Reviving regions

Empowering places to revive and thrive

Sponsored by

November 2020

Regional Growth

Contents

Context 4

Summary of recommendations 11

Chapters

1. Build vibrant local labour markets 14

2. Transform local infrastructure to facilitate new ways of working 20

3. Inspire world-class, innovative businesses to invest in all regions 26

Conclusion and next steps 36

Annex 38

Acknowledgements 40

References 42

About the CBI 46

Context

Action is needed to ensure regions can bounce back from the impacts of COVID-19 and succeed outside the EU, whilst addressing the longstanding gaps in productivity and equality across England.

Targeted action is required to address longstanding regional inequalities and ensure all parts of the country can build back better. Interventions must reflect local needs and regions should be empowered to deliver if we are to level up the country.

Disparities in economic performance are large across and within the English regions. London remains the most productive region, and over the past decade many of the areas that have seen the fastest productivity growth were found in the south of the country, along the M3 and M4 corridors. Many marginalised places are in the North of England.[1] But the picture is not as clear cut as north vs. south. Most regions have areas that are doing well, and some that are underperforming.

Recent research from the Institute for Fiscal Studies takes a broad view of economic performance. They have produced a map of 'left behind' places that combines indicators for employment, pay, formal education and health. These 'left behind' places can be found across the English regions, particularly in former industrial towns and cities, and in coastal areas.[2] **This can best be illustrated by Figure 1 within the annex.**

Tackling these gaps and spreading economic opportunity throughout the regions is not easy. It requires targeted interventions across multiple dimensions to be sustained over years. This includes investing more in the drivers of productivity (particularly skills), addressing social challenges such as health and education deprivation, as well as understanding the role of cities in driving growth.

Academic research suggests that the skills of the local workforce is one of the major factors in regional inequalities.[3] Educational outcomes and the opportunities for training vary widely across the country and can become entrenched, with high-skilled workers gravitating towards those places offering the best job opportunities or amenities. Areas with a higher skilled workforce tend to attract more private investment, infrastructure spending, and have higher R&D intensity and stronger innovation networks.[4]

More productive regions generally have better social outcomes. Unlocking the economic potential of a region will require a focus on raising productivity and addressing broader social challenges. Recent research undertaken for the Greater Manchester Combined Authority highlights the importance of local health for the development of 'human capital', labour market participation and productivity.[5] Indicators of health deprivation are particularly concentrated across the North of England. By contrast, education deprivation is more spread out across the country, including coastal communities in the east and south.[6] Evidence on social mobility suggests that the opportunities for lower income children to enter higher education are highest in London, but lowest in the South East, South West, East and North East.[7]

Addressing the underperformance of city regions outside London is important for reducing regional inequalities. International evidence suggests doubling a city size increases people's productivity by 2%-3%,[8] owing to strong competition, pressure to innovate and proximity to specialised workers, suppliers, and customers. In the UK however, England's cities (excluding London) perform poorly compared with their international equivalents. Indeed, closing the performance gap in eight large cities outside London could deliver a £47.4bn boost to UK GDP.[9] But size alone doesn't guarantee success which depends on other factors, such as the mix of skills and businesses, as well as the prevailing economic conditions. In the longer-term, how well individual businesses can adapt to change is likely to be a more important determinant of economic growth across regions.

Levelling up, whilst linked to productivity growth, will need to focus on how productivity gains feed through into household incomes, living standards and wealth. The cost of living is important: high housing costs can easily offset the benefits of high productivity and wages for households, particularly in London, where the poverty rate is the highest in the UK.[10] With the large productivity gaps and inequalities in social outcomes across the country, and the lack of a clear 'one-size-fits-all' approach to resolving these, there is scope to consider a new approach to levelling up. And this must reflect the specific needs of different communities and empower local leaders.

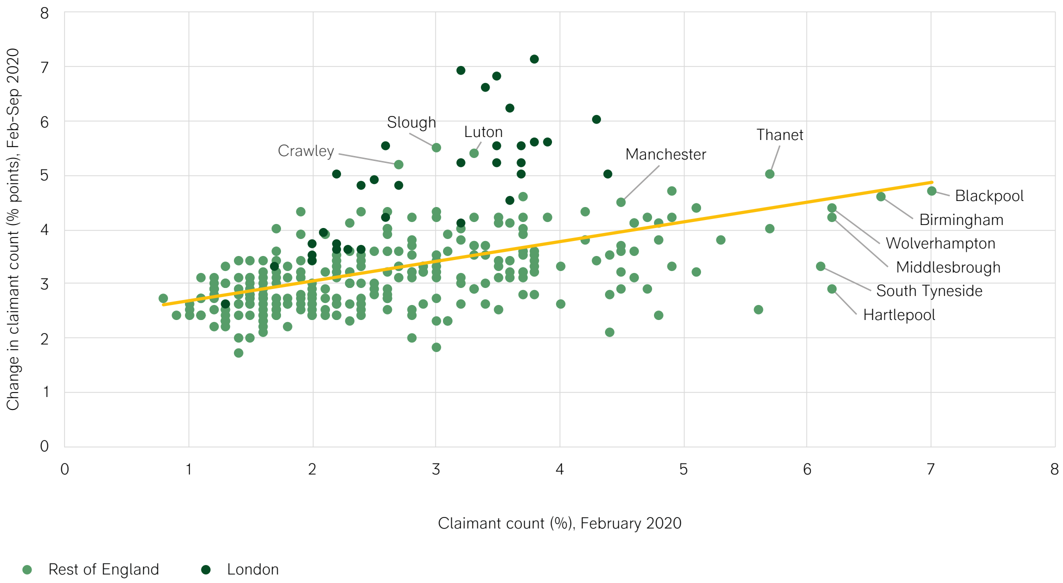
Responding to the challenges and uncertainties of coronavirus, Brexit and automation will be vital to delivering regional growth.

COVID-19 is set to have a significant and lasting impact on our economy, and the effects are not being felt evenly across the country. International comparisons show that the UK was the worst hit economy in the G7 during the first half of 2020, suffering a 20% fall in GDP in Q2 alone. Although a recovery took hold from May, by the end of August the economy was still 9% smaller than it was in February. And for sectors that rely on face-to-face interaction, such as entertainment and leisure, transport and storage, and hospitality, the gap was even larger (at -28%, -16% and -14% respectively).[11]

However, the differences between regions are not large, and so far, the crisis appears to be exacerbating divides within regions. This is particularly the case between urban, lower-income groups and the rest of the population. People in the lowest earnings decile were seven times more likely than the highest decile to work in the sectors that were shut down in March.[12] Data from the Bank of England shows that all income groups experienced falls in incomes between April and July, but while those in higher incomes saw their savings rise, lower income groups experienced a fall in savings.[13]

Looking at the labour market, take up rates of the Job Retention Scheme (JRS) have been relatively consistent across the country, but showed much more variation within regions.[14] Claims for unemployment-related benefits have risen fastest in areas that already had higher-than-average claimant counts, as shown in **Exhibit 1.** Claims have also increased rapidly in big cities, especially London.[15] Vacancies data suggests job markets are depressed across the country, but some regions are more sluggish,[16] and competition for jobs has risen the most in places where jobs were already hardest to find.[17] The extension of the JRS to March 2021 and additional business grants should help save jobs, but sustaining national insurance and pension contributions may be too much for some employers in hard-hit sectors and unemployment looks set to rise in the months ahead.

Exhibit 1 Claimant count by English local authority, Feb-Sep 2020 (Share of working-age residents)

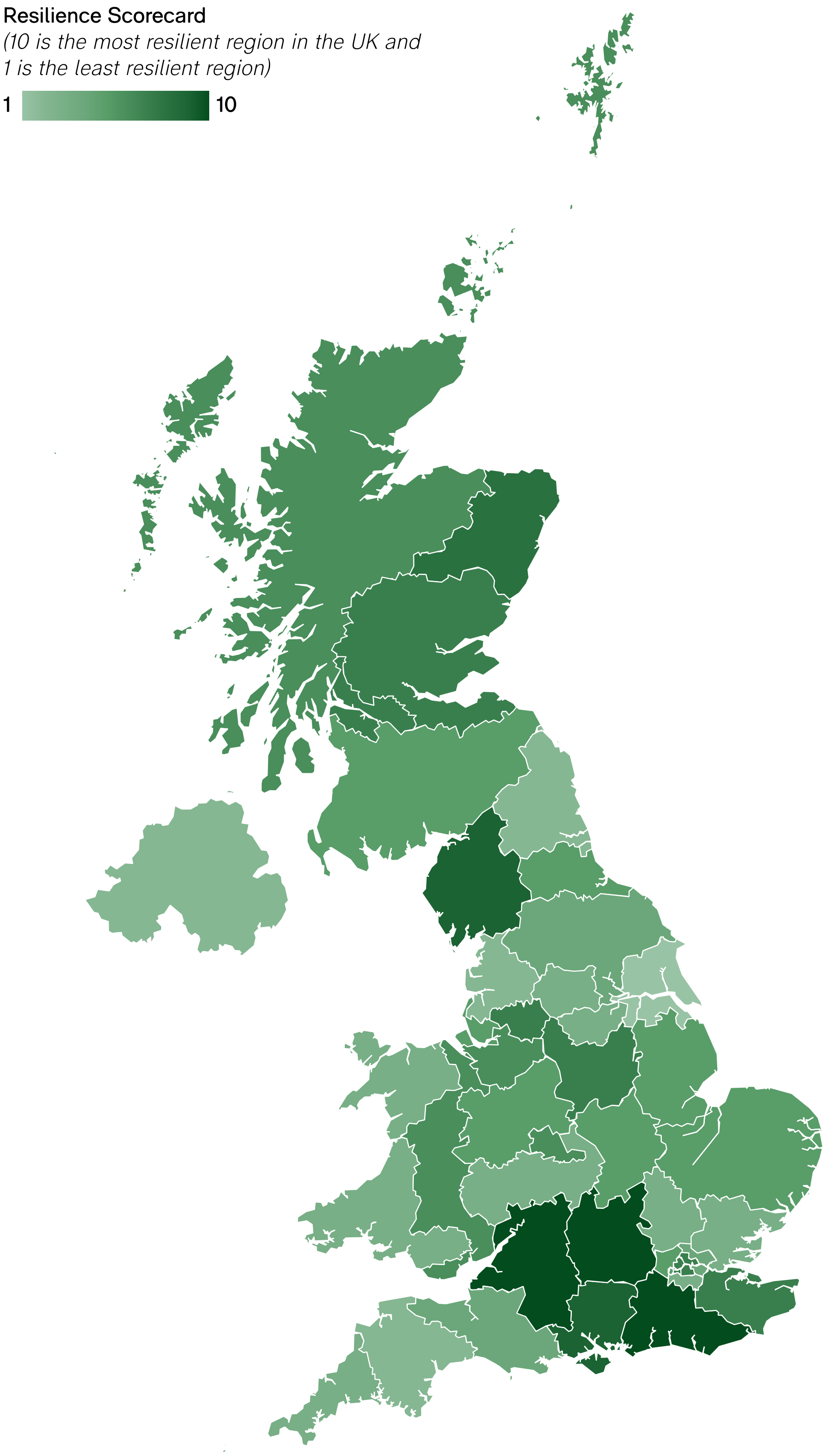


Source: Nomis; CBI analysis

Notwithstanding this initial snapshot of the impact of the pandemic, it's too soon to judge the full impact on different regions and their prospects for recovery. However, recent research into the effects of the 2008 financial crisis can help identify the factors that helped the 'resilience' of regions. Areas that bounced back quicker tended to have greater shares of the population with higher level qualifications; more specialised industries (particularly knowledge intensive services and high-tech sectors); lower concentrations of low-medium tech manufacturing; more investment; more new enterprise start-ups and denser populations.[18] They concluded that the most 'resilient' region was the South East, followed by the South West. The least resilient were the North East and Yorkshire and the Humber, though there was considerable variation within regions, as shown by **Exhibit 2.**[19]

The nature of the current economic shock is different, of course, and local recovery prospects may be partly influenced by the persistence of higher home working and shifting spending patterns. This has important implications for the future of town and city centres and especially for retail, hospitality and leisure. These sectors typically absorb a lot of low skilled workers and following the financial crisis they hired workers quickly in response to economic recovery.[20]

Exhibit 2 Resilience Scorecard for UK NUTS 2 level regions



Source: The University of Manchester, Policy@Manchester Blogs: Growth and Inclusion, "How resilient were UK regions to the 2008 financial crisis? Recovery policies for COVID-19 crisis"

Beyond the impacts of coronavirus, there remains significant uncertainty for businesses over future trading arrangements with the EU, with varying regional exposure. With 60% of goods exported from the North East going to the EU, this region may be among those most exposed to changes in future trading relationships.[21] The North West and West Midlands are similarly exposed, whilst London's more globally focused and services dominated economy may be the least affected.[22] However, other factors such as barriers to services trade, the new migration regime and impacts on foreign investment will be important in determining the full impact of a new trade regime.

Finally, technological changes such as greater use of artificial intelligence (AI) and automation will affect the demand for certain skillsets and occupations. Worryingly, two thirds of workers in the 25 most at-risk occupation groups believe it is unlikely that their current job role will be automated in the next 10 years.[23] Those most likely to be affected by automation are already in low-paid jobs, and 34% of those at risk have not had any formal training over the last five years.[24] The risk of jobs being displaced as a result of automation is not spread evenly. The top 10 cities as defined by Centre for Cities most at risk from job losses can be found exclusively in the north and midlands.[25] As a result of COVID-19 these changes may be accelerated. Firms have reported that they have sped up the pace of technology adoption in 2020 to ensure business continuity. Survey data suggests that consumers and businesses have leapt five years ahead in digital adoption within the space of eight weeks.[26] With social distancing still in force, it may become more economical for businesses to invest in AI and automation than operate at low-productivity levels, in a 'COVID-19 secure' way.

A new approach is needed that empowers places to deliver strong labour markets, vibrant towns and cities, and attractive business ecosystems.

National government support has been fundamental so far in mitigating some of the worst economic impacts of COVID-19. At its peak nearly a quarter of the workforce were furloughed, with government covering 80% of the cost of wages. As of October, over £58bn in loans had been offered through the government backed loan schemes, and a further £11bn as direct grants to SMEs, delivered through local authorities. Interventions from HM Treasury so far amount to approximately 9% of GDP,[27] although this is set to increase as the country enters a second lockdown.

However, businesses and stakeholders have been clear that a new, flexible, and whole systems approach is needed to recover and level up the country. This must be driven from Local Authorities, Local Enterprise Partnerships (LEPs) and Growth Hubs, and Combined Authorities, not just from Westminster and Whitehall. These regional bodies have played a key role during this crisis including distributing government business grants and working closely with transport operators to get the economy moving. Government must recognise that regional growth will depend on the local capacity to respond to the crisis and deliver growth initiatives.

Interventions to kickstart recovery and close productivity gaps should be underpinned by a commitment to empower places to deliver against local and regional needs. The government must urgently publish the Devolution and Local Growth White Paper. This must ensure that more devolution is delivered across the country, and that further devolution is granted to areas with existing deals. Government should devolve powers and funding to allow areas to take a place-based policy approach that can deliver economic growth and prosperity across regions. This contrasts with the current system of deal-making and delegation, that ties local delivery to decisions taken in Westminster. Beyond this, LEPs and Growth Hubs must be 'levelled up' to ensure they can deliver consistently on behalf of the businesses they represent. This is vital for areas yet to secure a devolution deal such as the East Midlands.

Alongside commitments and action to empower places, the recovery and future economic growth in the country must focus on building vibrant local labour markets, transforming local infrastructure and inspiring world-class, innovative businesses.

Summary of recommendations

Build vibrant local labour markets

1. Government should transform Job Centres into regionally led Jobs and Skills Hubs, with strong local and regional autonomy to respond to changing local job markets and align with local and regional skills and education initiatives.
2. LEPs and Growth Hubs must have the resource and capacity to deliver locally specific skills support. This should address the barriers SMEs face in investing in skills and should support the UK's global ambitions for net zero and digital industries.
3. Government should establish a roadmap for the future of adult skills which includes the devolution of Adult Skills Funding to areas with devolution deals, in order to drive innovative approaches to reskilling and upskilling across regions.

Transform local infrastructure to facilitate new ways of working

4. Local and regional leaders should have the powers, funding and necessary skillsets to design and deliver local and regional plans for active, integrated, flexible and sustainable travel that meets the needs of local businesses and communities.
5. Local Authorities can do more to support broadband and 5G roll-out by working closely with network providers, embedding it within their economic development plans and appointing digital champions to Local Authority Cabinets, thereby ensuring all regions are attractive places to invest.
6. Government should provide Mayoral Combined Authorities and Sub-National Transport Bodies with long-term devolved funding settlements to deliver a clear regional vision for connectivity, housing, and economic growth. This must be complemented with multi-year budgeting for Local Authorities to allow for integrated long-term planning and investments.

Inspire world-class, innovative businesses to invest in all regions

7. Government should work in lockstep with LEPs and Growth Hubs, Combined Authorities, and pan-regional bodies, to deliver high quality, strategic business advice, particularly to support SMEs, and expose businesses to exporting opportunities.

8. Government should urgently outline plans for the future of the UK Shared Prosperity Fund. This must include parity with existing EU funding allowing local investment to align with local growth strategies and regional recovery plans.

9. Working with local and regional stakeholders, government must close the gap across regions between supply and demand for equity finance, supporting businesses to invest to grow, and create a thriving, post-pandemic economy.

10. Catapult Quarters should be established across the country as a way to level up R&D spend, ensuring bids align with local recovery plans and deliver against long-term ambitions.

"A new approach is needed that empowers places to deliver strong labour markets, vibrant towns and cities, and attractive business ecosystems."

Build vibrant local labour markets

Delivering vibrant labour markets requires improved collaboration between central and local government, with the devolution of adult skills an important next step in empowering places.

Agile local labour markets will be key in the short term to overcome the impacts of coronavirus, which is accelerating changes to the job market.

Coronavirus is set to have a significant impact on our economy and labour markets. Our recovery will depend on our ability to manage living with the virus. However, with continued restrictions on businesses and households, it's likely that some sectors will struggle to recover in the short-term. In the immediate aftermath of the lockdown in Q1 and Q2, sectors such as accommodation and food services, and arts and entertainment saw significant falls in output (60% and 30% respectively) and had only partially recovered by the end of summer.[28]

The uptake of the Job Retention Scheme (JRS), whilst fairly consistent across the country has displayed significant variation within regions. As of the end of August around a third of those eligible were furloughed across the UK. However, just taking one region, the North West, as an example the differences in take up within the region were large. For some parts this was as low as 6-7% of employees, whereas in others it was as much as 12%-13%.[29] If high furlough use translates into high levels of unemployment after the JRS ends, getting people back into work quickly will be key for the recovery. However, the vibrancy of job markets also varies between regions. Across the UK the weekly volume of online job adverts in the first week of October was down by 37% on 2019 levels. Volumes in London, East of England, Yorkshire and the Humber and the South East, remain below average. Even in the highest performing region, the East Midlands, it was still 17% below 2019 averages.[30]

Short term interventions designed and delivered locally to support retraining and upskilling will be key to the speed of the recovery. Job Centres must be reimagined with strong regional ownership, and a focus on skills alongside employment. This will ensure local and regional leaders are able to respond to changing local labour markets following the impacts of COVID-19. These new Jobs and Skills Hubs will provide face-to-face support for workers who are looking to retrain and match people to new, local job opportunities. They will also source high quality training that links closely with the current and future needs of the local labour market. This must also be mindful of the country's need to transition to a net-zero economy and consider how reskilling and retraining will aid in that transition. To be a success, these revamped hubs must maximise the knowledge of Combined Authorities, Local Authorities, LEPs and Growth Hubs, Higher and Further Education institutions, and the local and regional business community.

Recommendation

- Government should transform Job Centres into regionally led Jobs and Skills Hubs, with strong local and regional autonomy to respond to changing local job markets and align with local and regional skills and education initiatives.

Local and regional leaders must ensure efforts to create jobs, upskill and retrain meet local business needs and support UK growth ambition on net-zero and digital industries.

Well evidenced, targeted support will be key to delivering strong local labour markets, closing skills gaps and driving growth. Within recovery plans being drafted by local and regional leaders, the message has been consistent on the need for a more resilient, greener and fairer economy. Not only will this be key to surviving the impacts of Coronavirus but will also allow us to thrive in the future, ensuring we are match-fit for post-Brexit trade deals and build on our areas of existing expertise around renewable energy generation, hydrogen and Carbon Capture and Storage and decarbonising industry.

In identifying future priorities, local and regional stakeholders must work closely with businesses, which have an important role in investing in job creation, upskilling and retraining. This is particularly important for SMEs, which face several barriers when it comes to accessing training needs. These include the relatively high costs for SMEs that are less able to realise economies of scale, and the fact that their training may need to be more tailored to meet the needs of the business. Beyond this many SMEs may struggle to identify training needs, and, when they do train employees this could represent a much larger share of the total workforce capacity, causing more disruption to operations.[31] Government nationally can do more to support investment in skills by SMEs, for example through a training tax credit or relief system that would allow them to claim against investments in training.

However, with many SMEs, and particularly scale ups preferring local advice[32] there's a strong role for local and regional stakeholders in supporting them. A more segmented approach that recognises the local barriers to SME growth and investment is needed. This must link SME skills support schemes that meet the needs of local businesses, with existing local industrial strategies or recovery plans. To deliver this, government, across a range of departments, must work closely with LEPs and Combined Authorities to ensure SME skills support is a priority within Growth Hubs. This will require long-term and flexible resourcing, as well as a robust local analytical capacity to develop and deliver SME skills support.

Recommendation

- LEPs and Growth Hubs must have the resource and capacity to deliver locally specific skills support. This should address the barriers SMEs face in investing in skills and should support the UK's global ambitions for net zero and digital industries.

Case study: Net Zero Teesside

Tees Valley has the potential to deliver a national step change in the use of clean energy and industrial decarbonisation, supporting the Government's commitment to achieve net zero by 2050. With the right investments, the scale of the Tees Valley economic impact and influence can be disproportionately large, and support the national priority to address regional disparities, increase productivity and drive job creation.

Net Zero Teesside is a Carbon Capture, Utilisation and Storage (CCUS) project.

Working in partnership with local industry and with committed, world class partners such as BP, the project plans to capture up to 10 million tonnes of carbon dioxide emissions, the equivalent to the annual energy use of over 3 million UK homes. Net Zero Teesside will be one of the first major developments to be based on the Teesworks site, which is the UK's largest industrial zone and comes as part of the region's devolution deal, allowing for the establishment of Mayoral Development Corporations to drive growth and investment.

During the construction phase, the project can support an average of £340m GVA per year and 4,100 direct jobs for the wider region, with a peak of £450m GVA and 5,500 direct jobs. The project will deliver substantial UK content and high-value contracts will be awarded to a range of local suppliers, helping to build a new low-carbon supply chain across the North of England. It will also create the infrastructure to deliver the world's first net zero industrial cluster by 2030. This infrastructure, along with significant renewable energy planned for the region, will allow the cluster to supply low carbon fuel in the form of hydrogen to the rest of the UK. This low carbon fuel will decarbonise homes, industry, and transport.

The Combined Authority continues to make the region an attractive place for investment in net zero, not least in their support for businesses in overcoming skills shortages. The Combined Authority has pivoted to support apprenticeships across the region, act as a representative organisation for the Kickstart scheme and used the devolved Adult Education Budget to take innovative approaches to learning.

The wider net zero industrial cluster in Tees Valley has the potential to attract significant inward investment by fully utilising local industrial assets and creating an internationally competitive net zero industrial region.

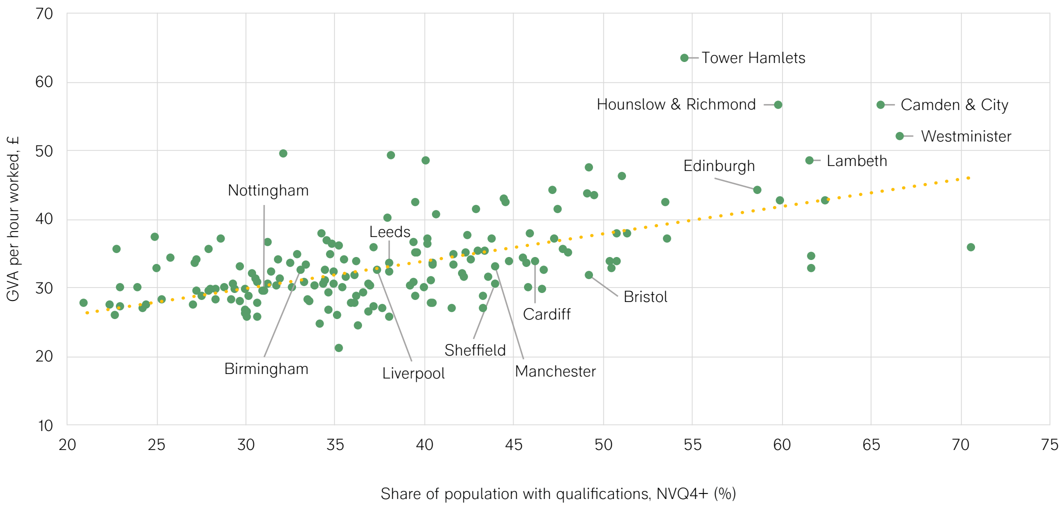
Government should do more to close the skills gap between and within regions, ensuring the response to coronavirus is matched with a long-term strategy for adult skills.

Addressing the short-term impacts of coronavirus through a focus on labour market support is an important step and will put the country on track to recovery. Skill levels within different regions has a significant impact on productivity, as shown in **Exhibit 3.** However, skills gaps across regions are significant and remain a long-term barrier to productivity growth in England. The CBI and McKinsey have conducted research* into the scale of the skills gap likely to emerge within the next decade and it estimates that as much as 90% of the workforce will need to be reskilled or upskilled as their roles evolve or cease to exist.[33]

Resolving this will not be easy. As many as 80% of the 2030 workforce have already left formal education, which means interventions will likely have to focus on adult education.[34] But it's this part of the system in England that has, over the years, been undervalued and remains overly-centralised.[35] In addition, labour mobility remains relatively low across the UK, which means the opportunities and outcomes for young people continue to be determined by the area that they live and grow up. This challenge can sometimes be exacerbated by the lack of joined up approach between government departments. A siloed approach means skills interventions may not align with the needs of business, nor respond to the local challenges individuals face when accessing reskilling or upskilling opportunities.

**To note: Research undertaken before the pandemic and subsequent lockdown of the economy*

Exhibit 3 Skill levels vs productivity, by NUTS3 regions; 2018



Source: ONS; Nomis

Since the introduction of devolution deals, there's been some change in England. The Adult Education Budget has so far been devolved to eight Combined Authorities. More information on the Adult Education Budget can be found in **Exhibit 4.** Whilst this is a positive step there are challenges to this new process. Firstly, the budgets are small in relation to the wider spend on education. Only 49% of the budget is actually devolved with the remaining 51% continuing to be administered by the Education and Skills Funding Agency.[36] Secondly, for areas with devolved funding, they continue to be responsible for the statutory requirements, this means that of the total that is devolved, only a small proportion can be spent on innovative and local approaches.

Most adult education support continues to be delivered through national initiatives, but to address the skills gap of the future, a more local approach is needed. This must ensure that adult skills initiatives are aligned to the local needs and growth opportunities identified within published local industrial strategies and emerging local recovery plans. Digital skills should also be a key focus.[37] This local approach would help resolve issues such as in the East Midlands where 69% of local businesses stated that the region's skills shortage was their biggest barrier to growth.[38] It can also build and maximise a strong relationship between regional businesses and education providers, shifting away from a system where colleges are not incentivised to align their course provision with local needs. Finally, a local approach could maximise Local Authority knowledge, to identify those most in need of upskilling and retraining and align interventions with trigger points such as when young children start school and parents have more time to retrain.

Government should consult with local and regional leaders, businesses, and education providers to agree a National Reskilling Strategy. This should seek to change our national culture on lifelong learning. This strategy should provide local leaders the flexibility and funding to meet local needs by striking a balance between being supplier led, and shaped by the needs of learners, employers and the local economy. As an objective, this should aim to make the UK a top 10 nation for reskilling and training opportunities in the World Economic Forums Global Competitiveness Index by 2025, where we are currently 29th.[39] In reaching this target, government should set a clear roadmap for the future of adult skills, including the devolution of adult skills funding to all areas with a devolution deal in England by 2025. In order to prepare for the devolution of adult skills funding, it's important government closely work with the Mayoral Combined Authorities (MCAs). This includes ensuring they have the resource and capacity to deliver from day one upon receiving the devolved funding. It also means identifying a clear set of outcomes against which the MCAs can deliver against, whilst removing the ringfencing around funding to allow for more innovative and strategic approaches.

Exhibit 4 The Adult Education Budget

The Adult Education Budget supports the statutory entitlements to full funding for certain adult learners. This includes:

- English and Maths, up to and including level two (GCSE grades 9-4 or A*-C), for individuals aged 19 and over who had not previously attained these grades, and/or
- First full qualification at level 2 for individuals aged 19-23, and/or
- First full qualification at level 3 (A levels; AS levels; tech levels) for individuals aged 19-23.

Government has also announced entitlement for free basic digital skills, beginning from the 2020/21 academic year.

The budget also supports provision in addition to statutory requirements, which have criteria for eligibility, but are broadly focused on lower skill levels, young adults (23 and under) and those who are unemployed.

Source: House of Commons Library, "Devolution of the Adult Education Budget", 2019.

Recommendation

- Government should establish a roadmap for the future of adult skills which includes the devolution of Adult Skills Funding to areas with devolution deals, in order to drive innovative approaches to reskilling and upskilling across regions.

Transform local infrastructure to facilitate new ways of working

Responding to new commuting and travel patterns across our towns and cities, improving digital connectivity, and addressing the barriers to regional infrastructure investment is vital to reviving regions.

Local and regional leaders need the powers and funding to transform local places in response to the changing living and commuting patterns resulting from COVID-19, and maintain the positives of new ways of working.

Since the start of the pandemic, and England entering lockdown in late March, road and rail traffic fell significantly. Roads by 73% on pre-outbreak levels, and rail by 90%.[41] In London, tube and bus journeys fell by 94% and 83% respectively.[42] Much of this was in response to the government's Safer Travel guidance which stipulated only essential journeys are permitted. However, mobility remains low at around 40% lower than normal as of mid-October.[43] Government has stepped in to support transport operators with Emergency Recovery Measures, that have most recently been guaranteed until March 2022.[44] This support is vital to ensuring services can continue despite the low demand, whilst maintaining social distancing and helping key workers get to work.

Tied with the reduction in transport usage has been the dramatic increase in homeworking. Data from before the pandemic showed that only 5% of the population were mainly working from home in 2019, but this increased to just over a quarter of adults with even higher shares in the professional services (42%) and information and communication (55%) sectors.[45] In fact, 19% of businesses intend to use increased home working as a permanent business model in the future (rising to 38% of professional services, 41% in information and communication, and 51% in education).[46] This is primarily motivated by the well-being of their employees, alongside the realisation of the need for less office space.

This raises a broader question around the future of our towns and cities, which have been key to driving productivity growth in recent years. If homeworking proves an effective substitute for face-to-face interaction, the spatial footprint of firms is likely to widen beyond city centres. Recovery will depend on a local areas' ability to adjust plans for housing, retail, leisure and connectivity. However, if homeworking ultimately proves an ineffective substitute, then the cities that can accelerate the roll-out of superfast broadband and connectivity and invest in safe public transport and active travel will be most likely to retain 'agglomeration benefits'. Regardless, in the shorter term, this will have a significant impact on the use of public transport across the country, with implications for the viability of these industries.

However, the pandemic has given people a sense of what is possible. Lower rates of congestion during lockdown, and the need to commute in safe, socially distanced ways saw a dramatic increase in cycling across city centres. Sales of bikes rose across the country, and government allocated £225m to Local Authorities to support interventions to support and promote cycling and walking.[47] The reduction in congestion saw falls in harmful emissions across cities.

Embedding positive practices such as increased cycling and walking, redefined local public transport usage and reduced reliance on private vehicles will be key to delivering healthy cities in the future. In the UK, the lockdown has seen people rediscover their local areas and form new localised communities.[48] New habits have been quickly formed, and policy makers should move fast to hold onto these where there are benefits.

Any interventions, such as those highlighted below should be locally led. Local leaders are best positioned to monitor, evaluate, and adjust for long-term success. Interventions such as encouraging people to walk or cycle must reflect the needs of the local population, commuting patterns as well as align with wider infrastructure investment and net zero ambitions. With social distancing in force and the success of homeworking continuing, public transport faces an uncertain future. In the long-term and for those longer journeys, a well-functioning, flexible, sustainable, and integrated public transport system will be vital to reducing emissions. Looking ahead dynamic pricing models on public transport should be allowed and encouraged to maintain the incomes of transport operators, and to reflect changing commuting and leisure patterns.[49]

Recommendation

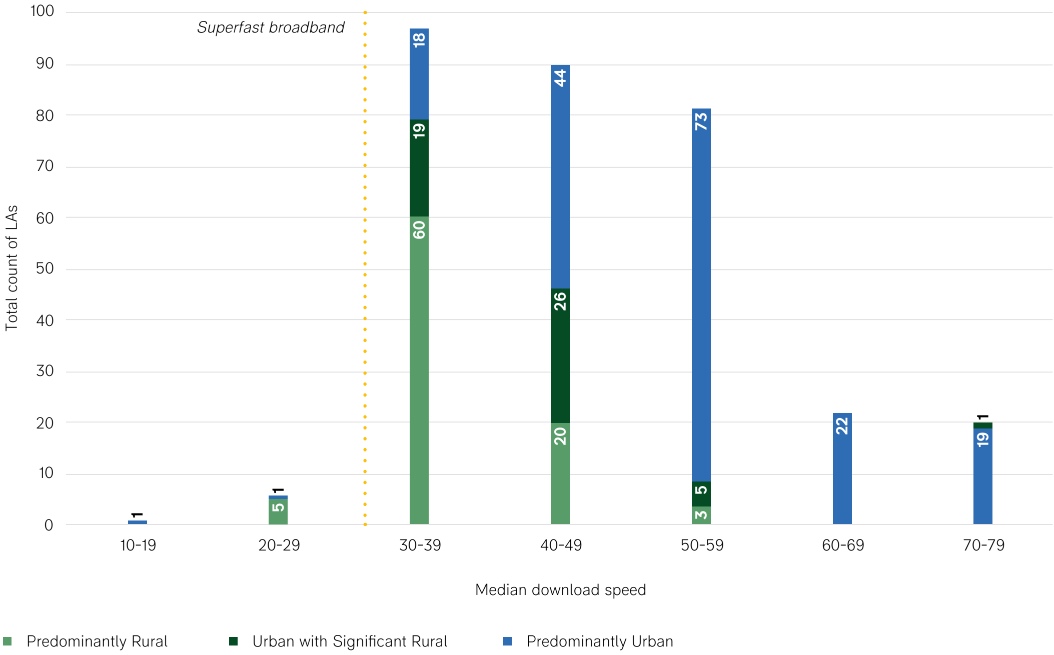
- Local and regional leaders should have the powers, funding and necessary skillsets to design and deliver local and regional plans for active, integrated, flexible and sustainable travel that meets the needs of local businesses and communities.

Local and regional bodies should prioritise the roll out of gigabit-capable broadband and 5G across the country which is vital to supporting new ways of working.

Connectivity must go beyond a focus on physical transport, recognising the importance of digital connectivity. More people are expected to work from home, particularly in sectors like education, information and communications and professional services.[50] Ensuring people have affordable, reliable, and high-speed internet access will be key to maintaining flexibility and allowing firms to capture the dual benefits of improved staff well-being, and improved productivity. **Exhibit 5** illustrates current UK internet speeds.

Internet access is increasingly vital to the way we live and work. Against other EU countries, the UK ranks 8th in digital performance.[51] Whilst the UK has made significant strides in the last year to improve the availability of gigabit broadband, there's more to be done to create a gigabit-capable UK and keep pace with others internationally. For example, the UK ranks 4th in the G7 for uptake of high-speed broadband.[52]

Exhibit 5 Number of local authorities, grouped by median download speed, 2019 (Mbit/s)



Source: Ofcom; ONS; CBI analysis

The benefits at a local level of improved digital connectivity through full fibre and 5G investments are tangible. Not only is it linked to improved productivity, but can also make a place more attractive for business investment and encourage businesses to relocate.[53] As we look to new ways of working, ensuring all homes are well connected is vital. Hybrid working is already leading some businesses to rethink their hiring procedures, recognising that some jobs can now be done from any part of the country. As such these businesses have stated they are looking for the best talent the country has to offer. Consistently high-quality digital connectivity will be vital if this approach is to be embedded across the wider business community. Digital connectivity is also key to delivering smart towns and cities. One example in the short term is the role for digital connectivity in providing real-time updates to help maintain COVID-19-safe high streets and public transport.

Whilst the government has made clear their commitment to upgrading the UK's digital infrastructure, much of the delivery already sits with Local Authorities who can accelerate the pace of gigabit broadband rollout and support uptake. Government recently wrote to councils urging them to follow guidance to facilitate the roll-out of digital connectivity.[54] This includes advice on land access and valuations to speed up agreements on digital infrastructure roll-out and tackling misinformation on 5G. But there is more that can be done locally to support the country in meeting its wider targets and ambitions. In the first instance this means prioritising digital at board level. For 56% of Councils there is no cabinet member with responsibility for digital and only one third of councils have mobile connectivity included within their local plans.[55] Beyond this, a more consistent approach to the roll-out between and within Local Authorities would be beneficial. The current approach, where the private sector acts as the broker across siloed teams within a single council adds time, costs and complexity to high-speed delivery.

Recommendation

- Local Authorities can do more to support broadband and 5G roll-out by working closely with network providers, embedding it within their economic development plans and appointing digital champions to Local Authority Cabinets, thereby ensuring all regions are attractive places to invest.

A new regionally led approach to infrastructure funding and delivery is needed to address the challenges of poor connectivity, which risks undermining the levelling up agenda.

Research undertaken by the CBI has shown that improved connectivity between and within regions is a key driver of productivity growth. It can unlock access to goods, services, skills, and ideas across the country and add significantly to a region's productivity.[56] As we look to the future of work, it's important that improving connectivity is not just seen as reducing travel times between our regional cities and London. It must consider how to improve connectivity between our regional towns and cities, providing people and businesses with a range of affordable, low-carbon transport options that reflect new commuting and leisure patterns.

Currently a short-term approach to planning and funding leads to a stop-start delivery of transport infrastructure. Funding for transport improvements and maintenance increasingly comes from short-term bid-based funding. This leaves local and regional authorities struggling to draw up long-term plans to build and maintain integrated transport networks. Over 80% of the short-term funding made available by government over the last three years has required councils to put together competitive bids.[57] These bids impact the local government's ability to plan for resourcing internally, often relying on private consultants who may lack local knowledge and insights. The Urban Transport Group found that for the Transforming Cities Fund alone, some authorities spent almost £1m on the bidding process.[58] Therefore, instead of resources being channelled into long-term strategies that will improve commuter journeys, local authorities try responding to the inconsistent flow of central government funding.[59]

Beyond this, historic funding cuts for local government have impacted the analytical capacity within local and regional government institutions. Between 2010/11 - 2017/18 there was a 49% reduction in real-term government funding for local authorities, which has impacted training, development and staff retention.[60] This puts pressure on the ability of local government to deliver a strategic approach to infrastructure investment.

In addressing these challenges government must resolve issues around how funding is allocated and deployed and be prepared to take a more holistic approach to infrastructure decision making. This approach should empower local and regional government to design, deliver and maintain regional infrastructure. It should also include a recognition that infrastructure is not just about transport, but also the wider housing market and access to jobs. Local knowledge will be vital to understanding how the pandemic is impacting these in the short term and align investment with future recovery and growth plans. A clear example of this is in London, where the Greater London Authority has established a specific COVID-19 Housing Delivery Taskforce. Whilst a shortage of affordable housing has been a long-standing issue within the region, the public health crisis has highlighted the structural problems residents face from overcrowded accommodation and intergenerational households, particularly among BAME residents of the city. This taskforce has identified solutions that are specific to the challenges London faces, such as access to land for new developments, and the opportunities from upskilling and reskilling in order to deliver against stretching housing targets.

A longer-term approach to infrastructure, which includes long-term funding settlements is needed. This will allow local areas to plan with confidence and address the challenges of poor connectivity. This should ideally take the form of a 10-year funding settlement, with five years fixed funding, and five years indicative funding. This would mirror the mechanisms that currently exist for national road and rail and support a more strategic approach to local infrastructure delivery. This also creates benefits for businesses, allowing for proper consultation with industry, providing a clear pipeline of work for infrastructure providers and signals of where to invest.[61]

Recommendation

- Government should provide Mayoral Combined Authorities and Sub-National Transport Bodies with long-term devolved funding settlements to deliver a clear regional vision for connectivity, housing, and economic growth. This must be complemented with multi-year budgeting for Local Authorities to allow for integrated long-term planning and investments.

Case study: The Need for local approaches and funding in Bolton

Bolton at Home is a Registered Provider of Social and Affordable housing which owns 17,500 dwellings within the Metropolitan District of Bolton. The town has been severely impacted by the public health emergency and the resulting economic recession. This is rapidly intensifying pre-existing weaknesses in employment and labour markets, and existing, high rates of deprivation. **Figures 2 and 3 found in the annex**, illustrate how rapidly the claimant rate has accelerated as vulnerable sectors of the economy have shed staff during the first phase of the crisis.

Bolton at Home has been engaged in an exercise to monitor in real time the neighbourhood dynamics which have emerged since March using local and national data sources and extensive GIS mapping. This shows that COVID-19 has sharpened pre-existing inequalities. Those neighbourhoods that have experienced the worst health and economic outcomes share a number of characteristics including high levels of deprivation, poor quality and energy inefficient housing, relatively poor health indicators, low skills and educational attainment and high unemployment levels.

This analysis has enabled the social landlord to start to plan for the recovery phase. This includes assessing how to deploy its resources to address the multifaceted recovery challenges, build the resilience of the business, and design interventions for neighbourhoods to avoid further decline. The evidence base provides the foundations for discussions with local stakeholders, helping scope, design and cost interventions to support local people and the economy through the crisis.

Addressing neighbourhood, social and economic decline in areas such as Bolton needs a flexible, whole system approach. Local and regional leaders need the resources and capacity to deliver a single strategy across multiple policy areas, including education, housing, employment, health deprivation and social care. This new approach must also shift away from the traditional siloed and centralised decision-making processes. Metro Mayors have an important role to play in this new approach setting a clear vision and managing devolved funding, to ensure accountability and deliver value for money.

This change is vital to helping Bolton address the challenges it faces from long-term productivity and equality gaps that have been exacerbated by this pandemic.

Inspire world-class, innovative businesses to invest in all regions

The levelling up of public investment should be prioritised, alongside initiatives to empower local leaders to create the right environment to start and grow a thriving business.

Local and regional leaders must be empowered to deliver locally specific business support, aligned to regional and national objectives developed in partnership with pan-regional bodies.

Throughout the COVID-19 pandemic, local and regional bodies have played a key role in supporting businesses. They have administered and distributed vital government grants to businesses in need. But, through their understanding of local needs, have also established schemes to link people to new job opportunities, supported businesses move their trade online, and kept high streets COVID-19 safe.

For the country to thrive in the future, local and regional leaders must be empowered to act as strong advocates for their region. This includes setting out a clear vision for growth, and attracting and supporting new, innovative businesses. Where they exist, Metro Mayors and Combined Authorities have an important role to play. The strategic nature of these bodies ensures business support strategies can be aligned with local and regional priorities.

In the absence of a strong regional voice, ownership of growth strategies can be less clear. This is particularly the case in regions such as the East Midlands, where there is no devolved authority. There's therefore a case to be made for 'powerhouse' or 'engine' style bodies to set a clear agenda for each pan-regional area. Currently not all parts of the country are covered with a pan-regional body, and in most instances where they are, they have developed organically. As the case study below sets out, there's a strong role for these bodies setting out a clear economic vision to attract world-class businesses to the region. As part of the Devolution and Local Growth White Paper, government should provide clarity on the roles and responsibilities of these pan-regional bodies, ensuring all parts of the country are represented.

Clear, robust and regionally tailored business support will be key to securing a strong recovery. It will also be vital to seizing the growth opportunity in sectors such as net zero, advanced manufacturing, health and social care and life sciences. For most businesses across English regions, the LEP and Growth Hub should be the first point of contact for that tailored support. However, feedback from business suggests there are several barriers. This includes a lack of clear signposting and inconsistent branding of support, and sometimes a lack of entrepreneurial business voices within LEPs. Tellingly, when surveyed less than 1% of SMEs accessing support were doing so through LEPs, favouring private sector sources of advice such as accountants or consultants.[62]

All LEPs and Growth Hubs must be properly resourced to deliver business support and advice. Some of the challenges these bodies face can be explained through inconsistent resourcing, with some LEPs having as many as 50 staff members, others having only 10. This creates a patchwork of support and can leave some LEPs without the skillsets and analytical capacity to develop and deliver locally specific support schemes.

Alongside consistent resourcing, LEPs and Growth Hubs should have a clear strategy and champion for scale ups and SME businesses, and robust peer networks to support mentoring. This must consider the different categories of SME businesses, from start-ups and high growth potential scale ups, through to lower productivity SMEs. Working with LEPs and Growth Hubs, and considering what works in devolved nations, government should consider standardising aspects of local business support under one brand to improve recognition. This should not remove the independence of LEP and Growth Hub areas to deliver tailored approaches based on local needs. However, it must ensure support is consistently high quality and recognisable to small businesses.

This new collaborative approach to business support should, in the first instance be used to help expose businesses to exporting opportunities. Companies that export tend to be more productive, competitive and innovative. However, for many businesses it may well be a new experience and opportunity, particularly as we are no longer a member of the EU and are navigating new trading relationships. Nationally, the UK's trade strategy should look to harness the distinct strength of regions and should integrate with local economic plans. This includes consulting with the offices of Metro Mayors, where they exist, to bring local expertise to the table. Anecdotally, feedback from businesses has seen Metro Mayors praised for their work in attracting inward investment and aligning export and trade ambitions with local strategies.

However, there's more that can be done locally to unlock exporting potential. This must come from national government working in lockstep with the LEPs and Growth Hubs, and Combined Authorities, seeing the potential of what they have to offer. The Department for International Trade has recently announced funding to support SMEs grow their overseas trading, as well as 64 new International Trade Advisors, and an Export Academy in the Northern Powerhouse, Midlands Engine and the South West. These should be embedded within well-resourced LEPs and Growth Hubs ensuring that businesses have a one-stop shop for all business support needs. This includes identifying local and regional exporting champions to act as mentors for businesses who are considering exporting, as well as programmes of support to help businesses grow international sales online, identify market opportunities, develop an exporting plan, and manage risk.

Recommendation

- Government should work in lockstep with LEPs and Growth Hubs, Combined Authorities, and pan-regional bodies, to deliver high quality, strategic business advice, particularly to support SMEs, and expose businesses to exporting opportunities.

Case study: South West regional collaboration

Like all regions, the South West has distinct skills gaps and different priorities based on area. Productivity across the region varies enormously. Cities such as Bristol perform well whilst rural Cornwall has the lowest productivity in England for GVA per filled job. Historically there has been high employment in the region. But with coronavirus impacting tourism and accelerating changes to the job market the need to reskill and increase educational attainment are among the biggest challenges.

With the aim to boost the region's profile, promote international trade and inward investment, an alliance of business leaders, local authorities and higher education chiefs launched the Great South West, spanning the far south west of the peninsula.

Subsequently, government backed the creation of the Western Gateway, a separate body covering South Wales and Western England, with the core cities of Bristol and Cardiff at its heart though leaving the rest of the peninsula without a government-backed regional body.

However, areas of synergy exist across the Great South West and Western Gateway. Collaboration in three key areas would support in boosting productivity and growth across the entirety of the South West:

1. **Strategic investment in advanced engineering, manufacturing, and digital innovation:** Evidence published within the South West England and South East Wales Science and Innovation Audit identified that the region has the potential to "lead the UK and compete with the world in advanced engineering and digital innovation."
2. **Recognition of the region's role in meeting the UK's net zero ambition:** The South West is already at the forefront of green technologies. By utilising the regions natural resources and building grid capacity the region can help the UK achieve net zero by 2050.
3. **Empowering local leaders to accelerate the delivery of regional infrastructure:** Transport and digital connectivity are regional priorities, yet progress on major infrastructure projects such as the A303, M4 and M5 remains slow. Not-spots of digital connectivity risk making the region unattractive for future investment.

A joined-up approach, alongside LEP and Mayoral Combined Authority strategies, focused on sectoral strengths, the delivery of green energy, transport and digital infrastructure would allow the South West to build back better.

This would be sped up by government recognising the Great South West as a regional growth body, providing the resources and funding necessary to establish a robust, well evidenced plan to drive growth and prosperity in the region. Together, working closely with the existing Western Gateway they would work to ensure collaboration and coordination across identified pan-regional strengths.

With EU structural funds ending December 2020, the UK government should provide clarity on how regional projects will be funded.

It's vital that there are no gaps in regional support as a result of leaving the EU. Current EU Structural Funds come to an end in December 2020. These funds amount to around £1.3bn in England and are set to be replaced by the UK Shared Prosperity Fund (UKSPF).[63] The existing EU funds focus on support for SMEs, research and innovation, and increasing employment. The government has previously outlined a guarantee that ensures that UK organisations will continue to receive funding if they make successful bids up to the 2020 deadline. These legacy projects could run to end-2023.

Whilst the government reaffirmed its commitment to the UKSPF, further information has been delayed. Government has in the past stated that the UKSPF would focus on "reducing inequalities between communities… [and] help deliver sustainable, inclusive growth based on our modern industrial strategies."[64] They have outlined four principles for the future of the fund which focus on tackling inequalities by raising productivity, the simplification and integration across funds, engagement with devolved administrations to ensure it works for all places and an alignment with local industrial strategies.

With the scheme coming to an end, and for continuity of projects in the regions, clarity is urgently needed on the future of the UK Shared Prosperity Fund. This is especially important as regions develop their COVID-19 recovery plans, many of which require funding to support job creation, upskilling and retraining, business support and long-term visions for each region. Government must re-affirm its commitment to parity of funds, ensuring regional initiatives are adequately funded. However, considerations must also be made for how this funding can be locally and regionally allocated, and how the process for allocation and use can be streamlined and improved. Government should build upon the successes of previous Local Growth Funds, aligning this with the Towns and Shared Prosperity Funds, ensuring the three can work effectively together without unnecessary complication.

The fund should have a clear purpose, be focused on productivity and shared prosperity, and importantly allow for long-term investment and planning. There's an opportunity that outside the EU the fund can be more flexible and enable areas to be more responsive to local economic needs.

Recommendation

- Government should urgently outline plans for the future of the UK Shared Prosperity Fund. This must include parity with existing EU funding allowing local investment to align with local growth strategies and regional recovery plans.

Recovery requires a focus on how to get businesses investing again so that we remain globally competitive.

The pandemic, and subsequent lockdowns of the economy caused an almost immediate fall in consumer demand for most industries, with a knock-on impact for business profits and cash flows. Business investment was down by more than 25% compared with pre-coronavirus levels in Q2[65] and firms are adjusting to structural changes in demand at a time when balance sheets are weak. Unlocking business investment will be key to raising productivity and adapting to a world post COVID-19.

Many of these businesses have built up significant levels of debt through various initiatives such as the Bounce Back Loan Scheme (BBLS) and the Coronavirus Business Interruption Loan Scheme (CBILS). 2.3 million businesses have taken out a CBILS or BBLS loan and half of the total debt is held by SMEs.[66] The lending volumes remain fairly consistent across regions, and on the whole volumes lent across regions reflect the size of the business population.[67]

For many of these firms, managing debt may be a relatively new undertaking. Survey data suggests that in 2019, 78% of businesses were not planning to seek finance in the future and 73% of businesses would rather accept slower growth than borrow to grow faster.[68] Supporting these businesses understand how to manage their new debt will be key to ensuring firstly that as much as possible is paid back, and also ensuring that businesses continue to invest, particularly in skills, technology and net zero initiatives, key to meeting wider UK growth ambitions.

As we look to the recovery, a range of solutions will need to be considered that reflect the different needs of different business and regional profiles. Government announcements within the Winter Economic Plan of extended repayment periods for government backed loan schemes will go some way to supporting businesses. This ensures that repayments are more closely aligned with a return to profits.

However, to grow beyond this crisis, more must be done to promote equity finance across the regions as a way of managing debt. Equity finance plays an important role in transforming start-ups to large-scale businesses. Not only do providers give finance during what is often a period of relative uncertainty for a growing business, but they often provide advice, to support companies through their growth phase. Currently the volume of SME equity finance is low, with only 2% used on business rescue.[69] There are also disparities across regions, businesses in London, the South East and East of England received 67% of equity deals and 75% of invested funds between 2011-2017.[70] This is a higher volume than would be expected proportional to the number of high growth firms and SMEs in these regions. Beyond this, all things the same, the probability of receiving equity finance is as much as 50% lower for firms outside London, and the size of deals are significantly lower. Much of these gaps can be linked to the lack of an established ecosystem outside London, and in the most part don't reflect a lack of regional demand for equity finance.[71]

Government should therefore consider solutions that help businesses to unlock finance for growth and manage current levels of debt. Closing the regional gap on equity finance is key to recovering from this pandemic and thriving in the future. Continuing the roll-out of a well-resourced network of regional offices through the British Business Bank, alongside targeted regional intervention such as the Northern Powerhouse, the Cornwall and Isles of Scilly and the Midlands Engine Investment Funds will be vital to closing the regional equity finance gap. For many businesses, a significant barrier to long-term investment is misinformation and lack of awareness as to the financial options available to firms. Regional bodies including LEPs and Growth Hubs, and Combined Authorities have an important role to play in building local and regional networks, identifying opportunities, and sharing insights with investors and investees.

Recommendation

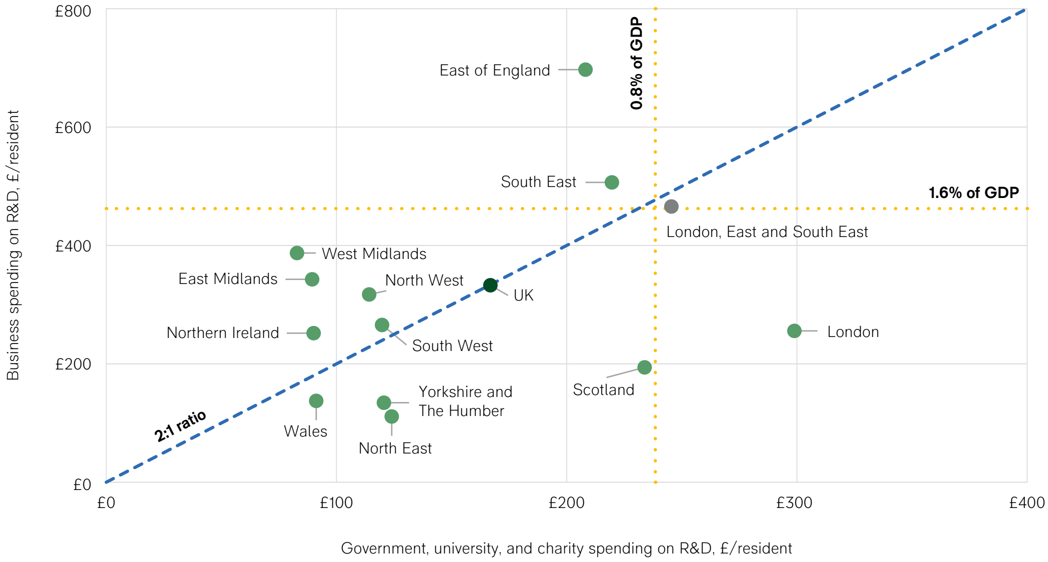
- Working with local and regional stakeholders, government must close the gap across regions between supply and demand for equity finance, supporting businesses to invest to grow, and create a thriving, post-pandemic economy.

In the longer term, regional funding in R&D should be levelled up, with government closing the gap between private and public funding across regions.

With innovation a key driver of productivity, addressing the regional imbalance in R&D spend, both from government and from businesses should be a top priority. The UK spend on R&D is low when compared to other countries, but it's also regionally imbalanced. The South East, East of England and London currently account for 52% of total UK R&D spend.[72] Only six sub-regions[73] are investing at or above the government's sub target of 2.4%, and 12 sub-regions are investing less than 1% of GDP on R&D.[74]

Not only does total R&D investment vary across the country, but there are also regional disparities between volumes of public and private investment. In countries that have successfully increased innovation intensity, they have done so with an optimal, approximately 2:1 ratio of private to public investment. This ratio isn't consistently applied across the UK, as shown in **Exhibit 6.** Some parts of the country, such as the East of England and the South East are research intensive with strong public and private investment, compared to London which gets comparably more public investment. Conversely in the East and West Midlands, East of England and North West private investment outweighs public. The North East and Yorkshire and the Humber fare poorly on both public and private R&D investment.[75]

Exhibit 6 Spending on R&D NUTS1 region within the UK, 2016 (split by market-led (business) and non-market led (government, university and charity))



Source: Nesta, "The missing four billion", 2020

Addressing these gaps in private and public sector R&D spending will require concerted efforts from government. The main lever currently used to drive research and innovation capacity across the UK is the Strength in Places Fund. However, the scheme is too modest in scale to be able to drive any significant rebalancing. With government recently committing to invest £22bn per year for R&D by 2024-25 there is opportunity to address longstanding challenges with the UK's research and innovation ecosystem. This includes increasing funding in regions with low levels of public investment, develop capacity in regions with a more limited R&D base and improve UK capabilities in development and commercialisation.

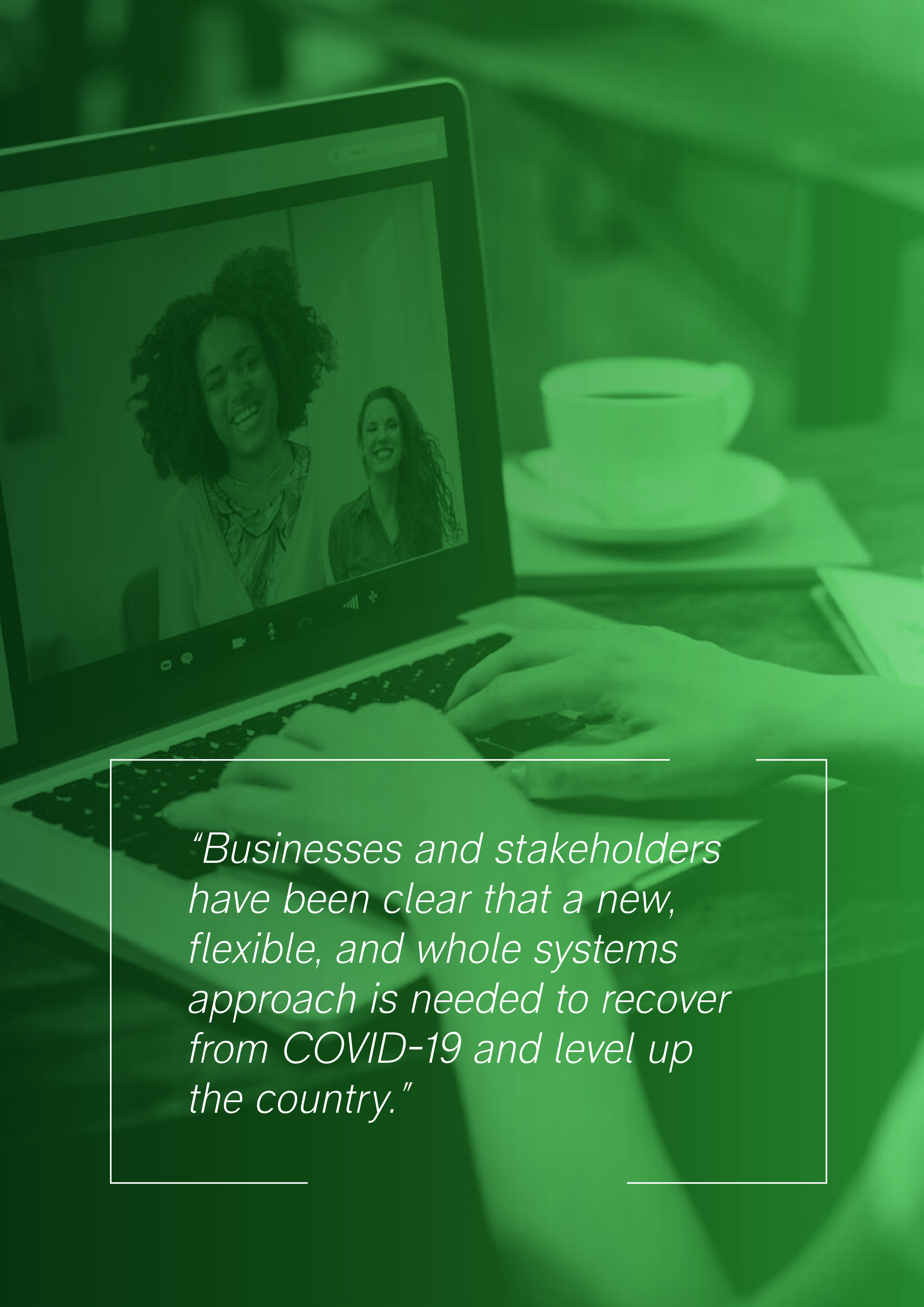
One way of doing this is to establish Catapult Quarters. These would build on the regional R&D expertise of the Catapult and Research Technology Organisations, but move beyond the traditional role of these institutions, towards providing strong support services. This includes helping businesses navigate funding support, establishing collaborative agreements and aligning R&D with product development. Importantly they would provide a physical location for innovative businesses to coalesce around, giving access to high value but expensive equipment that individual businesses might not be able to afford.

In the immediate term government should work with existing Catapults to identify a pilot organisation to receive proof of concept funding. Following this government should explore funding a series of quarters across the country, encouraging Catapults and Research and Technology Organisations to make bids. As part of the assessment process, government should consider how bids align with existing local industrial strategies, emerging recovery plans and ensure that the development of Catapult Quarters will contribute to levelling up. Funding that is allocated should be based on clear outcomes, but without being prescriptive in a way that stifles local needs.

Metro Mayors can also have an important role to play in supporting bids and attracting investment to regions. Metro Mayors have so far been particularly successful in acting as a spokesperson and figurehead for their region. There are several examples of this taking place. In the Tees Valley, Mayor Ben Houchen continues to be a vocal advocate for The Net Zero Innovation Centre. As a result, he has most recently secured government investment in a Hydrogen Transport Centre – key to decarbonising transport in the future. And in the West Midlands, Mayor Andy Street continues to call for the creation of a "Gigafactory" in Coventry where batteries for electric vehicles could be manufactured. This would align new technology with the regions existing strength in automotive industries. Locating innovation and R&D activity in areas of industrial and sectoral strengths will be key to ensuring that investment in innovation translates into business productivity and sector growth. In doing so it can support levelling up in areas that have existing national and international strengths. To drive change UK Research and Innovation (UKRI) must focus on ensuring the benefits of R&D funding are more widely felt, funding the development of capability across the UK, and ensuring place is considered in the allocation of funding.

Recommendation

- Catapult Quarters should be established across the country as a way to level up R&D spend, ensuring bids align with local recovery plans, and deliver against long-term ambitions.



"Businesses and stakeholders have been clear that a new, flexible, and whole systems approach is needed to recover from COVID-19 and level up the country."

Conclusion and next steps

It's clear there cannot be a one size fits all approach to closing longstanding productivity and equality gaps across England. Especially when some of the greatest challenges – COVID-19, Brexit and the impacts of AI and Automation will not be equally spread. Interventions must therefore be locally and regionally led, recognising the different challenges each area faces. A new, flexible, whole system approach is needed that empowers places to build strong local labour markets, transform local infrastructure and inspire world class, innovative businesses to invest.

Underpinning this must be a commitment to ensure places have the resourcing, capacity and skills to deliver against local needs. The Devolution and Local Recovery White Paper will be vital to setting out how regions can lead the recovery, working closely with central government and partners. Changes will be required across all departments if new devolution arrangements are to allow all parts of the country to recover from COVID-19, and thrive in the future.

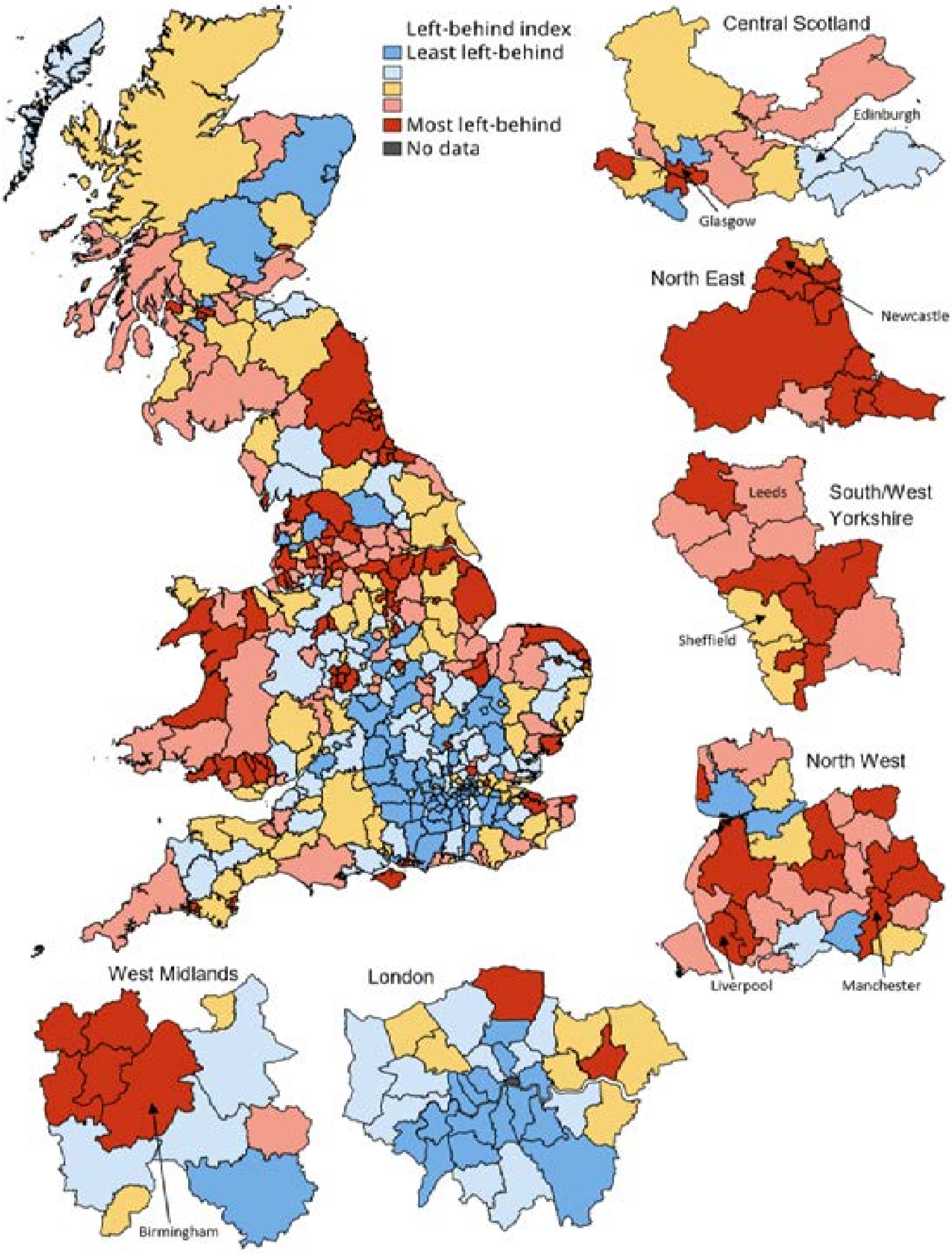
As well as this report, the CBI in partnership with Lloyds Banking Group will be publishing a series of regional scorecards in 2021. Through analysing local and regional data across a range of productivity metrics, these scorecards will aid understanding of what is driving variance in performance across the country. This will allow each area to identify priorities for interventions, as well as make regional comparisons.

Beyond this the CBI is committed to working closely with local leaders on emerging regional recovery plans, ensuring the business view remains represented across all regions as they look to survive and thrive following this pandemic.

2020 has presented new challenges for England's regions including the future of towns and cities given the pace of change in the way we live and work. It has also reinforced the importance of levelling up and the need to work in partnership. The business perspective is that building back better regionally starts with a focus on building strong local labour markets, transforming the infrastructure of our towns and cities and inspiring world-class businesses to thrive in every part of the country.

Annex

Figure 1 IFS Left Behind Index



Source: Institute for Fiscal Studies

Figure 2 Bolton at Home Case Study, Unemployment February 2020

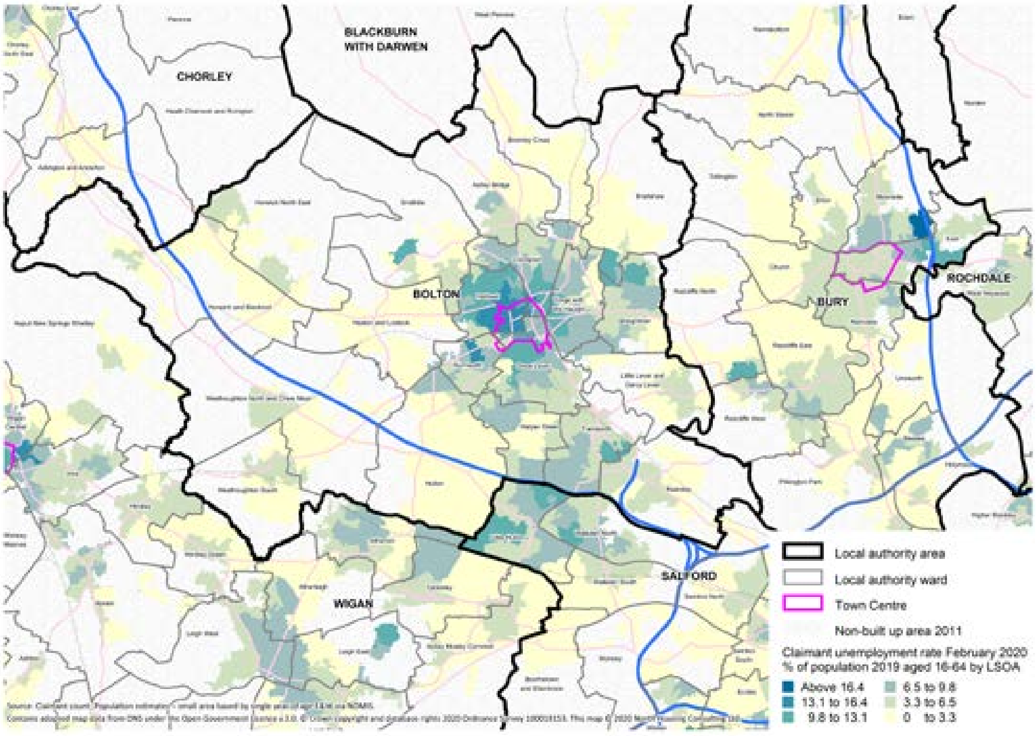
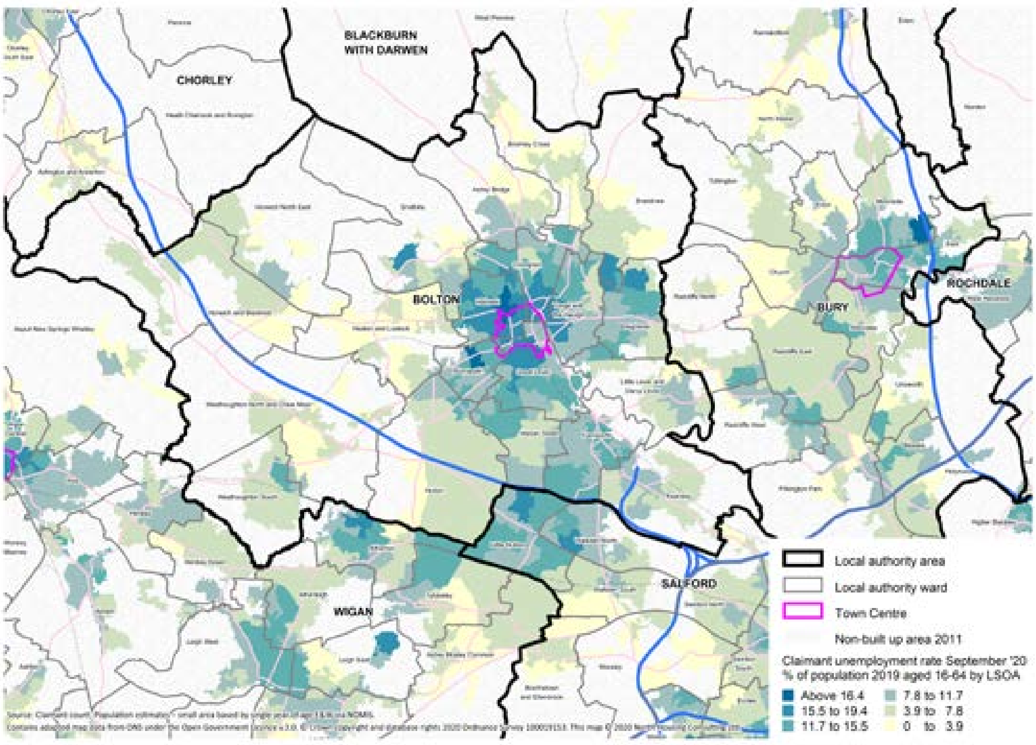


Figure 3 Bolton at Home Case Study, Unemployment September 2020



Sources: Produced for Bolton at Home using ONS data (2020)

Acknowledgements

With thanks to the following CBI members and committees who contributed to this report:

Adam Jupp, The Manchester Airport Group plc

Adrian Bratt, Princess Yachts Limited

Andrew McGowan, City of London Corporation

Andy Gregory, BGF

Andy Williams, AstraZeneca

Anna Wilson, WSP

Anthony Hatton, Peel Land & Property Investments PLC

Barbara Nash, Virgin Media Limited

Chan Kataria, EMH Group Ltd

Charley Gibbons, Orbit Group

Chris Evans, University of Exeter

Christine Hewson, KPMG

Daniel Wilson, BT Group plc

David Hughes, Foresight Group

Hugh Milward, Microsoft Limited

Ian Ankers and Brendan Nevin, Bolton at Home

Ian Thomas, NewcastleGateshead Initiative

Ian White, The University of Bath

James Rolfe, Anglia Ruskin University

John Godfrey, Legal and General Group Plc

Karen Barclay, Anglian Water Group Ltd

Kathryn McCloghrie, Sellafield Ltd

Mark Hughes, The Growth Co. Ltd.

Matt Boyle, Collingwood Solutions

Mike Russell, TWI Ltd

Nicholas Herbert, BGB Innovation

Nick Salloway, Qrious

Nicola Haigh, Lloyds Banking Group Plc

Oliver Jaycock, London Luton Airport Operations Ltd

Peter Matthews, EY

Richard Gregory, Virgin Money UK PLC

Richard Jones, The University of Manchester

Richard Whitehead, AECOM

Simon Barker, Leonardo Helicopters

Will Richardson, PWC

Yiannis Koursis, Barnsley College

CBI SME Council

CBI Economic Growth Board

CBI Financial Services Council

References

1. Industrial Strategy Council, “UK Regional Productivity Differences: An Evidence Review”, 2020
2. The Institute for Fiscal Studies, “The IFS Green Budget: October 2020”.
3. Centre for Economic Performance, LSE, “People, Places and Politics: Policy Challenges of the UK’s Uneven Economic Geography”
4. Industrial Strategy Council, “UK Regional Productivity Differences: An Evidence Review”, 2020
5. Greater Manchester Combined Authority, “Greater Manchester Independent Prosperity Review: Reviewers’ Report, March 2019”
6. Ministry of Housing, Communities & Local Government, (2019) “English Indices of deprivation, 2019”.
7. Institute for Fiscal Studies, “Catching up or falling behind? Geographical inequalities in the UK and how they have changed over recent years”, 2020
8. LSE, Centre for Economic Performance, “People, Places and Politics: Policy Challenges of the UK’s Uneven Economic Geography”, 2019
9. Centre for Cities, “Why big cities are crucial to ‘levelling up’”, 2020
10. Institute for Fiscal Studies, “Catching up or falling behind? Geographical inequalities in the UK and how they have changed over recent years”, 2020
11. CBI analysis of ONS, “GDP monthly estimate, UK: August 2020”.
12. Institute for Fiscal Studies, “Sector Shutdowns during the Coronavirus Crisis: Which Workers Are Most Exposed?”, 2020
13. Bank of England, “Monetary Policy Report, August 2020”
14. HMRC, “Coronavirus Job Retention Scheme statistics: October 2020”
15. CBI analysis of Claimant Count data (Nomis)
16. ONS, “Coronavirus and the latest indicators for the UK economy and society: 15 October 2020”
17. Centre for Cities, “Where in the UK is it hardest to find a job?”, 2020
18. Bennett Institute for Public Policy, “Levelling up regional resilience: policy responses to the COVID-19 crisis”, 2020
19. NIESR, “Understanding regional economic performance and resilience in the UK: trends since the global financial crisis”, 2020
20. Resolution Foundation, “Getting Britain working (safely) again”, 2020
21. HMRC, Regional Trade Statistics
22. HMG, EU Exit Long-term economic analysis, November 2018
23. ONS “Which jobs are at the highest risk of being automated?”, 2019; Nesta “Workers blindsided by ‘robot redundancies’ - two in three workers at-risk of job loss are oblivious to the threat”, 2020
24. Nesta, “Workers blindsided by ‘robot redundancies’ - two in three workers at-risk of job loss are oblivious to the threat”, 2020
25. Centre for Cities, “The rise of robots could compound Britain’s North/South Divide”, 2018

26. McKinsey, "The COVID-19 recovery will be digital: a plan for the first 90 days", 2020
27. IFS, "The cost of Covid-19, The impact of Coronavirus on the UK's public finances", 2020
28. ONS, "GDP monthly estimate, UK: August 2020".
29. HMRC, "Coronavirus Job Retention Scheme statistics: October 2020".
30. ONS; "Coronavirus and the latest indicators for the UK economy and society: 15 October 2020".
31. UKCES Praxis "Encouraging small firms to invest in training: learning from overseas" 2010.
32. Scale Up Institute, "Annual ScaleUp Review", 2019.
33. CBI, "Learning for Life", 2020.
34. Industrial Strategy Council "UK Skills Mismatch in 2030", 2019; "ONS Labour force survey" [economic activity by age], 2019.
35. NCFE, "Post-16 Education and Apprenticeship Levy Funding, Next Steps for English Devolution", 2019.
36. House of Commons Library, "Devolution of the Adult Education Budget", 2019.
37. CBI, "Delivering Skills for the New Economy", 2019.
38. East Midlands Business Link, "Skills shortage problems for East Midlands SMEs" April 2019 https://www.eastmidlandsbusinesslink.co.uk/mag/news/skills-shortage-problems-for-east-midlands-smes/
39. World Economic Forum, "Global Competitiveness Report", 2019.
40. House of Commons Library, "Devolution of the Adult Education Budget", 2019.
41. The Guardian, "UK road travel falls to 1955 levels as COVID-19 lockdown takes hold", April 2020.
42. Ibid.
43. Google, "GB Mobility Report: 13 October 2020" https://www.gstatic.com/covid19/mobility/2020-10-13_GB_Mobility_Report_en-GB.pdf.
44. DfT, "Rail update Emergency Recovery Measures Agreements", 2020.
45. ONS, "Which jobs can be done from home", 2020.
46. ONS, "Coronavirus and the economic impacts on the UK: 8 October 2020".
47. DfT, "£2 billion package to create new era for cycling and walking" 2020.
48. Arcadis, "The Road to Recovery", 2020.
49. Ibid.
50. ONS, "Coronavirus and the economic impacts on the UK: 8 October 2020".
51. European Commission, "Digital Economy and Society Index Country Profile", 2020.
52. Measured by fixed broadband subscriptions over 100mbps per 100 inhabitants as of December 2018. Data from OECD, Broadband portal.
53. Broadband Stakeholder Group, "Impact at a local level of full fibre and 5G investments", 2020.
54. DCMS; MHCLG, "Minsters call on councils to help deliver digital connectivity ambitions", 2020.
55. Mobile UK, "Councils and Connectivity", 2019.

56. CBI, “Unlocking Regional Growth”, 2017.
57. Urban Transport Group, “The Local Transport Lottery”, 2020.
58. Ibid.
59. LGA, “Better Roads England”, 2014.
60. National Audit Office, “Financial Sustainability of Local Authorities”, 2018.
61. CBI, “Connecting Communities”, 2020.
62. FSB, “Sharing Prosperity, the Future of UK Business Support”, 2018.
63. HoC Briefing Paper, “The UK Shared Prosperity Fund”, 2020.
64. Conservative Party, “Forward, Together: Our Plan for a Stronger Britain and a Prosperous Future”, 2017.
65. ONS, “Business investment in the UK: April to June 2020 revised results”.
66. TheCityUK, “The demand for recapitalisation: updated estimates of UK unsustainable debt”, 2020.
67. British Business Bank, “Regional analysis of Coronavirus loan schemes shows continued even distribution across the UK”, 2020.
68. BDRC, “SME finance Monitor”, 2019.
69. TheCityUK, “The demand for recapitalisation: updated estimates of UK unsustainable debt”, 2020.
70. BEIS, “Equity and Finance and the UK regions”, 2019.
71. Ibid.
72. CBI analysis based on ONS (2019) Gross domestic expenditure on research and development, UK: 2017.
73. Eurostat (2019) Intramural R&D expenditure (GERD) by sectors of performance and NUTS 2 regions.
74. CBI analysis based on ONS (2019) Gross domestic expenditure on research and development, UK: 2017.
75. Nesta, “The Missing Four Billion”, 2020.

About the CBI

Founded by Royal Charter in 1965, the CBI is a non-profit business organisation that speaks on behalf of 190,000 UK businesses of all sizes and from across all sectors, employing nearly 7 million people between them. That's about one third of the private workforce. This number is made up of both direct members and our trade association members. We do this because we are a confederation and both classes of membership are equally important to us.

The CBI's mission is to promote the conditions in which businesses of all sizes and sectors in the UK can compete and prosper for the benefit of all. With offices around the UK (including in Scotland, Wales and Northern Ireland) and representation in Brussels, Washington, Beijing and Delhi, the CBI communicates the British business voice around the world.

Our mandate comes from our members who have a direct say in what we do and how we do it

The CBI receives its formal mandate from 9 Regional Councils, 3 National Councils from Scotland, Wales and Northern Ireland plus 16 sector based Standing Committees. These bodies are made up of members in that region, nation or sector who serve a term of office. The chair of each Standing Committee and Regional and National Council sit on the CBI's Chairs' Committee which is ultimately responsible for setting and steering CBI policy positions.

Each quarter this formal engagement process across the CBI Council reaches over 1,000 senior business leaders across 700 of our members who have a direct say in what the CBI do and how they do it, from refreshing their workplan to discussing the key business issues of the day and re-calibrating its influence. Over 80% of the businesses represented on the CBI Council are outside of the FTSE350 as the CBI represents a wide range of sizes and sectors from the UK business community. This formal governance process is supported by a wide range of working groups, roundtables, member meeting and events that makes the CBI unparalleled at listening to and representing British business.

CBI Council in numbers

1000+

Committee and Council representatives

28+

Regional and National Council and sector based Standing Committees

50%

Representatives of the CBI Council at C-Suite level

80%

Of the CBI Council from non-FTSE 350 businesses

Product code: 12626

Produced by Hannah Richmond and the Regional Growth team
with the support of Ben Jones and Martin Sartorius of the Economics team
To share your views on this topic or ask us a question, contact:

Hannah Richmond
Principal Policy Adviser
hannah.richmond@cbi.org.uk