Written evidence submitted to the BEIS Select Committee by the Institution of Engineering and Technology (The IET)

Regional investment and growth

INTRODUCTION

The Institution of Engineering and Technology (IET) is a charitable professional engineering body representing 170,000 members worldwide, over 80% live and work here in the UK. Working to engineer a better world, we seek to inspire, inform and influence the global engineering community for the benefit of society.

We welcome this opportunity to provide input and evidence to the BEIS Select Committee. Proud members of the All-Party Manufacturing Group, our contribution to this inquiry has been formulated by experts from the IET’s Manufacturing Policy Panel and its Design and Production Sector Executive Committee. We would welcome the opportunity to present further details on the points raised herein.

1. What is the role of the Government in addressing regional disparities for businesses across the UK? Does devolution of powers, including City and Region Deals, the Northern Powerhouse, and Midlands Engine, provide LEPs and other bodies with the tools they need to deal with the issue?

ENCOURAGE GREATER COLLABORATION, RATHER THAN COMPETITION, BETWEEN PLACES.

1.1 “It is not the Government’s job to tell places what they need or what they are good at. They already know this better than anyone. However, through the Industrial Strategy, Government can work with them to help them build on their unique strengths”.¹

1.2 Technology and innovation transcend geographic, political and economic boundaries. Accordingly, a traditional, simplified approach to the Regions is no longer appropriate.

1.3 We applaud the Government’s adoption and promotion of place-based initiatives through the Industrial Strategy. These must build on local circumstances, situations and strengths and will look quite different and separate, when placed side-by-side and viewed from afar.

1.4 Stripping back multi-layers of government can only help this approach. Businesses require clarity, certainty and stability. A multiplicity of authorities and organisations increases confusion, uncertainty and risks reinstating competition between places rather than encouraging greater collaboration. Government should incentivise places to do this.

SET NATIONAL STRATEGIES AND DELIVER THEM (NATIONALLY)

1.5 A national Industrial Strategy is hugely important. It provides vital intent, investment and direction to enable business, academia and government-backed organisations to move forward. Additional financial resources are needed to supplement the existing Strategy to fund additional Sector Deals and the emerging Local Industrial Strategy bids. Bold action and
investment by Government here can encourage more businesses to start and existing business to expand and diversify, unlocking greater economic prosperity.

1.6 Infrastructure and skills require leadership, commitment and coordination on a national scale. Engineering and technology play a vital role in both. Resurgent regions will need ably-supported and nurtured entrepreneurs and businesses powered by local skills and well-planned infrastructure – both physical and digital.

1.7 Improved transport infrastructure benefiting London and the South East (Crossrail, HS2) needs now to be matched by continuing investment in the North, notably to enable better East-West communications, linking together several northern cities (rather than linking each to London).

1.8 For skills, properly-funded schools and FE colleges are vital. Prompt action to provide greater flexibility for employers in respect the Apprenticeship Levy is needed together with a boost to ensure the success, mass appeal and take-up of new T-levels.

1.9 Systemic changes within several industries e.g. the UK’s automotive sector threaten the economic equilibrium of regions and places. Investment in clusters whether local or sub-regional will help to retain displaced workers and enable existing and new high skill businesses to blossom and grow.

1.10 Consider further relocation of Government departments and procurement to the regions.

2. Are there barriers to new businesses being established in less-productive areas? How does clustering affect other businesses in that region, for example: are Catapult Centres widening or limiting investment in their local areas?

RECOGNISE AND HELP REPLICATE EXEMPLARS

2.1 What works well in a region, cluster or place isn’t something someone setting up a new business might know about or gain inspiration from. Places would do well to create awareness of their specialities, capabilities and opportunities, not least with Government.

2.2 Not all areas necessarily have a ‘playbook of success’ which they can reference. Invariably, this will mean some run the risk of simply re-inventing the wheel with the danger they may run out of steam or lose their way. Avoiding such setbacks requires operational excellence and investment certainty in delivering purposeful projects. There are exemplar eco-systems and bright-line case studies which could form the basis for such a ‘playbook’ which could then be widely disseminated and used.

2.3 The success of the Catapult centres deserves further inspection. Whilst these are national assets centred around specific industry and technology sectors, they also support businesses based in their region and locality. They offer huge potential for the future, but their impact may be limited now simply because demand for their services outstrips the level of time and resource they’re able to provide.

2.4 The High Value Manufacturing Catapult is a great exemplar with 4,421 SME engagements and £116.4m value of R&D investment secured with SMEs in 2017-18². One of its seven centres, the Manufacturing Technology Centre (MTC) based in the West Midlands, has recently established a second facility in the North West.
2.5 The Catapult’s Advanced Manufacturing Research Centre (AMRC) in Sheffield is another example of a successful eco-system, one which other areas can learn from. Its strong partnership with major investors such as Boeing, Rolls Royce and McLaren coupled with strength and depth of its strong research and development capability, means the University of Sheffield has become the UK’s most successful centre for engineering research income and investment, ahead of London, Oxford and Cambridge.

2.6 Funding and locating more MTCs and AMRCs across the country will accelerate business growth and help generate greater economic prosperity.

2.7 For manufacturers, a national roll-out of the Made Smarter programme, currently being piloted in the North West, remains a priority for the Government’s Spending Review and beyond.

3. Are businesses outside of cities able to access finance and attract investment? How has existing support from EU structural funds supported regional growth? Will new Government measures, such as the Stronger Towns Fund and Shared Prosperity Fund, provide effective support for growth in these areas?

ENSURE FUNDING SCHEMES ARE CLEAR, SIMPLE TO UNDERSTAND AND EASY TO ACCESS

3.1 Navigating the maze of funding schemes and the supporting organisations administering them continues to be a major challenge for many businesses. Whether these initiatives are national, regional and local, the common fault levelled is that the number of schemes is bewildering, that schemes appear overly complicated and that the application process is often lengthy and time-consuming.

3.2 The provision of funding via competitions creates some interesting conundrums too. Whilst competitions can be a useful way of promoting current and emerging causes, whether technology or challenge-based, they do not necessarily result in the long-term adoption or commercialisation of great interventions or innovations. As funding is cut off once the competition ends, good work is lost. Longer term funding for projects subject to funding formulas based on agreed key performance indicators is preferable to funding via competitions.

3.3 Structural funding from Europe has played a part in supporting such centres as the AMRC, mentioned earlier. Supplementing UK research and development post-BREXIT is vital.

4. How does the mobility of businesses to relocate within the UK and overseas affect their investment in local areas? Should local and national Government be seeking to reduce business relocation?

SUPPORT BUSINESSES WITH STAYING POWER

4.1 As BEIS’ own research has shown “the propensity of firms to relocate is relatively low. Most relocations are ‘local’ and are undertaken by smaller firms in sectors that require fewer fixed assets.”

4.2 The UK has always excelled in attracting inward investment e.g. industrial and commercial property sales and lettings to overseas businesses setting up manufacturing operations here.
More recently, we’ve seen many homegrown businesses benefit from overseas investment. There is every reason to expect this trend to continue post-BREXIT albeit increasingly decisions to invest, divest or diversify here may be made overseas.

4.3 Whilst technology costs continue to tumble, manufacturing nevertheless requires relatively high levels of investment in plant and machinery, based on present day business models. Local fiscal incentives to invest may well attract start-ups and those companies already looking to re-locate but they are unlikely to be anywhere near sufficient to shift established manufacturers to move from end of the country to another. Another important aspect is people. Often the skills required in manufacturing are quite specific and involve significant in-house training, an investment in time and people which most firms will want to retain and build on.

5. Is the Government prioritising the right areas for early Local Industrial Strategies? Will the Strategies enable areas to tackle productivity and growth disparities within regions?

HELP PEER-TO-PEER NETWORKS TO THRIVE BY PROVIDING FUNDING SUPPORT

5.1 We welcome the Government’s ambition and commitment to encourage all areas to establish local industrial strategies by March 2020. Further development and explanation as to how these potentially disparate strategies may be joined up at a national level would be invaluable. How these may dovetail or follow on from previous commitments enshrined within spending plans for wider regional initiatives such as those published in respect of the Northern Powerhouse and Midlands Engine would be most welcome.

5.2 There should be benefit in coordinating strategies that would build supply chains involving multiple organisations. That means taking a local or at least regional view of potential synergies. That will require creating awareness of local and regional capabilities, as mentioned earlier.

5.3 People remain our most powerful and resourceful asset when it comes to tackling productivity and growth disparity across the UK. Investing in leaders, improving their training, and inspiring entrepreneurial ideas and opportunities is key. So too is the UK’s relatively untapped potential for peer-to-peer learning and development, something which the IET is working on. The combination of leadership development and peer-to-peer learning at scale can play a vital role in supporting investment by business, academia and the Government.

REFERENCES

¹ The Rt Hon Greg Clark MP, Secretary of State for Business, Energy and Industrial Strategy. ‘The role of place in the Industrial Strategy’ The Journal for the Foundation for Science and Technology, Volume 22 Number 4 April 2019

² High Value Manufacturing Catapult Annual Review 2017-18 December 2018

³ Sheffield’s success flags funding gap for northern universities
https://www.ft.com/content/0d334da4-7c5c-11e9-81d2-f785092ab560
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