- Accountability - business law should facilitate the accountability of business, fostering trust in businesses.

All of the above need to be considered through the lens of promoting investment.

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<sup>11</sup> <https://www.accaglobal.com/gb/en/professional-insights/global-profession/Tenets-of-good-corporate-reporting.html>



### **1. How should the UK government identify the most important subsectors for delivering our objectives?**

Identifying the foundational sectors for business will enable effective sector-specific strategies that underpin the UK government's growth agenda. Accountancy is both a foundational sector and critical sub-sector of professional business services. The accounting profession makes a significant contribution to the UK economy. In 2022, it is estimated that the profession directly contributed £80.7 billion to UK GDP and was responsible for an estimated tax contribution of approximately £10.1 billion to the UK Exchequer. The accounting profession makes a significant contribution to the UK economy. In 2022, it is estimated that the profession contributed £80.7 billion to UK GDP and was responsible for an estimated tax contribution of approximately £10.1 billion to the UK Exchequer. Therefore, ACCA supports the UK government's identification of professional business services as one of the fundamental high growth sectors within the industrial strategy.

ACCA also encourages government to seek advice from chartered professional bodies to ensure government analysis is up to date. Administrative data used by government departments is often lagged and can be limited by reference to coding systems that don't recognise the complexity of the economy.

### **4. What are the most important subsectors and technologies that the UK government should focus on and why?**

ACCA considers accountancy to be one of the most important subsectors to be focused on. In an everchanging geopolitical landscape it is important to recognise the role of the accountant in enabling entrepreneurship to organisations of all sizes and sectors. In part through their ethical sustainable and innovative contribution to both business and society. The profession is essential for confidence within the market and amongst investors and is therefore a cornerstone of the success of effective investment and efficient financial flows. Research published earlier this month by Intuit QuickBooks highlighted the transformative impact of professional accounting and booking services in UK SMBs.<sup>12</sup> This research underlines the crucial role of the accountancy profession in transforming outcomes for enterprises of every

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<sup>12</sup> <https://quickbooks.intuit.com/uk/blog/accounting-for-smb-economy-study-2024/>

size and demonstrates that more data-driven decision making can lead to growth in revenue for SMBs of 11.5%.

## **5. What are the UK's strengths and capabilities in these subsectors?**

Accountancy is a foundational profession of society – vital to help economies, organisations and individuals grow and prosper. The profession creates robust, trusted financial and business management, combating corruption, ensuring organisations are managed ethically, driving sustainability, and providing rewarding career opportunities. The UK is the leading country with regards to good corporate governance. It is an essential component for both financial and economic stability and sustainable growth, as it aims to enhance transparency, accountability, and the integrity of the organisation. It supports companies and organisations in their long-term performance and in building resilience and maintaining trust.

### **Questions 6 & 7:**

**6. *What are the key enablers and barriers to growth in these subsectors and how could the UK government address them?***

**7. *What are the most significant barriers to investment? Do they vary across the growth-driving sectors? What evidence can you share to illustrate this?***

### **Uncertainty in the regulatory environment**

ACCA conducts a Global Economic Conditions Survey every quarter, the most recent results from Q3 2024<sup>13</sup> suggests that global confidence among accountants and finance professionals declined moderately in Q3 and is now at its lowest since Q4 2023 and slightly below its historical average. The global risks section asked accountants to rank their top three risk priorities. Regulatory change was the top concern for the second quarter running for respondents in financial services, while the economy remained well out in front for those in the corporate sector.

However, when examining the UK data, confidence among UK SMEs fell extremely sharply in Q3 2024 and is now at its lowest since Q2 2023. There was also a very significant jump in the

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<sup>13</sup> [https://www.accaglobal.com/us/en/professional-insights/global-economics/GECS\\_q3\\_2024.html](https://www.accaglobal.com/us/en/professional-insights/global-economics/GECS_q3_2024.html)

proportion of respondents reporting increased operating costs, taking the index to its highest since Q3 2023.

The results appear to be out of line with improving economic data this year, both with regard to activity and inflation, and likely reflected business concerns about anticipated policy changes and tax rises at the recent Budget on October 30th, where the Chancellor warned about the need for tough decisions. Indeed, developments with our other key activity indicators were much less downbeat. There was a moderate fall in the New Orders Index, and a slight decline in the Employment Index. Meanwhile, there was a large improvement in the Capital Expenditure Index, although it remains at a low level by historical standards.

Looking at the early indicators of corporate stress, the proportion of respondents citing problems accessing finance fell sharply and is now below its historical average. This may reflect the improvement in global financial conditions since last autumn, as well as the beginning of rate cuts by the Bank of England. By contrast, problems securing prompt payment and concerns about customers and suppliers going out of business all rose, although they are all around their historic averages.

### **Good corporate governance**

High quality corporate governance drives performance and accountability and the UK remains a global leader when it comes to corporate governance, with countries around the world looking to UK leadership. While the legislative frameworks can help achieve a minimum standard in governance practice, governments should show strong support for voluntary measures, which improve transparency and the adoption of internationally accepted corporate governance principles. The enforcement of superficial targets is no substitute for a principles-based approach to corporate culture based on a well-defined purpose, set of values and vision that is put into practice and verified regularly.

Additionally, ACCA call on Government to consider proposals to increase the effectiveness of Stewardship Codes to ensure investors comply. These should include, but are not limited to:

- Encouraging all institutional investors to disclose the extent to which they have complied with the Code;
- Notifying the relevant regulatory body when they have done so and whenever the statement is updated;

- To name in the statement an individual who can be contacted for further information and by those interested in collective engagement.

### **Simplification of the tax system**

With regards to enabling growth ACCA calls for strengthening action and accountability for tax simplification, leveraging on the principles of simplicity, certainty and stability as the foundations for a sound tax system. It is crucial to emphasise simplicity in the upstream development of policies, involving taxpayers and integrating their lived experiences and data points and advancing in digitalisation efforts. A streamlined tax system not only helps in avoiding errors but also enhances compliance, reducing potential enquiries that frequently distract HMRC from addressing serious and deliberate evasion, which can negatively impact effectiveness and trust. Our concern persists in the light of the dissolution of the OTS. Previously, the OTS played a crucial role in offering independent external advice to the government. However, it remains uncertain how other government entities will carry forward this vital engagement work, encompassing not only the simplification of the current tax regime but the prevention of new complexities. While we acknowledge a commitment to publish a report on progress, there is an immediate need for additional details on the development, delivery and measurement of tax simplification actions. It is advisable to incorporate new technology into this process for enhanced efficiency and effectiveness.

### **Questions 8 & 9:**

**8. *Where you identified barriers in response to question 7 which relate to people and skills (including issues such as delivery of employment support, careers, and skills provision), what UK government policy solutions could best address these?***

**9. *What more could be done to achieve a step change in employer investment in training in the growth-driving sectors?***

As detailed in our 2024 skills policy paper, 'policies for enhancing the employer ecosystem'<sup>14</sup> industries from professional services to manufacturing face a critical talent shortage, exacerbated by an ever-widening skills gap. Expansion in the range of education and skills

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<sup>14</sup> <https://www.accaglobal.com/gb/en/professional-insights/pro-accountants-the-future/skills-development.html>

provision, such as T Levels<sup>15</sup> and Skills Bootcamps<sup>16</sup>, in addition to more established routes to qualification, such as apprenticeships or university degrees, has created a wider range of choices for both individual learners and employers.

One of the unintended consequences of this expansion, though, has been added complexity, including across devolved nations – leaving both employers and individuals struggling to navigate upskilling opportunities, which are key to economic growth and productivity. To address this challenge ACCA has called for the Introduction of a Skills Tax Credit Pilot. This targeted incentive will empower organisations currently eligible for the Employment Allowance to begin bridging the gaps they face in digital, sustainability and financial competence skills by offsetting up to £5,000 of the cost of selected accredited training from their tax liabilities. By addressing the impact of chronic under-investment in training, this approach would drive economic growth and productivity, the global competitiveness of the UK as a country in which to do business and support individual staff retention and growth within organisations.

As detailed in the earlier skills section of this document, we also call on government to consider the following policy interventions:

- Review the career guidance and support landscape in England to identify gaps or weaknesses in provision.
- Review the apprenticeship levy to ensure it is fit for purpose and enable broader uptake of accredited training schemes.
- Ensure that mutual recognition of professional qualifications and trade in services are at the heart of ongoing and future Free Trade Agreement negotiations between the UK and other nations to expand opportunities for exchange of talent and support social inclusion.

**10. Where you identified barriers in response to question 7 which relate to RDI and technology adoption and diffusion, what UK government policy solutions could best address these?**

As detailed in response to questions 8 and 9 ACCA believes that policy intervention directed at increasing employer investment in skills across the workforce can best address some of the challenges facing technology adoption and diffusion across the UK.

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<sup>15</sup> <https://www.tlevels.gov.uk/>

<sup>16</sup> <https://www.skillsforcareers.education.gov.uk/pages/training-choice/skills-bootcamp>

**11. What are the barriers to R&D commercialisation that the UK government should be considering?**

R&D is not just a tax but an investment and legal framework and in terms of fiscal support we do not see it sufficiently achieving its goals. In creating a framework for growth, ACCA urges the government to pilot an enhanced role for professional agents in R&D tax claims to enable HMRC to focus on targeted engagement.

Innovation is incentivised via tax reliefs and in particular research and development-based tax reliefs (R&D). We strongly support the UK R&D initiatives to encourage investment, however improvements are needed to the system. Specifically, whilst reform has helped to drive out some unscrupulous operators, we have heard feedback that it is also increasingly challenging for small businesses to access R&D credit. There are clearly challenges in HMRC's approach to processing claims. Professionally qualified accountants could support a more effective approach. For example, making this a reserved area and improving procedures, as well as providing HMRC with additional resources, would help better engage business and their advisors.

Decisions by businesses about their planned investment and innovation are often taken with a long-term view. Too often decisions taken by the UK Government about the operation of incentives linked to innovation are made on a short-term basis. We recommend that any changes in this area are phased in to give the businesses the time to plan appropriately.

**Questions 12 & 13**

***12. How can the UK government best use data to support the delivery of the industrial strategy?***

***13. What challenges or barriers to sharing or accessing data could the UK government remove to help improve business operations and decision-making?***

Improved access to data has the potential to enable government to create an environment where business have better access to high quality data, which can drive enhanced efficiency and productivity as well as encouraging greater innovation. The regulatory environment can present a range of challenges for organisations particularly in navigating complexity. Improved sharing of data between government departments and use of that data would be a significant improvement and bring a broad range of benefits.

**19. How can regulatory and competition institutions best drive market dynamism to boost economic activity and growth?**

In our response to the UK Corporate Governance Code Consultation<sup>17</sup> we welcomed the key changes proposed to get boards more active in building resilience and reporting on how they do this. The overarching purpose of these changes were to encourage companies to provide more transparency about whether they can conclude that risk management and internal controls are effective over the 12-month reporting period. In the context of increasing importance of non-financial reporting, it is essential that boards are tasked with ensuring the continuous monitoring of the organisation's governance framework, and that the process for doing so is clearly defined and communicated across all operations.

This is one of many examples where refinement and clarification of existing codes of practice and regulations assists in boosting confidence through market transparency and trust. As stated above, ACCA encourages government to seek advice from chartered professional bodies to ensure government analysis is up to date. Administrative data used by government departments is often lagged and can be limited by reference to coding systems that don't recognise the complexity of the economy. With accountants being a cornerstone of the economy and working in the interest of public good, we are well positioned to engage on regulatory developments.

**20. Do you have suggestions on where regulation can be reformed or introduced to encourage growth and innovation, including addressing any barriers you identified in question 7?**

**Sustainability and net zero regulation**

The industrial strategy needs to drive policies, regulations and standards that deliver prosperous, ethical and sustainable organisations.

Standards need to be as consistent internationally as possible to attract new investment to the UK and bolster the export of business services through a global workforce. ACCA welcomed the Chancellor's recent Mansion House speech as a comprehensive sustainable finance package covered sustainability disclosures and the adoption of the internationally

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<sup>17</sup> [TECH-CDR-2061 FRC UK Corporate Governance Code Consultation ACCA Response September 2023.pdf](#)

interoperable International Sustainability Standards Board reporting standards. ACCA is leading the profession worldwide in inspiring, educating and ensuring that professional accountants are essential drivers of a sustainable future for business, society and the planet. ACCA has previously called on the UK government to establish the UK as a champion in sustainability reporting through adopting the International Sustainability Standards Board standards into UK law and ensure necessary corporate governance requirements to drive accountability on commitments. It does, however, need to be recognised that the UK's climate reporting policy should ensure all businesses, but particularly micro and small businesses, have good support to understand, measure, disclose and reduce their carbon emissions.

Further, considering the announcements pertaining to transition planning, the UK is a leader on many aspects of sustainability, there is undoubtedly more to do to meet our climate ambitions. The industrial strategy should illustrate support for businesses to prepare for change by developing a clear roadmap to achieving net zero in the UK, including fiscal change and support for business.

Further, in adopting the 'Think Small First' principle<sup>18</sup> the UK government needs to ensure business guidance is proportionate, practical and achievable for smaller firms.

## **Technology**

Emerging technology is a key enabler for businesses and their accountants, with the potential for significant opportunities from innovation – a key part of which is AI. The UK is well positioned to take advantage of these opportunities, but it requires a balanced approach spanning practical use cases, ethics, skills and regulation. We ask that government:

- Support the development of an ecosystem for trustworthy AI within the context of a clear, prescriptive government led regulatory framework;
- Use global networks and partnerships to raise awareness of the UK's AI initiatives and approach; and support inter-operability and harmonisation of standards across jurisdictions wherever possible;
- Advocate for a multi-stakeholder approach that allows for an inclusive, society-wide voice to inform the approach to AI regulation and its deployment; and

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<sup>18</sup> <https://www.accaglobal.com/uk/en/professional-insights/global-profession/thinking-small-first.html>



- Focus training incentives for businesses and the workforce, on productivity-boosting outcomes, such as leading adoption of digital innovation, including AI.

**21. What are the main factors that influence businesses' investment decisions? Do these differ for the growth-driving sectors and based on the nature of the investment (for example buildings, machinery and equipment, vehicles, software, RDI, workforce skills) and types of firms (large, small, domestic, international, across different regions)?**

Supporting sustained, inclusive and sustainable economic growth is key to meeting the UK's potential. A wide range of factors influence investment decisions for organisations of all sizes – particularly for SMEs who need support and encouragement to invest, innovate, grow and expand both domestically and internationally. In order to achieve this, government must foster a more certain, long-term approach to support and incentives, as short-term incentives do not present business with the certainty they need and therefore have limited success.

ACCA has previously welcomed the UK government's commitment to full expensing for the lifetime of the parliament. However, to allow businesses to plan effectively we have also encouraged government to consider fixing other thresholds, like corporation tax rates. We strongly support the UK R&D initiatives to encourage investment, however, to ensure businesses make best use of them and to ensure robust return on investment for the exchequer, improvements are needed to the system. Restricting this activity to professionally qualified accountants could support a more effective approach.

As detailed in the skills section of this response, we have recommended the introduction of a Skills Tax Credit Pilot, which would incentivise training in key areas such as AI and sustainability. This targeted pilot would further boost small business investment in skills and training that will help drive productivity in the economy, and should build on reforms to the Apprenticeship Levy, where there is consensus that the scheme is not working for employers.

To maximise business buy in linked to the UK's international trade opportunities, government must invest in improved advice for businesses, especially in key sectors, on the opportunities provided by and the operational requirements of new and existing FTAs (such as CPTPP) as well as exploring how a pooled arrangement for small business trade credit insurance could be more effective for small firms.

**22. What are the main barriers faced by companies who are seeking finance to scale up in the UK or by investors who are seeking to deploy capital, and do those barriers vary for the growth-driving sectors? How can addressing these barriers enable more global players in the UK?**

In September 2023, ACCA responded to a Call for Evidence on Industry Issues, Regulatory Issues and Government Policy Issues relating to access to finance<sup>19</sup>. ACCA takes a strong interest in business practices, including payment practices, both for business our members work in, but also the businesses they support. We regularly engage with our members through discussions, surveys and webinars, as well as roundtables, including some with successive Small Business Commissioners. Based on the insight from our members, we believe that SME access to finance remains a complex and challenging marketplace.

Small and Medium sized organisations are exceptionally time-poor but face significant challenges in accessing to finance in the UK. The challenge hinders cashflow throughout supply chains, ultimately leading to devastating consequences for SMEs.

Late payment is persistent problem in the UK, hindering cashflow throughout supply chains and ultimately leading to devastating consequences for SMEs. While progress has been made through introduction of regulations, change takes time to embed. We recently responded to the government's consultation on Amendments to the Payment Practices and Performance Regulations 2017<sup>20</sup> and are concerned that removing the regulations too early could see a return to poor practice.

Banks remain the most significant source of external finance for formal small firms, bank finance is generally only available to those businesses that can offer collateral or a strong record of generating profit. This leaves out a sizeable proportion of the SME population, including those in the informal sector, and at the other end of the scale, those with high growth ambitions and mostly intangible assets in need of large investments.

Rightly, much effort is invested in encouraging banks to reach out to the SME sector and to provide more suitable financial products to their existing clients, but alternatives to bank lending need to generate similar attention and investment in order to build more complete financing markets for SMEs.

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<sup>19</sup> <https://www.accaglobal.com/gb/en/technical-activities/technical-resources-search/2023/september/Call-evidence-Industry-Regulatory-Government-Policy-Issues-access-finance.html>

<sup>20</sup> <https://www.accaglobal.com/uk/en/technical-activities/technical-resources-search/2023/april/Consultation-amends-payment-practices-performance-regs-2017.html>

## **Questions 23 & 24**

***23. How can international partnerships (government-to-government or government-to-business) support the industrial strategy?***

***24. Which international markets do you see as the greatest opportunity for the growth-driving sectors and how does it differ by sector?***

The value of exports of accounting services from UK firms reached £1.7bn in 2022, up from £1.6bn on the previous year, and is vital to the development of accounting skills globally.<sup>21</sup> The global headquarters of three of the 'Big Four' accounting firms are all located within the UK. The future of thriving international trade; of sustainable economic growth which benefits all; and of harmonious commercial relations between nations, depends entirely on the strength of a healthy finance profession – with dedicated people who are devoted to the public good. ACCA's contribution will continue to give the UK – and the world – the accountancy profession it needs. In this regard we are calling on the UK government to champion the role of professional accountants in creating and delivering value across the world.

ACCA has several key recommendations to enable international partnerships to best support the industrial strategy. Firstly mutual recognition of professional qualifications and trade in services are at the heart of ongoing and future Free Trade Agreement negotiations between the UK and other nations to expand opportunities for exchange of talent and support social inclusion.

ACCA has identified a number of priority geographies where there is significant opportunity for mutual recognition – these areas are detailed in the general comments section of this document.

Mutual recognition of professional qualifications supports the industrial strategy as it strengthens the UK's competitiveness, expands the workforce – addressing attraction and retention issues, fosters international collaboration and boosts innovation and diversity of thinking.

Secondly, alignment with the global sustainability reporting standards alongside consideration of the EU Corporate Sustainability Reporting Directive (CSRD). There needs to be greater collaboration between the EU and wider markets in order to reduce fragmentation and the costs of sustainability related reporting. Aligning CSRD sustainability standards with those of

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<sup>21</sup> [UK ranked second for global accounting services | Business & Accountancy Daily](#)

the International Sustainability Standards Board is crucial. Interoperability of EU regulations with relevant global standards is key to driving a successful green transition.

Finally, government needs to advocate for a proportionate sustainability related reporting regulatory burden on SMEs within the EU. ACCA called on the EU parliament in our priorities for 2024-2029 to limit any new legislation pertaining to sustainability reporting for SMEs, to what is necessary, proportionate, and fit for purpose.<sup>22</sup>

**25. Do you agree with this characterisation of clusters? Are there any additional characteristics of dimensions of cluster definition and strength we should consider, such as the difference between services clusters and manufacturing clusters?**

ACCA agrees with the characterisation of the clusters. However, many industry hubs do not fully utilise their educational links. There are opportunities for authorities and government departments to upskill and draw people into regions, bearing in mind that investors (not including manufacturing) are mobile and not as tied to a location as they once were.

**28. How should the industrial strategy accelerate growth in city regions and clusters of growth sectors across the UK through local growth plans and other policy mechanisms?**

At whatever level of national, regional or local tier of government, there needs to be a steady hand on finances, with proper audit and corporate governance processes.

While local plans and other policy mechanisms that are enacted the combined or local authority level empower places to more effectively divert money and resources to where it's needed most, there remains the same complexity of understanding the local economy that also exists on a larger scale for national government. Appropriate processes need to be put in place to ensure that decisions benefit places and not just those that have the loudest voices or the greatest access to decision makers.

For city regions and clusters, it is critical that they reflect the requirements of their whole ecosystem and not be too diverted by the short-term needs of individual businesses. For example, we have in the past raised concerns with the Department for Education about the implementation of local skills reports and local skills improvement plans, given their use of administrative data. Accountancy is both an industry sector in its own right through

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<sup>22</sup> [ACCA-priorities-for-the-EU-2024-2029.pdf](#)

accountancy practices, but it is also an important component of most medium to large organisations, public and private, across the breadth of the economy. As such crude analyses of data by Standard Industrial and Standard Occupational Classifications can provide a misleading picture of ours and other professions.

**29. How should the industrial strategy align with devolved government economic strategies and support the sectoral strengths of Scotland, Wales and Northern Ireland?**

It is crucial to ensure that there is a role for devolved regions and nations to reflect devolution settlements and there be meaningful and valued contribution from the new Council of the Nations and regions.

The Scottish government's strategy is centred on equality, community, and opportunity through a mission-driven approach, this supports the UK governments approach and aligns with ACCA's calls for consideration around access to finance for unrepresented communities.

The Welsh government's 2023 Economic Mission outlined its priorities to achieve a more prosperous, greener and a more equal economy. The Welsh government has also identified priority sectors: compound semiconductors, cyber security, fintech, high value manufacturing, life sciences, renewables, creative industries and food and drink. Sectors where accountancy continues to play a cross-cutting and value adding role. Investing for growth remains a key theme throughout the devolved nations.

We wish to see a continuation - and deepening - of the partnership working approach seen in 2023 on freeports and investment zones, . to reflect the specific policy context, governance, and economic landscape in Wales and the UK. A strong and collaborative approach will benefit the Welsh and the wider UK economy.

ACCA have had member feedback linked to the restoration of the Northern Ireland Assembly, expressing the view that this brings greater political stability and boosts both local and international confidence. This positive environment is perfect for business investment, and the industrial strategy recognises this, proposing a roadmap to attract such investment and to create the best environment for businesses in Northern Ireland to thrive.

### **30. How can the Industrial Strategy Council best support the UK government to deliver and monitor the industrial strategy?**

Ensuring accountability and cooperation with other departments such as HMRC will be key to a holistic perspective in delivery and assessment of industrial strategy success. ACCA is pleased with the cross departmental approach which should ensure that strategy and policy objectives align. However, it is also crucial that industrial, trade and business strategies align. We also encourage government to build on the principles of simplicity, certainty and stability as the foundations for a sound policy development.

### **32. How can the UK government improve the interface between the Industrial Strategy Council and government, business, local leaders and trade unions?**

ACCA is keen to see how the interface between the Industrial Strategy Council, Government and wider stakeholders including business, local leaders and trade unions evolves. At present we see a clear role for devolved regions and nations in this, to reflect devolution settlements.

In terms of wider government interactions with business it's important to recognise the importance of simplicity across the procurement process on the 'Think Small First' basis.<sup>23</sup> As detailed in the general comments section of this document, through provision of essential business sectors and trusted business advisors, the accountancy profession is also an enabler of growth across the economy, helping businesses to raise finance, scale up, export and invest. CCAB data finds that the profession contributed £98bn to UK and Irish economies in 2022 alone.<sup>24</sup> Our purpose sets out the value we seek to create for society. The idea of opening up the profession, doing things differently and better, and never losing sight of our public interest remit remain at the centre of everything we do.

### **35. How would you monitor and evaluate the industrial strategy, including metrics?**

ACCA highlights the need for clear and measurable outcomes in the final strategy or supporting plans. Accountants working across firms and organisations of all sizes are in continuous dialogue with business across the full range of industries. They support those organisations in navigating the challenges and opportunities they are presented with to achieve strategic objectives and growth. Accountants have a key role to play in supporting

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<sup>23</sup> <https://www.accaglobal.com/uk/en/professional-insights/global-profession/thinking-small-first.html>

<sup>24</sup> <https://www.ccab.org.uk/wp-content/uploads/2024/01/CCAB-Accountancy-Report-WEB-2.pdf>

government with monitoring and evaluating the industrial strategy, as well as facilitating and encouraging business-government collaboration. The unique skills and competencies held by professional accountants make them crucial to this process.

Our members can provide government with a clear view of corporate health and economic activity through ensuring transparent and trustworthy reporting. The data that accountants facilitate and report on continues to impart information on key factors and indicators of economic performance. As detailed in response to questions 6 and 7, ACCA conducts a Global Economic Conditions Survey every quarter, this delivers insights, identifies trends around business confidence, sets out business and CFO priorities and provides early warning signs and indicators of corporate and economic stress. Confidence is key to ensuring business can grow and prosper within the wider economy. Continuous monitoring of job vacancies, in demand jobs, skills gaps and training uptake across specific regions of the country will also be key to effective monitoring and evaluation of the industrial strategy.