



# MillionPlus

The Association for  
Modern Universities

RESEARCH REPORT

Universities, devolution  
and the industrial strategy:  
piecing the jigsaw together



# Foreword

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**In the industrial strategy green paper, Greg Clark MP, Secretary of State for Business, Energy and Industrial Strategy, set out ambitions that modern universities wholeheartedly endorse: the improvement of living standards, rebalancing regional growth, ensuring that every place meets its potential by working to close the gap between ‘our best-performing companies, industries, places and people and those that are less productive’ with ‘the full involvement of innovators, investors, job creators, workers and consumers in an enduring programme of action’.**

*As Universities, devolution and the industrial strategy: piecing the jigsaw together* outlines, these ambitions have to be set in the context of a complex devolution landscape. In England, this includes elected mayors, metro mayors, combined authorities that cover very different geographic areas, city deals, Local Enterprise Partnerships, swathes of the country where local authorities are not participating in devolution and, in some areas, the transfer to combined authorities of European funding, the long-term future of which is now uncertain.

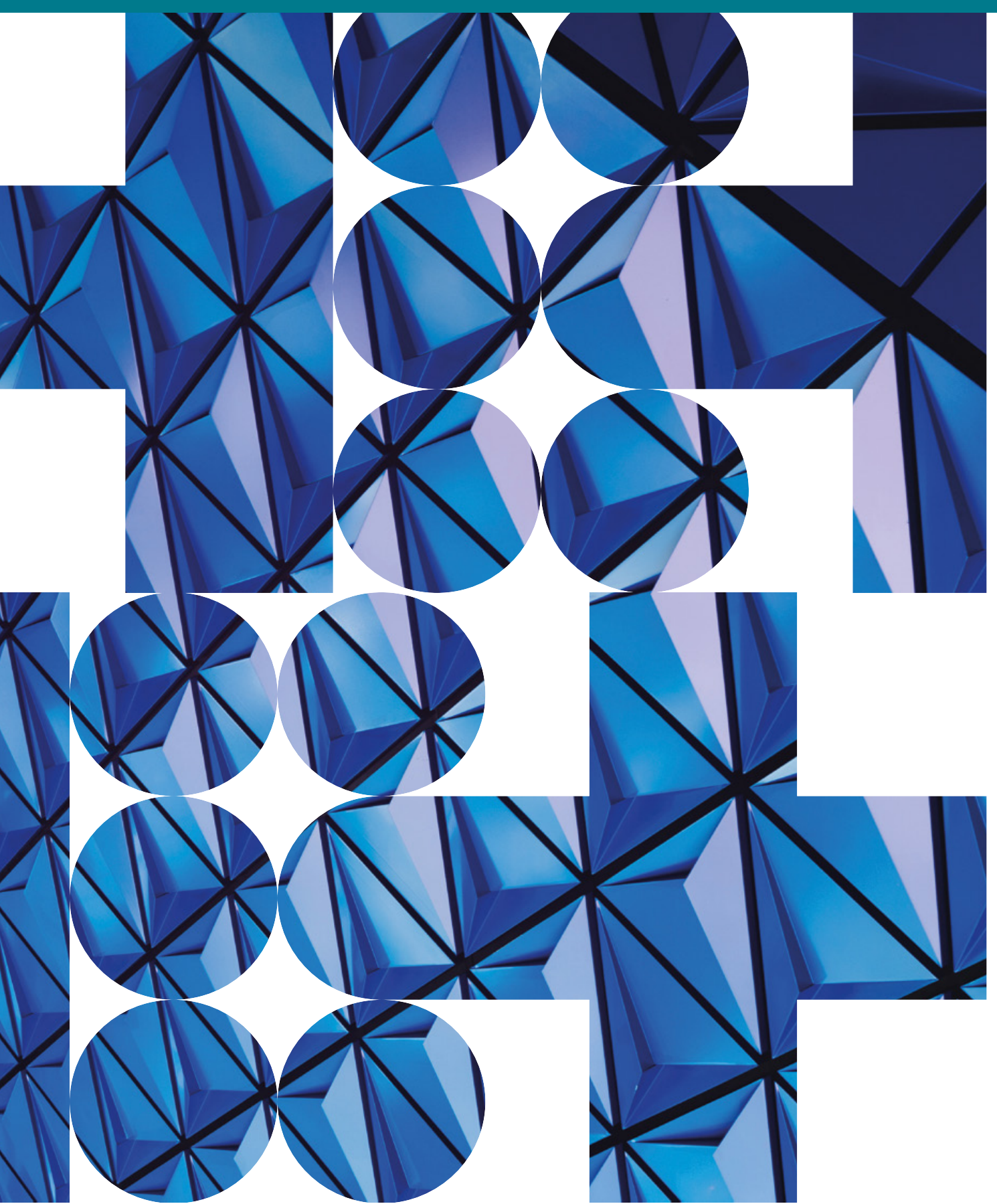
Our report sets out why the government and authorities at local level should promote and work with modern universities to deliver the government’s ambitions. These universities have rich histories of delivering in their localities as well as engaging globally. They are anchor institutions in their communities with strong links with business, new and emerging markets, and organisations delivering health, education and social care. They deliver excellent, professional and technical education, higher level and degree apprenticeships, high quality research, support micro and small businesses and graduates who overwhelmingly, live, study and work in their regions.

We also outline a series of recommendations for discussion, debate and hopefully action. These include establishing an Office for English Devolution and a new stream of funding for translational research. However, we make no apologies for setting out the evidence on which we base our assertion that modern universities are not only keen advocates for their regions, but must also be valued as key players if the government is to deliver devolution and an industrial strategy fit for purpose in 21<sup>st</sup> century Britain.

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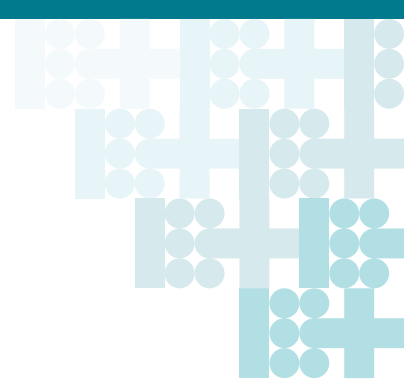
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# Universities, devolution and the industrial strategy: piecing the jigsaw together



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# Executive Summary

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**Modern universities have long made significant contributions to their communities. Through collaborations with business and industry, public services and local government, as employers and major organisations, they are key drivers of economic activity, innovation, social mobility and community cohesion. These universities are global players but their local roles and activities are vital for both the industrial strategy which the government is seeking to promote in the UK and for its devolution agenda in England.**

As set out in this report, devolution has been a series of initiatives which have proceeded at different paces with varying levels of stakeholder buy-in and, arguably, an inconsistent policy framework. As a result, devolution in England is more akin to a patchwork quilt, albeit with large areas of the country excluded, that has yet to be fitted into a coherent pattern.

The much-needed boost to the funding of research and innovation announced in the November 2016 Autumn Statement and the government's *Building our industrial strategy* green paper published in January 2017<sup>1</sup> are to be warmly welcomed. However, these initiatives have to be set in the context of the challenges posed by the potential loss of investment from the European Regional and European Structural and Investment Funds, which accounted for a spend of over £821m<sup>2</sup> in the UK in 2014-15 alone.

The challenge for government is complex. It must promote an industrial strategy which addresses regional imbalances in economic activity, deploy the additional investment in research and innovation to best effect, manage a devolution process which is developed at local level and ensure that growth is stimulated across the country. Furthermore, as part of the transition to Brexit, Ministers must also work out how to ensure that valuable investment that has come from the European Union is still available or is replaced in particular areas of the country.

This report provides an analysis of the progress or otherwise of devolution and the other factors in play and sets out a series of recommendations for discussion

and debate. However, one thing is crystal clear: the industrial strategy, and not just the devolution agenda, will be linked to place – a link confirmed by Greg Clark MP, Secretary of State for Business, Energy and Industrial Strategy when launching the green paper:

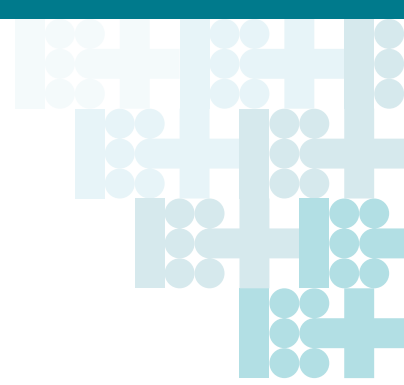
*“This is an important step in building a modern, dynamic industrial strategy that will improve living standards and drive economic growth across the whole country.”<sup>3</sup>*

Working with employers, modern universities have developed innovative courses that combine the expertise of industry with ground-breaking research and pioneering methods of delivery. They are a central part of the skills pipeline from school through further education to higher education. These universities have pioneered the technical, vocational and professional education qualifications at undergraduate and postgraduate level that provide individuals with the higher-level skills required for a successful career in the 21<sup>st</sup> century and they are renowned for their links with companies of all sizes and the excellence of their research. As such, they have significant expertise that the industrial strategy, locally elected mayors, the new combined authorities and the many local authorities currently not part of a devolution deal cannot afford to ignore. To avoid the devolution agenda and the industrial strategy being another missed opportunity, modern universities must be valued and promoted by government and UK Research and Innovation (UKRI) and engaged by local stakeholders.

1 Building our industrial strategy Green Paper, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/586626/building-our-industrial-strategy-green-paper.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/586626/building-our-industrial-strategy-green-paper.pdf)

2 Parliamentary Question, <http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2017-01-27/62121/>

3 <https://www.gov.uk/government/news/pm-unveils-plans-for-a-modern-industrial-strategy-fit-for-global-britain>



## RECOMMENDATIONS

The government should establish an Office for English Devolution to coordinate and broker devolution deals, oversee finances and ensure areas with devolved powers do not adversely affect those outside of devolution areas. The Office for English Devolution should also provide scrutiny over local processes and ensure long-term stability of the devolution agenda by providing a hub for expertise and resources for combined authorities to ensure plans and policies have a robust evidence base.

The government and local authorities should develop plans and responses to the industrial strategy tailored to local needs and build on the expertise of universities as key local anchor institutions.

Combined authorities should consult with and consider the impact on neighbouring authorities of any measures, policies and developments. In the event of disagreement, the Office for Devolution should take on the role of broker and mediator of decisions.

Local authorities and local enterprise partnerships should ensure that modern universities are engaged from the outset in discussions about, and the development of, devolution bids. These universities are major stakeholders in and contributors to the local economy and are key to the delivery of the devolution agenda and the industrial strategy.

The government should recognise the value modern universities bring to their local area as sources of expertise, drivers of local labour markets and economic growth, social mobility, regeneration and innovation hubs.

As part of the industrial strategy's 'pillar' for investing in science, innovation and research, a new fund for applied and translational research should be created to promote innovative collaborations between universities and business, SMEs and public services, underpinned by regional needs.

The new Industrial Strategy Challenge Fund should be focused on regional and local development in addition to the stated focus on technologies.

Combined authorities must work with colleges and universities to secure a pipeline of learning from level 2 through to level 5 and above. In doing so, combined authorities should ensure access to training and education at all skill levels, including for older learners, across the combined authority ensuring no area is left behind.

Life-long learning, to which the industrial strategy makes reference, should be supported by the provision of incentives to employers, employees and those not in the workplace. Successive governments have used tax credits to incentivise businesses, particularly SMEs, to invest in research. The same approach should be taken with continuous professional development, to encourage take up of more part-time and work-based courses, including employer-sponsored degrees. There is also a strong case to provide new funding for those not in the workplace to update their skills.

# Devolution – A complex landscape

Following two waves of City Deals in 2012 and 2013, the first ‘devolution deal’ was announced by the government and the Greater Manchester Combined Authority in November 2014. Further deals were agreed for Sheffield and West Yorkshire prior to the 2015 General Election. The new government subsequently invited proposals for further devolution as part of the 2015 Spending Review, receiving 34 bids. Devolution is an ongoing agenda with discussions continuing after the first deal has been agreed. For example, since Greater Manchester’s first deal in 2014 there have been four further devolution deals. Devolution deals so far have many similarities in terms of devolved powers, many of which will impact on universities and colleges.

As of autumn 2016 nine areas have either agreed deals or have deals in discussion:<sup>4</sup>

- Greater Manchester
- Sheffield City Region
- West Yorkshire
- Cornwall
- Tees Valley
- West Midlands
- Liverpool City Region
- Cambridgeshire
- West of England

In addition to the above, deals were reportedly under negotiation in a number of areas but subsequently foundered due to disagreements among the district and unitary authorities, and opposition to directly elected mayors.

- North East<sup>5</sup>
- Portsmouth, Southampton and the Isle of Wight
- Gloucestershire
- Greater Lincolnshire
- Cheshire and Warrington
- Cumbria
- North Midlands
- Norfolk and Suffolk

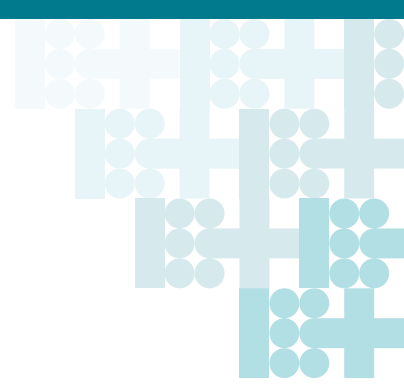
## Key points

- Devolution is an ongoing process with both continually shifting geographies and negotiation of new powers
- The new combined authorities cover a variety of levels of local government, and a range of geographies with different needs
- The process of devolution has been inconsistent, leaving a patchwork of areas with differing levels of power and responsibilities, resulting in a complex landscape which external or cross-border organisations have to navigate.

<sup>4</sup> West Yorkshire Combined Authority is already a collaboration between the West Yorkshire authorities, although there is at the moment stalemate between competing devolution deals for the Leeds City Region on one hand and a rival West, East and North Yorkshire deal on the other. Alongside the continuing dispute around the Sheffield City Region, discussions in Yorkshire are likely to continue.

<sup>5</sup> On 8 September 2016, Secretary of State for Communities and Local Government, Sajid Javid MP, stated that devolution for the North East of England was “off the table”. It was reported that council leaders were not able to reach a majority agreement to proceed to public consultation.





## KEY FEATURES OF DEVOLUTION

### REVIEW AND RESTRUCTURING OF FURTHER EDUCATION SYSTEMS

Usually involving a full review of further education and skills provision leading to local commissioning of the Adult Skills Budget and full devolution of the budget before 2020 with some areas also taking on responsibility for the Apprenticeship Grant for Employers.



### EUROPEAN UNION STRUCTURAL FUNDS

A number of areas are to become 'intermediate bodies', allowing them, rather than the government, to take decisions about which public and private bodies should be allocated European Union structural funds. The vote to leave the European Union raises long-term questions over this funding, including future responsibility for distribution in the event that it is replaced in whole or part by the UK government.

### BUSINESS SUPPORT

Central and local business support services will be brought together into "growth hubs", with UK Trade and Investment being required to partner with local business support services.



### FISCAL POWERS

Most deals include an investment fund in the tens of millions of pounds. The power to retain 100% of any business rate growth also appears in many deals, with retention of all business rate revenue being piloted in Greater Manchester and Liverpool and plans for a roll-out of this scheme in the future. Combined authorities, with the agreement of Local Enterprise Partnerships, have the power to add up to 2% onto business rates.

### OTHER POWERS

There are a wide range of other powers included, such as the integration of health and social care, allowing combined authorities to further integrate local transport systems, commitments on joint development of programmes for 'hard-to-help' benefit claimants, and further powers and responsibilities over planning and land use.



### SCIENCE AND INNOVATION AUDITS

Accompanying the devolution agenda, the government has initiated a number of Science and Innovation Audits, aimed at helping local organisations map their research and innovation strengths and identify areas of potential competitive advantage. Although separate to the agenda of English devolution as the areas selected also include areas in Scotland, they are intended to be a tool to enable combined authorities to identify strengths on which to build their plans for growth.

# The devolution map

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The devolution agenda has broadened to include a range of geographical areas with a variety of policy, economic and demographic challenges. By the beginning of 2017, there were only seven established combined authorities,<sup>6</sup> all based around large urban centres: Greater Manchester, Liverpool, Sheffield, West Yorkshire, Tees Valley, West Midlands and the North East. It is worth noting that the most rural of these authorities (North East) is the area where further devolution talks collapsed. Those areas with deals on the table are primarily more rural than the initial wave of combined authorities.

The patchiness and incomplete coverage of devolution raises a number of issues. Devolution deals cover substantial areas of some parts of the country; in other areas, nothing is happening. Some areas have 'failed' deals next to 'agreed' deals next to 'potential' deals. Some authorities have opted not to join deals even where all other authorities in the area have done so. The industrial strategy green paper refers to the evidence that 'suggests that strong, streamlined, decentralised governance – such as through our city deals, growth deal and mayoral devolution deals – can improve economic decision making and spur innovation and productivity gains.'<sup>7</sup> These ambitions need to be set against the complexity of the landscape that has been developed and continues to develop at local level.

This inconsistency will almost certainly mean unequal opportunities for people depending on where they live – the very definition of a postcode lottery – and may make it more challenging to capitalise on the existing resources in a local area. Moreover, as outlined in Appendix 1 devolution deals themselves are variable in their scope.

Despite the lack of geographical coverage, of the devolution deals that have developed so far, three distinct types of devolution area can be identified (see [Figures 1 + 2](#)).

- **Mainly urban:** The West Midlands, the authorities running from Doncaster in the Sheffield City Region through to Sefton, the Wirral in the Liverpool City Region
- **Mainly rural:** Authorities down the east coast, from North Lincolnshire to Suffolk
- **Urban/rural mix:** North East, Teesside, Solent, West of England.

These geographies clearly have varying needs and require different and mixed responses to issues such as local bus services, skills development and business incentives. This will be made more complex as a result of the potential for the retention of business rates to disadvantage rural areas.<sup>8</sup> To be successful the industrial strategy will have to take into account not only place but also different arrangements in terms of local governance.

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6 Cornwall's devolution deal differs from other areas in not requiring a combined authority or elected mayor.

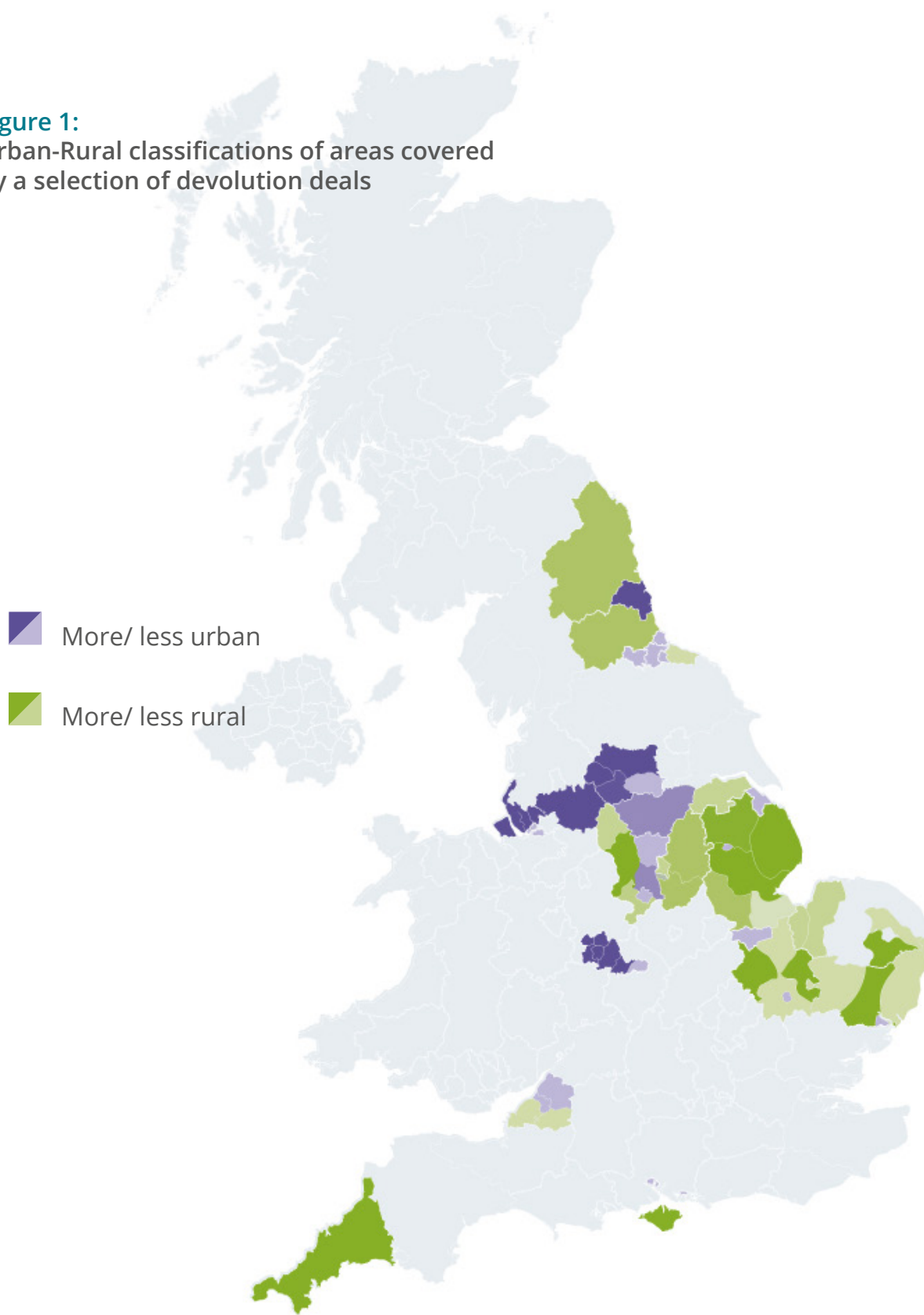
7 Building our industrial strategy Green Paper,

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/586626/building-our-industrial-strategy-green-paper.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/586626/building-our-industrial-strategy-green-paper.pdf)

8 <http://www.localgov.co.uk/Counties-and-districts-voice-concerns-over-business-rate-pilots/41592>



**Figure 1:**  
Urban-Rural classifications of areas covered  
by a selection of devolution deals



**Figure 2: Urban and rural status of devolution area**

Rurality of agreed and proposed combined authority areas	Mainly Rural (rural including hub towns >=80%)	Largely Rural (rural including hub towns 50-79%)	Urban with Significant Rural (rural including hub towns 26-49%)	Urban with City and Town	Urban with Minor Conurbation	Urban with Major Conurbation
Greater Manchester	0%	0%	0%	0%	0%	100%
Liverpool	0%	0%	0%	0%	0%	100%
West Midlands	0%	0%	0%	14%	0%	86%
West Yorkshire	0%	0%	0%	20%	0%	80%
Sheffield City Region	0%	17%	0%	17%	67%	0%
North East	0%	29%	0%	0%	0%	71%
Teesside	0%	0%	20%	80%	0%	0%
North Midlands	7%	20%	13%	27%	33%	0%
Solent	33%	0%	0%	67%	0%	0%
West of England	0%	0%	50%	50%	0%	0%
Greater Lincolnshire	33%	22%	22%	22%	0%	0%
Cambridgeshire	33%	33%	0%	33%	0%	0%
Norfolk and Suffolk	40%	30%	20%	10%	0%	0%
Cornwall	100%	0%	0%	0%	0%	0%
London	0%	0%	0%	0%	0%	100%

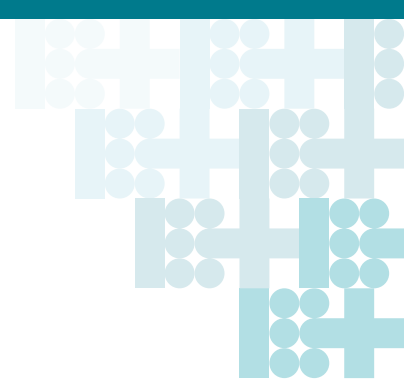
Large rural areas with significant hub towns as found in Greater Lincolnshire, Cambridgeshire, and Norfolk and Suffolk will have different relationships with universities, other institutions and local transport than geographically smaller areas such as Greater Manchester and Liverpool that are characterised by urbanisation and comparatively dense populations. Greater Manchester also differs in having a relatively coherent geography and authorities of equal status and powers, in addition to having one core city at its heart. Others, particularly those with more rurality, have multiple economic drivers, greater diversity of industries and a mix of authorities, creating challenges not just in governance, but also in building a sustainable alliance of authorities to form combined authorities.

The Institute for Public Policy Research has already noted the need to be flexible, both in understanding where directly elected mayors are most effective and how specific issues related to the interplay of different geographies particular to non-city regions will affect how processes unfold.<sup>9</sup> The best way to address this is for local and combined authorities to actively engage with key stakeholders, including modern universities.

9 IPPR, Empowering Counties, unlocking county devolution deals, [http://www.ippr.org/files/publications/pdf/empowering-counties\\_Nov2015.pdf?noredirect=1](http://www.ippr.org/files/publications/pdf/empowering-counties_Nov2015.pdf?noredirect=1)

# Devolution and stakeholder engagement

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The original combined authority, elected-mayor style of English devolution as found in Greater Manchester was formed around a group of authorities with a strong history of working together. Since then, the organic route through which devolution deals are arrived at has resulted in a patchwork of areas and powers. Negotiations have broken down, restarted and changed focus, with public consultations leading to instances of complicated geography, such as that of the Sheffield City Region-North Midlands negotiations.

Given that devolution in England initially emerged around single-tier unitary authorities, devolving powers and responsibilities to areas with county and district councils will require both horizontal and vertical collaboration and integration. As the devolution agenda evolves, close scrutiny of areas such as the Sheffield City Region-North Midlands border districts will be necessary to assess the impact on councils and combined authorities that lose control and funding across borders.

Devolution bids are developed by local authorities, in collaboration with Local Enterprise Partnerships (LEPs). However, engagement with local stakeholders has been variable. In some cases, public consultation has been lacking as has discussion with key stakeholders during the development of the bid itself.

Universities have been directly involved in some areas. In others, the process has been 'arm's length' with a preference for engagement through LEPs. This inconsistency has led to a series of bids, deals and arrangements with varying levels of input from key local stakeholders. However, it is not just a lack of engagement with local stakeholders that has proved problematic. The vague nature of many proposals and constantly changing landscape has made it difficult for stakeholders to both understand and proactively engage with the process.

Following public consultation, the constituent members of Sheffield City Region Combined Authority are now Barnsley, Doncaster, Rotherham and Sheffield in South Yorkshire, as well as Bassetlaw in north Nottinghamshire and Chesterfield in Derbyshire. Derbyshire County Council has reported that it will lose £1m a year in business rates to the Sheffield City region in addition to losing control of a number of services. Bolsover, North East Derbyshire and Derbyshire Dales will remain non-constituent members but will look to be constituent members of the "North Midlands" Combined Authority when this is established in 2017.

In Norfolk and Suffolk, a deal had been backed by both county councils and New Anglia LEP. However, four of the fourteen district and borough councils covered by the area have withdrawn from the process. The decision of West Norfolk Council to withdraw in November 2016 has resulted in the deal being stalled.

With a number of regional initiatives, including the Greater Norwich City Deal and the Greater Ipswich City Deal, and with significant disagreement between districts of the two counties over the requirement of an elected mayor, it is unsurprising that the relatively streamlined agreements reached elsewhere have foundered. As of January 2017, it is possible that separate Norfolk-only and Suffolk-only deals may be struck so these may turn out to be examples of very different models of devolution than were originally conceived.

Inconsistency in approaches is therefore a major feature in the development of areas submitting devolution bids. As bids originate at the local level, political disagreements have emerged based on a mistrust of the devolution agenda, misgivings over the financial sustainability of the process, discord over the powers and responsibilities to be transferred, and legitimate concerns about a local authority losing its autonomy or voice on local issues. This has contributed to a patchwork of combined authorities emerging, between which are situated areas which may benefit from a deal but where agreement has so far not been reached.

That there is no planned endpoint for English devolution is perhaps understandable if the agenda is to be driven at local rather than national government level. However, without clear measurable objectives for devolution there is a risk that in some localities, responsibilities and powers



are drawn into the process without consideration of any knock-on effects – or in the alternative, that potential key stakeholders are disenfranchised as geographic areas are amended and they are excluded.

Newer deals are driving towards a different type of combined authority – one that is rural in character and not built upon longstanding relationships, such as those that existed in Greater Manchester. This raises questions about the long-term sustainability of the devolution agenda and points to the need to make sure that time and effort are put into ensuring that these new authorities are built on stable foundations.

## RECOMMENDATIONS

The government should establish an Office for English Devolution to coordinate and broker devolution deals, oversee finances and ensure areas with devolved powers do not adversely affect those outside of the devolution agenda. The Office for English Devolution would also provide scrutiny over local processes and ensure long-term stability of the devolution agenda through providing a hub for expertise and resources on which combined authorities can draw to ensure plans and policies have a robust evidence base as well as sharing experience and best practice.

The first regional mayoral elections will take place in May 2017. Headlines will undoubtedly be made by the new elected mayors but the responsibilities and powers go further than a simple figurehead for a city or region. The combined authorities will have powers and responsibilities covering employment and business growth, enterprise and innovation, planning and investment, skills, and healthcare. As such, decisions taken by the new combined authorities will have far greater impact than those of their predecessors.

These combined authorities and the project of devolution also sit within a wider framework that includes plans

by the government for the Northern Powerhouse, the Midlands Engine and the industrial strategy. This strategy will need to take account of a range of relatively disparate devolution projects and processes and powerful combined authorities. However, the industrial strategy provides an opportunity to bring some further coherence to a complex agenda and to capitalise on the activities of modern universities in their localities and in new and emerging markets.

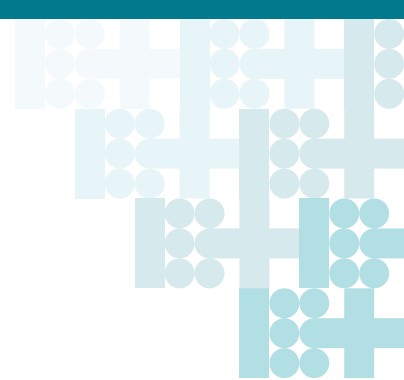
The government and local authorities should develop plans and responses to the industrial strategy tailored to local needs and build on the expertise of universities as key local anchor institutions.

Combined authorities should consult with and consider the impact on neighbouring authorities of any measures, policies and developments.

In the instance of disagreement or tension, the Office for Devolution would take on the role of broker or mediator of decisions.

Local authorities and local enterprise partnerships should ensure that modern universities are engaged from the outset in discussions about, and the development of, devolution bids. These universities are major stakeholders in and contributors to the local economy and are key to the delivery of the devolution agenda and the industrial strategy.

# Modern universities – key players in the devolution agenda and the industrial strategy



The industrial strategy green paper makes clear that ‘the full involvement of innovators, investors, job creators, workers and consumers .... is the only basis on which we can produce an enduring programme of action.’<sup>10</sup> Modern universities play a significant role in local regeneration and will be key players in the delivery of this objective. For example, nearly half of modern universities were reported as being actively and creatively engaged with business and community programmes through taking a leadership position and applying a wide variety of resources. This compares to less than a third of universities that gained title prior to 1992.<sup>11</sup>

These universities are more likely to be pro-actively engaged in the development and implementation of regional or devolved government economic strategies. More than 50% of modern universities were engaged in these strategies, compared to a third of universities that gained title prior to 1992.<sup>12</sup> This is reflected across England and throughout the UK: modern universities provide expertise, data and senior staff to advise and lead in strategic regional partnerships.

Modern universities are key to regional development in other ways, providing learning opportunities for individuals to acquire the skills and qualifications needed for their careers, as well as offering ongoing professional

development. Through their research – both original and applied – they create new understanding, and ensure businesses have access to the latest technology or knowledge. They are significant investors in local economies, through direct and indirect employment, and are focal points for collaboration, innovation and enterprise. They have also played leading roles in regional development strategies, especially those funded by European Union investment. The government must capitalise on the strengths of modern universities and ensure that they are at the heart of not only the devolution agenda but also the industrial strategy.

## THE IMPORTANCE OF PLACE

Modern universities are distributed throughout England, from Wearside to the West of England, from Canterbury to Cumbria. They educate more students across the new combined authorities than other universities.<sup>13</sup> These universities recruit nationally and globally but are also key players in offering opportunities to students from the communities and regions in which they are located.

In the majority of English regions most graduates are working in the same region in which they studied.<sup>14</sup> That means that modern universities are powerful agents

in retaining highly skilled graduates and workers in local areas, adding significant value in terms of economic activity. These universities mitigate against the flight of talent to London and the South East and drive inward migration of highly skilled and educated workers across England.

Modern universities are also major local employers, with an average of almost 1,500 staff per institution.<sup>15</sup> Where a modern university is present, higher education is likely to be a key sector in terms of supporting jobs. As such they are also key stakeholders for local growth and employment strategies, worthy of

due consideration as actors in the wider strategy of not just innovation but also regeneration around which projects can be established that build on their long-established roots in local communities and economies.

10 Building our industrial strategy green paper,

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/586626/building-our-industrial-strategy-green-paper.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/586626/building-our-industrial-strategy-green-paper.pdf)

11 49% of modern universities engaged in this way compared to 31% of universities that gained title prior to 1992.

MillionPlus analysis of 2014/15 HESA HE-BCI survey.

12 56% of modern universities are pro-active in their engagement compared to 37% of universities that gained title prior to 1992. MillionPlus analysis of 2014/15 HESA HE-BCI survey.

13 MillionPlus analysis of 2014/15 HESA data.

14 MillionPlus analysis of HESA UK domiciled leavers in employment within the UK by level of qualification obtained, region of institution and region of employment.

15 MillionPlus analysis of 2014/15 HESA data.

## REBALANCING REGIONAL GROWTH

The industrial strategy's recognition that 'regional disparities are now wider in the UK than in other Western European nations' and that '61 per cent of people live in areas with incomes 10 per cent below the national average'.<sup>16</sup> The *Building our industrial strategy green paper*, clearly sets out the reasons why rebalancing regional growth must remain a major priority for government.

Modern universities are vital to the success of any regional policy and an industrial strategy that seeks to increase the skill levels and productivity of the local workforce. With a long tradition of working with industry to fulfil specific needs, modern universities have pioneered employer-university partnerships, working with local business to ensure that programmes deliver the right skills. They are highly successful collaborators with businesses and apply academic 'know-how' to key industrial and service delivery challenges in the local area, resulting in innovation and increased efficiencies and productivity that boosts local economic growth and improves outcomes. These universities have also responded to new and emerging markets, for example pioneering courses and working with small and micro-businesses in the digital and cultural industries.

### STAFFORDSHIRE UNIVERSITY

The area of Stoke-on-Trent and North Staffordshire has long been a world centre for fine ceramics. [Staffordshire University](#) has been supporting local ceramics-based businesses, which make up 32% of all UK ceramics employers and 60% of ceramics employees<sup>17</sup>, through its BA 3D Design: Ceramics and MA Ceramic Design. With the ceramic sector worth around £650m in gross value added (GVA) to the UK economy, and generating £207m from tourism for the Stoke-on-Trent economy, maintaining the supply of highly skilled employees is integral to sustaining the sector locally.

The MA Ceramic Design course, in addition to providing the next generation, also provided the creative genesis for both The New English ceramics design brand, and Flux, the University's own ceramics design business. Since 2010, Flux has been producing award-winning blue and white fine bone china, drawing on the talents of ceramics students, and is now sold in 20 countries worldwide.

### THE UNIVERSITY OF BOLTON

The renewable energy industry in the North West of England employs over 10,000 people and has been at the forefront in driving employment in the sector. [The University of Bolton](#) has two centres recognised as world leading in smart material science, the Institute for Renewable Energy and Environmental Technologies and the Institute for Materials Research and Innovation.

A spin-off from these institutions, FibrLec Ltd, has sought to build on the extensive research into textile-based electronic systems and energy harvesting from ambient environment and human movement. Commercialisation of the innovative technologies, such as a piezoelectric photovoltaic fibre, for converting energy from sunlight, wind and rain, and the incorporation of piezoelectric generators into fabrics, capable of converting mechanical energy into electrical energy contributes to both the renewable energy industry and the growing industry surrounding wearable technologies.

### THE UNIVERSITY OF CUMBRIA

[The University of Cumbria](#) will provide further support to the local nuclear industry through providing education and training to both the next generation of nuclear workers and the existing workforce to meet the demands of both current and future nuclear skills requirements. The university is the HE provider for the Cumbria hub of the new National College for Nuclear, supporting the over 28,000 nuclear jobs in North West England.

This work builds on Cumbria's current support for education and training in the nuclear industry, including FDS Sc Radiation Protection and MSc Nuclear Security Management, in providing courses designed by employers for a range of highly specialised careers.



<sup>16</sup> Building our industrial strategy green paper,

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/586626/building-our-industrial-strategy-green-paper.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/586626/building-our-industrial-strategy-green-paper.pdf)

<sup>17</sup> <http://www.visitstoke.co.uk/ceramics-trail/history-ceramics-today.aspx>

## THE UNIVERSITY OF SUNDERLAND

The University of Sunderland has developed an MSc in Low Carbon Vehicle Technology, a work-based MSc for conventional mechanical or electrical/electronic engineers that is integrated within companies' technical departments. In addition to fulfilling the needs of the local automotive sector, the programme fits in well with several regional strategic initiatives, such as plans for Sunderland to play a key role in the growth and technology development of the Electric Vehicle industry, the North East being the UK's first Low Carbon Economic Area, and regional investment in Nissan's European Centre for Battery Technology at Sunderland.

Together the automotive companies in the North East generate over £10.5bn in sales and export over £5.1bn annually. The sector employs or supports over 170,000 jobs and is set to expand in the coming decade.<sup>18</sup> The links with local universities have been hugely significant in the growth and success of this industry.

## UNIVERSITY OF BEDFORDSHIRE

Alongside the University of Bedfordshire's own work with local businesses, the University is also working with other universities from the South East Midlands Universities group to support innovation, economic growth and sustainability in the region. Bedfordshire's University Campus Milton Keynes (UCMK), for example, provides a course to make sense of 'Big Data', in addition to helping businesses benefit from the MK Data Hub, part of the £16m MK Smart project led by the Open University, which aims to support innovation, economic growth and sustainability through Milton Keynes.

A key component of this activity is the Innovation and Incubation Centre at UCMK, which as well as providing training in data-driven business innovation and the digital economy, provides hands-on support for business development, demonstration facilities and an incubation space.



## BATH SPA UNIVERSITY

With over 3,000 students studying either creative arts and design or media and publishing related courses, the student body of Bath Spa University is a vital asset for the booming creative and cultural economy in Bath, with 57% more people employed in the creative sector than the national average. Not just vital to the city of Bath, the West of England LEP note that creative industries provided an estimated 15,900 jobs in the two-city region, contributing £660m GVA to the local economy with a 106% growth rate in productivity since 1999.

The university established the first studio-based digital-creative publishing course in the UK that incorporates industry project work throughout the three years of the degree. This ensures the region has a ready supply of talent to augment the local creative and cultural industries and grow the local economy.

## SOUTHAMPTON SOLENT UNIVERSITY

At Southampton Solent University, foundation degrees in Marine Engineering, Marine Electrical and Electronic Engineering and Marine Operations Management are supported by shipping companies and organisations. These courses provide the opportunities for individuals to develop the vital skills that are needed for the continued success of the local economy, which in turn contributes to the national economy.

Designed in partnership with the Merchant Navy Training Board, the courses combine academic education and practical training at sea. From foundation degrees, cadets can then progress onto Bachelors and Masters degrees, ensuring Southampton has a secure supply of highly skilled employees to support local businesses. To underline how important this industry is to the area, as the UK's second largest container port, and the busiest cruise port, in 2011 the Port of Southampton supported around 14,640 jobs in the Solent area and generates £1.23bn of GDP per year in the Solent economy.<sup>19</sup>

## ANGLIA RUSKIN UNIVERSITY

Anglia Ruskin University, working with Essex County Council, is working to identify and explore the most successful SMEs across Essex. Having identified the most up-and-coming and innovative businesses, ranging from video games developers to lampshade manufacturers, companies are then offered support, advice and academic expertise from Anglia Ruskin and Essex County Council's Essex Innovation Programme (EIP).

In addition to offering support, this collaboration is enabling EIP to learn how companies have used innovation to achieve success, including developing state-of-the-art technology or deploying creative ways of engaging with customers. This research is in turn strengthening the support available to the Essex business community.

<sup>18</sup> Economic Impact of the Port of Southampton, <http://www.newforest.gov.uk/CHttpHandler.ashx?id=22330&p=0>

<sup>19</sup> Analysis by the North East Automotive Alliance, <https://www.northeastautomotivealliance.com/the-ne-automotive-industry/>

## IMPROVING LOCAL SERVICES

Modern universities are essential to the delivery of services, innovation and improved outcomes in the public and not-for-profit sector, including for and in the combined authorities. Leaders of local government and the NHS recognise the need for highly skilled workforces to refocus and energise service delivery and local economies. Modern universities are well-placed in every sense to meet these needs.

### CANTERBURY CHRIST CHURCH UNIVERSITY

Canterbury Christ Church University is working to improve forensic mental health care for in-patients of secure mental health settings by leading an innovative pilot to develop collaborative and trusting relationships between patients and professionals. In-patient care normally takes place in secure, locked environments and patients can be difficult for professionals to assess and treat whilst also addressing legal, security and public safety issues.

As a result of this successful trial, demonstrating an increase to patients' quality of life, therapeutic engagement, recovery and less disturbed behaviour, the university is now working with Kent and Medway NHS and Social Care Partnership Trust, Oxleas NHS Foundation Trust, Institute of Psychiatry and Queen Mary University, London to develop an application for a nationwide study.



### THE UNIVERSITY OF BOLTON

The renewable energy industry in the North West of England employs over 10,000 people and has been at the forefront in driving employment in the sector.

The University of Bolton has two centres recognised as world leading in smart material science, the Institute for Renewable Energy and Environmental Technologies and the Institute for Materials Research and Innovation.

A spin-off from these institutions, FibrLec Ltd, has sought to build on the extensive research into textile-based electronic systems and energy harvesting from ambient environment and human movement. Commercialisation of the innovative technologies, such as a piezoelectric photovoltaic fibre, for converting energy from sunlight, wind and rain, and the incorporation of piezoelectric generators into fabrics, capable of converting mechanical energy into electrical energy contributes to both the renewable energy industry and the growing industry surrounding wearable technologies.





### SOUTHAMPTON SOLENT UNIVERSITY

Research such as that at [Southampton Solent University](#) into children's and young people's perceptions and experiences of peer group or 'gang' activities in the City of Southampton are providing important insights for Hampshire Police and Southampton City Council and demonstrate the value of modern universities in providing actionable research for local public services.



### LEEDS TRINITY UNIVERSITY

[Leeds Trinity University](#) is an integral part of the supply of teachers in West Yorkshire; partnered with over 600 primary and secondary schools, providing both provider-led and School Direct study routes in addition to supporting Leeds SCITT, one of the longest running SCITT providers in West Yorkshire, Leeds Trinity ensures West Yorkshire has a supply of highly qualified teachers.

In addition to its work across hundreds of schools, the University is working alongside Leeds City Council in supporting schools in their English as an additional language as well as supporting school hubs in providing CPD opportunities.

### UNIVERSITY OF BEDFORDSHIRE

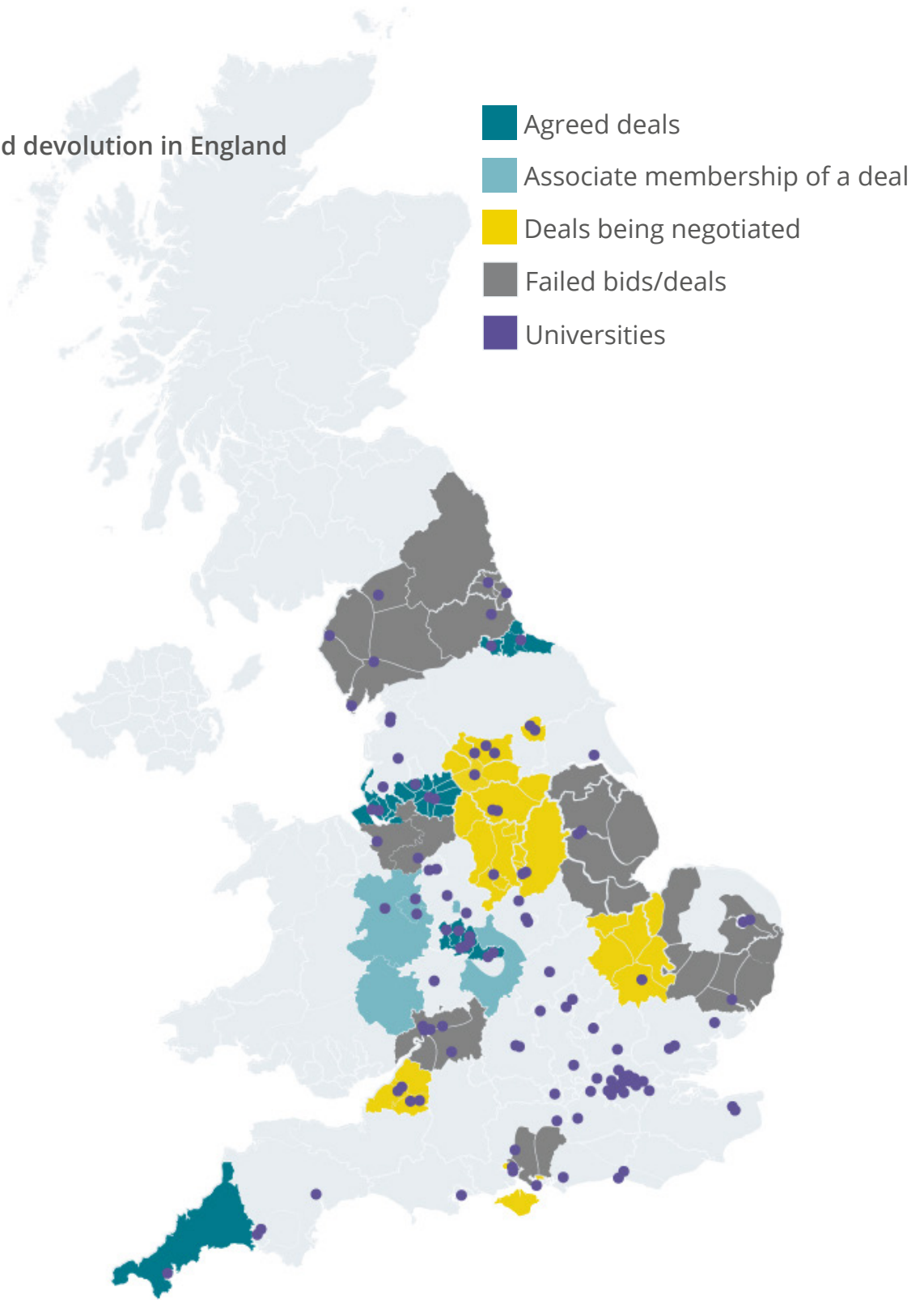
The Teenage Pregnancy Knowledge Exchange (TPKE), at the [University of Bedfordshire](#), is the first national source of expert knowledge and advice on all aspects of teenage pregnancy. Building on England's highly successful Teenage Pregnancy Strategy, which ran from 1999 to 2010, the TPKE provides information, training and consultancy to students, local authorities, Health and Wellbeing Boards and Clinical Commissioning Groups, as well as Public Health England.

Also at the [University of Bedfordshire](#), the award-winning International Centre for Researching Child Sexual Exploitation, Violence and Trafficking (IC) has pioneered research into child sexual exploitation. Recently, the IC has launched a Contextual Safeguarding Network for practitioners, through which researchers will work closely with practitioners from around the UK to develop contextual approaches to safeguarding young people from abuse and exploitation and develop practices that intervene within all of the environments associated with young people's risk of harm.



Figure 3 highlights the patchiness and inconsistent coverage of current devolution deals. It is vital that the government ensures that areas of the country do not lose out on regional investment simply because a local authority has not opted to join in the devolution agenda.

**Figure 3:**  
Universities and devolution in England





## Key points

- The modern university sector reaches all parts of England, has campuses in major urban conurbations, the suburbs and small towns, and rural areas, providing jobs and education across the new and proposed combined authorities
- Modern universities make enormous contributions to local economic regeneration, and have a wealth of experience of working with local government, education, health and local business
- Innovative courses at modern universities support the growth of new and emerging industries and technologies of both regional and national importance.

## RECOMMENDATIONS

The government should recognise the value modern universities bring to their local area as sources of expertise, drivers of local labour markets and economic growth, social mobility, regeneration and innovation hubs.

# Local investment, local skills, local growth

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Devolution deals include a range of fiscal and financial support measures, most notably the new powers of business rates, as intermediary bodies for European Structural and Investment Funding and other investment funds, from around £15m in Greater Lincolnshire to over £36m in the West Midlands.

Over the 2010 Spending Review period, government funding for local authorities fell by 28%, with the reduction expected to reach 37% by 2015-16. Reductions are expected to be 41% in metropolitan districts. The National Audit Office also found that locally raised income had fallen and so had not offset the reductions in government funding.<sup>20</sup> The funding commitments contained within devolution deals could be seen as welcome investment following this reduction in funding. However, these authorities have increased responsibilities. In November 2016, Andrew Percy MP, the Minister for the Northern Powerhouse, stated that those authorities with elected mayors would get the “main share of funding”<sup>21</sup>, raising concerns about the funding of local government areas outside of devolution deals.

It is increasingly likely that combined authorities may not have access to significantly larger funds than they had as separate local authorities prior to reductions in local authority budgets. Some areas may even see a decline in funds compared to those available prior to devolution. Scrutiny of the impact of this redistribution of funding will be important for the government’s industrial strategy ambitions.

Moreover, as recognised in the industrial strategy, there is an urgent need for economic activity to be promoted across all regions to ensure that growth is not limited to London and the South East. The industrial strategy green paper published in January 2017 notes the opportunities government sees in this decision, but leaving is not without its risks. The industrial strategy has the potential to be a mitigating policy, especially if it is backed with further additional funding.

## BUSINESS RATES

Initial plans for 100% retention of business rates for all local authorities were announced by the then Chancellor of the Exchequer, George Osborne MP in 2015. Greater Manchester is intending to move to 100% business rates retention from 2017 and Liverpool is piloting elements of the system from April 2017. Sheffield and the West Midlands are currently working with the Department of Communities and Local Government to explore becoming pilot areas. The initiative is aimed at incentivising business growth and potentially allowing authorities greater ability to plan for the long term. However, it is not without risk – especially if economic circumstances lead to an area losing business investment resulting in lower income through business rates.

Any instability, uncertainty or further reduction in local authority funding will have significant impact on the amount of investment authorities can put into their newly acquired areas of responsibility, potentially de-stabilising local skills, enterprise and innovation provision with knock-on effects on local businesses and universities.

## LOSS OF EUROPEAN UNION FUNDING

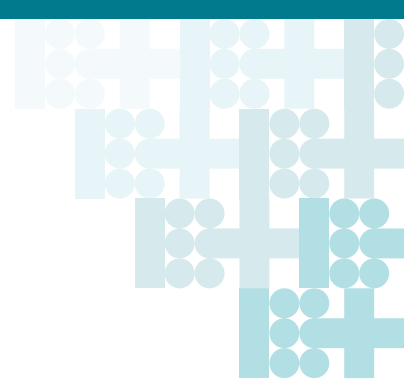
Local areas in England have been allocated a share of £5.3bn<sup>22</sup> of European Union regeneration funding up to 2020. By the end of 2016, only 20% of the £5.3bn had been signed off, meaning there is a threat to the viability of present and future projects across the country not yet allocated funding. In Birmingham, part of the West Midlands Combined Authority, there are ten ongoing projects with European Union funding of £58m attached to them, but the rest of its allocation has not yet been legally committed.

The scope of regional investment provided through European Structural and Investment Funds for areas which had agreed to become (or were in discussions about becoming) the intermediate body for the distribution of these funds is illustrated in Figure 4. If no compensatory investment is provided by central government, these new powers will be redundant and the loss of funding will have a significant impact on investment in these local areas.

20 <https://www.nao.org.uk/wp-content/uploads/2014/11/Impact-of-funding-reductions-on-local-authorities.pdf>

21 <https://www.ft.com/content/cfba2be2-a809-11e6-8b69-02899e8bd9d1>

22 £5.3bn includes European regional development funding and social funds but not other European Union funding such as innovation and research funding for universities or funding through the common agricultural policy.



**Figure 4: European Structural and Investment Funds total allocations to 2020 at 2014 prices by LEP and devolved area**

LFP Area	Devolution Area	Funding (2014 Prices)
Cornwall and the Isles of Scilly	Cornwall	£476m
Humber	Greater Lincolnshire	£82m
Greater Lincolnshire	Greater Lincolnshire	£107m
Greater Manchester	Greater Manchester	£356m
Liverpool	Liverpool	£178m
New Anglia	Norfolk and Suffolk	£76m
North Eastern	North Eastern	£433m
Sheffield City Region	Sheffield City Region	£167m
Tees Valley	Tees Valley	£163m
Greater Birmingham and Solihull	West Midlands	£205m
Coventry and Warwickshire	West Midlands	£109m
Black Country	West Midlands	£142m
West of England	West of England	£55m

Many successful collaborations between university and business have drawn funding from European Union structural investment or European Union research funding. In England, European Union Structural and Investment Funds are allocated by the government, with Local Enterprise Partnerships tasked with developing a strategy for the use of the funds. It is intended that LEPs work with, and reflect the interests of, a broad range of economic, social and environmental partners. In many cases it is from these strategies that university-business collaborations have arisen. These collaborations often fall outside the traditional definitions of original (blue-skies) research or applied research, and as such the right investment route can be hard to identify, despite the benefits they bring to local areas. The loss of such funding will have the effect of reducing such collaborations, and their subsequent benefits to local areas.



## DEVOLUTION AND THE INDUSTRIAL STRATEGY – FITTING THE JIGSAW TOGETHER

A way of securing the future of these innovative collaborations would be for the government to create a new fund for applied and translational research to support innovation in businesses, SMEs and public services to boost economic growth in localities and regions. Supported by targeted regional funding for regional and local strategies that support collaboration between universities and businesses or public services, this has the potential to play a key role in filling the gap left by the loss of European Union funding while also increasing support for SMEs.

The Chancellor of the Exchequer, Philip Hammond MP used the 2016 Autumn Statement to announce new investment in infrastructure, including transport, housing and digital communications and an additional £2bn a year for research and development funding by 2020.<sup>23</sup> The Statement suggested that the additional expenditure would be distributed through two broad funding streams, the Industrial Strategy Challenge Fund

(ISCF) and “funding to increase research capacity and business innovation”. The *Building our industrial strategy* green paper confirms this approach. The government should use this funding to increase support for applied and translational research, particularly that taking place in modern universities working with SMEs.

However, it is important to note that the funding gap for local government will continue to grow towards £5.8bn by 2020 with no clarity yet as to how the government will address local government’s loss of European Union funds. Targeting translational research funding would reward and support innovation which is not well acknowledged in the present UK research funding mechanisms and would go some way to address the industrial strategy’s commitment to place and rebalancing regional growth.

### Key points

- The loss of European Union funding will significantly affect investment at the local level, with the potential loss of £5.3bn
- Incentivising business growth and allowing authorities the ability to plan for the long term has merit, but there are risks associated with the plans for the retention of 100% of business rates revenue at local level
- The growing decline in local authorities’ funding will put additional strain on the devolution process, both in agreeing deals and ensuring that implementation is a success
- Central government can play a part in easing this uncertainty through committing to ongoing funds to offset the loss of European Structural and Investment Funds.

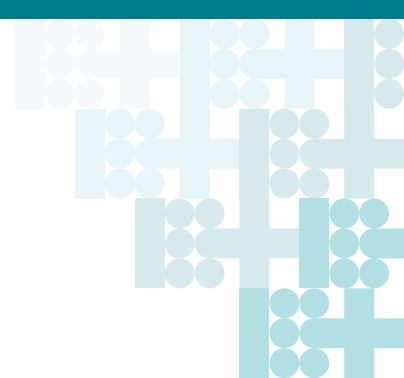
## RECOMMENDATIONS

As part of the industrial strategy’s ‘pillar’ for investing in science, innovation and research, a new fund for applied and translational research should be created to promote innovative collaborations between universities and business, SMEs and public services, underpinned by regional needs.

The new Industrial Strategy Challenge Fund should be focused on regional and local development in addition to the stated focus on technologies.

<sup>23</sup> <https://www.gov.uk/government/publications/autumn-statement-2016-documents>

# Building the pipeline of talent for an innovative economy



Raising skill levels to benefit local business and raising participation rates in higher education at a local level is integral to developing a highly skilled workforce. The Higher Education Funding Council for England's National Collaborative Outreach Programme and the Education Opportunity areas supported by the Department for Education are examples of significant national initiatives aimed at increasing attainment levels and the number of young people from disadvantaged backgrounds in higher education. If these programmes are to succeed, and combined authorities are to provide the highly skilled workforce

necessary for business and industry to grow, it is imperative that universities, national agencies, combined authorities and local councils engage and collaborate effectively.

As previously outlined, the areas with agreed or proposed devolution deals are vastly different. As illustrated in Figure 5, a unifying feature is low participation in higher education. There is some variance within combined authority areas: East Anglia, Solent, West Midlands and Greater Manchester all include areas with high participation but these pockets are outnumbered by authorities with low participation.

**Figure 5: HE participation in devolution areas**

Devolution area	Number of universities in devolved area	Number of Local Authorities within devolved area by Polar3 Quintile <sup>24</sup>				
		1	2	3	4	5
Greater Manchester	5	3	2	1	2	1
Liverpool	4	3	1	1	1	0
West Midlands	7	2	3	1	0	1
West Yorkshire	6	1	2	2	0	0
Sheffield City Region	2	4	2	10	0	0
Tees Valley	1	1	2	2	0	0
North East	4	2	3	2	0	0
West of England	4	1	1	0	2	0
Cambridgeshire	2	1	1	2	0	2
Norfolk and Suffolk	3	4	0	2	3	1
North Midlands	3	5	2	6	0	2
Greater Lincolnshire	2	4	2	2	1	0
Solent	3	3	0	0	0	0
Cornwall	2	0	1	0	0	1
London	38	0	3	3	8	19

<sup>24</sup> POLAR3 is the most recent iteration of the system developed by HEFCE to classify local areas into five groups, based on the proportion of 18 year olds who enter higher education aged 18 or 19 years old. These groups range from Quintile 1 areas, with the lowest young participation up to Quintile 5 areas with the highest rates.

Across the combined authorities the number of universities vary. The proposed West Midlands area incorporates seven universities compared to just two in Greater Lincolnshire. This will have an influence on not just the representation of higher education in plans but also the relationships between combined authorities and universities, and the resources and expertise that the combined authority can bring to bear on the challenges it faces.

Modern universities play an important and unique role in local education landscapes, engaging with business and further education colleges, providing a link between higher education and the world of work. The graduates of modern universities are consistently successful in finding jobs, supporting new enterprises and providing the skills that local businesses need. Local and combined authorities will need to pay due regard to the importance of high-level skills and degree qualifications including degree apprenticeships in supporting innovation and enterprise.

In proposed combined authorities that are more rural, universities are located in key cities and towns (e.g. Lincoln, Cambridge and Norwich). This might imply that large areas are relatively isolated from higher education providers. However, many modern universities have strong partnerships with other key stakeholders, including local colleges, or have developed higher education centres to provide more locally accessible opportunities for individuals and communities.

If combined authorities are to nurture and further expand local industries and technologies, support for the development of a highly skilled workforce in the business and service sectors and the delivery of high quality public services such as education, health and social care will be key. This will be more, rather than less important, in a period when it is stated government policy to reduce immigration. Modern universities are well placed in terms of their histories and their engagement with employers to identify and deliver evolving workforce needs in the private and public sectors in all parts of the country.

## SECURING FUNDING FOR SKILLS

The National Audit Office<sup>25</sup> has highlighted the risks for both central government and local areas in progressing devolution deals within a challenging financial environment. Reductions in funding or a realignment of priorities, by either local authorities or the government, will impact on local higher education participation and have the potential to undermine any strategy aimed at raising skill levels.

Improving skill levels will be an important responsibility for combined authorities. Areas with the power to review and restructure their FE and adult skills infrastructure will need to take into account progression to higher-level skills and the need for the whole skills progression eco-system to be supported. Combined authorities should work with colleges and universities to ensure that progression routes from school to FE to HE are secured through focused funding programmes. This will create clear pathways that provide stability for schools, further education colleges and universities to invest in high-level skills development and qualifications.

## Key points

- Many combined authorities contain large variations in basic skills and higher-level skills, an inequality that they should seek to address, if they are not to see proportions of their local population being 'left behind'
- Some combined authorities are characterised by low progression rates to higher education, resulting in the potential loss of large numbers of highly skilled workers
- In the context of potentially reduced funding at local level, the pipeline to higher-level skills must be secured in order to safeguard opportunities for local people and the key industries that rely on them

## RECOMMENDATIONS

Combined authorities must work with colleges and universities to secure a pipeline of learning from level 2 through to level 5 and above. In doing so, combined authorities should ensure access to training and education at all skill levels, including for older learners, across the combined authority ensuring no area is left behind.

25 National Audit Office: English devolution deals available at: [www.nao.org.uk/report/english-devolution-deals/](http://www.nao.org.uk/report/english-devolution-deals/)

# The role of technical, vocational and professional education in developing high-level skills



Expansion of the number of apprenticeships is a key policy of the government. However the focus on apprenticeship starts has meant that there has been insufficient attention paid to completion and success rates. For example, among the local authorities of Liverpool, achievement rates for higher apprenticeships vary from 59% to 83%.<sup>26</sup> In many other areas achievement rates are variable. Provision of higher and degree apprenticeships will be a major part of any devolution deal and the government's industrial strategy. Modern universities have long-standing traditions and strengths in providing vocational and professional education, and are leading the development of degree apprenticeships.

Progression remains a key issue. For degree-age apprentices (19-24 years old), almost all starts are below higher education level. Analysis for the Social Mobility Commission's *State of the Nation Report* in 2016 found that around half of apprentices aged 19-24 starting level 2 or level 3, were already qualified to this level.<sup>27</sup> Encouragement and support for more higher and degree apprenticeships will be necessary for local and combined

## Apprenticeships in the West Midlands

Staffordshire University is working in partnership with FE and private partners to deliver apprenticeships from level 4 through to level 7, helping the employers and the region as a whole to raise its skill levels beyond level 3, and providing the highly skilled workforce necessary for sustainable economic growth.

The University is already supporting almost 200 apprentices in Health, Mechanical Engineering, IT and Management and is now expanding into Digital Technology Chartered Manager, Network Engineering and Chartered Legal Executive.

Through its Digital & Technology Solutions Degree Apprenticeship, Staffordshire is delivering a standard designed by employers such as BT, Fujitsu, HP, IBM and Lloyds Banking group among many others. Resulting in a Bachelor's degree and allowing graduates to register as a Chartered IT Professional, the programme is designed for those already working in a variety of IT roles who wish to gain a qualification or specialism and improve their skills while working and contributing to the IT capabilities of their employer.

authorities to meet the skills needs for their areas. The uneven success rates across all apprenticeship levels in devolved areas is an issue local leaders should address in order to support the government's ambition to promote high quality technical, vocational and professional education.

Many of the Further Education Area Review reports have identified the need for increased apprenticeships in STEM related areas and growth in both higher and degree apprenticeships. Modern universities are delivering high quality professional, vocational and technical education via employer-sponsored provision that offers qualification up to and including degree level. These universities are also adept at building bridges between STEM, arts and design areas in multidisciplinary programmes which meet the needs of the 21<sup>st</sup> century world.

## Apprenticeships in the North East

As one of a select group of UK higher-level teaching institutions working directly with businesses on new Higher Degree Apprenticeship programmes the University of Sunderland is working with Accenture in developing and delivering a Digital & Technology Solutions degree. This provides a route for employed apprentices to develop their skills and knowledge in computing and IT to Honours-degree level, at the same time as contributing to the work of their employer.

By learning and working at the same time, apprentices develop their knowledge of the principles and applications of Software Engineering, including Data Analytics, Cybersecurity, Networks and Project Management, and integrate and apply their new skills and knowledge in their work environments, providing benefits for both the employee and employer.

<sup>26</sup> MillionPlus Analysis of SFA national achievement rates for apprenticeship, 2014/15.

<sup>27</sup> <https://www.gov.uk/government/publications/state-of-the-nation-2016>

## INCENTIVISING EMPLOYER INVESTMENT IN TRAINING AND DEVELOPMENT

Investing in professional, vocational, technical education and apprenticeships is vital to develop high-level skills. However, more can be done. Successive UK governments have recognised the importance of incentivising businesses to invest in innovation and research. They have been encouraged to work with universities and other partners, often via tax breaks or funding vouchers. Similar incentives should be offered to employers to support the development of their workforce, for example by providing tax breaks to encourage them to invest in learning opportunities. Modern universities, in particular, are highly successful in providing part-time courses to support professional development for people while they continue in their careers. With focused funding, their expertise could further underpin the ambitions of the industrial strategy to improve access and opportunities to life-long learning.

### Key points

- There is significant variation within combined authorities in regards to educational, skills and employment patterns, the challenge for combined authorities and their partners will be to manage these competing factors
- Working with modern universities, with their history of engagement with business and industry, their expertise in widening participation and provision of education, training and professional development within local areas, will help the new combined authorities to meet this challenge.

## RECOMMENDATION

Life-long learning, to which the industrial strategy makes reference, should be supported by the provision of incentives to employers, employees and those not in the workplace. Successive governments have used tax credits to incentivise businesses, particularly SMEs, to invest in research. The same approach should be taken with continuous professional development, to encourage take up of more part-time and work-based courses, including employer-sponsored degrees. There is also a strong case to provide new funding for those not in the workplace to update their skills.



# Conclusion

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**To some extent the devolution agenda in England has been characterised by patchy, inconsistent coverage, both in terms of areas of the country and the type of structures being created. Devolved powers and responsibilities are wide ranging. Where they exist combined authorities and central government will need to develop their capacity for the agenda to succeed in an evolving political and economic landscape.**

The National Audit Office report on English Devolution Deals found that the departments of central government that are essential to making devolution deals work effectively, are also those facing the biggest spending reductions. Consequently, there are concerns about central government's capacity to manage the negotiation (and sometimes the re-negotiation) and implementation of a large number of deals simultaneously.

The different geographical, business, industrial and educational landscapes across and within the new combined authorities will require different and nuanced answers, from both central government and combined authorities. Their capacity to manage these answers is uncertain. There would be merit in an independent office being established to oversee the process, divorced from the competing political and economic pressures of central and local government. An Office of English Devolution would mitigate any risks of conflicting priorities, identify linked policies and ensure that combined authorities, neighbouring authorities and the other new geographies that take shape take account of each. The Office could also provide an important source of information to help underpin and promote the industrial strategy.

The government's ambitions for the industrial strategy to be rooted in place are to be welcomed and require a cross-cutting approach, in which the Department for Business, Energy and Industrial Strategy engages with the Departments for Education and Communities and Local Government. The Treasury has a role to play in further supporting the investment and infrastructure that will be required to rebalance regional growth, the industrial strategy's wider ambitions and in replacing any regional and structural funding which may be lost from the European Union.

Modern universities are uniquely placed as local partners to support devolution and the industrial strategy through their teaching, business support, strategic expertise, high quality research, knowledge exchange activities and graduates including their graduate entrepreneurs. As major employers and drivers of economic growth in their own right, they are key to ensuring that the jigsaw of devolution and the industrial strategy fit together and that the government's ambitions are realised.

# Appendix 1

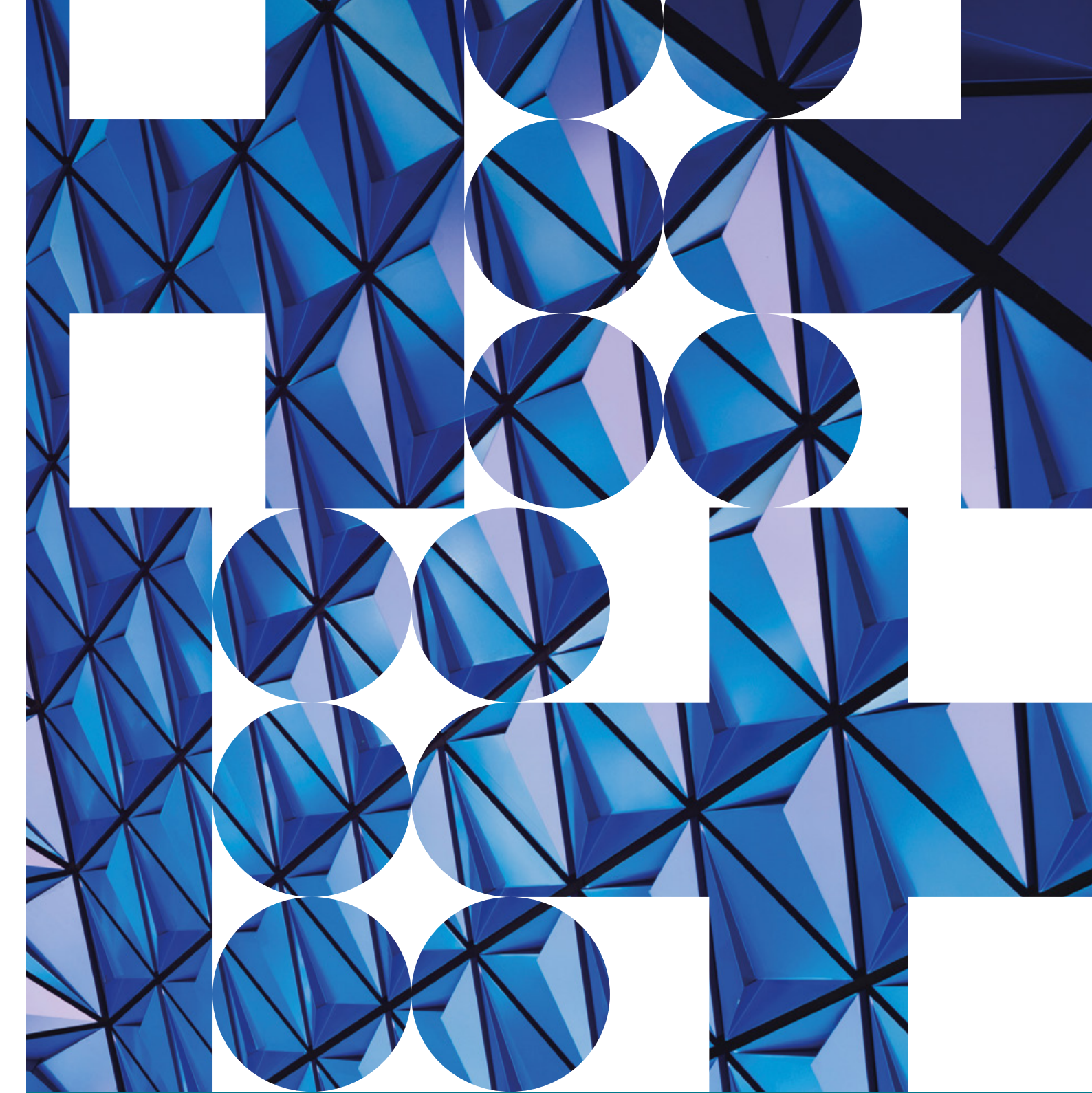
## Matrix of devolved powers and responsibilities

MillionPlus analysis drawing on devolution agreements and bid documents, and analysis by the House of Commons Library and Local Government Association

Overview of devolution powers	Greater Manchester	Sheffield	North East	Tees Valley	Liverpool	West Midlands	Cornwall	West Yorkshire	Cambridgeshire	Norfolk and Suffolk	Greater Lincolnshire	West of England
Review and redesign of post-16 FE system	Y	Y	Y		Y	discussions	Y	Y	Y	Y	Y	Y
Apprenticeship Grant for Employers	Y	Y			Y			Y	Y	Y	Y	Y
Adult Skills funding by 2018-19	Y	Y	Y	Y	Y	Y			Y	Y	Y	Y
Growth Hubs	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Joint working with UKTI	Y	Y	Y	Y	Y	Y		Y		Y	Y	Y
Devolved business support services from 2017	Y	Y	Y	Y	Y	Y	Y	Y		Y		
Intermediate body for European Union Structural Funds	Y	discussions	Y	discussions	Y	discussions	Y			discussions	discussions	discussions
Investment fund (per year)	£30m	£30m	£30m	£15m	£30m	£36.5m			£20m	£25m	£15m	£30m
Single funding pot	Y	Y	Y	discussions	Y	Y			Y	Y		
Retention of 100% of business rates growth	Y	Y	Y	Y		Y				Y		
Pilot retention of 100% of business rates revenue	Y				Y							
Mayoral business rates supplement	Y		Y		Y	Y			Y	Y	Y	Y
Joint commissioning of support for 'harder-to-help' claimants	Y	Y	Y	Y	Y	Y			Y	Y	Y	Y
Health and social care integration	Y											
Planning for health and social care integration			Y		Y		Y		Y	Y		
Children's services	Y				discussions							
Possible full joint commissioning from 2017	Y	Y						Y		Y		

MillionPlus analysis drawing on devolution agreements and bid documents, and analysis by the House of Commons Library and Local Government Association

	Greater Manchester	Sheffield	North East	Tees Valley	Liverpool	West Midlands	Cornwall	West Yorkshire	Cambridgeshire	Norfolk and Suffolk	Greater Lincolnshire	West of England
Overview of devolution powers												
Public land commission	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Housing Loan Fund	Y	discussions		discussions	discussions	discussions						
Mayoral Development Corporations	Y	Y		Y	Y	discussions			Y	Y	Y	Y
Consultation on strategic planning applications										Y	Y	Y
Housing grant fund									Y	Y		
Devolved consolidated transport budget	Y	Y	Y	Y	Y	Y	Y	discussions	Y	Y	Y	Y
Bus franchising	Y	Y	Y	discussions	Y	Y	Y		Y	Y	Y	Y
Joint working with Highways England and Network Rail	Y	Y	Y			Y		Y			Y	Y
Responsibility for local roads network		Y			Y	Y	held already		Y	Y		Y
Smart ticketing	Y	Y	Y		Y	Y	Y	Y		Y		Y
Offender management, probation, prison estate	Y										discussions	
Mayor to become Police and Crime Commissioner	Y					discussions					discussions	
Responsibility for the fire service	Y					discussions	held already				discussions	



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