The Rt Hon John Healey MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

By email: public.enquiries@hmtreasury.gov.uk

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Dear Chancellor

On behalf of the Institute of Directors (IoD), I would like to congratulate you on your appointment as Chancellor of the Exchequer. As the UK's leading membership organisation for business leaders, we are writing to set out the priorities and policy measures we believe are necessary to strengthen the economy and deliver sustainable long-term growth.

The IoD is a Royal Charter body that exists to promote enterprise, good governance and integrity among business leaders. We look forward to working constructively with you to support the Government's growth ambitions, enhance the UK's competitiveness and help create prosperity across every part of the country.

At the heart of the UK's economic challenge is the need to achieve genuinely transformative growth. Raising productivity and living standards across the country should be the Government's foremost priority. It is also the most effective way to ensure that increases in the cost of living can be more easily borne by households. Delivering this growth will require both a more productive state and more productive businesses. In turn, that will depend on investment being targeted efficiently and strategically towards measures that strengthen the UK's long-term growth potential.

The IoD recognises the importance of maintaining confidence in the public finances. While borrowing to fund investment is technically feasible, it carries risks at a time when UK borrowing costs are already among the highest in the G7. Preserving fiscal credibility remains essential, not least because higher borrowing costs can themselves crowd out the investment needed to boost growth.

Against this backdrop, spending prioritisation will be critical. Public spending has increased significantly in recent years, and the tax burden has risen alongside it to maintain fiscal stability. However, there is growing concern among bodies such as the Office for Budget Responsibility and the OECD that the scale of recent tax increases, and the way in which they have been structured, risk damaging incentives to work and invest.

Institute of Directors
116 Pall Mall, London SW1Y 5ED
T +44 (0)20 3855 4308
W iod.com

With limited room for manoeuvre on both taxation and borrowing, the focus must be on making the system more efficient and predictable. Defence is rightly a key strategic priority. Investment in infrastructure is equally vital to underpin growth. Alongside these priorities, reforms to welfare, pensions and health, together with a meaningful programme of devolution and a coherent industrial strategy, will be important areas for ensuring spending is directed effectively to strengthen the UK's growth and resilience.

We also welcome measures that provide near-term relief from cost pressures facing households. The decision in last year's Budget to move energy policy costs into general taxation, albeit temporarily, was a positive step. The Government has begun that process for some businesses via the British Industrial Competitiveness Scheme (BICS) and we would encourage the Government to expand its approach across all businesses. This will strengthen incentives to electrify and invest in cleaner technologies.

More broadly, we are increasingly concerned about the rising cost of doing business in the UK. The cost of delivering fiscal stability has fallen on the shoulders of businesses, creating economic inefficiencies compared with alternative tax choices. Meanwhile, persistent policy uncertainty and tax speculation is suppressing business confidence and growth. This was evident in the economy's performance during the second half of last year, when prolonged speculation ahead of the Budget weighed on business confidence and activity. The UK must break the cycle whereby months of uncertainty precede each Budget, creating unnecessary disruption for firms trying to make long-term investment and hiring decisions. Meanwhile the tax system needs to be directed to raise revenue in a more effective, efficient and simple way.

The Institute of Directors stands ready to work constructively with you and your team as you develop your plans for the economy. We believe there is a clear opportunity to strengthen growth by improving the productivity of both the state and the private sector, prioritising spending more effectively, creating a more efficient and predictable tax system, and providing businesses with the stability they need to invest with confidence.

We look forward to engaging with you in the months ahead.

Yours sincerely,

Jonathan Geldart
Director General, Institute of Directors

Anna Leach
Chief Economist, Institute of Directors

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W iod.com