**‘Invest 2035: The UK’s Modern Industrial Strategy’**
**Yorkshire Universities’ response to the Green Paper**

On 14 October 2024, the Government published a Green Paper Invest 2035: The UK’s Modern Industrial Strategy and opened a public consultation. At Yorkshire Universities (YU), we welcome the opportunity to shape the UK’s next Industrial Strategy, and we have submitted a response to the consultation, with a particular focus on place-based economic development and regional partnerships. In the briefing below, you will find our reflections on the Green Paper, and some suggestions to Government of what we consider to be vital ingredients for a successful Industrial Strategy. These are collated under the following themes below:

1. The value of Higher Education (HE) and place-based partnerships
2. Barriers to investment
3. People and skills
4. Research, innovation & technology diffusion
5. Barriers to commercialisation
6. Business investment in research, development & innovation
7. Characterising clusters
8. Investing in strategic industrial sites
9. Accelerating place-based growth through Local Growth Plans and other mechanisms
10. Industrial Strategy Council interaction with non-government organisations

As for next steps, the Government has announced that it will publish a White Paper on the Industrial Strategy in Spring 2025, setting out a long-term vision for the growth of key sectors and places. Yorkshire Universities looks forward to working closely with colleagues in national and regional government, and with other regional HE partnerships, to ensure that the full value of the UK’s excellent university assets is used in the design and delivery of an Industrial Strategy that will lead to balanced and inclusive economic growth across the country.

## 1. The value of Higher Education (HE) and place-based partnerships

Universities are referred to in multiple places throughout the Green Paper as ‘world-class’ assets underpinning the Industrial Strategy. The value of the HE sector to the UK economy and society, expressed in these terms, is recognised and welcomed. However, the Green Paper does not expand in any detail on the ***need for public sector investment*** – including in skills, HE, R&D and infrastructure – that, if unaddressed, will undermine the UK’s ability to successfully deliver against the aims of the Industrial Strategy. We recognise that the recent announcements by the Secretary of State for Education, in relation to reform of the HE sector, and the role and contributions of universities to economic growth, were made after the publication of the Green Paper. We would encourage the Industrial Strategy White Paper, or equivalent plans, to feature references from the recent observation by the

Government of the role of universities in the UK economy, at national, regional and local levels.

Although universities are referred to as a UK strength, there is little in the Green Paper about the role that universities can play in the development and delivery of the Industrial Strategy. The value of university research is explicitly referred to in the narrative about advanced manufacturing and life sciences, but not in the narrative about other growth sectors. The Industrial Strategy would be stronger if were to ***recognise the key roles of universities*** – not just in driving research in established sectors, but also undertaking research of relevance and application to all growth-driving sectors. Crucially, the Industrial Strategy should also demonstrate an understanding of the wider ways in which ***universities support economic growth beyond research***, such as ***providing a pipeline of talented graduates; supporting business-led innovation; working in partnership with local and regional partners; and supporting the development of clusters.*** The vital role of universities in place-based economic development should be central to the Industrial Strategy's aspirations to unleash the full potential of the UK's cities and regions.

Regional HE partnerships, such as Yorkshire Universities, benefit from ***a diverse range of member perspectives, including large, research-intensive universities; mid-sized, applied universities and small, specialist institutions – all of which play complementary roles in the regional research, innovation, and economic development landscape***. Universities enable the development of in-depth disciplinary expertise, while at the same time facilitating interdisciplinary collaboration, bringing together both STEM and Arts & Humanities perspectives to address complex societal and economic challenges. Partnership organisations, such as Yorkshire Universities, play a vital role convening and empowering Universities to work together across administrative boundaries and to collaborate with other sectors on place-based priorities. Yorkshire Universities-convened initiatives, such as the Yorkshire Policy Engagement and Research Network (Y-PERN) and Yorkshire Policy Innovation Partnership (Y-PIP), are examples of programmes that are delivering benefit across the region by driving evidence-based policy and innovation. A successful Industrial Strategy would recognise the value of diverse regional HE groupings in providing a collective voice for, and contribution to, research and innovation, developing research specialisms, attracting international investment, and developing the workforce of the future.

## 2. Barriers to investment

Overall, in the UK, there has been, for too long, a short-term approach to business investment, which has hindered long-term, productive development. We need to see ***more patient finance and capital investing in innovation and intangible assets***. The Government also has a role to play in increasing public investment in physical infrastructure, including transport, energy, digital and housing. This requires a strategic planning framework that recognises the important role of local and regional institutions and the partnerships they forge.

Short-term research and innovation funding settlements for the HE sector mean that universities face the challenge of committing support for business and/or policy initiatives in the long-term. This undermines the confidence of other actors in the innovation ecosystem such as investors, businesses, and public sector organisations, and it presents a constraint

to further private and public investment. Universities can help to build investor confidence and crowd in investment from a wide range of sources, and ***long-term funding settlements*** would help them do this effectively. The dual funding system for universities, comprising project-specific grants and strategic institutional funding, forms a vital part of the investment landscape underpinning the Industrial Strategy. Universities are ideally placed to lead and collaborate on competitive, grant-funded projects aligned to the Industrial Strategy, leveraging significant cash and in-kind co-investment from industry partners. Institutional funding, such as HEIF and QR, is used to smooth out short-term funding and enable strategic investment. Provision of longer-term R&D funding – as proposed by the Government – would enable universities to plan and invest over longer timeframes. This would also enable the HE sector to attract and retain highly-skilled staff, leading to improved innovation and efficiency, and enabling Universities to tackle barriers to participation amongst under-represented groups in their workforce.

***Skills supply issues*** in some sectors, such as STEM and health and social care, present barriers to business investment, productivity and growth.

***Micro and SMEs, particularly in certain regions, may struggle to invest in innovation*** at all, let alone at the scale necessary to drive growth. This will be particularly impactful in sectors that are dominated by micro businesses (such as creative industries and digital), and in regions of the UK with low rates of business investment (such as Yorkshire).

## 3. People and skills

If the Government recognises the crucial ***role that universities play in improving social mobility***, and the contributions that universities make to the economy, the following policy areas will have an impact on addressing barriers relating to people and skills:

- Review of university funding and finances (including the ways in which cross-subsidies from teaching underpin research).
- Individual student tuition fees and maintenance.
- Migration policy, including the Graduate Visa and the recruitment of international talent.
- A comprehensive lifelong learning policy.
- A skills tax relief allowing employers to gain tax credits against the cost of employee training.
- Targeted funding to support small and specialist HE providers to expand provision in niche courses with high employment post-graduation.
- Local Skills Improvement Plans that join up with Local Growth Plans and help deliver the Industrial Strategy and aid the transformation of the skills system and strengthens collaboration as intended.
- Enabling universities to flexibly support skills delivery through student education and business support in order to meet future employer demand in growth sectors aligned with the Industrial Strategy.
- Policy and incentives for apprenticeships that draw on the capacity, expertise and specialisms of the UK's world-class HE sector.

## 4. Research, innovation & technology diffusion

The Government should consider measures to ***incentivise stronger SME engagement with the HE sector***. Universities can play a vital role in driving diffusion and encouraging technology adoption across SMEs. Universities support SMEs in a range of ways, including acting as an anchor to local, SME-led clusters; partnering to de-risk innovation; supporting the development of leadership skills; providing a workforce pipeline of talented students and graduates; and working in partnership with local/regional civic leaders, community groups, large companies, and other stakeholders to ensure the value of SMEs is recognised and their needs are met in local approaches to business support. However, the HE sector is facing significant financial challenges, while at the same time high costs are still disproportionately impacting SMEs. This means the business model for HE-SME interaction needs to be re-thought. The Government should invest in ***universities as a key delivery partner in the business support landscape***, enabling them to provide consistent support to SMEs, through mechanisms such as innovation vouchers, KTPs and flexible knowledge exchange funding models. Success metrics would include relative productivity increases in those SMEs, which engage with HE; and the development of vibrant innovation clusters around universities, with evidence of talent mobility, collaboration and networks. In parallel, the Government should ***support SMEs through tax incentives and other funding mechanisms*** to incentivise engagement with the HE sector.

The Government should consider how ***innovative regulatory reform*** could unlock innovation in growth sectors and/or clusters. For example, in the Healthtech sector, in which Yorkshire has significant strengths, current regulatory demands are a barrier to innovation, especially for SMEs which do not have the resource to continually file and modify regulatory submissions. The creation of a more effective fast-track system that would allow a test and learn philosophy would be greatly beneficial.

The Government should consider policy solutions that ***encourage large, multinational businesses to enter long-term strategic partner relationships with the HE sector***. Providing long-term funding settlements to universities would be a key step to giving large businesses the confidence that investment in a strategic partnership with universities will deliver business returns in the long-term.

## 5. Barriers to commercialisation

Successful commercialisation of R&D requires a broad ecosystem of innovation, encompassing research organisations, entrepreneurs, policy makers, business support organisations, investors and innovative businesses at all scales. ***Commercialisation can be constrained by a lack of access to finance and physical infrastructure*** (including specialist R&D facilities and premises to enable businesses to scale). However, the ***Government should be careful not to overlook the 'softer' aspects of innovation ecosystems that are equally important for successful commercialisation***. These include skills programmes to make entrepreneurs and scaling businesses investment-ready; formal and informal networks to enable the sharing of ideas, skills and expertise; access to mentors with experience in scaling innovation-led businesses; and access to incubator and accelerator programmes. It has been recognised that some individuals and communities

face greater barriers to commercialisation than others, and so it is important that innovation ecosystem interventions are designed to ***remove barriers to participation for under-represented groups***.

Some areas of the UK have less mature innovation ecosystems than others, e.g. Yorkshire where levels of business investment are very low. Investment is needed in the innovation ecosystems in these places to support the regional growth and scale-up to which the Industrial Strategy aspires. ***Individual universities and partnership organisations, such as Yorkshire Universities, have an important role to play in the development of inclusive and vibrant innovation ecosystems***. This has been recognised in the new Universities UK Blueprint, published in October 2024.

***Universities have a strong global brand***, and their presence can be pivotal in attracting and retaining foreign direct investment into a region. Long-term HE funding settlements and more integrated working between the HE sector and the Department for Business & Trade (DBT), and Mayoral Combined Authorities (MCAs), will enable the UK to make more effective use of its world-class university assets in attracting investment into the UK. DBT should consider introducing a programme for working collaboratively with MCAs and regional partners, such as Yorkshire Universities, to develop and implement strategies to grow place-based investment.

## 6. Business investment in research, development & innovation

Business decisions to invest in research, development & innovation depend on the level of risk, the degree of confidence that a business has about the likelihood of a positive return, and access to finance to support innovation. ***Universities work in collaboration with businesses of all sizes to de-risk early-stage innovation***, giving businesses the confidence to invest in later-stage development and deployment of innovative products and service. Businesses will have more confidence to invest if they are part of a dynamic innovation ecosystem or network, with access to university expertise, and specialist facilities and equipment to enable them to demonstrate and scale up innovative products and services. Being part of a vibrant community of innovative businesses, connected to the research base, gives businesses greater access to skills and to investors.

For businesses in Yorkshire, where private sector investment is low, and access to finance is a barrier for many innovating firms, universities play a vital role, not just in the provision of cutting-edge research, but also in developing entrepreneurial and business leadership skills to help businesses attract the investment necessary for their growth. However, the Government should consider how to enable effective interaction between businesses and the HE sector so that the potential value of universities in unlocking business investment can be fully realised.

## 7. Characterising clusters

It is important that the Government considers the ***wider context that enables clusters to thrive***. Constraints to the growth or dynamism of a cluster will often occur where the surrounding innovation and skills ecosystem is under-developed. Interventions should

therefore focus not only on direct support for clusters, but also on addressing issues in the ecosystem, including softer factors such as skills, access to mentors or training, etc.

***Universities of all types play a role in the development of innovative clusters*** and can help to foster vibrant, inclusive innovation ecosystems. The Industrial Strategy should leverage university research and innovation infrastructure and capabilities to support the growth of key clusters and tackle pressing societal challenges, whilst contributing to the new jobs and new business creation targets. Innovation clusters, particularly in emerging areas like climate technology, face complex, cross-cutting challenges that benefit from coordinated, mission-led approaches to innovation. Accelerating innovation in target growth clusters and sectors through improved business access to university laboratories, testing facilities and start-up/growth finance should form a key priority. The Government should consider incentivising interaction between clusters to enable regions of the UK with higher productivity to drive national prosperity by actively sharing best practice with developing clusters elsewhere in the country.

### 8. Investing in strategic industrial sites

The Government should consider the ***valuable role that universities play in making strategic industrial sites 'investment ready'***. By working in partnership with industry and the public sector, universities help to deliver sites that enable knowledge exchange, drive innovation and attract both public and private investment. Examples in Yorkshire include the Investment Zones in West and South Yorkshire, and the Humber Freeport. Universities have been strategic partners in the design and implementation of these initiatives and have worked with partners to devise an appropriate mix of capital and revenue interventions alongside other incentives, such as tax reliefs, tailored to local priorities and needs.

Universities bring a unique perspective to the development of strategic industrial sites, being strongly anchored in local communities and supply chains, whilst at the same time having global reach through their teaching and research activities. The HE sector has a strong track record over many years of successful development of strategic sites, such as innovation districts and enterprise zones, and universities should form a key part of any decision-making process about determining which sites have the greatest potential for unlocking investment. Partnership organisations, such as Yorkshire Universities, can bring a valuable broader regional perspective to this process.

### 9. Accelerating place-based growth through Local Growth Plans and other mechanisms

It is ***imperative that the Industrial Strategy dovetails with the forthcoming White Paper on English Devolution*** to ensure that support for sectors and places through the Industrial Strategy is aligned with, and adds value to, the approach to devolution. The development and delivery of the Industrial Strategy and Local Growth Plans needs to happen in a coordinated and integrated way. Previous policies for regional economic development have led to siloed approaches, with different areas of the UK competing to bid for regional funding. This has presented a disincentive to a realistic appraisal of the relative strengths of different regions, and it has prevented potentially valuable sharing of insight and expertise across and

between different parts of the UK where specialisms are complimentary. It is vital that Local Growth Plans do not become *de facto* bidding documents, as this will reinforce unhelpful and inefficient inter-regional competition. Instead, the Government should encourage collaboration across geographical areas (recognising that industrial clusters, supply chains and economic development activities do not always fit neatly within Local/MCA boundaries).

***The Government should also work with existing partnership organisations that span administrative boundaries, such as Yorkshire Universities***, that can act as neutral brokers to convene stakeholders and build consensus about priorities at different scales of economic geography.

Local Growth Plans and other policy mechanisms should seek to drive the uptake of innovation into new products and services and maximise the research and innovation strengths, capabilities and assets in places. ***Place-based investment priorities should be underpinned by greater regional and local design and ownership***, with priorities and investment in strategic sites informed by local knowledge and intelligence. Flexibility is also important, as it will enable funding and support to be tailored to local need and be more effectively aligned and targeted towards local priorities e.g. maximising the opportunity for R&I place-based funding to be combined with devolved and other place-based funding. There should be recognition of the importance of a 'multi-layered' approach, with funding and other support targeted to the appropriate scale of economic geography in line with local needs.

Government should ***ensure that universities and national/regional university partnerships are actively engaged*** through upcoming roundtables and other policy development activities in the coming months. HE partners are integral to the development of Local Growth Plans, and they should be seen as key players in the development and delivery of the new Industrial Strategy.

### 10. Industrial Strategy Council interaction with non-government organisations

There should be ***inclusive representation of different stakeholder groups*** on the Industrial Strategy Council. There should also be the opportunity for comprehensive consultation through roundtables and focus groups with a wide range of key stakeholders, including the HE sector and funding bodies. In addition to their vital role in delivering research; developing the workforce of the future; and driving local innovation ecosystems, universities offer expertise in predicting economic and technological trends that can be extremely valuable in informing the work of the Industrial Strategy Council.

The Industrial Strategy Council should consider ***working with existing sector groups and regional partnership organisations*** to understand sector – and place-specific perspectives. Yorkshire Universities, for example, has a wealth of experience not only in convening the diverse HE sector across Yorkshire, but also in facilitating wider discussions with policymakers, industry associations and regional partnerships in other parts of the UK. Partnership organisations, such as Yorkshire Universities, have established relationships with a range of stakeholders and a successful track record in bringing together key decision-makers from HE, national and regional government to agree priorities for action to drive

economic growth. ***Partnership organisations are ideally placed to help the Industrial Strategy Council with stakeholder engagement*** for successful delivery of the Industrial Strategy.