

This provides personal perspectives, based on evidence, for the above committee inquiry. I have background in the context of regional development fuelled by collaborative innovation & the development of a vibrant innovation eco-system. My experience of the national and regional economic growth agenda is through several previous roles, some of which are indicated at the end of this submission. I hope that this qualifies me to provide these thoughts.

I will provide input in the context of the overall question of “levelling up” with respect to strategy and focus and “matching what’s needed with what’s possible”. I do not intend to complicate this input with suggestions for specific action. You should be aware that there is a powerful evidence base of global best-practice and detailed UK experience and data that I would be happy to share. Here I will simply signpost to some key strategy-relevant background.

My input will focus on gaps to be addressed and systemic requirements in dealing with them. I will focus on the importance of innovation for growth and associated skills landscape required. I will use examples that relate to the North East of England....but these are often mirrored across the regions.

“Levelling up: local & regional structures and delivery of economic growth”

It is vital in considering the “levelling-up” agenda to be very clear on the gaps to be addressed. These are long-established gaps that are, if anything, worsening.

Beyond this, it is then necessary to isolate what must be done what in terms of setting objectives, authority, decision-making and facilitation. All ahead of action. In the next sections, I will provide a lens on these fundamentals.

The Economic Gaps

Regions have many economic deficiencies. In developing the innovation strategy as part of the Strategic Economic Plan for the North East in 2013/14 and subsequently, I focussed on two that remain critical. First, the seriously **low business density** in the region (and other regions) compared to London and the South East, at around 600 businesses/10000 population vs an English average (even excluding London) of around 950/10000. This reflects into a severe wealth-creating deficiency (assuming lifestyle businesses eg hairdressers, are needed equally per capita).

Second, **very limited business R&D expenditure**. The North East has one-sixth that of, for example, the East of England. Other regions also have weaknesses, although not as bad. To a greater or lesser extent regions outside the South East have few globally competitive **R&D-centric business clusters....or big anchor corporates**. This is especially true in the North East.

The reasons for these deficiencies are many, but the effects are clear. They include low pay (with far too many “call centre” jobs), poor GDP/worker, poor productivity (see the Cisco productivity index), a weak knowledge-based start-up culture (including until recently very poor university spin-out activity), low investment interest from VCs and angels, and an unhealthy dependence on public sector jobs.

In addition, the lack of “sticky” R&D jobs makes regions immediately vulnerable to corporate restructures. Manufacturing and back office work can go anywhere in the world. Businesses are much less keen to re-locate skills-demanding R&D. I know this from experience.

The Social, Community, Education & Skills Gaps

Economic weaknesses reflect themselves through society, with inevitable poverty of opportunity and related school performance. A linked spiral downwards.

For example, it is worth looking at the progression of 100 children from year 10 to year 13 in regions. The North East produces, per capita, half as many 18-year-olds with A*/A Maths A-level compared with the South East. This is true with some variation for STEM subjects across the board.

Another example in the skills arena, take computer science. Only 300 school students in the North East (a population of 2.5 million) entered for A-level Computer Science in 2019 (with just 50 achieving A*/A).

Computer Science entries represented less than 2% of all entries. Not enough to build a tech-centric economy.

Again, there are many reasons, but there is simply not a critical mass of visible science & technology role model business to step-up, excite and engage with schoolchildren through their school life. In addition, the curriculum doesn't have sufficient project-based learning bringing employers with leading-edge technology into the classroom. STEM subjects are, consequently, rejected especially early in regions.

At the other end of the scale, the North East has also the highest level of NEETs....which at around 42K in 2019 was the same level as in 2002, nearly 20 years ago. This further reflects a poverty of accessible and exciting opportunity at, for example, more practical technician levels.

This chronic educational weakness is reflected into the broad social fabric of life, with poor health measures. Obesity, diabetes, mental health issues and drug misuse are at their highest in the North East (but often closely followed in other regions). Social inequality is rising. Regional life expectancy is lower and on a downward trend.

The Operational Gaps

The establishment of LEPs as the mechanism for regional economic growth, has good at its heart, but, in my view, created a myriad of problems....although I must also say that many, many people continue to work extremely hard to make them operate successfully.

They have a series of issues relating primarily, but not exclusively, to lack of power, scale and capability. Specifically.....

- Poor clarity of purpose. These are seen as leadership operations. They are not. They are facilitators. They provide the foundational eco-system for businesses to thrive.
- Poor resourcing and funding.
- Weak executive capability. There are not enough people in LEP positions of executive authority that understand global business, innovation, eco-systems and marketing.
- Overlap and conflict with roles in Local Authorities &, most recently, Mayoralties.
- Difficult governance systems...notably having to rely on the goodwill of many people, especially in business, for whom this is simply not their day job.

The North East LEP has worked hard to construct a working &, in many ways, successful Strategic Economic Plan. The fundamentals of this plan are very sound, with focus on skills, innovation, funding, infrastructure & growth. However, it has few practical levers to pull and limited authority to act. It is a small-scale practitioner group in a sea of big local, regional and national politics.

Beyond this, a word on universities.

Universities can be powerful fulcrums for economic growth. They are, of course, important as engines for the local consumer economy.

However, this is not enough. They must step up and use their academic knowledge and expertise to drive the regional economy by building new businesses, problem-solving for growth in existing businesses and directly providing the skill base that fits with regional needs. Many regional universities, including all those in the North East, are progressing on this journey in several excellent ways. Spin-out numbers from Newcastle, Durham, Northumbria & Sunderland have rocketed (with 28 in the last two years....up 10X/yr vs the last 10 years) under the Northern Accelerator initiative, which is also creating a VC fund to service further growth.....but we need much more than this. Universities in the regions (especially those in the Russell Group) have too many rigid, academy-centric degrees, too few degree-apprenticeships and virtually no adult retraining short-courses. This must change.

Where to focus in addressing these gaps ?

This briefly covers the key areas that a "levelling up" strategy must address as a means to deal with the gaps identified above. In this note I will not deal with the "how". It is necessary, first, to be very clear on the "what".

A word on Purpose.

A regional industrial strategy today must be mission driven with values at heart. I worked for many years in senior positions in a major multinational. It was interesting to see that the company changed from a “profit driven” purpose in the 80s, through to an “improving lives” purpose in the 90s (where revenue & profit were the outcomes of success) to a bolder “global societal” purpose now. Get this right and you’ll get people behind you.

Additionally, we must “think big, act big”.

A regional strategy must capture hearts and minds of people (and not just organisations or institutions). This is so important today. Historically, our regional population understood their world...they went to school, looked for a job locally (often apprenticed) and built their families. This was a close-in world that must be replicated for a regional strategy to work.

Turning now to specifics, we need to identify the levers that government can pull to enhance regional prosperity and deliver “levelling-up”.....

Organisation.

Deciding the best regional economic development structure is outside my remit, but I would certainly have a single point “levelling up” leader in each region, with authority and with an appropriate, highly-skilled team. This could be a mayor, but these individuals are not likely to have the required core competencies. In my view, we need a professional appointment alongside a political one.

Focus Areas for “levelling up”.

A review of growth in provincial areas in other countries shows common threads that government can action/support/catalyse to deliver regional growth. I speak here of analysis in Sweden (Skane), Brainport (Eindhoven), Gauteng (South Africa), Bangalore (India) and other places.....notably the Czech Republic and Austria.

The levers that should be pulled include the following.....

On the economy/jobs.

1. **Anchor industry establishment with R&D at heart.** It is almost inevitable that a single big player will crystallise regional growth...but only if they bring R&D. It was a serious North East mistake of the 80s to let Nissan locate here without committing to an R&D presence. R&D adds stickiness.
2. **Creation of Innovation Hubs.** These de-risk innovation for businesses large and small, often with valuable equipment. They drive new business start-ups and SMEs. That is why I support Catapults and the government creation of sector-relevant innovation centres, that build from a sense of smart specialisation. They must be led by business-expert people but must collaborate directly with the academy located on their doorstep.
3. **Building Networks.** These are critical to growth and encourage inward investment and engagement. The support for the innovation networks in the NE was probably the most valuable part of the LEPs innovation and business growth strategy from 2012/18.
4. **Supporting Proof of Concept finance & a patient capital initiatives with tax incentives.** Simple-to-access de-risking finance. Possibly enhanced EIS/SEIS tax breaks for regional tech businesses (with location strings).....notably those from universities ?
5. **Working from strength (or emerging strength).** I am a fan of smart specialisation analysis. This forces regions to examine seriously understand what they are good at (or becoming good at). I should say that the biggest issue in this context is the weakness of the databases. In fact, government could do worse than to put in place a serious review of its data and metrics systems.
6. **Enhancing Productivity.** This is a chronic, unresolved, long-term issue. Even in 1970 our productivity indexed 62 vs US, 85 vs Germany. It is worsening (and is now at 80 vs Germany)....but this isn’t the core issue. The fundamentals must be addressed.....

Skills in the regions

Digital technology application

Innovation

Collaboration.

On Skills.

1. **Schools in regions must teach a curriculum relevant to the future of regional work.**
We must also develop a start-up and SME culture among our young people in the regions.
2. **FE Colleges & Universities must be fit-for-purpose for a dynamic local Industrial Strategy,** producing people who have the required hard and soft skills.
3. **Universities must be challenged on their delivery of multiple benefits for the broad population.**
They must be anchor institutions. We need improved teaching and more impact-centric research in some institutions. Universities are perceived as our aspirational route to social mobility for most of the population and must step up in supporting schools and opening their doors to greater diversity. Also, in the 21st century why do University campuses look like ghost towns in the Summer ? There are multiple physical assets sitting there underutilised and not adding value for businesses.
4. **Adults must be kept current.** There are two big issues here. First, they tend not to have (or fall behind on) digital skills that would give them the chance to move from manual to non-manual work. Second, many stop productive work early. This cannot be allowed to continue.

Additional Considerations

I have not, in this note, dealt with some of the underpinning mandatory elements for the “levelling-up” strategy. Sustainable, climate-sensitive growth must be implicit within all aspects of this work. Diversity and equality must be at the core. There must be a recognition that communities are local.....in cities, towns, villages and rural environments. No one must be left out. These strategic requirements must simply be part of the framework for action.

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