

Weekly policy update from the London Chamber of Commerce and Industry

A round-up of key policy changes from the past seven days (27 January - 2 February 2025)

Chancellor Outlines Economic Growth Plans

Chancellor of the Exchequer Rachel Reeves delivered a speech in Oxfordshire on economic growth. The Chancellor has outlined the Government's economic growth strategy, which focuses on stability, reform, and investment. She confirmed that the Planning and Infrastructure Bill will be introduced in the spring to streamline significant developments, including energy projects, housing, and transport. Reeves also announced investment in the Oxford-Cambridge arc, positioning it as Europe's "Silicon Valley," alongside a commitment to reset UK-EU relations and restart trade talks with India. She signalled visa reforms to attract talent in high-growth sectors and reiterated the Government's focus on a pro-business regulatory environment.

The Chancellor detailed new investment commitments, including National Wealth Fund support for EV charging (ConnectedKerb) and critical minerals (Cornish Metals), as well as unlocking offshore energy opportunities. She confirmed backing for regional infrastructure projects, such as the Lower Thames Crossing, South Yorkshire airport city at Doncaster-Sheffield Airport, and an advanced manufacturing logistics park at East Midlands Airport. Capital spending will rise to 2.6% of GDP, surpassing previous plans, with rail upgrades across northern England and a new metro system for West Yorkshire. She also confirmed support for redeveloping Old Trafford in Manchester and investments in Greater Manchester and Glasgow.

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Government backs Heathrow expansion

The Chancellor has announced support for a third runway at Heathrow as part of the Plan for Change, which is expected to generate over 100,000 direct jobs and strengthen the UK's connectivity with lower fares and reduced delays, all while meeting legal, environmental, and climate standards. Speaking at Siemens in North Oxfordshire, Rachel Reeves confirmed that the Airports National Policy Statement would be reviewed to guide the development process. This support is part of a broader initiative that includes airport expansions at Gatwick, Luton, and Doncaster Sheffield, as well as additional investments in infrastructure and clean energy. Reeves emphasised the importance of addressing regulatory barriers to stimulate economic growth across the country and urged proposals to progress by summer, with private-sector funding covering surface transport costs. She announced £63 million to address environmental concerns in financing sustainable aviation fuels. Closing her remarks, Reeves reiterated that economic growth remains the Government's top priority, promising further reforms to unlock investment and ensure shared prosperity across the UK.

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Mayor of London Statement on Heathrow Expansion

The Mayor of London, Sadiq Khan, has reiterated his opposition to a new runway at Heathrow, citing concerns over increased noise, air pollution, and the challenges of meeting climate change targets. He stated that any forthcoming proposals will be carefully scrutinised, with particular attention to their impact on local communities and the wider transport infrastructure. Khan emphasised that while the aviation sector has made strides toward sustainability, he remains unconvinced that accommodating hundreds of thousands of additional flights annually can be achieved without significant environmental repercussions.

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Government Outlines 10-Year Infrastructure Strategy

HM Treasury has released a working paper detailing plans for a 10-year Infrastructure Strategy to reduce investment uncertainty and support economic growth. The strategy will provide a long-term framework for social, financial, and housing infrastructure while clarifying the role of public financing institutions like the National Wealth Fund. By aligning with broader initiatives such as the industrial strategy, the plan seeks to enhance productivity, boost investment, and deliver improvements in housing, clean energy, and public services.

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‘Global Growth Team’ Appointed by Trade Secretary

The Trade Secretary announced the appointment of a new ‘global growth team’ of 32 UK Trade Envoys drawn from across the political spectrum, each assigned to target markets on six continents to drive exports and investment under the Government’s Plan for Change. The Envoys will use their expertise to identify trade opportunities, promote the UK as a prime investment destination, and support the upcoming Trade Strategy—which aims to rebuild ties with the EU and explore new markets globally—while Business and Trade Secretary Jonathan Reynolds emphasised that trade and investment are crucial for economic growth.

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Businesses to Gain Access to Pension Surpluses

The Government plans to unlock £160 billion in surplus corporate pension funds to drive investment in the UK economy. The proposed reforms will ease restrictions on how businesses can utilise pension surpluses, a move backed by former Chancellor Jeremy Hunt. However, some advisers remain cautious about the potential uptake, citing existing tax rules that may limit the scheme’s effectiveness.

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Sir Keir Starmer Pledges to Embed Growth in Government Decisions

Prime Minister Keir Starmer told business leaders that economic growth would be “hardwired” into all Cabinet decisions, with ministers required to demonstrate the growth impact of new policies. The Times reports that this directive aims to ensure a unified pro-growth approach across the Government, reinforcing Labour’s commitment to economic stability and investment.

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Business and Trade Committee opens first inquiry on industrial strategy

The Business and Trade Committee (BTC) has launched its first inquiry into the UK’s Industrial Strategy, examining the optimal mix of public and private investment to meet the Government’s growth targets. The inquiry will assess how investment decisions are made and develop criteria to track the strategy’s progress from design to implementation. Committee Chair Liam Byrne highlighted the importance of understanding how the strategy will contribute to the Prime Minister’s economic ambitions.

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FRC launches campaign to support UK SMEs

The Financial Reporting Council (FRC) has launched a year-long campaign to help UK SMEs access audit services, reduce reporting burdens, and improve their ability to secure capital and scale. The initiative includes a market study on SME audit challenges, new guidance to ensure proportionate auditing, and support materials for SME owners. The FRC will engage with SMEs, auditors, and capital providers, with early findings expected in spring 2025. A consultation on amendments to Financial Reporting Standard (FRS) 101 is also underway until 7 March to simplify financial reporting.

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Chancellor Considers New EU Customs Approach

Rachel Reeves has indicated that the Government is open to exploring membership in the Pan Euro Mediterranean Convention (PEM) as part of a broader reset in its relationship with the EU. Reeves explained that they are willing to consider new proposals, given that the current deal does not adequately support small and large businesses. She added that while the Government is receptive to constructive ideas for enhancing trade arrangements, any new agreement would have to respect the red lines outlined in their manifesto.

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