

Treasury Select Committee – Regional Imbalances in the UK Economy inquiry Written evidence submitted by Barclays

Barclays is a transatlantic consumer and wholesale bank with global reach, offering products and services across personal, corporate and investment banking, credit cards and wealth management, with a strong presence in our two home markets of the UK and the US. With over 325 years of history and expertise in banking, Barclays operates in over 40 countries and employs approximately 83,500 people. Barclays moves, lends, invests and protects money for customers and clients worldwide.

Barclays Backing the UK – Introduction

When the societies where we operate succeed, Barclays succeeds. That is why, for over three centuries, we have risen to the challenges that our communities face. This is particularly true in the United Kingdom, where we help the 23 million customers and one million small businesses, who put their trust in us, every day.

Our work and services play an integral part in each region of the UK and it is in our interest to see each one of them grow and prosper. We believe that a balanced economy is a strong economy, and to achieve this requires a combination of factors including an upskilled workforce, sustained regional capital investment, well-supported export-led growth and close coordination between public and private spheres to progress regional infrastructure.

To play our part in reducing regional disparities we are rolling out a package of activity, comprising of dedicated regional and sectoral growth funds, tailored skills programmes and specialist support services for clients to help more of them to invest and grow.

Barclays recognises the importance of addressing regional imbalances and supports the Committee's focus and dedication to this. We have decided not to respond to all of the questions listed under the terms of reference. Instead, we have focused our attention on the key areas where we will feel we have the most to offer – through case studies, learnings, tailored interventions and data. We have also provided an overview of Barclays' impact and footprint across the UK. Two thirds of the UK's financial services sector is based outside the capital, and it is easy to forget the role that financial services play in nurturing and supporting regional growth.

In our response, we refer to our *Building Thriving Local Economies* initiative, which launched in September 2018. We understand that the data we uncover from this initiative may fall outside of the timeframe for this particular inquiry, but we would be more than happy to share what we find over the upcoming months to help inform the Committee's future work. It also focuses on individual communities rather than regions as a whole; however, we hope that our insights can be applied across multiple locations.

The questions we have addressed in our response are as follows:

- ***Inquiry question:*** *What lessons can be learnt from the success or otherwise of programs designed to promote regional economic growth so far? What are the future interventions that the UK should consider?*
- ***Inquiry question:*** *How effective have regional bodies, for example combined authorities, cities, Local Enterprise Partnerships, been in promoting strong growth across all areas of the UK?*
- ***Inquiry question:*** *What are the most significant regional imbalances in the UK i.e. is it the imbalance between London/southeast and other regions; between towns and cities; or between urban and rural areas?*
- ***Inquiry question:*** *What light does new regional economic data being produced shed on regional imbalances?*

Barclays' footprint across the UK

- We serve 23 million customers and a million small businesses.
- In 2017, we added £13.6bn to the UK economy, and our banking services sparked a further boost of at least £53.9bn.
- From our branches to our technology centres and trading floors, we directly employ over 48,000 people in high quality jobs. Our new Glasgow campus will accommodate up to 2,500 people, doubling our workforce in Scotland.
- We lead the largest network of business Relationship Managers of any UK bank with 1,500 local experts ready to help businesses in every town and city.
- Our £14bn nationwide SME fund was launched earlier this year to reinforce our commitment to local businesses.
- Hosted over 100 Building Business Resilience Clinics across the country to support businesses through Brexit.
- Our 24 Barclays Eagle Labs provide a community resource for inventors, innovators and mentors nationwide.
- Last year, we established a new trade centre in Birmingham dedicated to helping over 1,000 UK businesses to export.

Barclays' locations

We fully believe in the power of regional employment and our multiple sites across the UK show this. Barclays' takes a sustained, holistic approach to investing in these areas, and where possible we try to support the broader community, beyond our staff members. We care about the communities we operate in, and wish to see our investment in our sites as an opportunity for the local area as a whole, rather than just for our business.

Barclays in the North West

Radbrooke, Barclays Technology Centre

We realised many years ago that technology and digital capability were becoming intrinsically linked to modern life and the skills required for this would be in high demand. The Barclays Technology Centre in Knutsford, Cheshire has historically had a workforce of around 2,500 people, and in the past two years we have increased that to nearly 5,000 roles, including areas like software development and cyber. We have also welcomed over 500 apprentices to the site – with a strong and growing percentage being women. We are now one of the biggest employers in the North West. Recently, we announced major investment plans for Radbrooke that will create a world-class place of work for even more colleagues, above our current 5,000 staff members, over the next few years.

Manchester City Centre

We have recently acquired a second site in Manchester City Centre, immediately next door to our current office. The space will have capacity to accommodate an additional 400 colleagues.

Scotland – Tradeston, Glasgow

Last year, Barclays announced plans to build a new state-of-the-art campus in Glasgow. The campus will bring colleagues from across Glasgow together in a purpose built site, which will lead to a significant regeneration of the local area. Once completed, the campus will be able to accommodate up to 2,500 additional people, doubling Barclays' current workforce in Scotland. The site will play a crucial role in developing and deploying the technology that customers and clients rely on and which is the foundation for our future success.

East Midlands - Northampton

We are currently one of the largest employers in the area, with a campus that accommodates up to 3,000 people. We are also insourcing 300 roles to the site this year. As a community, Barclays Northampton supports local companies and charities, including The Princes Trust to give young people in the area a chance to develop real life employment skills. We are also a

founding member of the Silverstone Technology Cluster, supporting high performance technology and engineering businesses in the area.

Eagle Labs UK Network

Barclays Eagle Labs are spaces to help entrepreneurs and ambitious businesses collaborate, innovate and grow. In addition to promoting collaborative innovation, the Labs enable access to, and training on, new and emerging technologies in the 'fourth industry revolution' such as AI, blockchain, 3D-printing and the Internet of Things. We now have 24 Eagle Labs across the country supporting over 500 resident businesses. Eagle Lab residents and alumni have raised c. £427m and created 318 new jobs.

22 of the 24 Eagle Labs are outside of London, and many are aligned to specific industries, which lean into regional specialities – for instance, a centre of excellence for medtech prototyping in Salford, a greentech Lab in Cardiff, and one focussed on aviation technology on the Cranfield University campus near Milton Keynes.

Besides acting as flexible work spaces, the Labs host events open to the community; for example, in 2018 we hosted over 400 AI Frenzy events, which are informal evenings for businesses and individuals interested in AI to learn more about the technology, with over 4,000 people in attendance.

Promoting regional economic growth - Barclays interventions

The below answer is aligned to the following question/s:

- ***Inquiry question:** What lessons can be learnt from the success or otherwise of programs designed to promote regional economic growth so far? What are the future interventions that the UK should consider?*

Building Thriving Local Economies

We believe that economic success comes from the hard work of people and businesses in local communities around the UK. It is difficult to drive local economic success from 'the centre'; and we need to look at how this can be addressed 'from the local up'. With our *Building Thriving Local Economies* initiative, we are doing exactly that. The initiative aims to understand the drivers and barriers to local economic success and support local communities across the UK.

We will be partnering with local stakeholders such as community and business groups, schools and college leaders and local authorities to learn about different types of economies and commit to action on the ground – beyond our day-to-day products and services – to help

those economies thrive. It will be delivered through four pilot areas in geographically different parts of the country. One will be in a metropolitan area; one in a town; one in a rural area and one in a coastal community. We have already launched two pilots, in Bury, Greater Manchester (metropolitan pilot) (September 2018) and Kilmarnock, Scotland (town pilot) (June 2019). We are due to announce our additional pilots in coastal and rural areas in the coming months.

We will undertake local research in each area to better understand the economy on the ground and develop insights into the key opportunities and challenges, which exist in different areas. These insights will inform specific actions which Barclays will commit to deliver on the ground in each pilot. These core actions or pillars, which focus on skills development, training opportunities, raising aspirations and helping businesses to scale, will be independently measured, so that we can assess the impact of our interventions over time. We intend to share this information with local stakeholder partners and national decision-makers. However, we understand that some of the things that we do will succeed; and some will fail. We believe it will be every bit as valuable to learn from what has not worked as what has.

Our first pilot: Bury, Greater Manchester – Metropolitan pilot

We launched our first pilot in Bury, Greater Manchester in September 2018. We decided on Bury, as it is broadly typical in terms of metrics across income, employment, educational attainment and business start-up level to other areas. As a result, what we learn in this first pilot should not only be relevant to Bury, but will hopefully be of use to a broad range of other places across the UK.

Highlights of our actions in Bury include a collaboration with the Cambridge Judge Business School, to create the Barclays Scale Up Academy, which five Bury SMEs have attended to receive coaching in management skills to help them strategically lead and grow their business. We have also provided intensive employment interventions through our LifeSkills programme. We have mentored students from 11 secondary schools – predominantly working with Looked After Children and Year 9 students who were performing below their target level – in financial capability training, CV writing and interview techniques, as well as helping to develop their core transferable skills such as problem solving and creativity. We hope to continue our work with another group of students across Bury schools in the new academic year.

Our second pilot: Kilmarnock, Scotland – Town pilot

Our second pilot launched in June in Kilmarnock, Scotland. According to research conducted by YouGov with SMEs in Kilmarnock, just three in ten (28%) businesses feel optimistic about the local economy citing Brexit (43%) and rising wage demands (41%) as the biggest challenges facing them in the 12 months ahead. The research also showed a particular concern around skills, only one in ten (12%) of Kilmarnock organisations think applicants have the right skills to match their jobs and 72% of organisations think school children are not effectively prepared

for the world of work.¹

Our first tailored intervention in Kilmarnock will therefore be bespoke LifeSkills sessions for 12-14 year olds delivered across all Kilmarnock high schools starting in September 2019. The activity will be aligned to Skills Development Scotland's Certificate of Work Readiness and our objective is to boost the aspirations of children and adults by introducing bespoke interventions to help them be ready for the future world of work, and match the skills that businesses nationwide are seeking. As the pilot progresses, we will look to expand our interventions. For example, we will explore what more can be done to support start-ups, SMEs and entrepreneurs through bespoke business growth support.

LifeSkills created with Barclays

The Barclays LifeSkills programme aims to support 11-24 year olds by equipping them with the core, transferrable skills needed for the workplace, such as CV writing and interview skills, problem solving and creativity. Working with teachers, parents and businesses, we provide free tools, tips and work experience opportunities to help boost a young person's confidence, motivation and employability. Since 2013, more than 8.3 million young people have participated in the programme. Later this year, we will be extending the programme to the whole of the UK workforce. Last year, LifeSkills and NatCen published a report into the scale and nature of the employability skills gap across the UK; you can read the findings [here](#).

Supporting SMEs

Barclays has launched several funds designed to support the UK's SMEs. Nationally, we launched a £14bn SME fund to reinforce our commitment to local businesses, the backbone of our economy. Broken down by sector and region, our finance funds available to businesses in 2019 include a £1bn Housing Delivery Fund, a £500m Northern Powerhouse Fund, a £370m Midlands Growth Fund, and a £200m Agricultural Fund.

We also provide support through events and sessions, which aim to provide practical advice as well as facilitating business networking. We have hosted a range of business clinics focusing on cyber security and digital capabilities, and most recently, we hosted over 100 Building Business Resilience Clinics across the UK to support businesses through Brexit. The clinics focus on managing cash-flow and working capital, exporting goods abroad, supply chain management and labour.

Eagle Labs Global Connect programme

In July, Barclays announced the launch of our Global Connect programme, consisting of tailored three-day events in San Francisco to help UK start-ups tap into one of the world's

¹ *Barclays launches first Scotland pilot to supercharge economies in local towns*, 11 June 2019 - <https://home.barclays/news/press-releases/2019/06/barclays-launches-first-scotland-pilot-to-supercharge-economies/>

leading innovation ecosystems.

Each Global Connect programme will focus on a key industrial sector or region of the UK. Barclays aims to deliver up to three by the end of this year, with up to 20 UK entrepreneurs taking part in each. Places are open to any high-growth UK start-up, whether they bank with Barclays or not.

The first Global Connect programme will take place in September, made up of leading agritech businesses that aim to boost productivity in food production and farming. The second cohort will be comprised of entrepreneurs based in the Manchester area, identified by local marketing agency MC2 to showcase the talent of one of the UK's regional economies.

Regional bodies and initiatives – Barclays' partnerships

The below answer is aligned to the following question/s:

- ***Inquiry question:** How effective have regional bodies, for example combined authorities, cities, Local Enterprise Partnerships, been in promoting strong growth across all areas of the UK?*

We believe that regional bodies have a role to play in promoting regional growth and reducing disparities. They are primed to deliver growth, provide tailored interventions and sharpen local efforts to help growth. However, the effectiveness of each of these bodies will vary and will heavily depend on the individual organisations.

It is vital that the private sector contributes to delivering strong growth across the UK too. Barclays collaborates in various ways with combined authorities, Local Enterprise Partnerships (LEPs), the British Business Bank and the devolved nations to achieve this. We are also supporters of several regional Government initiatives.

Northern Powerhouse

Barclays was the first bank to become one of the Government's official partners in the Northern Powerhouse scheme, and we have a Barclays' representative on the Northern Powerhouse Partnership Board.

In May 2018, we announced a £500m Growth Fund for SMEs across the North of England. The five-year initiative offered small and medium sized local businesses a range of lending options that support day-to-day cashflow, expansion, investment and growth as well as support from a team of over 500 dedicated regional Relationship Managers.

Midlands Engine

Barclays launched a dedicated £370m Midlands Growth Fund for SMEs to help generate sustainable economic growth across the region. We did this to boost the government's Midlands Engine Investment Fund (MEIF). We also offered SMEs access to our business expertise and support through our team of 320 Relationship Managers as we look to help create even more support for business growth at all stages of the supply chain, and to realise the region's potential to achieve economic growth through enterprise.

Supporting regional growth and enterprise

The below answer is aligned to the following question/s:

- ***Inquiry question:*** *What are the most significant regional imbalances in the UK i.e. is it the imbalance between London/southeast and other regions; between towns and cities; or between urban and rural areas?*
- ***Inquiry question:*** *What light does new regional economic data being produced shed on regional imbalances?*

Regional differences

Although there may be imbalances between the capital and other regions, between towns and cities; or urban and rural areas, we feel it is important to acknowledge that there are also differences within regions themselves. These variations will hinge on the different types of industries, ambitions and leadership capabilities of the individual areas. Many areas may be entrepreneurial in nature but have different levels of access to growth funding or support.

When considering business development in the regions, there tends to be a focus on the levels of growth funding. However, there also needs to be consideration around the broader support available such as education/mentoring on leadership and management capabilities. The skills agenda is vital in terms of economic growth and improving productivity. We are keen to see education providers and businesses work closely together to ensure students are leaving the education system with the skills businesses are looking for in order to address future employment needs. It can be challenging to engage with businesses on this but it is something that needs addressing in the long term. There also appears to be a perception that LEP Growth Hubs are for start-up businesses only but there needs to be better awareness of their broader reach. We believe the LEPs, intermediaries and banks play a key part in generating this awareness and interest.

Barclays Investment Bank

Investment banks are vital in ensuring local economies can grow and maximise their potential in creating jobs, building infrastructure and developing industries. When businesses in all parts

of the country want to expand and fulfil their ambitions, they often use the power of the capital markets to do so. The ability to access global capital markets gives UK regions the ability to thrive and amplify their potential. This function works best when the bank has a deep understanding of the region and has strong commercial links through its Business and Corporate Bank. We are proud to be the UK's only domestic investment bank, which makes us uniquely placed to assist businesses grow to their full potential, wherever they may be based.

Regional capital markets

There is an assumption that capital markets are only of benefit to London and can be a cause of the disparities between the capital city and other regions. However, this is a misconception, with capital markets playing a crucial role in channelling investment across the UK economy. In essence, capital markets have a significant role in everyone's day-to-day lives.

Last year Barclays published a report '*The impact of capital markets on the real economy in the UK*' with the think tank New Financial. The report highlights the relevance of capital markets to people's lives in the North West. It discovered:

- Capital markets have provided support to over 900 companies that are based or have significant operations in the North West – these companies employ more than 600,000 people.²
- Approximately, one million jobs in the region are supported by companies that use capital markets.³
- More than 100 companies based in the North West have raised more than £35bn in the equity, corporate bond and syndicated loan markets over the past five years. ⁴
- An estimated £3bn a year is provided for local infrastructure funding through capital markets, and £1bn a year is invested in local commercial real estate by asset managers.⁵
- Capital markets play a role in consumer credit, more than £80bn of mortgages, nearly £10bn in lending to SMEs, and nearly £10bn in annual insurance premiums. ⁶

Conclusion

² '*The Impact of Capital Markets on the Real Economy in the UK*', June 2018, Barclays and New Financial – page 3

³ Ibid.

⁴ Ibid.

⁵ Ibid.

⁶ Ibid.

- Barclays believes that a balanced economy is a strong economy, and to achieve this requires a combination of factors including an upskilled workforce, sustained regional capital investment, well-supported export-led growth and close coordination between public and private spheres to progress regional infrastructure.
- We are playing our part in reducing regional disparities by rolling out a package of activity, comprising of dedicated regional and sectoral growth funds, tailored skills programmes and specialist support services for clients to help more of them to invest and grow.
- Regional bodies have a role to play in promoting regional growth, but it is vital that the private sector contributes to delivering strong growth too. Barclays collaborates in various ways with combined authorities, LEAs, the British Business Bank and the devolved nations to achieve this. We are also supporters of several regional Government initiatives.
- Capital markets play a significant role in everyone's day-to-day lives despite the misconception that they are a cause of the disparities between the capital city and other regions.