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## Westminster Hall Debate: Science and research in the UK and regional economies

24 June 2015

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### Background

1. Paul Blomfield MP (Labour, Sheffield Central) has secured a Westminster Hall Debate on Wednesday 24 June at 9.30am on the topic of 'Science and research in the UK and regional economies'.
2. Science and research is a fundamental part of the mission of every UK University. Supporting universities and businesses to collaborate and translate research for commercial purposes and invest in innovation has significant positive impacts on the national and on regional economies.
3. million+ works with universities in England and Scotland. In 2014 it published two reports on the impact universities can have on their regional economies through investing in research and knowledge transfer with businesses. (See [Smarter Regions, Smarter Britain](#) and [The Innovation Challenge](#)).

### Overview

4. There is a striking concentration of economic growth in the UK with London accounting for **22.4%** of all UK GVA<sup>1</sup> whilst the North East has just **3.0%** of the share<sup>2</sup> (see table below). There is also hyper-concentration of university research funding in the UK: in 2012-13 **25%** of recurrent research funding went to just five universities. **50%** went to just 12 universities and **75%** of the funding went to under one third of all universities<sup>3</sup>.
5. The way in which government provides investment for the research base determines the extent to which universities can respond to the needs of national and regional stakeholders as well as to new and emerging markets and supply chains. New funding streams for translational research would enable universities across all regions to support small and medium sized enterprises to develop and grow, supporting strong and competitive economies.

### Science and Research at the heart of Britain's economic future

6. The government says that "with science and research shaping the future ...the economic case for investing in science and research is overwhelming."<sup>4</sup> However, Britain still spends less on research as a percentage of GDP than the 22 leading OECD countries and the level of our private

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<sup>1</sup> The ONS definition of GVA is "a measure of the increase in the value of the economy due to the production of goods and services." It is similar to GDP but excludes taxes.

<sup>2</sup> <http://www.ons.gov.uk/ons/rel/regional-accounts/regional-gross-value-added--income-approach-/december-2013/stb-regional-gva-2012.html#tab-Summary>

<sup>3</sup> million+ "[The Innovation Challenge: A new approach to research funding](#)" September 2014

<sup>4</sup> BIS "[Creating the future: A 2020 vision for research and science](#)" p8

sector spending on research and development as a percentage of GDP ranks at number 19 of the 34 OECD countries.<sup>5</sup>

7. Britain is failing in translating much of its ground breaking research discoveries into practical and economic uses for the benefit of Britain and our economies, both national and regional. Our current model of research investment alone is not sufficient to support growth in the varied economies in different regions.
8. The CBI has also pointed out that medium-sized businesses (MSBs) are the UK's 'forgotten army' with the potential to inject as much as £20bn into the economy by 2020<sup>6</sup>. MSBs make up 1% of firms, 23% of revenue and 16% of employment but MSB productivity has grown at less than 0.5% of large firms. In contrast German MSBs contribute twice the number of jobs. Projects such as the Catapult Centres make valuable contributions to universities and businesses in specific regions, but they are limited in number and geographically concentrated.
9. There is a particular problem in engaging SMEs and MSBs throughout the country in research. This is an area of potential market failure. Modern universities are the most likely to carry out research and consultancy work for businesses in the same region. Of contracts between modern universities and SMES 30% are in the same region compared with 22% for all institutions, and of contracts between modern universities and large businesses 14% are within the same region compared with 9% among all institutions<sup>7</sup>.
10. 72 universities in England receive less than £5m per annum in government funding for research. This is because since 2010 research classified at 2\* (i.e. internationally recognised in terms of its originality and significance) received less and less funding and now is not counted at all in quality-related funding (QR) allocations. As a result there has been a year by year reduction in the amount of research funding allocated to the majority of universities. The concentration of research means that universities with the best records of working with SMEs and MSBs are not funded to develop research capacity to meet new and emerging markets. This leads to under investment in projects to translate research into practical applications that promote innovation and improve systems, supply chains and productivity in smaller and medium sized businesses.
11. One solution is to mobilise the existing valuable assets of those universities which historically have not benefitted from large amounts of research funding and help them work more closely with their local SME and MSBs in their regions. Britain has an impressive network of universities which are undertaking research judged by the government to be excellent but these valuable assets are not being fully exploited. These universities are extremely well-placed to support a strategy that promotes sustainable growth and innovation in the regions through a fund geared at translational research.

## **Supporting regional growth through research investment**

12. **Government should aim to increase the UK's investment on science and research so that it is within the top 10 OECD countries as a proportion of GDP.**

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<sup>5</sup> million + "The Innovation Challenge: A new approach to research funding" September 2014

<sup>6</sup> [CBI Pulling together: Unlocking growth in the UK's medium-sized businesses](#)

<sup>7</sup> See [Smarter Regions, Smarter Britain](#) pg. 9 million+ March 2014

13. Currently the UK's combined public and private spend on research amounts to 1.7% of GDP. Business and universities agree that this needs to be improved. The CBI calls for the Government to work to increase this to 3% of GDP<sup>8</sup>. The Federation of Small Businesses calls for “the government to make a long-term commitment to increase public expenditure on research and development”<sup>9</sup>. The Campaign for Science and Engineering has also called for the government to increase spending on research to at least meet the European average of 2% of GDP.<sup>10</sup>
14. **Government should provide a new fund for translational research focused on those universities where excellent research exists but which receive less than £5m per annum in quality-related research funding.**
15. This funding should be recurring for 4 years but universities would need to demonstrate the value for money of the investments made. In this model a total of £100 million per year over a 4 year period would be provided for translational research funding that is specifically focused on work with SMEs and MSBs and allocated to universities in England. This would mean a budget at the end of the period of £400m for this purpose, which is only around 3% of the overall annual recurrent research budget allocated to universities through funding bodies and research councils.

#### Appendix: NUTS1 regional Gross Value Added, 2012-13<sup>11</sup>

NUTS1 regions	GVA per head (£)	Total GVA (£m)	Share of UK total GVA (%)
North East	16,091	41,874	3.0
North West	18,438	130,618	9.4
Yorkshire & The Humber	17,556	93,339	6.7
East Midlands	17,448	79,698	5.8
West Midlands	17,429	98,346	7.1
East of England	19,658	116,125	8.4
London	37,232	309,339	22.4
South East	23,221	202,597	14.6
South West	19,023	101,576	7.3

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<sup>8</sup> CBI “[Pulling Together – strengthening the UK’s supply chains](#)” P9

<sup>9</sup> Federation of Small Businesses “[Be the Voice of Small Businesses](#)” FSB Businesses Manifesto for the 2015-20 Government. P25.

<sup>10</sup> CaSE: “[Latest ONS figures bring good and bad news for government investment in R&D](#)”

<sup>11</sup> ONS [Regional Gross Value Added \(Income Approach\)](#), December 2013