

Council Meeting

For discussion

Building our Industrial Strategy

Agenda: 13
HEFCW/17/20

Disclosable

22/03/2017

1 Issue

- 1.1 This paper invites the Council to consider its response to the UK Government's Green Paper *Building our Industrial Strategy*. The consultation document invites responses by 17 April 2017.
- 1.2 A draft response is provided for the Council's consideration.

2 Corporate Planning Implications / Rationale for paper

- 2.1 The subject of this consultation is directly relevant to three of the strategic themes within HEFCW's current Corporate Strategy: Skills, Employability and Enterprise; Innovation and Engagement; Research.

3 Recommendations

- 3.1 The Council is invited to:
 - i. consider and advise on the draft indicative responses provided to the consultation questions;
 - ii. delegate authority to the Chief Executive to finalise HEFCW's response for submission to the Department for Business, Energy and Industrial Strategy by 17 April 2017.

4 Timing for decisions

- 4.1 Responses to this consultation should be submitted no later than 17 April 2017.

5 Council members' interests

- 5.1 No conflicts of interests have been declared in advance of the meeting.

6 Further information

- 6.1 Alyson Thomas (029 2085 9711; alyson.thomas@hefcw.ac.uk)

7 Building our Industrial Strategy

- 7.1 The UK Government's Department for Business, Energy and Industrial Strategy (BEIS) published a Green Paper [Building our Industrial Strategy](#) on 23 January 2017. It is published as a public consultation, with responses due by 17 April 2017.
- 7.2 The UK Government wants to build a modern industrial strategy that addresses long-term challenges to the UK economy. Its aim is to improve living standards and economic growth by increasing productivity and driving growth across the whole country.
- 7.3 The Green Paper sets out the UK Government's vision for its industrial strategy and some early actions it has committed to take. Published as a public consultation, its stated aim is to start an open and collaborative conversation about the skills, research, infrastructure and the other things needed to drive long term growth in productivity.
- 7.4 The Green Paper adopts a pan-UK focus. The UK Government's objective for a modern industrial strategy is to improve living standards and economic growth by increasing productivity and driving growth across the whole country. It acknowledges that there are significant disparities in economic performance across the UK, wider than in other western European nations, and its aim is that the rest of the UK should keep pace with the resurgence of London seen since the 1990s. It asserts that change is possible: "Since 2010 wages have grown fastest in Northern Ireland and the North East of England, while the unemployment rate has fallen fastest in Wales. Scotland has seen the fastest growth in productivity".
- 7.5 The Green Paper presents ten pillars as important in driving forward the industrial strategy across the entire economy: science, research and innovation; skills; infrastructure; business growth and investment; procurement; trade and investment; affordable energy; sector policies; driving growth across the whole country; and creating the right institutions to bring together sectors and places. These ten pillars (listed in **Annex A**) frame the Government's approach, with a programme of new policy set out for each.

8 HEFCW's draft response

- 8.1 Responses are invited by 17 April 2017. We will want to ensure that the HEFCW response is aligned, where appropriate, with those being prepared by the Welsh Government and Universities Wales. However, at this stage we would welcome a steer from the Council on how best to frame our response. The document attached at **Annex B** is therefore an early indication of how our response might be shaped.
- 8.2 We have not attempted to address those questions where other organisations are better placed to do so but, again, we would welcome the Council's steer on whether there are any questions we may have missed.
- 8.3 We suggest that our response should largely pick up on issues identified under the first pillar:
- *Investing in science, research and innovation:* The Green Paper highlights the UK's strong science base but also the fact that historically we have not been as successful at commercialisation and development as we have been as basic research. It also acknowledges the regional disparities in how the public sector and companies spend money of research and innovation, with UK public R&D funding heavily focused on the "golden triangle" of Oxford, Cambridge and

London: “we need to build on the excellence in research and innovation that exists in other parts of the country too, and ensure that capital, institutional influence and government attention is targeted there effectively”. The Green Paper refers to the creation of UK Research and Innovation (UKRI) and commits to investing an additional £4.7 billion by 2020-21 in R&D funding. It starts a consultation as to how this funding should be invested, setting out options ranging from investment in local science and innovation strengths, and increased support for commercialisation (eg via an expansion of HEFCE’s Higher Education Innovation Funding, HEIF), to investing in future research talent (eg STEM PhDs). It also consults on the technologies that the new Industrial Strategy Challenge Fund, a new funding stream to help capitalise on research and innovation strengths, could support.

8.4 Where appropriate, we could also address issues identified under the following pillars:

- *Developing Skills*: This pillar focuses on the need for a new system of technical education, including a radically simplified set of qualifications; an easy means of funding and applying for technical, education courses (similar to the UCAS process for higher education); and creating prestigious new Institutes of Technology to deliver higher-level technical education in all regions. It also consults on how to boost STEM skills at all levels.
- *Driving growth across the whole country*: This pillar picks up on the economic imbalances across the country. It suggests that the new funding streams for research and development will be used to back world-class research and innovation, supporting local economies. The Industrial Strategy Challenge Fund could allow investment in the innovation strengths of different areas, whether led by businesses or universities. Expanding existing streams supporting universities’ commercialisation activity would allow them to do more for their local economy and support more local small businesses.
- *Creating the right institutions to bring together sectors and places*: The Green Paper is careful to acknowledge the role of the devolved administrations: “For those areas where responsibility is devolved to Scotland, Wales and Northern Ireland, we will both respect devolved arrangements and endeavour to build on shared interests to deliver better outcomes for people in all parts of the United Kingdom”. The Paper proposes establishing Ministerial Forums on Industrial Strategy with each of the devolved administrations. It offers an open invitation to representatives of each devolved administration to develop plans jointly with the UK Government to support all areas of the UK and to align economic plans and strategies closely.

8.5 Our response should acknowledge that, although matters relating to investments in science, research and innovation is a UK-wide issue (as exemplified through the creation of UK Research and Innovation (UKRI) which will bring together the Research Councils and Innovate UK), skills policy is a matter devolved to the Welsh Government.

8.6 The Welsh Government is preparing a response that will cover all ten pillars of the Green Paper. They have indicated that they will share their response with us once it is more fully developed. This will be of particular help in providing a steer on how we might respond on those areas which are devolved to Wales, most notably the skills agenda. It should also provide an indication of how the Welsh Government might respond to the invitation to attend a Ministerial Forum on Industrial Strategy with UK Government Ministers.

- 8.7 Universities Wales (UnisWales) currently intends to respond to the consultation by supplementing UUK's response with a Welsh perspective. UnisWales has asked its members to provide input by 20 March in order to inform this response. We will liaise with UnisWales to ensure that HEFCW's response is in line with theirs.

9 Responses to consultation questions

- 9.1 Our draft, indicative response to the consultation is set out in **Annex B**.

Council is invited to:

- i. consider and advise on the draft indicative responses provided to the consultation questions;*
- ii. delegate authority to the Chief Executive to finalise HEFCW's response for submission to the Department for Business, Energy and Industrial Strategy by 17 April 2017.*

10 Financial implications

- 10.1 There are no immediate financial implications to our providing a response to the consultation. We are currently exploring with the Welsh Government the potential consequences of the new UK-wide funding streams announced for research and innovation. The Higher Education Funding Council for England (HEFCE) received an indication of additional investment for research and development, and funding to incentivise university collaboration in technology transfer and working with business, in its 2017-18 grant letter.

11 Communications implications

- 11.1 There are no immediate communications implications arising from this paper.

12 Diversity and Equal Opportunities implications

- 12.1 This paper has no implications for age, disability, marital/civil partnership, maternity/pregnancy, race, religion or belief, sex, sexual orientation, any other protected characteristic or Welsh Language.

13 Risk Assessment

- 13.1 The identified risk is as follows:

Risk	Action to address risk
If HEFCW cannot fully articulate a response that highlights the implications for universities in Wales, the UK Government's Industrial Strategy may develop in a way that places our sector at a disadvantage.	HEFCW's response will focus on the first pillar that covers issues of most relevance to the research base in Wales. We will address issues identified under other pillars as appropriate. We will also ensure that our response aligns with that of the Welsh Government and Universities Wales.