

Higher education institutions and local government

Collaborating for growth





Foreword

As a country we can be very proud of our Higher Education Institutions (HEIs). They are some of the most highly regarded institutions across the world and provide a hotbed of talent for UK industries. We therefore very much welcome the recent work that has taken place between the Local Government Association (LGA) and Universities UK to promote the role universities and other HEIs can play in supporting local economic growth.

Through their services and community leadership councils play a pivotal role in creating the conditions for economic growth. This paper provides evidence of what can be achieved if we recognise the wider role and influence that our HEIs can have within our cities and surrounding areas.

Up and down the country, councils are developing partnerships. The advent of Local Economic Partnerships (LEPs), City Deals and Community budgets have all meant that that councils and partners are already working closely together on growth. In light of recent announcements by Government, agreeing to introduce Local Growth Deals and a single local growth fund, it will be necessary for all partners to be involved in developing local strategies and action plans for growth. We must harness the strengths of all partners and not restrict their involvement based on preconceived ideas.

HEIs are usually involved in discussions because of their role in education or research but they have a very important role to play in making places attractive to investors, businesses and talent. They also have very strong economic footprints – the institutions, their staff and students spend a great deal of money locally – from transport infrastructure to the evening economy. Students bring a financial gain to the area both in the short and long term. Graduates are also responsible for the development of more start-ups and recession resilient businesses so we should be working together to nurture, encourage and allow these businesses to grow. This will help to deliver for the individual, the business and the local area.

This paper is a demonstration of the new relationship between local government and universities and we hope that this positive partnership can be replicated at a local level. We hope that this paper offers you information on the importance to your area of collaboration between HEIs and councils in order to drive growth and innovation.



Nicola Dandridge
Chief Executive, Universities UK



Councillor Peter Box, CBE
Chair, LGA Economy and Transport Board

Introduction

“The UK has 25 of the top 150 research universities globally and the diversity of universities in this country provides a rich supply chain of high level skills and innovation capability to companies; yet it is not apparent that UK universities are the magnet for inward investment in a manner that meets their potential. Some places, notably Cambridge, can claim such a status, but this phenomenon does not appear to have been created through strategic policy, rather through the initiative and activities of entrepreneurial individuals, supported by the civic authorities at that time.”

Professor Wilson, Review of Business/ University Collaboration.¹

A key message emanating from the LGA's local growth campaign last year was that better relationships between local government, HEIs and local businesses were an important way of driving local innovation and growth. This area of work is also high on the Government's agenda, given that part of the Government's response² to the Heseltine review³ was for the government to: forge stronger links with researchers, universities and business to develop support and maintain the UK's world class knowledge base.

Driving local economic growth is key to rebalancing the economy. Knowledge based services contributed 48 per cent of Gross Value Added (GVA) in 2007 compared to manufacturing which contributed 12 per cent of GVA. So councils and HEIs need to maximise the gain that attracting students and related businesses to an area can bring in the both the short and long run.

With drivers for growth being defined around Functional Economic Areas (FEA) and the focus on the place taking responsibility for regeneration, infrastructure, skills provision, and housing, in many instances we are seeing a quiet revolution of devolution. HEIs have an important role to play in ensuring that this devolution of powers works and delivers.

1 A Review of Business-University Collaboration, Professor Sir Tim Wilson DL, 2012 www.gov.uk/government/uploads/system/uploads/attachment_data/file/32383/12-610-wilson-review-business-university-collaboration.pdf

2 Government's Response to the Heseltine Review, BIS, 2013 www.hm-treasury.gov.uk/d/PU1465_Govt_response_to_Heseltine_review.pdf

3 No Stone Unturned, The Rt Hon the Lord Heseltine of Thenford CH, 2012 www.bis.gov.uk/assets/biscore/corporate/docs/n/12-1213-no-stone-untuned-in-pursuit-of-growth

Higher Education Institutions:

- attract people and businesses to an area
- develop knowledge bases
- create local demand for housing, services, transport and amenities,
- are major consumers of skills as well as producers
- are internationally wired – academics have global connections which can be harnessed for wider civic benefit
- are part of the “civic brand” – globally recognised and are major hooks for inward investors.

So there is a need for greater collaboration between councils and HEIs and business to develop together strategies for the benefit of the place and also develop the HEI’s as a hub of learning, living and working.

Traditionally, some HEIs may have not regarded their locality as being a priority of their mission but we have begun to see progress on this. For example, of the 39 LEPs across England 35 have higher education representation at Board level. The Wilson Review identified opportunities through LEPs for universities to work collaboratively with business and local authorities to support economic growth as did the IPPR North report ‘Beyond Bricks and Mortar Boards’.

“LEPs should acknowledge that the university contribution to economic growth stretches beyond skills provision. They should recognise the different ways that different universities in their areas contribute to economic development and seek to build on those strengths. LEPs should encourage and challenge universities to actively contribute to economic development.”⁴

LEPs are seen by Government as a strategic local body and the Government have indicated further roles, responsibilities and funding for them. It will be crucial for councils and HEIs to be involved in drawing strategic plans and setting out the contributions that HEIs can make in relation to skills and also civic leadership.

The City Deal process is also bringing together business, councils and universities and this is evident in a number of Wave 1 deals and Wave 2 expressions of interest. The City Deal areas clearly recognise that without the necessary access to skilled people new emerging sectors will not be able to thrive and drive growth.

4 Beyond Bricks and Mortar Boards, IPPR North, 2012
www.ippr.org/images/media/files/publication/2012/02/beyond-bricks-mortar-boards_Feb2012_8659.pdf

Example: Oxford and Oxfordshire

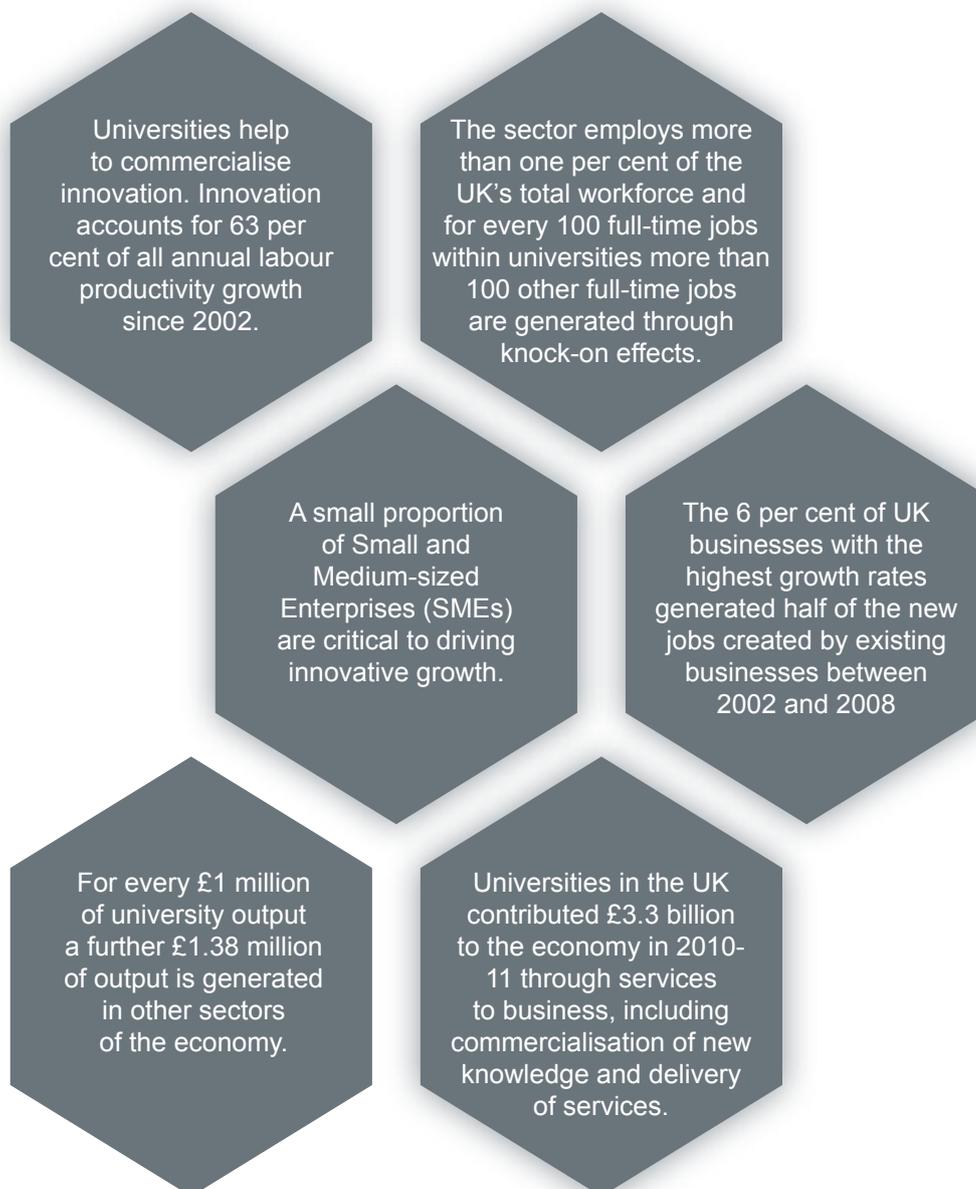
The City Deal bid has brought together all Oxfordshire councils, the two universities, the big science facilities at Culham and Harwell, and the Oxfordshire Local Enterprise Partnership in a unique joint proposal that seeks to boost the knowledge economy and create a new partnership for growth.

The Oxford and Oxfordshire proposal centres on the potential to accelerate the growth of the city region's knowledge-based economy through the development of a network of enterprise and innovation centres across the key economic 'hubs' of Oxford City, Bicester, and Science Vale, which includes the recently created Enterprise Zone.

The bid seeks greater local control over how money spent by national agencies is targeted and proposes a new approach to collaborative working designed to ensure that the available funding is co-ordinated to deliver a common agenda.



Why are universities so important to our local economies?



Refs:

www.universitiesuk.ac.uk/highereducation/Documents/2009/EconomicImpact4Full.pdf

www.hefce.ac.uk/media/hefce/content/pubs/2012/201218/2012-18.pdf

www.nesta.org.uk/library/documents/Business-Growth-Innovation-report-v2.pdf

www.gov.uk/government/uploads/system/uploads/attachment_data/file/34805/12-p188-annual-innovation-report-2012.pdf

Higher education and local councils – opportunities to drive growth

1. Delivering business demand for skilled employees

Notwithstanding the impact that HEIs have on the wider local economic area, HEIs are there to teach (to develop skilled people to go into the world of work) and undertake research (to develop valuable knowledge to drive forward innovation). Therefore one essential role within an integrated system is for HEIs to work with business across the functional economic area (FEA) to devise courses to meet needs of local businesses. This is a long term process and therefore both businesses and HEIs need to be engaged in order for the right people to be doing the right courses and achieving the necessary skills to be able to fulfil the business demand. The opportunity for councils and HEIs to work together to ensure they have a skilled workforce should also not be missed.

A number of the proposed Wave 2 City Deals have included a skills element as a part of the package. This will inevitably rely on the HEIs, Further Education colleges and local businesses working together to offer the necessary courses to deliver people with the necessary skills for the future demand of businesses in a particular sector.

Case study Plymouth City Deal

A deal for Plymouth and the wider area will create an innovation eco-system dedicated to realising the commercial potential of our world class marine technology knowledge and assets.

The marine sector is firmly established in Plymouth and the South West, but marine technology is constantly evolving and new sectors are emerging, which offer significant potential to both counter the low productivity issue, and develop international markets. Whilst the city has a long history of engineering, new forms of technology, such as tidal and wave energy generation, can use the innate skills and knowledge base, but deploy or develop them in a different capacity. In order to address national and local barriers, one of the three initiatives proposed as part of the deal is through the commercialisation of our knowledge base in the marine technology sector through a single business support platform and development of a robust innovation 'eco-system' to nurture business.

This will be achieved by the University, marine and maritime knowledge, Research and Development facilities and services brought together under the GAIN (Growth Acceleration and Investment Network) proposition. This ground-breaking initiative is in its developmental stages, but early wins suggest that the system shows how effective this tailored approach can be, with companies such as IBM and the New Engineering Foundation expressing an interest in the model.

Using GAIN as a single portal and 'neutral space' for innovation will offer intensive commercialisation assistance, supply chain development, and streamlined access to national (including 'Growth Accelerator') and EU business growth programmes in marine and in relevant associated sectors. A recent independent evaluation of the services provided to businesses by GAIN found that the businesses who had benefited from a range of support, have seen a 37 per cent increase in employment and cumulatively increased turnover by 60 per cent with a projected GVA increase in the region of 40 per cent.

This approach reinforces government priorities to exploit science-led opportunities and business-facing universities; it progresses national industrial and energy strategies, and the Heseltine review for empowering and localising sub-national LEPs and partners.

2. Developing knowledge and commercialising innovation

A report⁵ by Universities UK found that:

"Innovation plays a critical role in producing growth in the UK economy due to the disproportionately high level of job generation in innovative companies and the resilience of innovative graduate led organisations during the recession when compared to UK businesses as a whole. Countries with high levels of innovation also tend to have on average a higher proportion of graduates in their populations and a stronger track record of investment in higher education".

Over the last 40 years there has been a restructuring of the economy towards knowledge based services. In the 1970s knowledge based services accounted for around 24 per cent of GVA but by 2007 they accounted for 48 per cent of GVA⁶. As such this shift in UK activities from manufacturing to knowledge based services needs to be matched by producing the innovative graduates to compete in the global market for knowledge based business.

This is not just for big business, SME's can and should utilise the expertise that is on their doorstep and we have seen links between SMEs and universities developing with around three quarters of SMEs⁷ in the UK engaging with universities in some way. Universities in the East of England have been active in bringing forward initiatives that support innovation.

5 The Impact of Universities on the UK Economy, Universities UK, 2009 <http://www.universitiesuk.ac.uk/highereducation/Documents/2009/EconomicImpact4Full.pdf>

6 Driving Economic Growth, Universities UK, 2011 <http://www.universitiesuk.ac.uk/highereducation/Documents/2011/DrivingEconomicGrowth.pdf>

7 Driving Economic Growth, Universities UK, 2011 <http://www.universitiesuk.ac.uk/highereducation/Documents/2011/DrivingEconomicGrowth.pdf>

Case study InCrops East of England

A virtual enterprise hub based at the University of East Anglia (UEA), InCrops stimulates commercial activity in the alternative and non-food crop sector by establishing business networks for sharing research knowledge. In partnership with the Universities of Cambridge and Essex, the Institute of Food Research, the John Innes Institute, Rothamsted Research, The National Institute of Agricultural Botany and Norwich Research Park, InCrops has been developed to support: the commercialisation of new biorenewable and low carbon products; the business and commercial sector and sustainable economic growth through supply chain development, market integration and product innovation; successful technology transfer into the business and commercial environment; and commercialisation through business spin outs and business incubation support in the East of England. SMEs, new start-up businesses or entrepreneurs looking to start a new business are offered up to 14 hours of free specialist business support and consultancy.

3. Making the best use of public assets across an economic sub-region

Bringing together assets across the public sector base in a particular FEA can lead to a place having significant funds for leverage and development. Utilising space, developing disused land and jointly investing with the private sector to provide office and living space would help to provide a significant return on investments and improve the place.

“The book value of the entire public estate is about £354 billion, of which £230 billion worth is owned by local authorities. The capital asset pathfinder programme initiated by the LGA suggests that local authorities could save up to £4 billion across a total asset base of over £20 billion over a ten year period. If this kind of saving was to occur throughout the public sector estate, including central government owned assets, the savings would be sizable. Such improved management would assist in the Government’s top priority of reducing the deficit and promoting growth”.⁸

Therefore we can see that utilising sites for the creation of good quality living accommodation for students or amenities for the community are a couple of examples of where collaboration between universities, councils and businesses would benefit all through the creation of local construction jobs, additional local amenities and an increase in the housing stock.

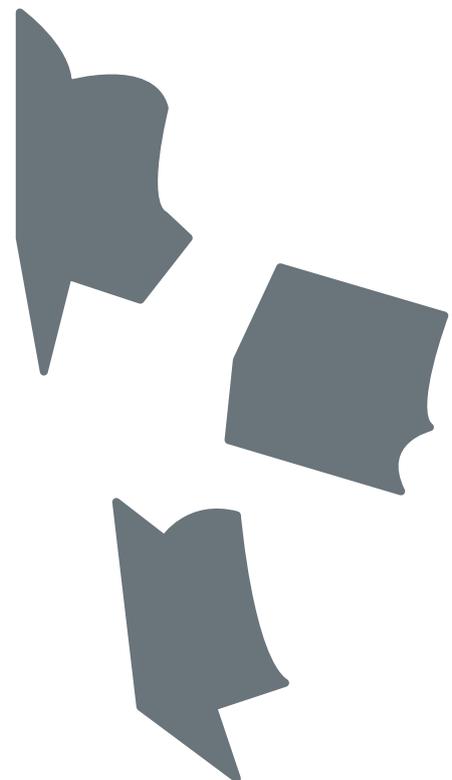
⁸ Local Governments Role in Promoting Economic Growth, Professor Tony Travers, 2012 <http://tinyurl.com/dy5wotf>

Case study Manchester

In Manchester, strong partnerships have allowed the council to identify and exploit opportunities for growth. For example, the new campus development by Manchester Metropolitan University (MMU) is one of the largest regeneration projects in the northwest, creating jobs for hundreds of people. The new campus is the final and largest part of a £350 million capital investment programme and will provide a space for more than 5000 students, with 1,200 being resident on the site. The City Council has worked closely with MMU to develop a masterplan for the site and to manage the wider stakeholder consultation.

A development agreement has been used to ensure that the regeneration benefits of the Birley Fields site (which is council owned) are realised. Independent economic research commissioned by the partners involved in the regeneration scheme anticipates that the Birley Fields campus development will have significant outcomes for the local economy, including supporting 877 local jobs, generating a gross value added (GVA) of £29.2 million per year to the economies of Hulme and Moss Side and creating direct additional revenue of £76.7 million to the Hulme and Moss Side area.

In addition, the university as a purchaser of goods and services predicts that an additional £3.99 million could be spent in the local area as a result. MMU has made a commitment to be part of the local community, and employ local people. Over the past 20 years the area, Hulme, has seen remarkable regeneration from an inner city area high in unemployment and low on jobs, regenerated into a thriving community with a mix of social and private housing for young professionals and families. In many ways the new MMU campus is the final piece of the jigsaw – evidence of the scale of the change which has transformed the area.



4. Long term financial gain of attracting students to an area

The financial benefit of attracting a student to a university can be felt twofold by an area.

Firstly whilst studying a student will be paying fees to the university, accommodation payments probably to local housing agents, supporting local businesses including the night time economy, use of local transport, provide support for recreational activities and centres hosting them.

The following sets out the contribution that students make to the local economy in Kent.

Secondly after studying the likelihood that a student remains in the FEA that they studied in is fairly high. Therefore many then contribute to the local area by buying or renting a property, furnishing the property, employing local businesses to maintain the property, buying goods and services from the local area, paying council tax, potentially starting up their own businesses, paying business rates, employing staff, using suppliers, and generally contributing to society. There is therefore a big return for making the FEA around HEIs attractive to graduates through city living and for attracting graduates into the area to further develop their careers by catering for their families' needs.

The ability to attract international students is also economically beneficial for the FEA, as:

- Personal (off campus) expenditure of EU and international students attending UK universities in 2007/08 was estimated to be £2.3 billion. This was equivalent to over 14 per cent of all receipts from overseas visitors to the UK for the 2007.
- International student expenditure generated £3.3 billion of output across the economy and over 27,800 jobs.
- International visitor expenditure generated around £189 million of output and over 1,600 jobs.

It is also likely that these visits and the basing of international students in the UK means that either they will stay and the UK retains skilled workers who continue to contribute to the economy or because they will have links with an area are much more likely to make future investment in or trade with that particular local area.

Case study Exeter

University of Exeter will contribute £88.3 million to the city's GDP in 2011/12 (at current prices), supporting nearly 2,880 jobs, which is equivalent to 2.8 per cent of all employment in the city... but the catalytic effects mean the overall contribution of Exeter's international students to the economy is far wider than these direct and multiplier effects.

- The injection into the workforce of additional well educated, highly skilled and dynamic workers. However, even if these students return home rather than seeking employment in Exeter, the links that they establish with the city could materialise in other ways. For instance, some may work for UK-based companies later in their careers and the language and other social skills that they will have acquired in their time as students will undoubtedly be beneficial.
- International students who studied in Exeter are also likely to develop a predilection for UK products both in their personal and professional lives. Over time this should act as a boost to UK exports.

- Indeed the benefits of these personal links should not be underestimated. Many of these international students will return home to eventually play important roles in their country. So a predilection for or even bias in favour of anything British will potentially have a considerable impact upon the UK economy.

5. Driving growth

FACT:

Universities have a big impact on growth in an area. In relation to expenditure, Universities spent £22.88 bn in 2007/08 [of which £19.5 billion was estimated to have been spent on UK rather than imported goods and services] and this expenditure generated £32.36 billion of output in other UK industries.⁹

FACT:

Universities are large employers but their expenditure leads to jobs being generated in their own right. Analysis showed that an estimated 324,456 full time equivalent jobs were generated in other industries outside the HE sector.¹⁰

9 The Impact of Universities on the UK Economy, Universities UK, 2009 www.universitiesuk.ac.uk/highereducation/Documents/2009/EconomicImpact4Full.pdf

10 The Impact of Universities on the UK Economy, Universities UK, 2009 www.universitiesuk.ac.uk/highereducation/Documents/2009/EconomicImpact4Full.pdf

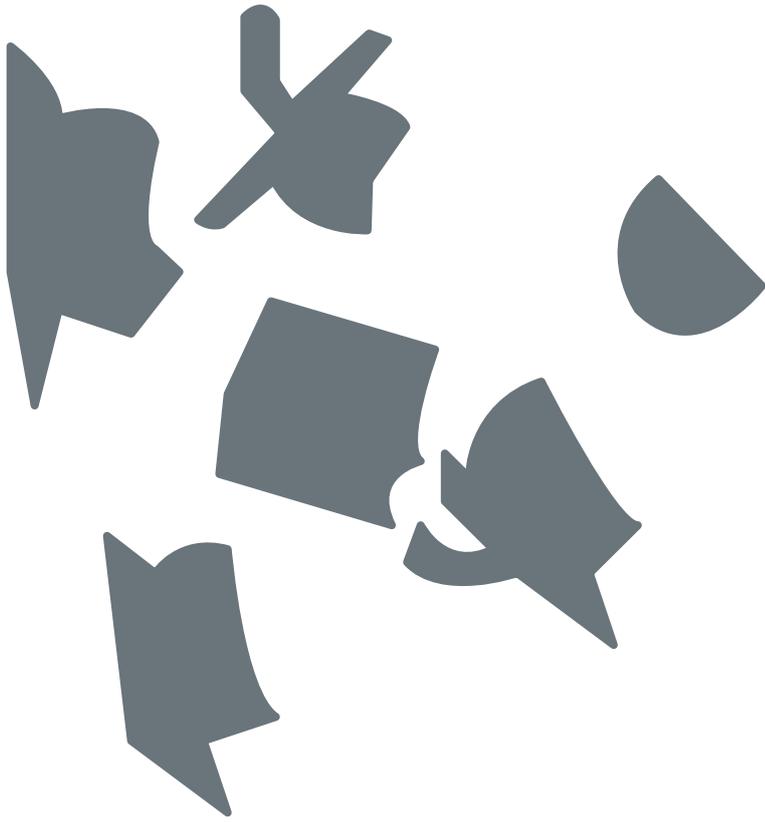
FACT:

The majority of future growth and the rebalancing of the UK economy will rely on knowledge based industries which are dependent on high level skills.

Looking ahead it is clear that for places to drive growth there is a need for all sectors to work together and devise solutions to local challenges together. Steps have been taken between Government and councils to devolve powers and levers to localities in order for them to drive growth in a way that is specific to the FEA.

In many instances the local university will be part of the LEP. It is therefore important that councils and business leaders as part of the LEP recognise the role HEIs can play in driving economic growth both through education and wider civic leadership.

By enabling this to happen across the country we can develop UK plc to be a place where innovation is nurtured and supported to drive us forward.





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