10 September 2021

The Rt. Hon. Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Dear Chancellor

We are at a turning point. Decisions made this Autumn at the Budget and Comprehensive Spending Review (CSR), will define our trajectory for the decade ahead. They bring an opportunity to generate higher investment, stronger growth, and UK leadership in new markets. If we miss this chance, we'll fall back into old patterns of tax rises and austerity, chronic underinvestment, regional inequality, and a risk we miss our net zero target. When we look back on this decade, it's crucial we see a government that took decisive action and unlocked investment. A government that went for growth and made big bets for the UK.

The economy is currently rebounding. The UK's vaccine programme is world-leading, the furlough scheme has been critical for protecting jobs and livelihoods, and the super-deduction has brought forward investment to boost recovery. But this bounce back doesn't mean the job is done; far from it.

Business understands that the pandemic has increased our national debt, and many accepted the jaw-dropping increase in corporation tax as the part they needed to play. But, given recent events, there is now a widespread concern that business taxes are seen by government as a soft touch. We all agree that raising business taxes has negative consequences for growth, but we need to flip this on its head. We need a business tax regime that rewards those who invest. The best way to repair the long-term fiscal position and boost living standards, is to back business and create the conditions for growth.

While the UK learns to live with the virus, some industries are still struggling. Aviation remains trapped by global restrictions, while others are facing labour or component shortages, or challenges adjusting to the TCA with the EU. Now is the time to show leadership. Let's use this Autumn to provide confidence and a new investment revolution.

We must invest, or we fall behind.

Our international counterparts are investing in their future. Over the next five years, the Japanese government is projected to invest 5% of GDP, with 4% in the US, 4% in Canada and 9% in China, with the UK at 3.4% of GDP[1]. Without the right infrastructure and government using its unique role as market maker, the UK risks missing our chance to be a world leader in new markets like hydrogen or electric vehicles. To catch-up to the US, we need to invest an extra £54bn over the next five years or £213bn to match Japan. Yet while we may be projecting to invest less than these nations, we do have another opportunity to seize, perhaps better than other competitors: private sector investment. We have strong capital markets and global leading businesses. But both are highly mobile.

There is a wall of money waiting to be invested, with corporate cash reserves now over £900bn[2]. We know from our members that we can't simply expect it to be deployed in the UK. We're in a global race for investment in green technologies, innovation, and skills. Let's create the environment to unleash it, with government using **four essential levers:** 1. **smart taxation that rewards investment,** 2. **new skills for new markets,** 3. **catalytic public investment** and 4. **government as market maker.**

[1] Oxford Economics Model Forecast, August 2021

[2] ONS, UK Economic Accounts financial and non-financial corporations sector – Q1 2021, June 2021

As the government prepares for its Global Investment Summit, our dialogue with global companies reveals a prescient reality: we will not attract more investment **to** the UK, without backing these four growth imperatives **in** the UK. These four drivers matter more to inward investors in this new investment cycle, than anything else.

Within this joint Budget and CSR submission, we have set out how business can help the government to meet its Plan for Growth. The choice is stark. We raise our sights and ambition by doubling down on growth and investment - or we pursue business as usual with vague intentions and modest fiscal measures, undermining our competitive edge.

To seize the moment and secure a growth decade, the government must prioritise:

1. **Smart taxation that rewards investment**: this Budget must overhaul the tax system to ensure it incentivises investment to drive net zero and level-up. Beginning with seismic reform of the business rates regime to unlock the decarbonisation of buildings and investment to restore pride in place, which sits at the heart of levelling up. The super-deduction started with the right focus on business investment but we need to finish the job beyond 2023 by committing to full expensing for capital expenditure, building confidence to invest now for those with longer-investment cycles.

2. **New skills for new markets**: use the Budget and CSR to tackle urgent labour shortages, address critical reskilling needs and ensure the UK has the skills market to service new market opportunities in areas such as innovation, digital and green technologies. This starts by turning the apprenticeship levy into a lifelong learning levy and introducing individual training accounts for the unemployed and those with the biggest retraining needs.

3. **Catalytic public investment**: at this CSR, prioritise the UK establishing itself in new and emerging markets by speeding up the development of major infrastructure projects, new industries, and cutting-edge tech. Set out a front-loaded public spending profile for R&D to reach £22bn. Accelerate progress towards the government's Ten Point Plan[3] by critical investment to achieve net zero including a comprehensive long-term funding package for energy efficiency in buildings and support for transport decarbonisation.

4. **Government as market maker**: use this CSR to create a market-making environment to unleash private sector funding. This can be done by setting out business models where government guarantees are central; giving clarity, certainty and long-term commitments to enable investment. Progress levelling-up by commissioning the CBI in the Levelling-up White Paper to write the playbook for successful economic clusters and requiring all regulators to prioritise investment, Net Zero and innovation as part of their core remits.

This Autumn, government must do what it takes to rapidly unlock private sector investment. This is a once-in-a-generation opportunity to change the UK's productivity and growth trajectory. Earlier this year, the CBI set out our economic vision, Seize the Moment (STM), detailing where the global economic opportunities are to be found[4]. Throughout this submission we demonstrate how to unlock investment through our four enablers and STM priorities, putting the UK ahead of our global counterparts, attracting FDI and delivering the Plan for Growth.

We look forward to working with you and your team to unlock an investment revolution.

All best wishes,

Tony Danker

Tony Danker
Director-General

Rain Newton-Smith
Chief Economist

[3] Ten Point Plan for a green industrial revolution
[4] CBI, Seize the moment – *an economic strategy to transform the UK economy*, May 2021

CBI Submission to Autumn 2021 Fiscal Events

Seizing the Moment to Unlock Business Investment

The UK cannot miss this unique opportunity to transform the economy and spark an investment revolution.

The economy is at a turning point. The opportunity and need to forge a more dynamic, competitive, and future-focused economy has never been greater. For the first time in 40 years, the UK has more control over its trade, immigration and investment policy as well as market regulation.

Now is the time to transform our economic and regulatory environment, creating a place that incentivises both domestic and international investment and enables the UK to capitalise on emerging markets and opportunities. Throughout this submission, the CBI shows how through a combination of cross-cutting and targeted recommendations, the government can create the environment to unleash an investment revolution through four enablers at both the Budget and CSR.

The first two will put the UK economy on a strong footing, remedying existing challenges of under-investment and skills shortages. The latter pair will present the UK with new opportunities, helping us to build an economy of the future through catalytic public investments and by government playing its unique role as market maker, unleashing new markets across the UK.

Four enablers necessary for investment, and what they mean:

1. **Deliver smart taxation that rewards investment:** creating a smarter tax environment to drive domestic and international investment behaviour will be crucial to boosting productivity and supporting the long-term sustainability of public finances. The current tax system needs to be better aligned to the government's key priorities particularly net zero and levelling-up, and it must reward businesses that choose to invest; whether in place, people, or planet.

2. **Accelerate the creation of new skills for new markets:** higher investment in skills is vital to economic recovery and increasing productivity, raising wages in real terms and ensuring people who have been held back for too long can realise their potential. It is also crucial as a cross-cutting enabler for raising R&D investment, decarbonising and levelling-up. Closing future skills gaps could provide a £150bn uplift to GVA by 2030[5]. The government has the existing levers at its disposal to address short-term economic needs and long-term economic reform, ensuring the UK has the talent pool to service the UK's key markets of today and tomorrow.

3. **Fast-track catalytic public investment to underpin private sector investment:** government must provide catalytic public investment to speed up the development of new industries and cutting-edge tech in order to decarbonise and establish major infrastructure projects. Public investment is vital to laying the foundations for future private investment and the UK's competitiveness, stimulating new markets where only public intervention can make the difference.

4. **Ignite government as the market maker:** business has greater confidence to invest when it has clarity, certainty, and long-term commitments from government. The government must use its new-found regulatory freedoms and the UK's reputation for marrying high standards and innovation, to support domestic business growth and attract FDI. The government can do this through its unique role as market maker, establishing necessary market rules, pricing structures, institutional bodies, utilising regulators and publishing long-term strategies that give clarity and detail.

[5] CBI, Seize the moment – *an economic strategy to transform the UK economy*, May 2021

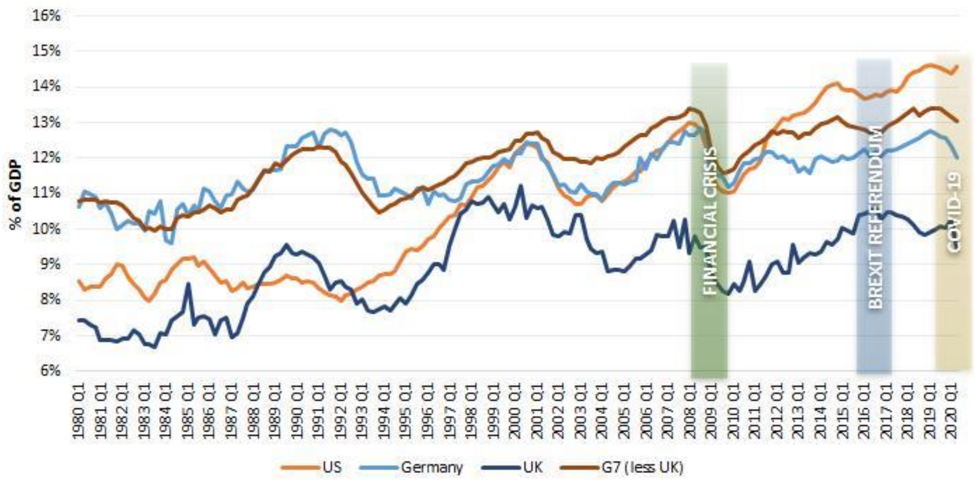
We cannot be complacent.

Failing to enact the four enablers across Budget and CSR interventions will impact the UK's recovery and ability to level-up. Inaction risks seeing the UK fall behind competitors, lose international investment, and miss our global commitments on net zero.

The reality is that while the UK is one of the best places in the world to do business, we do not have the same investment levels as international peers. Unlocking our investment will also require regulatory change, such as the current reform of Solvency II – the prudential framework for insurance, and an active dialogue with regulators to ensure rules are calibrated closer to the dynamics of the UK economy, firing up long-term investment.

	Investment across the UK
Business investment as a % of GDP	The UK is consistently ranked lowest amongst the G7 on business investment as a % of GDP[6], and has seen the slowest growth in investment since 1997[7]
Current levels of business investment	Business investment increased by 2.4% in Q2 (from -10.7% in Q1), but is still 15.3% below its pre-pandemic level[8]
R&D spend	In 2019, UK R&D spend was only 1.8% of GDP, behind the EU (2.1%). The government's ambition to boost this to 2.7%, falls short of current US spend (3.1%)[9].
Environmentally focused R&D spend	UK R&D spending which is environmentally focused (1.9%) is below the average for 27 OECD countries for which there is data (3.0%)[10]. In 2018, the UK produced 16 environment related patents per capita, significantly lower than both the US (24.6) and the Eurozone (23.7)[11].

Business investment in the G7



Source: Oxford Economics, Global Forecasting Model, May 2021

Now is the time for clear action to unlock investment and revitalise the economy.

The Budget and CSR must be used to deliver the four enablers required to kickstart the UK's investment revolution. First, the Budget can address immediate challenges by rewarding investment through smarter, greener tax. Then the CSR can take a forward-looking approach by supporting new skills, providing public investment, and making government a market maker to unleash investment.

[6] Oxford Economics Global Forecasting Model, June 2021
[7] ONS, Business investment by asset type, July 2021
[8] CBI Economics, Economic forecast, June 2021
[9] OECD, Main Science and Technology Indicators
[10] OECD, Green Growth Indicators
[11] Ibid

Summary of key asks

Enabler	CBI recommendation	Annual exchequer cost[12]
Make capital allowances more generous to stimulate business investment		
Smart taxation that rewards investment	Commit to introduce full expensing for capital expenditure beyond 2023 and targeted 'green' investment-focused capital allowance mechanisms. *Max year 1 cost. Net cost significantly lower due to current reliefs and will reduce over time.	£12bn minus the AIA and minus current allowances *[13]
Reduce the business rates burden and put the tax system on a greener footing		
Smart taxation that rewards investment and Government as market maker	Unlock business investment into net zero and levelling-up by reforming the business rates system, increasing the frequency of revaluations and removing disincentives preventing green improvements.	£3.6bn - £5.1bn[14]
Focus on the quality of apprenticeships and reform the system for employers		
New skills for new markets	Turn the Apprenticeship Levy into a Lifelong Learning Levy to unlock necessary business investment in training.	£0.5bn[15]
Improve people's life chances by giving them the skills they need to succeed throughout life		
New skills for new markets and Catalytic public investment	Introduce individual training accounts for unemployed individuals and those with the biggest retraining needs to spend on accredited courses.	No more than £3.9bn[16]
Put homes, workplaces, schools and hospitals at the heart of the green economic recovery		
Catalytic public investment	Designate energy efficiency and heat as an infrastructure priority by providing a comprehensive long-term package of funding to make our buildings more energy efficient and move away from fossil fuel heating solutions.	£2.8bn[17]
Develop and invest in the decarbonisation pathways required to reach net zero across transport		
Catalytic public investment	Provide long-term funding to decarbonise UK transport systems (including for public transport) and to develop a UK electric vehicle market. Also use public investment to stimulate private sector investment and R&D into technologies to decarbonise heavier modes of transport (such as freight, aviation and maritime).	£2.2bn[18]
Deliver on the Plan for Growth and Innovation Strategy		
Catalytic public investment	Deliver on commitment to invest £22bn in direct domestic R&D funding by 2024-25, setting out a three-year spending profile and front-loading funding to maximise private investment.	£2.4bn in 2022/23, £2.0bn in 2023/24[19]
Ensuring regulation is innovative, agile, and world-leading		
Government as market maker	Require all regulators to prioritise innovation, Net Zero and investment as part of their core remits, by setting out new, transformational terms of reference. Ensuring regulation is better aligned to government priorities and the Plan for Growth	£Nil
Level-up across the whole of the UK to ensure that no community is left behind		
Government as market maker	Include a strong focus on the role and contribution of economic clusters in promoting regional growth in the Levelling Up White Paper, including a commission for the CBI to write the playbook on taking clusters from good to great. And work with industry to develop a toolkit responsive to business demand to support and nurture clusters.	£Minimal

[12] Static cost – does not take account of the positive economic impact; aggregate cost for each policy package
[13] Costing is for full expensing only, not green capital allowances. The real cost of full expensing over and above existing allowances is expected to be lower, please see full details in footnotes 26 and 27.
[14] See footnotes 28 and 29 in the Tax Table for full details on costings
[15] See footnote 46 in the Skills Table for full details on costings
[16] See footnote 49 in the Skills Table for full details on costings
[17] Cost for asks on energy efficiency & heat. See footnote 62 in the Decarbonisation Table for details on costings
[18] Recommendations to decarbonise transport are split under the government's Ten Point Plan headings in the Decarbonisation Table and include a plug-in grant for cars and vans in the Tax Table. See footnotes 66, 67, 68, 69, 70, 71, 72, 73, 74 and 36 for full costings
[19] See footnote 83 in the Innovation Table for full details on costing

1. Deliver smart taxation that rewards investment

In the global competition for investment, the need for a competitive, incentivising and rewarding tax system has never been greater. This Budget, we must avoid returning to our pre-pandemic landscape, which saw stagnating productivity and tepid business investment.

The government must take a more strategic approach to the UK's post-pandemic tax system and how it will fundamentally support net zero and the Plan for Growth. The business tax burden must not be increased further, focusing instead on unlocking investment. Articulating a clear strategy on how the tax system will be aligned to support investment will enable firms to consider longer term opportunities in line with their investment cycles. The tax and regulatory systems should be considered holistically and assessed on how each element drives investment and then rewards the right behaviour to deliver net zero[20]. Currently areas of business taxation, such as business rates, are penalising firms for decarbonising, limiting their ability to support the low-carbon transition across property.

Businesses recognise the vast impact of the pandemic on the public finances, and while they stand ready to play their part in ensuring the UK's long-term fiscal sustainability, this needs to be done in a balanced way across the economy. The recently announced rise in employer National Insurance Contributions on top of the planned 2023 corporation tax rise loads greater costs onto businesses, who will be central to powering the recovery. This must now be the end point for increasing tax on business and there must be a focus instead on unlocking investment.

The temporary super-deduction has been a bold step welcomed by firms, moving the net present value of the UK's plant and machinery allowances from 30th in the OECD to 1st[21]. But two years is too short for many business investment cycles and when it ends, the UK regime will once again languish mid-table, compounded by a higher overall rate of corporation tax. This temporary boost needs to be translated into a long-term strategy. As part of this, the government should explore full expensing for capital expenditure beyond 2023, permanently creating a world leading tax regime.

More than 50% of business investment is subject to business rates.[22]

Smart reform to business rates is also urgently needed to unlock investment to reach net zero. Currently, business rates are a major barrier to green investment, restricting improvements in areas like energy efficiency, often leading to higher rates and making it unviable for business to invest. The system also fails to consider the fast-moving development of green technologies, and the need for business to keep pace with modernisation.

As well as preventing investment to support the economy to reach net zero, the system limits business helping to level-up by prohibiting investment in run-down highstreets. Currently, UK property tax levels are four times higher than Germany, and 50% higher than the G7 average, as a proportion of GDP[23]. But as encouraged by Neil O'Brien MP, Levelling-up Adviser to the PM, 'it's absolutely crucial that we bring opportunity to every single part of the UK by making sure our spending, tax, investment and regeneration priorities bring about meaningful change'[24]. Implementing fundamental change to the business rates system is the start of this ambition, enabling firms to invest to bring pride back to places and people.

Now is the time to set out how the tax system aligns with government ambition, restores public finances through business investment, and attracts FDI.

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[20] Greening the system should include considerations of the following principles: Polluter pays, Certainty, International co-operation, Carrot and stick, Greenhouse gas hierarchy, Green technologies, Transparency, Circular economy, Just transition – CBI, Greening the tax system report, March 2021
[21] HMT, Budget 2021 – *Super-deduction factsheet* and Tax Foundation, March 2021
[22] Investment in property and Plant & Machinery represents 54% of UK business investment. ONS, Business investment by Assets, July 2021
[23] OECD, Global Revenue Statistics Database, 2020
[24] HMG Press release, Government to publish Levelling Up White Paper, 4 May 2021

Enabler	Government ambition	CBI recommendation	Annual exchequer cost[25]
		Creating a tax system that incentivises investment	
Smart taxation that rewards investment and Government as market maker	Maintaining the UK's leading position in attracting and retaining global investment	**Set out a strategic approach on how the UK's post-pandemic tax system will support the government's reform priorities, including 'greening' the tax system and no further increase in the business tax burden.** Key components of this framework are set out below. Businesses need certainty to be able to make investment decisions that will deliver the economic growth needed to help rebuild the economy. Articulating a clear strategy on how the government intends to support business investment, the transition to net zero and the UK's international competitiveness, would provide businesses a framework within which to make long-term investment decisions in the UK.	£Nil
Smart taxation that rewards investment	Making capital allowances more generous to stimulate business investment	**Commit to introduce full expensing for capital expenditure beyond 2023 and targeted 'green' investment-focused capital allowance mechanisms.** The introduction of the super deduction provided a welcome incentive to turbocharge investment. But the 2023 end date is too soon for many business investment cycles and fails to incentivise longer-term investment. Government should finish the job on investment by introducing full expensing for capital beyond 2023. **Introduce targeted 'Green' investment-focused capital allowance mechanisms for both incorporated and unincorporated businesses to drive the right behaviour.** For businesses purchasing zero emission vehicles, or making any 'green' capital investment, these capital allowances should be increased to 120% of the investment's value. The policy should also be extended to the zero emission vehicles leasing and rental sectors. This will help to incentivise investment in green technologies, while reform of business rates will help remove disincentives from making energy efficiency upgrades.	£12bn[26] Max year 1 cost, expected to be significantly lower where tax deductions available under current CA regime are factored in. Net fiscal cost anticipated to reduce overtime. £Unclear[27]

[25] Static cost – does not take account of the positive economic impact; aggregate cost for each policy package.
[26] This estimate is expected to be significantly lower when factoring in existing writing down allowances available under the current capital allowances regime (which already allows for some full expensing, including under the annual investment allowance and first year allowance). Furthermore, this ask is not expected to provide an additional tax deduction over the life of the asset but instead brings forward the tax deduction to the year of expenditure. Therefore, whilst full expensing is anticipated to result in a negative exchequer impact in the year expenditure is incurred (compared to the existing capital allowance regime), businesses will not be entitled to further tax deductions for the expenditure in future years which they would be under the current regime (on a reducing balance basis). Based on business investment in Plant & Machinery – ONS August 2021 Business Investment by Assets (latest data available for 2020/21; forecast in line with the OBR's March 2021 Economic & Fiscal Outlook forecast for total business investment and the new 25% Corporation Tax rate applied from 2023/24 onwards).
[27] This is contingent upon the definition of 'green' technologies, the current baseline capital allowance spend on green technologies, and the expected behavioural change associated with enhanced allowances. Moreover, the cost is reduced by existing capital allowances already applicable.

Smart taxation that rewards investment	Reducing the business rates burden and putting the tax system on a more sustainable footing	**Unlock business investment in net zero and support levelling-up by reforming the overall burden of business rates system.** To unlock business investment: • Remove the fiscal neutrality rule to stop the multiplier increasing at revaluations when overall property values fall, enabling firms to benefit from lower rates liabilities. This will mean allowing gross government business rates receipts to come down at the 2023 revaluation with Rateable Values (RVs), and will effectively provide businesses equivalent savings to reducing the Uniform Business Rate (UBR) to a rate between 40p and 44p. • Freeze the UBR for the remainder of the current revaluation period (to 2023/24). Place a cap on increases beyond the 2023 revaluation at 50p. Without the fiscal neutrality rule, any further increases should only be driven by inflation (CPI). • Allow firms to instantly benefit from falls in property values at revaluation by removing downwards transition and enabling ratepayers to move onto their new liability immediately.	£3.6bn - £5.1bn (see breakdown below) [28,29] £2.3bn to £3.8bn[30] in 2023/24 and 2024/25 £660m £670m[31]
Smart taxation that rewards investment	Reducing the business rates burden and putting the tax system on a more sustainable footing	**Increase the frequency of business rates revaluations and ensure rates adjust quickly to economic changes.** To do this, set out a path to achieve annual revaluations by 2026, to include: • Shortening the gap between the Antecedent Valuation Date (AVD) gap and the compilation date to 1 year after the 2023 revaluation and shorten the revaluation period to 3 years • Move to annual revaluation cycles by 2026 The process should ensure that ratepayers are provided with full transparency about how the valuation was reached with the evidence relied upon by the VOA, and subsequently that ratepayers have sufficient opportunity to challenge the outcome of the valuation (a minimum of 12 months for multi-site occupiers).	£Nil
		Greening the tax system to reward and enable investment in decarbonisation and to achieve net zero	
Smart taxation that rewards investment	Reducing the business rates burden and putting the tax system on a more sustainable footing	**Create a 'Greener' business rates system to support the government's net zero ambition, unlocking investment to make buildings more energy efficient and decarbonising property stock.** In addition to the above recommendations, measures should include: • Introducing a 12-month holiday from rates increases when businesses invest in new property or improve their property	£75-£100m[32]

[28] CBI analysis, August 2021

[29] Note that this does not take into account the impact of behavioural changes. CBI case studies suggest that reductions in business rates liabilities for businesses will result in investment being unlocked, raising additional tax revenues elsewhere in the system. We believe that these changes will negate the need for many of the reliefs currently in the system, acting to offset a reduction in the UBR.

[30] This is contingent upon the changes in the total Rateable Value at the 2023 revaluation, but we expect an overall reduction, between 5% and 10%. The cost includes £0.66bn from continuing to freeze the UBR.

[31] CBI & Avison Young, Over-rated: *Making the Case for Business Rates Reform,* September 2020,

[32] CBI & Avison Young, Green Light for Investment: *How the business rates system can encourage businesses to invest*, November 2020 (estimation based on historic property improvements, base year 2018/19)

		• Introducing an extended period of further rates exemption (a further 12 months to 3 or more years) where that investment results in an improved EPC rating (length of relief to be linked to the scale of the improvement) in energy efficiency) • Exempting certain existing Plant & Machinery and new technologies that directly link to the 'green' agenda, including solar PV and heat pumps, from the P&M regulations. Regularly review the regulations so they keep pace with innovation in technology	£Unclear[33] £Nil
Smart taxation that rewards investment	Putting homes workplaces, schools and hospitals at the heart of the green economic recovery	**'Boosted' structures and buildings allowance** Introduce a variable rate structure for Structures and Buildings Allowances (SBAs) to incentivise sustainable construction, renovation or conversion of buildings and structures.	£Unclear[34]
Smart taxation that rewards investment and Catalytic public investment	End the sale of new petrol and diesel cars and vans by 2030, with all new cars and vans being fully zero emission from 2035	**Support momentum towards the 2030 phase out date for new petrol and diesel cars and vans,** by: • Launching a holistic review into taxation including the future of fuel duty, road, and vehicle taxes by the end of 2021 • Reduce Benefit in Kind (BiK) tax to 0% for private journeys that are zero emissions • Continuing the provision of the plug-in grant beyond its current 2022-2023 term, with a view to tapering overtime in line with increased uptake levels	£233m (breakdown below) £Nil £Unclear[35] £233m[36]
Smart taxation that rewards investment	Unleash innovation and develop new sources of finance, which are fundamental for further developing the green technologies for net zero	**Establish a tax credit 'green' uplift to help unlock private sector investment to reach net zero.** For SMEs, adjust qualifying R&D expenditure and super deduction rate for the development of green technologies. Top up the 130% super deduction by an additional 20% for activities which seek to create positive climate externalities, e.g.: carbon capture, energy, heat, water, lighting, EV tech etc. For large companies, increase RDEC rate by additional 1.5% for activities which seek to create positive climate externalities.	£Unclear[37]
		Enable greater SME investment in skills and training	
Smart taxation that rewards investment and New skills for new markets	Support productivity growth through high-quality skills and	**Introduce an SME training tax credit as an incentive for firms to invest more in training.** Many SMEs find it difficult to invest in training with 43% of micro and small businesses not providing any training in 2018, compared to 4% of organisations with 250+ employees.	£Unclear[38]

[33] This is contingent upon the scale of the EPC improvements for each property, the type of property, its location, design specifics, lease length, age of the building and plant etc. (See CBI and Avison Young, Green Light for Investment: How the business rates system can encourage businesses to invest, November 2020)
[34] This is contingent upon the behavioural change within the construction sector, as well as the change in building ratings.
[35] This is contingent upon the number of private journeys made by vehicles with zero emissions
[36] This is estimated based on the Spending Review 2020 cost for plug-in cars, vans, taxis and motorcycles (£582m between 2021-22 and 2022-23). We assume a split 40%-60% in this cost between petrol and diesel cars and vans, and freight vehicles.
[37] This is contingent upon the definition of 'green' technologies, the current baseline R&D spend on green technologies, and the expected behavioural change associated with the tax credit
[38] Fiscal cost would depend on the scale of the tax credit.

	training	SMEs should be able to claim a credit which would act as a financial incentive to encourage investment. The credit would be modelled either on the existing SME R&D tax relief, or instead on the successful R&D Expenditure Credit (RDEC) (adapted and simplified to be appropriate to SME training budgets). To ensure the credit is used to stimulate investment in high-quality, new training: • National, local and sub-regional skills bodies should develop an outreach and awareness campaign to encourage adoption. While highlighting how the credit can be used to a focus on skills we know are in high demand, such as leadership and management and basic digital skills. • Qualifying training for the credit should be delivered by providers on an Education & Skills Funding-led register of accredited providers.	
		Support entrepreneurship and innovation through tax	
Smart taxation that rewards investment	Build back better by focusing on economic recovery, supporting employment, and ensuring investment levels up opportunity	**Temporarily lift the Income Tax and Corporation Tax carried forward loss relief caps**, to provide businesses with greater flexibility in how they use their exceptional COVID-related losses, in recognition of these unprecedented circumstances. Enabling businesses that have made exceptional losses during the crisis to carry forward these losses against future taxable revenues without caps, will support businesses in their recovery and ability to invest and grow as they return to profitability after the pandemic.	£Unknown
Smart taxation that rewards investment and Catalytic public investment	Securing a new chapter for financial services	**Set out a taxation strategy for financial services to maintain UK global competitiveness, including the removal of the Banking Surcharge and committing to no further rises in Insurance Premium Tax (IPT) for the duration of this Parliament.** With the overall increase in Corporation Tax set for 2023, without this reform the combined tax rate on the sector risks becoming uncompetitively high. Removing the Banking Surcharge will ensure the UK's world-leading financial sector is functioning effectively to support jobs, unlocking finance for growth and investment across the UK. A commitment to no further rises in IPT, with the increased cost often passed to customers, for the duration of this Parliament will have a positive impact across the whole economy.	£1.3bn (in 2023/24)[39]
Smart taxation that rewards investment	Deliver on the Innovation Strategy and support an innovation-led	**Expand the R&D tax credit to include Capital Expenditure as an allowable expense.** Increased R&D supports higher economic growth and greater tax revenue through the creation of thousands of additional high-value jobs every year.	£0.6-£0.7bn[40]

[39] Based on ONS Public Sector Finances – July 2021, outturn for public sector receipts. Last fiscal year of outturn data available is 2020/21, and 2023/24 forecast assumes receipts move in line with real GDP (based on the OBR's March 2021 Economic & Fiscal Outlook)

[40] Assumes that R&D capital spend by business (ONS BERD 2019) grows in line with the OBR's March Economic and Fiscal Outlook forecasts for business investment over the Spending Review period, as well as assuming that capital R&D spend makes up 8.9% of total business R&D spend (the actual share in 2019 based on ONS BERD 2019) over the forecast period. The capital spend to total R&D spend ratio is applied to the total amount of support claimed through R&D tax credits (HMRC R&D Tax Credits Statistics, Sep 2020), which is also forecast to grow in line with the OBR's business investment forecast.

	economy		
Smart taxation that rewards investment	Deliver on the Innovation Strategy and support an innovation-led economy	**Deliver upon manifesto commitments to modernise the R&D Tax credit** Expand the definitions and scope of R&D to allow data and cloud computing costs as eligible expenditure. Widening the scope of eligibility for the R&D Tax Credit will ensure it keeps pace with modern R&D practices and remains competitive.	£Unclear[41]
Smart taxation that rewards investment and Government as market maker	Deliver on the Innovation Strategy and support an innovation-led economy	**Simplify and build in flexibility for future development of the R&D Tax Credit to keep pace with the rapid rate of change across industries.** The government should consult on combining the SME and RDEC scheme into a model which closely mirrors RDEC model (harnessing the benefits of this regime). Business consultation will be critical to ensure simplification does not come at the expense of the attractiveness of the scheme to firms who have historically made use of the SME scheme, particularly in relation to qualifying expenditure, the generosity of the scheme, and level of burden of application.	£Nil
Smart taxation that rewards investment and Government as market maker	Stimulating enterprise, innovation and aiding optimal use of scarce resources	**Support the growth of the UK's Sharing Economy by increasing the two annual tax allowance thresholds to £3,000 each.** The government should build on the success of the world's first 'sharing economy tax breaks', for annual individual tax allowances (one for trading and one for property income), by increasing the threshold from £1,000 to £3,000 each. This support would help strengthen the growth of the sharing economy and further incentivise micro-entrepreneurship by enabling most sharers to benefit from the scheme.	At least £228m[42]

[41] This depends on the definition of 'data'. But as a reference, based on business R&D spend on software development or computer programming and information service activities as broader product groups (ONS BERD 2019), this can cost in the region of £30m and £36m.
[42] This is an estimate of lost tax revenue which makes use of research by NatCen produced in 2017 for HMRC containing estimates of numbers of people within different Sharing Economy income categories. This is likely to be an underestimate given that the Sharing Economy is growing. But it is also possible that increases in tax allowances can spur activity within the Sharing Economy which would have an effect of increasing tax revenues.

2. Unlock business investment in skills for a future-focused economy

This Autumn's CSR and Budget provide a critical opportunity for the government to address its approach to skills and training. Supporting investment to address long-standing shortages and developing skills for new markets are fundamental enablers to sustained economic growth. Without the right foundations for skills development, the UK will fall behind in delivering the talent needed for new and emerging markets, risk missing out on FDI, and exacerbate shortages.

CBI/McKinsey research shows that **by 2030 the UK will need to reskill 90% of the workforce at an additional cost of £13bn a year to prevent skills gaps getting worse**. At the same time, we're experiencing intensifying skills shortages across all sectors at multiple skills levels, including within growth areas like technology. Evidence from CBI members suggests shortages could take more than two years to resolve.[43]

There are existing levers at the government's disposal providing medium-term answers to current shortages, and which can build the foundations for a responsive skills system long-term. These include aligning the skills that are publicly funded via the Lifetime Skills Guarantee and National Skills Fund with the shortages identified by the Migration Advisory Committee. Maintaining an up-to-date Shortage Occupations List is vital to creating the space for investment in training to work. A refusal to deploy temporary and targeted interventions to enable economic recovery will be self-defeating.

Positively, businesses are increasing investment in skills with 41% of employers in the CBI's 2021 Education & Skills Survey saying they are planning to increase investment in training over the next 12 months (when compared to pre-pandemic levels). But there is more to do. Enabling both private and public investment in skills will tackle existing shortages and ensure we seize new market opportunities in areas such as innovation, digital and green technologies.

Positive signs of employers, providers and government working together to tackle skills challenges are emerging through the Skills and Post-16 Education Bill. But this Autumn we must build a strong foundation for investment in training and tilt the system in favour of skills for the future, by unblocking barriers preventing large and small businesses from making their full contribution to skills development, and incentivising individuals to also invest in their skills.

Investing in skills generates a direct return for a business 75% of the time[44]. But that still leaves 1 in 4 skills needs where government intervention can tip the balance in favour of investments that would not happen on their own. One way to do this is through individual training accounts for unemployed individuals and those with the biggest retraining needs; ensuring individuals can invest in their training and respond to skills requirements, as they emerge.

Reforming the Apprenticeship Levy is also a critical way government can be a market maker, ensuring businesses use their training budgets to deliver the high-quality training that the economy needs. The Levy is supposed to raise larger companies' investment in training and support SME apprenticeships. But limiting spending to full apprenticeships is missing lots of opportunities for high quality training. Government's existing support for non-levy payers' apprenticeships should continue but be funded from general taxation. In its current form, the levy is holding back and distorting skills investment. Through a reformed levy, we can get more investment in the skills that individuals need to be successful in jobs for today and the future, without compromising on quality. Resolving the tension that pulls the policy in two competing directions, will enable businesses to invest in the skills and training the country needs, easing future pressures for both industry and government.

By creating the time and space for firms to solve current shortages through public investment and by removing the barriers to private industry investing in training beyond apprenticeships, government will unlock the new skills needed to service new markets. This will help us to decarbonise, level-up the economy, and capitalise on the opportunities created by new technologies and innovation – supporting competitiveness and attracting FDI.

[43] CBI, A Perfect Storm – *CBI insights on labour market shortages and what to do about it*, 6 September 2021
[44] CBI, Learning for life – *Funding a world-class adult education system*, October 2020

Enabler	Government ambition	CBI recommendation	Annual exchequer cost[45]
		Unlock business investment in skills	
New skills for new markets	Continue to focus on the quality of apprenticeships and take steps to improve the apprenticeship system for employers	**Turn the Apprenticeship Levy into a Lifelong Learning Levy to unlock necessary business investment in training.** A reformed Levy should fund a wider range of accredited high-quality training, including short modular courses, product training, professional courses, and soft skills training, with qualifying training regulated by the Institute for Apprenticeships & Technical Education (IfATE) and the Office for Students (OfS). This would keep the 'use it or lose it' approach of the current system, while genuinely encouraging businesses to invest all their Levy. Small businesses should continue to be supported to provide apprenticeships but funded from general taxation.	£0.5bn[46]
New skills for new markets	Support productivity growth through high-quality skills and training	**Extend the Kickstart application deadline by a further 6 months**, giving more young people the opportunity to develop employability which supports long-term job prospects.	£Nil
		Encouraging individuals to invest in their own learning	
Catalytic public investment	Improving people's life chances by giving them the skills they need to succeed throughout life	**Bring forward the introduction of the Lifelong Loan Entitlement to this Parliament** Incentivise more flexible and modular provision by introducing the Lifelong Loan Entitlement during this parliament. A growing market of bitesize provision can help firms and individuals invest in training and respond to urgent and emerging skills gaps over the next decade. In the interim, work with FE and HE providers to incentivise more flexible and modular provision that supports reskilling.	£Unclear[47]
Catalytic public investment	Improving people's life chances by giving them the skills they need to succeed throughout life	**Turn 'Job Centres' into 'Jobs and Skills Hubs offering face-to-face support to encourage more people to take up lifelong learning.** The hubs should be given strong regional autonomy to respond to changing local job markets and align with regional and local skills initiatives. These Hubs would provide the long-term unemployed and workers who are at risk of losing their jobs, with a broad range of personalised support. Individuals would be able to use	£Unclear[48]

[45] Static cost – does not take account of the positive economic impact; aggregate cost for each policy package.
[46] Based on spending on apprenticeship training and assessment by Non-Levy payers in 2018/19 of £0.5bn net of the 5% that government already contributes as part of the apprenticeship levy scheme. £0.5bn is sourced from the Department for Education written questions. It assumes if levy payers use the Flexible Levy to access 100% of funds, the cost to the exchequer would be 95% of funding the apprenticeship budget for non-levy payers as they currently fund 5%. This cost would reduce depending on how much of the levy is accessed by levy payers.
[47] Lack of detail from government on the nature of the Lifelong Loan Entitlement leaves costing unclear.
[48] Insufficient data available to cost upgrades to job centres.

		these 'one-stop shops' to access skills audits, careers advice and support with digital resources, alongside an online skills portal for information on local training and job opportunities.	
New skills for new markets and Catalytic public investment	Improving people's life chances by giving them the skills they need to succeed throughout life	**Introduce individual training accounts for unemployed individuals and those with the biggest retraining needs to spend on accredited courses.** The accounts would be linked to the new Jobs & Skills Hubs, and available to unemployed individuals and those with the biggest retraining needs to spend on approved courses. Individuals would have their accounts topped up by government up to an annual cap, with financial participation required by some individuals on a sliding scale for the total costs of training. Government should consult on which individuals should be targeted and how the accounts should be delivered against a set of core design principles, including being performance-based, learning from international examples where similar schemes have worked effectively.	No more than £3.9bn[49]
New skills for new markets	Driving quality and standards in higher education	**Respond to the Post-18 Education and Funding Review, by maintaining the unit of resource[50] that registered providers receive for higher education in England.** Universities and higher education providers play a fundamental role in developing a highly skilled, diverse labour market. Maintaining the necessary levels of funding for these institutions is critical in supporting domestic students and attracting both international students and workers. They are also key to helping create an innovative and regionally prosperous economy in line with the government's Plan for Growth ambitions.	
		Unleash economic recovery by addressing current labour shortages	
New skills for new markets and Government as market maker	Attracting global talent and boosting investment	**While shortages are felt in the domestic labour pool, government needs to remove barriers hampering firms' ability to recruit overseas workers.** This includes urgently updating the Shortage Occupation List (SOL) in line with the Migration Advisory Committee's outstanding recommendations and committing to annually reviewing it in full to ensure it's more responsive to changing skills demands across the	£Nil

[49] Based on prior outputs from 'UK training investment costs model, McKinsey, 2019', which finds 5 million individuals will require retraining between 2020 and 2030 at a typical direct training cost of £7,900. The cost therefore reflects a scenario where the government would fund 100% of the cost required to train these individuals and is therefore a maximum. In reality, this will be funded also by individuals and businesses too, as well as being funded through the other policy recommendations on training and is therefore expected to be lower than this.

[50] Unit of resource = the overall income per student allocated to higher education providers from both government grants and higher education providers' own student course fees. This is the nomenclature of the HE regulator.

		UK's economy. It also includes making the points-based system more flexible – enabling people in roles below RQF level 3 to enter the UK - if the salary threshold is met.	
New skills for new markets and Government as market maker	Using the Lifetime Skills Guarantee to enable lifelong learning	**Use the Lifetime Skills Guarantee to help workers gain skills for jobs on the Shortage Occupations List.** Use the government's 'Lifetime Skills Guarantee' to give adults without an A-Level or equivalent qualification an entitlement to funding for some Level 3 courses. The government should support UK workers by investing in them to obtain qualifications in short supply by ensuring that these skills are on the list of free Level 3 qualifications available to adults.	£Unclear[51]
New skills for new markets and Catalytic public investment	Support productivity growth through high-quality skills and training	**Prioritise the roll-out of Skills Bootcamps within sectors with critical labour shortages and high growth areas with a pressing need to decarbonise** Prioritise approval of Skills Bootcamps to tackle acute labour shortages in logistics, construction, manufacturing, and service and hospitality sectors. Training should be delivered at Level 2 and offer a guaranteed interview to a vacant role. The Green Bootcamp roll-out should target industries carrying the bulk of responsibility for decarbonising the economy, such as home efficiency, automotive and electric vehicles and oil and gas. Relevant businesses should be engaged in co-designing training that supports upskilling of existing workers and wider recruitment into new roles.	£Unclear

[51] Lack of available data on the necessary courses to deliver on skills required for jobs on Shortage Occupations List makes the cost unclear.

3. Lead the global path to a decarbonised economy ahead of COP26

At the precipice of COP26 and with the eyes of the world watching, it is imperative the government accelerates the progress we've made on climate change and our natural environments. This Autumn, the government must take a future-focused look at what is needed to reach net zero and protect these environments through our four enablers. We must unlock the necessary investment to meet the challenge ahead. Failing to do so, could see the UK move from global front runner, to last in the race.

Currently, the scale of the UK's ambition is not being met by the financial support on offer, when compared to international counterparts. While business welcomed the government's commitment to £12bn worth of investment as part of the UK's Ten Point Plan (for a green industrial revolution), this falls shorts of our competitors and the realities of the challenge ahead. The government must look to further use its power of catalytic public investment and be a market maker to ensure the UK remains a global leader and ambassador in the race to net zero.

Green Flagship Investment packages in the US and EU total 3.8% and 1.8% of GDP in 2019,[52,53] **compared to 0.55% for the UK's climate funding package.** The flagship EU and US policies will also not include spending at the state level, so likely underestimate the true level of green investment. Investment to address one of the UK's greatest areas of challenge, the decarbonisation of heat and buildings, is far behind those of the US and EU.

Green investment in flagship climate policies, as % of 2019 GDP

	Total	EV (infrastructure and subsidies)	Building's energy efficiency
US	3.80	0.81	1.46
EU	1.76	0.17	0.35
UK	0.55	0.13	0.05

The need for timely investment has also been shown by the Office for Budget Responsibility, with a delay to decisive action to tackle carbon emissions by ten years estimated to double the overall cost. Potential spiralling and irreversible costs from inaction, means there's a premium on acting early[54].

As the global race to be a leader in new markets continues and the impacts of climate change and nature loss worsen, it is crucial business investment is unlocked where public investment can't be made. In Germany, €2.5bn will be spent on battery cell production and the expansion of charging infrastructure[55], boosting domestic industry and signalling a growing market to international investors.

The CBI's Seize the Moment report identified that with the right government enablers, we can make the UK a leading exporter in fast-growing global markets and create 240,000 net new jobs. Decarbonisation exports to the EU alone providing £18bn from electric vehicles and vehicle batteries, £8bn from hydrogen electrolyser production and £3bn from offshore wind goods and services.

But to realise this potential, both business and government investment must be boosted. Where the government can't go, business can step in. Yet this will be reliant on government and regulators using their unique positions as market makers to create the necessary environment to unlock private investment. The government can use its ability to provide catalytic public investment in spend allocations for energy efficiency upgrades in homes and public sector buildings. It can ensure the tax system incentivises investment in decarbonisation, through areas like greener business rates (as highlighted in section 1 of this submission). It can be a market maker by undertaking interventions that build demand for growth markets, such as electric vehicles and hydrogen.

Governments position as a market maker must also include providing immediate clarity, detail and timeframes on policies to unblock business investment, including: 1. announcing the timeframe for the

[52] EU figure calculated as percentage of GDP of countries who have submitted plans to date.
[53] Green investment laid out in EU member state's RRF submissions as analysed by Bruegel and the US President's Budget FY2022, BEIS, The Ten Point Plan for a Green Industrial Revolution, November 2020
[54] Office for Budget Responsibility, Fiscal Risks Report (late action scenario), July 2021
[55] SMMT & Public First, Full Throttle – *Driving UK Automotive Competitiveness,* 2021

Offshore Wind Leasing Round 5[56]; 2. publishing a comprehensive national electric vehicle charging infrastructure strategy[57]; 3. developing a clear policy roadmap with key milestones to support any petrol and diesel HGV phase out date; and 4. publishing a national retrofit Strategy for the UK's 29m homes and 1.8m non-domestic buildings[58].

Enabler	Government ambition	CBI recommendation	Annual exchequer cost[59]
		Putting Net Zero at the heart of fiscal policy	
Government as market maker	Build back better, support green jobs, and accelerate our path to net zero	HMT has a critical role to play in the UK reaching net zero, which must be at the heart of Treasury activity. And include: • publishing an impact assessment on decisions to progress the UK's net-zero target at each Spending Review and Budget, similar to the equalities assessment for Spending Review • Publishing the HMT Net Zero Review by COP 26 to outline how HMT will fund and support the delivery of net zero Using the Net Zero Review to provide further details of how HMT intends to utilise the UK Infrastructure Bank to support government targets for investment in low-carbon infrastructure	£Nil
		Creating Greener Buildings	
Catalytic public investment	Putting homes workplaces, schools and hospitals at the heart of the green economic recovery	**Make energy efficiency and heat a national infrastructure priority by providing a comprehensive long-term package of funding to make our buildings more energy efficient and to move away from fossil fuel heating solutions.** Part of this package must include the government fulfilling commitments in the Conservative Manifesto to spend the £9.2bn allocated, including: • £2.35bn for the Homes Upgrade Grant • £3.8bn to 2030, of which £1bn by 2025 to support those low income and fuel poor households through the Social Housing Decarbonisation Fund[60] • £2.9bn for the Public Sector Decarbonisation scheme Reform Winter Fuel Payments so that they are more targeted to support those most in need and improve energy efficiency in these homes.[61]	£2.8bn (breakdown below) £Nil £Nil

[56] While continuing to work with the Offshore Renewable Energy Catapult to increase value in the UK supply chain – needed to support new Supply Chain Plan requirements in AR4. This will support the government's ambition to quadruple offshore wind capacity by 2030.
[57] The comprehensive national electric vehicle charging infrastructure strategy should outline how the £1.3bn committed to accelerating the roll out of charging infrastructure, will be delivered across urban, rural, and remote parts of the country.
[58] The government's Retrofit Strategy should include clear milestones for retrofit activity delivered during this parliament
[59] Static cost – does not take account of the positive economic impact; aggregate cost for each policy package.
[60] The Conservative manifesto outlined plans for a £3.8bn Social Housing Decarbonisation Fund over 10 years to help retrofit social housing. It included plans to launch a £60m pilot in 2021/22. Details: £60m pilot in 2021/22; £350m annually for 2022/23 and 2023/24
[61] As those who are receiving WFP would get more efficient homes, some would stop needing WFP, enabling reform of the system, with better targeting of WFP to those in the most need. Should this be done, there could be substantial WFP savings. Some of the £2bn spent on WFP could be saved annually in the longer term by an upfront initiative to improve thermal insulation. The money saved longer term could then be reinvested into a national heat programme, enabling increased support for those in fuel poverty.

		Support private investment from all 'able to pay' homeowners and landlords to make energy efficiency improvements and heat pump installations by: • Establishing a new streamlined grant scheme for all households, with £3.6bn tapering support from 2025, to support home energy efficiency improvements • Providing up to £4.76bn, including the current £100m Clean Heat Grant proposal, to support investment needed for heat pumps in existing homes. This could be through a scheme that also offers energy efficiency measures or as a larger Clean Heat Grant.	£1.2bn[62] £1.6bn[63]
Government as market maker and catalytic public investment	Putting homes, workplaces, schools and hospitals at the heart of the green economic recovery	**Announce the creation of a National Delivery Body tasked with leading the transition to zero carbon heat, as recommended by the CBI's Heat Commission[64].** This must provide clearer regulatory and fiscal incentives for improving energy efficiency and a shift to low carbon forms of heating. Alongside scaling up the new Clean Heat Grant Scheme and backstop regulations which prevent sales or rentals that do not meet defined efficiency standards by a certain date.	£Unclear[65]
		Accelerating the shift to zero emission vehicles	
Government as market maker and Catalytic public investment	Support the electrification of UK vehicles and their supply Chains	**Commit to a new gigafactory plan to deliver increased capacity by 2040 developing a strong automotive sector and putting the UK at the forefront of low emission transport technologies.** Begin with drawing on the £1bn commitment, with more funding required in later years to deliver the plan. Focus on a competitive electric vehicle, power electronic and fuel cell supply chain. This should include: • Setting a target to provide 60 GWh of battery production within the UK by 2030 • Enable the development of a fuel cell gigafactory with a 2GW capacity by 2030	£196m (breakdown below) Cca. £163m[66] Cca. £33m[67]
Catalytic public investment and Government	Support the electrification of UK vehicles and their supply chains	**Deliver a zero-emission freight and logistics sector** by: • Continuing the provision of the plug-in grant beyond 2022-2023 to support more models coming to market. • Ensure continued support for sufficient strategic refuelling infrastructure to meet any phase out date,	£370m (breakdown below) £350m[68]

[62] Analysis shows there is a need for an additional £7bn public investment this Parliament for home energy efficiency, which Treasury can deliver through the Spending Review. Recent modelling by the RAP and E3G suggests on top of this, £5.1bn is needed to get on track to meet heat pump targets, which will require a new £4.76bn investment at the Spending Review. Source: Better Buildings Investment Plan, Energy Efficiency Infrastructure Group https://www.theeeig.co.uk/media/1109/eeig_2021-budget-and-spending-review_0721.pdf

[63] See above reference

[64] CBI and University of Birmingham, Net-zero: The Road to Low-Carbon Heat, July 2020.

[65] This is estimated by the National Centre for Decarbonisation of Heat Advisory Group in their separate submission https://www.birmingham.ac.uk/research/energy/national-centre-decarbonisation-of-heat.aspx

[66] Assuming similar cost to Germany and scaling it to 60GWh capacity provides a total £1.3bn estimate (Public First/ SMMT, Full Throttle: Driving UK automotive competitiveness, 2021)

[67] Based on cost per vehicle of 18,000 euros in Japan and a target of 17,000 vehicles supported by the 2GWh capacity, this provides an estimated cost of £262m over the period to 2030. Cost assumed to be evenly distributed over the 8-year period.

[68] This is estimated based on the Spending Review 2020 cost for plug-in cars, vans, taxis and motorcycles (£582m between 2021-22 and 2022-23). We assume a split 40%-60% in this cost between petrol and diesel cars and vans, and freight vehicles.

as market maker		beginning with allocation of the Hydrogen Strategy £20m, with a view to expanding the funding to meet the government's phase out date once set.	At least £20m[69]
		Driving Green public transport	
Catalytic public investment and Government as market maker	Accelerate the transition to more sustainable transport by investing in bus services	**Build greener bus networks that encourage modal shift from consumers and reduce transport emissions.** Government should look to implement recommendations from the CBI's Greener miles report[70] and: • Increase levels of capital support for purchasing Zero Emission Buses (ZEBs) and related infrastructure in future rounds of government funding • Support a private leasing market for ZEBs at pace and scale, through the National Infrastructure Bank, underwriting some of the early risks in this market, with a view to crowding in private finance longer term • Reform Bus Service Operators Grant in a way that incentivises private operators to transition to ZEBs[71] • Ensure the successful delivery of Local Bus Service Improvement Plans	£1.2bn[72]
Catalytic public investment and Government as market maker	Accelerate the transition to more sustainable transport by investing in rail and bus services	**Drive modal shift through delivering on a more flexible passenger-centric vision for the railways.** Following the publication of the Williams-Shapps Plan for Rail, government should now: • Work closely with operators in the development of the new Passenger Service Contracts to support innovation and delivery, appropriately balancing risk and reward and incentivising operators for freight users and passengers • Deliver on commitments to roll-out digital and flexible ticketing as soon as possible. Followed by a wholescale review of fares in line with the Rail Delivery Group's recommendations in Easier Fares for All • Consult with rail operators, the wider supply chain and investment community on the formation of the 30-year strategy for rail. • Continue to prioritise central government funding for rail electrification programmes, as well as the development of hydrogen and other alternative fuel trains for track where electrification will not be economical.	£Unclear
		Reaching Jet Zero and Green Ships	
Catalytic public investment and Government	Position the UK at the forefront of aviation and maritime technology to	**Grow a world leading sustainable aviation industry in the UK by:** • Utilising the National Infrastructure Bank to provide finance to attract private investment, such as loan guarantees tailored to meet the needs of emerging	£Unclear[73]

69 Within the UK Hydrogen Strategy, the government announced an investment of up to £20 million this financial year

70 CBI and KPMG, Greener Miles, Delivering on a net-zero vision for commuting, April 2021.

71 This is based on the CBI, Greener Miles report. At present, BSOG is predominantly a subsidy for fuel consumed and, as a result, even with additional support of 6p per km for Ultra Low Emissions Buses (ULEBs), operators have limited incentive to invest in low or zero emissions vehicles. In Scotland, reforms to BSOG have meant that operators of ULEB receive revenue support at a rate of 20p per km more than diesel for the first five years of operation in addition to initial support with capital costs. A similar BSOG structure in England would help build the business case for operators to accelerate the transition to ultra-low emissions and ZEB fleets

72 Costing methodologies available on request.

73 This is contingent upon market conditions for the aviation sector and low carbon technologies

as market maker	push forward low carbon travel and build on UK strengths	SAF technologies (covering a proportion of the total capital required) • Utilising a Contracts for Difference (CfD) or similar mechanism to provide a stable and competitive price for SAF • Extend the £15m competition to support the production of Sustainable Aviation Fuels into a multi-year programme, with additional funding provided over the next three years equating to £50m in grants, to support the development of SAF technologies beyond 2021 • Providing a long-term signal for investment in aerospace technology and the development of hybrid, electric and hydrogen-powered aircraft by increasing direct domestic R&D spending allocated to the Aerospace Technology Institute Programme, by £3.8bn (over 9 years)	£Nil £17m £150m (part of front loaded allocation of R&D spending)
Catalytic public investment	Position the UK at the forefront of aviation and maritime technology to push forward low carbon travel and build on UK strengths	**Support private sector investment to produce the world's first zero-carbon vessel with match funding of £55-75m.** This vessel will be designed to service the offshore wind industry and funding is expected to generate in return £10 for every £1 spent. Supporting this initiative will ensure the UK is at the forefront of zero carbon vessels and world-leading.	£55-75m[74]
		Driving the growth of low carbon hydrogen	
Government as market maker and Catalytic public investment	Implement the UK Hydrogen Strategy and scale up the hydrogen economy	**Scale up the UK's hydrogen economy by progressing policy on Hydrogen Business Models and allocating funding from the Net Zero Hydrogen Fund, with a view to increasing funding**. Consideration should be given to: • Prioritise the Hydrogen Business Models and UK Low Carbon Hydrogen Standards consultation outcomes by Q1 2022 to enable business investment, e.g. CfD auction with a variable cost for hydrogen production and a fixed payment to cover the CAPEX cost. • Allocate the £240m Net Zero Hydrogen Fund, with a view to increasing funding as part of the £1bn Net Zero Innovation Portfolio into further hydrogen testing programmes and demonstration projects involving production, storage and distribution.	£Unclear £Unclear
		Investing in carbon capture, usage, and storage	
Government as market maker	Capture 10Mt of carbon dioxide a year by 2030, the equivalent of four million cars' worth of annual emissions	**Deliver proposed business models, including the Industrial Carbon Capture contracts, the CCS Transport & Storage Regulatory Investment Model and the Dispatchable Power Agreement**, to enable final investment decisions by the end of Q2-2022. Deliver the multi-year funding confirmed at SR20 for the CCS Infrastructure Fund and provide clarity on how these funds will be allocated across transport & storage, industrial carbon capture and dispatchable power.	£Nil SR20 provides £1bn for a Carbon Capture and Storage Infrastructure Fund and will help establish four

[74] Cost calculated on the difference in price between production of a standard fossil fuel vessel and zero carbon option

			CCS clusters by 2030
		Delivering New and Advanced Nuclear Power	
Government as market maker	Advanced Nuclear Technologies have an important role to play in the transition to a low carbon economy	**Confirm and legislate for a new financial model for new nuclear power within this parliamentary session.** This will be crucial in delivering the objectives of the government's Ten Point Plan, such as small modular reactors and advanced modular reactors and provide certainty to investors.	£Nil
		Unlocking Green finance and innovation	
Government as market maker	Ensure the finance sector can play its critical role in the race to net zero and secure a more sustainable future	**Introduce usable disclosure requirements with common reporting standards to support the growth of sustainable finance.** The government should use the forthcoming economy-wide integrated Sustainability Disclosures Requirements (SDR) to tackle difficulties with comparability of sustainability reports and data. There is a need for uniform reporting standards introduced in realistic, clear timelines. The framework should help drive the transition to a sustainable economy and encourage international alignment by taking note of global efforts to standardise sustainability reporting standards, including the work of IFRS Foundation and the G20.	£Nil
Government as market maker	Help tackle climate change and support regional and local economic growth	**Expand the role of the UKIB to maximise private investment.** The UK Infrastructure Bank (UKIB) has laid out its ambition to help generate the finance required to decarbonise the economy and reach net zero. The institution will need to be outcome-focused, with clear sectoral goals. In addition, business believes the UKIB should help boost long-term market confidence through: • support on projects with investments conducted on a co-lending basis, with the minority of capital coming from the newly created bank, and the majority coming from the private sector. • Working closely with regulators, such as the Prudential Regulation Authority, to ensure that the right enabling framework is created to promote stability and investment. • Broadening its advisory role, including working with the Infrastructure and Projects Authority, to reform the National Infrastructure and Construction Pipeline providing clearer market signals and working with HMT on private finance delivery models to minimise market uncertainty following the conclusion of PFI/PF2.	£Nil
Government as market maker	Ensure the finance sector can play its critical role in the race to net zero and secure	**Develop a robust UK taxonomy to provide a common classification framework for investments that can be defined as environmentally sustainable.** The UK taxonomy[75] must help drive the transition to a sustainable economy. The government should provide a	£Nil

[75] A common framework setting the bar for investments that can be defined as environmentally sustainable

	a more sustainable future	roadmap for the development and application of the UK taxonomy by COP26. By January 2022, the government should consult on technical criteria to establish common definitions for sustainable economic activities. Taxonomy implementation should be aided by practical tools making it easier for businesses to use taxonomy in practice and these efforts should be supported by global cooperation, for example at the G20 level, to avoid the creation of incompatible and divergent taxonomies.	
Government as market maker	Transforming procurement, providing more value for money, and benefitting all business, including SMEs	**Introduce new legislation under the upcoming Procurement Bill which harnesses the power of public investment** to achieve net zero, levelling-up, innovation, and supplier diversity (including SMEs). This should include: • Requiring adherence to the Cabinet Office's commercial playbooks to drive best practice • Embed new flexible procurement procedures to encourage greater innovation and dialogue with suppliers These changes would provide new opportunities for all types of businesses to win public contracts across the UK, and also recognise and encourage public-private partnerships that deliver the most value for taxpayers	£Nil
Government as market maker	Transforming procurement, providing more value for money, and benefitting all business	**Launch a cross-government Green Procurement Taskforce to ensure power of public spending is harnessed to help the UK deliver on its net-zero target.** The taskforce should have an emphasis on how public procurement can create markets for new green technologies and incentivise change in business behaviours to reduce emissions, as well as mandating minimum standards for public sector suppliers.	£Nil[76]
Government as market maker	Transforming procurement, providing more value for money, and benefitting all business	**Realise the ambitions of the Transforming Public Procurement green paper** to produce a more flexible, innovative, and collaborative outcomes-focused regime for public-private partnerships. • Work closely with industry to develop public-sector focused guidance accompanying the forthcoming Procurement Bill to ensure the Bill is effective. • Establish a team in Cabinet Office to implement the reforms of the Procurement Bill, including the creation and running of the Digital Platform, and skills training for the wider public sector (£10m over 3 years of CSR). This should include setting up the new Procurement Unit to support and improve commercial behaviours across government • Ensure an adequate funding stream for the Sourcing Team to continue the effective policy and training work to implement existing guidance such as the Construction and Sourcing Playbooks, and new policies that emerge over coming years (£5m p.a.)	£25m

[76] Or close to £Nil cost.

4. Deliver on ambitions for an innovation and digital economy

Technology is one of the most powerful drivers of productivity, with SME technology adoption capable of adding £45bn to UK GVA in 2030[77]. But as the pace of technology development increases and with major industries at a landmark inflection point[78], the UK must be ambitious if we're to capture the next few decades of investment, tackle global challenges and lead industries of the future.

The goals to be a science superpower and a global innovation hub recognise the important role for government in catalysing and enabling innovation. Doing so will require using the breadth of government enablers, with particular focus on the government's power of catalytic investment in areas such as R&D investment, and acting as a market maker through innovative regulation, both helping to attract business investment and make progress towards government goals.

This Autumn's CSR provides an opportunity to unlock this new 'golden age' for technology in the UK, supporting our vibrant ecosystem of digital companies and strong international market share in digital industries of the future. Given the economic importance of the digital economy and creative industries over the coming decade, DCMS's spending must reflect its remit, with the necessary resource and budget to enable it to provide the right conditions to unlock investment, innovation, and adoption of digital technologies. This includes being a market maker through delivery of strategies and internationally renowned institutions, developing pro-innovation regulation, and supporting wide adoption of gigabit connectivity technologies that underpin the digital economy.

For business, innovation is the source of competitive advantage, and involves strategic long-term investment for which there is fierce global competition. Public R&D investment crowds in private investment. New evidence shows that public investment in innovation is linked to increased business optimism on future R&D investment levels and funds activity that would not otherwise take place[79].

The government has recommitted publicly and in Parliament to the manifesto pledge to increase direct public R&D investment to £22bn by 2024/25. This is the last opportunity to deliver on that commitment in full, boosting business confidence in the UK as a place to invest. Failing to deliver will send a worrying signal and result in investment going elsewhere. Increasing overall investment also represents a prime opportunity to shift the profile of that spend, increasing support for business-led innovation and maintaining investment in vital research. CBI modelling estimates:

- Increasing direct investment to £22bn by 24/25 would leverage sufficient business investment to reach the 2.4% of GDP target in 2027.
- Reaching £22bn and frontloading the increase[80] would leverage an additional £8.2bn private investment by 2027, bringing business R&D investment to £68bn a year in 2027, from £37bn in 2020
- Including the former EU contribution for Horizon programmes within the £22bn, would reduce expected cumulative business investment over the period up to 2027 by £7.6bn

Reaching the current spending target would be transformational to the UK, but would only bring our R&D investment levels in line with the EU average. If the UK is serious about being a science superpower, investing at an internationally competitive level of 3% of GDP by 2030 and unlocking the associated economic and societal benefits is within grasp.[81] Utilising the government's levers of investment are essential. Now is the time to grow and invest.

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[77] CBI 2021, Seize the Moment.

[78] such as aerospace and automotive in response to net zero, or life sciences and services due to the potential of data and AI

[79] Physics innovators that have received public funding were more optimistic about their plans to increase R&D spending (71%) than those that have received no public funding (57%). Of businesses that had received public funding for R&D, 71% said this financed activity that otherwise would not have taken place. CBI Economics for Institute of Physics (to be published Sept 21)

[80] This costing is calculated against a linear annual 13.9% increase to £22bn. We modelled a 30% increase on 2021/22 funding in 2022-23 (to £19.4bn), a further 10% increase in 2023-24 (to £21.3bn) and a further 3.25% increase in 2024-25 to £22bn.

[81] Through a combination of direct funding and increased spend on the RDEC scheme, a total R&D spend representing 3% of GDP is an achievable target by 2030 if our current asks are met as a starting point. If the

Enabler	Government ambition	CBI recommendation	Annual exchequer cost[82]
		Spearheading R&D investment	
Catalytic public investment	Delivering on the Plan for Growth and Innovation Strategy. Fuelling businesses who want to innovate	**Deliver on government commitment to invest £22bn in direct domestic R&D funding by 2024-25, setting out a three-year spending profile and frontloading funding to maximise private investment.** This will enable progress on ambitions set out in the Innovation Strategy for the UK to be a global innovation hub and grow business investment in R&D.	Frontloading public R&D spend would cost £2.4bn in 2022/23, £2.0bn in 2023/24[83]
Catalytic public investment	Delivering on the Plan for Growth and Innovation Strategy. Fuelling businesses who want to innovate	**Grow investment in business-led innovation, maintaining investment vital in underpinning R&D**, including: • Increase the overall budget for UKRI in each year of the spending review, to enable UKRI to strategically deliver on its remit, including missions, technologies, skills and Innovate UK's expanded role on adoption of innovation • Substantially increase funding for Innovate UK to scale their existing support for business innovation • As part of the strategy outlined for levelling up, provide targeted funding, at sufficient scale, in places with existing business-innovation activity and growth potential to attract business investment and increase our world-leading clusters	£Nil (within above)
Catalytic public investment	Drive growth in innovation activity and leverage new business investment	**Allocate additional funding to BEIS to fully meet the costs of Horizon Europe association for 2022- 2027**. This will enable the UK to shape and lead global research towards solving global challenges and remain a destination for top talent and business investment.	£1.5bn[84]
		Ensuring regulation is innovative, agile, and world-leading	
Government as market maker	Establish forward-looking regulation and continuing to be a world leader in better regulation	**Require all regulators to prioritise innovation, Net Zero and investment as part of their core remits, by setting out new, transformational terms of reference.** This will ensure regulator priorities are better aligned with government policy, as set out in the plan for growth. This should include: • a responsibility to contribute to reaching the UK's net-zero target and placing greater emphasis on measures of quality of outcomes and sustainability	£Nil

RDEC scheme were to be doubled by 2030 (through increasing the scope of qualifying activities), a total of £1.7bn of public spend (direct funding + RDEC) would be required in 2022/23 (over and above the spend increase required to reach £22bn of spend p.a. by 2024/25 base on the current commitment). This would need to be followed by further uplifts of £1.9bn and £2.1bn in 2023/24 and 2024/25, respectively.

[82] Static cost – does not take account of the positive economic impact; aggregate cost for each policy package.

[83] This costing is calculated against a linear annual 13.9% increase to £22bn. With a 30% increase on 21/22 funding in 22/23 (to £19.4bn), 10% increase in 23/24 (to £21.3bn) and 3.25% increase in 24/25 to £22bn. Alternatively against a 21/22 base, the front-loaded path requires additional funding of £4.5bn in 22/23, £6.4bn in 23/24 and £7.1bn in 24/25.

[84] Source: https://royalsociety.org/-/media/policy/Publications/2021/04-09-21-annex-1-uk-r-and-d-budget-commitments.pdf
This is an average of the net EU contribution to the UK (2015-2017) by Horizon 2020 programme. Income from Framework Programmes fluctuates annually over the course of the Programme. Horizon Europe, which will run from 2021 to 2027, is approximately 30% larger than its predecessor. Horizon 2020 (2014- 2020).

		over the long term, rather than short-term price competitiveness • Economic regulators should also expand their toolkit beyond price controls. The use of price controls can lead to underinvestment and may not deliver price stability for consumers in the longer term. To deliver the transformative investment required, regulators must explore better alternatives in achieving desired long-term infrastructure needs Treasury should launch a call for evidence alongside the publication of its policy paper on regulators this Autumn.	
Government as market maker	Establish forward-looking regulation and continuing to be a world leader in better regulation	**Provide sufficient funding to regulators to ensure they have the capacity, resource, and expertise to fulfil their obligations and expanding remits**, for example on net zero, digital regulation, and innovation, by: • Continuing the Regulators' Pioneer Fund (RFP), which enables regulators to stimulate and foster innovation on a larger scale • Establishing an independent panel to determine how best to allocate specialist resources such as in AI and decarbonisation, across regulatory bodies	£5m[85]
		Creating a world-leading digital economy	
Catalytic public investment	Shape a 'new golden age' for technology in the UK, including unleashing the transformational power of technology and AI and leading the global conversation on technology[86]	**Ensure DCMS's budget reflects its scale and brief as an economic department, allowing the department to provide the policy detail and regulatory system to unlock investment in technology adoption, innovation and entrepreneurship**. This includes support for: • Delivery of the government's Plan for Digital Regulation, National Data Strategy, and upcoming National AI Strategy • Key institutions that will shape the UK's leadership in technology, including the National Cyber Security Centre (aligned to an updated National Cyber Security Strategy) and Centre for Data Ethics and Innovation.	£Unclear
Government as market maker and Catalytic public investment	Roll out world-class digital infrastructure nationwide to underpin technology adoption and digital inclusion	**Unlock business investment in gigabit broadband and 5G by:** • Committing to 100% gigabit-capable coverage across the UK • Maintaining the £5bn already committed for gigabit broadband in the hardest to reach areas, to crowd in private investment and support levelling up • Developing a 'gigabit toolkit' for use by local authorities and local information campaigns, to improve awareness and understanding of gigabit-capable broadband to spur business and consumer adoption (as recommended by GigaTAG) • Using the upcoming Wireless Infrastructure Strategy to make the UK a global leader in 5G industrial applications. The strategy should accelerate both public sector and business adoption of 5G at scale, for example through a new wave of 5G trials and testbeds. And set out a policy and regulatory	£Nil £Nil £Unclear £Nil

[85] Based on Regulators' Pioneer Fund cost of £10m over two years in the second round of funding announced in Spring Budget 2020
[86] DCMS, *Our Ten Tech Priorities* https://dcms.shorthandstories.com/Our-Ten-Tech-Priorities/index.html

		framework that encourages investment in infrastructure and innovation to deliver Government's policy objectives	
		Accelerate adoption of innovation	
Government as market maker	Taking business to the next level	**The government should work with businesses, representative groups, and organisations such as Be the Business, to expand the scope of technologies covered under the Help to Grow Digital scheme.** To deliver on the innovation adoption goals set out in the Innovation Strategy, the government should roll out this increased support as soon as possible.	£Nil
Catalytic public investment	Taking business to the next level	**Continue to support Be the Business to forge a private sector coalition that transforms technology adoption by SMEs.** CBI research shows that SME tech adoption could add around £45bn to UK GVA in 2030[87], with Be the Business programmes and guidance a fundamental lever in supporting this adoption. Be the Business funding should be provided annually.	£5m
Catalytic public investment	Grow manufacturing through digital technologies, innovation and skills	**Build on the success of the Made Smarter Programme, scaling it up to be a national programme**. This will help with accelerating the uptake of advanced technologies by the UK manufacturing sector, ensuring it remains competitive, boosts productivity and investment across the UK, and delivers on the government's net zero targets.	£180m[88]
Catalytic public investment	Grow manufacturing through digital technologies, innovation and skills	**Based on the model of Made Smarter, fund a pilot to support AI adoption in sectors beyond manufacturing that drives greater productivity and supports net zero transition.** The CBI's Seize the Moment report highlighted that AI diffusion could add £38bn to UK GVA in 2030 and a potential 1.4% uplift in productivity across sectors, through automation of tasks.	£50m

[87] CBI, Seize the moment – *an economic strategy to transform the UK economy*, May 2021

[88] This is estimated by adjusting the £20m cost for the North West pilot for each UK region according to their relative size of the manufacturing sector (manufacturing GVA in 2019 relative to total regional GVA) compared to North West's manufacturing sector. For example, West Midlands's manufacturing sector represented 15.4% of total regional GVA in 2019, compared to 14.6% for the North West; as a result, the estimated cost for this region is £21.2m. Adding up the costs across all UK regions (exc. the North West) provides this estimate.

5. Invest to create thriving regions and nations with distinctive global strengths

Unlocking private sector investment across all UK regions and nations will be essential to levelling-up and community investment. It is imperative that the government enables the nations and regions to thrive through its catalytic public investment on key infrastructure projects and ensuring the right environment to secure domestic and international private investment. To begin, government can be a market maker through formal backing of the CBI's commitment to create the playbook for cluster development. The playbook and additional live learning will support existing clusters to go from good to great. It will also provide the tools and insights needed to launch and develop new clusters in the future – ensuring a great cluster in every region and nation.

CBI analysis suggests that empowering regions and local areas to focus on their high productivity sectors, and those sectors where they have an existing advantage through job creation and business investment, can unlock greater gains for the UK economy. Unlocking this will be a priority as the UK looks to recover from the pandemic and forge a new, more competitive, dynamic, and future focused economy.

While some businesses will be able to directly invest in local areas and foster local prosperity, others will understandably need the government to implement catalytic public investment to spark investment, for when they are financially able to do so.

The need for decisive action across the UK cannot be underestimated. 2019 productivity data shows great disparities across and within nations and regions. **London is 55% more productive than the Yorkshire and Humber, and 61% more productive than Northern Ireland, impacting both living standards and wages[89]. Yet, poverty rates continue to be higher in London than in any other region in the UK[90].**

The challenges within the UK's regions and nations are vast and go beyond productivity. Unlocking investment will be critical to addressing these and levelling-up through increased household income and employment rates; minimising deprivation levels and enhancing life satisfaction.

National and local governments will continue to have a crucial role in building the underlying conditions to attract and enable this investment. This includes building vibrant local labour markets, transforming local infrastructure for new ways of working and connectivity, and inspiring world-class, innovative business to invest across and within the UK's diverse regions and nations.

To capitalise on this potential, immediate action is needed. Businesses have continued to raise that without government enabling markets to develop –through clear policy direction, local leadership, and appropriate resourcing – areas will be unable to maximise the benefits that regional growth initiatives can bring. Government must also use catalytic public investment to re-affirm its commitment to parity of regional growth funds, ensuring local initiatives are adequately funded.

But 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. Funds should have a clear purpose, be focused on productivity and shared prosperity, in order to create new markets and opportunities. And importantly, allow for long-term investment and planning. Now the UK is outside of the EU, there is an opportunity to be more flexible with funds and enable areas to be more responsive to local economic needs. Now is the time to use this flexibility, signal strength in UK's regions and nations, and level-up.

[89] ONS, Dataset for Subregional productivity: *labour productivity indices by UK ITL2 and ITL3 subregions*, 23 July 2021, accessed 19.08.2021
[90] Trust for London and WPI Economics

Enabler	Government ambition	CBI recommendation	Annual exchequer cost[91]
		Unite and level-up the United Kingdom	
Government as market maker	Levelling up across the whole of the UK to ensure that no community is left behind	**Strongly endorse the important role of economic clusters in regional growth in the Levelling Up White Paper, including a commission for the CBI to write the playbook.** Include a strong focus on the role and contribution that economic clusters can play in promoting regional growth in the Levelling Up White Paper, including a commission for the CBI to write the playbook on how to take economic clusters from good to great. This should also include working with industry to develop a toolkit that is highly responsive to business demand to support and nurture high growth economic clusters. Alongside providing support to deliver catapult quarters as a means to drive collaborative innovation activities, the government should agree an in-principle commitment to trial and test new ideas in response to business-led demands – creating the environment for clusters to thrive.	£Minimal
Catalytic public investment	Levelling up across the whole of the UK to ensure that no community is left behind	**Deliver English devolution, ensuring that 60% of England is covered by a devolution deal by the end of Parliament.** Providing greater local government cohesion and clarity on devolution, including potential County deals, future role of Local Enterprise Partnerships (LEPs) and Strategic Transport Bodies (STBs), will enable strategies to be linked to local needs and spark confidence for businesses investment that is responsive to local need and priorities.	£543m[92]
Government as market maker and Catalytic public investment	Connect people to opportunity via the UK-wide Levelling Up Fund and UK Shared Prosperity Fund	**Urgently, publish details 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 and commit to continued regional expansion of the British Business Bank (BBB) to support the recovery and levelling up. The BBB has a particularly important role to play in supporting SME business investment and growth.	£2.4 bn[93]
Catalytic public investment	Levelling-up: Drive investment in places and catalyse centres of excellence, helping people to	**Commit to continued regional expansion of the British Business Bank (BBB).** Ensure the UK has the necessary institutions and strategic direction and dialogue – driven by the financial services sector – on how to create the right environment	£3bn

[91] Static cost – does not take account of the positive economic impact; aggregate cost for each policy package.
[92] Making use of 2017 National Audit Office figure of £16 average annual devolution deal investment fund per person in mayoral combined authorities.
[93] Cost to ensure parity with existing EU funding. Makes use of figures reported by the Institute of Government on structural funds that were allocated to the UK in the 2014-2020 Multi-annual Financial Framework. Includes both funding from EU bodies and 'match funding' provided domestically.

	connect to opportunity	to unlock growth and investment through regional expansion of the BBB. The BBB played a critical role throughout the pandemic guaranteeing £79.3bn in COVID-19 loans. It now has a vital role to play in the recovery and levelling-up, which should include the maintenance of its network of regional managers and information resources, as well as the replacement of existing European Investment Fund SME finance through new funds. This will support business in understanding and accessing growth finance, including increased take up of equity finance.	
		Driving economic growth through regional connectivity	
Government as market maker and Catalytic public investment	Stimulate short-term economic activity and drive long-term productivity improvements via record investment in broadband, roads, rail and cities	**Boost market confidence by fulfilling commitments on key infrastructure investments where uncertainty remains.** This should be delivered in line with the UK's climate obligations and ambitions to level-up, and include: • Publishing the Integrated Rail Plan for the North as soon as possible, committing to delivering HS2 in its entirety and Northern Powerhouse Rail. • Tackling delays to key projects with haste, including airport expansion at Heathrow, Bristol and Leeds Bradford (terminal) and road investments in the South East and South West such as the A303 at Stonehenge and Lower Thames Crossing. • Agreeing a sustainable, multi-year financing framework for Transport for London (TfL) to allow TfL and business to invest confidently in the capital and network.	£Unclear[94]
Catalytic public investment	Stimulate short-term economic activity and drive long-term productivity improvements via record investment in broadband, roads, rail and cities	**Accelerate east-to-west connectivity in England.** Project Speed should work with public sector clients to expedite design and planning phases of projects. This should include: <u>North</u> • Upgrades to the Calder Valley Line and Trans Pennine Route Upgrades to the East Coast Mainline, maximising benefit from HS2 • Expansion and upgrades of the A66 and A69 <u>Midlands</u> • Delivery of Midlands Engine Rail including full electrification of line between Shrewsbury-Black Country and Birmingham, and upgrades of links between Coventry-Leicester and Nottingham[95] • Upgrade the A5 corridor[96] <u>East of England</u>	£Unclear[98]

[94] The cost will depend on the scale of the investment undertaken.
[95] Full electrification of Shrewsbury is estimated to be £230m by Midlands Connect, and upgrades of links between Coventry-Leicester and Nottingham is estimated to be £130m.
[96] Midlands Connect estimate cost as £350 million
[98] The cost will depend on the strategic infrastructure projects undertaken.

		• Continue development of connectivity between Oxford and Cambridge via the East West Rail • Upgrades to A47 and A10 • East Anglia Rail improvements and improvements to Ely North Junction[97] <u>South West</u> • Upgrades to M4/M5 Interchange • Dualling of the entire A303 route	

[97] Estimated total cost of £5bn

6. Embrace a globalised economy to make the UK a trading powerhouse

Global trade and investment will be crucial to unlock the full potential of the government's Plan for Growth. Positioning the UK as a beacon of free and fair trade, and as a leading place to do business and win overseas investment, can ensure businesses are able to capitalise on new sources of growth, revenue and investment. But for companies across the UK to invest in exporting, the government must act to incentivise investment in new markets and support genuine partnership with business. Playing the role of market maker in emerging industries through the UK's new trade deals and environment, will be critical to unlock FDI across the UK.

To have maximum impact, there is a need to strategically focus export activity on the areas where the UK has competitive strengths internationally: services and future technology. As businesses invest in industries of the future and become world leaders in key sectors, there is a double return opportunity through exporting new technologies. The CBI's Seize the Moment vision calls for a Trade in Services Commission, a body akin to the Trade and Agriculture Commission previously set up by DIT, to steer the government's long-term strategy for UK services trade, essential to create necessary new markets. The industry-led body can ensure domestic and international priorities work in tandem for success, and that DIT's trade agenda meets the needs of key UK sectors for the economy.

To maximise international success more widely, there is a need to build a single export campaign led by DIT and supported by business organisations and Trade Associations, amplifying a single message. **14% of UK exporters sell 10 or more products to 10 or more markets. That figure is 40% in Germany, demonstrating the level of new opportunity on offer.** UK firms have also historically been poor at utilising trade deals. That must change, and as all business bodies speak to their members about exporting, we can be more than the sum of our parts through coordinated action.

Much of this work can be encapsulated in the new Export Strategy which government is developing, a strategy which needs to bake in its end users – business – as much as possible and provide the necessary policy clarity to enable action. And it is for business to take ownership and seize the opportunities that government is providing through its ambitious trade agenda. While government can open markets and inform business, firms must spread that message and support each other as they begin to export or expand their existing international footprint.

If Global Britain is to fulfil its potential, we must keep building on the successful G7 Summit, and ensure the UK shows international leadership, creating the path for new markets, and focusing on issues such as regulation if we are to see associated commercial benefits. The FCDO also has an important role to play in opening doors for business. The interplay of foreign and trade policy must be recognised in Whitehall, with a strong industry voice feeding into policymaking. Meanwhile, showing leadership on global issues such as climate change, vaccine deployment, and supporting developing countries, has huge soft power implications which benefit UK firms and the economy.

Enabler	Government ambition	CBI recommendation	Annual exchequer cost[99]
		Enabling the UK to become an exporting powerhouse	
Government as market maker	Ensure UK businesses are able to seize the opportunities to sell goods and services around the globe	**Invest in an improved digital platform for SMEs to understand how to expand overseas as easily as possible.** This should provide market information, opportunities to showcase products internationally, and routing through to DIT advisers in the UK and abroad, to enhance SME expansion and exporting.	£5m[100]

[99] Static cost – does not take account of the positive economic impact; aggregate cost for each policy package.
[100] Based on estimated operating costs from Department for International Trade.

New skills for new markets	Ensure UK businesses are able to seize the opportunities to sell goods and services around the globe	**Establish a single Export Campaign co-designed and delivered with Business Representative Organisations to upskill businesses on trade opportunities and facilitate more peer-to-peer learning.** This should be coupled with the strengthened digital offer noted above and should incorporate the new Trade and Investment Hubs around the UK and the Internationalisation Fund referenced in the Plan for Growth. This will enable firms to help maximise their exporting potential, irrespective of sector or size.	£Nil
Government as market maker	Ensure UK businesses are able to seize the opportunities to sell goods and services around the globe	**Establish an industry-led Trade in Services Commission** to tackle market access barriers in some of the major services growth markets and set a long-term strategy for UK services trade, taking inspiration from the recent UK government Trade and Agriculture Commission.	£Nil
		Maintain the UK's international connectivity to strengthen recovery and competitiveness	
Catalytic public investment	Support the UK aviation sector to maintain international connectivity and protect global competitiveness	**Financially support the aviation sector through continued international travel restrictions by extending the AGOSS scheme and introducing a grant to support labour and fixed costs.** While the aviation sector wants to trade its way to recovery, in light of ongoing restrictions, the government should provide further support to see them through the tough winter season ahead. This will be essential to protect jobs across aviation and its supply chain and ensure the UK maintains connectivity with the rest of the world and can afford to continue to decarbonise. In particular: • Extend the AGOSS scheme to April 2022 while committing to review the current cap, to provide support for fixed costs • Provide further labour market support to the sector in the form of a bridging grant until Spring 2022 to ensure the sector retains key skills and is ready for recovery.	£Unclear[101]
Government as market maker	Support the UK aviation sector to maintain international connectivity and protect global competitiveness	**Create an environment that supports safe and continued travel through an affordable testing regime, revised travel framework/restrictions and creating a long-term vision for the future of aviation.** This will be essential in helping the sector to support the government's ambitions for global Britain and should include: • An evaluation of the approach to international travel testing, removing the requirement for PCR tests for green countries and for those	£Nil

[101] It is unclear what the extent of the take-up of the AGOSS scheme would be, and therefore the cost of extension. Data from the National Audit Office indicates that, as of May 2021, the cost of the AGOSS scheme had been £130m having been in place for roughly 4 months.

		who are fully vaccinated to help rebuild demand. • At the next GTT Review, overhaul the framework for international travel restrictions, moving to a two tier (restricted/unrestricted) model which focuses predominantly on individual risk via vaccination status to determine quarantining and testing requirements, rather than country status • Setting out a long-term vision for the future of aviation in the UK. This should demonstrate confidence in the sector as it seeks to recover from the impact of the pandemic and recognise the importance of the sector to the economy and to the UK's future prosperity as a global trading powerhouse.	

7. Make health the foundation of wellbeing and economic growth

COVID-19 has put the health of the nation under the spotlight and it has never been clearer that a healthy nation is a key pillar of a strong economy. Throughout the pandemic, firms have continued to place an increased emphasis on the health and wellbeing of their employees. And the nation has seen just how vital our life sciences capability is to the UK's health, resilience, and prosperity. This is why it's essential that health remains a priority. Whether through life sciences policy, business health support, or vaccines. The government must continue to support both domestic and international vaccine programmes to keep the global economy and society moving, safe and able to live with the virus.

While the UK is already seen as a world-leader in life sciences, we cannot afford to rest on our laurels. **The global life science market has been growing by 2% annually, but UK life science revenues have remained flat from 2010 – 2019[102].** Key global competitors such as the US, Germany, Switzerland, Singapore, and Ireland are actively investing in life sciences in the race to capitalise on the economic prizes at hand[103]**.** This Autumn's CSR provides a critical opportunity to renew focus on the sector and the ways in which business can support the health of the labour market. Doing both will ensure the UK grows its advantage for the long-term and has the necessary skills infrastructure in place to service emerging industries.

Within the Plan for Growth, the government positively recognised this opportunity, detailing plans to invest in the life science R&D and regulatory landscape, unlocking industry investment and driving economic growth. The CBI's Seize the Moment Strategy and the government's Life Sciences Vision both identified prizes that the UK can unlock with the right life science investment. Next generation medicines and cell and gene therapies are expected to exceed $35bn by 2026 and our rapidly growing genomics market could capture upwards of £16bn in revenues by 2030[104].

The government's recent Health is Everyone's Business report also highlights the impact that business led health interventions can have on the UK's health. It is a key determinant for social and economic progress. Businesses are recognising that early and sustained support through workplace health interventions, are an effective way to minimise the risk of ill-health related job losses. This impacts both NHS costs through the burden of disease, and economic output attributed to workforce increased productivity from reduced sickness absence.

Poor health in the working population is estimated to cost the UK economy north of £300bn annually, through disease burden, sick leave, and reductions in productivity. CBI research estimates that 10-20% of this cost can be reduced by pre-existing business led health interventions[3].

The government must not miss the opportunity to take a strategic approach in enabling industry to improve national health standards. With a focus on encouraging a different type of investment in skills – health and wellbeing – and learning from the benefits of private and public sector collaboration to address the health challenges of the next decade.

This Autumn, government must be a market maker to help develop this new market in occupational health interventions, by incentivising industry to increase the uptake of business led health intervention and, further facilitate the implementation of the Life Science Sector Vision to support UK global competitiveness.

[102] CBI, Seize the moment – *an economic strategy to transform the UK economy*, May 2021
[103] Ibid
[104] Ibid

Enabler	Government ambition	CBI recommendation	Annual exchequer cost[105]
		Support the health of the nation to keep societal and economic recovery stimulated and sustainable	
Government as market maker	Learning to live with and managing the risks from COVID-19	**Ensure societal and economic health is maintained through the rollout of vaccine programmes.** Sustain proactive rollout of the winter flu vaccination programme for adults and children, as well as the COVID-19 booster vaccine programmes to prevent winter absences and keep the economy moving, as long as the programmes are necessary.	£Unclear
Government as market maker	Learning to live with and managing the risks from COVID-19	**Ensure necessary testing systems are in place so people and businesses can continue to live COVID-19, keeping society safe and the economy moving.** This should be done in two ways: • Introduce a 'test and release' scheme to end self-isolation for those not double-jabbed, when "pinged" by the NHS app by introducing a daily contact testing over a period of days (the number of which to be determined by scientific advice) to act as the trigger for release from self-isolation. • Reintroduce the government-funded workplace testing scheme and work with industries, such as retail, to develop a system of 'at home' testing to support those businesses operating across multiple sites'[106].	£Unclear[107]
Government as market maker	Saving lives and protecting the NHS by encouraging people to take better care of their health	**Deliver on business priorities from the government's Health is Everyone's Business.** Deliver adequate resource for the policy commitments made within the Health is Everyone's Business response. Including for future initiatives outside of its immediate scope but which support the government's ambition to raise living standards, move people out of poverty and reduce health inequalities. Prioritise: • Commitments set out in the 'Helping employers access quality Occupational Health support' and 'Innovation in Occupational Health' sections. Particularly looking at innovative business led health interventions and improving employer access and awareness of high-quality health support. • Providing practical advice for industry on the existing rights and health responsibilities of	£Unclear[108]

[105] Static cost – does not take account of the positive economic impact; aggregate cost for each policy package.
[106] Workplace testing should be used as part of a broad mix of testing options to manage risks through the Autumn and Winter periods (while necessary), quickly identifying spikes in cases and giving employees confidence in the return to offices.
[107] Cost of the workplace testing scheme will depend on uptake by employers. Cost will be incurred as part of £15bn already put aside for NHS Test and Trace for 2020/2021.
[108] Government has said that a subsidy will be tested to gather evidence on whether targeted financial incentives improve access to OH and employment outcomes, but there is no indication of the size of this subsidy.

		business under the Equality Act 2010, helping to raise awareness of existing business and employee responsibilities on health.	
New skills for new markets	Data saves lives: reshaping health and social care with data	**Deliver on skills commitments from the Data saves lives: reshaping health and social care with data report, to support the digitalisation of the NHS and unlock the UK's potential to become a world leading environment for health innovation and research.** This should prioritise: • Providing health bodies with the necessary infrastructure to enable consistent transferable data collection, unlocking its full research potential • Educating NHS staff with adequate data literacy skills • Investment in improved utilisation of tools to improve prediction and early diagnosis capabilities in emerging health research fields, such as genomics and cell and gene therapies.	£Unclear
		Implement the Life Science Sector vision to strengthen the UK's status as a world leader	
Government as market maker and catalytic public investment	Build on the UK's performance and leadership to date in Life Sciences and create the most advanced genomic healthcare system in the world	**Build on the clinical research success of the UK's response to COVID-19, by providing adequate resource to deliver commitments for Life Science Sector Vision initiatives,** including The Future of Clinical Research Delivery and the Innovative Licensing and Access Pathway (ILAP). Government ambitions laid in the Life Science Sector Vision should be delivered in full, particularly in ensuring the NHS can fulfil its potential to be the greatest driver of health innovation in the world. This will boost the UK's competitiveness in health as a leading destination for clinical trials, drug discovery and health market access. All of which will enable patients to get access to the most innovative and effective health products.	£Unclear