



NatWest
Group

Local Powers, Local Investment? Business leaders' views on fiscal devolution

NatWest Group plc

Public Policy Insight Report

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Foreword

Paul Thwaite, Chief Executive Officer of NatWest Group

Across the country, the case for stronger, more balanced growth has never been clearer. While national policy sets the direction, growth is ultimately built locally – shaped by regional leadership, business confidence and the ability to turn ambition into action.

This report shows clear support from business leaders for shifting power closer to place. Fiscal devolution is not viewed as an abstract governance debate, but as a practical enabler of investment. The findings highlight business's views that greater local control over funding can create the certainty, long-term planning and clearer investment pipelines that investors need. Many also point to the importance of meaningful engagement between businesses, metro mayors and combined authorities – recognising that regional economies are diverse, with distinct industrial strengths and priorities that demand place-based solutions. That is why fiscal devolution matters. Combined with real financial firepower, it has the potential to act as an investment multiplier – creating the conditions for growth to accelerate across every region.

At NatWest, we see first-hand how local conditions shape growth. As a long-standing partner to businesses, communities and regional leaders, we believe banks have an important role to play — connecting capital with local ambition, supporting investment in infrastructure and housing, and helping turn devolved plans into long-term, sustainable growth.



Businesses back regional leadership

65%

of business leaders in England agree that giving regional leaders more control over funding and investment decisions would improve investor confidence in their region.

65%

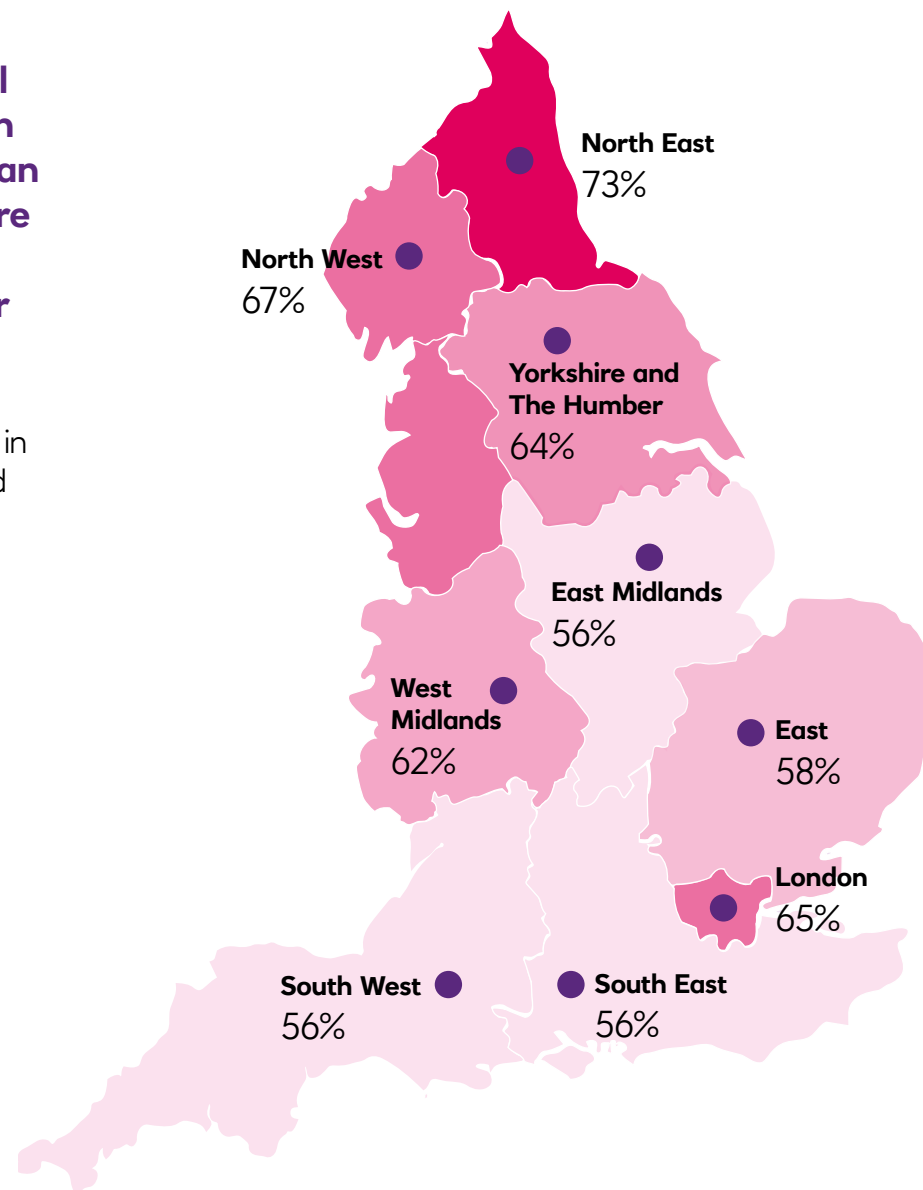
of business leaders say that their organisation would be more likely to invest locally if regional leaders had more stable, long-term funding agreements.

64%

of businesses in England feel that local politicians, such as metropolitan or regional mayors should be given more control over investment decisions that affect their region.

Proportion of business decision makers who feel that local politicians, such as regional or metropolitan mayors, should have more control over investment decisions that affect their region.

Support was highest in the North East, at 73%, and lowest in the South East, South West and East Midlands at 56%.



Why fiscal devolution? Why now? A business perspective

The UK is one of the most centralised economies in the G7, with the vast majority of tax revenues raised and allocated by central government. As such, UK local and regional governments control far less tax revenue and have fewer economic levers compared with other advanced economies. Analysis by the Organisation for Economic Co-operation and Development (OECD) shows that the UK's highly centralised system makes it harder for regions to grow¹.

This limits local investment, weakens productivity outside London, and drags down overall UK growth. Centre for Cities analysis shows that large cities outside the capital underperform their G7 equivalents so significantly that they act as a drag on national productivity, rather than being the engines of growth seen in comparable economies².

Across those comparable economies significantly increasing fiscal devolution is associated with an approximately 3% higher GDP per capita, with the strongest growth effects occurring when local areas possess revenue-raising powers, rather than responsibility for spending alone³.

This has been recognised by successive UK Governments. Under George Osborne, the 2014–15 devolution deals and the creation of directly elected metro mayors marked the first step towards decentralising economic decision-making, alongside limited fiscal flexibilities such as retained business rates growth. Michael Gove built on this agenda through the Levelling Up White Paper and the introduction of deeper, more standardised devolution deals, including single departmental-style settlements and greater local control over transport and skills funding.

Now, current Chancellor of the Exchequer, Rachel Reeves, has signalled renewed ambition to go further, committing to stronger mayoral authorities, potential multi-year settlements, and a clearer role for devolved institutions in driving economic growth. As the current government pursues an ambitious growth mission and encourages existing devolved authorities to develop their own plans for growth, there is increasing recognition that continued over-centralisation risks putting these objectives out of reach.

In her 2026 Mais Lecture, the Chancellor confirmed plans to publish a fiscal devolution roadmap at the next

UK Budget, placing decentralisation at the heart of the UK's Industrial Strategy⁴. The government has said that 'devolution by default' will ensure all parts of England benefit from some level of strategic devolution by the end of the current parliament⁵. Currently, 15 combined authorities and the Greater London Authority have devolution deals in place.

Academic and economic analysis has made a compelling case that empowered regions are better able to translate opportunity into productivity and growth. However, an important perspective has been underrepresented in this conversation: the voice of business.

This report responds directly to that gap. It sets out the results from a poll of 1,501 business leaders across England, asking them to consider their existing combined authority, or the prospect of one being created. As HM Treasury and ministers develop the forthcoming fiscal devolution roadmap, this report is intended to help inform that work by ensuring business representation is clearly reflected in the design of future arrangements. And for combined authorities, this report seeks to outline what will be required to ensure businesses are confident and ready to invest.

Businesses are the engines of economic growth. They create jobs, foster competition, generate wealth and drive regional productivity. They are often also best placed to identify where local decision-making could unlock growth – whether through skills provision, infrastructure or innovation support. Without business insight, fiscal devolution risks becoming a purely institutional exercise, rather than a practical tool to support growth on the ground.

As a bank with customers across every nation and region of the UK, NatWest Group sees firsthand how growth is shaped by local conditions. Through our nationwide network of NatWest Accelerator hubs and close engagement with high-growth and scaling businesses, we gain direct insight into what firms need to expand, innovate and create jobs. Supported by regional boards, sector expertise and place-based engagement, NatWest Group understands both the barriers that businesses face and the opportunities that effective fiscal devolution could unlock.

(1) OECD (2024) OECD Economic Surveys: United Kingdom 2024.

(2) Centre for Cities (2024) Climbing the Summit: Big Cities in the UK and the G7.

(3) OECD (2023), Decentralisation and Economic Growth – Part 2: The Impact on Economic Activity, Productivity and Investment.

(4) HM Treasury & The Rt Hon Rachel Reeves MP (2026) Mais Lecture 2026.

(5) Ministry of Housing, Communities & Local Government (2024) English Devolution White Paper.

Business leaders think regional leaders understand their priorities, and over half would be more likely to invest if regions could determine their own investment spend

74%

of business leaders in England agree that regional leaders are better placed than central government to understand local economic priorities.

70%

of business leaders said that clearer, long-term control over funding and investment decisions for regional leaders would lead to better-informed economic decisions locally.

51%

of business leaders said that their organisation would be more likely to invest if regional leaders were given control of local regeneration or investment funds.

NatWest Group commits £20 billion to drive growth across the North of England over the next decade.

The commitment, announced at the Great North Investment Summit, reinforces our role as a long-term partner to local and regional governments, businesses and investors across the North.

The £20 billion funding commitment will support investment across all Northern Combined Authorities, including Greater Manchester, Liverpool City Region, West Yorkshire, South Yorkshire, the North East, North Yorkshire and Tees Valley. NatWest Group also aims to play a coordinating role for institutional and private capital, pooling activity across regions where appropriate to improve the scale and efficiency of investment projects.

Areas of focus include energy, transport, infrastructure, regeneration and housing, with the funding commitment supporting the UK's ambitions to build stronger, more productive regional economies and forming part of our Growing Together strategy to drive UK economic growth.



Regional leaders need to do more to improve business confidence in their ability to manage public investment

Despite strong support for regional decision making, business confidence in combined authorities' ability to manage public investment remains mixed. Findings from our polling of business leaders show that across England, 56% said they were confident in the ability of local mayors, or proposed combined authorities, to manage public investment, while 31% said they were not. Confidence was higher among respondents located in areas with established Mayoral Combined Authorities (60%) than among those in areas without them (49%), suggesting that track record and institutional familiarity shape perceptions of delivery capability.

This caution among business leaders also reflects a wider lack of confidence in the UK economy. Data from the Office for National Statistics' Business Insights and Conditions Survey shows that in March 2026, only 23% of UK businesses were confident that the UK business environment would create favourable conditions for investment over the following 12 months⁶, underlining that business confidence remains fragile. This wider context reinforces the importance of Mayoral Combined Authorities demonstrating credible delivery if they are to build trust with local firms.

This highlights a clear challenge for policy makers. While devolution is widely welcomed by businesses, confidence in delivery cannot be assumed and will need to be actively built at the MCA level. This is particularly important given the potential economic returns at stake. Analysis by the Office for Budget Responsibility indicates that, over the long term, every £1 of public investment could crowd in up to 30 pence of additional private sector investment, but only where investment decisions are well governed and projects are delivered effectively⁷. Where confidence in local capability is weak, the growth benefits of devolved powers risk being undermined.

For MCAs, this means clearly demonstrating their capability to manage devolved responsibilities and showing how devolution will make a practical difference for local businesses, through sustained engagement linked to meaningful outcomes. The local growth plans required of all MCAs therefore provide a critical opportunity to set out a strong, credible offer to business and to evidence delivery against local priorities.

Central government also has a role to play, particularly in supporting new MCAs to engage effectively and ensuring businesses understand the opportunities these institutions can unlock. The UK Government's Annual Report on English Devolution 2024–25 recognises that while devolution coverage has expanded, MCAs vary significantly in institutional maturity and delivery capability, and that targeted central support is required to strengthen governance, accountability and business engagement, especially in newer authorities⁸.

Support for fiscal devolution among business leaders is clear. However, our polling shows a gap between enthusiasm for local control and confidence in delivery, and wider evidence suggests this gap could limit the effectiveness of devolution in driving growth. To translate devolved powers into investment and economic impact, MCAs will need to earn business leaders' trust through credible plans, meaningful engagement and consistent delivery on the ground.



(6) Office for National Statistics (2026) Business Insights and Conditions Survey March 2026.

(7) Office for Budget Responsibility (2025) Public investment and potential output: feedback and developments. Paragraph 4.

(8) Ministry of Housing, Communities and Local Government (2025).

Business leaders are keen to engage with combined authorities and inform their plans for growth

69%

of business leaders told us that they wanted to be involved in shaping future local growth plans.

71%

told us they would value structured opportunities to engage with regional Mayors. This figure was higher in areas with an established Combined authority presence (74% vs 67%).

Taken together, these figures point to a clear opportunity for Mayoral Combined Authorities (MCAs). As analysis undertaken by the Institute for Government has shown, where MCAs respond to this interest in structured engagement effectively, they can strengthen investor confidence. This can help accelerate delivery by shaping policies grounded in businesses' realities. Mayors who bring businesses into the design of growth plans are better able to turn devolved powers into credible, investable projects – particularly in areas such as regeneration, transport-linked development and innovation growth⁹.

Existing Mayoral Combined Authorities show how structured engagement with business can support credible growth plans. Greater Manchester Combined Authority (GMCA), for example, has worked closely with businesses, investors and pension partners to shape its economic strategy and investment pipeline. In 2024, the Mayor of Greater Manchester launched the £1 billion Good Growth Fund, backed in part by long-term local government pension assets, including the Greater Manchester Pension Fund. The fund is designed to crowd-in private capital while supporting regeneration, transport-linked development and innovation-led growth¹⁰.

This model shows how MCAs can align business engagement, patient capital and devolved powers to boost investor confidence and accelerate delivery – strengthening the case for greater flexibility where delivery is proven.



(9) Institute for Government (2026), Learning from the DevoLab: How mayors can secure investment into regional economies.

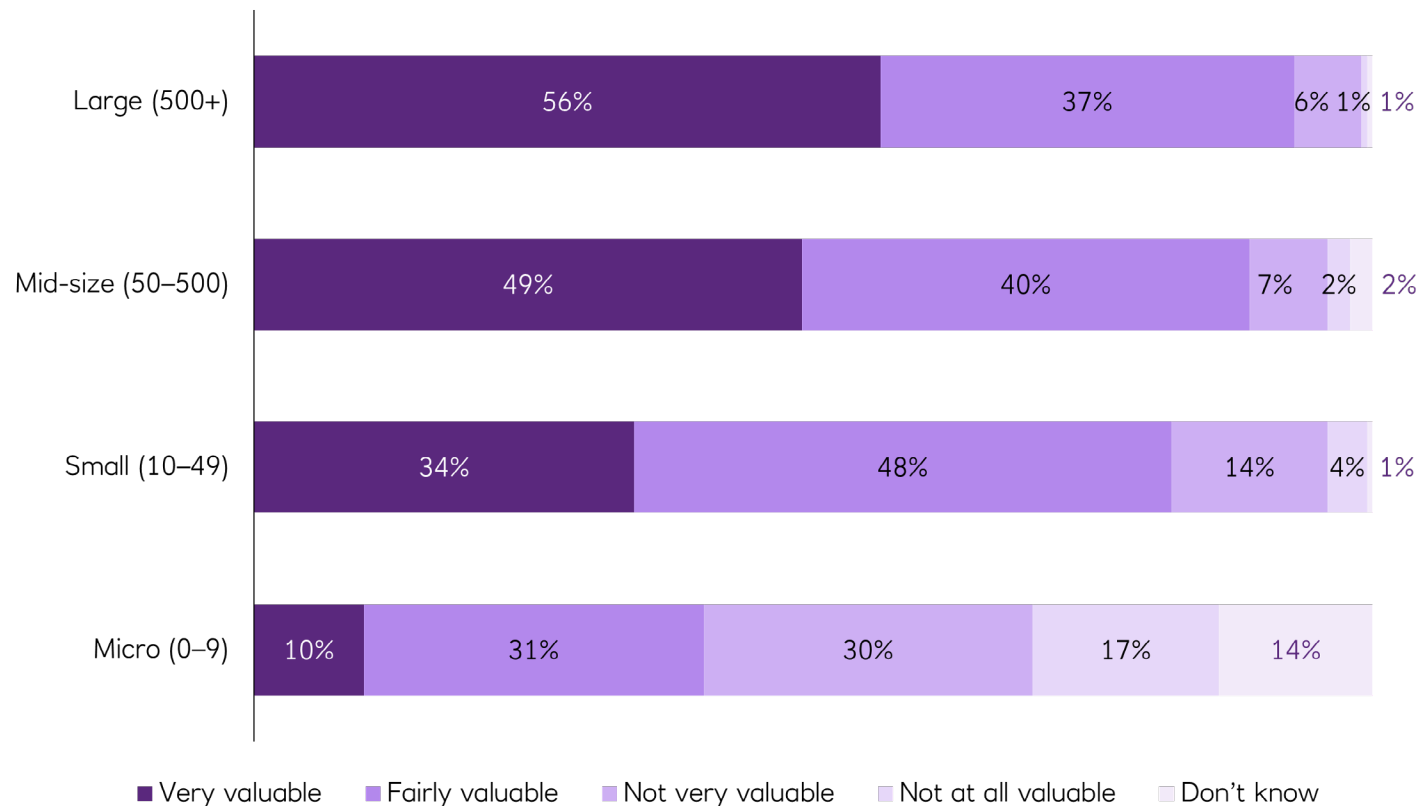
(10) Greater Manchester Combined Authority (2025) Greater Manchester Good Growth Fund.

Larger firms are more likely to see value in engaging with Mayors on local growth priorities

Larger businesses are more likely to see value in opportunities to engage with local leaders than small or micro businesses. This may largely reflect the corporate capacity to engage, which small businesses may not feel they have.

This points to a clear need for MCAs to better articulate the practical benefits of engagement for smaller firms and to design approaches that reflect their capacity and priorities.

How valuable would it be for your organisation to have more structured opportunities to engage directly with local leaders (e.g. regional or metropolitan mayors) on local growth priorities?



Figures may not sum to 100% due to rounding.

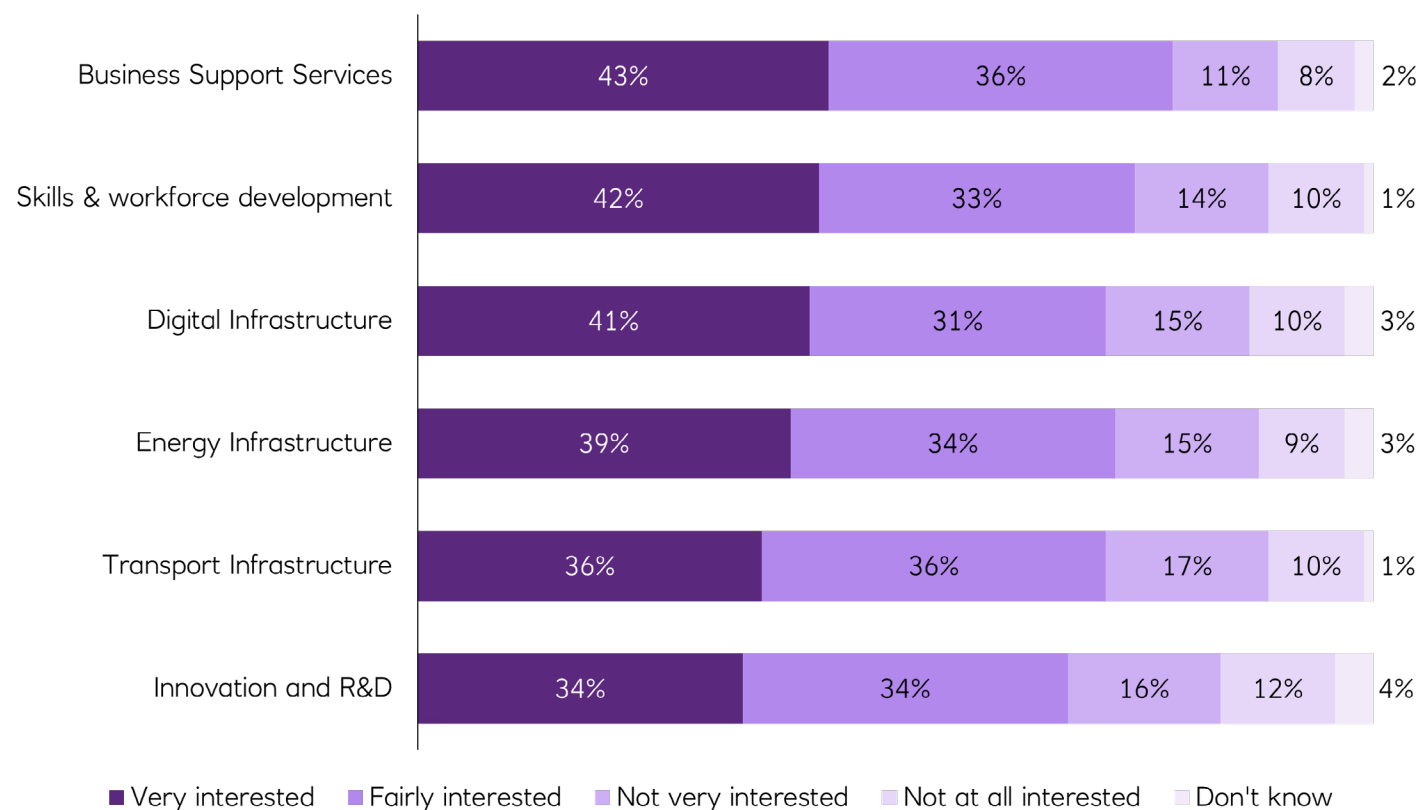


Businesses are keen to engage with combined authorities on a range of issues

In areas with established combined authorities, businesses are keen to engage with mayors across a range of economic development priorities. Interest is strongest in business support services (79%), and in skills and workforce development (75%).

This focus on skills should be welcomed by MCAs, as skills budgets are typically among the first responsibilities to be devolved and therefore amongst the most mature and developed regional powers. However, the results also highlight a broader opportunity: where meaningful channels for engagement exist, businesses are willing to contribute to and help shape policy across a wide range of economic decisions in their area.

How interested is your organisation in engaging with local leaders, such as regional or metropolitan mayors, on the following aspects of local economic development?



Figures may not sum to 100% due to rounding.



Recommendations for policymakers

Business leaders broadly support greater fiscal devolution and see local decision making as a potential driver of investment and growth. However, this support is not yet matched by consistent confidence in the ability of regional institutions to manage public investment, particularly in areas without established combined authorities. For devolution to support growth, it must translate into greater certainty, clearer investment pipelines and credible delivery from a business perspective. Stable funding, earned devolution and well-designed engagement can help close the gap between enthusiasm for devolved powers and confidence in delivery, ensuring regional decision-making supports long-term private investment and sustainable local growth, rather than simply reshaping institutional responsibilities.

For UK Government

Provide longer-term funding certainty through multi-year integrated settlements

Businesses consistently link stable, long-term funding with stronger local decision-making and a greater willingness to invest. While combined authorities are responsible for delivery, the certainty businesses value is shaped largely by national funding frameworks. As part of the fiscal devolution roadmap, HM Treasury should move towards longer, predictable multi-year integrated settlements for MCAs. This would reduce reliance on short-term competitive funding and allow authorities to plan and sequence investment more effectively, giving businesses greater confidence in local pipelines.

Link further devolution to demonstrated delivery and engagement

While support for devolved decision-making is strong, only 56% of business leaders are confident that local mayors or proposed combined authorities can manage public investment effectively. Confidence is slightly higher in areas with

established MCAs, suggesting that trust builds over time through experience and delivery. The fiscal devolution roadmap should reflect this by phasing in additional powers and funding flexibility where MCAs can demonstrate strong governance, meaningful business engagement, and delivery against agreed investment priorities. This approach of incrementally ‘unlocking’ further business-facing powers would allow successful MCAs to access additional fiscal levers. In turn, this would help build institutional capability while sending clearer signals to investors about where central government has confidence in local delivery.

Ensure national policy frameworks reinforce local growth strategies

National decisions on fiscal devolution, planning reform and sector-focused investment should align clearly with MCA growth priorities. Greater coherence between national frameworks and local plans would help reinforce business confidence that devolved arrangements are stable, joined up and supported across government.

For Mayoral Combined Authorities

Design business engagement around differing capacity levels

Larger firms are more likely than mid- and small-sized businesses to see value in engaging with regional leaders, reflecting differences in capacity and familiarity rather than interest. Without proportionate engagement approaches, MCA activity risks being shaped by a narrow set of voices. MCAs should be clear about how mid-sized and smaller firms can engage and how that engagement will lead to practical outcomes rather than consultation alone.

Use local growth plans to set out a clear and practical offer to business

Businesses are most interested in engaging on practical growth drivers, particularly business support, skills and workforce development, and infrastructure. Local growth plans provide an important opportunity for MCAs to set out clear priorities, routes for engagement and delivery plans. Used well, these plans can help businesses understand how devolved powers will be applied in practice and how engagement will shape investable projects over time.

As a major lender and long-term partner to businesses across every region and sector of the UK, NatWest Group sees directly how confidence, certainty and credible local delivery shape investment decisions. Stronger, more predictable devolved frameworks, combined with clearer local investment pipelines and meaningful business engagement, can improve the conditions under which firms are willing to invest and grow. This is vital for building the economies of the future, channelling capital to support the growth of regional innovation clusters, powering dynamic local economies by supporting and unlocking innovation.

NatWest Group is well placed to support this agenda by continuing to share insight from its business customers, working with combined authorities to strengthen investment readiness, and helping translate devolved growth ambitions into projects that are financeable, investable and capable of delivering sustainable regional growth.

Through our new Venture Banking proposition, our Accelerator network and university partnerships, IP backed lending and Open Innovation, plus our network of Regional Boards and relationship managers across the UK, we’re enabling both the flow of investment to regional businesses and providing the support and expertise to make it count.

Additional information

The poll referenced in this report was carried out by Diffley Partnership between 4th–17th April 2026. Results reflect the responses of 1501 senior decisionmakers in businesses based in England.

Disclaimer

This document may include forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, such as statements with respect to NatWest Group's strategic priorities and climate and sustainability-related commitments and ambitions described herein. The commitments, expectations and trends discussed in this document represent NatWest Group plc management's current expectations and are subject to change, including as a result of the factors described in the NatWest Group plc Risk Factors in the 2025 Annual Report and Accounts (NWG 2025 ARA). These statements constitute forward-looking statements. Refer to the Forward-looking statements in the NWG 2025 ARA.

NatWest Group's Public Policy Insight

NatWest Group's Public Policy Insight offers clear timely analysis to help inform UK policymaking. Using NatWest Group's customer data, close links with businesses, and robust economic analysis, the team turns real economy evidence into practical insights for policymakers and stakeholders.

For any queries or further information, please contact publicpolicyinsights@natwest.com.



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