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There are big macro issues to address. Technology is transforming industries, the nature of work is changing, we have to support an ageing population and transform our public services to meet changing needs. There is a growing trust deficit in society and many feel left without a voice. Thrown into the mix is the task of negotiating our future relationship with the European Union and new trade deals across the world.

There is also huge opportunity. Our economy has long-standing strengths: an innovative service sector, thriving creative industries and advanced manufacturing expertise. We are recognised for the integrity of our independent judiciary, the resilience of our financial institutions and regulators that enable us to play an important global role. As the fifth largest economy in the world we have longstanding, deep connections across the globe. These give us durable foundations upon which to build our future.

As we embrace these challenges and opportunities we need a clear vision of the UK’s place in the world – where are our strengths and what will stimulate sustainable growth?

Over the past 18 months, Grant Thornton has brought together communities and leaders from across the UK to share their aspirations. We found that people from different sectors and places, of all political persuasions, have a common vision of an inclusive economy – one that is collaborative, open, trusted, connected and prosperous – where markets, businesses and places rediscover their purpose. We also found that people want to work together across traditional boundaries to achieve this.

Recent political events show that government and politicians, nationally and locally, must work together to reshape our economy as happened post-war where cross-party collaboration produced solutions that lasted for decades. Government cannot, and should not, do it alone. Businesses and other organisations have a big role to play and the ability to make a difference.

The ideas that follow draw from face-to-face engagement with over 1,000 leaders at our Live Lab events and numerous other constructive and insightful conversations. We have sought to bring to life the key components of a vibrant economy in the UK. In this blueprint, we have also described what we, in collaboration with others, are doing to make this happen, and have set out what we think government can do to help fulfil this vision.

By taking these first steps together, we can help build a positive future and a society that creates opportunities for all.

Sacha Romanovitch
CEO, Grant Thornton UK LLP
Shaping a vibrant economy

Over the past 18 months we have been exploring how we can shape a vibrant economy in the UK.

We have convened discussions across the country, listening to people from the public, private and not-for-profit (NFP) sectors. Together, we and other participants have shared our appreciation of what is already working, our dreams for the future and our ideas about how we can collectively make change happen.

Reflecting on what we have learned, we believe that it is up to all of us to create our shared future. This is not something that could – or should – be the sole responsibility of any one organisation or person. Making this vision a reality means we will need to work together, drawing on all of our strengths.

Inspired by our discussions, we propose actions for both ourselves and for government to help shape a vibrant economy, focused on the three key areas of: trust, growth and place.

Our vision is of a UK that is collaborative, open, trusted, connected and prosperous. Our journey starts now.

We have engaged with

Our clients including...

**Businesses (large and small)**

- **56%** Advising over half of the FTSE 100
- Leading independent nominated adviser to AIM listed companies

**The public sector**

- **>50%** Working with over half of local authorities and the NHS
- The largest provider of audit and related services to the sector

**Not-for-profits**

- **1000+** NFP clients
- Working with universities, charities, housing associations and colleges

With a combined workforce of over six million people
The broader community including...

Over 1000 participants
With leaders from businesses, entrepreneurs, the public sector and NFPs.

By initiating Live Labs in seven regional cities
Live Labs bring communities together to collectively suggest practical steps to address the big issues affecting their region.

- Sheffield
- Reading
- Manchester
- Leeds
- Bristol
- Cambridge
- Birmingham

We have also...

Published new insights
Developed with partners including FiftyThousandHomes, SOLACE, the RSA and Social Market Foundation

Established an advisory board of leaders – the Vibrant Economy Commission
Who are passionate about building a vibrant economy

Hosted roundtables and events on issues including...

- Brexit
- Skills
- Health
- Fintech
- Trust
- Housing
“We have brought together communities and leaders from all sectors throughout the UK to share their dreams of a vibrant economy.”

Sacha Romanovitch, CEO, Grant Thornton UK LLP
What is a vibrant economy?


**Businesses**
Businesses achieve sustainable growth by also delivering positive social and environmental outcomes.

**Places**
Cities, towns and regions have the strategy and tools to create vibrant local economies.

**Financial markets**
The UK is a centre of ‘purposeful finance’ investing in productive growth and social impact.

- Increased exports, driven by collaboration of large and small businesses.
- Innovation proliferating, kindled by academia working with businesses of all sizes.
- The UK is open and outward looking.
- The UK is a centre of ‘purposeful finance’ investing in productive growth and social impact.
- Modern national and local infrastructure funded in new ways.
- More people investing in what matters to them, utilising greater transparency and control.
- Skills provision matching the UK’s needs, jointly designed and delivered by education and employers.
- Public services shaped by devolved strategic powers.
- Corporate venturing fuelling innovation and growth across the UK.
Trust in business is falling

- 2015: 44%
- 2016: 46%
- 2017: 33%

A growing role for ‘profits with purpose’

- 46% of people would like their pensions invested in organisations that reflect their social and environmental views
- £130bn additional corporate value could be created by putting ‘visionary purpose’ at the heart of British business

The importance of business

- 31.95m provides work for 31.95 million people
- £205bn contributes 30% of the UK’s tax receipts
Unleashing purpose in business and financial markets

Trust and integrity are the heart of a vibrant economy. They provide the basis for adoption of innovative products and services, higher productivity, investment and a ‘licence to operate’.

We need a systemic approach to restoring trust. In the short term, corporate governance can help by strengthening engagement, accountability and transparency. Reform of our tax system is also essential. We need to tackle the complexity and anachronism that make it harder for people to know how to do the right thing and easier for aggressive, artificial tax avoidance schemes to operate.

In the longer term, we need a shift in business models from:

- the primacy of profits to a focus on achieving a wider purpose
- regulatory compliance to sustainable business culture
- a focus on speculative investment to a financial system where UK savers invest in line with their values.

This is a shift from delivering shareholder value solely through profits. This means moving to a model where value is realised through a combination of profits and the benefits the business brings to the complex social, economic and environmental system in which it operates.

An increasing number of businesses (including Ella’s Kitchen and ATKINS) recognise that business success and societal progress go hand in hand. Addressing society’s wider challenges is a very effective way for a business to stay relevant to customers, delivering profits with purpose. This helps to provide long-term shareholder value and to mitigate future risks in the business environment.

People want to use their savings to support this. The UK financial services sector already has strengths in impact investing (generating a social or environmental benefit as well as financial return) and scaling up this approach could consolidate the UK as a global centre of excellence.

Government has a unique opportunity to champion this trend, transforming financial markets and business models in a way that drives sustainable growth and reconnects society and business.
Champion profits with purpose as the new normal

Government’s aim should be to move to a situation where the majority of businesses in the UK deliver wider social and environmental outcomes, as well as profits. This would be supported by impact investing becoming a mainstream retail product, allowing UK savers to decide what societal or environmental outcomes they want their savings to achieve in addition to providing a financial return. To accomplish this government should:

- fully utilise the Social Value Act and public procurement to ensure all government contracts are with businesses that actively make a positive contribution to society
- promote full understanding and application of existing directors’ duties under Section 172 of the Companies Act (to have regard to employees, suppliers, customers, the community and environment)
- support continued development and adoption of integrated reporting and other tools for business to report in a comparable and verifiable way on social and environmental as well as financial outcomes. This in turn will support the development of mainstream impact investing
- scale up impact investing by supporting upcoming reports by the UK National Advisory Board on Impact Investing and by Elizabeth Corley, on how individual investors can be given more choice to invest their savings in businesses and organisations with purpose
- work with institutional investors to identify and tackle regulatory and other barriers to investing in UK businesses and infrastructure (such as investment risk profiles and restrictions on pensions investing in private companies).

“This very much aligns to Pukka Herbs’ vision of improving the quality of people’s lives, rather than simply making money. I very much agree that we all have a duty to contribute to society and the environment, using business as a positive force for good.”

Edward Gardiner, Pukka Herbs Ltd

“Most of the $75 trillion global savings that fuel capital markets are owned by ordinary citizens. Those savers are workers and consumers, who depend on public services. The gains they make from their fund manager focusing on financial returns can be eroded if their savings are invested in corporations that maximise profits by minimising their tax obligations, wages and consumer value and fail to tackle climate change. The opportunity is for financial markets to redefine themselves as a way for savers to control the companies that control their destiny.”

Saker Nusseibeh, CEO
Hermes Investment Management
Grant Thornton will work with others to...

Continue to celebrate businesses with a purpose, through our Faces of a Vibrant Economy and the work of our Vibrant Economy Commission.

Develop open-source tools, with not-for-profit organisations, to support businesses who want to adopt ‘profits with purpose’.

Develop ways in which business can measure and report on impact. This includes working with Future-Fit (futurefitbusiness.org) and their development council (including Eileen Fisher, De Beers, Novo Nordisk and The Body Shop) to help develop their framework for reporting on social and environmental impact (linked to the UN Sustainable Development Goals). We will also develop an assurance process to enable Future-Fit progress and data to be incorporated into company reports.

Champion tax simplification, which can build trust by providing greater transparency and certainty around corporate tax. We will also continue to support the Covi Responsible Tax Lab (covi.org.uk) and help develop the Future-Fit ‘responsible tax’ goal, to provide a benchmark for any company wishing to adopt an ethical and responsible tax strategy.

Our experience

We advise over 56% of the FTSE 100 and for the last fifteen years the Grant Thornton Governance Institute has conducted an annual, comprehensive analysis of FTSE 350 annual reporting.

In 2015 Grant Thornton UK adopted a clear purpose: to help shape a vibrant economy for the UK – explicitly recognising the role we have to play beyond simply achieving a profit.

We have also begun our journey to becoming a shared enterprise, where all our people have shared responsibility for the organisation and shared rewards.
UK snapshot

Approximately only 11% of firms currently export.

£543bn total exports in 2016 (Source: Office of National Statistics)

Top global export destinations for UK goods in 2016 were:

- USA: £47bn (15%)
- Germany: £33bn (11%)
- France: £19bn (6%)
- Netherlands: £19bn (6%)

Young adults who had four or more interactions with employers at school are:

- 5x less likely to be NEETs (Not in Education, Employment, or Training)
- and earn 16% more

43% increase in reported skills shortage vacancies since 2013 (Source: FullFact 2016)

£244bn is the amount of cash the UK’s largest corporates are holding on balance sheets (Source: Grant Thornton UK LLP)

£3.6bn is the total equity investment in UK firms in 2016 (Source: Beauhurst)
Putting collaboration at the heart of the UK’s industrial strategy

In the face of ever-accelerating global and technological change, the government’s industrial strategy should provide a long-term plan for domestic and international growth. This should aim to unlock the full potential of the UK as a positive contributor to a global economy.

Strong evidence exists that innovation and exporting deliver the improved business performance we need, enabled by workforce skills, investment and ‘openness’ to working with external partners (Enterprise Research Centre white paper, 5 April 2013). The government’s industrial strategy should therefore focus on boosting these areas. Our discussions tell us that collaboration will be a powerful catalyst for delivering the results we want.

From our discussions it is clear that businesses see other businesses as their best allies to grasp this opportunity.

A ‘Fourth Industrial Revolution’ is taking place, where every part of the economy and society will transform through the application of technology and digital networks, fusing physical, digital and biological worlds. In this environment, collaboration can help smaller businesses to scale-up and larger businesses to innovate. Corporate venturing can boost this, with larger corporates investing some of their balance sheet in partnerships to scale-up smaller UK businesses.

Businesses and public services want skills gaps addressed as a matter of urgency. Technology is changing the nature of work, meaning that many of the jobs our children will work in do not exist today and we need to plan for this.

When we talk to employers about the actions needed to address skills shortages, they invariably focus on employer engagement with education and training, as well as immigration policies, being core to the solution.
Incentivise collaboration to boost exports, develop skills and unlock innovation

Government needs to champion a strengthening of our economic foundations for future growth. The core elements are the creation of a strong exporting culture, a healthy pool of skills and talent for businesses and public services, and innovation that puts the UK at the forefront of the ‘Fourth Industrial Revolution’. Government should kick-start action to:

- grow a new collaborative model of exporting – that allows smaller firms to leverage the existing distribution channels and trade agreements of complementary larger exporters. This should be reinforced by introducing a new tax credit for the cost of researching and entering new markets
- incentivise collaboration between employers and education – including creating a new school performance measure for every pupil to have at least one interaction with an employer every year; and encouraging graduate-level apprenticeships, eligible for apprenticeship levy funding in universities with businesses involved in teaching courses
- implement a sustainable immigration policy – including post-study work visas, connected to local and sectoral needs for global talent and labour
- support ‘collab-innovation’ activities – that bring together universities, smaller start-ups, larger corporates and specific expertise to help commercialise and scale-up innovation. This should include a corporate venturing tax relief scheme, to incentivise collaboration, and the removal of tax and accounting disincentives.

“It is vitally important to develop an education system that prepares young people to drive a vibrant economy forward. UK business, large and small, needs to advise on their future requirements and help reimagine an education style that creates inquisitive, problem solving, team-playing, engaging young people.”

David Wallace, Stratford Upon Avon School

“I believe exporting and doing business internationally have a direct impact on competitiveness and productivity. Matching a big company’s experience with the ambitions of a first time exporter will lead to a win-win for both, and the economy as a whole.”

Danny Lopez, Blippar
Grant Thornton will work with others to...

Further develop our centre of excellence in exporting, specialising in strategy, finance and operational delivery, connecting businesses to key trade destinations and promoting global opportunities. By 2020, at least 20% of our people will have expertise in international trade.

Roll out our School Enterprise Programme across the UK, enabling year 7 and 8 students to run their own business and develop financial literacy and entrepreneurial skills.

Work with Touchpaper, a new not-for-profit network promoting collaboration between large corporates and start-ups, alongside other founding members: Bristows, Capgemini, Digital Catapult, Google, Multiple, Nesta and Tech City.

Our experience

At Grant Thornton UK we work with over 40,000 privately held businesses, public interest entities and individuals nationwide.

Grant Thornton member firms operate in over 130 countries, linking our clients to advisers around the world.

We advise clients on how to unlock growth in domestic and international markets.

As part of the government’s apprenticeship programme, we have led the development of a business administration and customer management apprenticeship framework and we have recently launched a graduate level MBA apprenticeship with Cranfield University.
UK snapshot

Britain’s ageing population is growing fast

- 1995: 9.2m
- 2015: 11.5m
- 2035: 16.2m
- 2037: 22% of the population will be pensioners by 2037

The NHS budget has doubled

- £54bn in 1994
- £96bn in 2014

Source: NHS, Department of Health

Average London house prices as a multiple of average earnings

- 9.5x in 2004
- 15.7x in 2014

Source: Centre for Cities

Global ranking of infrastructure quality 2015–16

1. Hong Kong
2. Singapore
3. Netherlands
4. UAE
5. Japan
6. Switzerland
7. France
8. Germany
9. UK
10. Korea
11. USA

The UK economy has grown as we have recovered from the financial crash, but not evenly.

As we unlock sustainable growth, taking advantage of the benefits of globalisation and new technology, we must share this growth across the UK and give every place the tools to shape their own vibrant local economies.

The challenge is how to do this when current models of public services appear unsustainable. People are living longer, and an ageing population is putting increased pressures on local government (which spends 35% of its total funding on adult social care) and the NHS.

In order to achieve more for less, public services and infrastructure need to be looked at in the round: exploring issues from a place perspective and developing joined up strategies across traditional ‘silos’ to deliver integrated public services. This calls for much greater collaboration across the public, private and not-for-profit sectors – and we know from our Live Lab events that this is a priority.

Collaboration can provide the basis for innovation. For example at the moment, only 4% of the NHS budget is spent on prevention (70% is spent on treatment of long-term conditions). There is an opportunity for communities to address this imbalance by taking a holistic approach to health (creating healthier spaces and workplaces and tackling air quality) and using technology to provide more accessible, cheaper diagnosis and treatment for many routine issues.

Our Live Lab discussions identified infrastructure as one of the main priorities in every city. Local priorities include broadband, airport capacity in the North, housing in London, east-west transport links, and linking smaller towns to big urban centres. People are keen to find alternative ways of raising capital to invest in local projects alongside national infrastructure programmes.

Our work with clients has also identified that immigration and skills are central to the development of public services, infrastructure and strong communities. Debate on immigration in the UK is increasingly polarised. This is affecting individuals who have seen a rise in hate crime, employers who face increasing skills shortages in sectors like agriculture, care homes, the NHS and construction; and the communities who feel most impacted by immigration. The UK’s approach to immigration needs to reflect local economic needs, community views and to reinforce our tradition as a tolerant society that strengthens our place in the world.
Continue to devolve powers from Brussels and Westminster to local areas, in ways that encourage innovation, collaboration and trust

Government should give cities and shires across the UK powers and frameworks to support collaboration on strategic issues and raise the finance for investment in their infrastructure priorities. These should include:

- **greater flexibility for local experimentation in models of leadership, governance and delivery of public services** – supporting different ways of enabling strategic decision making in and across shire counties as well as city regions; and collaboration between public, private and not-for-profit sectors

- **devolution to strategic local bodies of services and policies** – including immigration, skills, health and social care, housing, local and regional transport – with freedom to develop holistic solutions across these areas

- **giving local bodies the flexibility and freedom to support innovation and infrastructure investment** – including local bonds, borrowing and tax raising powers and the ability to experiment with alternatives to business rates.

“The more powers and budgets that are devolved from the centre, the better equipped the regions will be to successfully tackle the long-term complex challenges we face. Future investment must be driven by local priorities, collaboration and need. This is also crucial if we are to effectively deliver on the promises of the government’s forthcoming Industrial Strategy.

Greater collaboration and flexibility will empower the cities and regions to deliver a devolution dividend for the whole of the UK economy. In particular, greater control over the revenues generated by locally raised taxes – such as property and council taxes – would give local institutions greater incentive to drive investment and growth, and the means to fund it.”

*Emma Degg, Chief Executive, The North West Business Leadership Team*
Grant Thornton will work with others to...

Create a Place Based Leadership Academy, in partnership with Collaborate CIC and others, providing a platform for people to share information and work together to develop public services and shape cities, towns and communities. This will bring together public sector leaders with not-for-profit and private sectors, to support local strategies, financial management, data insight and leadership and culture development to deliver results.

Bring together public, private and not-for-profit sectors to uncover new ways to work collaboratively towards delivering solutions to London’s housing pressures. This will include developing new analysis to better understand the areas that hold the greatest opportunity to increase housing supply.

Our experience

We work with over half of the local authorities and NHS bodies in England and Wales and more than 80 housing associations.

We advise on a wide range of infrastructure investments, including HS2 and the Welsh rail franchise.

Our Place Analytics are used by a wide range of organisations to understand the characteristics of local economies and support decision making.

Our offices in locations across the UK have been engaging dynamic organisations in debate about their local economies.
Gross Domestic Product (GDP) has been the traditional measure for judging whether or not government interventions have delivered a successful economy. Policies are crafted to encourage higher rates of growth, and if GDP increases, this is applauded as a success.

This measure of progress oversimplifies entangled issues, masks regional differences and may allow governments to ignore actions where they could make a significant difference to the quality of our society.

We think that a successful economy is one that reflects more than just increased GDP – and that high prosperity levels are not a guarantee that the benefit will be felt across all parts of our society. A different approach is needed.

Last year, we developed the Vibrant Economy Index to try a new way of understanding progress in local authority areas in England.

The Index emphasises the local over the national, and recognises that different places will have different dynamics between the baskets (indicators). It clearly demonstrates that comparatively strong economic prosperity does not correlate to comparatively positive outcomes in other crucial areas.

We have discussed the Index at our Live Labs, and at other events across the country. Local authorities in particular have valued the greater insight into the economic and social dynamics of their area when considering their priorities.

This way of measuring performance gives a more nuanced understanding of where action needs to be taken, and whether it is having the desired impact. This approach could transform the way that areas shape their policies to drive progress, and measure whether they are on track to achieve it.

The Vibrant Economy Index is Grant Thornton’s first step in systematically understanding the complex needs of local areas.

Grant Thornton will work with others to...

- refine the Index, taking advice from academics and others with the aim of giving a UK-wide picture
- develop a new way to understand what matters to people about the places where they live and work, refining our approach with input from the Vibrant Economy Commission and matching the responses with the reality measured through the Index.

The six baskets of the Vibrant Economy Index

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<tr>
<th>Prosperity</th>
<th>Health, wellbeing and happiness</th>
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<tr>
<td>We have an economy that is producing wealth and creating jobs.</td>
<td>People are healthy and active, leading fulfilling lives which provide individual prospects.</td>
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<th>Dynamism and opportunity</th>
<th>Resilience and sustainability</th>
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<td>Our economy is entrepreneurial and innovative, with skill sets that can drive future growth.</td>
<td>Our economy has a neutral impact on the natural environment and our built environments are resilient places we want to live in.</td>
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<th>Inclusion and equality</th>
<th>Community, trust and belonging</th>
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<td>Everyone benefits from economic growth. The gap between richest and poorest narrows, regional disparities reduce and there are opportunities for all.</td>
<td>Vibrant communities have a lively and creative cultural life, and a clear identity that all its people are proud of.</td>
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Case study: Greater Manchester

The Greater Manchester region consists of ten local authorities, including next door neighbours Manchester, Trafford and Salford. Here we compare the different insights we have into how these three areas are performing using traditional measures of success (GDP/GVA) and the Vibrant Economy Index.

When we introduce a broader range of metrics the full picture begins to appear. This footprint shows that, although all three areas are doing well on the prosperity basket (which includes GVA), they have very different outcomes in others.

It is clear that high levels of prosperity do not generate consistently positive effects in other areas. Manchester and Salford contrast sharply with Trafford on almost all the other baskets.

This becomes even clearer when we make a comparison against the English average.

Looking at these three areas from a purely economic angle, using GVA per head, we can see that all three rank in the top half of all local authorities in the UK.

These results are mirrored in how each area scores against prosperity indicators in the Vibrant Economy Index, where each performs above the English average.

* We have excluded the City of London from this and the Vibrant Economy Index

The dominant story in Manchester and Salford is that although prosperous, it is clear that significantly lower numbers of people than Trafford and the English average share equally in this wealth. In addition, people in these areas are less likely to live healthy and fulfilling lives.

The Index brings out the detail, supporting more sophisticated and focused policy.

Which do you think is better?
What now?

The next steps involve us working together

Have an idea you want to explore further?

Want to collaborate on any of our ideas?

Get in touch

Join the conversation
@GrantThorntonUK
#VibrantEconomy

Want to share your ideas more widely?

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Sacha Romanovitch
CEO
T +44 (020) 7728 2355
E sacha.vromanovitch@uk.gt.com
@romanovsun

Adam Jackson
Director of Public Affairs and Policy
T +44 (020) 7728 2385
E adam.e.jackson@uk.gt.com
@Adam_E_Jackson
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