

Rt Hon Philip Hammond MP  
Chancellor of the Exchequer  
HM Treasury  
1 Horse Guards Road  
London, SW1A 2HQ

17<sup>th</sup> October 2016

Dear Chancellor,

We wanted first to thank you for taking the time out of your busy Conference schedule to join us at our Business Groups reception with the Enterprise Forum-in Birmingham. Your words and indeed your speech were welcome reminders that the Government remains unambiguously pro-business, pro-enterprise and ready to take the decisions that boost the economy.

In the light of the vote to leave the EU, our members are now facing an uncertain future, which is why your announcement to safeguard EU multi-year funding was welcome. Whilst for some, such as small businesses, the dip in business confidence clearly predated the outcome of the EU referendum, the additional uncertainty created as a result of our departure from the EU has exacerbated the economic headwinds businesses are facing. While, broadly, British business remains cautiously optimistic about the next year or two, we know that many companies are putting off big investment decisions until there is more clarity on our future relationship with the EU. In that context, the Autumn Statement is a crucial chance for you to encourage businesses to make those investments in the coming year, delivering productivity benefits now and in the future.

A recent survey undertaken by the IoD makes clear one policy lever which would have an immediate effect. Changes to the Annual Investment Allowance, lowered to £200,000 from £500,000 in 2015, had a cooling effect on investment in the UK. It stands to reason, therefore, that increasing the Annual Investment Allowance to £1 million would be a significant and well-timed boost to the economy. Overall, more than a quarter of IoD members believe such a move would improve the likelihood of making an investment over the next year. But more interestingly, that figure rises to 40% for firms with turnovers between £2 - £10 million, and to 44% for those between £10-20 million. These firms represent some of the most ambitious, growth-oriented firms in the UK, and their response to the IoD survey suggests that a more beneficial investment regime at home would give them the nudge to overcome their uncertainty after the vote to leave and make big investment decisions.

The great strength of the British business representative bodies is that we represent different constituencies within the business landscape, itself wonderfully varied. While, as a general rule, FSB represents smaller members than the IoD, the benefits to small firms in the supply chain of those larger, and investing, businesses are significant. It's for that reason that we have joined together to call for this welcome change.

As we have all said separately, we are very keen to support you in your work over the coming years, and we look forward to a constructive relationship heading into the Autumn Statement and beyond.

Yours,



Chief Economist and Director of Policy  
Institute of Directors



National Policy Director  
Federation of Small Businesses