BLAVATNIK SCHOOL OF GOVERNMENT
UNIVERSITY OF OXFORD

BUILDING BACK BETTER WITH BUSINESS

An agenda for government

From the authors,

This report arose from a meeting of business leaders convened by the Cabinet Secretary in May 2020. At that meeting, several participants argued the government had earned the right to set a new deal between government and business, and that the government now needed to consider what the components of this might look like.

The Cabinet Secretary at the conclusion of the meeting proposed that the Blavatnik School of Government, University of Oxford (with whom the government has a collaboration in the GO Lab) take forward consultations with those attending the roundtable together with other business leaders to elaborate on their thoughts. Ngaire Woods and Richard Collier-Keywood, supported by Olga Romanova (Researcher, Blavatnik School of Government) and the GO Lab at the Blavatnik School of Government took this up and have produced this report.

This summarises what we heard from business leaders from a range of sectors (listed below), as well as business organisations, civil society leaders and some government officials. It sets out what they expressed as priorities which they want to share with government, as well as ways in which they think government could more effectively use its voice, convening power, and resources in order to help to ensure that Britain builds back better after COVID.

During this ten-month process, attitudes have changed. The initial relief felt about government support through furlough and loans has given way to more concerns about the difficulties of trading post Brexit, the lack of support for SMEs, and concerns about the medium-term economy where more people are likely to be out of work.

Business wants to "partner" with government ... if there is real long-term commitment to engagement and action

Overall though the message is that business wants to "partner" with government in helping to set and deliver jobs and priority social actions. But time is both short and precious. Business leaders want to help if there will be real long-term commitment to engagement and action. Participation should be based on merit and not on historic relationships. Roles involving working with government are not prizes or an opportunity to lobby but an opportunity for service and to bring real expertise to the table.

In the UK, there are multiple ways that government consults businesses through many representative organisations. At the start of the pandemic in May 2020, the Business Action Council, including the main business membership bodies, helped to bring together business views across 6 areas (future of finance, employee retention, peer support, SME tax, real estate reform and supporting high growth start-ups) and sought to improve the dialogue between ministers and business. In January 2021, the Prime Minister and Chancellor launched the Build Back Better Business Council which consists of 30 business leaders. All of these initiatives are helpful particularly in sharing views and information. But there Is a need for co-operation to go deeper than this in specific areas and with a wider group of relevant participants around the table committed to action.

Effective partnerships are not those “created just to keep up appearances” (to use the words of the OECD) and where initial enthusiasm is not maintained. Effective partnerships have clear and shared priorities and actions plans. It is clear to all involved that if the partnership is effective, specific outcomes will be visible after a specified period of time.

The opportunity now exists for the government to truly partner with business in action-oriented partnerships to deliver real social outcomes and enhance public trust in government and business. The foremost priority on which business would like to partner with government is on jobs, stable incomes and re-skilling. Business leaders also see clear scope for effective partnerships on investing in infrastructure including digital, physical and social and achieving net zero.

Such goal-oriented partnerships would give government the opportunity to influence not just by the traditional route of intervention (regulation and legislation) but more by setting the incentives together with business to improve the way in which businesses operate to deliver defined social outcomes.

The UK has many outstanding leaders, academics, institutions and representative organisations who are making the case for building back better, for responsible business, and for revitalizing the British economy. We have tried to reference much of this work and draw attention to it in this report to assist the government in taking forward these ideas. We are grateful to all those who have spent time with us and contributed.

Ngaire Woods and Richard Collier-Keywood

Ngaire Woods is Dean of the Blavatnik School of Government and Professor of Global Economic Governance at the University of Oxford. She is currently Co-Chair of the World Economic Forum Global Future Council on Frontier Risks, a member of the G20 High-Level Independent Panel on financing the Global Commons for Pandemic Preparedness and Response, and a member of the Trade and Economy Advisory Group of the Department for International Trade.

Richard Collier-Keywood is the Chair of the School for Social Entrepreneurs, the Chair of Fair4All Finance (the UK financial inclusion organisation funded by dormant assets), the Chair of Big Education and the Chair of New Forest Care (a company that provides bespoke care and education to children with complex needs). He is also a Senior Advisor to DCMS. Previously he was Global Vice-Chairman of PwC.

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> "The first thing is to be partners, not adversaries. And that is very unlike normal government procurement, which is all about how you can get the cheapest price. VCs want to make sure we have the maximum chance of success … There's a partnering mindset that is very different from what's normal in government."
>
> Kate Bingham

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CONTENTS

EXECUTIVE SUMMARY

The UK government is determined to "build back better" after COVID. This will only be possible if the government finds ways effectively to partner with other organizations. This report outlines what those partnerships might look like, based on a series of interviews with CEOs, entrepreneurs and civil society leaders across the UK (see the acknowledgements).

The people we spoke to underscore the need for urgent action. They want to help with issues on which they have expertise. These domains include: jobs, stable incomes and re-skilling (especially in depressed regions and for young people); investments in a green and digital economy and infrastructure; building a positive culture of citizenship around paying tax; and supporting businesses that wish to contribute more to society.

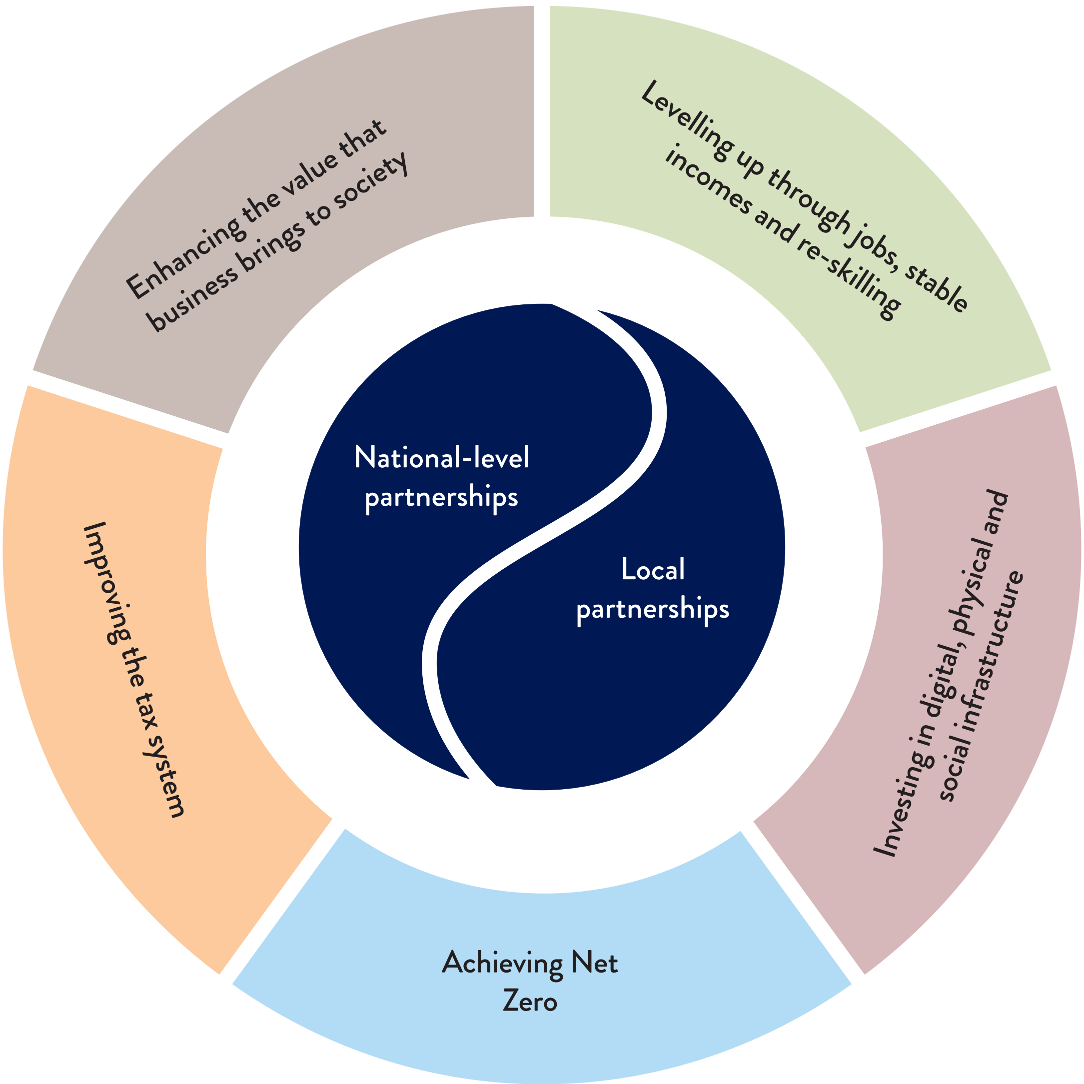
To achieve these goals, business is willing to "partner" with government. But effective partnerships have clear and shared priorities and actions plans. Time is both short and precious. Business leaders want to help if there will be real long-term commitment to engagement and action. Participation should be based on merit and not on historic relationships. Roles involving working with government are not prizes or an opportunity to lobby but an opportunity for service and to bring real expertise to the table.

Effective partnerships have clear and shared priorities and actions plans.

Practical action-based partnerships would aim to make a measurable difference, over a defined period of time on:

- Levelling up through jobs, stable incomes and re-skilling - where the participation of Trade Unions and civil society would be essential
- Investing in digital, physical and social infrastructure
- Achieving Net Zero
- Improving the tax system
- Enhancing the value that business brings to society - using government and corporate procurement as levers and again the participation of civil society would be essential

Such goal-oriented partnerships would give government the opportunity to influence not just by the traditional route of intervention (regulation and legislation) but more by setting the incentives together with business to improve the way in which businesses operate to deliver defined social outcomes. These need to be delivered across government being framed within the government "outcome" areas and included in the Treasury led Spending Review.



New and effective partnerships for government-business action

Although **national** partnerships are required, in order to make a difference to people's lives, they need to be delivered through strong **local** partnerships to make sure that no-one is left behind.

There is now a need for a place at the centre of government where this concept can be developed and applied to a myriad of social issues where government and business working with other partners could deliver much improved outcomes for society. There is obviously political support required but if real progress is to be made then commitments beyond single political cycles will be required.

We have set out below our key recommendations to government:

1. Create specific partnerships between government and business with clear mutually agreed goals and timelines for achieving those goals across the following domains:

   - creating jobs (especially for youth), more stable income and re-skilling
   - investing in digital, physical and social infrastructure
   - helping companies achieve Net Zero
   - improving the tax system
   - enhancing the value that business brings to society

2. Ensure government is equipped to be a good partner and if necessary, create a central directorate (which might be located within No10, or the cabinet office, with a strong link to BEIS) that can support, facilitate, and provide leadership for this partnership agenda at both local and national levels.

3. Introduce action-oriented partnerships into the Treasury provisional priorities and metrics for each government department, having held a series of short focused workshops which bring together the relevant departments, with business leaders and researchers.

LEVELLING UP THROUGH JOBS, STABLE INCOME AND RE-SKILLING

The single most pressing priority in most business leaders' minds is jobs and livelihoods across Britain. They are concerned about rising unemployment, precarious incomes, and low productivity, especially in parts of the UK which have been 'left behind'. They want to be part of the solution. They are looking to the government for leadership, aware that when the government moves the guardrails, for example through the Employment Rights Act, National Minimum Wage Act or Equality Act, the resulting changes affect society as a whole and the resilience of citizens to outside shocks such as COVID-19.

> **The single most pressing priority in most business leaders' minds is jobs and livelihoods across Britain**

The problem described by business leaders has four dimensions.

Joblessness: The COVID-19 health crisis has been accompanied by the deepest recession on record, which has raised the unemployment rate to 5% (September–November 2020 average) – a 1.2 percentage point increase from the previous year (HM Treasury, 2020b; OBR, 2020; ONS, 2020). The recent report Jobs, Jobs, Jobs makes clear that the economic impact of COVID-19 is disproportionately affecting young people: a third of 18–24-year-olds have either lost their jobs or been furloughed between March and September 2020 (Resolution Foundation, 2020a). This has led to a **125% increase in claims of unemployment related benefits among 18–24-year-olds** in the same time period (Foley, Francis-Devine, Powell, 2020). This is concerning given ample evidence that youth unemployment can have long-term 'scarring' effects (Gregg, 2001).

Precarious incomes: COVID-19 has exposed the costs of precarious incomes and insecure contracts: according to the Resolution Foundation, 20% of workers that held 'insecure jobs' prior to the pandemic are no longer working (Resolution Foundation, 2020a). Ultimately, it is government that pays the hefty price. In the name of flexibility[1], freedom and empowerment, **between 2012 and 2020 the number of employees (age 16 and above) on zero-hour contracts increased by roughly 300% to over 1 million people** (Resolution Foundation, 2020a; ONS, 2015). This trend has disproportionately affected the young, who are increasingly coerced into flexible job positions, and underemployed as they struggle to find permanent employment opportunities. In his 2017 review, Taylor concluded that while such contracts have positive aspects, they create a strong workers' dependency on employers which could increase income insecurity and decrease reporting of undesirable working conditions. Prior to Brexit, the UK was one of only seven countries in the EU[2] that permitted the use of minimally regulated zero-hour contracts; in the other countries, zero-hour contracts are heavily regulated (in four countries), not allowed or not used (in 15 countries) (ILO, 2019).

1 Shifts in government regulation since the 1980s have made the UK famous for its flexible labour market, said by some to have moved people into employment, reduced the welfare bill and improved public finances (Rubery, Keizer, Grimshaw, 2016). Certain forms of flexible work, such as project-based freelance work, typically undertaken by high-skilled employees, have been shown to foster growth, innovation and entrepreneurship (CRSE, 2019).

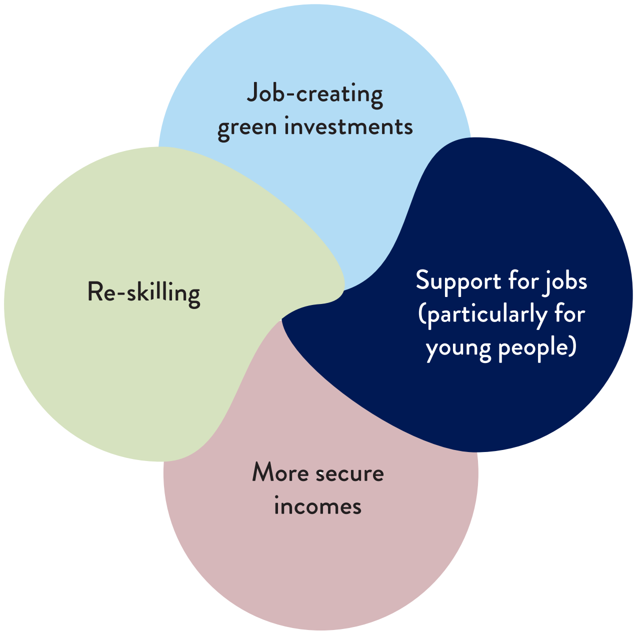
2 The reference study did not have data on zero-hour contracts in Latvia and Greece.

Low productivity: **The UK has been stuck in a particularly severe low productivity trap since the 2008–09 financial crisis** (ONS, 2015), ranking as one of the worst performers in productivity amongst its peers (McKinsey, 2018; ONS, 2015). Factors including poor capital allocation, underinvestment in R&D and innovation, and low skill-levels of employees are often cited as causes of the UK's low productivity (BoE, 2014; McKinsey, 2018; PwC, 2019a). Flexible working arrangements (discussed above) have reduced corporate incentives to invest meaningfully in employees. Government spending on adult education and skills has fallen by 39% in real terms between 2002/03 and 2018/19 (CPP, 2020b). Training expenditure by businesses has also declined over the same period (CPP, 2020b).

Depressed regions and areas: By some metrics, **the UK has the most geographically unequal economy in the developed world** (IFS, 2020). Stark inter-regional (North-South) and intra-regional divides across the nation can be pinpointed using the index of multiple deprivation (IMD) and the 'left-behind index' developed by the IFS (IFS, 2020). The importance of the government's 'levelling up' agenda is underscored by the fact that regional inequality has remained roughly unchanged since the early 1900s (Geary and Stark, 2016) and that previous UK regional policies have, in general, had little substantial lasting impact (Martin et al., 2015). COVID-19 and Brexit are likely to add to these strains. Equally, inequality within regions and cities needs redress.

The scope for government action in partnership with business is immense. Four areas of partnership look particularly promising. In considering these we have been reminded to take account of how the world of work is likely to change over the medium to long-term and that the government is a major employer.

Four areas of government-business collaboration around levelling up through jobs and stable income



1. More secure incomes

Over the past decade, the UK government has increased the minimum wage to reduce low pay, while enabling "flexible" employment options. Against this backdrop, the UK has seen rising levels of part-time working (rising to 26.2% in 2017) and of self-employment (rising to 15% in 2016). Approximately 1.6 million workers are in temporary work, some 2.8% of workers are on zero-hours contracts, and a rising percentage of the workforce are in the "gig economy". High levels of employment have been accompanied by new work patterns and more precarious incomes. This was particularly highlighted during COVID lockdowns when many of those in new work patterns found they were not eligible for government pay-support or for paid sick leave. Equally, it was highlighted in the recent Supreme Court decision on Uber, and the company's decision to grant employee status to its drivers.

While some element of flexible work is essential, government should give further consideration to how the minimum wage works where there is no employment security and no minimum hours for employees. Flexibility and income security do not have to be alternatives. For example, the Danish Flexicurity model gives business great flexibility whilst giving income security to workers.[3]

UK government leadership matters here: re-installing guardrails that have previously encouraged companies to invest in their workers, for example by specifying minimum hours, could not only help secure incomes but could lead to upskilling the workforce.

In the UK, business is a key ally in striving for income security. Between August and September 2020 the Centre for Progressive Policy commissioned a survey of 609 UK company owners and directors on issues around coronavirus, business responsibility and employment[4]. Results showed that despite current economic difficulties and concerns about the viability of planned increases to national minimum wage, 64% of businesses supported tightening existing labour market regulations such as increasing minimum wage for all those over the age of 16 to the real living wage (35%), further restricting or eliminating use of zero-hour contracts (25%), or introducing minimum rights for atypical and gig economy workers in line with EU countries (24%). Businesses want to work toward more secure incomes for employees. This support opens doors for bold action that would rebalance risk borne by employers versus employees.

Serious groundwork for the government to join forces with business on more decent work has already been done. In 2016, the government commissioned The Taylor Review of Modern Working Practices which urged the government to take steps to ensure that flexibility does not benefit the employer, at the unreasonable expense of the worker, and that flexibility is genuinely a mutually beneficial arrangement. They advised the Government to ask the Low Pay Commission (LPC) to advise on the impact of bringing in a higher National Minimum Wage for hours which are not guaranteed in a contract. A new higher rate could incentivise employers to schedule guaranteed hours as far as reasonable within their business. “Businesses would still have the ability to offer zero or short-hours contracts, or to request that an individual works longer hours than those guaranteed in their contract, but would have to compensate the most vulnerable workers (those on low wages) for the additional flexibility demanded of them.”

The government’s own *Good Work Plan* (HM Government, 2018b); giving workers on zero-hours contracts “who have been in post for 12 months a right to request a contract that better reflects the hours they work” (Ferguson, 2020); and considering ways to sustain a similar level of support that the generous Universal Credit arrangements currently provide beyond April 2021 (Resolution Foundation, 2020b).

3 **Denmark’s** “Flexicurity model” combines several elements: Employers can hire and fire at will, without excessive costs for dismissing employees. Litigation surrounding dismissals is uncommon; Employees who join and pay subscription fees to an *A-kasse* (unemployment insurance fund) get up to two years› *dagpenge* (unemployment benefit) after losing their jobs; the Danish government runs education and retraining programs and provides counselling services to get unemployed people back to work as quickly as possible.

4 Business polling was carried out by Populus for the Centre for Progressive Policy. Online polling took place between the 28th August and 3rd September 2020. The survey consisted of 609 business owners and directors and results were drawn from a representative sample of businesses across UK regions and sectors. The sample included 102 large businesses, 101 medium businesses and 406 small businesses.

Serious groundwork for the government to join forces with business on more decent work has already been done. In December 2018, the Department of Business, Energy, and Industrial Strategy (BEIS) presented a plan to Parliament in which the government promised to "work closely with business and employers to ensure we realise the potential of quality work for all" and committed to "a wide range of policy and legislative changes to ensure that workers can access fair and decent work, that both employers and workers have the clarity they need to understand their employment relationships, and that the enforcement system is fair and fit for purpose".

The government should now create a genuine partnership with business jointly to set goals and metrics which would raise the floor for "fair and decent work" and, building on the work already done in BEIS, make this one of the priorities BEIS sets itself within the Treasury's Spending Review Provisional Priority Outcomes and Metrics. Such a partnership could adopt sensible requirements for companies to report against relevant criteria would help shine a spotlight on this area and focus the attention of Boards on their role in defining income security.

2. Support for jobs, particularly for young people

Government support schemes (such as Kickstart and the Apprenticeship Levy) need much closer business engagement, feedback, and support. Without an effective partnership, these schemes are unlikely ever to fulfil their potential. We heard significant frustration from all types of UK business about both. There is a willingness to partner with government but a wariness borne of experience about wasting time with different parts of government, none of which have a sufficiently powerful incentive or authority to work as the partner to business.

The new Kickstart scheme for youth unemployment needs substantial private sector involvement, effective local partnerships and effective targeting and support to make an impact (GO Lab, 2020a). Private sector engagement is especially critical. This is because the private sector is typically better placed to move young people into sustainable, unsubsidised employment following employment support schemes (Kluve et al., 2018). However, the UK's previous experience with the Future Jobs Fund showed that private sector support is difficult to gain; complexity, unreasonable stipulations and unclear expectations have been identified as primary barriers. Improvements to Kickstart's design (such as the removal of the 30+ placements stipulation in response to concerns of smaller businesses) have been encouraging.

The Apprenticeship Levy is also an important government instrument. Business leaders spoke to us about their frustration in trying to engage with government to improve the Apprenticeship Levy. Many spoke highly of the intent of the scheme and were proud of apprenticeships that they had offered to date. However, businesses found it difficult to find the way to work with government to improve the scheme. London First has synthesized primary asks from businesses (London First, 2020):

- Create an employer-driven one-stop-shop for information and support (eg by enhancing the Institute for Apprenticeships and Technical Education).
- Give businesses greater flexibility in how they use funds and transfer them to other businesses,
- Ensure that effective and robust Quality Assurance processes underpin the apprenticeship system,
- Streamline processes so that all Standards are approved within eight months and so that reviews are carried out quickly and regularly to keep Standards up-to-date.

The Kickstart scheme and the Apprenticeship Levy could each quickly be made to work better if the government were able to engage more directly with business. Businesses would like a forum in which to provide feedback directly to those able to adapt and refine the programmes together with one government minister who has responsibility and accountability to co-ordinate the overall approach.

For business looking to partner with government to ensure jobs for young people, the government presents a baffling array of institutions and mandates

Business leaders also mentioned the opportunity to look again at how our whole education system is preparing children for the new world of work. Ranging from technology and digital skills, lifeskills, STEM plus the need to train the new skills we need for our society in FE Colleges and apprenticeships. Perhaps one of the most valuable assets that our children can have is that of hope and ambition; businesses through participation in schools can help to ignite this.

For business looking to partner with government to ensure jobs for young people, the government presents a baffling array of institutions and mandates.

- The Department for Education is charged, as a first priority in the 2020 Spending Review with "improving the skills pipeline, levelling up productivity and supporting people to work". Its provisional performance metrics include; "Percentage of recent Higher Education graduates in high skilled employment"; "total number of starts and total number of completions on apprenticeship standards"; and "Number of starts and number of completions on Level 4 and Level 5 apprenticeships standards (including by age group)".

- The Department for Work and Pensions has as its first priority "maximise employment across the country to aid economic recovery following COVID-19" and its provisional performance metric includes: "Number of participants in Kickstart – including by region and nation".

- The Department of International Trade (DIT) has as one of its three priorities "deliver economic growth to all nations and regions of the UK through attracting and retaining inward investment" with a provisional performance metric "Number of FDI jobs supported, including by UK region".

For all three departments, the achievement of these priorities will be impossible without partnership with business. For business, it is difficult to know where to turn and where to even begin to establish a partnership.

For this reason, we would recommend that the government creates a coordinating directorate (in the the Prime Minister's office, or the cabinet office, closely linked to BEIS) which would be the partner to business in setting out a mutually agreed goals, a timeline for achievement, and would carry the government's commitment to follow through with the necessary enabling actions.

3. Re-skilling

Business leaders we interviewed saw an opportunity to collaborate with government in re-skilling the UK workforce. Government needs to work closely with businesses to identify skills critical to UK's future success. With most businesses now able to cope with, and indeed embrace, remote working, there is opportunity to train people in the more deprived areas for work in other areas of the UK. Some business leaders have commented that this is the levelling up opportunity of the century.

In the Centre for Progressive Policy survey cited above, UK company directors cited technical, digital and interpersonal skills as most likely to be demanded by employers in the next three years (CPP, 2020c). Digital skills including in-depth technology training is likely to be most important in increasing productivity and encouraging the tech start-ups of the future to base themselves in the UK.

Government spending on adult education and skills has fallen by 39% in real terms between 2002/03 and 2018/19. Training expenditure by businesses has also declined over the same period (CPP, 2020b). Together government and business need to turn this around. Re-skilling is a key

Government spending on adult education and skills has fallen by 39% in real terms between 2002/03 and 2018/19. Training expenditure by businesses has also declined over the same period

part of resolving Britain's productivity problem, as evidenced by the recent report by McKinsey Global Institute, *Solving the United Kingdom's productivity puzzle in a digital age*.

Rather like jobs and youth unemployment, the re-skilling agenda is at present held across several departments in government.

- The Department of Education has as its first priority in the 2020 Spending Review: "Drive economic growth through improving the skills pipeline, levelling up productivity and supporting people to work".
- The Ministry of Housing, Communities & Local Government has as one of its three priorities: Raise productivity and empower places so that everyone across the country can benefit from levelling up.
- The Department for Digital, Culture, Media and Sport has as a provisional performance metric the DCMS sector skills gaps (per cent).

Once again, for business wishing to partner with government, there is no one partner on the government side equipped to deliver for all of government. Again, a single point of contact, such as a coordinating directorate, would be useful. Crucial is for some part of government to take responsibility not just for setting mutually agreed goals and a timeline for achievement, but also for ensuring that the government carries through on its side of the partnership.

4. Job-creating green investments

The UK has an opportunity to incentivise job creation in sectors that would enable the UK to transition to a sustainable economy (as elaborated by researchers at Oxford's Smith School of Enterprise and the Environment and LSE's Centre for Economic Performance) and Grantham Research Institute on Climate Change and the Environment. While green investments will require substantial effort and time to realise, they are projected to have a high payoff for the UK's environment, economy, and productivity (CEP, 2020). More on this below.

In summary, addressing the escalating unemployment and income insecurity in the UK is already a priority for the government. Many business leaders stand ready to help the government to move guardrails and reset opportunities for British workers to build skills, resilience, and livelihoods. It is now time to build partnerships which deliver on this. But a partnership between business and government on any one of these issues is difficult to forge at present, not least because on each issue there are several different government departments involved, no one of which has full authority to work with business to agree goals and a timeline for achievement. This needs urgent attention.

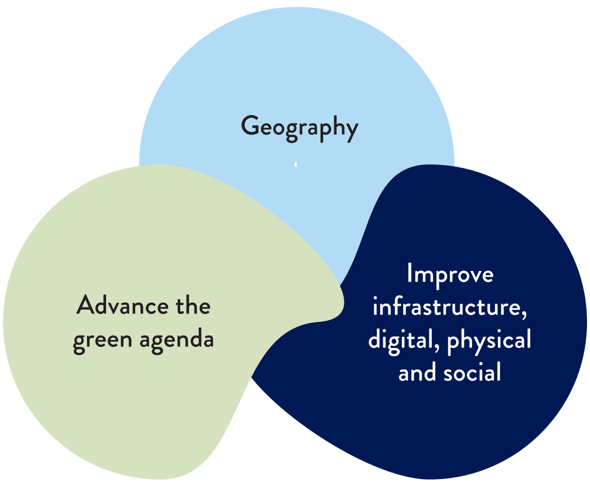
INVESTING IN THE UK'S FUTURE

Businesses need to be able to invest against a backdrop of long-term government policies

As the government considers how to foster investments in the UK's future, it should use its powers as an investor and standard-setter to reset and create a more circular, sustainable, and forward-looking economy. Businesses expressed support for both the advancement of the green agenda and investment in infrastructure including digital, physical and social. These are essential building blocks for growth.

At the same time, business leaders strongly warned against founding a plethora of new initiatives, which have in the past created substantial uncertainty for businesses and hindered progress. Several business leaders spoke about the frustration felt after new leadership enacted sweeping changes to green policies, including the zero-carbon home policy, the biomass fuel subsidies, the green deal home improvement fund and the green car incentives. Businesses need to be able to invest against a backdrop of long-term government policies. Government must signal commitment through a consistent policy approach to identifying and incentivising investments in a green future – it might start by following through on goals articulated in the recent *Ten Point Plan for a Green Industrial Revolution* (PM's Office, 2020).

Three areas that government and businesses can collaborate on when investing in the UK's future



1. Advance the green agenda

The opportunity to 'build back greener' was reflected in many conversations. The UK has both the potential and need to establish itself as a leader in this global effort as it prepares for COP26. Government needs to maintain the pre-pandemic momentum around the green agenda if it wants to secure a sustainable future economy. Government could use two powerful levers to achieve this:

making the UK an attractive place for green technologies to be developed and manufactured, and government procurement. There are many reasons why green tech companies would want to come to the UK but the creation of hubs, generous R&D allowances and well-trained workers would be essential. In addition, government could use procurement as a powerful incentivising mechanism by aligning its policies with the green agenda. This will be discussed further in the section on government procurement.

2. Improve infrastructure, digital, physical and social

An 'infrastructure revolution' (Conservatives, 2019) is necessary to enable a better Britain. The Conservative Manifesto and the National Infrastructure Strategy identify important areas that require government investment. However, business leaders in particular urged government to continue making bold investments in broadband technology. The UK is amongst the best-performing countries for general broadband coverage: 'decent', 'superfast' and 'ultrafast' coverage stand at 99.5%, 95% and 57%, respectively (itv, 2019; Ofcom, 2019; ISP Review, 2020).

Yet when it comes to full-fibre broadband coverage, the UK lags behind most peers[5]. Currently, around 14% of the population has access to full-fibre broadband (ISP Review, 2020). This is a stark contrast to Spain, Portugal and Sweden, with 70% coverage, Latvia, with 90% coverage, and Japan and South Korea, with 95%+ coverage (itv, 2019). Cooperation and substantial investments by government (£5 billion) and BT (£12 billion) are encouraging (BT, 2020). Government must continue to work towards its goal to achieve full full-fibre and gigabit-capable broadband coverage by 2025 (DCMS, 2020), as this investment is an essential bedrock for a future thriving digital economy.

There are an estimated 1.9 million households with no internet access

In order to make use of this infrastructure, it is vital that the whole population has access to devices and data. Covid-19 has made the current problem worse and exposed the links between digital exclusion and financial exclusion and poverty. In the UK, 11.7 million people lack basic digital skills (*Lloyds Banking Group Consumer Digital Index*, 2019) and there are an estimated 1.9 million households with no internet access (*Good Things Foundation with the University of Liverpool, Digital motivation: exploring the reasons people are offline, 2019*). This digital divide is most pronounced for those living in poverty; almost half of those with an income below £11,500 lack essential digital skills compared to less than 11% of those with an income over £25,000. It's a vicious circle.

Digital is a vital enabler for smaller businesses and of levelling up

Digital is a vital enabler for smaller businesses and of levelling up. Digital can take you out of the constraints of place for many businesses and people they can sell their services beyond their physical footprint. Not being able to operate online (from having a basic website to taking orders and taking payments online) has been an obstacle to growth for many SMEs and this has been especially highlighted by the impact of the COVID19 pandemic. The Help to Grow initiative was announced by the Chancellor in his Budget Statement. However very little detail has been proscribed to this issue whilst SMEs look to the government for guidance not only on how to access this financial support, but what to do with it to help them adapt to the new environment which they

5 Full-fibre broadband can handle connection speeds of 1,000 Megabits (1 Gigabit) per second, up from 24Mbps and 300Mbps for 'superfast' and 'ultrafast' broadband, respectively (DCMS, 2021)). High-speed, reliable connectivity has previously been found to increase workplace productivity as well as enable better access to social networks, educational and other content across households (DCMS, 2018). Increasing access to full-fibre broadband is critical to enable left-behind regions to level up and is essential in a post-COVID world that is likely to retain elements of working from home/online education.

will be operating in. As such we would urge the government to engage a range of stakeholders with an expertise in trading and transacting online to ensure that the best possible options for small and micro businesses are available through the Help to Grow scheme, by the summer of 2021.

Physical infrastructure will also be important to connect future hubs of activity (eg the national EV infrastructure delivery plan) and enable the mobility of people to ensure that more places become attractive to live and work.

Renewing the investment in our housing stock will also be a critical component of getting the country to an overall Net Zero position as well as potentially a major contributor to jobs. It is clear from the recent debates on cladding that the expense of renewal cannot just fall on home-owners alone; this is a classic area where collaboration and partnership between all those involved in the different industries will be required to get to an acceptable result.

If the pandemic has shown us anything, it has reminded us that we are social creatures. Communities all across the UK have pulled together and it is vital that government and business supports these efforts. We would draw readers attention to the excellent Kruger report (2020) which highlights practical priorities which we would fully endorse to encourage our vital social infrastructure.

3. Inclusive places

Real positive physical changes to where you live have a big impact on the people that live there. Local partnerships are important to coordinate and leverage the positive impact of government procurement creating social value, government jobs, community investment (see the Kruger report 2020) and local business commitments. These new inclusive places are required not just in the north but there are many areas around the country that have been "left behind" that need the co-ordination of opportunity and investment required to catch up with the rest of the economy.

Local partnerships are important to coordinate and leverage the positive impact of government procurement creating social value, government jobs, community investment

As government seeks to encourage investment in green businesses, technology innovation, and the digital, physical and social infrastructure of our country we heard of the importance of this being able to be accessed by people no matter where they live in the UK. No-one should be left out of this levelling up agenda. Providing opportunities for the many talented people that live all across the UK, re-skilling them where necessary, using government jobs, local businesses and social enterprises will be critical to achieve through partnerships at both the local and national level, with business and civil society to deliver sustainable change to places around the UK.

The government has set out an ambitious agenda for upgrading and greening UK infrastructure and investments across all regions of the UK. This is carried through in priorities set for each relevant department:

- The Ministry of Housing, Communities & Local Government has been set the goal of "More, better quality, safer, greener and more affordable homes".
- The Department for Transport is charged with improving connectivity across the United Kingdom and growing the economy by enhancing the transport network on time and on budget, as well as tackling climate change and improve air quality by decarbonising transport.

- The Department for Digital, Culture, Media and Sport has the goal to increase economic growth and productivity through improved digital connectivity.
- The Department for Environment, Food and Rural Affairs has the goal of improving the environment through cleaner air and water, minimised waste, and thriving plants and terrestrial and marine wildlife, and reducing greenhouse gas emissions and increase carbon storage in the agricultural, waste, peat and tree planting sectors to help deliver net zero.

Achieving these ambitious goals will only be possible through active, goal-oriented partnerships with business. It is the creation of these partnerships which government should now set as a priority goal for each department, with clear performance metrics related to the specific goals and timelines of each partnership.

FOSTERING A RESPONSIBLE TAX CULTURE FOR BUSINESSES

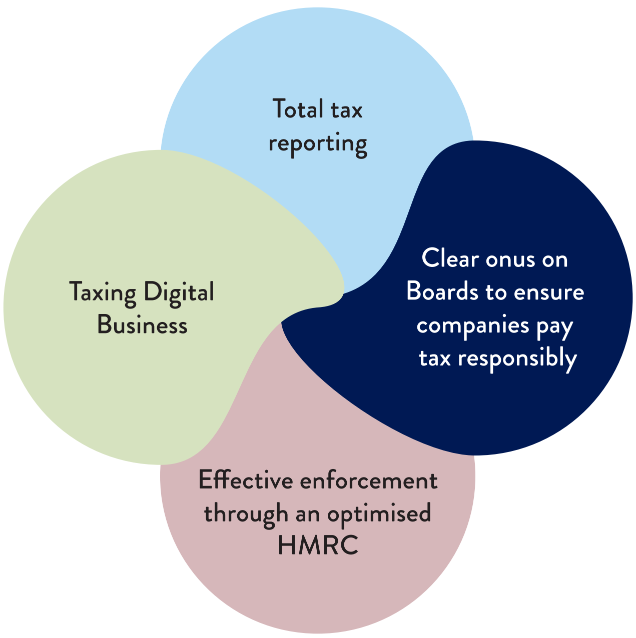
The costs to the public purse of fighting COVID-19 have forced governments across the world to focus on government revenue and spending. For the UK, the determination to build back better after both COVID and Brexit present an immense opportunity to rethink current tax policies at a time when businesses recognise that some increase in tax will be inevitable and are willing to help (Demos, 2020). If engaged wisely, businesses could provide invaluable expertise to the government as it takes action on tax.

There are several powerful reasons for government and business to act together on tax. There may be an opportunity to use the UK exit from the EU to rewrite how the UK tax system works to attract international business to the UK. Yet more pressingly, at stake is public trust in business and in government, particularly around digital businesses located abroad but operating in the UK, accessing valuable UK consumers where there is a concern around how much UK tax they pay. The corporate door is open for government to move on rethinking tax, with some global businesses having already taken a lead, for example by signing up to 'responsible tax principles'.

The government can lead by setting clear simple laws, ensuring fair and robust enforcement, and by framing taxation as a vital part of good citizenship: people and businesses should be proud of how much they contribute towards society.

In our conversations with business leaders, the following issues emerged on which government and businesses could work together in the coming months.

Four areas that government and businesses can collaborate on to foster a responsible tax culture for businesses



1. Total tax reporting

Businesses should be proud of how much tax they pay as a contribution to society. Several of our interviewees highlight that responsible tax should be grounded in a more holistic and common approach. For example, PwC's 'Total Tax Contribution' proposes a framework for businesses to provide information across five bases (profit, people, product, property and planet) on a total of 25 different taxes (both borne and collected) they pay in the UK (PwC, 2019b). This could encourage businesses and HMRC to reflect on their overall contribution. One interviewee said that this approach could help not just the Directors and Boards, but all employees of a business to understand the extent of the company's contributions. In turn, this opens an opportunity to shift culture around paying tax from one in which businesses feel constrained by regulations to one where they are proud of their contributions.

> **Businesses should be proud of how much tax they pay as a contribution to society**

2. Clearer onus on Boards to ensure companies pay tax responsibly

Boards have a major role to play in setting the culture around tax and ensuring that a company is paying the right amount of tax and doing the 'right thing'. In 2018 HMRC updated its guidelines to require that large businesses (with turnover above £200 million and/or balance sheet over £2 billion) have their tax strategy approved by Boards prior to reporting (HMRC, 2018). The latest PwC annual report on tax transparency demonstrates improvements in disclosure, with a larger proportion of FTSE100 companies reporting across various areas, including tax havens, tax incentives, board approval, risk frameworks, transfer pricing, and total tax contributions (PwC, 2020). Of FTSE350 companies, Shell, Vodafone Group, BHP Group and Lloyds Banking Group have been recently commended for their tax reporting practices (Shell, 2019; PwC, 2019d). Initiatives such as the B-Team's Responsible Tax Principles are creating new norms: companies are signing up to commitments such as not to undertake transactions whose sole purpose is to create a tax benefit (The B Team, 2018).

> **Boards have a major role to play in ensuring that a company is paying the right amount of tax and doing the 'right thing'**

Government plays a powerful role in setting cultural norms. It can support emerging norms on tax by placing the onus on Boards to consider whether they are complying with the intent of tax laws and be transparent about why their tax contributions may differ from what might be expected. The business environment and commercial practices in the UK and internationally are continually changing and it would be helpful if there was a regular and ongoing dialogue around mutual expectations. The starting point for income or corporation tax on business profits would be the assumption that businesses would pay tax based on the rate multiplied by the profit in each jurisdiction. Boards should consider why their actual contribution might differ from this and be obliged to disclose why the amount they are paying may be different from this, together with judgement areas they are taking into account in making their compliance returns. The dialogue between the CFO and Board should give assurance that a company is doing the 'right thing' when devising a tax strategy versus 'doing nothing that is illegal'. All this could enhance the culture of taxpaying across the UK business community.

3. Effective enforcement through an optimised HMRC

Any changes to Board-level requirements around tax need to be complemented with optimised HMRC operation. Nuanced judgements on what constitutes the right approach by Boards must be thoroughly reviewed by tax authorities. Yet over the last 15 years, HMRC capacity has been reduced by roughly 50% with the highest number of redundancies being in compliance staff jobs (HMRC, 2019; Cross, n.d.), although some of this will be due to efficiency gains. Experience in other countries highlights that proper taxation requires a confident, competent, mission-driven workforce. Bolstering HMRC capacity (people, technology, authority, and links to the rest of government) should be considered as a potential lever of change. There is a dynamic debate around how resources should be focused across two axes; firstly between customer care versus customer compliance; and secondly, between large and small businesses. It is accepted wisdom that much of the UK's tax gap is in the SME area so these decisions are critical if the tax gap is to be closed. Constructive dialogue between businesses and HMRC could be immensely helpful in making the most of the available resources. This is especially critical given that the HMRC attributes some of the UK tax gap to innocent mistakes made by SMEs (HMRC, 2020).

4. Taxing digital business

There is a concern that international digital businesses which access UK consumers do not pay enough taxes. The view that the current tax system favours international digital businesses will continue to propagate until there is a comprehensive international approach to taxing these businesses. Given a void of internationally accepted uniform standards around tax on international digital businesses, the UK government has introduced the Digital Service Tax (April 2020). The government should continue to consult with businesses as it refines and proposes long-term alternatives to DST, such as the recent "sales tax" under current discussion. However, it is important that so far as possible that there is a consistent international solution. This will almost inevitably come back to taxing profits not sales.

There is a difficultly with agreeing how much profits are allocated between different jurisdictions and the OECD has been working on a solution. The 139 countries in the OECD/G20 Inclusive Framework have recognised the need to address the tax challenges arising from the digitisation of the economy. Blueprints for proposals in nexus and profit allocation (Pillar One) and global minimum tax (Pillar Two) were issued in late 2020 with the aim of reaching a consensus based solution by mid-2021. The UK government has been committed to the OECD's work from the outset and is clear on the benefits of a multilateral solution. "We have always been clear that a multilateral solution would be preferable [as opposed to DSTs]. It would be more stable, more efficient and more enduring." (Rishi Sunak, OECD G20 Inclusive Framework on BEPS meeting, Jan 2021). There have been some very important and positive developments with President Biden seemingly supporting this agenda with a strong focus on increasing the tax burden of the largest international digital businesses.

It is also important for there to be a level playing field from a taxation perspective between national businesses that are digital and more traditional bricks and mortar businesses. Retail is one battleground here, with more traditional businesses being taxed on business rates, with online retailers not having the premises that attract this form of taxation.

There are a number of different perspectives on this issue. First, if the total tax contribution of the business is considered, for competition purposes, we must ensure that the total tax paid by digital businesses is equivalent to that paid by other businesses operating in the UK. The holistic reporting of total tax contributions (all taxes paid and collected by these businesses) will enable better comparisons to be made with a view to taking further action as necessary. Second, it is arguable that business rates operates as a tax on land owners rather than users and as such operates as a disincentive to investment (in buildings). This issue has been brought into sharp focus by the pandemic which has exacerbated the issues of retail and many of the UK's high streets. Again, a solution here will need careful curation by a partnership of many interests.

Across all these elements of responsible tax, government action will be more effective if it is informed by serious business expertise. The Australia Board of Taxation is an example of a non-statutory advisory body composed of leading taxation professionals with a wealth of experiences working with businesses, who sit in a personal (not a representative) capacity to advise government on issues related to taxation. As the UK resets its tax system, these kinds of bodies, providing they are robustly organised and managed so as not to become lobbying or representative bodies, could help to inform effective policies.

SUPPORTING COMPANIES AS THEY CHOOSE TO CONTRIBUTE MORE TO SOCIETY

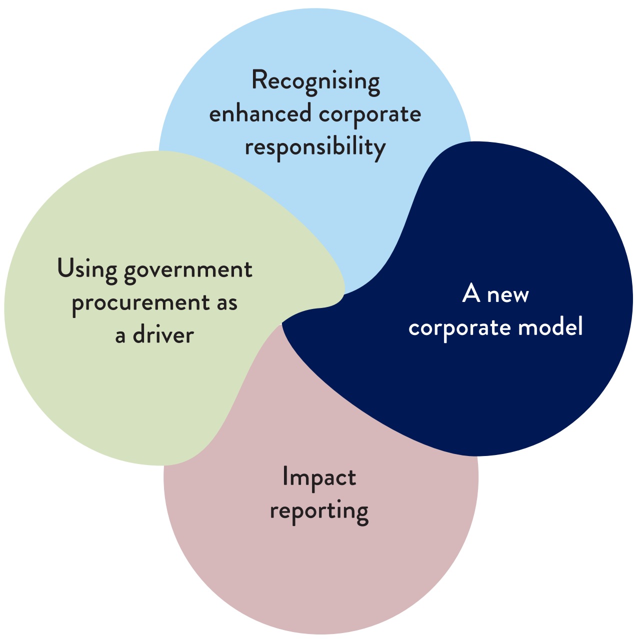
In our conversations with business leaders, we heard numerous examples of businesses that strive to contribute positively to society and lead by example. We heard about decisions to forgo using the furlough scheme, set industry standards for tax reporting, invite employees onto Boards, commit to and realise diversity, and address the issue of executive pay ratios. Over and over we heard that business leaders want to contribute positively to society, and so do their employees, customers and investors. What stops them is partly a matter of competition: they can be driven out of business by competitors who do the opposite and reduce their cost base. Historically, there has been limited recognition for these contributions, with government preferring a more regulatory/rulemaking approach rather than one of positive encouragement. Stronger government leadership and support can encourage a race to the top rather than a race to the bottom.

Stronger government leadership and support can encourage a race to the top rather than a race to the bottom

Purpose-led business is a concept largely driven by business, with a growing movement of business supporters. Nobody can dispute that it is a positive thing for business to be driven by social and environmental considerations and by a "purpose beyond profit", but without strong coordinating mechanisms and a level playing field, businesses have little hope of solving at scale the most important issues facing society.

Conversely, social value is a concept largely driven by the UK government and now embedded in government procurement. We heard from business leaders that many do not really understand what the government means by social value. Again, of course it is positive for government procurement to pursue goals beyond value for money (narrowly defined), but without a powerful partnership with business, will this create common intent or coherent progress on big social goals?

Four areas that government and businesses can collaborate on to support companies as they choose to contribute more to society



Government needs to develop partnerships with business (and other partners including trade unions and civil society) which set out to address clearly defined problems, and endure beyond the current, often politically driven, timescales. The government can use its power as a customer to incentivize social value frameworks and purpose-led businesses.

1. Using government procurement as a driver

Procurement offers government a powerful incentivising mechanism. Government spends over £290 billion annually on external goods and services (Cabinet Office, 2020a). Recent procurement data (IFG, 2018) make clear that government relies on around 30 'strategic suppliers' – typically large corporations (Amey, Atos, Capgemini, Capita, BT, Fujitsu, Deloitte, PwC) – that sign contracts exceeding £100 million annually, are repeatedly hired, and provide a large share of total goods and services in many departments.

What government chooses to procure and who it chooses to procure from sends a strong signal. By rewarding companies with a contract, government effectively sets a market standard. One interviewee concisely articulated the immense power of procurement as a lever for enabling better business:

> "Businesses do listen. Businesses do watch for signals. If government communicates a clear set of values and commits to implementing them, businesses will follow."

What government chooses to procure and who it chooses to procure from sends a strong signal.

Government already has a practical and high-impact tool for encouraging businesses to deliver social value as a contribution towards better business: the Social Value Act. It is operational from January 2021 and government now needs to work towards effectively and fully implementing it. The task of training tens of thousands of people involved with government procurement to make this effective should not be underestimated.

The key requirement is that central government use the model to evaluate and take account of the additional social benefits that can be achieved in the delivery of its contracts using policy outcomes aligned with government priorities.

Social value should be explicitly evaluated, rather than just considered, in all central government procurement where the requirements are related and proportionate to the subject matter of the contract. A minimum weighting of 10% of the total score should be attributed to social value in the procurement process to ensure it carries a heavy enough score to be a differentiating factor; work now needs to happen to ensure that:

(i) those evaluating contracts are well trained and familiar with the framework;
(ii) the supply side is developed to meet the opportunities this will create (which should be an opportunity to support social enterprises and other business that create social value, including the creation of local jobs at scale);
(iii) the concept is extended across a broader range of public procurement.

The Green Paper Transforming Public Procurement, published in December 2020, proposes sweeping changes to current procurement practices that would streamline the complex existing framework, reinforce elements of social value and transparency, help the UK to make its net zero commitments and shape the future of UK's public procurement. Six principles would underpin this new regulatory framework: public good (centred around delivering social value), value[6] for money, transparency, integrity, fair treatment of suppliers, and non-discrimination.

Crucially, the updated public procurement regime seeks to end the bureaucracy and remove red tape that has hindered VSCEs and SMEs from bidding, in part by consolidating the 350+ regulations governing public procurement into a uniform framework and modernising procurement procedures to make them more flexible and accessible. The Green Paper rightly highlights that effective implementation of the recommended changes requires robust accountability mechanisms, capability and capacity. The government should continue to engage with a variety of stakeholders[7] in discussing improvements to the UK's procurement practices.

There is one further area where government procurement could lead the way. Liquidity challenges continue to limit small businesses' and social enterprises' ability to operate, expand and, in some cases, survive, let alone invest in growth. Not knowing when funds are coming in or going out of an account is a significant concern for SMEs and is a key threat to their survival, especially as they are starting up and looking to secure their place in the market

There is a strong argument that the Government should lead by example by being an early adopter of innovation that can enhance the relationship between citizen and state and small business and state through initiatives such as Request to Pay. It is within the gift of digital payments innovation to contribute to a reduction in pressure on small businesses, if this innovation is more widely accepted across the economy and used by large billers/payers, including HM Government as the single biggest user of the UK's payment systems. Given that SMEs have identified late payments as the largest barrier to their survival, let alone being able to invest in innovation (up to 60% of businesses say that all, or most, of their failure was due to cash flow problems) it is vital HM Government considers how it can support and harness payments innovation, where appropriate, as part of a broader programme of support for business in the UK.

The Procurement of Government Outcomes (POGO) peer group at the Blavatnik School of Government, a knowledge-sharing initiative, could be a useful resource for public sector leaders and procurement practitioners to build capability and discuss further optimisation to public procurement practices.

It is vital that government follows through with principles articulated in the PPN. Some business leaders questioned whether government understands that by setting new standards, it calls on businesses to make costly investments in new ways of operating. For procurement to be an effective driver in urging companies to deliver social value, businesses need assurance that government will commit. Being transparent about decisions that led to an award of contract is crucial to showing commitment and maintaining public trust.

6 Includes **social value**
7 In writing the Green Paper, the Cabinet Office engaged 500+ stakeholders, including stakeholders "from central and local government, the education and health sectors, small, medium and large businesses, the charities and social enterprises sectors, academics and procurement lawyers" (Cabinet Office, 2020a).

2. Encouraging businesses to contribute positively to society

Outside the EU, the government has an opportunity to expand and upgrade the ways in which UK businesses can be encouraged to be more responsible in a world-class and world-recognised way.[8] One way to do this is to amend S172(1) of the Companies Act (2006)[9] to shift from merely encouraging (within a member-benefits framework) directors to think longer term and reflect on the interests of different stakeholders, to requiring Boards explicitly to set out how they intend to balance the interests of all stakeholders (not necessarily making them equal) and report on how they are doing this. There is already a corporate groundswell of support for this, as captured in the recent work of the 'Focusing Capital on the Long Term' project supported by 50 companies, and the movement for impact reporting which Sir Ronald Cohen has spearheaded (Cohen, 2020). This could be started by focussing on all large and public interest entities and over time expanded to medium and small companies. As one interviewee put it: businesses are pragmatic. For many companies it may be hard to justify contribution to society beyond what is required for their "licence to operate", unless the investment is explicitly tied to an expected increase in financial returns. The question as to what is required for business to have a licence to operate is continually changing and this would require Boards to continue to review this area and state their view as the expectations of society changes.

The Better Business Act campaign coalition of 350 businesses that launched on 14 April 2021 focuses on a change in s172(1) to

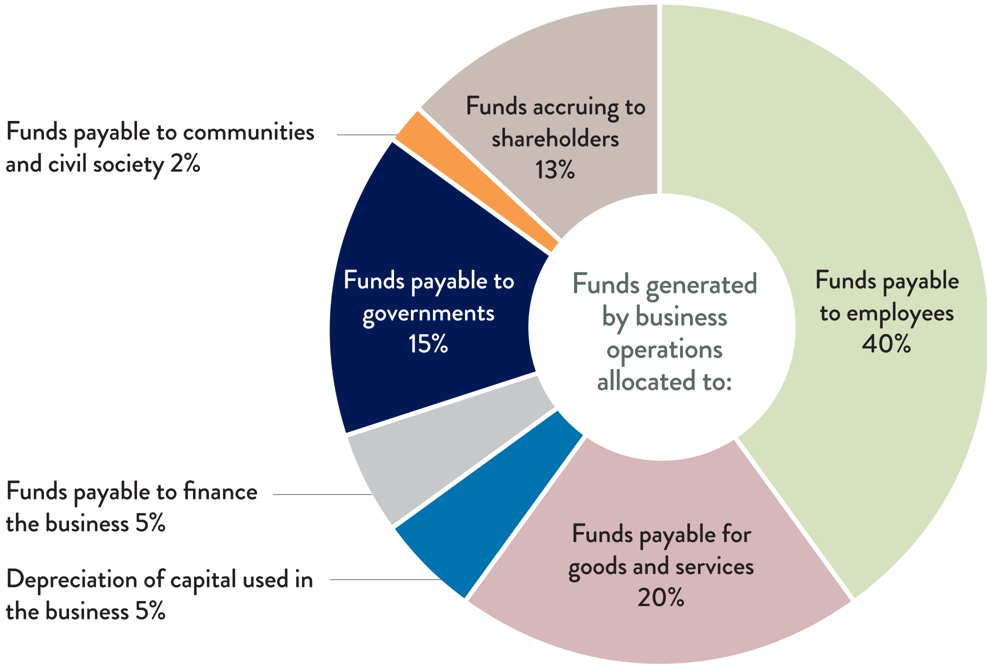
- Align the interests of shareholders alongside those of wider society and the environment
- Empower directors to exercise judgement and weighing up and advancing the interests of all stakeholders
- Apply to all businesses
- Require businesses to report on how they balance people, planet and profit

Institutional and other shareholders are critical in shaping this movement. They are already putting pressure on companies not to undertake socially harmful activities. Going forward it will be important to engage with them on how to balance shareholder value with the overall value that a company brings to society considering all relevant stakeholders. It would be relatively easy for companies to include an additional statement of "Stakeholder Value" to clearly illustrate this point under a broadened s172(1).

8 The Purposeful Company Taskforce has collated rich ideas about this.

9 172 Duty to promote the success of the company
(1) A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to—
(a)the likely consequences of any decision in the long term,
(b)the interests of the company's employees,
(c)the need to foster the company's business relationships with suppliers, customers and others,
(d)the impact of the company's operations on the community and the environment,
(e)the desirability of the company maintaining a reputation for high standards of business conduct, and
(f)the need to act fairly as between members of the company.
(2) Where or to the extent that the purposes of the company consist of or include purposes other than the benefit of its members, subsection (1) has effect as if the reference to promoting the success of the company for the benefit of its members were to achieving those purposes.
(3) The duty imposed by this section has effect subject to any enactment or rule of law requiring directors, in certain circumstances, to consider or act in the interests of creditors of the company.

Stakeholder Value Model



If you believe that companies should be encouraged to recognise broader stakeholder responsibilities then the reporting framework that is so strongly based on financial reporting needs to change; otherwise, this will continue to act like a giant elastic band bringing companies and the people that run them back to a shareholder profit primacy model. See more in the Impact Reporting section below.

There is the opportunity for government to shine the light on companies that support this agenda which will be important to encourage motivation but also to assist learning across the wider business community. The Points of Light awards for civil society have acted as a source of incentive for civil society leaders and as a way of promoting their stories of great practice. Perhaps the Best of Business awards[10] could grow into something similar for businesses and give the government the opportunity to recognise good business practice.

3. Impact reporting

Impact accounting and reporting can help companies quantify, interpret and act on their social/environmental footprint in a systematic, responsible way. Numerous recent initiatives, including Harvard Business School's *Impact-Weighted Accounts Initiative (IWAI)*, the EU's *Non-Financial Reporting Directive, PwC's Total Impact Measurement and Management*, BiTC's Responsible Business Tracker and BCG's Total Societal Impact have demonstrated that impact accounting is possible. Puma, Danone, Nike, Yorkshire Water and Jaguar Land Rover are among the growing list of organizations that have begun to practise some impact-weighted accounting (Serafeim et al., 2019; Cohen and Serafeim, 2020).

10 www.bestbusinessawards.co.uk

The time is ripe for government to convene leading thinkers in impact accounting and develop a common methodology that would permit investors, auditors, regulators, and consumers to compare businesses. A decision on what gets measured will heavily influence how businesses set their future targets. Once established, it should require companies to transparently report against their targets against the standard. Consideration should be given as to how both impact and financial returns should be balanced as companies report and are valued by investors and governments. In turn, this would enable government to use tax relief and procurement decisions to reward businesses that contribute significantly to society, thereby encouraging a race to the top.

As the UK government has committed to get to net zero by 2050, it is only a matter of time before companies are going to be required to make the same commitment. Having consistent impact reporting in place will be a vital part of encouraging companies to reach their targets.

The White Paper, published by BEIS on 18 March 2021 "Restoring Trust in Audit and Corporate Governance" contains some helpful proposals including the new corporate reporting on resilience and the extension of the Corporation Reporting Review to the whole of the annual report and accounts.

The government has the power to signal and reward companies who seek to improve their impact. For example, gender pay gap reporting has been effective in shining a light on this issue. Recently, the Equality and Human Rights Commission (EHRC) announced that enforcement of gender pay gap reporting will be put back until 5 October 2021 which is understandable given the impact of the pandemic on businesses. But short of compulsory reporting, the government can use its voice to highlight companies who are reporting and making efforts, and to encourage those who are not to do better; it would be a shame if the impetus behind this agenda is lost.

4. A new corporate model

Some companies want to make it clear that they believe that the purpose of business is not primarily for the benefit of the shareholders. These are companies which either (1) explicitly state their purpose in such a way that it requires them to balance the interests of all stakeholders equally, or (2) have an explicit purpose to benefit society (eg certain social enterprises or companies that have a specific social and environmental purpose). These could be defined in more detail as has already been done for charities.

One way that government can support this effort is by refining the often overlooked S172(2) of the Companies Act to create a new multi-stakeholder and public purpose corporate form to help enshrine how a company will treat its multiple stakeholders and the company's purpose. This would define what it means for investors, making it easier for these businesses to be identified and then held accountable by reporting to a broader set of stakeholders including customers, employees, society and investors.[11] This would give a corporation's multi-stakeholder approach and purpose a 'legal' status, which could only be changed by a special resolution of the members. Encouraging s172(2) to be used in this way could give the UK a leading international framework for purpose-driven companies that would be supportive of the growing 'benefit corporation movement'. Simply updating the existing notes and guidance around S172(2) could be a step towards promoting more balanced purpose driven companies.

11 Re-Generate expands on this proposal in their report, The case for purpose-driven business (Re-Generate, 2020).

Creating this new class of companies could, over time, support an approach of incentivising what they are doing. This could include tax incentives to specifically encourage the formation of companies which have social or environmental purposes, positioning the UK as an attractive location for international businesses.

The suggestions we heard highlight the ambition of business leaders not just to build back better from an individual perspective, but to create and thereby incentivise desirable behaviour. The door is open for government to begin considering in earnest how to support this aspiration. With COP26 on the horizon, government has a unique opportunity to establish itself as a leader in the global responsible business agenda.

SEIZING THIS OPPORTUNITY TO BUILD NEW AND EFFECTIVE PARTNERSHIPS FOR GOVERNMENT–BUSINESS ACTION

Throughout our conversations with business leaders, and in comparisons with other countries, it is clear that the UK government could expand the way it works with business and incorporate business expertise into the planning and execution of policy. Business leaders pointed to opportunities at the local level, and also highlighted their desire to engage at the national level.

1. Local partnerships

When asked about where they feel most confident collaborating with government, many business leaders pointed to the local level. All businesses, whether multinationals or SMEs, have close ties to particular places. These are often based on where their offices or facilities are located. There is an obvious local economic effect: employing people who live in the place and supporting local value chains. But there is also a social effect: businesses are part of the community. This often means there is a tacit mutual responsibility for the wellbeing of a town or city between its business residents, its public services, its civil society – and of course, citizens themselves. This is a promising starting point for 'levelling up' and reinvigorating communities across the United Kingdom.

The economic promise of local partnerships can be powerful. For example, Brainport Eindhoven is in a region of the Netherlands which faced economic decline in the 1990s. In response, the local government began collaborating with partner organisations including local businesses like Philips and ASML and educational institutions which led to the launch of Brainport Development in 2005. Funded by a range of stakeholders including local and national government, businesses and the EU, Brainport Development focuses on people, technology, business, basics, and international opportunities (Morisson and Dossineau, 2019).

There is a tacit mutual responsibility for the wellbeing of a town or city between its business residents, its public services, its civil society – and of course, citizens themselves

In the UK, Local Enterprise Partnerships vary in terms of their outputs and delivery and more could be done to help these focus on delivering improved value. Experience suggests that three elements help such partnerships thrive.

Three building blocks of thriving local partnerships

1.1. Leadership is critical

First, a leader is key, with the skills, capacity, and resources required to enable the network to work together effectively[12]. Examples illustrate different ways this can be done.

- A charity-led example is the West London Zone for Children and Young People, founded specifically for the purpose of performing the orchestration function. It brings together the public sector, donors and charities in a neglected part of inner west London, to focus on children and young people who are showing signs of being on a path to poor outcomes in adulthood, such as crime, ill health or unemployment. The network is highly formalised, with contractual agreements between the diverse set of partners and a bespoke shared data and measurement system (West London Zone, 2018).

- A County Council-led example is the Essex Partners Board (EPB), administered by Essex County Council, which brings together leaders from public sector bodies, universities, the voluntary and community sector, religious organisations, and business to deliver better outcomes for residents, in line with the county's strategic goals (Essex Partners, 2020).

- A business-led example is Wisbech Vision which is a partnership comprising local councils and other stakeholders. It began with the local water utility company, Anglian Water, working with Business in the Community to develop some 'quick wins', such as refurbishing the local community centre, in partnership with local councils and other stakeholders. Together they have now launched college courses linked to employment with Anglian and their partners, started a process to reconnect the rail line between Wisbech and Cambridge, and set their sights on pursuing the expansion of Wisbech into a new 'garden town' (Anglian Water, 2019).

12 Variously described as needing a "backbone" (SSIR, 2011), an "ecosystem orchestrator" (Ebrahim, 2019) or a "network administrative organisation" (Provan and Kenis, 2008), networked collaboration can also be self-governed, with the facilitation role distributed between the members, or can be facilitated by one of the members who is nominated to that role by others (Provan and Kenis, 2008), and has the resources to play the facilitation role.

1.2. Sharing data to identify challenges and work together on solutions

Second, shared data provides an important starting point for collaboration. Government holds a vast array of data on its citizens, and other sectors (including businesses) hold their own. Put together, this information can provide a powerful base for identifying challenges, cooperative solutions and collective learning. Co-op's Community Wellbeing Index, Barclays' Thriving Local Economies, the Mastercard Inclusive Growth Score and the International Network for Data on Impact and Government Outcomes (INDIGO) are examples of three initiatives that effectively combine data from various sectors.

Shared data provides an important starting point for collaboration

- Disparities in community wellbeing and opportunities for enhancing it are laid bare by data measuring the quality of relationships and trust in a community, the access people have to health, education and opportunity, and the adequacy of public spaces, housing, and events which bring people together. These have all been measured and indexed across some 28,000 communities in the UK by the Co-op (in partnership with the Young Foundation and experts in location analytics and geospatial modelling) in a project which highlights how business and government data can be combined to frame and understand the relative challenges being faced by communities across the UK (Co-op, 2019).

- Disparities in economic opportunity and opportunities for achieving local economic growth are brought to light in a project led by Barclays in collaboration with Demos Projects. Using local and national data, supplemented by surveys, their goal is to: build an understanding of the local economy; build skills and training (e.g. increase job opportunities and apprenticeships); build aspiration and confidence (e.g. through increased educational attainment); and grow businesses (e.g. through an increase in SMEs). The project is being piloted in Bury, Kilmarnock, Taunton Deane and Great Yarmouth (Demos Projects, 2020).

- Mastercard's Centre for Inclusive Growth will soon be launching the Inclusive Growth Score (IGS) tool in the UK, which is currently live in the US. The IGS is an interactive tool blending open-source data with a proprietary layer of insights based on Mastercard's aggregated and anonymised transaction data. The IGS represents the degree to which the environment, economy and community in each census tract benefit from equitable growth.

  When complemented by local knowledge, the Score helps identify and prioritise opportunities for revitalisation and measure changes to economic health over time. You can access measures of inclusion and growth to help indicate how economies are faring in each census tract, and the impact on its residents. These indicators can be used to develop targeted economic and social development policies at both local and national level.

- Insights and lessons from projects that seek to address complex social problems are collected as part of the INDIGO initiative, supported by the GO Lab. This global, cross-sector initiative aims to support the use of quality data by policymakers tasked with solving complex issues (GO Lab, 2020b). Meagre data on elements of successful cross-sector projects pose a barrier to collaboration. By recording both what works and does not work, this database seeks to systematise knowledge on cross-sector collaboration and socially impactful projects.

1.3. Learning and applying practical lessons about how to partner locally

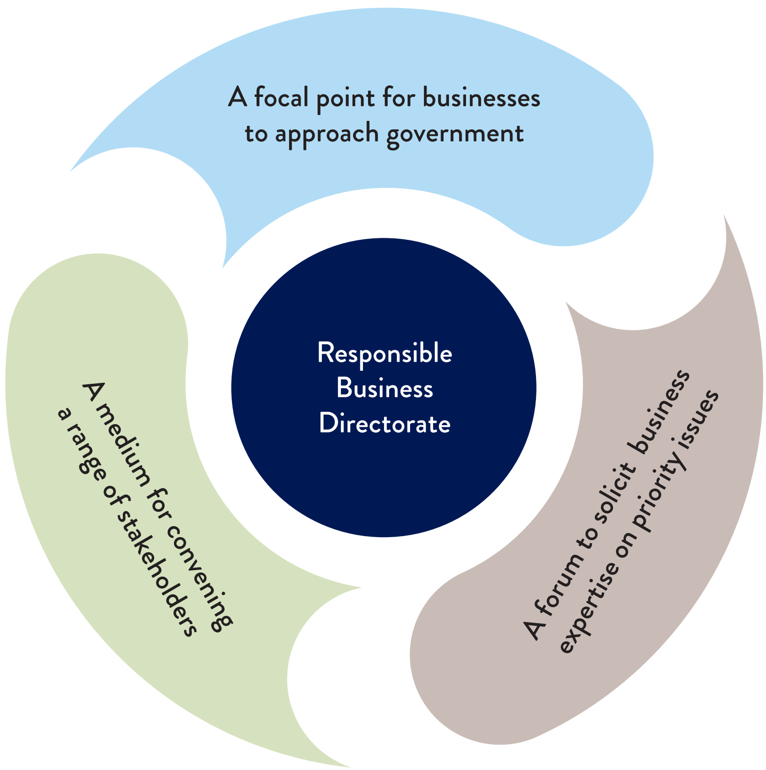
Third, innovations in partnerships aimed at regeneration and local wellbeing and prosperity are already providing important evidence to guide local partnerships. Studying and applying trusted mechanisms for partnering and governance mechanisms which build trust and effectiveness are key. Care must be taken, for example, to guard against the interests of one party dominating at the expense of others, or of important stakeholders (without whom good long-term outcomes cannot be secured) being inadvertently excluded. Listening to local voices and ensuring that lived experience is heard at the highest levels of a project are vital to its ongoing success. Research supported by DCMS being undertaken at the GO Lab at the Blavatnik School highlights how these risks can be mitigated (GO Lab, 2019).

The UK government could rapidly empower, resource, and support partnerships facilitated by local governments, Mayoral Combined Authorities (in England), local enterprise partnerships, or (as shown above) a charity or a business. These partnerships can build and use shared data, using it to focus on local challenges and local solutions. Their governance mechanisms can be fashioned with an eye to what is working best, across the UK and in other countries. Pilot engagements are already underway bringing business, government, local authority, and civil society together to find practical ways to 'level up'.

2. Government–business partnership at the national level

In our conversations with business leaders we heard a great willingness to engage at the national level, but at the same time a reluctance to waste time and energy on initiatives unlikely to bear fruit. We heard a degree of frustration from those trying to give feedback to the government when an issue falls across several departments (e.g. the Apprenticeship Levy). Equally, we heard a degree of frustration about frequently changing ministerial teams and the waxing and waning of interest in an issue or a process.

To be clear, there is no lack of representative organisations and committees which bring government and business together. But when business leaders wish to lend their business expertise and resources to identify and to test ways to address problems, it is not clear whom they should call.



At present the Cabinet Office Business Partnerships Team co-leads the Inclusive Economy Partnership with DCMS, as well as leading central government›s engagement with mainstream business. There is a Responsible Business Team within the Government Inclusive Economy Unit of DCMS which co-leads the Inclusive Economy Partnership and focuses on the social value of business. There is a Corporate Governance, Responsibility & Diversity Team within the Business Frameworks Directorate of BEIS which has a small responsible business team which focuses on minimum standards and regulations of business. BEIS is also overseeing the reform of Audit in the UK, which includes a review of non-financial reporting requirements. Finally there is a Responsible and Inclusive Business Team within the Private Sector Department of the FCDO which looks at responsible business from an international perspective, particularly around supply chain responsibility (e.g. the RATE programme).

Business leaders need a focal point within government... should consider creating a directorate at the centre of government"

One clear point of contact could make a real difference from the point of view of business. Preliminary results from a survey of purpose-driven entrepreneurs by ReGenerate show that 80% said it would be helpful to their business to have "an easy way to connect and coordinate with local and national government on tackling social and environmental challenges", with nearly half saying it would be very helpful.

Business leaders need to know where to turn. They need a focal point within government which does not change with every ministerial reshuffle or every change in civil service leadership. To this end, the government could consider creating a directorate at the centre of government, perhaps in either No10 or the Cabinet Office that would work closely with BEIS..

The potential upside of a clearer support for partnership is highlighted by several examples. A leading example of a partnership which has set out to do this is the UK Inclusive Economy Partnership (IEP) which was convened by DCMS and the Cabinet Office in 2018. Some 14 champions from society and business were brought together to respond to three challenges – transition to work, mental health, and financial inclusion – at both the national and local level (HM Government, 2018c). The partnership has focussed on innovation and concrete projects that would improve the lives of some of the most vulnerable people in society who are struggling with these issues. It highlights the powerful convening role of government in bringing experts together, in this case to work independently but in close collaboration with government, in an action-oriented way, to deliver specific outcomes. It will require sustained government attention and convening if it is to continue to have an impact.

An older UK example mentioned by a number of business leaders is the UK National Economic Development Council. The 'Neddy' (as it was called) was established in 1962 as a tripartite (government, businesses, unions) independent body, which would assess the state of UK's economy, identify obstacles to its growth, and agree on an agenda to improve economic performance (Wood, 2000). It provided "a unique forum for debate, which helped bring a more balanced view on major issues into the public sphere and was in itself an educational opportunity for all sides" (Catherwood, 1998). The Neddy highlights the powerful convening role of government, and also that when government commitment to the partnership was not sustained, so the partnership's contribution waned (Catherwood, 1998; Ringe, 2008; Wood, 2000).

These examples highlight that the government could use convening power not just to give prominence to an issue but also to bring to the table those most endowed with the expertise and information to make a difference. Other countries have created such focal points on specific issues at particular moments in time.

One example is the way the Japanese government convened a range of stakeholders to consult on guiding principles for implementing the UN Sustainable Development Goals. Once *The SDGs Implementation Guiding Principles* had been agreed, the government then convened key members of the Keidanren (Japanese Business Federation) to work on each of a number of priorities, encouraging corporations with specific expertise to take forward the relevant goal.

Another example is the Danish Disruption Council which was formed to address the impact of technological change on the labour market (Poulsen, 2017). Between 2017 and 2019 the Danish government convened CEOs, ministers, entrepreneurs, youth and trade unions in eight meetings – the results of which were a national strategy for digital growth, a tripartite agreement on retraining, and the Danish Technology Pact (Preisler, 2018).

COVID-19 has spurred greater consultation between business and government in many countries around the world. Australia's National COVID-19 Commission Advisory Board brought together business leaders from various sectors and government officials to discuss and plan the country's economic recovery. To date, the Board has solicited business perspectives by engaging a wide range of firms across all sectors (full list available here). The Australian government in this case has explicitly acknowledged that consistent, transparent dialogue between business and government is crucial for building back in a way that engages the business sector.

As the UK builds back better after COVID-19, it is crucial that the best business expertise in the country is fully harnessed to assist the government. A lesson from experience is that an easy access point for business leaders who wish to help could make a huge difference.

The UK government has tremendous convening power. It now has an opportunity to deploy that power to leverage different government departments, extraordinary business expertise, shared data, and practical capabilities held by firms across Britain to make 'building back better' a reality. Business leaders across the country are ready to help in areas where their expertise would make a difference. It is for the government to facilitate partnerships which make this possible. A clear stable focal point at the heart of government would help.

'Building back better' will take partnerships focussed on a common intent to address the long-term needs of a cohesive and thriving United Kingdom.

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