CONTENTS

Foreword 4

A new agenda for business and government 6

Chapters
1. People and skills 8
2. Innovation 10
3. Infrastructure 12
4. Tax and regulation 14
5. Trade 16
6. A new relationship with the European Union 18
7. Unlocking Regional Growth 20

Conclusion 22
To deliver prosperity throughout our communities, the UK needs a new era of partnership between government and businesses of all sizes and in all corners of the UK.

The UK economy has many great strengths we should be proud of: high employment backed by a flexible labour market; strong competition across key sectors; a fertile culture of innovation and investment and powerful trading relationships across the globe. This gives us a solid platform for growth and prosperity.

Yet we can’t deny that the world is changing, and that the UK faces a number of challenges ahead. The need to shape our global future and redefine our relationship with Europe, to build a new economy that shares the benefits of growth across the UK, and to show the value of business and how it drives fairness and wellbeing across our communities.

The CBI – and our members – stand ready to help government and business to work together to be more effective than ever before by championing new solutions and by brokering the wide range of partnerships that will determine success.

Businesses agree that change is needed and that firms have a real opportunity to lead that change, to ensure that standards of living aren’t determined by postcodes and that opportunities are available for more people, in more areas across the UK.

To make a real difference, this partnership should focus on the five pillars that we know drive prosperity:

- Building a workforce – from CEO to apprentice – which helps firms compete, based on improving education, higher skills and an agile and inclusive labour market which enables all people to share in the UK’s growth.
- Creating a climate for cutting-edge innovation, spurring competition and bringing better, more affordable products and services to all of us.
- Developing world-class infrastructure and industries which underpin a healthy economy.
- Tax, fiscal policy and regulation that unlocks entrepreneurship, growth and job creation.
- Ensuring the UK remains open to the world, with firms able to trade and invest easily with international markets, and remaining the most attractive place in Europe for international investment.

Working together on this prosperity agenda, business and Government must build a new, progressive industrial strategy with a shared long-term vision for the key sectors and regions of the economy and evidence-based plans for Government and business intervention.
We’ve seen this partnership flourish in areas like automotive and all agree it should go further.

Productivity growth, particularly outside London, is critical to our future; it is the key that underpins so much of the growth in jobs, wages, public services and that will help us tackle the regional inequality we face.

*It starts with a new era of partnership between Government and business of all sizes and in all corners of the UK.*

To make this work, Government must do its part, by genuinely engaging with and listening to business – from SMEs to FTSE 100 companies – and entering into a meaningful new partnership with common goals, to give the long term stability and certainty needed for planning, investment and growth.

Business must do its part, by building fairness into the heart of their operations, whether in pay, employee engagement, tax or their wider social impact.

From shaping a new relationship with Europe, to building a new economy which works for the whole UK – in all our regions – the action we take today, as partners, will define tomorrow’s Britain.

*Carolyn Fairbairn*
Director-general, CBI
A new agenda for business and government

1. People and skills
Building a workforce – from CEO to apprentice – which helps firms compete

2. Innovation
Creating a climate for cutting-edge innovation, spurring competition and increasing productivity

3. Infrastructure
Enabling world-class infrastructure and industries which underpin a healthy economy

4. Tax and regulation
Setting the framework for tax, fiscal policy and regulation that unlocks entrepreneurship, growth and job creation

5. Trade
Ensuring an openness to the world, with UK firms able to trade easily with markets old and new

6. A new relationship with the European Union
Balancing the need to safeguard the economic benefits of EU membership and maximise opportunities at a domestic level

7. Unlocking Regional Growth
Delivering growth and opportunity for all regions
On all these the CBI has a unique role to play: convening businesses to identify and understand the issues that matter; using this insight and our world-leading economic research to impact the environment in which business operates; and supporting firms with practical guidance and ideas to help them be even more successful.
1. People and skills

**Building a workforce – from CEO to apprentice – which helps firms compete.**

Business is about people. In every corner of the UK, companies of all shapes and sizes create and support jobs in order to survive and grow. This helps equip people with the skills that build careers and puts money in peoples’ pockets to save or spend. It is the core role of business to deliver this prosperity and firms are committed to working with government to help nurture talent by investing in training.

Skills shortages are holding businesses and the economy back and stopping individuals from reaching their full potential. Specific sectors face their own pressures – from attracting school leavers to finding technical expertise.

Long term the UK needs a skills system that supports training in the right sectors and regions. And interventions need to be designed in partnership between government and business: by imposing a solution that works for Whitehall, but not for Walsall or Wales, the design of the apprenticeship levy will put quality training opportunities at risk across all four UK nations.

Immigration supplements the skills we need; it has helped keep the wheels of the recovery turning by plugging skills shortages. As part of the negotiations on the UK’s membership of the EU, the challenge now is to create a new immigration system. One that has the confidence of the public and is open and outward looking, preserving the ability to access the skills that support jobs and investment in all parts of the UK.

Britain has the best record on job creation in Europe. As the UK renegotiates its relationship with the EU, maintaining our flexible labour market will be vital to help business protect Britain’s workforce.

**PRIORITIES FOR CHANGE**

**A skills system built for success**

Business wants to create more, high-quality apprenticeships. To that end, a radical redesign of the troubled apprenticeship levy is needed and business is ready to work with the new government to achieve this goal. Alongside this, more must be done to deliver better careers advice and vocational options for those between 14 and 18, to support schools to give young people the attitudes and attributes they need for success. The UK also needs to build on the ongoing strength of our world-leading universities which create opportunities for students and our economy – here and internationally.

**Meaningful business-led action on building productive, flexible and inclusive workplaces**

Productivity comes down to the contributions individual employees’ make – whether they are the CEO taking action on management skills, or a new starter thinking about how they can progress in their career. Supporting business-led action to do more on leadership, staff engagement and skills – especially through the outcomes of The Mayfield Review and the revitalised industrial strategy – will be vital.

People perform better when they are engaged, can see a route to progression, and can be themselves. A new government can help us to build workplaces where diversity, opportunity, engagement and flexibility are key tools to building prosperity. Business is ready to take the lead on this, but public policy can help by supporting meaningful action, and avoiding the kind of regulation that creates red tape but not better outcomes.
Outlining an immigration system that, while recognising public concerns, enables businesses to get the skills they need

For Britain to be a success, it needs to be open to the world. An early commitment to scrap the net migration target is a vital first step. In the longer term, businesses need an immigration system that preserves close links with Europe and ensures access to the skills they need. In some sectors, there are clear labour shortages for lower skilled work – business and government will need to work together closely to create specific, more controlled arrangements for these sectors.

Protecting our flexible labour market

The UK’s flexible labour market has helped business create more jobs than ever before. Maintaining this flexibility and ensuring policies – like the National Living Wage – are designed in ways that give maximum benefits to workers while protecting jobs and opportunity is crucial. Independent bodies like the Low Pay Commission should be entrusted with this task.

Key areas for government and business to work together:

- Getting the troubled apprenticeship levy right: with a radical redesign and implementation in 2018, to help build a skills system that works for businesses across the UK
- Outlining an immigration system that enables businesses to get the skills they need by removing the net migration target, and preserving close links with Europe which allow people to come to the UK to work, pay taxes and contribute to our economy and society
- Committing to maintain and protect the UK as a flexible labour market and the independence of the Low Pay Commission
- Government and business working together to support meaningful business-led action on productivity, inclusion and agility.

Proportion of businesses that are not confident about filling their high skilled jobs in future

69%

Proportion of UK economic growth between 1998 and the financial crisis delivered by labour productivity improvements

73%
2. Innovation

Creating a climate for cutting-edge innovation, spurring competition and increasing productivity.

Innovation is at the heart of economic, social and cultural development in the UK. It drives productivity, helping to raise living standards and laying the foundations for tomorrow’s world. When businesses adopt the latest innovative processes, technologies and digital strategies they create more jobs, generate investment and boost exports. And it is businesses across the UK – from healthcare to manufacturing – that are inventing new products and technologies that make our lives better.

The UK’s status as a world leader in research and development has helped business pioneer new products and technologies that are now part of peoples’ daily lives. These new products help firms to become more productive and employ more people. But to continue to be a world leader, Research and Development (R&D) must be underpinned by brilliant, collaborative networks and consistent, reliable sources of R&D funding. A vote to leave the EU risks changes to this, making it more important than ever to uphold the UK’s status by increasing investment and collaboration.

Digital is a major driver of business innovation, making great access and adoption of technology essential for all firms. The internet is not an optional extra – for business and consumers it is as crucial as the water in our taps and the electricity in our walls. However, inconsistent availability of broadband and 4G – in rural and urban areas all over the UK – as well as limited take up of superfast products, means that some businesses and locations cannot fulfil their potential. Recent CBI research has also pointed to the emergence of a ‘digital divide’ among businesses, with many firms admitting that they lack the skills and the know-how to take advantage of the latest technologies.

The UK is number 1 in the world for ecommerce, and its thriving tech sector encourages promising start-ups to set up shop here every day. But for some companies there are too many obstacles stopping them from making the most of technology and the benefits it can bring for both their customers and their business.

PRIORITIES FOR CHANGE

Working together to increase investment in R&D

By publicly stating its ambition to increase R&D spending in this parliament, the government can protect our world beating research base and help businesses to drive forward innovation. Business stands ready to be part of the solution to establish a long-term shared goal of reaching spending of 3% of GDP on R&D. Protecting the £4.9 billion science budget and ensuring that, as part of UK Research and Innovation, Innovate UK’s valuable support for innovation continues to make an impact, will help deliver the right climate and capabilities for cutting-edge innovation for both businesses and consumers. By working together with business, government can raise the status of innovation as a driver of productivity – helping to improve living standards and deliver prosperity across the UK.
Establishing a clear roadmap for investment in digital infrastructure and encouraging the adoption of digital technologies

The new government should prioritise business broadband access alongside consumer access and the building of masts for mobile connectivity along major transport routes. This should be underpinned by a clear roadmap for public and private sector investment in digital infrastructure beyond the current 2017 plan.

The government can also help create a culture that encourages businesses to adopt the latest digital technologies. This includes incentivising the take up of digital as part of a coherent industrial strategy, and working with business to establish a system to improve digital skills from the boardroom down.

Key areas for government and business to work together:

- Government should publically state its ambition to increase R&D spend in this parliament – with the long-term goal of reaching a combined public/private R&D spend of 3% of GDP
- A new roadmap for the roll out of broadband must be established for beyond 2017, when the current plan expires. This roadmap should prioritise both business broadband access and connectivity, and consumer access
- Government should publish its UK Digital Strategy and National Innovation Plan this autumn, embedding both in a rejuvenated industrial strategy. Businesses and government should work together to establish a skills system that increases the uptake of digital technology.

£20bn

Businesses investment in R&D per year – 65% of total UK R&D spending³
3. Infrastructure

Enabling world-class infrastructure and industries which underpin a healthy economy.

From the roads and railways that connect the UK, the homes people live in, to the energy supply that powers homes and businesses, infrastructure provides the essential foundations business needs to deliver jobs, growth and prosperity for all.

Now more than ever, the challenge for the new government is to take decisions across transport, energy and housing that show that the UK is open for business and secure our long term prosperity.

The UK’s transport system is the backbone of our economy – whether moving people or goods by road, rail or air, the UK needs to improve the connections across the country and with other economies to help stimulate growth in cities, towns and villages.

Alongside this, access to secure, affordable and low-carbon energy supplies that power our homes and businesses is crucial for the UK’s economic future. This requires a clear and stable policy framework which will build confidence in the industry and enable long-term investment decisions.

PRIORITIES FOR CHANGE

Building a new runway in the South East

Trade and flight growth go hand in hand – securing just 8 new routes to emerging markets a year could deliver a £1bn trade benefit for the UK. Taking critical decisions on infrastructure should start with a commitment to build a new runway in the South East that will create tens of thousands of jobs and allow the UK to take full advantage of global trade opportunities.

Delivering on commitments for capital spending plans on the UK’s railway and roads

By sticking to its spending plans for the UK’s roads and railways – and ensuring they are delivered in full over the course of this parliament – the government can provide the right foundations to help business drive growth and prosperity across the regions. This should include pressing ahead with major infrastructure projects such as HS2 alongside incremental improvements to our road networks, building on progress already made, for example, in setting a delivery date for the A14. Business is ready to partner with government to develop the skills and capacity across the industry needed to ensure these plans are delivered effectively for taxpayers.

Providing a stable, long-term energy policy framework

A stable, long-term energy policy framework will give investors the confidence to commit to the investment our energy system needs. In particular, this means clarity around the next Contracts for Difference auction, the post-2020 Levy Control Framework, as well as the delivery of the next Capacity Market auction.

£1bn

Potential trade benefit delivered by securing just 8 new routes to emerging markets a year*
Energy efficiency should play an important role in supporting businesses and households to manage their rising energy costs. The government can support this by delivering on its commitment to simplify the business energy efficiency tax regime to encourage investment, and developing a long-term strategy to improve the efficiency of people’s homes. Energy intensive sectors have a vital role to play in the low carbon economy – industries like cement, steel, chemicals and ceramics are the foundation industries of the rest of our economy – and will need on-going collaboration and support to help maintain their competitiveness as they decarbonise.

Having legislated for the Fifth Carbon Budget, business is set to work with government to develop an ambitious but credible Emissions Reduction Plan that reduces greenhouse gas emissions, works for all businesses, and drives investment. Protecting the environment and delivering the dramatic emissions reductions needed in the next decade will mean greater attention will need to be given to areas like low-carbon transport and heat.

**Delivering the new homes that families need**

Building the 1m new homes by 2020 needed to meet the government’s target will require new and existing players to scale up their capacity to deliver homes across a range of types and tenure. Action should include giving innovative local authorities the ability to use their asset base to borrow above current limits and developing partnerships that create better ways to release public sector land. This will help secure a healthy and vibrant housing market that gives more families the opportunity to find an affordable home.

**Ensure the National Infrastructure Commission has both full autonomy over its agenda and the power to deliver it**

The independent National Infrastructure Commission (NIC), if equipped with the right powers, will help plan and then deliver the long term infrastructure projects needed to share prosperity across the regions. It needs a clear prosperity agenda for infrastructure, developing partnerships between business and industry to put the UK in a strong position to deliver the world class infrastructure needed to support vital industries, such as manufacturing, to succeed and create jobs.

**Key areas for government and business to work together:**

- Taking a decision on new runway capacity backed up by a clear timetable for action and delivering on commitments for capital spending plans on the UK’s railway and roads.
- Delivering the right set of measures to reach the new target of 1m homes by 2020 – this includes supporting new and existing players to scale up their capacity to build homes of a range of types and tenure, giving innovative local authorities the ability to use their asset base to borrow above current limits and developing partnerships which create better ways to release public sector land.
- Providing clear and timely actions on energy policy – clarity around the next Contracts for Difference auction and post-2020 Levy Control Framework and delivering an ambitious and credible long-term carbon plan which works for all industries.
4. Tax and regulation

Setting a framework for tax, fiscal policy and regulation that unlocks entrepreneurship, growth and job creation.

In a globalised world, a stable system of regulation and tax that encourages innovation and investment will help the UK stand out from the pack as an attractive place to invest, locate and do business, supporting jobs and local communities now and in the future.

As the economy adjusts following the vote to leave the EU, tax policy and the broader fiscal framework will be important for supporting the economy and business activity. The UK has to demonstrate that it supports the home-grown business and foreign investment that drive prosperity across the UK. Equally important is ensuring that the rising burden of tax and regulation changes does not hold back businesses – particularly small firms – from driving prosperity.

In a globalised world, the international tax system has not kept pace with modern business. The important work at OECD, European and UK levels to update some of the international tax rules will help to ensure the tax system is fit for purpose and that tax is paid according to where the economic activity takes place, as well as helping to address the loud debate underway about how multinational businesses manage their tax affairs. At the same time, businesses recognise they have a responsibility to address this debate and build public trust, which is why they support the international reform agenda and as a result many are finding new ways of explaining their tax affairs to the public.

A modern tax system, where businesses pay the right amount of tax in the places they operate, in turn provides central and local governments with the revenues they need to pay for critical services. It is vital that these tax revenues are spent well, in particular on areas that can boost productivity and prosperity, such as education, infrastructure and science, but also on the public services that are a vital part of everyday life and also support business success. After six years of efficiencies, the challenge is to deliver the transformational reform the UK needs to deliver world class services in new and more effective ways.

Priorities for change

Committing to a stable and simple tax system with the incentives to invest

Over the long term, tax can play an important role in driving productivity growth and boosting our economic potential. This is not just about the corporate tax rate – taxes including business rates and employer National Insurance contributions act as fixed costs for businesses and make up a larger and increasing share of the business tax contribution. The government can support the UK’s companies to create jobs and drive growth in the economy by not adding to the rising policy burden on business.

Incentives, such as R&D Tax Credits, encourage productive investments in the innovations of tomorrow. Widening their scope and making them easier to claim will enable more businesses to invest in R&D. Similarly, capital allowances incentivise businesses to buy the equipment and tools they need to succeed. To remain a competitive place to invest, the UK needs to go from having the least generous regime in the G7 to having one of the most attractive.

These incentives tend to become useful when a company is making a profit; during challenging times companies cannot access the support they need. By tackling these issues, and building stability, certainty and simplicity over the longer term, the government can improve the conditions needed for boosting future growth in productivity and living standards.
Progressing with coordinated efforts to reform the international tax system
Business recognises the need to reform the international tax system and welcomes the ongoing efforts in the international community to ensure that it keeps pace with the challenges that increased globalisation presents. To help business continue to deliver jobs and investment, these reforms need to be internationally coordinated and synchronised to create a level playing field that protects the UK’s position as an attractive place to invest in a competitive global environment.

Key areas for government and business to work together:
- Demonstrating that the UK is open for business by committing to a stable and simple tax system across the range of taxes businesses face. This should include a competitive corporate tax rate, and enable investment and innovation through effective capital allowances and R&D tax credits
- Progressing with efforts to reform the international tax system, coordinated and synchronised with other OECD countries
- Urgently renewing commitment to key public service reform programmes and improve commercial capabilities in the civil service to ensure delivery.

£9bn
Cost every year to the economy by 2020-21 of recent government policies, including the National Living Wage and the apprenticeship levy

Renewing commitment to key public service reform programmes
Government must urgently provide clarity on how it will deliver its commitments, such as the Prison Estate Transformation Programme and digitising transactional services – while enhancing commercial capability in the Civil Service to help meet the full potential of partnerships with private sector suppliers.
5. Trade

*Ensuring an openness to the world, with UK firms able to trade easily with markets old and new, and international investors eager to do business in the UK.*

By partnering to help more businesses invest as well as to buy and sell their products and services internationally, government and business can increase competition, keep prices down for consumers, support job creation and deliver lasting growth and prosperity.

Over the coming years the government will redefine our economic relationship with the European Union, and with the rest of the world. Our future as a trading nation depends on business and government working together to answer some of the tough questions about how best to reimagine, rebuild, and deepen the UK’s relationships across the world.

Outside of the EU, the UK’s continued membership of the World Trade Organisation (WTO) will give UK businesses the basic foundation from which to build future trade relationships around the world. This will support our economy and ensure the best possible deal for consumers. The challenge will be for the UK to be extricated from the EU’s commitments, and for it to have the ability to trade autonomously within the WTO, no later than exactly two years after triggering Article 50.

These challenges are set against the background of the UK’s disappointing export performance in recent years. In the immediate term, it is more important than ever to put in place the right structures, investment and support to encourage more businesses to become exporters.

**£1trn**

The UK government’s target for export volumes by 2020.

---

**PRIORITIES FOR CHANGE**

**Prioritising the renegotiation of our relationship with the European Union**

As all future trading relationships will depend on our legal arrangement with the EU, this negotiation must be treated as the UK’s top priority. The CBI considers the details of this in the following chapter.

**Clarifying the UK’s status within the WTO in parallel with Brexit negotiations**

The UK’s continued membership of the WTO will integrate UK businesses within the global trading system, and will be the basis for concluding the free-trade agreements with countries outside of the EU. In order to trade autonomously within the WTO, the UK’s commitments must be extricated from EU commitments. As part of this, it is vital that our future commitments within the WTO are as close as possible to the current commitments the UK makes through our WTO membership via the EU. This will benefit consumers buying goods and services by minimising the disruption to the businesses providing them. Business will look to government to quickly provide certainty on the process for asserting the UK’s ability to trade autonomously within the WTO, and to provide assurances that this will coincide with the UK’s formal exit of the EU.

**Setting out a plan to secure preferential market access to key markets**

Maintaining as much preferential market access to global markets as possible will also be critical to the UK’s future success in exporting and attracting investment. The UK currently benefits from the existing 53 EU trade deals in force, and stands to benefit from the upcoming implementation of big deals with countries including Canada, Singapore and Vietnam. Government must clarify how it plans to access similar terms for key markets, either by using existing EU terms as a blueprint for future negotiations or by seeking to join existing and ongoing
EU-negotiated deals, such as the Transatlantic Trade and Investment Partnership (TTIP) as a third party.

**Partnering to ensure the UK Government is ready to face the new trade challenge**

While consciously prioritising the work on EU negotiations and ahead of triggering Article 50, the government should work with business to make sure that the UK Civil Service is fully equipped to negotiate and implement deals on the UK’s new economic and trade relationships. Business has the negotiating and legal drafting skills, detailed technical and sectoral knowledge, as well as the key relationships around the world to help the UK Civil Service take on its new trade responsibilities, and stands ready to support the government. The CBI will work with the Department for International Trade to amplify UK business support for ambitious trade – on a global scale – and provide a clear assessment of what our members tell us are the priorities for delivering prosperity.

Businesses most value Free Trade Agreements that improve market access by removing both tariffs and non-tariff barriers, such as red tape, through regulatory cooperation to lower the cost of importing and exporting, as well as delivering cooperation on trade rules. Focusing on delivering these comprehensive deals is the best way to keep costs down and deliver cheaper products and services for consumers. Businesses will work with government to identify the most problematic tariff and non-tariff barriers for UK exports to specific countries outside of the EU, so that these can be prioritised for dismantling in future negotiations.

**Encouraging more businesses to take advantage of exporting and showing that the UK is open for business**

As we get ready to redefine our trade relationships with the rest of the world, business and government urgently need to work together to boost the UK’s export performance. The Britain is GREAT campaign has made good progress in showcasing the UK market, as well as making companies aware of the opportunities for them to grow through exporting and supporting them to do so. Giving even more companies the support to export their goods and services will help businesses grow and create jobs. Business and government should work together to develop programmes of targeted support for firms that don’t currently export but have the same characteristics as those who do. Together, business and government can make sure that this work is aligned with the efforts to create a modern industrial strategy that maximises our strengths as a trading nation as well as continued efforts to demonstrate that the UK is open for business.

**Key areas for government and business to work together:**

- In parallel with UK-EU negotiations, urgently clarifying the UK’s place in the World Trade Organisation (WTO)
- Focusing on building the capacity and capability within the Civil Service ahead of triggering Article 50 to undertake the negotiations that need to take place with the EU, WTO, and potential new trading partners over the coming years
- Announcing a wide-ranging consultation with business to take place over the next 12 months to set the right priorities for our new economic relationships with the world outside of Europe, including maintaining preferential market access to global markets, in order to enhance the growth potential of UK companies
- Maintaining momentum and ambition on UK exports by developing programmes of targeted support for “potential exporters” that have the same characteristics as exporting businesses. The government’s broader policy agenda on industrial strategy and productivity should also be aligned to its work to promote exporting.
6. A new relationship with the European Union

Balancing the need to safeguard the economic benefits of EU membership with maximising opportunities at a domestic level.

The depth of the relationship between the UK and the EU significantly affects the way that companies are run and the people who work for them from day to day. In order to have the confidence to invest in the jobs and growth that create prosperity across communities, businesses need as much certainty and open access to EU markets as possible.

As the source of economic growth, jobs and opportunity in communities and regions, business now has a vital role in maintaining stability and helping the government to plot its future outside of the European Union (EU). The UK’s vote to leave the EU has raised important questions about the future of our closest economic relationship. Working together, the UK must make the most of the vote to leave by identifying opportunities outside the EU whilst striking the right balance between safeguarding the benefits of a close relationship with the EU.

The status of current and future EU funding has become uncertain as a result of the vote to leave. These projects are often focused on higher education, innovation, and creating growth in areas of economic or social deprivation and the challenge now is to give clarity on how these areas will be funded in the immediate and long term. The government’s recent announcement to underwrite Horizon 2020 funding secured until the UK leaves the EU was a positive step in the right direction.

PRIORITIES FOR CHANGE

Establishing a new partnership between government and business focused on the EU negotiations

To deliver the best settlement possible in the negotiations, there needs to be a new partnership between business and government, reaching out more widely than ever before. Companies of all sizes, all sectors, and from all parts of the UK should be involved in helping to shape the country’s future economic relationships.

Ensuring that the needs of the devolved nations are represented in the discussions on the UK’s future is of vital importance. The implications for all regions and nations of the UK must be understood by all who have a role in negotiations with the EU. To ensure the nuances of the implications are understood and represented in the negotiations, representatives from each nation should be involved from the start. Devolved nation Governments should be able to nominate senior civil servants to work in the Department for Exiting the European Union, and provide a liaison point for those business with operations in the devolved nations.

Retaining the ease of UK-EU trade in goods and services

One of the government’s highest priorities should be retaining the ease of UK-EU trade that businesses get from the single market. Allowing goods and services between the UK and the EU to continue to be traded tariff-free will mean UK companies can sell and buy from the EU at lower cost, which will help to keep costs down for consumers. Without tariff-free trade, certain sectors of the economy, such as aerospace, automotive, and agri-food, would find their competitiveness reduced and the cost of their exports and imports increased. Keeping the UK-EU trade tariff-free will help deliver prosperity by keeping costs down for businesses and consumers alike.

To take just one sector, access to the single market in financial services has allowed international financial services businesses to use the UK as a launch-pad to the rest of the EU. The whole UK economy benefits from a strong financial services sector that enables investment, helps mitigate risks and supports trade. The reciprocal rights of UK and EU financial services companies to keep serving customers across borders should be maintained.
Continued tariff-free UK-EU trade in goods is essential – but the benefits of the EU single market go beyond this. It is also important that the right of UK services companies to establish and provide services in other EU countries is preserved, and many exporting businesses will need non-tariff barriers such as additional paperwork at customs, and diverging regulation and business standards, to be kept as low as possible. In a large number of sectors, non-tariff barriers can be more important than tariffs and the government must ensure it is equally determined to keep both to an absolute minimum.

The EU has stated that the economic relationship between the EU and UK is linked to the ease of movement of people. As we explore in the People and Skills chapter, the UK needs an immigration system that has the confidence of the public and is open and outward looking, preserving the ability to access the skills that support jobs and investment in all parts of the UK.

Balancing regulatory equivalence with the EU with flexibility and influence

Government and business will have to work together to devise a long-term approach to regulation and to business standards. This means considering the careful balance between opportunities for simpler UK regulation in some areas with the need for UK law to be aligned with EU law in others, without creating additional compliance burdens. The UK will also need to continue to influence new EU regulation that applies to the UK after its EU membership ceases, and to continue to influence business standards across Europe.

Protecting the economic and social benefits of EU funded projects that support growth

Where funding commitments to projects have already been made, protection and reassurance over their future is needed. In addition to the government’s recent announcement to underwrite Horizon 2020 funding secured until the UK leaves the EU, clarification is urgently needed for funds that have not yet been allocated and the future of the UK’s involvement in collaborative projects.

New strategies will be required for domestic investment in the areas currently covered by EU funds, supporting infrastructure, small and medium enterprises, research and innovation, and the rural economy in different parts of the UK.
7. Unlocking Regional Growth

Delivering growth and opportunity for all regions across the UK.

The UK’s vote to leave the EU raises important questions about the need to address how different regions are sharing in the UK’s prosperity.

Too many people feel left out or left behind, and significant parts of the country have not felt the benefits from the economic recovery.

To change this, we need our growth to be inclusive and spread across the whole UK. Business needs to work in partnership with government to secure a new relationship which works for all regions and nations of the UK.

Improving productivity across the regions is one of the best routes to raising living standards, lifting people out of poverty, helping pay for public services, and creating opportunities for our young people.

There is currently huge variation between the most productive and least productive areas in the UK. Productivity in Tower Hamlets, measured in terms of output per hour worked, is almost triple the productivity of Blackpool. While regions can be expected to have different productivity due to their differing economic characteristics, disparities of this degree imply that resources are not being fully employed across the regions. This matters for our economy as it harms competitiveness, but it also matters in terms of what kind of country we want to be.

In the aftermath of the UK’s vote to leave the EU, it is even more vital to unlock growth in the regions of the UK.

The CBI has been looking into drivers of regional productivity across the UK over the past 6 months. Using sources from the ONS and elsewhere that no-one has brought together before, we have outlined the key areas where government and business can work together to unlock regional growth.

PRIORITIES FOR CHANGE

Schools and skills

So much of the regional productivity challenge comes down to education and skills. Driving up standards in the school systems across the UK will help transform productivity in the regions. Improving pupils’ GCSE results and providing greater contact with business can have a real impact. With 9 out of 10 people in the workforce today still likely to be working in ten years’ time, focusing on in-work training and adult skills development is also crucial.

Business practices

Growing businesses are more likely to be more productive, and implementing policies that encourage business ambition and effective management practices can support regional growth. Strathclyde Business School’s Growth Advantage Programme is an example of an effective programme to improve business practices. Taking place over 10 months, the programme brings together CEOs of high growth SMEs to develop management, leadership and business skills.

Business support – and clear and properly targeted support for exports – can also make an important contribution to raising productivity. There are currently over 500 business support programmes around the country, so new initiatives are not the answer. Instead what local businesses need is for government to clarify, roll out and scale-up these tools to help firms across the UK.

Delivering Prosperity: A new agenda for business and government
Regional and local

Local transport infrastructure lies at the heart of regional productivity because of the impact it has on the size of the local labour market. Reducing the commuting time to an area helps local businesses by allowing them to draw on a larger pool of skills and talents. The Oresund Bridge, connecting Copenhagen and Malmo, resulted in a 600% increase in commuting and substantial movement of companies.7 Reducing travel times between cities in the North and the Midlands could provide access to a working population of up to 17 million – the same number within an hour of London today.8

Devolution

Devolution is potentially a significant part of the solution to a number of the challenges to raising regional productivity. But the devolution of powers must go hand-in-hand with effective leadership that delivers growth. With the right accountability structures in place, new powers to transform local schools, prioritise infrastructure investment and provide business support can all help to unlock regional growth.

Key areas for government and business to work together:

- Improving workforce skills by transforming the school system, and focusing on in-work training and adult skills development
- Clarity and visibility of the existing policies that raise business ambition and promote effective management practices
- Developing a clear pipeline of infrastructure priorities that will improve connectivity both between and within regions to widen the labour market pool
- Ensuring local areas have powers to transform education, target and prioritise infrastructure investment, and provide active business support.
Conclusion

The recommendations in this document are stepping stones to a fairer, more productive economy. Yet — ultimately — success won’t be measured by the number of words on a page, but by jobs created, areas regenerated and lives changed.

Now, it’s up to business and government to make this happen. ‘Working together’ is no longer good enough. Only a new strategic partnership will deliver the impact the UK needs. This should include a revitalised Industrial Strategy to take some of our top sectors from ‘world-class’ to ‘world-leading’.

This partnership should look beyond political cycles and be truly long term. It must anticipate the game changers that will impact our competitive environment, working lives and trading relationships in the decades to come and prepare us for that future.

So our message to government is: let’s show people that business and government can make a difference. If business and government truly work together, we can get more firms hiring, training, innovating and expanding and replace ‘recovery for some’ with ‘prosperity for all’.

‘Let’s show people that business and government can make a difference. If business and government truly work together, we can get more firms hiring, training, innovating and expanding and replace ‘recovery for some’ with ‘prosperity for all’.
References

1. CBI, The right combination, CBI/Pearson Education and Skills Survey, 2016
2. CBI, A better off Britain, improving lives by making growth work for everyone, 2014
4. CBI, Trading places, unlocking opportunities through better air links to new markets, 2013
6. BIS, BIS PERFORMANCE INDICATORS, Number of UK Businesses helped to improve their performance through internationalisation, 2015
7. McEwen/Petersehn, 2015 Insight from the border between Sweden and Denmark, Scottish Centre on Constitutional Change
8. CBI analysis
For further information on this report, or for a copy in large text format contact:

Holly Hardisty
Principal policy adviser
T: +44 (0)20 7395 8261
E: holly.hardisty@cbi.org.uk