

## million+ submission to the Witty Review of Universities and Growth

---

million+ is a university think-tank which provides evidence and analysis on policy and funding regimes that impact on universities, students and the services that universities and other higher education institutions provide for business, the NHS, education and the not-for-profit sectors. We welcome the opportunity to submit evidence to the Witty Review.

In all towns and cities there are buildings and institutions that have fundamentally shaped the history and character of the places they are situated in. Through their intellectual contribution, brand, buildings, role as a major employer and contribution as a purchaser of goods and services, these so-called 'anchor institutions' continue to shape the physical, economic and cultural fabric of their localities today.

Universities are anchor institutions par excellence. Through teaching, research and knowledge transfer, through building and maintaining partnerships with a host of local, national and international partners, through extensive engagement with businesses of all sizes, through their physical presence and investment in facilities, through the employment of highly skilled academic and non-academic staff and through procuring goods and services from numerous providers, universities shape the fabric of the places they are located in. It is imperative that universities are at the heart of local economic strategies and their implementation.

We support the idea that all economic development efforts must be rooted in a thorough understanding of local economic dynamics and the premise that universities have a major contribution to make in terms of the UK's comparative economic advantage. It is important to note that 4\* world-class research is just one part of the story: the UK will also derive comparative advantage from nationally and internationally recognised research and incremental innovation that involves using existing knowledge imaginatively and in new ways.

### Universities and the industrial strategy

#### **1. In what ways are universities contributing to the sectors and technologies in the Government's industrial strategy?**

Universities are active across all sectors and technologies identified in the Government's industrial strategy and play a key role in both research and development and as collaborators with private industry. There is also significant activity in sectors such as the creative industries and design which were highlighted in the *Innovation and Research Strategy for Growth* as catalysts of growth and innovation but do not feature in the list of Industrial Strategy sectors.

Whilst the Industrial Strategy is important, it is not the only strategy to which universities refer when considering their own research and innovations plans and how they contribute to local, national and even international communities. University research and innovation activity is also informed by international strategic drivers such as the European Horizon 2020. Given the role LEPs will play in ERDF funding, research and innovation in the context of Horizon 2020 will become increasingly important from 2014 onwards. Many universities are already considering this agenda and aligning their own expertise and local ambitions with the societal challenges identified.

At a local level, it is important that national priorities do not restrict support for key local sectors. LEPs need to be able to identify the key sectors in their local economies (and associated supply chains which may cut across LEP geographies), and support collaboration and provide funding support, as relevant.

## **2. Are there ways in which they could contribute more?**

Modern universities are embedded within their local economies and wider communities. They engage with employers as part of their civic mission and to improve employability and employment options for students. Some of these interactions are based around world-leading research but others focus on the application of existing knowledge, for instance to improve management expertise, operational processes, ability to export and marketing. Once employers have engaged on a research programme, other engagements frequently follow, for example around leadership development or internships.

However the extent of this engagement, particularly with SMEs, is limited by the level of funding and incentives for smaller businesses to engage. Current funding mechanisms do not directly incentivise employer engagement. The Regional Growth Fund does provide resource for companies to invest but is predicated on immediate and direct job creation, favouring direct investment in staff and capital equipment rather than longer term R&D projects.

In some cases the capacity of universities to contribute to the sectors and technologies in the Government's industrial strategy is also limited by narrow LEP understanding of the multiple roles that modern universities play.

## **3. What more could be done to maximise the associated benefits to local economies?**

More consideration needs to be given to how:

- Specialist knowledge reaches non-specialist and entrepreneurial people
- Inter-disciplinary approaches are encouraged, particularly in relation to complex 'wicked problems' such as the ageing population and climate change
- Collaboration between universities in the local economy is incentivised

In addition, there needs to be greater recognition of the spatial dimension of university-industry collaboration. Whilst Technology Strategy Board programmes have an important role in investing in national technology priorities, they are not spatially focused. The development of local supply chains, work with local schools and colleges and the development and placement of graduate and post-graduate expertise within local organisations can all ensure that the economic benefits of industrial collaboration are embedded in local economies.

There may also be a role for trusted brokers who can work across universities and with businesses, industry and other organisations on a regional and national basis.

## **Universities, comparative advantage and local plans**

#### **4. How can we ensure that LEP strategic growth plans take account of the opportunity to derive global comparative advantage from world class research in some universities?**

It must be recognised that whilst public funding for research is heavily concentrated in a very small number of higher education institutions, research excellence is widespread throughout the university sector.

In 2010-11 a quarter of the £1.95 billion QR research funding pot went to 5 institutions, half to 14 institutions and three quarters to 33 institutions. Research Council funding is even more heavily concentrated: in 2010-11 a quarter of the BIS Research Councils, Royal Society, British Academy and the Royal Society of Edinburgh research budget of £1.56 billion went to 4 institutions, half to 11 institutions and three quarters to 24 institutions. Yet within the 62 modern universities, the research of more than 400 subject groups was recognised as world-leading (4\*) in the 2008 Research Assessment Exercise, whilst a further 663 subject areas in modern universities were judged to be carrying out internationally-excellent (3\*) research.

World class research then, is not the exclusive preserve of just some universities. Some LEPs appear to have an underdeveloped understanding of the fact that a diverse array of subject groups at a diverse array of institutions produce excellent research but LEP strategic growth plans must reflect this reality. It is also important to understand that world class research does not exist in isolation and is instead part of the wider research and innovation ecosystem.

Since excellent research in the Government's 11 Industrial Strategy sectors is dispersed across the UK and further afield, LEPs also needs to have a mechanism to help businesses and entrepreneurs in their area access this research wherever it might be located.

#### **5. What connections need to be in place between LEPs, industry and universities to ensure regions can exploit the opportunities offered by comparative global advantage?**

There are currently 39 LEPs of varying sizes and functional geographies. Universities typically work across LEP boundaries but the small size of some LEPs means that it can be difficult for universities to work with those beyond their immediate vicinity, even if their offer and specific expertise may align with the needs of other LEPs.

This could potentially be addressed through setting up a UK-wide expert brokerage system, perhaps with a hub and spoke network into LEP areas. Brokers would need specific technology expertise and broad based business skills so this proposal would have resource implications but these brokers could then work with the private sector, specific departments in universities, venture capitalists and the public sector to enhance synergism and facilitate collaboration. In addition, they could potentially identify where more pump-priming in interdisciplinary research and development may be advantageous.

#### **6. How can universities best work with LEPs and other local actors to drive economic growth, based on their own strengths or the industrial or commercial strengths of the region?**

The critical factor in identifying and developing comparative advantage in a region or locality is the development of a shared understanding of the local economy, not just at a point in time but as

opportunities and threats become apparent. This is partly about understanding industrial structures, areas of specialism and the local skills base but it is also about the development of strong, ongoing relationships between LEPs, universities and industry that enable partners to identify trends, opportunities and challenges. Universities have a key role to play in terms of identifying and responding to these issues but in the past have not always been considered to be an automatic partner in these relationships. This must change.

### **7. What are the types of connections and collaborations that have most impact for regional economic growth?**

There are a range of activities which universities undertake that can have an impact on regional economic growth. This includes high quality research and applied innovation in Industrial Strategy sectors but also includes the contribution of universities to higher level skills, the physical and economic regeneration of our cities, and the international role in terms of generating export income, promoting UK plc and making international business connections. At the core of all of these though, is effective engagement with local and regional employers.

There are clear benefits to all types of interaction. This may range from 'low level' innovation and research support that focusses on the application of approaches and models proven elsewhere within an SME to ground-breaking industrial research and commercialisation with a global company located within the LEP geography – and further afield, nationally and internationally.

### **8. How can EU structural and investment funds spur the contribution to economic growth of universities working with businesses?**

There is no doubt that, when carefully managed, European funds can be a major enabler of productive collaborations between industry and universities, particularly in regions where SMEs tend to have limited resources for investment and R&D.

However universities face several challenges in bidding for EU structural and investment funds:

- The difficulties of matching EU funding because of UK government funding restrictions
- The considerable resources in time and energy to bid
- The risk inherent in the projects in terms of meeting strict procurement and financial rules.

There is also a danger that LEP responsibility for delivery of a large part of the new round of European Structural and Investment Funds 2014 – 2020 will encourage an overly parochial approach. The ability to collaborate across LEP boundaries needs to be built into the processes and procedures that underpin the application, monitoring and claims mechanisms and the Government should encourage collaborative LEP projects in the new programme.

## **Collaboration and coordination**

### **9. How can we ensure that there is collaboration and coordination in LEP strategic growth plans where that is mutually beneficial?**

Good partnerships develop over time. LEPs are young but relatively complex organisations, comprising multiple parties organised within a variety of governance and infrastructure arrangements that are subject to flux. Many LEPs have primarily focussed inwards to date but as they become more established it is important that there is collaboration and coordination in LEP strategic growth plans.

Strategic Growth plans, although local, should be considered in a wider national context to avoid unnecessary duplication, overlap or re-invention of the wheel. The BIS Select Committee has made a number of recommendations on how LEPs might operate more effectively in the future and we largely support these.

**10. How can central Government best promote effective collaborations while building on local leadership of the local economic growth agenda? What incentives could be added to the current range of programmes?**

Greater consideration should be given to how the resources of the various LEPs could be better pooled to deal with common problems and share information. Universities, with their extensive networks, brokerage roles and communities of practice, have a clear role in facilitating collaboration and joint working across LEP boundaries but there may also be a role for a more formal brokerage network.

The Government could catalyse effective collaboration within and between LEPs by providing funding for a series of challenge or 'wicked problem' events that are held over 1 to 2 days. Invited participants from businesses, public sector organisations and universities would be presented with the challenge theme and asked to propose new ways of approaching or solving the issue at stake. Such events would encourage an open innovation approach,

## Reaping the benefits

**11. How far is it true that the commercial benefits derived from breakthroughs in UK universities often go outside the UK?**

No view.

**12. If so, what measures, incentives or support systems would secure more of the commercial benefits for the UK?**

The Higher Education Innovation Fund, tax credits for R&D, Innovation Vouchers, Growth Vouchers, the Growth Accelerator are all important levers and mechanisms for increasing engagement and securing commercial benefits for the UK. These schemes must be maintained, at a minimum, and preferably scaled up. Additional schemes or incentives that drive up levels of knowledge exchange through enabling academics to spend time in industry and vice versa would also be welcome.