

## 10 key points in Universities Scotland's submission to the consultation on [Invest 2035](#), the UK Government's Modern Industrial Strategy.

Scotland's universities are hugely enthusiastic about the Industrial Strategy and the opportunities it presents to drive regional and national prosperity.

We have made a response to the consultation, answering 13 of the 35 questions, which you can find here: [UK Government Industrial Strategy consultation response — Universities Scotland](#). This summary version of our consultation response reduces that submission down to 10 key points:

- 1. Scottish universities have strengths in all 8 growth-driving sectors.** The UK Government has identified 8 growth-driving sectors within the Strategy, and Scotland's higher education sector is extremely well placed to contribute to them all as an effective and high-value partner to Government and industry. University research and innovation activities underpin Scottish industrial strengths across all the sectors, including in Fintech, clean energies, advanced manufacturing, and life sciences.
- 2. Aligning Scottish and UK agendas.** Both the Scottish and UK Governments have responsibility for driving research and innovation in Scotland, as it is both a reserved and devolved funding and policy area. We need the shared focus both Governments have on innovation-driven growth to work to the great benefit of Scotland's economy. So far, there are encouraging signs that this could be the case as both Governments are ambitious to develop a cluster-based approach to growth, and the 4 priority clusters in the Scottish Government's 2023 *Innovation Strategy* align with 5 of the 8 growth sectors identified in the UK Government's Industrial Strategy (advanced manufacturing, life sciences, clean energy and financial services/data-digital are the sectors which overlap). However, Scotland's universities have research and development strengths in all eight growth sectors in the Modern Industrial Strategy so the goal must be to ensure that Scotland's potential in all sectors is fully realised, not only where the agendas between the Scottish and UK Government overlap. *See our answers to Q29 & Q26 for more information.*
- 3. Sector and devolved Government input into the "sector plans" is vital.** The green paper indicates that the sector growth plans will be published in the spring alongside the spending review. It would be helpful to have transparency and inclusion around the process for the development of the plans. We would welcome the opportunity for universities to be involved in their development, alongside our business and industry partners. Devolved administrations should be closely involved in the development of those plans from the outset. If activity is to be regionalised in England, it will be crucial for the UK Government to provide early clarity on the associated implications and impacts for regions within devolved nations.  
*Read more on our recommended approach to sector plan development in our responses to Q26, Q29, Q30 and Q31.*
- 4. Fundamental research as the foundation on which innovation is built.** The importance of world-class and sustainably funded fundamental or blue-skies research to the industrial strategy cannot be over-stated. We support the drive to commercialise the products of research. However, blue-skies research, in which UK universities excel, is often viewed as too high risk and too long-term for commercial investor (at technology readiness levels 1-3). As an example of this, the origins of

quantum science are over a century old, but it has only been in recent years that practical applications for quantum have become possible, with the quantum industry worth a potential £1 billion in Scotland by 2030.<sup>1</sup> Public investment to support universities to continue their world-leading research will ensure the UK maintains its strengths not only in the growth-driving sectors, but in emerging industries beyond the timescale of the strategy. It's possible to interrogate the current strengths of the university research base, including Scottish universities' unique contribution, for indicators of areas in which the UK has world-leading and growing capability, which could then underpin the growth of emerging industry sectors.

*Read more in our answer to Q2 in the full consultation response.*

**5. More funding for commercialisation is needed to support growth outside of the SE England.**

A low appetite for risk amongst investors, particularly at early stages of technological readiness, is a barrier to more commercialisation success. It's been shown that where public funding is invested into university spin-outs, it reduces risk for private investors and improves survival rates.<sup>2</sup> Government could support co-investment with other spin-out venture capital funds providing cornerstone investment only, thereby increasing the funding available.

The UK Government should prioritise investment in R&D ecosystems outside of the south-east of England and London, to drive more even distribution of economic growth. At present, there are varying levels of funding available across the UK for the commercialisation of research, with Scotland receiving less than 10% of the funding available to English universities through funds such as Higher Education Innovation Fund, Research England's development fund, and Research England Connecting Capability Fund, despite receiving over 15% of the research grant and contract funding compared to English universities.<sup>3</sup> This demonstrates the discrepancy in funding available for universities across the UK to commercialise their research, which in turn contributes to uneven growth across regions. Where Scotland secures investment in innovation, the data points to one of the strongest rates of returns in any part of the UK, coming second only to London – delivering a benefit to cost ratio of 11:1 or 14% of the UK's total GVA from this activity (relative to only ~8% of the UK's population). *See response to Q11 for more.*

**6. UK Government can support with infrastructure investment.** We would like to see more UK Government direction of innovation infrastructure in regions which are especially poorly-served by private investors. Combining considerations of both place and excellence would be helpful when considering the location of major UK research and innovation infrastructure. City Region and Regional Growth Deals are an example of where place and excellence have been effectively combined to support infrastructure development. Additional measures could include mandating organisations like British Business Bank or Scottish National Investment Bank to dedicate a percentage of funding for this purpose or creating new sub-funds and operating models.

Incubators, innovation hubs, and technology parks are a key element to commercialisation and retention of that enterprise in the UK. In Scotland, the public sector is the most frequent investor, and Scottish universities are the providers or key partners in most of Scotland's company

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<sup>1</sup> [University of Glasgow](https://technologyscotland.scot/new-report-highlights-billion-pound-potential-of-scotlands-quantum-industry/)

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<sup>2</sup> A recent report found that 97% of university spin-outs receiving support from Innovate UK and the British Business Bank survived, compared to 49% that did not receive such support.

<sup>3</sup> See [HESA data](#), [SFC data](#) and [data from UKRI](#) for comparisons.

incubation capacity, as well as leading in the hosting of Tech Scalars. Private investment in innovation is frequently lagging, including in sectors like manufacturing, finance and insurance, and business services.<sup>4</sup> Private sector willingness to invest in infrastructure has tended to concentrate in south-east England, which risks further concentration of enterprise and can be a factor in Scotland (and other regions) losing its home-grown commercial enterprises to other parts of the UK. *See our answers to Q15 and 22 for more information.*

- 7. Improving absorptive capacity and diffusion of innovation.** Strategies to improve absorptive capacity need to be tailored to the sector, the size of industry and an understanding of the barriers faced. The average size of the business base has been a problem in Scotland, with 99% of businesses classed as SME and the fact that the smallest businesses (0-49 employees) are least likely to be “innovation active” against an average 30% of innovative active firms. Universities have extensive experience in customising policy solutions to engage small companies in innovation including: innovation vouchers and the “match-making” services of Interface; Knowledge Transfer Partnerships, regional innovation networks and industry-university innovation hubs like the Edinburgh BioQuarter. The cluster approach also offers significant potential in this space. *See our answers to Q 10 for more.*

**8. Strong support for the cluster-based approach.**

We support a focus on clusters as one route to growth. Clusters are an area where Scottish and UK Government strategies for growth strongly align. Universities are core to both established and emerging clusters in Scotland. A programme like Research England’s development fund, if expanded to a UK-wide programme, could help catalyse greater collaboration to foster industry clusters.

Within the Industrial Strategy’s UK focus, there’s also potential to develop clusters on a cross-border basis, with considerable potential for an east coast energy corridor extending from northeast of Scotland, including GB Energy, to England’s northeast. The complexity of governance arrangements across devolved administrations, Mayoral Combined Authorities and the UK Government should not be a barrier to this kind of partnership.

Cross-cluster and cross-sector collaboration is important to maximising value. As an example, Scotland’s strengths in digital and technologies (underpinned by our world-leading research in AI and data science) is a key driver of Scotland’s role as a major financial hub. Financial services are supported within the Glasgow Innovation Accelerator and fintech is a key component of the Edinburgh City Region Data-Driven Innovation programme, demonstrating the strong synergies between these two clusters, as well as the strengths across Scotland’s central belt in both of these fields.

*For more, see our full answer to Q26.*

- 9. Skills strategy within a devolved context.** Universities are well-placed to be the lifelong high skills learning partners of industry. All eight growth-driving sectors are dependent on high-level skills, with 76% of the workforce in the creative sector are graduates, 74% in professional and business services and 73% in the life sciences sector.

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<sup>4</sup> Van Ark, B, and O’Mahony, M, 2023, [The UK’s productivity challenge: people, firms, and places.](#)

Skills planning is challenging because it's hard to be highly specific on needs over a long-term horizon. It's also possible to over-estimate the level of specificity needed in planning when many graduate careers don't require a specific subject specialism at undergraduate level. "Meta" or transferrable skills gained throughout a degree are often more important to employers, with the WEF citing analytical thinking, creative thinking and self-efficacy skills, all honed at university, to be core.<sup>5</sup>

Skills needs in the short to medium-term vary significantly across the country (both in terms of attainment level and specialism). The National Energy Skills Accelerator in Aberdeenshire is a good example of a responsive regional model which involves two universities, a college, industry partners and Scottish Government support via SDS. It is important for UK Government to recognise that skills and education is devolved to the Scottish Government. There can and should be coordination between Governments to get this working right for Scotland's benefit within a UK Industrial Strategy but ultimately, skills policy sits with the Scottish Government and is subject to its own post-16 reform programme at present following on from the Withers review.

**10. Scotland's as a devolved nation and a nation of regions.** Effective and respectful collaboration between the UK Government, the Scottish Government and Scotland's regions is a prerequisite of successful Industrial Strategy implementation. We welcome the UK Government's approach to regions and nations within the Strategy but would want to ensure that there is sufficient granularity and focus given to the diverse needs of Scotland's regions. The modern Industrial Strategy puts a lot of emphasis on local growth plans but this refers to English regions.

There is positive model for getting it right for Scotland's regions in the form of the City and Region Growth Deals and UKRI's Strength in Places fund. Regional Economic Partnerships emerged from the City Deals and whilst they lack the formal power or structures of Mayoral Combined Authorities in England, they have a solid track record of collaboration and will be important in informing UK Government thinking on what the regions can contribute.

There are structural and governance measures that the UK Government could take to embed greater respect for divergence within devolution such as extending UKRI's Executive Committee membership to other research councils on the same basis as Research England. There is potential for UKRI, ARIA and Innovate UK to do deeper consultation and pan-UK mapping to inform its funding models and investments in ways that better understand and respond to regional difference.

The role of the Industrial Strategy Council will also be crucial. It will need to be fully representative of the UK's nations. We're delighted that it's already been confirmed that there will be a place on the Council for higher education. Given the complexities of the devolved context and Scotland's regional economies in which universities operate, we would welcome the opportunity to sit on the ISC in addition to a representative from England's HE sector.

*Read more in our full answer to Q28, Q30, Q31 and Q32.*

**ENDS**

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<sup>5</sup> World Economic Forum, 2023, [The Future of Jobs Report 2023](#).