

### **The case for a ‘renewed’ approach to industrial capacity and strategy?<sup>1</sup>**

The COVID-19 pandemic has given rise to a demand for new thinking about how we organise and live our lives and plan for and utilise our social and economic systems. Greater importance is being attached to renewed emphasis on the foundational economy, increasing funding for health and social care, of reducing social and spatial inequalities in incomes and welfare, of reorganising supply chains and production systems to make them less geographically fragmented and less fragile, and making future economic growth both more inclusive and sustainable. It is clear that the impacts and consequences of the current crisis is varied not only between countries, but also within them, between regions, cities and localities, thereby elevating the need for policies that incorporate explicit initiatives sensitive and specific to individual places.<sup>2</sup> Yorkshire (and the Humber) stood as an outlier – prior to the pandemic – in being the only UK region/nation where real productivity had not returned to its pre-recession level.<sup>3</sup> This impacts negatively on the resilience of Yorkshire and the region’s ability to bounce back from economic shocks.<sup>4</sup>

*Institutions matter* – there is a need to build on and strengthen sub-national government in England (i.e. through devolution). National government and its agencies should embrace devolution and decentralisation and the spatial implications of national policy. The levelling up agenda requires a reset of central (national) – sub-national (local) governmental relations. Shifting power to tackle local issues and to respond to wider challenges from nations to regions is welcome. However, if only responsibility is transferred, without accompanying resources and where local institutional capacity and capability is limited, it is unlikely that resilience (which is what we need more of in Yorkshire) – and devolution – will be successful. We welcome recent developments in relation to devolution in Sheffield City Region and West Yorkshire, and we would encourage the government to reach early agreement with other parts of Yorkshire (e.g. York and North Yorkshire and Hull and East Riding) on their respective local devolution settlements.

*Geography of national investment* – YU welcomes the HM Treasury-led review of the Green Book appraisal methodology. We believe the Green Book should return to its original purpose of appraising new policies and wider programmes of activity, not individual projects. The current narrow econometric focus of the Green Book should be broadened to incorporate more societal challenges and wider sustainable development goals. There should also only be one standardised appraisal methodology for use across all departments of government and agencies. Allowing some parts of government to operate their own version of the Green Book, however well supposedly aligned, can create confusion and unnecessary delay to projects and programmes.<sup>5</sup>

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<sup>1</sup> See Westwood, A. (2020) Industrial Capacity in Post COVID-19 Britain, Bennett Institute for Public Policy Cambridge, University of Cambridge: Cambridge.

<sup>2</sup> Martin, R. (2020) RSA President’s messages to Regional Studies Association members.

<sup>3</sup> Sensier, M. and Devine, F. (2020) Understanding regional economic performance and resilience in the UK: trends since the Global Financial Crisis, National Institute Economic Review, London.

<sup>4</sup> Sensier, M. and Devine, F. (2020a) Levelling up Regional Resilience: Policy responses to the COVID-19 crisis, Bennett Institute for Public Policy Cambridge, University of Cambridge: Cambridge.

<sup>5</sup> See <https://yorkshireuniversities.ac.uk/2020/04/20/hm-treasury-green-book-review/>

*Research and Innovation* – the March Budget set out plans to increase public research and innovation (R&I) investment to £22 billion a year by 2024-25, as the government aims for the UK to invest 2.4% of GDP in R&I. Two objectives illustrated in the Budget attracted attention. The first was the support for world-leading research in all UK regions and nations. Whilst the second objective emphasised the crucial role of the private sector in increasing investment in innovation. The changes to R&D tax credits are an attempt to drive greater demand amongst business, but other elements are needed in Yorkshire, including strengthening knowledge exchange between firms and universities, skills development and creating a broader environment that encourages enterprise and improved productivity within a wide range of diverse sectors and industries. The North of England, the North East and Yorkshire and the Humber have low levels of R&I investment in both the private and public sectors compared to the rest of the UK.<sup>6</sup> The government should review the regional pattern of R&I funding to drive the levelling-up agenda. The government could do this by devolving some R&I funding and also expanding and developing the Strength in Places Fund, which would help higher education institutions to develop more practical initiatives with more businesses, thereby supporting the creation of more high-quality jobs.

Initiatives, such as the University of Sheffield's Advanced Manufacturing Research Centre (AMRC), the 3M Buckley Innovation Centre (3MBIC) a subsidiary of the University of Huddersfield, NEXUS at the University of Leeds, the University of Hull's AURA Innovation Centre and Sheffield Hallam University's Advanced Wellbeing Research Centre (AWRC), play an important role in regional growth, productivity and attracting inward investment. The government and its agencies should strengthen its work with these R&I assets and roll out similar models to support more towns and cities within and across the UK.

The planned BEIS (R&D) Place Strategy should be ambitious and recognise the benefit of directing more public investment in R&I in Yorkshire, as a means of leveraging greater private investment and activity into the innovation sphere.<sup>7</sup> This will also require more people with higher and technical skills to underpin an expansion of regional R&I capacity and output; ensuring there is a symbiotic relationship, in policy and funding terms, between R&I and skills, is vital. More effective collaboration and co-creation / design, cross administration working between universities, public and private sectors and other institutions would see more activity happen at scale. This would drive higher productivity and improve local and regional economic growth.

*Skills, training and employment* – the crisis in the region's labour market and the specific industries and sectors will require more investment and co-ordination between institutions and agents to support the training, retraining and skills development of people who have been made redundant as a result of the pandemic. In March, the government spoke of a new £2.5 billion National Skills Fund, and indicated that work was underway over how best to target the Fund. COVID-19 and its impacts will demand that public investment in skills is increased significantly in the short, medium and long-term, above and beyond the level of funding earmarked in the National Skills Fund. The government should consider a place-based approach to the Fund, which could respond to a region's needs by encouraging universities and colleges to develop stronger partnerships with each other and with businesses to address skills shortages. This includes the creation of high quality continuing

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<sup>6</sup> Jones, R. and Forth, T. (2020) *The missing £4 billion - making R&D work for the whole UK*, Nesta, London: <https://www.nesta.org.uk/report/the-missing-4-billion/>

<sup>7</sup> N8/YU (2019) See joint statement: <https://yorkshireuniversities.ac.uk/2019/11/10/n8-yorkshire-universities-joint-response-to-david-sweeney/>

professional development programmes and part-time, flexible, re-training provision in order to tackle the damaging impact of unemployment and the changing world of work.

*Business development* – the additional funding given recently to Innovate UK to invest in innovative, potential high growth firms is welcome, and we would encourage more investment of this type. The value of graduate start-ups will grow in importance as a result of the pandemic. Therefore, knowledge exchange funding of the kind allocated earlier this year by the Office for Students and Research England should be expanded. Research on ‘educational entrepreneurialism’ has recommended more independent investment in start-up companies in Yorkshire, and measures to be put in place to incentivise greater regional and scale-up funding and increased alumni investment.<sup>8</sup> Strengthening supply chain development and linkages between local and regional firms, facilitated by re-shoring, will also be crucial to drive recovery and build greater resilience in the region’s manufacturing, agri-food, bio-technology and other sectors. At the same time, exports and foreign direct investment will remain crucial to Yorkshire, as will helping our service industries, such as tourism, hospitality and the arts and creative sector, to recover. Our retail sector is also facing major challenges and is subject to fundamental structure change. We need to understand and anticipate the employment and place (including planning) dimensions of such systematic developments, and what they mean for the future of our cities, towns and other settlements.

*Infrastructure* – capital investment provides a valuable means of providing a stimulus to national and local economies. With interest rates at a record low, the government should be looking to borrow to invest in critical productive infrastructure in Yorkshire, such as housing, digital, public transport and green energy/zero carbon assets.

*Health and well-being* – the government should increase health R&I spending in Yorkshire. Given local strengths and challenges to be addressed, expanding the share of R&I funding for health-related work would generate significant regional and national benefits. We would also like Yorkshire to benefit from the ring-fenced government funding going into the expansion of 2020/21 student places in nursing, midwifery/allied healthcare provision.

*Climate emergency* – The COVID-19 crisis presents an opportunity to accelerate efforts to tackle the climate emergency, and stimulate a shift towards more circular economies. It is essential to embed the climate change and net zero carbon agendas firmly within plans being prepared in Yorkshire to support the rebuilding and recovery of local economies and communities. We would support interventions that seek to embed a ‘green recovery’<sup>9</sup> at the heart of plans to strengthen the UK economy as we emerge from the pandemic. If the government wants to prioritise jobs in low carbon sectors, circular economy, and green infrastructure, Yorkshire is well-placed to lead these national efforts.

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<sup>8</sup> Localis (2018) Place, Learning and Entrepreneurialism: The impact of entrepreneurial education on regional economies, Localis: London.

<sup>9</sup> Clark, G. (2020) It takes a virus? Leveraging COVID-19 to accelerate Levelling-Up’, Catapult Connected Places: <https://cp.catapult.org.uk/2020/06/08/it-takes-a-virus-leveraging-covid-19-to-accelerate-levelling-up/>

## **Yorkshire's universities are crucial to the region's recovery**

During the immediate response to COVID-19, universities have demonstrated in different tangible ways their support for and relationships with local businesses, communities, education and health & social care sector.<sup>10</sup>

Together, the twelve members of YU operate as networks of knowledge able to demonstrate convening power, building critical mass in complementary areas of strength to leverage larger scale R&I investment, and thus contributing directly to the levelling up agenda and the region's economic and social recovery. Putting the UK economy on a new footing, and also tackling spatial inequalities, will require a collective effort.

However, the contributions of universities at this crucial time are under threat as they face significant financial challenges. The Office for Budget Responsibility forecast that higher education will be one of the hardest hit sectors as a result of the pandemic.<sup>11</sup> Further and adult education also face significant losses. In response, Yorkshire Universities has called on the government to recognise the value of higher education from a place perspective, and its role in the region's recovery<sup>12</sup> and therefore:

- provide sufficient resources and policy flexibilities for places and local institutions in Yorkshire to work in partnership with businesses and communities to create a more inclusive, prosperous, healthier and resilient region;
- recognise the distinct role of universities in Yorkshire and the vital contributions they have played during the response phase of the COVID-19 pandemic;
- back the higher education sector in Yorkshire with a sustainable programme of financial support that would strengthen universities as key anchor institutions (and mitigate some of the damaging effects of the region's heavily-impacted economy), in order;
- to enable universities to widen and deepen individual and collective interventions, delivered directly through research, teaching and civic missions, in support of economic and social recovery and rebuilding in Yorkshire.

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<sup>10</sup> <https://www.universitiesuk.ac.uk/covid19/supporting-national-effort/Pages/we-are-together-campaign.aspx>

<sup>11</sup> OBR (2020) [Coronavirus Reference Scenario](https://obr.uk/coronavirus-analysis/), Office for Budget Responsibility, London:

<sup>12</sup> YU (2020) [Yorkshire's universities are crucial to the region's recovery](https://yorkshireuniversities.ac.uk/2020/06/09/yorkshires-universities-are-crucial-to-the-regions-recovery/), Yorkshire Universities, Leeds: