



# Achieving Sustainable Long-Term Economic Recovery and Growth



Britain's accumulated problems of inadequate infrastructure, geographical inequalities, fraying public services and low carbon transformation cannot be addressed without sustained economic growth which requires higher levels of investment and higher productivity of labour and capital.

There is no shortage of ideas and policy. Indeed, a central problem is constant reinvention of the wheel and lack of continuity and cross-party commitment. Regional policy/levelling up has seen numerous initiatives – like special zones/freeports and new vocational training schemes – with little evidence of learning from experience.

Building on experience and evidence, we would:

1. Revitalise the country's Industrial Strategy approach, put it on a statutory footing to make it part of the lasting infrastructure of economic management giving business a reliable basis for long-term investment, and use Industrial Strategy to create joint working between government and business to secure long term objectives at a sectoral level - services as well as advanced manufacturing
  - In particular, we will ensure that the UK will be at the forefront of the two main drivers that will underpin economic growth and job creation in all sectors over the coming decades: the green transition and the digital transformation
2. Build on and expand existing structures for innovation (Catapults), financing (British Business Bank and Infrastructure Bank) and training (using apprenticeship frameworks) while significantly improving access for small business.
3. We will work to unlock opportunities for more private sector lending to business:
  - a. We will review the current rules in business lending to evaluate whether the current UK requirement of 100% risk asset weighting for unsecured lending (as opposed to the 50% requirement as suggested by the Bank of International Settlements) strikes the right balance between encouraging business lending and financial stability
  - b. We will allow systemically important banks to provide 5% of their capital (and 10% for non-systemic banks) as unsecured lending at zero risk asset weighting.
4. Within the fiscal rules there is scope for an increase in public investment. We will review and revise the Treasury 'green book' to encourage investment in projects with long term environmental benefits (eg. tidal power), and investment in human capital – life-long education and training. All of this is currently excluded or penalised.
5. We will reform taxation to incentivise risk-taking business investment:
  - a. Tax relief will be shifted from debt to risk-taking equity
  - b. We will undertake a fundamental reform of business rates which currently penalise business improvement by shifting tax from property values to the underlying value of land
  - c. We will radically decentralise the business rate system to incentivise business-friendly local government

Societal expectations of business have changed dramatically. As a result, businesses are under multiple and often conflicting pressures from investors, civil society, government and others on many fronts creating a challenging, inconsistent and unpredictable operating environment. We aim to make the UK one of the most dependable and predictable locations to do business by creating a clear framework within which business can operate reliably in the face of changing expectations:

6. All new and existing businesses of whatever legal form that employ more than 500 people (whether classified as employees or contractors) will define their purpose and objectives in their legal articles, explain how that contributes to the public good, and publish an annual account in their existing corporate reports of how successful they have been in achieving their stated aims. Smaller companies will be encouraged but not required to do the same
7. For those companies the operations of which are of particular public interest (including but not limited to banks, utility businesses, major digital platforms, etc) we will extend the duties of their regulators to examine those annual reports about their impact on the public good and spread best practice by engaging with the companies concerned on potential improvements
8. Clarify that the duty of directors under company law is to act in the long-term interests of the company as a whole in fulfilling its stated purpose, and require boards to ensure the company's values, culture and strategy are aligned with the implementation of its purpose
9. Undertake a review of the corporate governance framework to ensure that it reflects these evolving expectations and enhances the UK's reputation as one of the most forward-looking locations for building and growing businesses that are sustainable in the long term.
10. We aim to encourage businesses that take seriously their commitment to provide social and environmental benefit. Certified and audited B-Corporations that have reached and sustained a high score for a minimum of three consecutive years will be subject to a tax rate that is five percentage points lower than the standard corporate tax rate together with significant penalties for flawed reporting } and auditing.

Initiators: The Rt Hon Sir Vince Cable, Mike Tuffrey