FINANCIAL & PROFESSIONAL SERVICES

MACRO ANALYSIS

The Conservatives' manifesto is a much longer document than Labour's will be later this week. Nonetheless the essential pitch can be summarised in two words: tax cuts. There are an estimated £17 billion worth of tax cuts outlined in the manifesto to be implemented over the next parliament. They range from further reductions to national insurance to abolishing stamp duty for young home buyers. The proposals are vaguely costed but Rishi Sunak's main objective is not to demonstrate their feasibility. He seeks to create dividing lines with Labour over tax, often a vote winner for the Conservatives in the past. This time the electoral context is bleak for him and his party. Privately senior Tories are in despair about their prospects and fear the manifesto will not be a game changer.

Steve Richards, Senior Adviser

POLICY ANALYSIS

Pensions at heart of Conservatives core vote strategy

Unsurprisingly financial and professional services (FPS) does not sit at the centre of today's Conservative manifesto. There is little 'new news' for the sector, although like Labour a Conservative Government will rely on FPS to help people to save for their retirement, drive investment in UK infrastructure, support the transition to NetZero, and fuel economic growth.

Pensions continue to take centre stage in the election campaign. At today's manifesto launch, Rishi Sunak attempted to use pensions as a political dividing line, claiming that Labour's plans for pensions "will make people poorer".

Therefore, the Conservative manifesto makes a clear commitment not to introduce any new taxes on pensions, maintain the 25% tax free lump sum, and tax relief on pension contributions at their marginal rate. As well as repeating the Conservatives key pensions campaign announcement on the 'Triple Lock Plus', ensuring that the state pension and tax-free allowance for pensioners will rise with either inflation, wages or 2.5%.

Beyond the pensions commitments we were expecting there is very limited detail on the Conservatives plan for financial services. This is because much of it is already in train through the Financial Services and Markets Act (2003), that has created the post-Brexit UK regulatory framework for financial services, payment services and financial market infrastructure; the Edinburgh Reforms; and most recently announced Mansion House Reforms.

The manifesto makes a nod to the FinTech sector and FPS supporting "employment of almost 2.5 million people." It makes a commitment to maintaining The City's position as a leading global financial centre – many in the sector would argue all political parties need to do more – plus references the sale of NatWest shares and consumer protections.

In conclusion, the manifesto points to a business-as-usual approach for FPS should the Conservatives win the general election. On pensions it points to a further commitment to older voters, which has the potential to exacerbate accusations of intergenerational unfairness. The more cynical will argue it points to a Conservative party that has been in government for 14 years, is being squeezed by Reform, and is trying to shore up a core segment of its voter base.

To discuss WA's manifesto analysis and what it means for your organisation, please email **Tom Frackowiak**, Head of Financial & Professional Services at **tomfrackowiak@wacomms.co.uk**.

HEADLINE POLICY ANNOUNCEMENTS

Pensions:

1. Continuing to uprate the State Pension in line with the highest of prices, earnings or 2.5%. On current forecasts, this will mean the new State Pension increases by a further £430 in April next year to £11,970; and increases by £1,685 a year to £13,200 by the end of the Parliament.
2. Ensuring that from next year the taxfree personal allowance for pensioners also rises by the highest of prices, earnings or 2.5%, guaranteeing that the new State Pension is always below the tax-free threshold. From April 2025, we will increase the personal allowance for pensioners by introducing a new age-related personal allowance. This is a tax cut of around £100 for eight million pensioners next year – rising to £275 a year by the end of the Parliament.
3. Not introducing any new taxes on pensions. We will maintain the 25% tax free lump sum and maintain tax relief on pension contributions at their marginal rate. We will not extend National Insurance to employer pension contributions.
4. Bringing forward measures so that War Pensions and Armed Forces Compensation Scheme awards are not counted as income for the purpose of benefits and pensions.

Financial Services Sector:

5. Building on the policies set out in the Edinburgh Reforms so that the UK continues to be the world's most innovative and competitive global financial centre.
6. Support The City of London's position as the leading global market through the implementation of the Mansion House reforms and measures such as a retail sale of NatWest shares.
7. Maintain the highest standards of consumer protection and prudential regulation to ensure there can never be a repeat of the banking crisis under the last Labour Government.

SME Finance:

8. Work with the British Business Bank and private sector fund managers to secure a £250 million Invest In Women Fund to support female entrepreneurs.
9. Promote digital invoicing and improve enforcement of the Prompt Payment Code to support small businesses with the perennial challenge of cashflow, building on our creation of the Small Business Commissioner with powers to tackle unfavourable payment practices.
10. Ensure that Basel III capital requirements do not inhibit lending to SMEs.
11. Improve access to finance for SMEs including through expanding Open Finance and by exploring the creation of Regional Mutual Banks.

WA ADVISORY BOARD ANALYSIS

The manifesto commits to 'building on' the Edinburgh reforms outlined by the chancellor, Jeremy Hunt in December 2022. It does not specify what form the building might take. But with the enthusiastic support of Sunak, Hunt made clear- when proposing a lighter regulatory regime than the one adopted after the 2008 crash - that he would be constantly reviewing what might be required to make the UK's financial sector competitive.

Steve Richards, Senior Adviser, WA Communications