

Our response to the UK government's open consultation, 'Invest 2035: the UK's modern industrial strategy'

Universities UK (UUK) is the collective voice of 141 universities in England, Scotland, Wales, and Northern Ireland. Its mission is to create the conditions for UK universities to be the best in the world, maximising their positive impact locally, nationally, and globally. Universities UK acts on behalf of universities, represented by their heads of institution.

Overview

We welcome the opportunity to engage with government in the development of its industrial strategy. As highlighted in our recent Blueprint for change, growth isn't just a government mission. It's a shared mission, in which universities can and must play an active role.

Our universities are a strength. They play a unique role in supporting local and national growth via: skills formation; their R&D, and innovation, and this role underpins the missions government has identified as its priorities, including when it comes to place.

All eight of the growth-driving sectors are reliant on high level skills and dependent on a continued and growing supply of graduates if they are to expand. In 2023 all of these industries reported a higher proportion of graduates than the UK workforce as a whole (50%), and for five of the eight sectors more than 60% of the workforce were graduates and increasing the productivity of those sectors will require greater investment in high-level skills.

Universities also support the UK's international competitiveness, and the industrial strategy provides an opportunity here. It must capitalise on our strengths in R&D and innovation, and incentivise collaboration in the interests of growth across all regions and devolved administrations in order to boost UK competitiveness into the next decade.

Our response calls for the following:

- Universities should be considered as a foundational sector, given their role in driving growth across all eight growth-driving sectors and the wider economy, in all parts of the country.
- The university sector should be formally represented on the Industrial Strategy Council, in recognition of their foundational role.
- Government should establish local growth partnerships where Mayoral Combined Authorities do not exist, in order to capitalise on the contribution all our universities make, and will make, to growth.
- The industrial strategy and sector plans must align with local strengths, policy frameworks, and regional partnerships and projects in the devolved nations.

Overall approach

3. How should the UK government incorporate foundational sectors and value chains into its analysis?

Universities are a foundational sector, providing critical inputs and infrastructure to the wider economy – through teaching, research, and knowledge exchange – as well as the growth-driving sectors identified. They should therefore be considered by government as critical to the eventual success of its industrial strategy. Their criticality also means government must engage with universities, in their capacity as autonomous institutions, in the development of sector plans, and ensure they allow the full diversity of institutions to respond to, and align with, identified priorities in their individual contexts.

In considering value chains, the industrial strategy should recognise that our universities are a global British success story powering other sectors through the highly-skilled workforce and innovation they produce. In this sense, universities are well-placed to be partners of choice. They support the identification of distinctive

local strengths, tailor their research and skills provision to local needs, and provide evidence and analysis to support local decision making. They agglomerate talent which produces a gravitational pull, attracting high-growth companies to co-locate with universities.

The university sector is an engine of growth. They are often one of the largest local employers and powerful economic actors in their own right. They constitute one of the UK's largest export sectors, purchase extensive goods and services, and attract inward investment.

For every £1 of public money invested in the higher education sector across the UK, £14 is put back into the economy. The total economic impact of the UK higher education sector on the UK economy is more than £265 billion. This includes the impact of:

- Research and knowledge exchange: £63 billion
- Impact of teaching and learning: £95 billion
- Impact of educational exports: £37 billion
- Impact of higher education provider (university) expenditure: £70 billion

Our growth-driving sectors

5. What are the UK's strengths and capabilities in these subsectors?

Our universities are a strength. They play a unique role in supporting local and national growth via: skills formation; their R&D, and innovation, and this role underpins the missions government has identified as its priorities, including when it comes to place.

Universities are critical players in driving the eight broad growth sectors identified, and their reach extends to subsectors across the economy. At a broad level, we are starting from a position of strength and competitive advantage which the industrial strategy can build on, by further incentivising partnerships between universities, business, government and local decision-makers.

In addition to the importance of standalone sectors, cross-cluster, cross-sector, and cross-university collaboration will be key for the success of the industrial strategy, and it should also support vertical sectors and enablers such as technology adoption, for example, within health. There is much potential on which to further capitalise. For example, there are over 400 spinouts across the Analytics and Software-as-a-service (SaaS) sectors who can underpin the demand for data-driven decision-making and cloud-based software solutions across all eight growth sectors identified.

6. What are the key enablers and barriers to growth in these subsectors and how could the UK government address them?

Universities are a key enabler of growth across sectors and subsectors, but the financial sustainability of the sector is a barrier which risks limiting their contribution.

Universities' contribution as enablers of growth is set out below.

Skills formation

All eight of the growth-driving sectors are knowledge intensive industries reliant on high level skills and dependent on a continued and growing supply of graduates if they are to expand. In 2023 all of these industries reported a higher proportion of graduates than the UK workforce as a whole (50%), and for five of the eight sectors more than 60% of the workforce were graduates including the digital and technology sector (70%), the creative sector (76%), professional and business services (74%) and life sciences sector (73%). Level 7 apprenticeship provision, across areas such as health, digital and management, is also a key enabler for the development of these sectors and should be supported via the Growth and Skills Levy.

According to government research, increased student numbers have played a pivotal role in preventing a steeper decline in the UK's productivity, and UUK's own recent analysis shows that those regions with more graduates are more productive, driving economic growth. Investing in human capital will continue to be a crucial aspect of building an economy that is both more productive and fairer, and any growth strategy must incorporate an agenda for increasing human capital and workforce skills within that.

Over the next decade, occupations requiring higher education are expected to see the most employment growth, with 11 million new graduates predicted to be required by 2035. To meet the growing need for higher-level skills, our Blueprint for

Change recommends that the **government, universities, and colleges in England should work together to ensure that by 2040, 70% of the population achieve tertiary attainment at Level 4 or above by the age of 25.**

Level 8 skills are also a key enabler of economic growth. PhD education boosts the employment rate of graduates, who are also more likely to be in highly skilled roles. Level 8 skills are also highly beneficial for businesses, and SMEs in particular, as hiring PhD holders leads to statistically significant improvements in knowledge sharing, innovation, and productivity and profitability.

Research and development (R&D)

While difficult to precisely quantify, we estimate that the total economic impact of higher education research is more than £54 billion, including £40 billion of improvements to private sector productivity. At the same time, research-related income for universities stood at £9.7 billion. Excellent research is happening in all corners of England, Scotland, Wales and Northern Ireland, and across disciplines. The 2021 REF results showed that 41% of submissions were deemed world-leading (4*) by assessment panels and a further 43% judged internationally excellent (3*). In Northern Ireland, 87% of submissions were deemed 4* or 3*, as were 87% of submissions in medicine, health and life sciences across the UK. This research is generating economic growth, supporting jobs, boosting skills, and building pride in place and local communities.

University research in many ways underpins growth across sectors, and the higher education sector itself is the second-largest investor when it comes to R&D in the UK. In 2022/23, clinical medicine R&D in UK universities – funded by government, business, and charities – represented £3.0 billion of research. Further, university and business research work hand-in-hand. Creative industries carried out £857 million of R&D, backed by a further £120 million carried out in universities.

All of this is supported by fundamental research, with public and private grants for chemistry, physics, and biosciences research in universities totalling £2.1 billion in 2021/22. As well as this project-based funding, more than one-third of universities' research income comprises flexible funds that can support any research activity. Much of this comes via quality-related research (QR) funding (or, in Scotland, the Research Excellence Grant), which is awarded in line with universities' research excellence and so helps to ensure that the highest-quality research continues to be found across every part of the UK, and that universities with a proven track record in research can continue to perform the most novel and innovative work. This

fundamental, blue-skies research is key to strengthening the foundation of expertise and talent that drives the success of the UK's R&D intensive-sectors, such as in life sciences, aerospace and automotive. Further, much research and innovation conducted in businesses, especially in rapidly growing technology sectors, are built on university-based original blue-skies research.

To capitalise on the UK's strengths in R&D to deliver growth across sectors, **government should set an ambitious GDP-based R&D intensity target, covering both public and private investment, to match that of the most competitive and innovative countries in the world, and should provide a sustained real-terms increase in QR funding.**

Innovation

Universities are a key part of the UK innovation ecosystem. Knowledge exchange spending by the higher education sector already supports 39,600 jobs (full-time equivalent) across the UK. Since 2019, there have been nearly 600,000 interactions between universities, businesses and non-commercial partners, with more than 20,000 active spinouts, start-ups and social enterprises emerging from UK universities, often supported initially through university incubation spaces, innovation centres and science parks, of which there are more than 100 located in universities across the UK. University spinouts are making a key contribution across the growth-driving sectors and, notably, 3 of the 5 spin out companies that raised the greatest investment between Jan 2023 and Jan 2024 are in the life sciences sector.

Universities also add value to the businesses they support and spin out. Research from the Royal Academy of Engineering shows that university spin-outs have longer lifespans than other start-ups. Only half of all startups survive for longer than five years, but the average lifespan of an academic spin-out is 8.8 years.

For growth-driving sectors to flourish, we must create the conditions to best enable local economic actors adopt new knowledge and technology to drive innovation. To support this, **government should build on its existing proposal for an R&D Missions Fund, which should be a joint venture between UKRI, businesses and universities and have three parts: cutting-edge R&D; knowledge-sharing; and the adoption and diffusion of existing technologies.**

As detailed above, universities' financial precarity is a barrier. In England, the Office for Students (OfS) noted back in May that 40% of England's universities were expected to run budget deficits in 2023/24. Updated OfS analysis in November

indicated that, by 2025-26, up to 72% of providers could be in deficit, and 40% have low liquidity (based on current trends and not accounting for significant mitigating actions). Further, a survey of institutions earlier this year found 34% would consider academic research activity within efforts to cut costs. This is in addition to almost 40% seeing voluntary redundancies, and almost a quarter having closed courses — a picture likely to have worsened significantly in recent months as international student numbers declined after a tightening of visa rules.

In 2022/23, universities incurred a £5.3 billion loss in their delivery of research, covering less than 70% of the full cost of research from government grants and other income sources. This requires cross-subsidy from teaching income, including income from international student fees.

University cost recovery for postgraduate research (PGR) students is even lower at 44.4% of the full economic cost, and UUK members have expressed concern over the future talent pipeline for key sectors, such as the life sciences, digital and technologies (especially around computer and data science), and quantum.

Universities' contribution to growth across sectors to 2035 will be held back significantly unless our universities are properly funded. One way of achieving this is through government investing in a research sector to support the industrial strategy. In addition to an ambitious GDP based R&D intensity target outlined above, this means **increasing Quality-Related research funding to make research sustainable**.

Creating a pro-business environment

7. What are the most significant barriers to investment? Do they vary across the growth-driving sectors? What evidence can you share to illustrate this?

Financial sustainability in the university sector can act as a barrier in areas of investment. As outlined above, we are already seeing course closures and an impact on certain R&D activities at some institutions. In England, a key driver of this has been the decade long freeze on tuition fees which has seen inflation erode their real value by around one-third. We welcomed the government's decision to increase university tuition fees and maintenance support for 2025/26 as a first step towards putting the sector onto a sustainable footing. Universities in Scotland, Wales and Northern Ireland are also facing continued financial pressures.

However, the industrial strategy offers government an opportunity to further support universities' delivery of high-level skills in growth-driving sectors. It could do this by **ensuring greater alignment with incentives in teaching funding via the Strategic Priorities Grant.**

Elsewhere, key challenges include:

Investment into SMEs

A key barrier here is access to information. Information asymmetries exist across the growth-driving sectors, in terms of what support is available to them. Some are also new to innovation and in adapting to, or adopting, new technologies.

Information deficiencies are compounded by regional disparities. In 2022, the British Business Bank estimated that 66% of all equity investment to SMEs went to firms based in London. Unequal investment has led to UK-wide productivity gaps, with greater barriers to growth in areas with a greater proportion of SMEs.

Universities can help address this barrier by ensuring they have a dedicated 'local growth' function to act as a single point of contact for key partners, including SMEs.

Low industry-academic porosity

This kind of porosity is foundational for university-industry relationships. This informs the UK's appeal to foreign investors; the UK's business sophistication ranking in the [Global Innovation Index](#) is impacted by its poor score for '% of research talent in business'. **Industrial Doctorate Programmes can help promote porosity** and the higher-level PhD programmes have produced many current industry leaders. Our ability to attract international talent is also important here, as it forms a key pipeline for both universities and industry, and porosity between the two. Linked to this, **government should review and benchmark immigration costs for academics, entrepreneurs and technical staff to ensure that the UK attracts talented people.**

Venture capital investment into innovation

The short-termism of incentives to encourage innovation discourages crowding-in and match investment. The churn of funding initiatives makes it difficult to measure impact, and therefore promote return on investment to prospective investors. Policy churn also affects investor confidence, particularly in Clean Energy and Advanced

Manufacturing industries. For example, differing positions about Tata Steel have impacted investment into Wales and this is felt keenly in the region.

Cohesion within and across innovation ecosystems

Investment is often only viable at scale, and this scale can only be realised by strong innovation ecosystems, where universities, catapults, businesses and local government work together. **The UK research partnership investment fund (UKRPIF) has been successful in attracting business investment into universities and regions because it looks to strengthen innovation ecosystems.** Crucially, it provides funding for capital projects, providing ecosystems with the physical resources needed to drive innovation. This is important given the scale of collaboration in the university R&D system is notably smaller compared to the policy approach of the US, EU and China.

Policymakers will need to reduce complexity and duplication of the structures intended to foster universities' interaction and collaboration with businesses in the pursuit of local growth. Stability and consistency in policy will play a crucial role in enabling universities to plan for the medium term and so stimulate greater private-sector investment.

People and skills

8. Where you identified barriers in response to Question 7 which relate to people and skills (including issues such as delivery of employment support, careers, and skills provision), what UK government policy solutions could best address these?

Powering growth-driving sectors and unlocking barriers to investment requires capitalising on the central role universities have in tackling skills shortages at the higher levels. However, anticipating and meeting employers' skills needs is becoming more challenging as rapid technological change reshapes various industries in ways that are difficult to predict.

In the English context, Skills England presents a vital opportunity here. With key functions in coordination and intelligence gathering, it must address historic fragmentation of the skills landscape and establish a long-term strategy for meeting skills needs, across every level and region of the country. To achieve this, **Skills England must carve out a central and visible role for universities and forge strong**

links between business, the Industrial Strategy Council, and the Migration Advisory Committee. It should take a place-based approach that utilises regional skills networks to respond to local skills needs.

Further, whilst skills development across growth-driving sectors is vital, **Skills England must not overlook the valuable and versatile set of skills developed through arts and humanities subjects, the need for investment in healthcare and teaching workforces, nor the importance of protecting the pipeline of R&D talent within universities;** all of which are enablers to skills provision and driving growth.

Skills England should therefore adopt an inclusive approach to skills development that recognises the need for skills at every level (including lifelong learning) and supports a diversity of study pathways. To ensure learners can navigate this system, investment in effective careers support for all ages will be vital. It is also critical to recognise the rapidly changing world we live in, where the shift in skills needs toward higher cognitive and management skills, and digital and AI skills is accelerating. The role of the higher education sector in producing the skilled workforce for the era of AI is ever greater, in terms of such types of graduates and researchers who would be required to drive innovation-based industrial transformation.

9. What more could be done to achieve a step change in employer investment in training in the growth-driving sectors?

There are various ways government, universities and industry can address barriers here.

Further incentivise strong partnerships between universities and employers

Employers can support universities by boosting the number of work placements available, while universities can work more closely with employers to ensure that curricula reflect both student demand and workforce requirements. **The government can empower these partnerships by streamlining the regulatory framework and reducing compliance costs to enable providers and employers to work together with more agility.** Moreover, removing VAT on higher education shared services would unlock new collaboration among institutions in sharing infrastructure when delivering training provision.

Support growth in degree apprenticeships

These courses allow employers the freedom to shape higher education to their needs and enable universities to support high-quality employment. Numbers on this route have expanded from 75,060 students in 2018–19 to 112,930 in 2022–23, but demand for degree apprenticeships continues to outstrip supply. Here, **government must ensure the Growth and Skills Levy continues to deliver across all ages and levels, while recognising the country’s particularly strong need for high-level skills.** In shaping the qualifications for which the Growth and Skills Levy is eligible, Skills England should adopt an inclusive approach that enables responsiveness to employer need and supports the role of apprenticeship provision, including in public sector recruitment pipelines, and the industrial strategy.

Ensure lifelong learning is an essential component of any strategy to fulfil the UK’s future skills needs

The Lifelong Learning Entitlement (LLE) is potentially a powerful tool in addressing the decline in part-time and mature students and meeting the needs of learners who want more flexible routes into and through higher education. By enabling the study of higher-level skills (currently levels 4 to 6) on a more flexible basis, the LLE will allow learners to up-skill and retrain throughout their lives without committing to a full undergraduate degree. It also presents an opportunity for increased provision at sub-degree levels to meet economic need. Further, to make the LLE a success, **government should amend policy in light of the learning from the short-course pilot, reconsider the minimum credit requirements, and explore whether the LLE can be used to encourage employers to support the cost of employee study on a modular basis.**

Innovation

10. Where you identified barriers in response to Question 7 which relate to RDI and technology adoption and diffusion, what UK government policy solutions could best address these?

To address the barrier of investment into SMEs, we propose greater incentivisation of university-SME partnerships. Specifically, we want to see the **continuation and expansion of Regional Innovation Funding (RIF)** to promote and support technology

adoption and diffusion across SMEs. Universities have proven experience of utilising public funding to support SMEs. Their ability to convene services (for example HR support, digital support, signposting to additional funding, provision of office space, building networks) makes them a powerful agent for SME growth.

The availability of incentives in the system to encourage university-SME support has declined since the withdrawal of European Structural Investment Funding (ESIF). ESIF's replacement, the UK Shared Prosperity Fund (UKSPF), mirrored ESIF's priority of channelling funding into underinvested regions of the UK. However, the mechanisms meant that funding was not ringfenced for innovation or SME support, and therefore UKSPF failed to increase university-SME engagement.

The Help to Grow programme is a positive example of university-SME engagement. Yet, data shows that the volume of university-SME interactions has declined over time while the financial value of these interactions has not. This suggests that interactions typically involve SMEs who already have resource to engage, highlighting the challenge low-capacity SMEs face in identifying, and accessing, support to grow. **RIF attempted to address this specific failure, however it was only available as a pilot, which ended in March 2024, and there has been no future commitment to funding.** With refreshed long-term commitment to RIF, universities will be able to iterate SME support programmes, targeting SMEs who are new to innovation.

RIF, like ESIF, addresses regional disparities to support, through its redistributive weighted allocation methodology. It is a formula fund, and therefore addresses the issue of path dependency, where better-served regions have an advantage in applying for competition-based funding. It allows growth to spread across all areas of the UK.

We also propose the government consider commissioning **evidence of what works to increase academic-industry porosity**. Our members have positive case studies about Knowledge Transfer Partnerships (KTPs) and ESIF funded Industrial Doctorate Programmes which can support this.

Crucially, **a commitment to Higher Education Innovation Funding (HEIF)** must underpin this. HEIF is a fully flexible fund that allows universities to build capacity with agility, and every £1 invested in HEIF in England generates an additional £8.30. Universities need capacity, both expertise and financial resource, to cover the transactional costs of utilising non-recurrent funding, such as that awarded through KTPs. HEIF reinforces the value of other pots of funding. It also allows universities to add significant value to their partnerships, unlocking greater collaboration across

innovation ecosystems while allowing universities and catapult centres to work together more strategically.

11. What are the barriers to R&D commercialisation that the UK government should be considering?

There are various barriers to R&D commercialisation.

Firstly, historic policy churn and funding cliff edges have impacted some university Technology Transfer Offices and have, in some cases, led to lost expertise. Innovation ecosystems are fundamentally driven by relationships. Therefore, when short-termist policies lead to funding cliff-edges and university staff are made redundant, this has a negative effect on commercialisation activity. Relationships take time to build but can easily be lost. **Stability in policy and funding mechanisms will help address this barrier.**

A lack of early-stage and seed-corn funding for spinouts is also holding back commercialisation opportunities. Whilst this is a UK-wide issue, the government needs to address regional imbalances in access to funding, acknowledging unmet demand outside of London and the South East. Current funding opportunities are oversubscribed, particularly outside of the Golden Triangle. **Government should therefore ensure the British Business Bank, which has been supporting the spin-outs system, also has the potential to scale up funding and further mobilise capital for spin-outs, particularly outside the South East, through a dedicated spin-out venture capital fund.** At the intersection here, our members also advised that financing for female-founded businesses is behind male-founded ones, and initiatives should also consider this as a barrier to address.

Some universities report difficulties in commercialising intellectual property (IP). Some of UUK's members have advised that regulatory burdens can prove a barrier to commercialising IP, particularly when universities are required to set up subsidiary companies.

Targeted government support could also help to bridge the gap between academia and industry, particularly on the skills side, to promote faster translation of research into commercially viable technologies. This could be operationalised through our suggested approach for what the government has announced as an R&D Missions Fund.

Finally, a complex funding landscape can make it difficult for start-ups to access information about support. There are various routes for start-ups to access financial

support (e.g. through Innovate UK, the British Business Bank, and through tax reduction schemes). However, the complexity of the funding landscape makes it difficult for young companies to navigate the system. **Simplifying the number of schemes available would help**, so that companies are not forced to rely on external advisers and professional bid writers if they wish to access these schemes.

Mobilising capital

22. What are the main barriers faced by companies who are seeking to scale up in the UK or by investors who are seeking to deploy capital, and do those barriers vary for the growth-driving sectors?

A key barrier for spinouts and start-ups seeking to scale up is geographic disparities in investment opportunities as has been touched on in response to Qs.7 and 11. While barriers to scaling up are sector-dependant (e.g. the life sciences, clean energy and defence sectors require genuine patient capital, whereas the creative and digital sectors require innovative very early stage finance schemes), we see regional imbalances as the top priority to address.

Capital investment is needed to build incubator, accelerator and grow on space outside of London and the South East, across the rest of the UK. Currently, when ambitious spinouts struggle with access to appropriate premises and infrastructure, they are forced to relocate. Government investment in physical infrastructure adjacent to R&D centres, particularly universities, will provide space for university spinouts to sustain their growth trajectories and contribute to cluster growth in the rest of England, Scotland, Wales and Northern Ireland. There is also potential for existing enterprise zones and investment zones to offer grow on space to spinouts, but this will only work if relationships between businesses, universities and local authorities are strong.

Regional venture funds to support spinouts in the North of England (Northern Gritstone), Midlands (Midlands Mindforge) and South West of England (SETsquared/QantX) serve as good examples on which to build. Each of these funds has up to £300 million invested or ready to invest, making them a key potential source of support. Yet, there are more investable propositions than there is funding available, including capital intensive businesses with a long product development cycle, such as science spin-outs from universities. **The British Business Bank should develop an early stage R&D intensive venture capital fund to meet this demand,**

ensuring the UK funding environment is competitive with the US and addresses regional imbalances in the availability of funding. It should also work with UUK to review their wider support programmes for university spinouts and start-ups to ensure it is maximising its impact across the whole of the UK. For their part, universities should build in strategies to mobilise their own and/or venture capital to support the commercialisation of research, IP and scaling up of university spin-outs.

Place

26. Do you agree with this characterisation of clusters? Are there any additional characteristics of dimensions of cluster definition and strength we should consider, such as the difference between services clusters and manufacturing clusters?

We agree with this characterisation of clusters. At the heart of many clusters will be institutions such as universities that play a crucial role in developing, supporting and growing clusters. The industrial strategy must, however, be forward thinking and long-term, and **ensure it captures emerging and nascent clusters as well as pre-existing ones.**

Clusters do not grow in isolation, they need supportive eco-systems that can develop, sustain and enable them to thrive. The industrial strategy must be able to respond to opportunities and challenges in specific regions. In this sense, eco-systems need to develop and adopt approaches that are relevant to the place, resources, talent and sectors in a locality and support the ambitions of that locality. **The role of local growth plans in England and their effective alignment with clusters and sectors will be important in adopting approaches that are most appropriate and are most likely to support local success.**

Cross-cluster collaboration is also important and an approach needs to be adopted that enables this collaboration, innovation and support, to reflect the more complex nature of local economic growth. Many important growth clusters and sectors involve 'crossover' such as Fintech and Agritech. In addition, professional services, such as finance, legal and human resources are essential to all sectors and clusters.

28. How should the Industrial Strategy accelerate growth in city regions and clusters of growth sectors across the UK through Local Growth Plans and other policy mechanisms?

Strong links will be needed between the industrial strategy, Skills England, sector plans and local growth plans to add value to local growth in England. Similar engagement, collaboration and connections will be needed across the devolved nations.

The establishment of Mayoral Combined Authorities (MCAs) has, in some parts of the country, created an effective mechanism for many universities to engage with other education providers, business and the public sector to meet local needs. **However, national and local government will need to address the gaps in geographic coverage of MCAs and put in place equivalent structures where these do not exist** if it is to ensure inclusive growth, build on cluster strengths and support functional economic areas to develop. **These equivalent structures will need to include funding support mechanisms to allow universities to work closely with their local councils.**

Currently, 41% of UUK's English membership sits outside of an MCA region.

Focussing attention and investment solely on MCAs, and failing to find provision for non-MCA regions, risks creating a two-tier system which would hamper the success of the industrial strategy.

Where MCAs do not exist, we propose **government establish local growth partnerships** to collaboratively develop their local growth plans by overcoming local coordination failures. It will also be important to engage and support the different regions across the devolved nations if the industrial strategy is to achieve its ambition of unlocking the economic potential of all UK regions. The UK government should work with the devolved governments, universities, local leaders and other partners to ensure appropriate models of collaborative local growth planning are adopted across the UK and effectively embedded in the Industrial Strategy.

Through the plans' development, it is crucial that there are strong links between research, innovation, local growth and skills, learning from the work of local enterprise partnerships (LEPs) and the development of local skills improvement plans (LSIPs). Government should also build on initiatives that work, add value, and are enablers to local growth. This includes HEIF, UKRPIF, RIF, the Research England Development (RED) Fund, the Connecting Capability Fund and Innovation Accelerators. Initiatives that are UK-wide, such as Innovation Accelerators and Investment Zones can also play an important role in boosting cluster growth and

addressing regional economic disparities. We welcome the continued support for Innovation Accelerators announced in the Autumn Budget.

For their part, **universities should put themselves forward as critical partners in local growth plans.** Universities contribute by convening partnerships and networks, delivering evidence-based strategic planning, bid writing and project development, programme management and evaluation. They also can develop pipelines of projects, leverage partnerships for investment, including local, national and international partners, combining numerous initiatives and funding streams to multiply their impact and value.

Many universities are already doing this and have supported the development of local industrial strategies and growth plans, and the introduction of business boards. This collaboration needs to be built upon and embedded in future plans for local growth. In addition to collaboration outlined above, we support increased regional collaboration amongst universities themselves such as seen via Yorkshire Universities, London Higher and the soon to be announced Universities for North East England.

29. How should the Industrial Strategy align with devolved government economic strategies and support the sectoral strengths of devolved nations?

Collaboration between the UK government and the devolved administrations in Scotland, Wales, and Northern Ireland will be key to making the industrial strategy a success. Nations within the UK have their own economic and industrial policy frameworks, such as the National Strategy for Economic Transformation (NSET) in Scotland and the Innovation Strategy for Wales, which complement UK-wide policy setting and the UK government's ambitions.

Ensuring that national strategies and sector plans align with the local strengths, policy frameworks, and regional partnerships and projects in the devolved nations will be important. Further, involving devolved administrations in the discussions surrounding planning and implementation early on will be critical to ensure that national and devolved policies end up being complementary and non-duplicative, and this should be a consideration when setting up the mandate and agenda of the Industrial Strategy Council.

UUK's members have also raised the importance of mechanisms for cross-border collaboration for some clusters and sectors, such as energy or defence, where large-

scale logistics and infrastructure needs required to tap into whole value chains may well end up crossing borders within the UK.

Industrial Strategy Council

30. How can the Industrial Strategy Council best support the UK government to deliver and monitor the Industrial Strategy?

We are supportive of the Industrial Strategy Council serving as an independent advisory body, providing evidence-based recommendations to government and monitoring the progress of industrial strategy initiatives. Regular assessments of sectoral and regional impacts can help ensure that the strategy remains aligned with economic goals and adapts to emerging trends. This has the potential also to provide individual and groups of universities with up-to-date intelligence to inform how they can respond in their individual contexts.

31. How should the Industrial Strategy Council interact with key non-government institutions and organisations?

The Industrial Strategy Council should actively engage with universities, industry bodies, and local authorities to gather insights and ensure that policy decisions reflect on-the-ground realities. Establishing regular forums for dialogue between the Council and these institutions would foster collaboration and facilitate the sharing of best practice. Additionally, forming working groups focused on specific sectors or challenges would enable more targeted support and policy development.

In light of universities' foundational role, the sector should be formally represented at the ISC to ensure universities can maximise their contributions to key value chains and growth sectors in all parts of the country.