



A MANIFESTO FOR THE NORTHERN TECH ECONOMY

MANCHESTER DIGITAL. 2024.

THE OPPORTUNITY

Whoever is elected Mayor of Greater Manchester on 2nd May will have an opportunity to supercharge the fastest growing tech hub in Europe outside of London.

The digital and tech sector is now an integral part of the Greater Manchester economy. Recent years have seen an explosion of new start-ups and the arrival of global tech companies. But there is scope to go further, leveraging digital technologies and innovations to drive economic growth, improve public services and enhance the quality of life for local citizens.

This Manifesto, promoted by Manchester Digital, sets out key recommendations that would help to deliver this forward leap.

With the right investment, organisation and collaboration, Greater Manchester can reach the next level, leading the development of a Northern Tech Nexus – a collaborative network of northern city-regions that has the potential to create a new globally significant tech ecosystem.

RECOMMENDATIONS

The recommendations presented here are aimed at boosting local talent and skills, and fostering innovation to accelerate growth and development of this critical sector. More than that, they seek to create a new and powerful northern tech ecosystem with Greater Manchester at its heart. Although these recommendations are directed at the Mayor of Greater Manchester, many require collaboration across cities and regions, as well as support from local and central government and the private sector:

Creating a Northern Tech Nexus

The Mayor should lead the creation of a Northern Tech Nexus (NTN) – a grouping of political, academic, business and public sector leaders from neighbouring city-regions, aimed at creating a globally significant tech ecosystem by:

Creating an international showcase for Northern Tech

- The NTN should stage an annual international Northern Tech Summit, engaging tech companies, venture capital firms, educational leaders and politicians.

Enhancing access to capital

- The NTN should construct a Regional Digital Investment Fund – managed by a Board with representatives from government, private finance, academic institutions, and major companies – to support tech startups and scale-up companies in member city-regions, fostering innovation and economic growth.

Improving digital and wider infrastructure

- The NTN should advocate and collaborate with local and national governments, as well as private sector partners, to invest in critical infrastructure projects necessary to support a thriving tech ecosystem. This includes dense fibre networks across the region, connecting new super-green data centres and hubs to create a resilient high-capacity Internet infrastructure that supports collaborative tech innovation.

Encouraging a new wave of engineering talent

- The NTN should launch a specific workstream through which academic and business leaders develop new pathways from education into work, to ensure that top engineering talent is nurtured and harnessed in the northern tech ecosystem.

Enabling knowledge sharing and collaboration

- The NTN should create new collaborative forums – including regional conferences, meetings and committees – where ideas and best practice can be shared, supporting organic development of the tech sector in the north.



Boosting Talent and Skills

- The Mayor of Greater Manchester should lead renewed efforts to lobby central government to overhaul the Apprenticeship Levy, unlocking funding for mentoring schemes to support more businesses to take on apprentices and new entrants who require on-the-job and transition training and support.
- The Mayor should earmark funding to support the development of sustainable soft infrastructure that will provide the foundations for the successful rollout and scaling of the MBacc programme across Greater Manchester. This should focus on facilitating MBacc progression into technical career pathways through the organisation and coordination of T-Level placements. The Mayor should work closely with central government, businesses, and specialist sector employer representative bodies to generate the necessary financing and structural frameworks to enable this.

“The Mayor should earmark funding to support the organisation and coordination of MBacc placements.”

Fostering Innovation and Growth

- The Mayor should order a review into what tax breaks and targeted public grants would best serve the objective of increasing start-ups and scale-ups in the digital economy.
- The Mayor should explore the merits of a working group with representatives from the universities in Greater Manchester to explore best practice in achieving spinouts, including setting a flat equity fee.
- The Mayor should support work that brings together local government, public sector and tech business and trade bodies, to develop a place-based tech productivity strategy.
- In the context of Greater Manchester, the Mayor should review GMCA's own procurement procedures and criteria, to see whether these could be amended to widen the pool of eligible bidders for future projects.
- The Mayor should champion the Greater Manchester digital sector at home and abroad, using the convening power of the office to engage angel investors nationally and internationally.
- The Mayor should lead the way in driving action to address social underrepresentation in the digital tech sector, championing investment in female founders and supporting activities (such as the Digital Her initiative) that encourage young women and girls to pursue opportunities in tech.

THE CHALLENGE

Greater Manchester is by some distance the most advanced digital tech economy in the North of England. As set out in the tables below, in terms of investment raised, the number of high-growth companies supported and the amount of spinouts being created by its leading university, the GM tech sector is a nationally significant centre of economic growth and development.

Table 1. The Tech Economy in Regional Perspective

City Region	Investment £ (raised in 2022)	Number of active high growth companies	Number of unicorns
LONDON	17,700,000,000	2264	47
CAMBRIDGE	910,000,000	154	2
MANCHESTER	680,000,000	415	5
LEEDS	323,000,000	373	0
LIVERPOOL	99,200,000	116	0

Source: Manchester Digital, Report on the Start-Up Landscape in Greater Manchester, 2023

MANCHESTER HAS:

415

5 UNICORNS

HIGH GROWTH
COMPANIES

£680M
INVESTMENT

Table 2. Comparison of University Spinouts & Equity Stakes*

University	Mean Equity Stake	Median Equity Stake	Spinouts
OXFORD	21.6%	20.2%	205
CAMBRIDGE	11.8%	10.0%	145
IMPERIAL COLLEGE LONDON	21.3%	11.2%	108
UNIVERSITY COLLEGE LONDON	15.3%	10.6%	90
MANCHESTER	30.9%	30.0%	84
SHEFFIELD	23.3%	21.3%	41
LEEDS	42.3%	46.4%	36

Source: Beauhurst, UK Academic Spinout Trends, May 2023
*Spinout equity stakes taken by academic institutions tracked since 01/01/2011 and incorporated since 01/01/2010

MANCHESTER HAS:

30.9%
MEAN EQUITY
STAKE

84 SPINOUTS
30%
MEDIUM EQUITY STAKE

Furthermore the trend is upward. An analysis of university spinouts by the Beauhurst Group – a key indicator of tech-driven innovation – found that Manchester University last year enjoyed the greatest growth in terms of the proportion of spinout population. Beauhurst found that there have been a total of 84 companies spun out from the University of Manchester, including six exits: three have been acquired and three have had Initial Public Offerings (IPOs). Of the 84 companies, 39 have received equity investment since 2011 via 105 deals, raising a total of £478m.

That said, looking at Manchester and other northern cities in wider perspective, it is clear that there is untapped potential. Despite Manchester’s success, it is in key respects dwarfed not just by London but also by Oxford and Cambridge, which together form a so-called ‘golden triangle’ that dominates investment and innovation in the UK tech economy.

Other major northern cities lag much further behind. Yet the basic stats suggests that they should be performing better. The total student population of Manchester, Liverpool, Leeds and Sheffield combined is well in excess of 250,000. That talent pool is enormous – considerably larger than the combined student populations of Oxford and Cambridge, which amounts to around 60,000. The Oxbridge universities may enjoy elite status but the great academic centres of the north feature some of the top institutions in the world.

There is no intrinsic reason why they should not be able to match the numbers being posted by universities in the golden triangle when it comes to innovation.

It may be that some specific changes to current policies might help. For example, the tables below suggest that a different approach to equity stakes may contribute to the higher numbers achieved in Oxbridge and London. But perhaps the imbalance we see is more rooted in fundamental distortions in the UK economy, which serve to weaken connections between the great northern centres that ought to be forming their own arc of prosperity.

As has been well documented – and indeed starkly evidenced in the recent decision to scale back HS2 – investment in core infrastructure in the UK favours London and the South East.

Countering that imbalance cannot be achieved overnight but will hopefully develop over time, including with the devolution of greater political power away from the centre. That is giving rise to stronger political structures outside of Westminster which create the potential not just for city-region-wide development, but for pan-regional cooperation. A combined northern approach to tech growth and innovation, harnessing core strengths across different city-regions and especially their academic institutions, could propel future growth on a grand scale.

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KEY AREAS OF FOCUS

Greater Manchester is one of the most vibrant and dynamic city-regions in the UK, experiencing rapid development that is transforming its skyline and demography. The area is home to multiple academic institutions, bringing students from around the country and the wider world, as well as major companies that generate significant employment and investment. The digital tech sector is a critical and expanding part of this success story, and an important source of economic growth.

Yet as documented above there is evidence that it has potential to develop much further. Our manifesto sets out how targeted investment and increased collaboration would serve as the catalyst for sustained new growth, based around three pillars:

1. CREATING A NORTHERN TECH NEXUS

Greater Manchester has all the ingredients that a thriving digital economy requires. It is home to a growing, diverse and skilled workforce, and world class universities that educate young people locally as well as from across the UK and beyond. Devolution has created new political structures that provide a basis for distinctive development. Manchester famously does things differently. When it comes to creating a tech ecosystem we do not want to replicate other models, we want to shape a culture in our own image – one that is open, inclusive and collaborative.

However, that does not mean we should not learn the lessons from successful tech ecosystems around the world. None is more successful than Silicon Valley, which represents

a collective effort of municipalities, universities and businesses in the San Francisco Bay Area to create a global tech hub. This collaboration has led to an ecosystem that supports startups, attracts venture capital, and fosters innovation in technology and digital sectors.

Silicon Valley's development into a global tech hub was not orchestrated by a single policy or organisation but evolved through a combination of university-industry collaboration, venture capital investment, a culture of innovation, and supportive policies. Its impacts on technology, the economy, and global culture underscore the transformative power of collaborative ecosystems in promoting specific economic sectors.

There is an opportunity for Greater Manchester to develop a distinct but similarly powerful tech ecosystem through closer collaboration with neighbouring city-regions. There are already various forms of partnership working between Manchester and other northern cities. However, there is scope for a specific northern tech-focused grouping – the Northern Tech Nexus (NTN) – through which regional political leaders take the lead in convening key representatives from the academic and business communities. **As the representative of the city-region with the largest digital economy and the most developed devolved political arrangements in the north, the Mayor of Greater Manchester should instigate the creation of a Northern Tech Nexus, with the core objectives of:**

Creating an international showcase for Northern Tech

- The NTN should stage an annual international Northern Tech Summit, engaging tech companies, venture capital firms, educational leaders and politicians.

Enhancing access to capital

- The NTN should construct a Regional Digital Investment Fund – managed by a Board with representatives from government, private finance, academic institutions, and major companies – to support tech startups and scale-up companies in member city regions, fostering innovation and economic growth.

Improving digital and wider infrastructure

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Enabling knowledge sharing and collaboration

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2. BOOSTING TALENT & SKILLS

In practical terms the number one issue for Manchester Digital members and for the wider tech industry in Greater Manchester concerns access to skills. While there is a steady supply of entry-level tech workers, many developed through initiatives like digital “bootcamps”, a pinch-point is reported at mid-level. A fundamental structural problem relates to the ability of companies, notably small and medium sized tech firms, to absorb the pipeline of new entrants into the market. Many start-ups and small companies lack the in-house capacity – for example in the form of internal HR functions – that is required to take on apprentices or new starters. As a consequence, new entrants with basic skills find it hard either to access roles or, when they do, to nurture their talents within them. The result is a disjuncture where, every year, hundreds of tech job seekers are unable to access hundreds of tech job vacancies.

To tackle this problem, it is necessary to provide greater support for businesses of all sizes to absorb entry level talent and to give staff the necessary training and development so that more skilled workers emerge from within the system. This is where reform of the Apprenticeship Levy could help. If money from that pot, which is currently underspent, was made available to fund mentoring and transition support schemes to help companies take new entrants into roles which require on-the-job training, it would unlock a blockage in the talent pipeline that is currently holding back economic growth.

The Mayor of Greater Manchester should lead renewed efforts to lobby central government to overhaul the Apprenticeship Levy, unlocking funding for mentoring schemes to support more businesses to take on apprentices and new entrants who require on-the-job and transition training and support.

Related to this, there is a well-documented need to overhaul the way that digital and technology skills are taught in the formal education system, and to increase knowledge and understanding of the opportunities that exist in the sector. In this context, the “Manchester Baccalaureate” proposed by Andy Burnham last year could serve as an important basis to address these issues. There is strong support amongst our members in the digital tech industry to get behind this ground-breaking initiative. Indeed it will only be possible for this concept to be put into practice if there is a strong working relationship between government and business, as a key aspect of the new integrated technical education system will be industry placements. However, this runs into the capacity problems outlined above, and so funding will be required to support the implementation of the MBacc, with sector specialists at the heart of this.

The Mayor should earmark funding to support the development of sustainable soft infrastructure that will provide the foundations for the successful rollout and scaling of the MBacc programme across Greater Manchester. This should focus on facilitating MBacc progression into technical career pathways through the organisation and coordination of T-Level placements. The Mayor should work closely with central government, businesses, and specialist sector employer representative bodies to generate the necessary financing and structural frameworks to enable this.



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3. FOSTERING INNOVATION AND GROWTH

While Greater Manchester has made remarkable strides in developing its tech sector, comparisons with other cities and regions suggest that it is punching below its weight in terms of start-ups, scale-ups, unicorns, and private investment. To stimulate new enterprises and encourage successful businesses to scale up and not sell up, better financial incentives and opportunities are required. **The Mayor should order a review into what tax breaks and targeted public grants would best serve the objective of increasing start-ups and scale-ups in the digital economy.**

A thriving digital sector depends on having high class educational institutions in close proximity. Greater Manchester is fortunate in being home to some of the leading academic institutions not just in the country but in Europe and the wider world. As the most successful tech hubs have demonstrated, universities can play a key role in supporting new enterprises that are then spun out into the economy.

Northern Gritstone have done great work to invest in and promote northern university spinouts, and Manchester University in particular has a good track record in this regard. Universities in the 'golden triangle' of Oxford, Cambridge and London have to date done better, but exciting moves are now underway to strengthen the relationship between Greater Manchester's universities and the wider tech ecosystem. Innovation GM is leading this charge, alongside key tech incubators attached to

the higher education sector (e.g. the Turing Innovation Catalyst, Greater Manchester AI Foundry and Immersive Technologies Innovation Hub). However, there may be value in closer mayoral engagement in the advancement of this agenda.

To that end, the Mayor should explore the merits of a working group with representatives from the universities in Greater Manchester to explore best practice in achieving spinouts, including setting a flat equity fee.

Another area where closer collaboration could support more growth is the public sector. We know that with public sector budgets under pressure as never before, there is strong emphasis on the need to increase productivity. The adoption of new technology must be at the forefront of such moves. Indeed the Chancellor of the Exchequer recently announced significant new investment in NHS IT infrastructure with a view to improving services and delivering substantial long-term savings.

In the context of Greater Manchester, there should be mutual benefits in connecting public sector and tech business leaders, with the aim of creating a circular economy where the GM public sector invests in the GM digital economy, which in turns provides the services that deliver savings. **The Mayor should support work that brings together local government, public sector and tech business and trade bodies, to develop a place-based tech productivity strategy.**



Allied to that, there is a need to consider current public sector procurement processes, which at times apply criteria that lock out smaller players in favour of bigger companies. Of course, large operators can deliver projects on an advantageous scale and will often be the most appropriate candidates to lead public sector work. However, blocking smaller operators at the outset risks stifling innovation and enterprise. **In the context of Greater Manchester, the Mayor should review GMCA's own procurement procedures and criteria, to see whether these could be amended to widen the pool of eligible bidders for future projects.**

Outside the public sector it is necessary to look to private finance as a key source of investment. We have already seen progress in this direction and the launch of Manchester Angels in 2022 was an important milestone. However, we need to build up the base of potential investors who understand and are prepared to take risks in backing innovative new digital start-ups. That requires us to expand horizons and look not just nationally but also internationally at global sources of venture capital.

The Mayor should champion the Greater Manchester digital sector at home and abroad, using the convening power of the office to engage angel investors nationally and internationally.

In so doing, it is necessary to help encourage investment in ways that can address imbalances in the existing profile of the digital economy. For example, there is a significant underrepresentation of women in the tech sector, with very few female founders. That is a national issue, but one we also see here in Greater Manchester. **The Mayor should lead the way in driving action to address social underrepresentation in the digital tech sector, championing investment in female founders and supporting activities (such as the Digital Her initiative) that encourage young women and girls to pursue opportunities in tech.**

ABOUT MANCHESTER DIGITAL

Manchester Digital is the voice of Greater Manchester's tech and digital sector.

Our community is made up of a wide range of businesses and we work closely with them to create the optimum environment for sector-wide success.

We are independently funded through membership and we represent the entire ecosystem with a wide range of business types, models, sizes and capabilities making up our community.

We use the power of our membership to take direct action to solve specific issues and barriers that impact the sector's growth and we provide a cohesive voice for the sector, ensuring that its views are represented at a local and national government level.

Through our extensive range of products and services, we develop talent, drive innovation, share knowledge and help your business to thrive.

In line with our mission we have produced this manifesto to help shape tech policy discussions and ensure that the sector's needs and potential are front and centre of political debates in this key election year.





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