



The 2024 King's Speech – setting out a bold new direction under the new Labour government.

July 18, 2024

Wednesday 17 July saw the first King's Speech under the new labour government. It was an interesting one to watch and not just for what proposed legislation was covered in it, and what was left out. The proposed legislation covered in the King's Speech aligned very closely with election promises after all.

Of probably even more interest was the overall tone and vision it aimed at projecting, representing the new Labour government's direction for the country.

In this summary, fsc.com Head of Capital Markets [David Coolegem](#) notes three clear takeaways that he feels are worth touching upon when looking through a financial services lens:

First and foremost was the clear break from the previous Tory government(s)

This was immediately clear as one of the very first lines in the Speech indicated that stability would be the cornerstone of economic policy and the very first bill mentioned in the Speech was the budget responsibility bill. The bill will ensure that the Office of Budget Responsibility (OBR) assess tax and spending announcements above a certain threshold (ones that involve permanent tax or spending commitments exceeding 1% of the nation's GDP). This was partly political, reminding voters of the 'mini' budget debacle as well as setting the bar relatively high for an assessment to be triggered.

The list of legislative proposals also aligned very closely with election promises, giving the clear hint that this is a government of trust.

On top of that, the tone clearly indicated a shift to a more interventionist approach rather than a purely 'tax and spend' one. The number of quite specific legislative proposals made this quite clear – such as the Sustainable Aviation Fuel Bill and the Passenger Railway Services (Public Ownership) Bill & Railways Bill.

The second item of note was the focus on economic growth

This will be achieved by a more directed investment approach than allowing markets to decide. The King's Speech made mention of a National Wealth Fund bill, to boost growth and unlock investment in the UK, a Planning and Infrastructure Bill to build houses and deliver renewable energy infrastructure, a Great British Energy Bill to own and operate clean power projects, and a Sustainable Aviation Fuel Bill to help the country achieve energy independence and unlock investment in energy infrastructure.

These are all aimed at directing investment more specifically in line with the new government's more interventionist approach.

And thirdly, was the theme of economic stability

Two proposals in particular are worth highlighting here. The first is the plan for audit reform and corporate governance and the second for changing how bank bail-outs are funded.

The former includes the proposal to replace the Financial Reporting Council with a new Audit, Reporting and Governance Authority (ARGA) with the aim to 'tackle bad financial reporting' in response to several large corporate failures (such as Carillion and BHS) and help build trust in British firms. The new authority will enable more robust and rigorous scrutiny of large companies by auditors and mean that all directors of significant UK companies face sanctions if they fail in their financial reporting duties (rather than just those who are members of accountancy bodies as presently).

The plan for changing how bank bail-outs are funded is aimed at ensuring that instead of taxpayer funded bailouts, the Financial Services Compensation Scheme (FSCS) funds are used instead. These funds will also be used to meet a failing bank's recapitalisation costs. The example of the transfer of Silicon Valley Bank UK to HSBC clearly inspired this one. Undoubtedly, this will mean that firm fees will increase in the near term – by how much is to be seen depending on what scale of failure the fund is expected to cover.

But some things seemed to be left out.

Whilst the Speech did talk about establishing appropriate legislation to place requirements on those working to develop the most powerful AI models, the AI bill was conspicuously left out. It emerged shortly after the Speech that the AI bill was squeezed out because the Department for Science, Innovation and Technology was already sponsoring a bill on digital information and smart data, and crucially, a separate bill on cyber security. It was deemed this second measure was urgently needed as Britain's cyber security framework was supposedly left 'in a dreadful state' by the previous Conservative government.

Others that seemed to miss the cut were the proposals for introducing the right to vote for 16 and 17 year olds, legislation to create another wave of 'new towns' and for the establishment of an Integrity and Ethics Commission to 'ensure probity' in public office.

Conclusion

The first King's Speech under the new Labour government provides a compelling insight into the administration's vision for the UK, particularly from a financial services perspective. The speech highlights a decisive shift from previous policies, with a strong focus on economic growth through directed investment and a commitment to stability via audit and corporate governance reforms. Although some proposals were omitted, the new direction promises to transform the financial landscape, making it an exciting time to watch how these initiatives will unfold and impact the sector.