Budgeting for Recovery and a Long-Term Economic Future for the UK
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One of the core missions of the organisation is to develop research and analytical thinking of the challenges faced by our management accounting professionals and also the wider and global finance sector.

Contact

For further information about CIMA and its report, please contact Ross Archer, Lead Manager — Public Policy at ross.archer@aicpa-cima.com
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreword by Andrew Harding, FCMA, CGMA</td>
<td>1</td>
</tr>
<tr>
<td>Executive summary</td>
<td>2</td>
</tr>
<tr>
<td>Measures to help businesses now</td>
<td>4</td>
</tr>
<tr>
<td>Paying back the cost of the pandemic</td>
<td>11</td>
</tr>
<tr>
<td>Supporting individuals and consumer demand</td>
<td>14</td>
</tr>
<tr>
<td>Supporting SMEs and businesses</td>
<td>16</td>
</tr>
<tr>
<td>Tackling long-term and new challenges in the UK economy</td>
<td>22</td>
</tr>
<tr>
<td>Conclusion</td>
<td>31</td>
</tr>
<tr>
<td>Glossary — list of policy suggestions</td>
<td>32</td>
</tr>
</tbody>
</table>
In June, the International Monetary Fund (IMF) predicted that the coronavirus pandemic would trigger the biggest hit to global growth since the Great Depression and cost the global economy an estimated £9.6 trillion.1 The IMF expected the global economy to shrink by 4.9% in 2020, with predictions that GDP for 2021 could be 6.5 percentage points lower than in the pre-COVID-19 projections of January 2020.2 These figures look set to be revised as the economic outlook is not quite so dire as initially predicted, but the hit to growth is still substantial.

In the first quarter of 2020, the Office for National Statistics (ONS) data showed that UK GDP fell by 2.2%, which is the largest fall in GDP since 1979.3 It is reported that in April 2020 the UK economy shrank by 20.4%.4 In August 2020, the UK officially entered recession for the first time in 11 years.5 Second-quarter GDP figures showed the UK economy had shrunk by 19.8%.6 It is clear that the pandemic has had a significant negative impact on both the UK’s and the global economy.

The COVID-19 crisis has also hit consumer and business confidence, with the Bank of England predicting that consumer spending in the UK will fall by around a quarter and COVID-19 will have a significant impact on firms’ sales.7 Recently, the Bank of England Governor stated that negative interest rates were ‘in the box of tools’ to deal with the economic slump but he was not planning to use it now.8

Since the first two quarters of 2020, we have seen some signs of recovery in the UK economy as lockdown restrictions eased. ONS figures show that in the month of August the UK economy grew by 2.1%, but this is 9.2% lower than levels of growth seen in February before the full effect of the pandemic took hold on the UK.9

With a second national lockdown being introduced in England and the tiered approach in England having gone before and different approaches in Scotland, Wales and Northern Ireland, this will undoubtedly have a negative effect on economic recovery. Businesses will find their revenues reduced, consumers will have fewer places to spend their money and, in some cases, business will be required to close due to new restrictions.

In England, many cities have been in different tiers of lockdown restrictions and these are often the main centres and drivers for economic growth. This is likely to hurt economic growth that may vary from city to city and may make a V-shaped economic recovery for the UK more difficult.

The UK now has the highest debt to GDP ratio since 1960, with £209 billion of borrowing already this year and by September the UK government’s total debt stood at £2.06 trillion.10

Whilst we welcome spending to help tackle the pandemic and support businesses and employment, we also recognise this has to be paid back. UK businesses and the wider economy need a clear plan to help build consumer and business confidence, increase UK productivity and reduce uncertainty to support entrepreneurship and investment. If this happens then the UK can start to grow its way to recovery and the economy can move to a more productive and sustainable footing in the future.

The recommendations made in this report are some of the ways we believe the UK government can help support UK businesses now to survive this ongoing crisis and support jobs; grow and expand in the future; and increase productivity and skills in the UK economy. We also have ideas on how this pandemic can be paid for; how to increase consumer demand; move the economy to a more sustainable footing; drive investment and economic opportunities to support the UK government’s levelling up agenda; and how some of the economic lessons of the pandemic can inform policies going forward.

During the COVID-19 crisis, the heroes have been the first responders, doctors, nurses, paramedics, care workers. In the recovery, the heroes will be the business professionals such as accountants driving growth for their companies and helping the economy back to health.

Andrew Harding
FCMA, CGMA
Secretary General of CIMA

1 www.cityam.com/imf-global-economy-facing-12-trillion-hit-from-coronavirus/
3 www.ons.gov.uk/economy/grossdomesticproductandprices/bulletins/gdpmonthlyestimateuk/august2020
4 www.ft.com/content/f25dc58b-32c9-499d-af66-f677f20c53a2
5 https://www.bbc.co.uk/news/business-53748778
6 https://www.ons.gov.uk/economy/grossdomesticproductandprices/timeseries/bgyguqa
7 www.bankofengland.co.uk/-/media/box/files/minintry-policy-report/2020/may/minetry-policy-report-may-2020
9 www.ons.gov.uk/economy/grossdomesticproductandprices/bulletins/gdpmonthlyestimateuk/august2020
Executive summary

About this report

Budgeting for Recovery and a Long-Term Economic Future for the UK was produced by a team of researchers at the Chartered Institute of Management Accountants (CIMA).

The team’s work was informed by conversations and input from CIMA’s UK membership and by open-source research.

This report builds on the 20-point economic plan CIMA produced earlier this year in July 2020.

Key recommendations

Many businesses are still struggling to stay afloat and survive the pandemic, and many are facing increasing difficulties as a new lockdown is introduced in England. Others faced months of regional restrictions to help with the public health fight against the pandemic. Whether they are directly affected by being forced to close or shutdown or now face difficulties as they are part of a supply chain and face lack of custom, businesses still need financial support. The government can help by:

- Expanding the Coronavirus Business Interruption Loan Scheme and Coronavirus Bounce Back Loan Scheme and allow reapplication for full amounts for both schemes, if not already claimed, for the duration of lockdown or while restrictions are at the tier 3 level.
- Introducing a new loan scheme focussed on micro-businesses and company directors who received little to no support through the Coronavirus Job Retention Scheme and Self-Employed Income Support Scheme and are in sectors hardest hit by the pandemic.
- Promoting a business awareness campaign of the loan support still available and the new scheme we have suggested.
- Ensuring the government and banks have the right technical support to test business viability with loan schemes.
- Extending the Coronavirus Job Retention Scheme for the duration of any future lockdowns and allow this support for any business who faces Tier 3 restrictions in the future.
- Mandating training and re-skilling as a pre-requisite to receiving any furlough or salary support if unable to work due to new lockdown restrictions.
- Cutting Employers National Insurance Contributions to help maintain employment and create new jobs.

Many SMEs need professional support to help adapt to changes brought about by the pandemic and help secure the long-term future and profitability and productiveness of their company. The government should introduce a Growth Accelerator Scheme to support SMEs adapt to changes and drive regional growth in support of the levelling up agenda.

- Introduce a Growth Accelerator Scheme similar to the one that operated during the time of the Coalition Government to support SMEs grow out of this pandemic.

One key message we keep hearing is that businesses need as much certainty as possible as this allows them to have a more stable footing on which to make investment, employment and growth decisions on. The government has an obligation to help provide businesses with as much certainty as possible and they can do that by:

- Outlining tax plans for the next two years.
- Pausing planned changes to business regulations until the economic crisis has passed.

The government should take a long-term view of paying back the costs of the pandemic and drive productivity in support of economic growth as a means to pay back the pandemic costs. To support public finances to pay back the increased borrowing the government should:

- Have a long-term view on this new debt with repayment over 30–50 years.
- Ask the Office for Budget Responsibility (OBR) to compile a National Register of State Assets and Liabilities.
- Introduce and publish economic analysis of coronavirus measures to support public confidence.
- Introduce a ‘Pandemic Bond’ to help pay back some of the costs of COVID-19.
The government should do all it can to support individuals not only to save for the future but also to support economic recovery consumer spending by:

- Keeping VAT at 5% for the leisure and hospitality sectors.
- Introducing a Digital Voucher Scheme to support SMEs moving online.
- Ensuring any proposed changes to higher rate pension relief and pensions, in general, is properly thought through.
- Increasing Lifetime ISA limits.

SMEs will play an integral part in the UK’s economic recovery with around 60% of UK workers working for an SME. To support a strong economic recovery the UK government should do all they can to support investment and capital in SMEs so they can grow out of this crisis and drive up regional growth. In order to help with these aims the government should:

- Introduce a Growth Accelerator Scheme for SMEs.
- Create an SME Investment ISA and expand the range of investible opportunities in UK SMEs.
- Consider the re-introduction of regional stock exchanges to drive private capital in SMEs and support the levelling up agenda.

Businesses of all sizes need support in order not only to survive this crisis, but also to be part of the UK economic recovery and support jobs and investment in the UK and be more resilient in the future. The government can help businesses by:

- Reducing red tape to support investment.
- Supporting businesses to diversify their supply chains.
- Introducing legislation to create a strategic national stockpile in partnership with businesses to continue the delivery of key goods and services.
- Ensuring the ongoing mobility and mutual recognition of UK professional qualifications in future trade agreements.
- Creating an allowance for corporate equity and ensuring businesses have the reserves to help weather future economic shocks.

The UK has some serious structural economic challenges around productivity and skills that existed before the pandemic that COVID-19 has compounded. The government should have a focus on addressing these structural challenges when they build economic recovery by:

- Investing in skills development and re-training to plug the UK skills gap.
- Helping to enhance the Apprenticeships Scheme in England by changing the levy to an Apprenticeship and Skills Levy.
- Maintaining spending on higher-level apprenticeships and simplifying the apprenticeships system.
- Creating a rebuttable right to retrain.
- Reviewing R&D tax incentives to enhance productivity.
- Creating and investing in skills clusters across the UK.

Ensure the UK economy is more sustainable and resilient in the future by:

- Supporting the adoption of integrated thinking and reporting across the UK by businesses.
- Reviewing insolvency practices across the UK to support more entrepreneurship.
- Investing in green infrastructure and technology to support growth and job creation.

Any economic recovery plan that comes forward must take account of the societal and work changes and challenges the pandemic has caused. The government should:

- Review employment regulations to ensure they are suitable for a new era of increased working from home.
- Create a City Centre Economy Strategy to help revitalise city centres and their economic well-being as they are the main drivers of productivity in the UK.
- Introduce a big push on digital skills to ensure the UK workforce is ready for the new opportunities and challenges post-pandemic.
- Initiate a public sector efficiency drive to lower taxpayer costs and improve services.

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11 http://researchbriefings.files.parliament.uk/documents/SN06152/SN06152.pdf
Many businesses were able to reopen and return to some level of trading for a period when lockdown measures were eased from July 2020 to November 2020. However, others have not, and many faced regional restrictions and now the different national lockdowns from the Westminster and devolved governments. Many businesses are now severely affected and suffering from the pandemic and the ongoing fight against it.

The introduction of new restrictions across the UK and regional variances across the four nations of the UK has created challenges for businesses, particularly in their supply chains. Many of these businesses affected by measures to help suppress the second wave of COVID-19 had just reopened and invested heavily in ensuring they comply with COVID-secure legislation and guidelines.

With the ongoing second wave and new lockdowns introduced by the governments of the four nations to help fight the second wave, the government must ensure businesses are supported in order to get through what looks set to be a difficult winter.

Analysis by McKinsey & Co found sectors such as retail, travel and hospitality, and media have been highly negatively affected. Most sectors have experienced negative effects of the pandemic including labour availability, credit issues, changes in consumption behaviour, issues around low or zero-touch operating models, supply chain de-risking, digital and automation. The few sectors less affected by the crisis included fintech, software and telecoms.

In the UK the jobless rate among 16 to 24-year-olds climbed by two percentage points to 13.4% between May and July, its highest level since the summer of 2016, analysis by the ONS found. This compares to an unemployment rate across all age groups of 4.1%. The announcements of job cuts and/or closures and warnings of redundancies by Pizza Hut, Greggs and Costa Coffee and other such firms fall in sectors that employ many young people, so the youth unemployment figures are likely to worsen in the months ahead. This reflects the decline in sales by many businesses — for example, Primark predicts £375 million in lost sales from the second lockdown.

The British Retail Consortium has called the November lockdown the ‘nightmare before Christmas’. Worryingly, according to our own research conducted in September and October 2020, a third of SMEs will be looking to make redundancies by the end of the year. This was conducted before the different regional lockdowns and the national lockdown.

Analysis by McKinsey & Co in September 2020 suggests that ‘central banks around the world have made unprecedented moves to inject as much as $9 trillion into financial assets, far outpacing the approximately $2 trillion used for that purpose during the global financial crisis of 2008–09’. Pre-crisis the UK was expected to borrow £55 billion in 2020–21. Instead, the Office for Budget Responsibility predicted in July that government borrowing this year would be around £322 billion or 16% of GDP. This is before accounting for the measures announced in July and after. UK debt has topped £2 trillion for the first time and is now over 100% of GDP.

There are some sectors and businesses that still need support if they are to survive the economic crisis caused by the pandemic. Many of these businesses have sound business models that will be sustainable in the long term once restrictions are lifted. We believe any support for businesses and individuals going forward should therefore be targeted and focussed on those sectors and types of businesses specifically affected by COVID-19 government restrictions. These limited interventions should allow fundamentally successful businesses to weather the crisis. In this section, we have suggested measures that will help businesses with their urgent cashflow problems now and support them with understanding and updating their business model in light of new economic realities moving forwards.

15 https://www.bbc.co.uk/news/business-54083466
18 https://www.thisismoney.co.uk/money/markets/article-8908627/UK-business-counts-cost-devastating-lockdown.html
1. Expand Coronavirus Business Interruption Loan Schemes

At the start of the pandemic the Coronavirus Business Interruption Loan Schemes helped a great many businesses survive the cashflow crisis they were facing due to the lockdown and social distancing measures introduced on public health grounds in the fight against COVID-19.

In the wake of the new measures introduced we believe that government-backed loans could help a great many businesses survive the latest restrictions and give them the much-needed cash flow to make changes to their businesses and operating models to take account of the restrictions and changes in human behaviour the pandemic has brought about.

2. Coronavirus Business Interruption Loans and Coronavirus Bounce Back Loans to be extended for the duration of lockdown or while the level of business restrictions at Tier 3 or above is in place post lockdown in any part of the UK.

We welcomed the announcement to extend the Coronavirus Business Interruption Loans until 30 November 2020 when the government was using the three-tiered system to fight the virus.22 However, this was changed when on 31 October 2020 the UK Prime Minister announced a new lockdown for England. Following this, HM Treasury announced that its business loan support schemes would be extended until January 2021 and that small businesses that have borrowed less than the maximum 25% of their turnover (up to £50,000) under the Bounce Back Loan Scheme will be able to apply for a top-up to their current loan under the new rules.23 We welcome this approach and think it will support UK businesses.

Yet this lockdown could be extended further.24 If that is the case then the loan schemes should stay open for the duration of any extended lockdown with businesses that have not applied for the full loan support initially being able to reapply for a top-up to their existing loan. These loan schemes should also remain in place if the restrictions are eased back to the Tier 3 measures. Any business that operates in a part of the UK that has Tier 3 or stricter restrictions should be allowed to apply for loan support if they need it and have not already applied for loan support or their full loan amount.

Businesses still need support and the loans have been an important source of financial support during this crisis. It is now clear that the pandemic and the economic effects of it will still be with us for the whole of this winter and likely further into 2021 too. Therefore, businesses that have not previously applied for one of these loans or not taken out the full amount may still benefit and need to use this money to survive the crisis. The government could help them by extending the loan application period while lockdown restrictions at Tier 3 level or above continue.

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3. A new loan scheme to support micro-businesses and company directors in the hardest-hit sectors should be introduced.

- This new loan scheme should be based on the student tuition fee and maintenance loan schemes on the principle it is paid back over a long period of time. We would suggest 15–20 years as a repayment period.
- The repayment should be linked to the applicant’s own personal income tax code, as with student loans, so there can be no avoiding paying it back.
- Repayment should be interest-free in the first year and then a long period such as 15–20 years to pay it back after that.
- An applicant should only be able to claim the loan once.
- The maximum loan value would be £30,000.
- The scheme should be focused on sectors that continue to be hardest hit by social distancing legislation and restrictions.

This loan would be revenue-neutral over the long term for HM Treasury as it would recoup this money from those who apply for it over a sustained period of time and also the interest on the loans.

4. This would be supported by a renewed business awareness campaign focused on advertising the loans from banks, professional business support services, trade bodies and the government.

We believe these three main measures would help support businesses in sectors that continue to be hardest hit by the pandemic and government legislation to fight the virus. These measures would most of all help SMEs who are the lifeblood of local communities and economies up and down the country.

5. The right support to assess business viability before issuing new loans

One of the challenges our members made us aware of in the lockdown that started in March 2020 was the problems banks had in assessing business viability going forward in order to issue the loans.

We believe that management accountants could play a vital role in supporting banks, the government and other investors in any new or existing loan or financial support schemes for businesses to support them through the pandemic.

Our members who are management accountants are used to scrutinizing business models and data surrounding the business to identify potential financial and other issues the business should take into account. This includes looking at the ongoing and future viability of businesses.

These skills should be utilized by the government in support of assessing the viability of businesses for loan support going forward.

One way this could be done is by HMRC hiring a temporary unit of these specialists to help assess new applications for loans, and the banks issuing them could call in their support as part of the crucial vetting process.
Extension of job support measures

We welcomed the introduction of the Coronavirus Job Retention Scheme and the Coronavirus Self-Employed Income Support Scheme when they were both introduced earlier this year to stop potentially millions of job losses due to the pandemic.

Figures from the government’s own website suggest that at its height, the Coronavirus Job Retention Scheme was supporting 30% of the workforce across the UK and helped support more than 9 million jobs.26

We recognise it could not continue in its current guise when the economic picture was looking better, with estimated costs of around £52 billion for the scheme.26 Yet there remain a number of sectors and good jobs that will continue to need support — in particular in the hospitality, leisure, travel and tourism sectors which have had their business models undermined through the social distancing measures being put in place.

We supported the Winter Economic Plan’s new jobs support package to replace furlough. However, we recognised this would not support job retention enough as England enters into another lockdown and the full impact of the second wave of the virus has become known.

That is why we welcomed the extension of the Coronavirus Job Retention Scheme through to March 2021 and the Self-Employed Income Support Scheme being extended.27

6. Any businesses facing Tier 3 style restrictions or above in the future should continue to receive furlough until these restrictions have eased.

The Prime Minister in the House of Commons on 2 November 2020 said, ‘The furlough scheme is a UK-wide scheme. If other parts of the UK decide to go into measures which require the furlough scheme then, of course, it’s available to them, that has to be right. And that applies not just now, but, of course, in the future as well’.28

We believe businesses in Tier 3-style measures will need support to retain jobs that are viable if these restrictions were not upon them. This will be especially needed after many businesses face at least a month with no income due to being closed or parts of their operations shut down by the latest lockdown restrictions.

The Prime Minister’s announcement on furlough payments being made to all parts of the UK is right and we believe this should be applied across England too, where post this November lockdown we may see certain regions of England remaining in a lockdown while others have restrictions eased. We recognise that furlough payments have been extended until March 2021 but believe they may be continued to be needed if any lockdowns are extended beyond then.

In the longer term, we accept the need for reduced government funding to support employment and the new focus on viable jobs, recognising that some jobs will unfortunately be lost. We believe that the extended Coronavirus Job Retention Scheme support new jobs support scheme will need to be carefully phased out when it ends in March 2021 to avoid a cliff edge that would lead to a huge impact on the wider economy with rising unemployment levels and reduced spending.

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7. Training to be mandatory in new support packages

Even before this pandemic there was a need for a more skilled workforce. One report from before the pandemic suggested that around a third of vacancies across the UK were hard to fill often due to a lack of skilled candidates.\footnote{https://www.prospects.ac.uk/careers-advice/getting-a-job/skills-shortages-and-covid-19} This crisis is likely to have exacerbated that problem, with companies and organisations realising they need new skills for their workforce to deal with changes the pandemic has brought about.

A recent report by the Confederation of British Industry (CBI) highlights this point with the report stating that 90% of the UK workforce will need new skills by 2030. It suggests that a £130 billion of additional investment is needed over the next 10 years to upskill workers.\footnote{https://www.cbi.org.uk/media/5723/learning-for-life-report.pdf}

The problem of the UK’s skills shortage is not a new one. Later in this report, we show in greater detail how crucial tackling Britain’s skills shortage is for improving productivity, protecting jobs and generating economic growth, particularly given the difficulties posed by the current government advice on home working.

Yet this crisis also presents an opportunity to start to upskill and reskill the workforce. The Job Retention Scheme missed this opportunity when it did not mandate continuing professional development or skills training as part of the requirement for employees to receive furlough pay. We welcome the announcement of support for individuals made redundant to continue with their apprenticeship scheme for those at least 75% through their apprenticeship.

In any new scheme that goes forward to support jobs, we believe that there should be a mandated requirement to complete recognised skills and professional development training. The Lifetime Skills Guarantee is a good policy that we support, but it is only available from April 2021. The extended Coronavirus Job Retention Scheme should mandate skills training as part of the support package.

This would mean that when employees are able to return to work, they would have new and more developed skills that could help their employer on their path to recovery. If they were, unfortunately, to lose their job due to redundancies, they would have new skills to demonstrate in support of finding a new career.

What we are not suggesting in this measure is that for their full working hours they be doing skills training. Instead, a proportion of the non-worked hours should be devoted to learning new skills. We would suggest that up to a third of total hours employees are not working under the extended furlough payments be used for skills training.

The training should be from recognised sources of education such as online courses from UK universities, colleges and chartered bodies. This training could be monitored by the employer. We recognise that a full list of courses funded under the National Skills Fund in England from April will be made available. It is crucial if this plan is to work that skills development and training are provided by reputable education providers. This could be easily achieved by allowing training from providers that are recognised universities, colleges, chartered and professional bodies, which should be on the National Skills Fund list.

We believe the funded courses should include professional development and higher-level courses at level 5 and above. The focus on level 3 courses is understandable but will not adequately cater to many employees needing to upskill or reskill. If we are to grow out of this crisis, we need skills at all levels and more jobs going forward that add real growth to the economy. Many of these kinds of roles will require skills higher than a level 3 and the government should ensure higher skills are not forgotten.

Another key way to ensure the funding is spent on training and that the reskilling takes place is that there must be a clear key performance indicator for both the workers receiving job support funds and for the education provider that training is completed in a set time period.

The funding and courses need to be available now to ensure people do not wait until April to undertake skills development.

\footnote{https://www.prospects.ac.uk/careers-advice/getting-a-job/skills-shortages-and-covid-19}
8. Cut Employers’ National Insurance Contributions (NIC)

The coalition government introduced measures such as employers paying no National Insurance contributions for young employees and an allowance that employers could use to offset their NIC bill. We think this area should be looked at to secure jobs.

Cutting Employers’ NIC would not only encourage employers to keep staff, but also to take on new hires.31

Research shows that Employers’ NICs can add around £2,400 a year on average to the cost of employing someone and, according to research from the Institute for Employment Studies, NICs are the single largest non-wage employment cost faced by employers.32

We believe a cut in Employers’ NICs would help. It would encourage UK bosses to keep employed staff and to look at creating new job opportunities.

The former Chancellor of the Exchequer, Sajid Javid MP, has called for a similar measure saying it’s one of the best ways to stimulate and support employment.33

Research from the Institute of Employment Studies supports this. Its research looked at a similar tax change that Sweden implemented between 2007–2015 and that helped increase employment by at least 2 percentage points. It that was translated to the UK it could mean 700,000 more jobs either by them being created or saved from redundancies.34

Supporting businesses adapt to changes

The pandemic and the social distancing measures have forced and accelerated many businesses’ need to change their business models to deal with the challenges they face and exploit new opportunities that may arise.

Many larger firms have access to a range of professional support both internally and externally to help them take advantage of new opportunities and deal with challenges and crises, however many SMEs do not.

As we look to the future with many social distancing restrictions remaining and the challenge this presents to certain sectors and SMEs within them, we would like to see the government create a scheme for SMEs to be able to get subsidised professional support. This would help them reconfigure their business and operating models to deal with the challenges, but also any opportunities that arise.

One way we believe this is possible is with the introduction of a Growth Accelerator Scheme for SMEs.

SMEs are the backbone of the UK economy and will be key to its recovery out of this crisis and future growth. By supporting them now with a professional support subsidy they will better be able to help get this country back on a path to recovery.

9. Introduce a Growth Accelerator Scheme for SMEs.

We explain this proposal in greater detail later in the document in the chapter titled ‘Supporting SMEs and businesses’.

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31 www.bbc.co.uk/news/business-53117431
33 https://smallbusiness.co.uk/slash-national-insurance-to-keep-small-businesses-hiring-says-sajid-javid-2551576
34 https://www.employment-studies.co.uk/news/cut-taxes-or-spend-more-tackling-unemployment-next-month%E2%80%99s-budget
Provide as much certainty as possible for businesses

We appreciate that in a time of crisis it is sometimes hard for any organisation, including governments, to provide certainty. In the recent fiscal statement, the Chancellor stated: ‘Now is not the right time to outline long-term plans’.

However, we repeatedly hear from our members that one of the biggest challenges they face from the government is the uncertainty of how long measures and schemes linked to this pandemic will last and what further changes will be made following an announcement.

We believe the government could help support businesses through this difficult time by providing as much certainty as possible. The two measures proposed below are designed to help do that.

10. The Government should outline tax plans for businesses for at least the next two years to create a less uncertain tax environment for businesses.

Businesses need as much certainty as possible from government especially in economically challenging times. One important way government could provide this is to outline their tax plans for the next two years for businesses. This would give businesses knowledge of the tax framework they will be operating in for the medium-term and mean they can make better investment decisions.

A 2011 Treasury Select Committee report said: ‘Tax policy is only one of the factors on which businesses and individuals make their decisions, but lack of stability and clarity about the direction of travel in tax policy will, over time, undermine the competitiveness of a tax system and make it impossible for businesses to plan. If tax policy is to support growth, then the direction of travel of tax policy should be clear’.

This shows why tax policy and clarity around it is so important for businesses. In these economically uncertain times, one way the government can create some certainty for business is to be clear on its tax plans for the next few budget cycles.

11. The government should put on hold plans for changed business regulation until the economic crisis has passed.

The government currently has plans for a whole range of changes to business regulation, from changes to environmental rules to plans to reform how company audits and regulation of business take place.

While we support many of the planned reforms, we think that during the economic crisis it would be best for these to be paused to allow time for businesses to recover.

Businesses need to focus on changing their models to cope with the reality of their changed operating environment and on how they can start to recover and build and grow again. By adding regulatory change on top of this during this already difficult time for businesses, the government will be forcing businesses to put resources elsewhere when they should be solely focussed on recovery.

A pause on additional business regulation plans will support businesses to recover, support jobs and mean Britain is on the pathway to economic recovery sooner.

The recent Centre for Policy Studies report titled, After the Virus: A Plan for Restoring Growth, called for ‘A moratorium on all new non-urgent regulation on business, and a cross-government review of which regulatory measures could be delayed or waived’. We would support such a policy.

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35 publications.parliament.uk/pa/cm201011/cmselect/cmtreasy/753/75306.htm
36 www.cps.org.uk/files/original/200623800007-CPSAFTERTHEVIRUS.pdf
Paying back the cost of the pandemic

It is clear the pandemic has had a huge fiscal cost on individuals, businesses and the public finances alike and it looks set to continue to do so. In July, the Office for Budget Responsibility released figures suggesting that £372 billion could have been spent by the public purse on the pandemic.37

It is clear this figure is only likely to rise as businesses, individuals and public services need more support to deal with the second lockdown, ongoing social distancing restrictions and the challenging winter ahead. With a second lockdown now announced of an uncertain duration, the costs are likely to be substantially above the initial projections.

Some economists suggest that the first lockdown cost the UK economy £2.4 billion a day.38 Economists have suggested the lockdown could cost £1.8 billion a day to the UK economy, and the Institute of Economic Affairs forecast in September that a second lockdown could cost the economy £8 billion every fortnight in lost output.39 40 One economist suggests that this second lockdown in England could mean the UK economy contracts by 10%.41

We do not fault the spending to help fight this virus and the economic support given to individuals, businesses and the public sector, but we do recognise a conversation and strategy will be needed on how this is paid back to ensure that deficit and then the debt is brought back to a more sustainable level.

12. Government to pay back the cost of the pandemic over a long period of time

Our view is that the pandemic is a one-time event equivalent to a significant war rather than an ongoing cost. It should be paid down over a 30 to 50 year period. The government should devise a repayment plan for this incurred debt based on paying it back over a long period of time.

A plan such as this would be able to take account of future economic growth reducing the debt level and demonstrate to the markets that the UK is still in a strong economic position and able to pay back the debt. An article on the World Economic Forum by the Principal and Vice-Chancellor of Glasgow University, Anton Muscatelli, called for such an approach saying that fiscal correction needed to restore public finances will be less if a faster recovery can be achieved.42

CIMA recognises that there is a need to stabilise the UK national debt in the medium term. Economic growth should reduce the deficit over time. However, additional tax revenue may be needed to service the increased national debt. Tax rises now could damage the UK’s economic recovery, weakening business investment and consumer demand.

Waiting to see how much the deficit is reduced by economic growth and the scale of tax rises thereby needed would be a prudent course of action.

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37 https://www.bbc.co.uk/news/business-52663523
38 https://www.telegraph.co.uk/politics/2020/04/05/coronavirus-lockdown-costing-economy-24-billion-every-day-study/
42   https://www.weforum.org/agenda/2020/10/four-ways-to-rescue-the-economy-from-the-pandemic/
13. The Office for Budget Responsibility to compile a national register of state assets and liabilities

At this time having a firm idea of what the state owns and is pledged to fund would be of great value. Compiling a comprehensive national register of state assets and liabilities will help inform public debate and give MPs an idea of the scale of the debt challenge.

This process may also help to moderate calls for higher spending as MPs and the public develop an appreciation of the size of the UK national debt and the need to reduce it. This should include commitments the UK government has made regarding public sector pensions where they are unfunded.

We believe the OBR would be best placed to lead this task.

14. Introduce economic analysis of coronavirus measures

In line with other government policies and spending items, economic analysis of the benefit of policy measures to deal with the pandemic should be introduced. This would help inform the wider debate about the relative costs and benefits of different policy approaches. An impact assessment of the regulations would also give greater transparency around the different approaches available and being considered.

This virus could be with us for some time and there is no guarantee that a vaccine will be developed and available soon. Key to the Association in all policy areas is that policymakers have the right information to make informed decisions and, where possible, that information is publicly available to allow informed debate. An impact analysis would show where investment can make a real difference in the fight against this virus at the lowest cost.

There is wide recognition that the economic consequences of the pandemic and the associated response measures need to be considered and debated. Every government decision involves trade-offs and awareness of what these are in this context is vital.

Government makes investment in many policy areas to save lives according to clear publicly available criteria that can be discussed.

The OBR forecasted that the government would need to borrow £372 billion for this financial year (April 2020 to April 2021) and reports have shown the government has already borrowed £209 billion to help pay for the fight against the pandemic.43 44

The true cost of the pandemic so far is likely much greater than the above figures and will likely rise in the months ahead as the UK fights the second wave of COVID-19. Before the true extent of the pandemic became known, the UK government forecasted public borrowing of £55 billion for the current financial year.45 This shows that the cost of the pandemic based on UK government borrowing alone is already around four times what the government was forecasting for its borrowing for this financial year.

As a good budgeting measure and in line with other public spending and policies, the government should release an economic analysis of the COVID-19 measures and the impacts they will have, and this analysis should be made public. The OBR could have a role in helping HM Treasury with this task.

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43 http://obr.uk/coronavirus-analysis/
44 https://www.bbc.co.uk/news/business-52663523
45 https://www.instituteforgovernment.org.uk/explainers/coronavirus-public-borrowing
15. Introduce a new ‘Pandemic Bond’

There is a long history of using bonds to help pay for seismic events such as wars. The history of their use to help pay for wars dates back to the 18th century.46

In the US they have been used to help pay for both the First and Second World Wars and have been used to help finance wars since then. It is estimated that during the Second World War US war bonds helped contribute $185.7 billion to the war effort.47

These bonds have had varying success around the world to fund past wars, but they can help raise significant sums of money to help towards national efforts, in this case the pandemic.

These kinds of bonds typically allow investors of different sizes to put money into the bond and then receive interest over a number of years. Many have a life of between 30-40 years.

With the immediate need to raise money to support the national effort to fight COVID-19, these may be a way to support the raising of capital to support projects to fight the pandemic.

Also, given the low-interest rates at the moment some investors will be looking to new opportunities to invest their money in and a ‘Pandemic Bond’ may be one that is attractive.

While many UK households have struggled financially during this financial crisis, some have managed to save significantly as they have not had to commute into their workplace, have been able to work from home and during the lockdown have had limited places to spend their money.

Figures have shown that UK households saved around £3 in every £10 of disposable income during the lockdown48 and figures from the ONS showed that household savings hit nearly 30% earlier this year.49

This shows that there are households in the UK who do have money they could invest and a ‘Pandemic Bond’ could be one they chose to invest in, and this could support the continued national effort to fund the fight against COVID-19.

A recent article in the Financial Times looking at how a bond scheme could help finance the pandemic made the point that loyalty bonuses in such a scheme should be awarded to investors who hold their money in the bond for a long period of time.50 We would agree that any ‘Pandemic Bond’ product should reward the loyalty of investors who hold their money in them for a prolonged period.

On the mechanics of how such a scheme could work, the UK could learn lessons from previous war bonds and private financial institutions that offer bonds. Also, the government should look to the Italian retail bond introduced to help Italy pay towards the cost of the pandemic.51 The Italian bond sale is estimated to have raised 22 billion euros to help the Italian government finance the costs of the pandemic.52

New technology could also be used with any new bond to help make the scheme more efficient and cost-effective. Blockchain is being used by some banks such as HSBC on their bond schemes and they have found that it can produce cost savings of around 90%.53 Any new scheme that comes forward should look to harness new and emerging technologies to support the operation and effectiveness of the scheme.

The government should review to see if this would support raising immediate money to help finance pandemic measures.

The cost of these measures would be treated differently to other government debt and yields as it would be paid back over a long and defined period of time.

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46 https://www.theguardian.com/business/2014/oct/31/uk-first-world-war-bonds-redeemed
47 https://www.theguardian.com/business/2014/oct/31/first-world-war-bonds-redeemed
48 https://www.theguardian.com/business/2014/oct/31/first-world-war-bonds-redeemed
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53 https://www.ft.com/content/79e14077-9174-438e-975d-0f5db0e65fd4
16. Keep VAT at 5% for hospitality and leisure and tourism sectors

We welcome the announcement that the VAT reduction for the hospitality and tourism sectors will continue until 31 March 2021. We would ask that it remain for as long as there are COVID-19 related restrictions. When businesses can operate as normal the VAT rate can return to its former level.

Consumer spending has remained subdued during the crisis as people have understandable worries about the security of their jobs, the potential for future tax increases hitting their disposable income and a greater recognition that the lack of savings that many households had pre-crisis could be an issue going forward.

During the crisis, there have been fewer opportunities to spend in stores. The experience of spending was made less pleasant as coronavirus restrictions were introduced in retail stores. We recognise the government faces a dilemma: the health of the economy may encourage the government to open up and allow people to resume their normal interactions and expenditures, but combatting the virus may require that human interaction be reduced to lower the rate of transmission.

Figures from the OECD in September 2020 showed that while household spending on goods such as food and home appliances had increased during the pandemic, consumer spending on services such as leisure and tourism had declined and only picked up slightly since restrictions started to ease.

The solution is to work with businesses to give them the tools they need to sell their products online and to give employers and consumers greater confidence to invest and spend by providing reassurance around the potential changes to taxation being contemplated.

A continued VAT rate cut for the sectors hardest hit by the pandemic should continue until consumer demand and spend has picked up enough to support growth and jobs back into these sectors.

17. Digital voucher scheme

The UK has led the way in embracing the digital economy. Global research from Episerver has found that 38% of UK consumers buy online at least once a week, compared to 26% in the US, 21% in Australia and 20% in Germany. According to the ONS, the percentage of retail transactions that are undertaken online in the UK increased from around 18% to around 27% between September 2019 and August 2020. It had been increasing steadily for many years but has fallen back a little since shops began to reopen.

A new digital voucher scheme to part-fund SMEs going online and to pay for promotion activity for their products would boost demand and allow SMEs to sell globally, not just locally, to help them through the crisis. The voucher could be for up to £2,000 per business and would require a matching investment of at least £1,000 by the business. It could be from a designated fund and delivered on a first-come, first-served basis up to the level of the money allocated to the fund.

The scheme could be administered along the lines of previous voucher scheme offers such as the Gigabit Broadband Voucher Scheme to help SMEs access broadband. The scheme could also be administered through the taxation system through a rebate at the end of the tax year for businesses that apply to the scheme.

References:
54 https://www.bbc.co.uk/news/business-54277285
56 https://internetretailing.net/industry/industry/uk-leads-the-world-in-online-shopping-with-over-a-third-of-consumers-buying-online-multiple-times-a-week-20060
57 https://www.ons.gov.uk/businessindustryandtrade/retailindustry/timeseries/drc/
18. Pensions and savings

We recognise that the government supports saving through policies such as pensions auto-enrolment. However, we note with concern the misleading media coverage of policy proposals to reduce higher rate pension tax relief. We believe it is important to address issues and misconceptions regarding higher rate tax relief:

- Pensions tax relief is not a giveaway — the relief defers taxation; tax is paid when the individual withdraws their pension. Estimates of its ‘in year cost’ are therefore highly misleading.
- Pension saving helps ensure that individuals do not fall back on the state in retirement, reducing the demands placed on future taxpayers.
- Reducing tax relief now will cut future tax revenues as pension pots will grow less and be smaller in retirement.
- With the decline of defined benefit pensions in the private sector and low employer contribution rates, higher rate tax relief is one of few incentives to invest in a private pension.
- The decline in homeownership means many UK citizens will experience higher housing costs in retirement than previous generations, so higher pension savings are needed not lower.
- Cuts to higher-rate pension tax relief would mean that higher rate taxpayers could face double taxation in retirement.
- The proposals will affect millions more UK citizens than the in-year number of higher rate taxpayers suggest because the number of citizens that pay higher rate tax during their lifetime is much higher.
- The proposals would disproportionately affect self-employed workers more than PAYE employees as the former lack access to a company pension.

A survey by Hargreaves Lansdown has shown that one in four pension savers have stopped or reduced their pension contributions and a further 8% plan to stop paying in or cut their contributions in future — indicating that, looking ahead, around one in three (33%) people may end up stopping or reducing their pension contributions.\(^{58}\)

If changes to pension tax relief are required to reduce the in-year cost, then a reduction in the annual allowance from its current rate of £40,000 would be less distorting although we do not advocate this policy. This would prevent higher rate taxpayers from facing double taxation with the mooted changes to higher rate tax relief and reduce the in-year cost of the relief.

19. Increase Lifetime ISA limit

In addition, the government should consider increasing the annual limit for Lifetime ISA contributions substantially from the present £5,000 including government bonus to the present ISA limit of £20,000. This would retain an incentive to save, reduce distortions and allow self-employed workers on basic rate tax greater flexibility to save more for their retirement. The government bonus attached to the scheme would increase from £1,000 to £4,000 matching the percentage bonus offered under the existing scheme for contributions made.

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Supporting SMEs and businesses

Supporting SMEs

**Introduce a Growth Accelerator Scheme for SMEs.**

The previous Growth Accelerator scheme aimed to accelerate the growth of promising start-ups and small businesses in England. The programme aimed to support businesses as they scaled up, offering them access to mentoring, coaching, financial guidance, and expert professional advice. The then Department for Business, Innovation and Skills’ (now BEIS) own research at the time showed that the scheme had a significant return on investment.59

The government’s own analysis at the time showed this scheme added an economic benefit of at least £1 billion, with the unquantifiable benefit likely to be substantially higher. The scheme had a return on investment of at least 700%.60 As mentioned above many SMEs have a real need for professional support to be able to not only survive but also in some cases thrive over the next six months to a year. A scheme such as this proposed would help them be able to access this support and deliver real value for both them as an SME, but also the wider economy.

20. **Create an SME Investment ISA**

Many SMEs require access to finance to continue their operations and make necessary adjustments to their offering to adapt to the new ways of doing business. The UK population saved record amounts during lockdown. Between April and June in 2020 the ONS revealed that the household savings ratio increased to 29.1% compared to under 10% in the prior decade.61 Since lockdown restrictions were imposed in March average savings rates have declined for each of the five months until August 2020.62 Increased savings are being invested in cash accounts rather than invested in the economy.

Matching the increased savings with productive investment opportunities will help UK savers, UK businesses and the overall economy. The government should consider policies that will achieve the following:

- Simplifies the existing complex government support schemes to encourage UK SME investment.
- Easy to brand and can generate investor interest and matches familiar existing financial products that people understand.
- The new product will provide a government-financed financial incentive to invest.
- That incentive will be spread over several years so that it encourages long-term patient capital.

We believe the answer could be a new SME ISA. It could work like this:

- The SME ISA would allow people to invest up to £10,000 a year.
- A government-funded bonus would be paid at a rate of 30% of the original investment.
- The bonus could be paid in instalments over a three-year period at 10% per year on the anniversary of the original investment to encourage long-term investment.
- The SME ISA could be in addition to the existing £20,000 ISA allowance.
- The SME ISA could be invested in:
  - UK SMEs directly where they are listed on the AIM market.
  - A new employee share ownership scheme to add to the existing schemes.
  - Tracker funds that encompass a basket of securities provided they qualify as UK SMEs.

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60 www.accountsandlegal.co.uk/small-business-advice/why-did-the-government-put-the-brakes-on-growthaccelerator
21. Expand the range of investible opportunities in UK SMEs

As part of this initiative, the UK government should consider how to increase the number and range of investible opportunities in SMEs for non-specialist investors such as ordinary savers. It should make it easier to match investors with UK SMEs seeking investment.

This should include a look at how to reduce the costs of listing equity on market exchanges without reducing the rigorous standards required of listed companies. There is no value in reducing the valuable safeguards we have developed that listed companies have to fulfil. However, where additional requirements are being added to public companies the government should be aware that they add to the cost and will reduce the incentives to go and stay public. Where requirements are being added to fill social and political criteria an exemption for medium-sized companies would seem proportionate and appropriate.

In addition, the UK government could explore how new regionally based tracker funds could work. A growing percentage of invested funds are being channelled through passive investment funds. The government could work with the providers of UK SME tracker products such as Vanguard or iShares to explore how easily such products could be made available. This would be a way of directing UK investment to where it is needed — the UK equivalent of the German Mittelstand and helping to ensure that it receives long-term investment and greater attention.

Lastly, regional stock exchanges have experienced long-term decline along with many of the institutions that kept power and expertise in big regional cities such as Manchester and Birmingham. The UK government’s levelling up agenda could be an opportunity to rethink how investment could be targeted outside of London and what structures would encourage this.

Currently, it is difficult to see how UK savers can invest in the Midlands Engine or the Northern Powerhouse and much of the support granted is from financial institutions or central government. Virtual regional stock exchanges could help meet the needs of the medium-sized companies in the regional SME sector and increase the investment options for ordinary savers in regional businesses. Any plan for new regional exchanges would need to learn the lessons of the Investbx initiative in Birmingham and the difficulties it faced achieving traction.

22. Government should review re-introduction of regional stock exchanges

As described above now could be an opportunity to rethink regional stock exchanges and explore reintroducing them.

We recognise the London Stock Exchange has an Alternative Investment Market aimed at getting capital into SMEs which has had some success. However, for many SMEs, it is still difficult to access this and therefore the opportunities for them to raise capital to expand and grow can be limited.

The government has ambitious aims to level up the UK economy and we believe that creating more jobs, growth, industries and resilience across all UK regional economies is the right thing to do. But to do this SMEs will play a key role, especially as they make up 99.9% of all businesses and three-fifths of employment in the UK.

However, in some regions of the UK such as the North East, the number of enterprises has fallen in recent years and in regions such as the North East, East Midlands, Wales and Scotland they have some of the lowest rates of SMEs per 10,000 of the adult population compared to other regions, the UK Department for Business, Energy and Industrial Strategy figures show.

One of the reasons for the decline in SMEs in some regions could be due to the fact that SMEs face difficulty in raising capital. Since 2015 in the UK, lending to large firms has increased by 43%, whilst during the same period lending to SMEs has decreased by 3%. In the UK, small business lending accounts for only 2% of banks’ balance sheets.
Accessing capital is a clear problem for SMEs with more than 50% of SME owners saying they can’t get access to all of the funding they need to grow. The government focus is often on encouraging lending, but equity is also important and helps build stronger companies. It can also build greater support for the market system if more people have the chance to invest in medium-sized local businesses. Stock exchanges can encourage and promote private investment and capital into businesses.

While we recognise the success of AIM, it only attracted 49 new companies in 2017. There are millions of SMEs across the UK that need support and while AIM helps some it is not accessible for many. AIM is not based in the regions they operate in as it’s attached to the London Stock Exchange. There has been a decline in the number of listed companies with many going private, reducing the choice for investors.

This is an important point: many SMEs are very much based in their localities especially when starting out and during that initial growth phase. By having a stock exchange nearer to their location of operation they are more likely to engage with it and this potential financial help would not appear so distant.

The re-introduction of regional stock exchanges although in a new form could be a solution to this problem and help drive growth in SMEs and the wider economy across regions of the UK. It could also help generate more finance and professional jobs associated with stock exchanges in each region. It would create an infrastructure that could be used to promote public offerings within the regions and to encourage more businesses to be listed to reverse the decline in public companies.

The new regional exchanges would be very different from how they were before – they would likely be virtual e-exchanges without physical trading floors to reduce costs. However, many of the new staff will need to be based in the regions because this will help SMEs list, meet the high listing standards we have and encourage more companies to list. This promotion work will be easier with a physical staff presence in each area.

We recognise that a barrier to SMEs applying for AIM is the eligibility and reporting criteria. In any new regional stock exchanges this would need to be reviewed to ensure that good corporate governance is continued and enabled, but also that it is practical for the size of the business and helps promote private investments and capital into SMEs, but also has the right regulatory oversights to protect investors.

Re-introduction of regional stock exchanges has been called for before and many countries such as Japan and Germany have local exchanges. We understand the challenges of bringing them back. However, we believe the government should work with SMEs in the regions to fully understand the difficulty they have with raising capital in order to grow and expand and to review if having some form of local stock exchanges would help them raise private capital, create jobs and expand growth in support of its levelling up agenda.

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Supplying businesses

23. Reduce red tape and support investment.

Several countries have made efforts to improve their regulatory environment in support of innovation. Chile introduced one-day registration for new businesses.73 Korea introduced a regulatory sandbox covering all industries — including information and communications technology (ICT), energy, and fintech — whereby no process of deliberation or approval is to exceed three months.74 Weak regulatory environments are barriers to investment but stringent regulatory environments are constraining innovation in both the fintech and life sciences industries.

24. Support for businesses to diversify their supply chains.

The government should review what incentives it can create to support businesses to diversify their supply chains. Businesses’ supply chains should include a range of either domestic or foreign suppliers — rather than only one foreign country or company supplying goods — to ensure there is resilience in their supply chain.

The Department for Business, Energy and Industrial Strategy should look to how it can educate and provide information to companies of all sizes on what good supply chain resilience looks like. Studies have shown that supply chains are a business activity that can generate 90% of overall business costs.75 76

A blog by American Express has showed the importance of having multiple suppliers making up part of an organisation’s supply chain and how it can help make supply chains more resilient.77

Supply chain diversity can add value to businesses. A study by the Hackett Group showed that supply chain diversity can generate a 133% greater return on the cost of procurement and that companies could add $3.6 million to their bottom lines for every $1 million in procurement operations costs with supplier diversity programmes.78

Supply chains internationally, regionally, and locally have been interrupted and affected as a result of this crisis with the effects of lockdown disrupting supply chains and countries holding back stock to keep it for domestic use. This can most acutely be seen with the issue of personal protective equipment where mass orders across the globe were put in for these products and we could see nations in some instances holding back supplies for their own healthcare systems. Yet it can also be seen with less obvious items such as flour where there has been a huge increase in demand from household customers. This is due to customers being indoors with limited activities to undertake, and the food retail shops did not have enough flour in smaller bags for the demand. This is in part due to the fact a lot of flour in the supply system was in bigger bags for commercial bakeries and restaurants which were unable to use them as they were closed.

Disruptive events can come in all shapes and sizes. In recent years there have been global pandemics, cyber-attacks, floods, and ash clouds to name a few. Every disruption is a test of risk management processes and resilience in supply chains not only for countries but also for businesses big and small.

An increase in spending on SMEs in government supply chains was recognised as important by the Coalition government when it set a 25% target for central government spending on procurement to be with SMEs.79 80 The government should look to have a new target for spending on SMEs by government procurement to help diversify government supply chains and investment in the UK SME community.

If the government were to support businesses to diversify their supply chains, not only could it add value to the bottom line of UK companies, but also help the UK business community manage future economic shocks in whatever guise they come.

One quick action the government could do in this space is to ask the Financial Reporting Council to require better corporate reporting of supply chain risks and diversification in UK companies.

73 techcrunch.com/2017/06/21/argentina-governement-is-wooing-entrepreneurs-with-a-new-law/
74 blog.huawei.com/2019/10/24/innovation-policies-for-a-new-age-what-countries-do-best-worst/
76 https://www.riverlogic.com/blog/what-is-supply-chain-management-and-why-is-it-important/
25. HM Treasury to consider introducing legislation to create a strategic national stockpile in partnership with businesses to continue delivery of key goods and services.

In the US there are considerations underway to introduce Strategic National Stockpile legislation. This legislation would incentivise commercial enterprises, both public and private companies, to produce products and goods in quantities that exceed the company’s normal annual level of sales. The production in excess of the level of sales results in excess inventory designated by the legislation. Governmental agencies could then draw upon the excess inventory held by the companies at any time of need at prices agreed in advance by contract.

The UK government should consider introducing similar legislation to help secure its supply chain for products and goods of strategic importance in future. This policy would only need to be linked to the most strategically important products and goods, such as oil, PPE, medical equipment, defence equipment and products from similar sectors. It does not need to be for every single product or goods — we are not advocating a planned economy.

26. Ensuring the mobility of professionals and the mutual recognition of qualifications in any future trade deals.

The mobility of professionals is crucial for the UK economy. For example, many accountancy firms provide professional advice and services to clients who operate across a range of jurisdictions. For this work to be carried out it requires mobility of their staff to do so. The same is also true for auditors who are often required to work on audits for many months in different locations across the globe.

Many of our own members are responsible for the accounting and finance functions in businesses with operations and premises across a range of countries including in the EU. Our members and other accounting professionals are also responsible for assisting in the managing, accounting, and auditing of business supply chains, and to do this successfully requires movement to conduct work across the EU. If the freedom to move for work purposes was changed this would make our members’ jobs much more difficult.

We think the government should look to negotiate an agreement with the EU that allows for professionals to move freely between countries in order to conduct work. Negotiating for freer movement for professionals for work reasons should also form part of other trade deals that the UK is considering. An agreement with Canada, Australia and New Zealand, as part of a CANZUK-style arrangement, should include free movement for professionals as the government has indicated.

There is a major opportunity with forthcoming trade deals with other nations for the UK to ensure professional services are included within them. If done correctly this could enable more trade with the UK in professional and business services. The UK is already recognised as a global leader in professional and business services and the government in the negotiation of future trade deals should ensure it gets trade agreements that allow the UK professional services to take advantage of new global opportunities.

The UK is a recognised global leader in education and professional education and in forthcoming trade deals mutual recognition of qualifications should be included wherever possible. This will make it easier for businesses to recognise talent and invest in talent and enhance skills in the UK economy.
27. In the long-term ensure businesses have more reserves to weather economic shocks and create an allowance for corporate equity.

Most big businesses have around six months of reserves to help weather crises and difficulties, but for SMEs their reserves could be as little as a week or two of cash. In the long term, following this crisis, we would urge all businesses to start building their reserves again to help protect against future disruptions, whether related to this virus or not. Government should also consider what good corporate behaviour for large and small businesses looks like in relation to reserves, and this may be an area they wish to review post this crisis and once the economy is on a better footing and growing again.

A study by the British Chambers of Commerce showed that most UK firms have no more than three months’ cash in reserves. The British Chambers of Commerce research also showed that only 6% of UK businesses have enough cash to cover the next 12 months. Incentivising companies to increase business reserves is an important long-term objective. We understand this may be difficult at this time while businesses are already struggling to survive. However, the possibility of future virus outbreaks and any economic decline means increasing company equity including business reserves will help strengthen companies to withstand any future shocks. The government should consider the long-term incentives to increase company equity within the tax system.

An allowance for new shareholder equity could be considered as a means of achieving this. For example, in Italy this has worked through multiplying net equity increases since a certain date (the start date of the scheme) by a notional rate of interest. The allowance is then deducted from a company’s net taxable income or carried forward. Equity increases that qualify for the allowance include cash contributions, undistributed profits, and waivers of amounts the company owes to its shareholders. The equity increases must be net of any decreases and there are anti-avoidance measures in place. This will help encourage the growth of corporate equity without penalising companies that use debt.

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[82] www.creditstrategy.co.uk/news/news-top-stories/nearly-20-of-uk-firms-have-less-than-a-months-cash-reserves-7867
Tackling long-term and new challenges in the UK economy

Deputy Chief Economist for the ONS stated in April 2019 that it has taken the UK ten years to achieve 2% productivity growth which historically would have been achieved in a single year. As Nobel Prize winner Paul Krugman has stated, ‘Productivity isn’t everything, but in the long run, it is almost everything. A country’s ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker’. An article by the Institute for Fiscal Studies in 2017 highlighted the importance of productivity to wage growth and wider public finances by saying, ‘Slower productivity growth means, on average, slower wage growth, which in turn depresses government revenues’. This shows how important tackling the UK’s sluggish productivity growth is not only to the individual companies, but also to increase real wage growth, support economic growth and public finances.

Reasons suggested for the UK’s recent poor performance include low levels of investment and R&D spending and a long tail of companies and workers with low skill levels. A 2018 report by McKinsey Global Institute on the UK’s productivity puzzle showed that the UK’s productivity growth slow down post the 2008 financial crash was more comprehensive than that of France, Germany, and Spain and occurred across all regions and 83% of sectors in the UK economy. This report also highlighted how an investment in skills for current and future workforces, adoption of digital practices and investment in areas such as R&D can help boost productivity.

The virus will likely have a negative effect on the productivity of many workers as their skills become obsolete or decline while they are on limited hours and for those that experience unemployment. This will also have an effect on companies’ productivity and therefore the UK’s national productivity. The decline in the availability of many low skill roles as the retail and restaurant sector see businesses collapse and companies shed jobs may reduce the long tail of less productive firms.

As weaker firms fold, it provides an opportunity for capital and labour to transfer to the more productive firms. The challenge is to ensure that low skill workers do not become unemployed or underemployed. If this occurs, they will not be developing their skills and increasing their productivity.

The new President of the Confederation of British Industry (CBI) has highlighted the need to improve productivity saying that ‘now was the ideal time to invest in infrastructure, R&D and skills to boost productivity’. There is an opportunity as the UK comes out of this crisis and rebuilds for the government to put a renewed emphasis on tackling structural problems in the UK economy in order to support growth-enhancing productivity in support of providing real wage growth and the levelling up agenda should be a number one priority.

The ONS in early 2020 revealed that employment in the UK in the low carbon and renewable energy economy increased from 200,800 to 224,800 between 2015 and 2018. Turnover in the sector increased from £40.4 billion to £46.7 billion during the same period. Particular opportunities for the sector are in the low emission vehicles sector with the UK government’s plan to bring forward the date for banning fossil fuel-powered vehicles to 2030. The Prime Minister has promised that the UK can be the ‘launchpad’ for the green industrial revolution. We believe that the plans to achieve net-zero and decarbonise the economy should be linked with the UK government’s levelling up agenda to build clusters of manufacturing expertise and to provide high wage jobs that help raise UK productivity. Key to this will be reforming how the UK delivers its skills programme.

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86 https://www.bbc.co.uk/news/business-47926195
87 https://www.businessleader.co.uk/productivity-crisis-is-the-uks-lost-decade-at-an-end/93507/
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We welcome the Prime Minister’s recent announcement that the apprenticeship scheme would be made more flexible so unspent funds can be spent by SMEs and the recent changes allowing individuals made redundant to continue with the apprenticeship if they have almost finished. However, the scheme is inflexible. A City and Guilds Survey in 2019 found that 92% of levy-paying businesses surveyed wanted the Apprenticeship Levy to be more flexible in terms of how they can use their funds. It also found that 95% of the businesses had not spent their budget in the first 12 months of the Apprenticeship Levy; many blamed the strict scheme rules. Below we propose some reforms to apprenticeships and skills policy.

Increasing productivity and tackling the skills shortage

28. The Apprenticeship Levy to be made into an ‘Apprenticeship and Skills Levy’ where levy money can be spent by employers both on apprenticeships, but also on recognised continuing professional development for re-skilling of the current workforce.

We believe that the Apprenticeship Levy could be changed to help support more lifelong learning and improve UK productivity by reducing skills gaps. This could be done by making the levy an ‘Apprenticeship and Skills Levy’, where levy money can be spent by employers both on apprenticeships, but also on recognised continuing professional development to keep their staff’s current knowledge or to upskill or reskill through professional development and education programmes.

The Association in 2018 produced some research into workplace skills and it showed that 26% of the UK workforce admitted to not participating in any in-work learning in the last 12 months. This figure is worrying considering the huge skills gaps in the UK and the fact that UK productivity lags behind many of the G20 nations.

The British Chambers of Commerce and Totaljobs published figures that showed almost 75% of companies in the UK that were recruiting new hires had a shortage of skilled candidates to fill job vacancies.

Worryingly, prior to the pandemic, a 2019 report by the Industrial Strategy Council already estimated that 20% of the workforce will be significantly under-skilled for their jobs by 2030. In addition, CIMA’s own research in 2019 revealed that 37% of UK workers don’t feel that they need to learn new skills despite a growing awareness of the impact of technology on jobs.

The research referenced above was all conducted before the economic crisis caused by COVID-19. Interestingly in research conducted by CIMA and Opinium during September and October 2020, 37% of UK SMEs that were rethinking their operating model said they would be requiring their workers to take on new responsibilities and expand their skillsets. This shows that businesses require new and updated skills now.

This crisis is only likely to have made the already existing skills and productivity crisis worse.

Figures show that only around 10% of levy funds are being drawn down to create apprenticeships. By allowing other training to be funded through the levy, we believe more employers would be able to take advantage and utilise the scheme and this would increase productivity across the UK.

References:
101. www.cps.org.uk/files/networking/pdfs/200623000009611795A96F3F1fF1F981F.pdf
102. commonslibrary.parliament.uk/research-briefings/sn03052/
The rules of the apprenticeship scheme to change to allow providers to be endpoint assessors and tuition providers, reducing complexity and cost.

We believe that employers, candidates and the government could get more out of the apprenticeship programme if changes were made to who can provide both tuition and endpoint exams. This would follow other efforts to rationalise the sector. Ofsted has recently been put in charge of overseeing all apprenticeships for the first time including the higher-level apprenticeships at levels 6 and 7.103

Currently, training providers provide the tuition for apprentices, a different examination body completes the final end-point examination and employers provide the on-the-job training and funding through the levy for the apprenticeship. In this mix are also professional bodies including CIMA for some apprenticeships such as accountancy programmes. Bodies such as CIMA help draw up the competencies for apprenticeships and ensure the endpoint exams offer a route to gaining a professional qualification that is recognised by businesses.

The number of touchpoints with different bodies in the apprenticeship programme can create confusion for businesses and apprenticeships, and has led to inefficiencies in the system, which does not help enhance apprenticeship uptake.

We recommend that there should be changes to who can provide training and end point examinations of apprenticeship standards. Professional bodies should be allowed to both provide tuition and endpoint exams under the apprenticeship scheme.

Professional bodies have a long history of training their members to pass exams and ensuring the qualifications are robust, recognised both by internal UK businesses but also on a global stage. CIMA has been training management accountants for more than 100 years in the UK and the CIMA qualification is recognised in 176 countries.

This would mean businesses and apprentices would have more streamlined contact, which would make it easier for both to engage and understand the apprenticeship system. It is also the system that is used in universities, which both provide the courses and set the examinations and which Ofsted also oversees.

This change would drive efficiencies in the system and lead to more apprenticeships being started. It would also make it easier for employers to hire apprentices as they would have fewer interfaces to deal with. Simplifying the process will be useful because business leaders will currently be focused on supporting, stabilising, rescuing and then growing their business.

The easier it can be made for employers to be involved and invest in apprenticeships the better; otherwise employers may view apprenticeships as too much trouble.

103 https://feweek.co.uk/2020/09/17/ofsted-wins-battle-to-inspect-all-apprenticeships/
30. Maintain spending on higher-level apprenticeships.

ONS figures show that labour productivity growth was lower over the past decade than at any time in the 20th century and the ONS said that the UK productivity grew only 0.5% in 2018.\textsuperscript{104} Figures from McKinsey and Co state that the UK will be a third less productive than Germany by 2025.\textsuperscript{105}

This economic crisis is only likely to have made this situation worse.

We believe higher-level apprenticeships are key to increasing skills and productivity in the UK. Higher-level apprenticeships allow candidates to gain the required knowledge, skills, expertise and qualifications to seek employment in the professions such as accountancy and audit. They also allow a different route into the accountancy and other professions and allow greater access for those who may have never considered a career in accountancy or other professional services before. These apprenticeships are a fantastic way to open the professions and increase social mobility.

The UK currently has productivity and skills gaps. Higher-level apprenticeships give individuals enhanced skills that businesses require and help close both these gaps. Therefore, more investment in higher-level apprenticeships is needed to help to improve UK productivity and improve the skills of the current and future workforce.

The higher-level apprenticeships are also a route to increasing social mobility and act as another access point to higher-level education for many students from diverse backgrounds.

31. Rebuttable right to retrain.

Post-crisis, the creation of a rebuttable right to retrain as part of any package of recovery measures could increase the investment in UK workers’ skills development. It would also fulfil the ‘ultimate ambition’ to establish a ‘right to retrain’ that the Conservative Party included in its 2019 manifesto.

It would allow UK workers to increase their skills while maintaining their employment and an income, and boost opportunities to train where employers are currently sceptical about offering this and where employers do not offer schemes themselves.

A right to retrain would make it easier for employees to broach the conversation with their employer. It resets the question by making the default position to be the approval of extra training and skills development.

The right could be rebuttable because there will be cases where the employee is urgently needed for a core business need.

\textsuperscript{104} www.theguardian.com/business/2019/apr/05/uk-productivity-grows-by-just-05-in-2018-amid-brexit-uncertainty
\textsuperscript{105} www.ft.com/content/447b59e-c8c1-11eb-af9f-7674db666cdd
In a speech by the Chief Economist of the Bank of England in 2018 the development side of UK R&D was identified as a particular weakness. In the speech he said:

‘Typically, we think of ‘Research and Development’ (R&D) as a rhyming couplet. In the UK’s case, the R and the D do not seem to rhyme. The UK does R well, as a world-leading innovation hub. But it does D poorly, where the D refers not just to development but the diffusion and dissemination of innovation ...’

The UK government should ensure that the UK improves on the development side of R&D to make sure it matches the UK’s world-class research. Doing this would help improve productivity and would help generate economic growth in the future.

A review of the actions taken by all OECD nations to stimulate R&D investment would help gather ideas for the UK to act on. This review should have a focus on improving the development side of R&D, increasing SMEs’ use of R&D and ensuring more businesses from outside London and the South East use R&D with the overall focus on improving UK productivity.

32. Look to what lessons from other countries can be learned on R&D tax incentives.

Several countries, including Argentina, Canada, Chile, China, Italy, Korea and Poland, have implemented strong and innovative tax measures, such as more generous R&D tax credits, investment incentives as well as collaborative tax credits. In contrast, a lack of tax incentives has been identified as a German weakness, and a US weakness is that its collaborative R&D tax credit applies only to energy-sector collaborations. Beyond taxes, Poland has introduced innovation vouchers and loan programmes in an effort to specifically stimulate innovation by SMEs.

In the UK, a recent report from the Tax Foundation quoted studies showing small business use of R&D credits had little impact on innovations and that tax credit claims are concentrated in London, the South East, and the East of England. More needs to be done to ensure better use by SMEs of R&D tax credits and, most importantly, R&D needs to be better utilised by businesses across the UK and not just concentrated in London and the South East.

Encouraging greater use of R&D by SMEs especially those in different regions of the UK would help increase productivity in those regions, which would contribute to increasing national productivity, but also help the government in their levelling up agenda as businesses outside of London and the South East start to use them.

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Building a more sustainable economy

33. The adoption of integrated thinking and reporting should be widely encouraged by businesses across the UK.

We believe reporting should be wider than just financials and businesses should adopt integrated reporting best practice. Integrated reporting would help businesses and their regulators look wider than just the financial situation of the entity. The recent global effort to co-ordinate non-financial reporting standards is an opportunity for the UK government to promote global Britain through a common reporting framework and metrics. This in turn would help the business and accountancy sectors shape decisions to support moves to net zero. It would also help the government and regulators see where positive steps are being taken by industry and where more support and help is needed to move to net-zero.

Research by CIMA and the AICPA showed that integrated thinkers performed better than their industry peers who did not incorporate integrated thinking, and their organisations saw fewer failed initiatives due to slow decision-making. Also, CIMA research has shown integrated reporting quality is positively associated with stock liquidity and firm value.

Research by Blacksun, IIRC and the Association has shown that 79% of executives agree that a longer-term perspective on strategic planning would improve value creation potential. Investors also support more moves to integrated reporting and believe it helps them make more informed investment decisions.

Moves to integrated reporting would not only better help regulators and the move to net zero, but we believe it would mean that UK businesses would have a more financially secure longer-term future and the potential for more investment.

34. The UK Government should consider changing insolvency and administration practices in the UK, drawing on experience from the US and South Africa.

Reform of the bankruptcy practices for businesses is long overdue in the UK. Both South Africa and the US have business recovery options in their insolvency procedures that allow for certain viable businesses to re-structure and re-organise in order to save their business. In the wake of the COVID-19 crisis and with many businesses likely to face difficulty and possible insolvency, a measure such as this may allow more businesses to survive, secure jobs, allow creditors to be paid and secure tax revenue.

The UK should look at how the US Chapter 11 bankruptcy works and how a model such as this could be applied in the UK. Such a move could take away the stigma of business failure, but also balance it with corporate responsibility to ensure that recklessness in business management is not encouraged.

The Centre for Policy Studies has called for such a change and it believes it would support workers to keep their jobs and make it easier for firms to restructure, and we agree too.
35. Investing in green infrastructure making it easier for businesses and consumers to support a net-zero target.

Low carbon power should be a priority. If your electricity sources are high in emitting carbon, then it does not matter if you have more and more electric cars on the road, emissions will still be high due to the source of the energy being dirty.

Infrastructure to support businesses and consumer choices to go low carbon is crucial. Therefore, priority must be given to building energy efficiency and the infrastructure to support greener and cleaner transportation, such as more electric car charging points. This investment in infrastructure would help consumers and businesses make decisions to use cleaner energy goods, products and services.

Electric and hybrid cars need charging points that are more accessible. A more joined-up approach from consumer to business decisions which encourages both sides of the market to choose net-zero is needed. The local and regional economies need to be plugged into a broader UK plan to contribute and build the infrastructure needed to support a net-zero target.

The rise in home working as part of the pandemic response could assist with reducing emissions and the government should not seek a return to normal in this regard when the pandemic has subsided. Research into 39 studies across Europe, the US, Asia and the Middle East into teleworking and emissions showed that 26 of the studies concluded that emissions were reduced. A green infrastructure revolution should include a recognition that the way we work has fundamentally changed and our infrastructure needs have changed as a result.

For example, full-fibre broadband investment is as much part of the green economy as wind turbines and solar panels as it allows people to work differently. As well, the need to make homes energy efficient alongside offices and other workplaces will grow in importance.

Delivering regional growth and delivering on levelling up

36. The government to create and invest in skills clusters across the UK and look at models such as development corporations to help drive both public and private investment into left-behind regions.

The government should look to create skills clusters across the country. To an extent, this model already operates in the UK. For example, Barrow/wider Cumbria has an economy somewhat focussed on the nuclear submarine and nuclear power industry, London has finance and the professions, South East England has motorsports. This model also works in other countries, for example, Silicon Valley in the US.

This regionalisation of expertise should and could be built upon so that each area of the UK has a highly skilled field in their local economy that can support jobs through their supply chain and wealth generation.

One area the government should look at with this model is linking education to the local economy i.e. how can schools, colleges and universities support employment in these skilled sectors in their localities.

The No Stone Unturned: In Pursuit of Growth report commissioned by the Coalition government showed the huge differences and disparities in regional growth and gross value added by different regions in the UK. It showed London and the South East had the highest GVA (gross value added) by some distance compared to other regions of the UK.

Since the time of this report, we believe the situation for some regions has likely got worse and the current crisis will be negatively affecting many regional economies within the UK.

Bank of England data from May has showed that more labour-intensive industries have been hardest hit by the lockdown. Sectors that are more knowledge or capital intensive have been least hit by the lockdown, due to many of these roles being able to be done remotely. Many of these jobs are in the South East and London.\textsuperscript{118}

The government must focus on driving up regional investment to spread productivity across the UK. The government should look to see what lessons can be learnt from the London Docklands Development Corporation/Canary Wharf Group that helped transform a very deprived area of London and turned it into a globally renowned finance and employment hub. These bodies contained both elected officials, local officials and businesses. If development institutions are to work, they need a mix of people from business, industry and government who are steeped in the locality to be involved and not just officials from Whitehall.

Investment in infrastructure and skills in left-behind regions is crucial to increasing the productivity and economic growth in the regions. The Centre for Policy Studies recently called for the establishment of a British Infrastructure Bank based outside London with seed capital to fund infrastructure across the UK.\textsuperscript{119} We support this aim and believe it will help generate growth and investment in the UK regions.

Preventing for the economy of the future

37. Review employment regulations to ensure they are suitable for a new era of increased home working and support productivity

The pandemic has increased the trend towards home working. The proportion of employees expected to work from home on a regular basis is predicted to more than double from 18% pre-crisis to 37% post-pandemic and the percentage working exclusively from home will increase from 9% to 22%, according to a Chartered Institute of Personnel and Development survey of UK employers.\textsuperscript{120} It also found that of employers increasing their support for homeworking, 66% were making changes to their policies to reflect a move to homeworking.

We recognise that from 6 April 2020 employers have been able to pay employees up to £6 a week tax-free to cover additional costs if they have had to work from home.\textsuperscript{121} We welcome the introduction of the HMRC online portal from 1 October 2020 which allows workers to claim tax relief for working from home.\textsuperscript{122} This additional tax relief should be continued if increased home working is continued post-pandemic.

Employment law should be updated to reflect the new situation with a recognition that soon increased home working will be the new normal and the regulations should reflect this to ensure flexibility and workforce productivity.

\textsuperscript{118} www.bankofengland.co.uk/-/media/boe/files/monetary-policy-report/2020/may/monetary-policy-report-may-2020
\textsuperscript{119} www.cps.org.uk/files/reports/original/200623000907-CPSAFTERTHEVIRUS1.pdf
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\textsuperscript{122} https://www.gov.uk/government/news/54886-customers-claim-tax-relief-for-working-from-home
38. Create a City Centre Economy Strategy to help revitalize city centres and their economic well-being

London makes up 13% of the UK population but 23% of the UK economy. As the drive to home working and remote working becomes more advanced, there are fewer reasons for people to live in London and other city centres, and if they are not working there they are not spending there. This leaves a lot of office space in the centre of cities empty and damages the business that relies on office workers to provide the footfall to support them.

Planning reform to make it easier to ensure more city centres are populated so local businesses are guaranteed more footfall from local residents and are less reliant on commuters would be very beneficial. It would also provide more starter homes for younger people on brownfield sites, reducing the need for building on the green belt which can prove unpopular.

39. A new push on digital skills to make the UK post-pandemic ready

The impact of the pandemic on productivity is unclear as the ONS recognises and will be complicated by the fact that childcare was patchy for long periods for many parents. Homeworking is a tremendous positive force that will be of great value to working parents. It presents challenges around motivating workers, skills development, career progression and maintaining productivity growth, but what is clear as analysis by the Trades Union Congress has shown us that the average UK worker will have significant additional free time each day as a result of these changes. The total average UK commute takes up just less than an hour per day (58.4 minutes), but there are regional differences and Londoners commute for around 81 minutes per day. The government has developed a set of courses available for free — we would advise that the government launch a campaign to urge Britons to use their extra hour to learn a new skill.

40. Initiate a public sector efficiency drive to lower taxpayer costs and improve services

The UK is a leader in tech. Research from Tech Nation suggests that the UK is now the fourth most important market for tech investment after the US, China and India. In 2019, venture capital investment into UK technology companies reached £10.1 billion in 2019, a year-on-year increase of 44%. However, many public services are still provided in a labour intensive and bureaucratic manner with few incentives provided for innovation. The public sector needs to benefit more from the tech expertise the UK has.

To achieve this, the UK government should consider conducting a cross-department public sector efficiency review to identify areas where tech investment, expertise and the deployment of new applications could save public funds. This should include exploring new ways to fund and deliver these projects including entering into jointly owned ventures with private sector entities and launching prize funds to generate private interest in solving public service delivery problems.

It is understandable that after many years of public sector austerity the UK government is seeking to change the emphasis from public sector cuts to greater public sector spending. However, the drive to secure value for taxpayer funds that was enhanced during this era when funds have been tight should not be lost. Much of the economy is in the public sector and productivity in this sphere needs to increase substantially if the UK is to increase its living standards meaningfully in the years to come.

123 https://www.theguardian.com/commentisfree/2019/may/20/london-uk-economy-decentralisation
126 https://www.forbes.com/sites/davidprosser/2019/05/14/how-britains-tech-sector-staked-its-claim-on-the-world-stage/#43e4c0f24681
Conclusion

The pandemic has changed the UK in fundamental and lasting ways not least in the shift to home working and the need for more digital skills as more businesses create online presences. It is too late to reverse these changes and in many cases undesirable to do so. The UK faces considerable challenges around the level of public debt incurred to finance the crisis response measures, but the debt currently is manageable and does not warrant tax increases that would damage the UK economy’s health such as taxes on personal saving, investment and the higher earners that generate a high proportion of the UK’s tax revenues.

Having said that, there is almost a universal assumption that debt doesn’t matter anymore, and this is a dangerous conclusion. While interest rates are at record low levels debt is manageable, but that could quite easily change. Many rules that govern debt and public finances are brought into question with debt levels as they are, but that does not mean further borrowing should be stopped or curtailed. Instead what is needed is a clear plan to keep debt manageable to secure the long-term public finances.

This plan shows a path forward for clearer and more transparent public finances and one that supports the UK’s recovery from the pandemic now and in the future to tackle long-term structural challenges in the UK economy. Most importantly, it supports private enterprises and businesses, which will help generate economic growth in the UK and pay back the pandemic’s costs. Our proposals are flexible enough to account for additional lockdowns and restrictions to fight the virus.

As we outline above, there are many cost-effective proposals that could enhance productivity and economic growth that will allow the UK to expand the economy to meet the challenges the UK faces. Our proposals outlined marry decisive short-term interventions with a long-term plan that would provide the firm foundations to make the UK economy fit for the future. Business needs that certainty to invest and create the jobs and tax revenues that are now needed.

As we said at the start it was the first responders, doctors, nurses and key workers who have been the heroes in this pandemic during the first and now into the second wave of this virus, but as we look to the future and start to forge a path to economic recovery it will be the business professionals, and finance and accounting specialists and entrepreneurs who will take that mantle forward.

CIMA looks forward to working with the UK government on these proposals and more broadly to build a dynamic and thriving UK economy.
Glossary – lists of policy suggestions

Helping businesses now

1. Expand Coronavirus Business Interruption Loan Schemes.
2. Coronavirus Business Interruption Loans and Coronavirus Bounce Back Loans to be extended for the duration of lockdown or while the level of business restrictions at Tier 3 or above remains in place post lockdown in any part of the UK.
3. A new loan scheme to support micro-businesses and company directors in the hardest-hit sectors should be introduced.
4. Introduce a business awareness campaign focussed on advertising the business support loans from banks, professional business support services, trade bodies and the government.
5. Ensure the right support to assess business viability before issuing new loans is in place.
6. Any businesses facing Tier 3-style restrictions or above should continue to receive furlough until these restrictions have eased.
7. Training to be mandatory in new job support and retention packages.
9. Introduce a Growth Accelerator scheme for SMEs.
10. The government should outline tax plans for businesses for at least the next two years to create a less uncertain tax environment for businesses.
11. The government should put on hold plans for changed business regulation until the economic crisis has passed.

Paying back the cost of the pandemic

12. The government to pay back the cost of the pandemic over a long period of time.
13. The Office for Budget Responsibility to compile a national register of state assets and liabilities.
15. Government to introduce a new ‘Pandemic’ Bond’.

Supporting individuals and consumer demand

16. Keep VAT at 5% for hospitality and leisure and tourism sectors.
17. Introduce a Digital Voucher Scheme for SMEs.
18. Ensure any changes to pension tax relief and savings are well-considered and double taxation is not introduced in any new changes.
19. Increase Lifetime ISA limit.
Supporting SMEs and businesses

20. Create an SME Investment ISA.
21. Expand the range of investible opportunities in UK SMEs.
22. Government should review re-introduction of regional stock exchanges.
23. Reduce red tape and support investment.
24. Support for businesses to diversify their supply chains.
25. HM Treasury to consider introducing legislation to create a strategic national stockpile in partnership with businesses to continue delivery of key goods and services.
26. Ensure the mobility of professionals and the mutual recognition of qualifications in any future trade deals.
27. Ensure business have more reserves to weather economic shocks and create an allowance for corporate equity.

Tackling long-term and new challenges in the UK economy

28. The Apprenticeship Levy to be made into an ‘Apprenticeship and Skills Levy’ where levy money can be spent by employers both on apprenticeships, but also on recognised continuing professional development for reskilling of the current workforce.
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30. Maintain spending on higher-level apprenticeships.
31. Introduce a rebuttable right to retrain.
32. Look at what lessons from other countries can be learned on R&D tax incentives.
33. The adoption of integrated thinking and reporting should be widely encouraged by businesses across the UK.
34. The UK government should consider changing insolvency and administration practices in the UK, drawing on experience from the US and South Africa.
35. Investing in green infrastructure, making it easier for businesses and consumers to support a net-zero target.
36. The government to create and invest in skills clusters across the UK and look at models such as development corporations to help drive both public and private investment into left-behind regions.
37. Review employment regulations to ensure they are suitable for a new era of increased home working and support productivity.
38. Create a City Centre Economy Strategy to help revitalise city centres and their economic well-being.
40. Initiate a public sector efficiency drive to lower taxpayer costs and improve services.