

POLICY RESPONSE

Response to the Industrial Strategy Commission – April 2017

INTRODUCTION

The government is right to commit to an industrial strategy that seeks to identify and build on strengths within the UK economy. It is also right to acknowledge that, for many years now and particularly since the 2008 financial crisis, growth has been imbalanced. It has been concentrated on London and the south-east of England to the detriment of other parts of the UK. Therefore, the emphasis on 'place' throughout the industrial strategy is of huge importance.

SUMMARY OF KEY POINTS

Investing in science, research and innovation

- The additional investment of £2bn by 2020 for research and development is an important and welcomed acknowledgment of the vital role science, research and investment play in economic growth.
- The government should aim to increase investment in research and development so that it is around 2.5% of GDP (in line with the OECD average).
- A new fund for translational research, targeted at universities which currently receive lower levels of public research funding, should be established to support innovation and economic growth across the country.
- The new Industrial Strategy Challenge Fund should be focused on regional and local development in addition to the stated focus on technologies. The government should use this funding to increase support for applied and translational research, particularly that taking place in modern universities working with SMEs.
- The Industrial Strategy Challenge Fund should also be supported by other targeted funding for regional and local strategies (e.g. as part of devolution deals or other local investment) to provide additional capacity for local economic growth.

Developing Skills

- The £170m announced by the government for new institutes of technology should also promote collaboration between universities and colleges which are already engaged in high quality professional, technical and vocational education.
- The government should consider providing tax incentives to businesses to invest in part-time learning, similar to the incentives provided to businesses to invest in research and development.
- Apprenticeship completion (and where relevant, degree qualifications) is an important part of the broader context, and should not be ignored in favour of a focus on apprenticeship starts.

Supporting businesses to start and grow

- The government should use the industrial strategy to increase investment across the whole of the UK to achieve a better funding balance.
 - When established, UKRI should consider a new funding stream, for investment into applied and translational research conducted at universities, as this is often the area where partnerships with
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businesses are established to solve specific challenges and create conditions for local economic growth.

Driving growth across the whole country

- The emphasis on 'place' is hugely important and should continue to underpin the industrial strategy.
- Businesses – especially small and medium enterprises – should be offered support through tax breaks and other incentives to release employees to undertake training and development to improve existing skills and acquire new skills.
- The Departments for Business, Energy and Industrial Strategy, and for Communities and Local Government should consider formal partnership arrangements through the creation of joint units to ensure a joined-up approach to implementing particular elements of the industrial strategy.

Creating the right institutions to bring together sectors and places

- Modern universities are well placed to play a leading role in the government's industrial strategy. They are key players in their localities, at the heart of links with companies developing major new technologies as well as small and medium-sized enterprises and they are leading the modern apprenticeship agenda.
- The industrial strategy should take the opportunity to reform science and research funding to be far more dynamic, and better focused on supporting the areas of research that can make a difference to small and medium enterprises in all regions of the country.

INVESTING IN SCIENCE, RESEARCH AND INNOVATION

The additional investment of £2bn by 2020 for research and development (originally announced by the Chancellor in 2016 and restated in the industrial strategy) is an important and welcomed acknowledgment of the vital role science, research and investment plays in economic growth.

Currently the UK invests 1.7% as a percentage of GDP in research and development, compared to the OECD average of 2.5%, a gap that has persisted for more than a decade. As the Green Paper points out, other leading innovation-focused countries are investing over 3% of GDP in research and development. The UK's research base is hugely successful, but it risks slipping back against competitor countries if the investment doesn't keep pace. This is even more of a risk if the Brexit deal agreed by the UK and the European Union leads to reduced access for universities and industry to valuable research investment through policies such as Horizon 2020 and the European Research Council.

The Green Paper highlights that "46% of Research Council and Higher Education Funding Council for England (HEFCE) is spent in Oxford, Cambridge and London." The Green Paper aims to capitalise on local strengths across the UK. In order to do this, the government needs to make investment decisions that both increase the overall funding available to university research **and** spread this investment throughout the UK.

The new investment, therefore, should not follow the same patterns as we have seen so far. The creation of the new organisation, UKRI, provides the government with an excellent opportunity to consider new investment approaches that recognise other forms of research and development, and to ensure funding reaches all parts of the country.

The government should consider how to invest in university research in areas outside of the London and south east region. Modern universities are located throughout the UK and have significant research expertise and strong relationships with businesses in their localities. 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 industrial strategy should consider new streams of investment to capitalise on these successful partnerships and increase local economic growth. This would have a combined effect of a) mitigating against potential investment loss that may arise as a result of Brexit and b) increasing the proportion of government investment in research to other regions of the UK outside of London and the south-east.

It is at modern universities that many researchers take their first steps. Graduates of modern universities also make up 72% of all graduate start-up businesses still active after 3 years. This would indicate that modern universities are prime incubators of both research leaders and entrepreneurs and further support for their work would bring benefits to the industrial strategy. Funding to increase support for applied and translational research would be an important step to securing opportunities for early career researchers and graduate entrepreneurs.

Targeting translational research funding in such a way as we propose 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. This funding would play a key role in securing the future of innovative collaborations between universities and businesses, SMEs and public services that boost economic growth in localities and regions.

Key points

The government should aim to increase investment in research and development so that it is around 2.5% of GDP (in line with the OECD average).

A new fund for translational research, targeted at universities which currently receive lower levels of public research funding, should be established to support innovation and economic growth across the country.

The new Industrial Strategy Challenge Fund should be focused on regional and local development in addition to the stated focus on technologies. The government should use this funding to increase support for applied and translational research, particularly that taking place in modern universities working with SMEs.

The Industrial Strategy Challenge Fund should also be supported by other targeted funding for regional and local strategies (e.g. as part of devolution deals or other local investment) to provide additional capacity for local economic growth.

DEVELOPING SKILLS

The government has recognised the need to develop and improve skills. A key part of achieving this ambition will be targeted initiatives to address the different levels of participation in higher education in different parts of the country. This will equip young people with the right skills necessary to embark on and develop an effective career.

However, it is also important to ensure that there is a focus on lifelong learning and part-time learning by people already in the workplace as part of any skills strategy. In order to drive growth, businesses will need

highly skilled workforce, so employment-focused development is vital. We therefore welcome the opportunity which the Industrial Strategy Green Paper provides to consider how life-long learning can be progressed in ways which will support individuals, businesses and those who are not in the workplace. Businesses should be incentivised to invest in professional development for their employees.

Modern universities are well placed to play a leading role in the government's industrial strategy. They are key players in their localities, at the heart of links with companies developing major new technologies as well as small and medium-sized enterprises and they are leading the modern apprenticeship agenda. Modern universities are pioneering the new degree apprenticeship agenda, which will provide students with significant new opportunities to acquire high-level skills through a mix of work and study. Building on their long-standing experiences of working with employers to design courses that meeting specific skills needs, modern universities in particular will be central to the success of this policy.

As such they are a key element of the government's aim of delivering three million apprenticeship starts by 2020. However, in order to ensure high-quality skills development that benefits both the individual and the employer, it is equally important to pay close attention to progression and completion. The recent report from the House of Commons Sub-Committee on Education, Skills and the Economy Sub-Committee noted the need to be clearer about apprenticeship outcome measures.¹

Completion is particularly important with regard to higher and degree apprenticeships that will be delivered by universities working with employers. These universities have significant expertise and experience in providing support to students learning in a diverse range of contexts to ensure that they are successful in their courses.

Key points

The £170m announced by the government for new institutes of technology should also promote collaboration between universities and colleges which are already engaged in high quality professional, technical and vocational education.

The government should consider providing tax incentives to businesses to invest in part-time learning, similar to the incentives provided to businesses to invest in research and development.

Apprenticeship completion (and where relevant, degree qualifications) is an important part of the broader context, and should not be ignored in favour of a focus on apprenticeship starts.

SUPPORTING BUSINESSES TO START AND GROW

Decisions about government research funding allocations (which we noted above) have an impact in this area. Research investment is concentrated regionally (in London and the south east), and often focused on original (blue-skies) research. It is vital that the government uses the industrial strategy to increase investment across the whole of the UK to achieve a better funding balance.

It is also vital to invest in applied and translational research conducted at universities, as this is often the area where partnerships with businesses are established to solve specific challenges and create conditions for local economic growth.

¹ <https://www.publications.parliament.uk/pa/cm201617/cmselect/cmese/206/20602.htm>

This is particularly important when considering how best to maximise opportunities for small and medium sized enterprises. These are located everywhere, and so should not be penalised if that location happens to be away from one of the small number of universities that receive the lion's share of research investment. The industrial strategy provides the opportunity, through targeted funding streams to better support collaboration between all universities and the SMEs that make up 99% of economic activity in the UK, employing 60% of the population and with a combined total turnover of £1.8tn.²

Key points

The government should use the industrial strategy to increase investment across the whole of the UK to achieve a better funding balance.

When established, UKRI should consider a new funding stream, for investment into applied and translational research conducted at universities, as this is often the area where partnerships with businesses are established to solve specific challenges and create conditions for local economic growth

DRIVING GROWTH ACROSS THE WHOLE COUNTRY

We welcome the government's focus on raising skills nationwide as part of the principles behind the industrial strategy.

In order to raise skill levels nationwide, it is important to encourage and incentivise people already in the workplace to undertake further training and development. Modern universities have long-standing expertise in this area, with strong partnerships with local employers. This section of the industrial strategy acknowledges the importance of university-business relationships and investment in research and knowledge exchange. A similar approach should be taken with skills development, with incentives offered to businesses to invest in training and development.

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. We welcome the emphasis on closer working between these departments, and would urge even more formal approaches to be considered, such as joint units shared between departments. The Treasury also 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.

Key points

The emphasis on 'place' is hugely important and should continue to underpin the industrial strategy.

² October 2015 BIS Statistical Release on Business Population Estimates for the UK and Regions 2015
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/467443/bpe_2015_statistical_release.pdf

Businesses – especially small and medium enterprises – should be offered support through tax breaks and other incentives to release employees to undertake training and development to improve existing skills and acquire new skills.

The Departments for Business, Energy and Industrial Strategy, and for Communities and Local Government should consider formal partnership arrangements through the creation of joint units to ensure a joined-up approach to implementing particular elements of the industrial strategy.

CREATING THE RIGHT INSTITUTIONS TO BRING TOGETHER SECTORS AND PLACES

Modern universities are well placed to play a leading role in the government's industrial strategy. They are key players in their localities, at the heart of links with companies developing major new technologies as well as small and medium-sized enterprises and they are leading the modern apprenticeship agenda. The industrial strategy should seek to draw on the strengths, expertise and partnerships already in place in order to drive forward the government's ambitions. This is especially the case when considering investment decisions about the allocation of research funding to universities.

Within the UK there has been a surprising lack of new thinking about the way in which taxpayer investment in research is allocated to universities. By and large historic reputation has been taken as an indicator of future success and a protection of the status quo has reigned supreme. As a result public resources for research have been heavily focused on and concentrated into a small number of universities. A strong research base, with investment in all universities will ensure the UK exploits the opportunities in new and emerging disciplines and markets.

Modern universities play a huge role in increasing the volume of research produced in the UK that is world-leading or internationally excellent. They have made major contributions to a body of research that is judged to have outstanding or very considerable impact on the economy and society. Since modern universities achieve these results on lower levels of investment for their research activity – both in total amount received and per individual staff researchers – the success suggests significant value for money.

The creation of the Department for Business, Energy and Industrial Strategy provides scope for new thinking. The new department has the opportunity to reform science and research funding to be far more dynamic, less rooted in historic reputation, and better focused on supporting the areas of research that can make a difference to small and medium enterprises in all regions of the country.

Key points

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MillionPlus response to the BEIS Building our Industrial Strategy Green Paper – answers by question

Introduction

1. Does this document identify the right areas of focus: extending our strengths; closing the gaps; and making the UK one of the most competitive places to start or grow a business?

- Yes. In particular, we welcome the emphasis on place and the commitment to increasing investment in research and development.

2. Are the ten pillars suggested the right ones to tackle low productivity and unbalanced growth? If not, which areas are missing?

- We believe the pillars are the appropriate ones.

3. Are the right central government and local institutions in place to deliver an effective industrial strategy? If not, how should they be reformed? Are the types of measures to strengthen local institutions set out here and below the right ones?

- The industrial strategy is right to acknowledge that, for many years now and particularly since the 2008 financial crisis, growth has been imbalanced. It has been concentrated on London and the south-east of England to the detriment of other parts of the UK. Therefore, the emphasis on 'place' throughout the industrial strategy is of huge importance.

4. Are there important lessons we can learn from the industrial policies of other countries which are not reflected in these ten pillars?

Investing in science, research and innovation

5. What should be the priority areas for science, research and innovation investment?

- The additional investment of £2bn by 2020 for research and development (originally announced by the Chancellor in 2016 and restated in the industrial strategy) is an important and welcomed acknowledgment of the vital role science, research and investment plays in economic growth.
- Currently the UK invests 1.7% as a percentage of GDP in research and development, compared to the OECD average of 2.5%, a gap that has persisted for more than a decade. As the Green Paper points out, other leading innovation-focused countries are investing over 3% of GDP in research and development. The UK's research base is hugely successful, but it risks slipping back against competitor countries if the investment doesn't keep pace. This is even more of a risk if the Brexit deal agreed by the UK and the European Union leads to reduced access for universities and industry to valuable research investment through policies such as Horizon 2020 and the European Research Council.
- The Green Paper highlights that "46% of Research Council and Higher Education Funding Council for England (HEFCE) is spent in Oxford, Cambridge and London." The Green Paper aims to capitalise on local strengths across the UK. In order to do this, the government needs to make investment decisions that both increase the overall funding available to university research **and** spread this investment throughout the UK.
- The new investment, therefore, should not follow the same patterns as we have seen so far. The creation of the new organisation, UKRI, provides the government with an excellent opportunity to

consider new investment approaches that recognise other forms of research and development, and to ensure funding reaches all parts of the country.

6. Which challenge areas should the Industrial Challenge Strategy Fund focus on to drive maximum economic impact?

- The government should consider how to invest in university research in areas outside of the London and south east region. Modern universities are located throughout the UK and have significant research expertise and strong relationships with businesses in their localities. 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 industrial strategy should consider new streams of investment to capitalise on these successful partnerships and increase local economic growth. This would have a combined effect of a) mitigating against potential investment loss that may arise as a result of Brexit and b) increasing the proportion of government investment in research to other regions of the UK outside of London and the south-east.

7. What else can the UK do to create an environment that supports the commercialisation of ideas?

8. How can we best support the next generation of research leaders and entrepreneurs?

- It is at modern universities that many researchers take their first steps. Graduates of modern universities also make up 72% of all graduate start-up businesses still active after 3 years. This would indicate that modern universities are prime incubators of both research leaders and entrepreneurs and further support for their work would bring benefits to the industrial strategy. Funding to increase support for applied and translational research would be an important step to securing opportunities for early career researchers and graduate entrepreneurs.

9. How can we best support research and innovation strengths in local areas?

- Targeting translational research funding in such a way as we propose 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. This funding would play a key role in securing the future of innovative collaborations between universities and businesses, SMEs and public services that boost economic growth in localities and regions.

Key points

- The government should aim to increase investment in research and development so that it is around 2.5% of GDP (in line with the OECD average).
- A new fund for translational research, targeted at universities which currently receive lower levels of public research funding, should be established to support innovation and economic growth across the country.
- The new Industrial Strategy Challenge Fund should be focused on regional and local development in addition to the stated focus on technologies. The government should use this funding to increase

support for applied and translational research, particularly that taking place in modern universities working with SMEs.

- The Industrial Strategy Challenge Fund should also be supported by other targeted funding for regional and local strategies (e.g. as part of devolution deals or other local investment) to provide additional capacity for local economic growth.

Developing Skills

10. What more can we do to improve basic skills? How can we make a success of the new transition year? Should we change the way that those resitting basic qualifications study, to focus more on basic skills excellence?

- The government has recognised the need to develop and improve skills. A key part of achieving this ambition will be targeted initiatives to address the different levels of participation in higher education in different parts of the country. This will equip young people with the right skills necessary to embark on and develop an effective career.

11. Do you agree with the different elements of the vision for the new technical education system set out here? Are there further lessons from other countries' systems?

- The £170m announced by the government for new institutes of technology should also promote collaboration between universities and colleges which are already engaged in high quality professional, technical and vocational education.

12. How can we make the application process for further education colleges and apprenticeships clearer and simpler, drawing lessons from the higher education sector?

- The higher education sector recruits nationally, and as such has developed a central clearing service (UCAS) to support students in understanding opportunities in different parts of the country. The further education sector tends to recruit locally, and as such will not necessarily lend itself well to a national system, which may be excessively burdensome and difficult for new students to understand and navigate. Apprenticeships are jobs, and therefore recruitment decisions will primarily for employers to make.

13. What skills shortages do we have or expect to have, in particular sectors or local areas, and how can we link the skills needs of industry to skills provision by educational institutions in local areas?

- Modern universities are well placed to play a leading role in the government's industrial strategy. They are key players in their localities, at the heart of links with companies developing major new technologies as well as small and medium-sized enterprises and they are leading the modern apprenticeship agenda. Modern universities are pioneering the new degree apprenticeship agenda, which will provide students with significant new opportunities to acquire high-level skills through a mix of work and study. Building on their long-standing experiences of working with employers to design courses that meeting specific skills needs, modern universities in particular will be central to the success of this policy.

- As such they are a key element of the government's aim of delivering three million apprenticeship starts by 2020. However, in order to ensure high-quality skills development that benefits both the individual and the employer, it is equally important to pay close attention to progression and completion. The recent report from the House of Commons Sub-Committee on Education, Skills and the Economy Sub-Committee noted the need to be clearer about apprenticeship outcome measures.³
- Completion is particularly important with regard to higher and degree apprenticeships that will be delivered by universities working with employers. These universities have significant expertise and experience in providing support to students learning in a diverse range of contexts to ensure that they are successful in their courses.

14. How can we enable and encourage people to retrain and upskill throughout their working lives, particularly in places where industries are changing or declining? Are there particular sectors where this could be appropriate?

It is important to ensure that there is a focus on lifelong learning and part-time learning by people already in the workplace as part of any skills strategy. In order to drive growth, businesses will need highly skilled workforce, so employment-focused development is vital. We therefore welcome the opportunity which the Industrial Strategy Green Paper provides to consider how life-long learning can be progressed in ways which will support individuals, businesses and those who are not in the workplace. Businesses should be incentivised to invest in professional development for their employees.

Key points

The £170m announced by the government for new institutes of technology should also promote collaboration between universities and colleges which are already engaged in high quality professional, technical and vocational education.

The government should consider providing tax incentives to businesses to invest in part-time learning, similar to the incentives provided to businesses to invest in research and development.

Apprenticeship completion (and where relevant, degree qualifications) is an important part of the broader context, and should not be ignored in favour of a focus on apprenticeship starts.

Updating infrastructure

15. Are there further actions we could take to support private investment in infrastructure?

16. How can local infrastructure needs be incorporated within national UK infrastructure policy most effectively?

17. What further actions can we take to improve the performance of infrastructure towards international benchmarks? How can government work with industry to ensure we have the skills and supply chain needed to deliver strategic infrastructure in the UK?

³ <https://www.publications.parliament.uk/pa/cm201617/cmselect/cmese/206/20602.htm>

Supporting businesses to start and grow

18. What are the most important causes of lower rates of fixed capital investment in the UK compared to other countries, and how can they be addressed?

19. What are the most important factors which constrain quoted companies and fund managers from making longer term investment decisions, and how can we best address these factors?

20. Given public sector investment already accounts for a large share of equity deals in some regions, how can we best catalyse uptake of equity capital outside the South East?

21. How can we drive the adoption of new funding opportunities like crowdfunding across the country?

22. What are the barriers faced by those businesses that have the potential to scale-up and achieve greater growth, and how can we address these barriers? Where are the outstanding examples of business networks for fast growing firms which we could learn from or spread?

- Decisions about government research funding allocations (which we noted above) have an impact in this area. Research investment is concentrated regionally (in London and the south east), and often focused on original (blue-skies) research. It is vital that the government uses the industrial strategy to increase investment across the whole of the UK to achieve a better funding balance.
- It is also vital to invest in applied and translational research conducted at universities, as this is often the area where partnerships with businesses are established to solve specific challenges and create conditions for local economic growth.
- This is particularly important when considering how best to maximise opportunities for small and medium sized enterprises. These are located everywhere, and so should not be penalised if that location happens to be away from one of the small number of universities that receive the lion's share of research investment.
- The industrial strategy provides the opportunity, through targeted funding streams to better support collaboration between all universities and the SMEs that make up 99% of economic activity in the UK, employing 60% of the population and with a combined total turnover of £1.8tn.⁴

Key points

The government should use the industrial strategy to increase investment across the whole of the UK to achieve a better funding balance.

When established, UKRI should consider a new funding stream, for investment into applied and translational research conducted at universities, as this is often the area where partnerships with businesses are established to solve specific challenges and create conditions for local economic growth

⁴ October 2015 BIS Statistical Release on Business Population Estimates for the UK and Regions 2015
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/467443/bpe_2015_statistical_release.pdf

Improving procurement

23. Are there further steps that the Government can take to support innovation through public procurement?

24. What further steps can be taken to use public procurement to drive the industrial strategy in areas where government is the main client, such as healthcare and defence? Do we have the right institutions and policies in place in these sectors to exploit government's purchasing power to drive economic growth?

Encouraging trade and inward investment

25. What can the Government do to improve our support for firms wanting to start exporting? What can the Government do to improve support for firms in increasing their exports?

26. What can we learn from other countries to improve our support for inward investment and how we measure its success? Should we put more emphasis on measuring the impact of Foreign Direct Investment (FDI) on growth?

Delivering affordable energy and clean growth

27. What are the most important steps the Government should take to limit energy costs over the long-term?

28. How can we move towards a position in which energy is supplied by competitive markets without the requirement for on-going subsidy?

29. How can the Government, business and researchers work together to develop the competitive opportunities from innovation in energy and our existing industrial strengths?

30. How can the Government support businesses in realising cost savings through greater resource and energy efficiency?

Cultivating world-leading sectors

31. How can the Government and industry help sectors come together to identify the opportunities for a 'sector deal' to address – especially where industries are fragmented or not well defined?

32. How can the Government ensure that 'sector deals' promote competition and incorporate the interests of new entrants?

33. How can the Government and industry collaborate to enable growth in new sectors of the future that emerge around new technologies and new business models?

Driving growth across the whole country

34. Do you agree the principles set out above are the right ones? If not what is missing?

35. What are the most important new approaches to raising skill levels in areas where they are lower? Where could investments in connectivity or innovation do most to help encourage growth across the country?

- We welcome the government's focus on raising skills nationwide as part of the principles behind the industrial strategy.
- In order to raise skill levels nationwide, it is important to encourage and incentivise people already in the workplace to undertake further training and development. Modern universities have long-standing expertise in this area, with strong partnerships with local employers. This section of the

industrial strategy acknowledges the importance of university-business relationships and investment in research and knowledge exchange. A similar approach should be taken with skills development, with incentives offered to businesses to invest in training and development.

- 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. We welcome the emphasis on closer working between these departments, and would urge even more formal approaches to be considered, such as joint units shared between departments. The Treasury also 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.

Key points

The emphasis on 'place' is hugely important and should continue to underpin the industrial strategy.

Businesses – especially small and medium enterprises – should be offered support through tax breaks and other incentives to release employees to undertake training and development to improve existing skills and acquire new skills.

The Departments for Business, Energy and Industrial Strategy, and for Communities and Local Government should consider formal partnership arrangements through the creation of joint units to ensure a joined-up approach to implementing particular elements of the industrial strategy.

Creating the right institutions to bring together sectors and places

36. Recognising the need for local initiative and leadership, how should we best work with local areas to create and strengthen key local institutions?

37. What are the most important institutions which we need to upgrade or support to back growth in particular areas?

38. Are there institutions missing in certain areas which we could help create or strengthen to support local growth?

- Modern universities are well placed to play a leading role in the government's industrial strategy. They are key players in their localities, at the heart of links with companies developing major new technologies as well as small and medium-sized enterprises and they are leading the modern apprenticeship agenda. The industrial strategy should seek to draw on the strengths, expertise and partnerships already in place in order to drive forward the government's ambitions. This is especially the case when considering investment decisions about the allocation of research funding to universities.
- Within the UK there has been a surprising lack of new thinking about the way in which taxpayer investment in research is allocated to universities. By and large historic reputation has been taken as

an indicator of future success and a protection of the status quo has reigned supreme. As a result public resources for research have been heavily focused on and concentrated into a small number of universities. A strong research base, with investment in all universities will ensure the UK exploits the opportunities in new and emerging disciplines and markets.

- Modern universities play a huge role in increasing the volume of research produced in the UK that is world-leading or internationally excellent. They have made major contributions to a body of research that is judged to have outstanding or very considerable impact on the economy and society. Since modern universities achieve these results on lower levels of investment for their research activity – both in total amount received and per individual staff researchers – the success suggests significant value for money.
- The creation of the Department for Business, Energy and Industrial Strategy provides scope for new thinking. The new department has the opportunity to reform science and research funding to be far more dynamic, less rooted in historic reputation, and better focused on supporting the areas of research that can make a difference to small and medium enterprises in all regions of the country.

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The industrial strategy should take the opportunity to reform science and research funding to be far more dynamic, and better focused on supporting the areas of research that can make a difference to small and medium enterprises in all regions of the country.