

Creating the right institutions to bring together sectors and places



The opportunity

The creation of a modern industrial strategy is the opportunity to ensure that we have the right institutions in place – at both national and local level – to identify emerging areas of strength, and develop policies and targeted investments to support them.

We want to ensure that in every area there are bodies which are capable of doing this, and which are empowered to work with businesses to develop options to support them.

We have never previously had a framework to enable us to create and strengthen the institutions that drive growth in sectors, places and clusters of expertise.

Every part of the UK has strong clusters and particular strengths. From the oil and gas industry of Aberdeen and the digital clusters in northern cities, to advanced engineering networks in the Midlands or cyber security industry in the South West and South Wales, there are world leading businesses in each part of the UK.

The challenge

Different clusters and places need different types of support to ensure businesses are able to employ people with the skills they need, market their goods to the world and develop the products and services of the future.

Each area and sector is different, and each needs different types of institutions to drive forward their economy. Central government must play its part, but it will never have the information it needs to identify the opportunities that emerge in different areas. Nor can central government alone provide the continuity and level of focus needed to develop a strong cluster or specialism over the long term.

Yet key lessons from industrial policy in other countries include the need for consistency and patient effort and the right institutions to support development over the long term – particularly local institutions.

Competitor economies often have better developed sectoral institutions and stronger local institutions than the UK. The creation of a modern industrial strategy for Britain is our opportunity to put this right.

Institutions for local growth

Many successful clusters around the world share certain key features.

Local business and financial institutions

- **Certain 'anchor' businesses** can play a key role in attracting skilled workers to an area, or generating spin off companies. Some anchor businesses can attract a whole supply chain to locate near them, bringing further growth to the area. The Government may be able to help build on this and support the growth of such supply chains in the UK.

Local financial institutions such as local venture capital networks and investment funds attached to specific universities can support growth.

Local leadership institutions

- **Local authorities** can help to coordinate the different things that local industries need to thrive, from planning decisions, transport and skills to investments in culture and the quality of life.
- **Local Enterprise Partnerships** create strategic plans for wider areas, including entire cities, and give businesses a direct role in shaping the future of their local communities.
- Where they exist, **Mayoral Combined Authorities** support regional planning for transport and improvements in skills.



Interest groups and advocacy groups

- **Local business associations** can play an important role in aggregating the interests of local businesses, promoting a particular cluster to the world, advocating on its behalf to government, providing training, and building networks to improve the flow of knowledge and contacts. Chambers of Commerce, other business groups, and entrepreneur networks around universities can help small business find advice and support.

Institutions that support innovation

- **Universities** can have a big impact on local growth and regeneration, including by attracting young skilled people; spinning out firms; and attracting research intensive businesses to locate in the area.
- **Government and research council labs** and other innovation institutions can contribute to the strengths of local clusters in a similar way.
- **Innovation Districts, Science Parks, Catapults and incubator spaces** can help ideas to flow and business connections to be made within a cluster. Government policy can help create these kind of opportunities for clustering.

Cultural, sporting and quality of life institutions

- **Cultural institutions** and regular events can act as a magnet for visitors, promote a cluster and help attract talented people to locate there. Media institutions like the BBC can help to anchor creative clusters, as it has done in Salford.

Connectivity institutions

- **Ports and airports** are major local employers in their own right, but better connections also help to promote trade and create jobs.

Our approach

As noted in the chapter on sectors above, national sectoral policies which have made progress – such as the automotive and aerospace sectors – achieved this through the creation of business-led institutions. We will build on such institutions where they exist, or work with business to create them where they are needed.

Similarly, we will work with local areas to identify and help develop local specialisms, putting in place the right institutions with the right powers to help support local areas of economic

strength. This may involve creating new institutions or strengthening existing ones: be they educational institutions, trade associations or financial networks.

Recognising the importance of local innovation ecosystems, the Government will encourage in particular sector deals with a strong focus on local institutions.

A case study of the institutions that support a cluster: Cambridge

The University of Cambridge and other research institutions, including the nearby Laboratory of Molecular Biology, Cambridge Science Park and Addenbrooke's Hospital are at the heart of a substantial cluster of tech and biotech businesses. The area has been among the fastest growing in the country in recent decades.

But great universities and laboratories do not automatically go on to generate substantial economic growth for an area. Other institutions have played a key role in creating the cluster, and others now support its continuing growth.

Anchor companies have played a critical role. In 1960 Cambridge Consultants was founded, a firm of consultants aiming to “put the brains of Cambridge University at the disposal of the problems of British industry”. It has created numerous spin-outs, which have created spin-outs of their own.

Later companies have continued the approach, seeding numerous other businesses. For example, the early microcomputer company Acorn led to many tech businesses, including ARM holdings. In the biotechnology sector, early British biotech company Enzymatix spawned firms such as Chiroscience, which was later acquired by Celltech. ICI's early work on inkjet printing technology at Cambridge Consultants provided the impetus for a whole cluster of printing businesses in the area today.

Entrepreneurs like Hermann Hauser and Chris Evans who were involved in companies in the cluster have gone on to become venture capital providers to the wider Cambridge tech scene. The university has also worked with financiers to create a £125 million investment fund attached to the university, Cambridge Innovation Capital.



The mature cluster has strong networking institutions for business, ranging from the Cambridge Network which promotes the cluster to sector-specific knowledge networks like Cambridge Wireless and One Nucleus promoting the tech and biotech industries respectively.

Institutions for new entrepreneurs like the Judge Business School have been founded with its postgraduate diploma in Entrepreneurship, the Centre for Entrepreneurial Learning, and “Cambridge University Entrepreneurs” (CUE) – a society for young entrepreneurs. Science parks and incubator centres like the St John’s Innovation Centre promote cross fertilisation of ideas, and make it easier for new companies to find flexible space.

Cambridge University was also one of the first to create a technology transfer office, starting with the Wolfson Cambridge Industrial Unit, now Cambridge Enterprise.

Local authorities in the area continue to work together with the private sector to support growth, including to provide for growing housing needs.

Through the Greater Cambridge City Deal and the recent Devolution Deal for Cambridgeshire and Peterborough, the area is gaining new powers over transport and skills, enabling it to support continued expansion. Work by the National Infrastructure Commission and plans for better road and rail connections through the Oxford-Milton Keynes-Cambridge corridor will also enable the area to improve its connections.



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Actions under way:

- **Local Enterprise Partnerships**, established in all parts of England.
- **Mayoral Combined Authorities** have been established as part of Devolution Deals, with the first mayoral elections in May.
- We are fully devolving **business rate revenues** to local authorities in England.

New commitments:

- Where appropriate we will maximise the benefit that anchor companies can bring to an area by developing new policies to support the **growth of UK supply chains**.
- **The Department for International Trade will review how it identifies priority investments**, including with reference to the impact they can make in local areas where productivity needs to catch up. As part of this, the department will consider the role it can play in attracting investment across all regions of the UK.
- Cabinet Office are reviewing the **location of government agencies and arms-length bodies**, and will consider relocating them where they could potentially help reinforce a local cluster and support private sector growth.
- Recognising the importance of cultural and sporting institutions in making different places attractive to people and firms, the review of arms-length bodies will include **cultural institutions**, particularly where cultural assets could be better used to support local areas – for example, the Government Art Collection.
- **The Government will review whether there is more that can be done to leverage government and research council laboratories to drive local growth**. This will include considering their role in supporting wider innovation districts and whether surplus government land or buildings could be used to support innovative businesses around them.
- The Government will support **networks of universities** where they want to come together to improve commercialisation. Regional groups of universities like the N8, SETSquared and Midlands Innovation groups are already working together on projects. Government could help to deepen this cooperation, which could include helping to form joint investment funds covering groups of universities.
- The Government will work with the British Business Bank and ScaleUp Institute **to understand and address the relative weakness of venture capital funding and entrepreneurship networks outside the South East**.

- We have already given local government in England greater freedoms to support growth and are in the process of allowing local authorities to retain 100% of the business rates they collect. **We will work with local government to review how to bring more business expertise into local governance, and improve links between councils and the private sector.** An example might be the creation of a modern “Alderman” type of role within local government.
- **We will explore further devolution deals for our largest cities**, where they will increase economic growth, in a clear signal of belief in our local leaders and local communities to take control of their economic destiny.
- Following the elections for the first combined authority mayors in May 2017, **the Local Government Association will work with new Mayoral Combined Authorities to build up administrative capacity**, for example in transport planning and economic development, which could involve seconding officials from Whitehall to cities.
- **We will work with Local Enterprise Partnerships to review their role in delivering local growth** and examine how we can spread best practice and strengthen them, including extending the support they can receive from the What Works centre for Local Economic Growth. We are determined to help local areas, and national agencies, learn from what works best and where, so that we can together refine and maximise the impacts of the major investments set out in this paper for prosperity and growth.

Questions for consultation

36. Recognising the need for local initiative and leadership, how should we best work with local areas to create and strengthen key local institutions?
37. What are the most important institutions which we need to upgrade or support to back growth in particular areas?
38. Are there institutions missing in certain areas which we could help create or strengthen to support local growth?