

Universities Wales response to the House of Commons Business, Energy and Industrial Strategy Committee's inquiry into supporting regional investment and growth

About Universities Wales

Universities Wales represents the interests of universities in Wales. Our membership encompasses the vice-chancellors of all the universities in Wales, and the Open University in Wales. Our mission is to support a university education system which transforms lives through the work Welsh universities do with the people and places of Wales and the wider world.

Summary

- i. National devolution settlements must be recognised fully in any discussion of regional investment and growth.
- ii. In any approach to supporting regional investment and growth, it is crucial that the regional, national and international role of universities in Wales is acknowledged. As well as university staff and students being mobile, the work carried out by our universities is often national and international in scope and delivery. This is particularly important given the valuable economic impact of **universities in Wales which generate of £5 billion of output and 49,216 jobs in 2015/16**. Compared to other parts of the UK, Welsh universities are of greater relative economic importance to Wales.
- iii. European Structural and Investment Funds (ESIF) have delivered great benefits for their regions by driving innovation, improving competitiveness, creating direct and indirect jobs, and promoting employment and education opportunities. They provide vital investment for projects and infrastructure that contributes towards economic and social growth in Wales
- iv. In total, Welsh universities have received over £570 million from the EU Structural Funds programme since 2000.¹ Wales has significant access to Structural Funds and will receive €2.4 billion from the 2014-2020 programme which amounts to over 22% of the UK total of €10.9 billion. **For the current funding round, Welsh universities are the second biggest recipients of structural funds after the Welsh Government.**
- v. Universities Wales believes that the priorities for the proposed UK Shared Prosperity Fund to replace European development funds must be:
 - Needs-based investment;
 - Devolved by design;
 - At least match current regional investment funding; and
 - Universities and other regional partners should be central to strategic planning and project delivery.
- vi. Universities in Wales have a long history of collaboration with government and industry; we play a central role in supporting inclusive economic growth locally, regionally and nationally; improving productivity and strengthening trade relationships across the world. This benefits both Wales and the UK more broadly.

¹ Universities Wales and Welsh Higher Education Brussels joint [response to the Children, Young People and Education Committee Inquiry on the Impact of Brexit on Higher and Further Education](#), June 2018

- vii. Universities Wales would welcome regional investment and growth policy that prioritises investment in research and innovation and higher-level skills, both of which have transformative effect on economies. If such investment is scaled appropriately, the economy would be strengthened, which, in turn, will increase:
- Universities' contribution to Wales' GVA;
 - The number of high value jobs;
 - Inward investment; and
 - Export earnings from international higher education sector

All of which are essential to Wales' future prosperity.

- 1. What is the role of the Government in addressing regional disparities for businesses across the UK? Does the devolution of powers, including City and Region Deals, the Northern Powerhouse, and Midlands Engine, provide LEPs and other bodies with the tools they need to deal with the issue?**
- 1.1 National devolution settlements must be recognised fully in any discussion of regional investment and growth. A number of the approaches described in this consultation – such as LEPs – do not apply to Wales. From a Welsh perspective, we would want to see funds currently available to Wales protected in future.
- 1.2 The UK government has a vital part to play in addressing the disparity across the regions and can use initiatives such as City Deals to address such inequalities. Most important to Wales will be agreeing future prosperity funding for Wales with the Welsh Government. City and Regional Growth Deals for Wales also have the potential to improve productivity, drive innovation and support job growth throughout the region.
- 1.3 Future regional investment and policy should ensure sustained investment to support Welsh universities to collaborate with business, which will provide the innovation and jobs that Wales needs.
- 1.4 The translation of research into economic benefits is a key aspect and the capacity of industry in Wales to innovate needs to be nurtured to ensure sustained growth.
- 1.5 Universities in Wales have a long history of collaboration with both government and industry. Structural funds and the City Deals provide examples of innovative partnerships that place universities at their centre and will enable them to be key levers for regional development. Whether this is through City and Regional Growth Deals or Wales national strategy, we would advocate that these triple helix models of government-university-industry collaborations are exploited to drive growth in Wales.
- 1.6 The future UK Shared Prosperity Fund must be devolved by design to ensure that any funding previously available to Wales through European Structural Funds still comes to Wales. Universities Wales believes that the UK government should engage proactively with the Welsh Government to ensure that future regional growth funds, as a minimum, match current regional investment funding, are needs based and are administered by Welsh Government.
- 1.7 Cross-border working, such as those identified in the Science and Innovation Audits, and the Industrial Strategy's focus on place-based initiatives is welcome but effective place-based strategies require institutional collaboration as well as support at policy level. The future UK Shared Prosperity Fund would be in an ideal position to support this and we look forward to the consultation on this.

- 2. Are there barriers to new businesses being established in less-productive areas? How does clustering affect other businesses in that region, for example: are Catapult Centres widening or limiting investment in their local areas?**
- 2.1 Welsh universities perform particularly well in the establishment of new businesses. Welsh universities have the highest number of graduate start-ups per capita in the UK with 12.3% of the UK's graduate start-ups being set up by graduates in Wales. Graduate start-ups in Wales are also more likely to survive over three years than elsewhere in the UK². To support the growth of these businesses, some consideration should be given to the provision of grant-support, the availability of incubation spaces and the availability of skilled workers to support those businesses.
- 2.2 Universities Wales believes that there should be more focus on addressing the skills gap, at all qualification levels, from apprenticeships through to doctoral training, to ensure a responsive and flexible skills system.
- 2.3 In any regional approach to skills, it is crucial that the regional, national and international role of universities in Wales is acknowledged. As well as university staff and students being mobile, the work carried out by our universities is often national and international in scope and delivery. This is particularly important given the valuable economic impact of universities in Wales which generated £5 billion of output and 49,216 jobs in 2015/16. When compared to other parts of the UK, Welsh universities are of greater relative economic importance to Wales.
- 2.4 Wales will also undergo large changes in its demography in the next 20 years with the number of people aged 16-64 projected to decrease by 4.2% between 2016 and 2041 and the number of people aged 65 and over projected to increase by 36.6%. Similarly, excluding potential immigration, there will be a decrease in the number of new entrants to the workplace in the next ten years as a result of the current demographic dip in 18 year olds. This presents additional challenges in ensuring that, as the pool of new entrants to the workforce shrinks, there is a sufficiently skilled population to mitigate the risks of automation.
- 2.5 Clustering, and the use of the Catapult Centres can have an extremely positive effect on regional economies.
- Aberystwyth University's new £4.2 million state-of-the-art veterinary hub to drive forward research to protect both animal and human health will develop an innovation cluster. The project will provide a range of opportunities for businesses throughout the livestock supply chain, and associated industries, which will benefit from the new facility and collaborative research opportunities. It will provide a focus for businesses to develop new products and services, as well creating new high-quality jobs in the area.³
 - Cardiff University's partnership with IQE aims to create Europe's first cluster for compound semiconductors and position Cardiff as the UK and European leader in the field. The region has benefitted from over £50 million from the UK government catapult initiative, it provides a unique facility in the UK, fabricating and testing technology for realistic industrial application and the expertise and capability to translate academic excellence through to practical, manufacturable devices to generate economic impact

² HESA, 2019 <https://www.hesa.ac.uk/data-and-analysis/business-community/ip-and-startups>

³ Universities Wales case study, [Aberystwyth's new £4.2 million EU-backed veterinary facility and Centre of Innovation Excellence in Livestock hub](#), November 2018

through commercial and academic exploitation of compound semiconductor technologies.⁴ The cluster 'currently directly employs around 1,500 people' and 'almost a thousand (939) additional jobs are likely to be created by 2024'.⁵

- 2.6 Welsh government's *Prosperity for All: economic action plan* stresses the importance of the foundational economies and the need to 'focus on four foundation sectors [tourism, food, retail and care] where working more effectively across government will maximise benefits'.⁶ Between 35-50% of the UK's workforce is employed in the foundational economy, and in deprived areas this can be much higher.⁷ Universities Wales believes that there needs to be a stronger focus on the foundational economy as a priority at a regional level and that upskilling the workforce should include a comprehensive range of skills and subject areas and not simply technology or digital skills.
- 2.7 In October 2016 the University of South Wales created the National Cyber Security Academy, an innovative project to help address a shortage of cyber security skills. The programme was developed with major industrial partners such as Airbus and General Dynamics UK and aims to close the skills gap and provide the next generation of cyber security experts.⁸
- 2.8 Thought should be given on consideration of how success is measured for regional investment, how this is captured and whether regional investments create and retain value with the region, identifying metrics which drive appropriate behaviour and focus investment.

3. Are businesses outside of cities able to access finance and attract investment? How has existing support from EU structural funds supported regional growth? Will new Government measures, such as the Stronger Towns Fund and Shared Prosperity Fund, provide effective support for growth in these areas?

- 3.1 In total, Welsh universities have received over £570 million from the EU Structural Funds programme since 2000.⁹ European Structural and Investment Funds (ESIF) provide vital investment for projects and infrastructure to contribute towards economic and social growth.
- European Regional Development Fund (ERDF) is funding to strengthen regional economic success and improve social cohesion by investing in growth-enhancing sectors to improve competitiveness and create jobs.
 - European Social Fund (ESF) invests in people, with a particular focus on improving employment and education opportunities.

Both vital for Wales' regional growth.

- 3.2 Wales has significant access to Structural Funds and will receive €2.4 billion from the 2014-2020 programme: over 22% of the UK total of €10.9 billion goes to Wales. In the current round, Welsh universities are the second largest recipients of Structural Funds after the Welsh Government. The latest data available shows that £262.5 million of Structural Funds

⁴ Universities Wales case study, [Developing a Compound Semiconductor Cluster: Partnership between Cardiff University and IQE](#), November 2018

⁵ UK Electronics Skills Foundation, [Compound Semiconductor Skills Foundation](#), July 2018

⁶ Welsh Government, [Prosperity for all: economic action plan](#), September 2017

⁷ J Earle, [What next for the foundational economy in Wales?](#), 2019, IWA

⁸ Universities Wales case study, [Creation of the National Cyber Security Academy to address a skills shortage](#), November 2018

⁹ Universities Wales and Welsh Higher Education Brussels joint [response to the Children, Young People and Education Committee Inquiry on the Impact of Brexit on Higher and Further Education](#), June 2018

have been awarded to Welsh universities as lead partners and, a further £70 million in projects that Welsh universities are involved in but do not lead.¹⁰

- 3.3 According to the Higher Education Statistics Authority (HESA), Europe accounted for 83.6% of Welsh universities' income from regeneration and development funds in 2017/18. This compares to just 21.7% for universities in Northern Ireland, 41.4% for those in England and 46.7% in Scotland.¹¹
- 3.4 Welsh universities have led instrumental collaborative projects using EU Structural Funds, these include:
- KESS (Knowledge Economy Skills Scholarships) is a major European Convergence programme led by Bangor University which supports collaborative research projects with external partners based in the West Wales and the Valleys. The project received £73 million from ESF to promote high-level skills development by increasing the research capacity of small to medium-sized enterprises (SMEs) by linking with a PhD or research master's project.¹²
 - Swansea University's Science and Innovation Campus which was developed with £40 million of EU Structural Fund support. The development was amongst the top five knowledge economy projects in Europe and **aims to generate around £3 billion of economic impact over a 10-year period through construction activity, research, and student and business investment.**
 - Flexible Integrated Energy Systems (FLEXIS) is a £24.5 million research operation, led by Cardiff University, Swansea University and the University of South Wales, which brings together expertise from across these universities to facilitate an affordable, sustainable, and socially acceptable transition to a low carbon future. The five-year EU-backed project will look to solve a diverse, complex and inter-dependent set of challenges, ranging from energy storage, to decarbonisation and fuel poverty. By 2020, **over £20 million of additional competitive research income is expected to be secured in Wales as a result of FLEXIS.**¹³
 - Advanced Sustainable Manufacturing Technologies (ASTUTE) supports the stimulation of ideas in the Welsh manufacturing sector through provision of resources, facilities, advice and guidance exploiting the wealth of world-class research in Welsh universities in close research collaborations with industry. It is a collaboration of four Welsh universities; Swansea University, Cardiff University, Aberystwyth University and the University of Wales Trinity Saint David. The project supported more than 250 Welsh enterprises in West Wales and the Valleys in 2010-2015, with stage two running until 2020. **It has created economic impact excess of £200 million in West Wales and the Valleys showing that for each £1 invested an outstanding return of over £8 of economic impact was achieved.**¹⁴

¹⁰ WEFO, *Structural Funds*, November 2018

¹¹ HESA, [Higher Education Business and Community Interaction \(HE-BCI\) survey](#), 2017/18 data

¹² Universities Wales case study, [Knowledge Economy Skills Scholarships: Developing and retaining research and development skills to strengthen the Welsh knowledge economy](#), November 2018

¹³ Universities Wales case study, [Flexible Integrated Energy Systems: Building on the world-class capability that exists in Welsh universities](#), November 2018

¹⁴ **Universities Wales case study, [Advanced Sustainable Manufacturing Technologies: Embedding advanced and sustainable technologies into Welsh manufacturing](#), November 2018**

3.5 Universities Wales believes that the priorities for the proposed UK Shared Prosperity Fund to replace European development funds must be:

- Needs-based investment;
- Devolved by design;
- Match current regional investment funding; and
- Universities and other regional partners should be central to strategic planning and project delivery.

3.6 An independent report by the Joseph Rowntree Foundation states that ‘as a matter of priority, the Government should commit to match the current level of EU Structural Fund spending with resources that are additional to existing local growth budgets, with a multi-year commitment to enable longer-term planning’ and that ‘Government should allocate money across the UK based on need, outside of the Barnett formula¹⁵. The precise methodology for allocating resources between the administrations of the UK should be negotiated in an open and transparent forum between the UK Government and the devolved administrations.’¹⁶

3.7 The All-Party Parliamentary Group for Post-Brexit Funding for Nations, Regions and Local Areas in its ‘Report of an initial inquiry into the UK Shared Prosperity Fund’, recommends:¹⁷

- The annual budget for the UK Shared Prosperity Fund is no less, in real terms, than the EU and UK funding streams it replaces.
- The key objective of the new fund should—as already suggested by UK Government—be to narrow the differences in prosperity across the UK.
- Local partners should be given flexibility to define the types of projects on which the UK Shared Prosperity Fund is spent.
- The UK government should be encouraged to recognise that, within the framework of agreed guidelines, the allocation of the funding to local areas within the devolved nations should be a devolved matter.

3.8 Universities Wales looks forward to the formal consultation on the UK Shared Prosperity Fund.

4. **How does the mobility of businesses to relocate within the UK and overseas affect their investment in local areas? Should local and national Government be seeking to reduce business relocation?**

4.1 Universities Wales would not want to deter inward investment. Our universities work with and collaborate with many international companies, for example:

- Cardiff University’s Airbus Centre of Excellence in Cyber Security Analytics.¹⁸
- Cardiff Metropolitan University PDR research institute which uses design as a tool for innovation in the private and public sectors, working with many blue chip companies such as Rolls Royce, Bosch and Dyson.¹⁹

¹⁵ Using the Barnett formula would significantly disadvantage Wales as it is primarily based on population, and not on an assessment of economic need.

¹⁶ R. Tinker, [Designing a Shared Prosperity Fund](#), Joseph Rowntree Foundation (October 2018)

¹⁷ All-Party Parliamentary Group for Post-Brexit Funding for Nations, Regions and Local Areas, [Report of an initial inquiry into the UK Shared Prosperity Fund](#), November 2018

¹⁸ Cardiff University, [Airbus Centre of Excellence in Cyber Security Analytics](#)

¹⁹ Cardiff Metropolitan University, [pdronline](#)

- Bangor University's work with Horizon Nuclear Power Ltd.²⁰

4.2 Regional investments should ensure as much of the value is retained within the region that produced it, but it is hard to see how this could preclude the option for industry and business to relocate.

5. Is the Government prioritising the right areas for early Local Industrial Strategies? Will the Strategies enable areas to tackle productivity and growth disparities within regions?

5.1 The Local Industrial Strategies only apply to England. Wales launched its *Prosperity for all: the national strategy*²¹ in September 2017 and, to support the delivery of this strategy, the *Prosperity for all: economic action plan*²². The action plan aims to provide 'an ambitious basis for regional economic development [and] ... the different players in our economy – from the emerging City Deals and local government reform structures, to the new Development Bank of Wales and Regional Skills Partnerships – work together on a clear footprint with businesses and other partners in a new, strategic and more collaborative partnership to support distinctive regional strengths.'

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²⁰ Universities Wales case study, [Nuclear Futures Institute: Developing a world leading capability in nuclear science and engineering at Bangor University](#), November 2018

²¹ Welsh Government, [Prosperity for all: the national strategy](#), September 2017

²² Welsh Government, [Prosperity for all: economic action plan](#), December 2017