IoD POLICY PAPER

How To Increase Business Investment:

IoD response to the Treasury workstream on 'People, Capital and Ideas'

Summer 2022

Summary

When business confidence in the macroeconomy is low, as it is at the moment, the case for government incentives to raise levels of all types of investment becomes even stronger.

Government investment incentives should be stable and long-term. If business leaders believe that they are subject to further change, that itself adds to the perceived level of risk.

Investment in skills is the highest priority for our members, followed by investment in digital processes, and then in physical capital.

Recommendations – skills

1. Create a fully independent Shortage Occupations Agency with a statutory remit to systematically advise on current and future skills shortages areas for the UK economy.

2. Use the tax system to incentivise business training to address skills requirements identified by this Shortage Occupations Agency, for example by allowing expensing at over 100% for training in these areas only.

3. Allow sole traders to deduct for tax purposes the costs of reskilling into areas that are entirely new for their business, if these are identified as priorities by the Shortage Occupations Agency.

4. Where there is already free training provided to overcome skills shortages under the Level 3 guarantee, these should be available to anyone, regardless of their previous qualification levels.

5. To further increase uptake, government should reimburse the payroll costs for firms who allow existing employees away from their normal duties to undertake either these Level 3 guarantee or the shorter 'bootcamp' courses in skills shortage areas, subject to an upper limit.

Recommendations – fixed and digital capital

6. The 130% capital investment super-deduction has had a demonstrable and positive impact, so should be extended beyond April 2023.

7. As a second best, full year-one expensing of investment in fixed capital should be introduced. This is conceptually the same as having no upper limit to the Annual Investment Allowance. For government, it would be a rephasing of the cost, rather than an increase. For firms, it would reduce the cashflow risk of investing in both physical and digital infrastructure.

Introduction

The level of business investment in an economy matters. In the short term, spending on investment contributes to the overall level of demand in the economy and therefore to jobs, prosperity and GDP.

The longer-term effect, however, is potentially even more significant. Organisations that invest are more likely to reap the rewards of innovation, operate at higher levels of productivity and in so doing boost their competitiveness and market share. At a national level, this raises the overall potential to generate growth and prosperity in the future.

Whichever way you look at it, therefore, policymakers have an interest in understanding what makes businesses decide to invest, and whether the actions of government can encourage more of it.

Our starting point is that the policy framework for investment needs refreshing to take account of the priorities of the post-pandemic economy.

It also needs to take account of the way in which businesses, and smaller businesses in particular, make decisions about how and where to allocate scarce resources. In this regard, the views of IoD members are helpful, since they are typically company directors in small and medium-sized businesses that make up the growth engine of the economy.

Around the boardroom table, the word 'investment' is about the merits and risks of up-front spending in the expectation of greater returns in future. The specifics, however, vary hugely depending on the business in question: it can mean modern machinery, new vehicles, energy efficiency, business expansion, scientific research, retraining, professional advice, product development, diversification, digitisation; there is no one-size-fits-all.[1]

For government however, the nature of the spend makes a big difference to the way in which it is treated by the tax system.

At one end of the scale, investment in R&D is generously supported. For small companies there is effectively a 230% super-deduction of the costs for tax purposes; for larger companies there is a partial reimbursement (an 'expenditure credit') of the costs of R&D through the tax system.[2]

If, however, an organisation invests in training, it is classified as a simple business cost like any other and so is 100% deductible against revenue for the purpose of computing the rate of corporation tax.[3]

Investment in plant and equipment is treated through the capital allowances system, which is less generous. Smaller companies typically benefit from the Annual Investment Allowance (AIA) which sets an upper limit on the amount that can be deducted for tax purposes in a given year. Higher costs are written down against tax over a longer time period through the 'writing down' system.

> **"Organisations that invest are more likely to reap the rewards of innovation, operate at higher levels of productivity and in so doing boost their competitiveness and market share.**

[1] Separately, the IoD has laid out proposals to reform corporation tax to put net zero at the heart of business planning decisions. See https://www.iod.com/app/uploads/2022/05/IoD-Policy-Paper-The-Green-Incentive-aa042171998b4f5f8f0366ea69401f0e.pdf
[2] https://www.gov.uk/guidance/corporation-tax-research-and-development-rd-relief
[3] Sole traders, however, can only deduct the costs of CPD-type training, or upskilling to support their existing area of business activity, not to engage in a new business activity.

Investment in digital tools and other forms of software are usually considered as 'plant' and so treated like capital, but can be considered revenue costs depending on their precise use and licensing arrangements.[4]

In Budget 2021, a 130% two-year 'super-deduction' was announced to boost short-term investment in fixed capital to help the economy recover from the pandemic, combined with a temporary extension to the AIA, but no corresponding incentive was made available for investment in retraining, even though it was a shortage of skills that soon became of greater immediate concern to the macroeconomy.

Taking all this together, and driven by concerns around historic under-investment, the then Chancellor announced in his annual Mais lecture in February 2022 three priorities of 'People, Capital and Ideas'. This made the commitment, as part of a future tax strategy, that "a priority will be to cut taxes on business investment" and "we should examine whether the current system…is doing enough to incentivise businesses to invest in the right kinds of training" and "it would be sensible to make sure our tax regime for innovation is globally competitive and so properly incentivises higher business investment in R&D".[5]

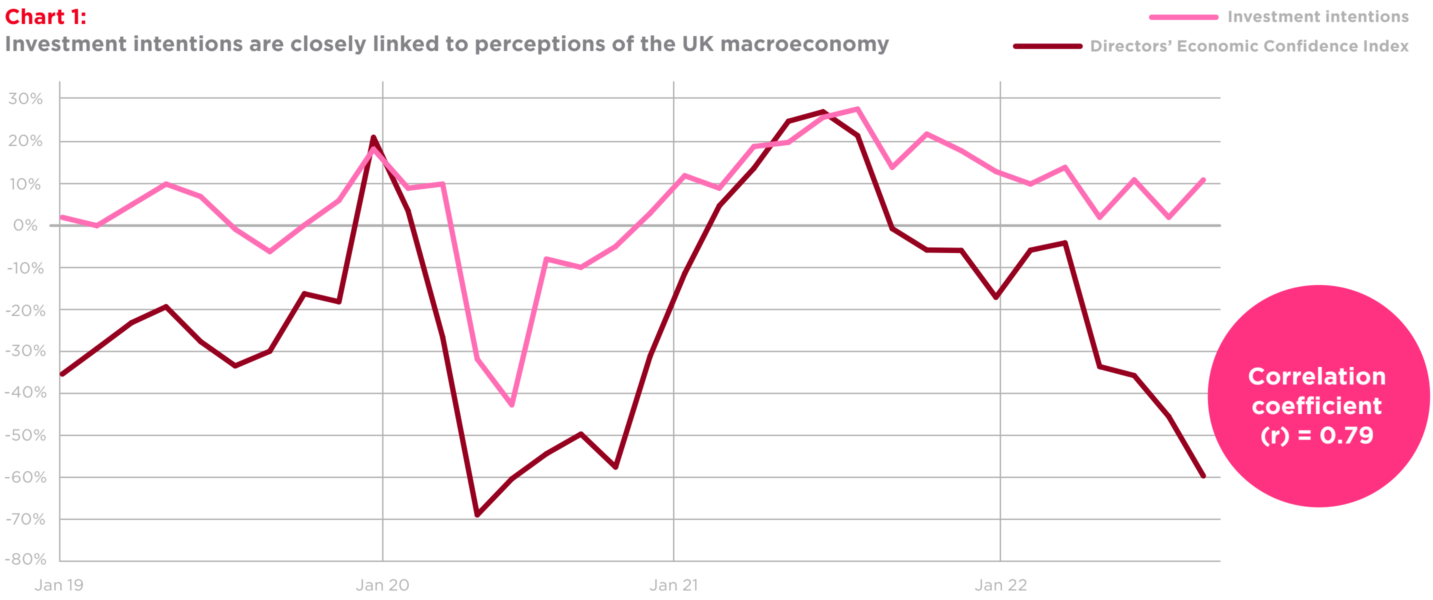
Shortly afterwards, the government invited views on the future of the capital allowances regime and also held a number of workshops with business organisations around the potential for reform of the tax system around the Chancellor's themes of investment in 'People, Capital and Ideas'.[6]

As part of that process, we have developed specific proposals, in consultation with our members, designed to help raise the level of all types of investment in our economy.

In the next section, we look first at the relative priorities of different types of investment. Section two makes specific recommendations designed to reduce workplace skills shortages. Section three constitutes our response to the consultation on the future of capital allowances and the super-deduction.

Across all of these areas the economic context is also relevant. There is a direct link between SME perceptions of the macroeconomy and the level of business investment they are planning to undertake (Chart 1). Ultimately investment decisions involve a careful analysis of risk and reward, and macroeconomic risk is a particularly powerful factor because it is not one that an individual firm feels it can mitigate.

Chart 1:
Investment intentions are closely linked to perceptions of the UK macroeconomy



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[4] https://www.gov.uk/hmrc-internal-manuals/capital-allowances-manual/ca23410
[5] https://www.gov.uk/government/speeches/chancellor-rishi-sunaks-mais-lecture-2022
[6] https://www.gov.uk/government/publications/potential-reforms-to-uks-capital-allowance-regime-inviting-views/potential-reforms-to-uks-capital-allowance-regime-inviting-views

When in December 2021 we asked our members that were not planning to raise levels of investment what single change would potentially cause them to invest more, the most popular answer was that 'stronger prospects for the macroeconomy' would make the biggest difference, attracting over a third of respondents (34%).

Around half of respondents chose one of a number of options linked to government intervention, including tax credits for investment in training, reform of the business rates system and a widening of the eligibility for R&D expenditure credits, with preferences widely spread across the available options.

We take from this that, while it is more difficult for business leaders to make a case for increased investment in a climate of uncertainty, this can be mitigated to a certain degree through government action. When business confidence in the macroeconomy is low, as it is at the moment, the case for government incentives to raise levels of all types of investment therefore becomes even stronger.

To reduce the risk further, it is important that government investment incentives are stable and long-term in nature. If business leaders believe that they are subject to further change, that itself adds to, rather than mitigates, the perceived level of risk.

34%

of respondents said that stronger prospects for the macroeconomy would make the biggest difference in raising levels of investment.

Getting the priorities right

Policymakers seeking to raise levels of productivity in the economy should understand where the greatest impact is to be had. In this respect, the view of Institute of Directors members is straightforward: while investment in fixed physical capital is important, it is dwarfed by the need for investment in human capital and digital tools.

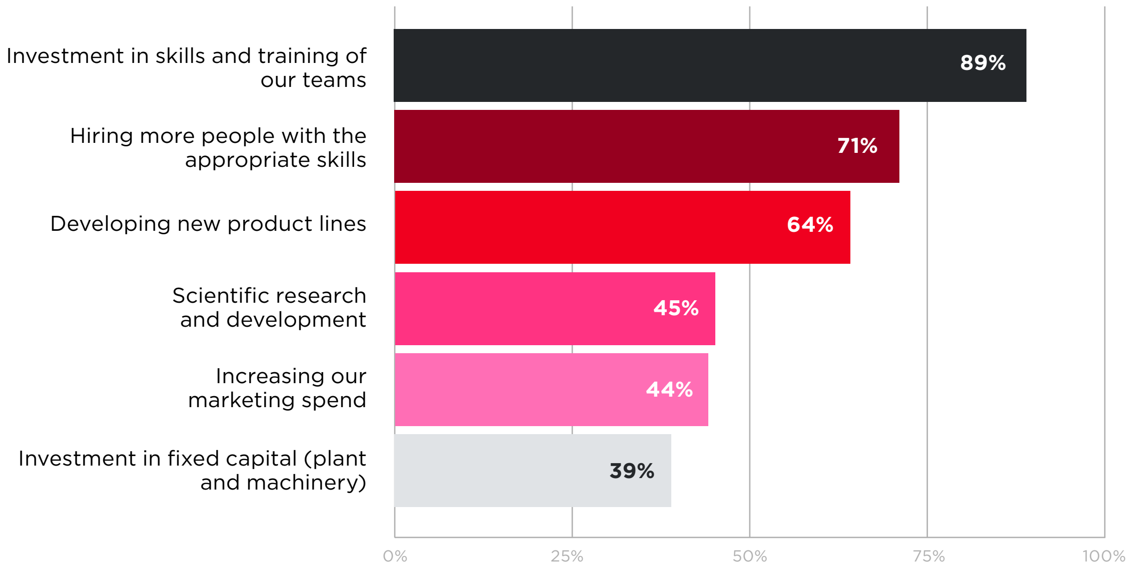
In October 2021 we used our monthly Policy Voice survey tool to explore the relative importance of different factors to the growth prospects of our members' organisations.

Of the options presented, nine in ten (89%) said that investment in skills and training was important to the future growth prospects of their organisation, compared to four in ten (39%) who said investment in fixed capital was important to their future growth prospects (Chart 2).

The relatively low result for investment in fixed capital is likely due to the sectors of the economy in which our member companies operate; separately we find around half our members (46%) agree with the statement that 'our business does not depend on fixed capital', an unsurprising result perhaps given that, despite considerable regional variation, the service sector makes up 80% of the UK economy as a whole.[7,8]

In April 2022 we asked our members to choose which single factor would have the greatest impact on the future productivity of their organisation, forcing them to prioritise between the different categories. As well as asking about investment in skills and fixed capital investment, we also provided an additional option around investment in digital tools (Chart 3).

Chart 2:
How important are the following to the future growth prospects of your organisation?



Survey of IoD members 13-29 October 2021. 5 point scale from 'very important' to 'not at all important'. Graph shows % answering 'very important' plus % answering 'important'.

[7] https://researchbriefings.files.parliament.uk/documents/SN02786/SN02786.pdf
[8] Policy Voice, April 2022.

Again, we found that business leaders prioritised skills, which was chosen by 40% of respondents as the single factor that would have the greatest impact on the future productivity of their organisation, divided between upskilling (27%) and refresher/CPD training (13%).

The next most impactful area was investment in digitisation (34%). Only 10% said that investment in fixed capital would have the greatest impact on the future productivity of their organisation, suggesting that when forced to choose, investment in skills and digitisation are seen as more important for productivity even for companies that do rely to a certain extent on fixed capital.

If the lowest hanging fruit in terms of business (and economic) transformation therefore lies in investing in human capital, this then raises the question around why more of it is not taking place spontaneously. A profit-maximising business that knows training is crucial should be incentivised to undertake it for the business case alone.

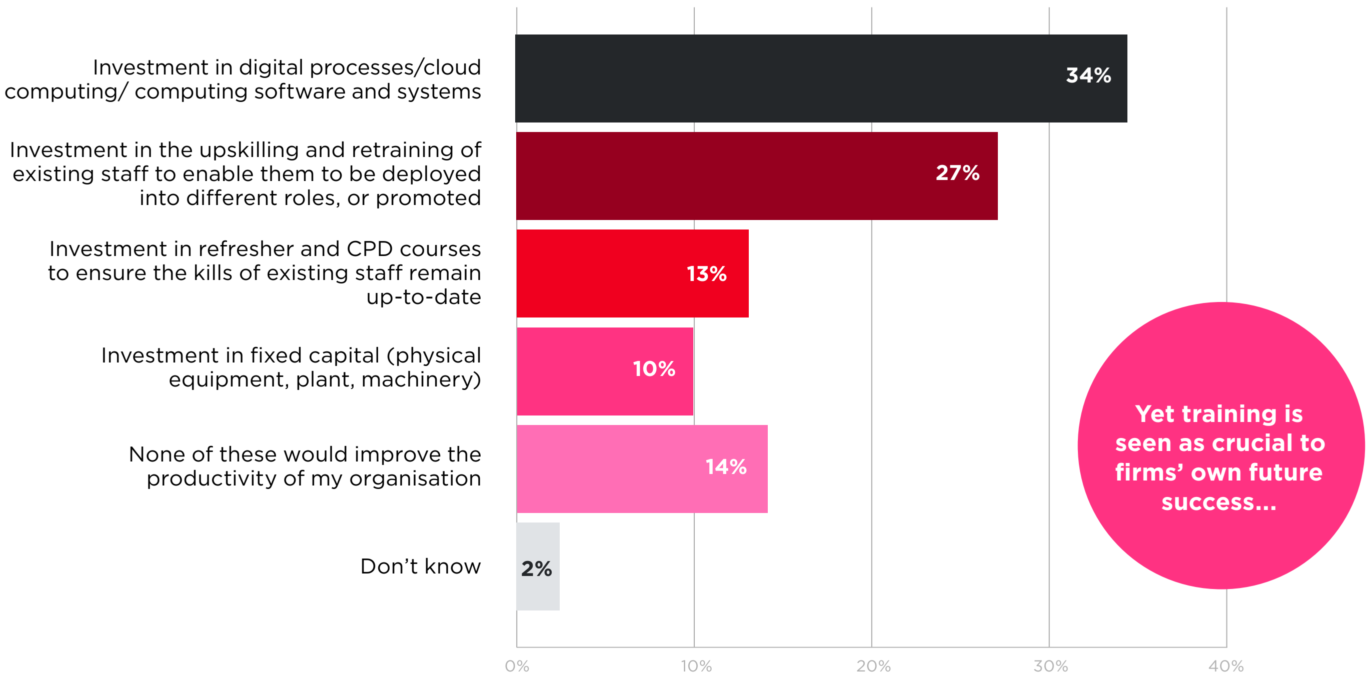
Yet the latest data from the Department for Education’s Employer Skills Survey suggests that only three-fifths of employers provided any kind of training for their employees in the most recent year that the survey was undertaken (2019) and that, if anything, this proportion is falling.[9] Separately, European Commission data shows that a lower proportion of UK private sector organisations invest in the training of their workforce compared to the EU average.[10]

40%

of respondents prioritised skills as the single factor that would have the greatest impact on the future productivity of their organisation.

Part of the answer lies in who is perceived to be responsible for filling skills shortages: when we asked those of our members who felt that skills shortages were having a negative effect on their organisation where responsibility

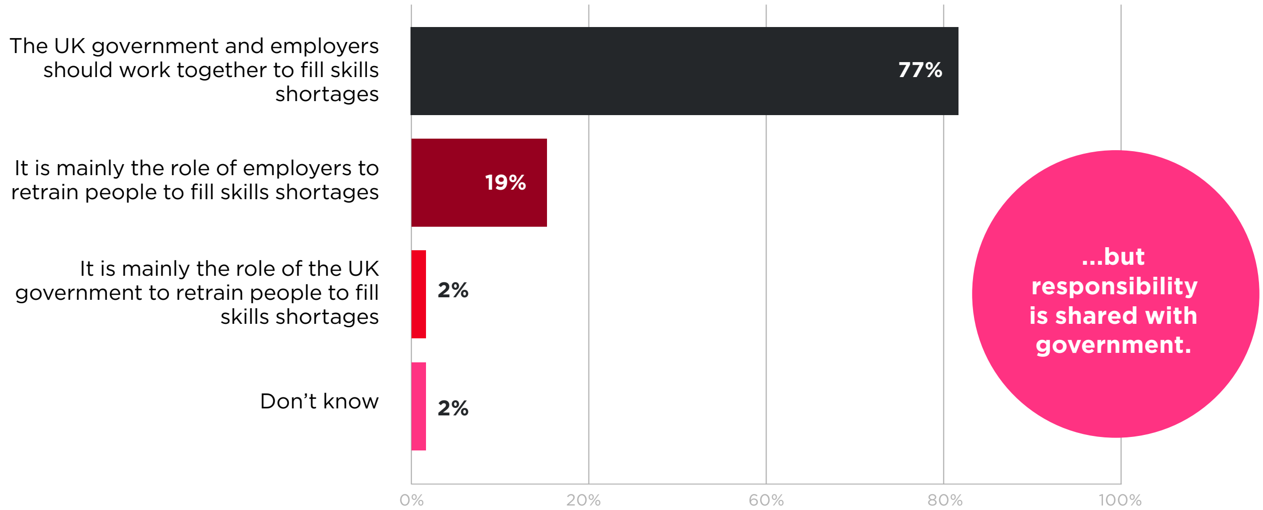
Chart 3:
Which of the following, if any, would have the greatest impact on the future productivity of your organisation?



IoD Policy Voice survey 12-28 April 2022. Respondents chose one option.

[9] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/936488/ESS_2019_Summary_Report_Nov2020.pdf
[10] https://ec.europa.eu/eurostat/databrowser/view/trng_cvt_04s/default/table?lang=en

Chart 4:
Business sees the role for government to 'fill skills shortages'



IoD Policy Voice survey October 2021. Question asked of 301 respondents who said staff/skills shortages were having a negative effect on their organisation. Respondents were asked to choose the single option that best represented their view.

for fixing the issue lay, the vast majority (77%) said that 'the UK government and employers should work together to fill skills shortages' (Chart 4).

Similarly, while an increased focus on digitisation is one of the positive legacies of the pandemic, the fact that one in three business leaders still identify 'digital processes' as the single most important investment priority for raising productivity does question whether current government initiatives are providing sufficient incentives to make the change.

Finally, while investment in fixed capital - plant and machinery - may be less relevant for the average SME, the evidence we have suggests that government intervention does work. In particular, the annual investment allowance is valued by our members. And, as we see on page 13, the impact of the temporary super-deduction has also been positive and quantifiable.

77%

said that the UK government and employers should work together to fill skills shortages.

In the next section we focus in on the potential to use policy to raise investment in skills shortage areas; the following section then explores the potential for policy to raise investment in physical and digital capital.

How to encourage investment in priority skills areas

The availability of appropriate skills is a long-standing issue that negatively affects British business.

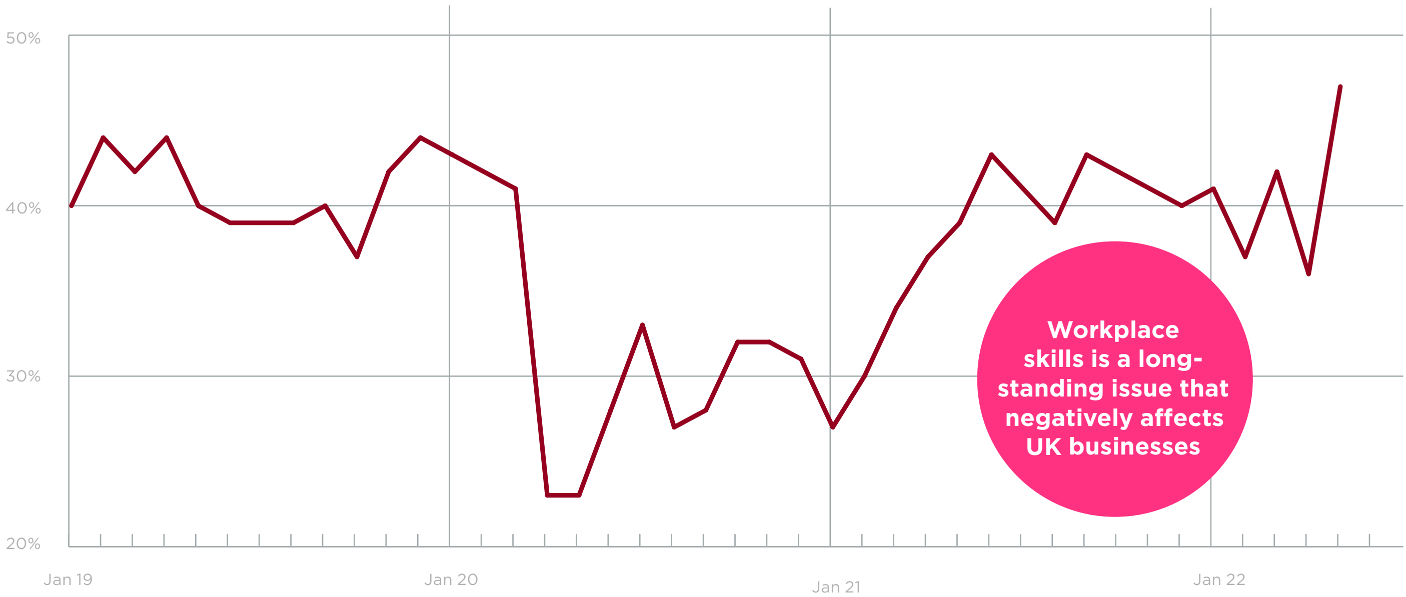
Our own data shows around 40 per cent of Institute of Directors members consistently say that 'skills shortages/ employee skills gaps' have a negative effect on their organisation (Chart 5).

Although the availability of appropriate skills has been in the spotlight as the economy has recovered from the impact of the pandemic restrictions, our members report that they nevertheless consider the issue to be longer-term and structural.

For example, when in July 2021 we asked those of our members who reported that skills shortages were having a negative effect on their organisation what they thought the reason was, the most common answer was 'long-term skills shortages in the required area' (Chart 6).

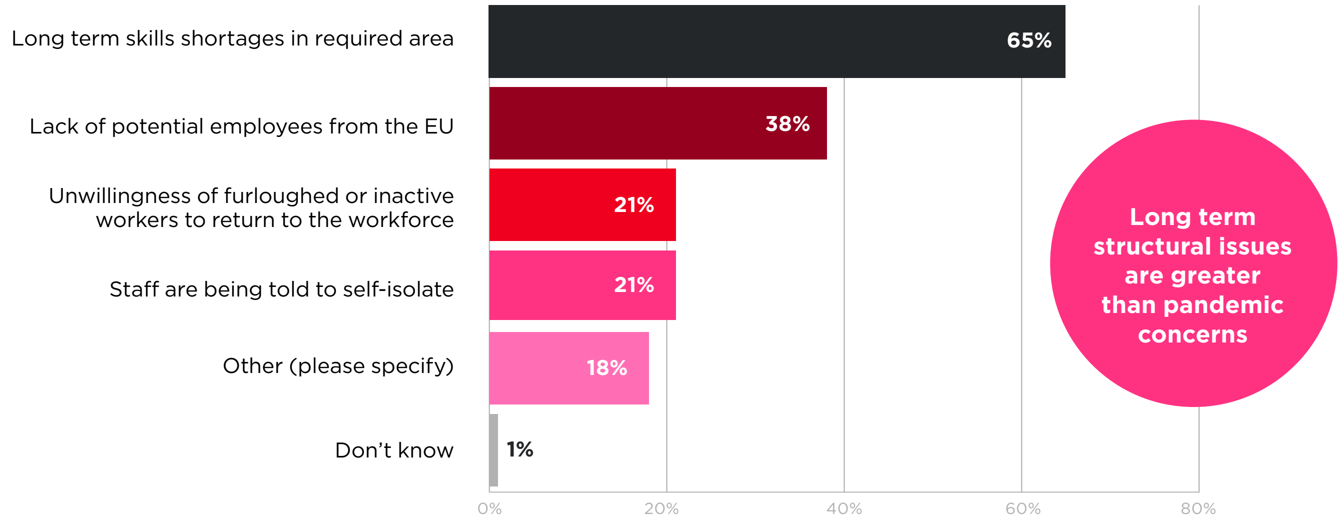
Our aim is that our members should no longer feel that skills shortages are a structural problem. Our approach is that a whole-economy solution is therefore needed, that involves workplace training as much as it does the more traditional education routes for people at the early stages of their careers.

Chart 5:
Around 40% of members consistently say 'skills shortages/employee skills gaps' is having a negative impact to their organisation.



IoD Policy Voice survey showing the proportion of members who say that skills shortages/employee skills gaps are having a negative impact on their organisation. Latest datapoint June 2022.

Chart 6:
Why do you believe you are currently experiencing staff shortages?



IoD Policy Voice survey July 2021. Question asked of 320 respondents who said workplace skills/skills shortages were having a negative effect on their organisation.

Tax treatment of training

At a first glance, the tax system appears supportive of workplace investment in training: as we saw in the introduction, companies who spend money on any form of business-related training for their employees can deduct this against revenue as an allowable expense for the calculation of corporation tax.[11]

It follows that the simplest way to sharpen the incentive for employers to increase the amount of training they undertake would therefore be to allow the deductibility to be greater than 100%, in effect reducing the corporation tax bill further.

The argument against such an approach is that there would be significant 'deadweight loss': although it may encourage more training, the taxpayer would also be subsidising all the existing activity that was already taking place.

The way through this is to focus taxpayer resources in the areas where there is a wider public interest in the training occurring, namely where there are demonstrable economy-wide skills shortages.

In a clear example of market failure, it is in these areas where, perversely, firms may hesitate to train people up in the first place because, if there is an economy-wide skill shortage, the chances of their team member leaving to work for a competitor once they are trained are greatest.

The missing piece of the policy armoury is therefore an independent mechanism for determining where there are skills shortages at present, and also where there are likely to be shortages in future.

Once that is understood then government can target its resources across the economy to fill the gaps. Not only does this ensure the best possible use of taxpayers' money but is also, by definition, most likely to fix the 'skills shortages' issue that has long caused difficulties for businesses.

We therefore propose the creation of a 'Shortage Occupations Agency' that is public sector, but arms-length from government with one statutory duty: to produce the best analytical and technocratic forecast of current and future skills shortages in the UK.

[11] The exception is sole traders who can only expense training designed to update skills used in their current business offering. Upskilling or retraining designed to diversify the business into new unrelated areas cannot be deducted from revenue for income tax purposes if the individual is a sole trader, even if there is clear market demand for those new skills.

An independent, technocratic Shortage Occupations Agency

The Agency should be able to receive evidence and commission research, but should not make policy recommendations beyond the production of the list of priority skills shortage areas itself. In this way it would be similarly technocratic to the Low Pay Commission, which receives evidence and advises government on the most appropriate level of the minimum wage. The new body should stop short of the remit of the now-abolished UK Commission on Employment and Skills which acted more like a think-tank with a wider range of policy recommendations.

It could however perform a useful convening role for business organisations and training providers, including further and higher educational establishments, to build consensus on course content to meet current or anticipated needs.

It should also include the remit of the current Migration Advisory Committee, that uses labour market analysis to recommend ways in which the immigration system can be used to meet skills shortages through the occasional publication of a Shortage Occupations List. Its output would also replace the emerging list that underpins the new Level 3 Guarantee offer.[12]

In recent months, the government has announced its own 'Unit for Future Skills' within the Department for Education, with a focus on building out datasets, for example on early careers outcomes, and also 'developing robust methodology and insights on current and future skills needs'.[13] The unit has also commissioned external analyses of skills shortages, for example from Rand Europe and the Institute for Employment Research.[14]

This is to be welcomed. However we remain of the opinion that an arm's length agency, with its remit set out in statute, would be preferable to an internal departmental unit, so that it has the ability to develop its own consistent and tracking methodology for advising on future skills shortages.

The Skills Act 2022 created a very welcome legal requirement for colleges and training providers to work with local employers to develop skills plans; it is important therefore that the new Shortage Occupations Agency takes an economy-wide look at longer-term skills requirements, and does not duplicate this employer-driven location-specific work.[15]

Once the agency is established and generating the best possible analysis of areas of likely future skills shortages, then government policy can be deployed across the economy as a whole to focus on filling these specific gaps.

Focused interventions to fill skills shortages

The first way this could be done is through a tax credit – effectively a revenue superdeduction – for company costs incurred in training existing staff in the skills shortage areas identified by the Shortage Occupations Agency. This would provide a greater incentive for firms to fund training in these shortage areas, compensating for the correspondingly higher risk of losing staff to competitors in areas where skills demand is high.

Second, it should be possible for sole traders to deduct for tax purposes the costs of reskilling into areas that are entirely new for their business, if these are identified as priorities by the Shortage Occupations Agency. This would support individuals to adapt their skillset to the changing needs of the economy while minimising the potential for abuse of the system.

Third, where there is already free training provided in skill shortage areas, for example in the 'bootcamp' type courses or under the Level 3 guarantee, there should be direct reimbursement of the payroll costs of firms who allow staff away from their normal duties in order to undertake this type of learning, perhaps with an upper limit. This overcomes the difficulties faced in particular by lower-paid workers who are unable to retrain into higher demand areas because of lack of free time between work and other commitments. It would also making it easier for non-profitable companies to invest in their workforce.

[12] https://www.gov.uk/government/publications/find-a-free-level-3-qualification/list-of-free-level-3-qualifications-available-to-eligible-adult
[13] https://www.gov.uk/government/groups/unit-for-future-skills
[14] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1077930/Labour_Market_and_Skills_Demand_Horizon_Scanning_and_Future_Scenarios_FINAL.pdf
[15] https://educationhub.blog.gov.uk/2022/04/28/everything-you-need-to-know-about-the-skills-act/

Finally, courses that are already available under the Level 3 guarantee should be available to anyone, regardless of their previous qualification or income levels because they are, by definition, designed to address skills shortage areas. In particular, it seems perverse to disincentivise older workers, who are more likely to be newly inactive as a result of the pandemic, from re-training in priority areas just because they took A-levels in other subjects in decades past.

In due course, the analysis produced by the Shortage Occupations Agency could also be useful to providers of higher and further education, for example to enable them to signal to potential students of all ages whether their course content is aligned to likely future employment opportunities. It could also be used by government to inform priority areas for student funding, in the light of the recent reform proposals. It could also inform bespoke interventions in particular segments of the labour market, for example older workers.[16]

"...the analysis produced...could also be used by government to inform priority areas for student funding.

[16] https://consult.education.gov.uk/higher-education-reform/higher-education-he-reform/

How to raise capital investment

In an attempt to boost demand in the economy as we emerged from the pandemic, Budget 2021 introduced a temporary measure of a 130% 'super-deduction' for capital investment for the years 2021-23.

Investment expenditure undertaken in this time window could not only be fully deducted against revenue streams but also generate a tax credit. For example, £100 of capital expenditure would be counted in the calculation of corporation tax in the year as a spend of £130, reducing the amount payable to the Treasury accordingly.

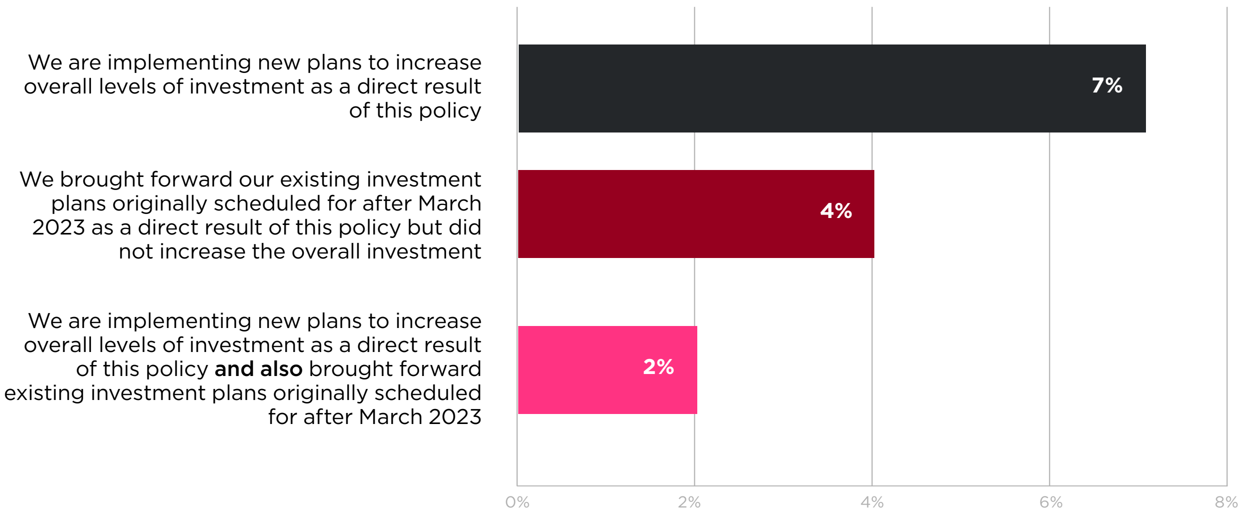
Despite media reports to the contrary, our own data shows that the super-deduction led to a positive and measurable impact on the levels of fixed capital investment that were undertaken.[17]

In February 2022, we asked our members to choose from a number of options for the way that they responded to the introduction of the measure. We adjusted the results to remove those firms who had separately told us that their business does not depend on fixed capital. Of the remainder, 13% reported a direct impact due to the super-deduction on the level of investment undertaken in the years 2021-23. Over half of these respondents (between 7-9% of firms) stated that this investment was entirely new and as a direct result of the super-deduction rather than a bringing forward of previous investment (Chart 7).

13%

reported a direct impact due to the super-deduction on the level of investment undertaken in 2021-23.

Chart 7:
In the March 2021 Budget, the government announced a 130% tax super-deduction capital allowance for investment in qualifying plant and machinery until March 2023. Please choose the option below that best represents how your organisation responded, if at all.



IoD Policy Voice survey February 2022. Base: % of those whose businesses depend on fixed capital (54% of total). Respondents chose one option.

[17] See, for example, https://www.ft.com/content/74eafecd-5f73-4e9e-a546-26b5c1032780

We therefore propose the continuation of the super-deduction as a way of incentivising higher levels of investment across the economy. As a second-best option we propose 100% expensing for tax purposes for all forms of capital, as outlined below.

Pre-pandemic system

Before the super-deduction was introduced, investment in fixed capital was dealt with by the tax system in two main ways. The first £200,000 of spend in a year (temporarily raised to £1m between 1 January and 31 December 2021) is covered by an 'Annual Investment Allowance' (AIA) and so treated as a straight cost that is set against revenue for the calculation of corporation tax.

In this way, for a given level of revenue, profitable firms that increase investment in a given year up to the AIA limit pay less tax. This incentivises investment by improving the firm's cashflow position in the subsequent year, as more profits are retained.

Above the limit of the AIA, firms cannot deduct the full cost of capital expenditure from their revenue for that year for corporation tax purposes. Instead, they can spread out the deductions over future years at a given rate, known as the 'writing down allowance'. This rate is currently set at 18% for most expenditure, with a less generous 'special rate' that applies primarily to long-life assets, integral features and cars with CO_2 emissions over a certain threshold.[18]

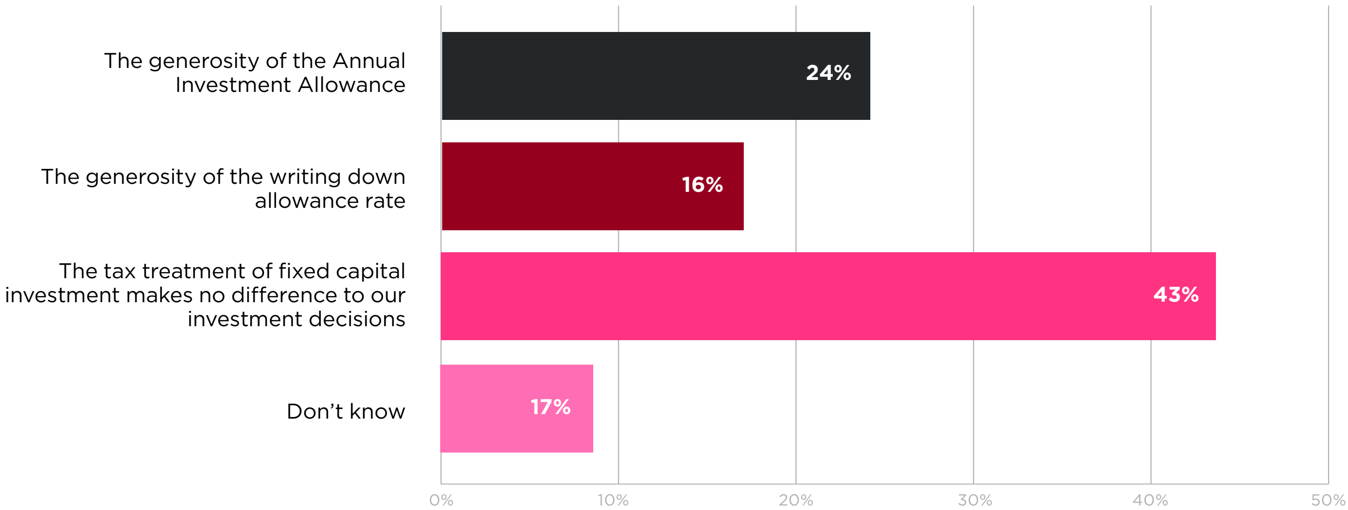
The effect of these two regimes working together is that smaller companies are more likely to take advantage of the AIA, since the level of their spending is more likely to fall within the limit of that allowance.

When we asked our members whether it was the generosity of the AIA or the generosity of the writing down allowance rate that affected the decisions of their organisation to increase investment in fixed capital, both were important but more firms chose the former.

Importantly we also found that of those businesses that depend on fixed capital, government policy matters: less than half (43%) reported that the tax treatment of fixed capital investment made no difference to their investment decisions (Chart 8).

On this basis, therefore, our second-best option to maximise the level of investment in fixed capital, is to make the **Annual Investment Allowance should be as high as possible**. Taking this to its logical extreme, there should no longer be two different mechanisms for the tax treatment of fixed capital investment. Instead they should be merged – with 100% expensing possible for all investment that takes place in a given year, and an end to

Chart 8:
Which of the following is most relevant to your organisation when deciding whether to increase its investment in fixed capital (plant and machinery)



IoD Policy Voice survey 12-28 April 2022. Base: Those members who reported that their business depended on fixed capital (54% of total). Respondents chose one option.

[18] https://www.gov.uk/government/publications/potential-reforms-to-uks-capital-allowance-regime-inviting-views/potential-reforms-to-uks-capital-allowance-regime-inviting-views

the writing-down allowance regime. That would have the same effect as having no upper limit to the AIA.

Doing this would remove much of the complexity of the current system, remove a cliff edge between the operation of the AIA and the writing-down allowance regime and – crucially – incentivise more capital investment, due to the cashflow advantages of being able to write down all expenditure against revenue in the year in question.

It would also negate the requirement, as the economy digitises further, to engage in complex definitional requirements about whether spending on software is counted as capital or revenue for writing-down purposes. As we saw in section one, our surveys suggest a large proportion of Institute of Directors members thought investment in digital processes would have the single greatest impact on the future productivity of their organisation, above investment in skills or fixed capital.

Just as mechanisation was the main source of growth in the 20th Century, so digitisation is the main source of growth now. At present, however, much investment in computer software and related products are considered to be 'plant' and so treated as capital in the tax system, thereby reducing the incentive to invest in upgrades compared to if they could be fully expensed.[19] The simplest way, therefore, to provide a greater incentive for firms to invest in upgrading their digital infrastructure is to have full expensing in year one for all digital assets, including software and cloud computing capabilities.

The argument against such an approach – whether for digital or fixed assets – Is that it would be costly for the Exchequer. However this ignores the effect of the measure over time. Allowing 100% expensing for investment decisions would lead to less corporation tax receipts in the first year, but more in subsequent years for the same investment. It is a question of phasing of receipts not the level of receipts.

Moreover, presuming that there is a link between investment and profitability, and also national GDP (in aggregate), improving the cash flow associated with making investments will lead to more investment overall and so increase the tax base in future years.

[19] https://www.gov.uk/hmrc-internal-manuals/capital-allowances-manual/ca23410

Conclusion

Government and the private sector have a shared interest in raising levels of investment in the economy, with policy action particularly important when perceptions of macroeconomic risk are higher.

Our data from business leaders in small and medium sized businesses in the UK shows that investment in skills and, separately, digitisation are particularly important for future productivity growth, with investment in fixed capital also relevant.

It therefore follows that government incentives to invest more in these areas need to be sharper. In response to the government's invitation to contribute ideas in this space, we have set out a number of proposals on behalf of our members in which this could be done to the benefit of smaller businesses, their stakeholders, and the wider economy.

The Institute of Directors is a non-party political organisation, founded in 1903, with approximately 20,000 members. Membership includes directors from right across the business spectrum – from media to manufacturing, professional services to the public and voluntary sectors. Members include CEOs of large corporations as well as entrepreneurial directors of start-up companies.

The IoD was granted a Royal Charter in 1906, instructing it to "represent the interests of members and of the business community to government and in the public arena, and to encourage and foster a climate favourable to entrepreneurial activity and wealth creation."

The Charter also tasks the Institute with promoting "for the public benefit high levels of skill, knowledge, professional competence and integrity on the part of directors", which the IoD seeks to achieve through its training courses and publications on corporate governance.

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