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FUTURE**

**FUTURE READY: The Path to Growth**

Unlocking the power of research-intensive universities to support UK industrial strength

# FOREWORD



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The government has set out a vision for a decade of national renewal, with a long-term Industrial Strategy at the core of its growth mission. Taking a strategic approach to supporting UK industrial strength is the right choice given the wide-ranging challenges the UK faces: from insufficient investment in infrastructure across housing, transport, energy and digital capacity, to difficulty for new businesses in accessing financing.

The Industrial Strategy provides a unique opportunity to drive the necessary changes with urgency and at scale. This means putting partnership between government, business, the public sector and universities at the heart of the strategy. Universities, while only one part of the ecosystem, are pivotal to supporting progress across all the priority industrial sectors set out in the government's "Invest 2035" green paper.

Indeed, the government's "Plan for Change" emphasises the need to maximise the contribution which the UK's assets can deliver – including its world-leading universities and researchers. The question for universities, and for their partners in business and government, is where their efforts should be focussed in the future.



There are a number of areas where universities can make a unique contribution which would be difficult to replicate elsewhere. Universities can bring a focus on the long-term public advantages of research and innovation, striving for growth that benefits everyone. They can also draw on multidisciplinary expertise (from computer science, mathematics, ethics, sociology, law and philosophy among other fields) to address complex challenges – for example, ensuring the ethical and inclusive application of AI. Furthermore, the geographical distribution of research-intensive universities means they can act as place-based engines of growth, collaborating with partners across the UK's nations and regions, helping to create a dynamism that is much more than the sum of its parts.

Government can aid these efforts by ensuring integrated support for discovery research and innovation, supporting a pipeline of new ideas and discoveries through to commercialisation. It should avoid policy instability and instead focus on policy join-up and predictability. This will enable the UK to build an ecosystem that attracts and retains businesses, fosters talent, and enhances investment from overseas and domestic capital markets. New leadership for UKRI and Innovate UK provides an opportunity to support these efforts, enhancing collaboration across the funding landscape and, ultimately, supporting the delivery of the growth mission.

This report outlines the key areas where we need stability on policy and to be ambitious with targeted growth-focused investment. This will enable research-intensive universities – working in partnership with business, the public sector, and government – to maximise their contribution to a successful Industrial Strategy and deliver significant economic impact over the coming years.



Credit: Graphene Engineering Innovation Centre, The University of Manchester

# EXECUTIVE SUMMARY

**The government aims to reverse the UK's low growth and stagnant productivity. A new Industrial Strategy sits at the heart of this growth mission. With this comes a new opportunity to harness the strengths of universities as place-based engines of growth.**

Partnership, not just with business, but with universities, the public sector, and local government, must be central to the design and delivery of the Industrial Strategy. Due to their unique breadth of expertise and representation across the UK, research-intensive universities can act as a core enabling sector supporting growth across the full range of priority sectors and sub-sectors.

This paper highlights priority areas where research-intensive universities are best positioned to help accelerate industrial renewal as identified by our Industrial Strategy Expert Panel (see **Annex A** for details). It outlines the barriers preventing universities from harnessing their full potential and the changes needed from both government and universities to address these challenges. Whilst this paper focuses on the current system, we welcome discussions on longer-term proposals for change.

In summary, the most impactful shifts that will increase and accelerate the contribution that research-intensive universities can make to the Industrial Strategy are:

## 1. Realising the UK's innovation potential by strengthening university-business partnerships

This chapter explores how universities can improve their accessibility to business, especially SMEs, to help reverse the recent drop in real-terms business investment in R&D. To support these efforts, the government should ensure mission-based funding schemes are designed with business in mind, for example learning lessons from the success of the Industrial Strategy Challenge Fund. Improved incentives for university-SME collaboration are needed, addressing barriers to take up of Knowledge Transfer Partnerships (KTPs) in particular.

In order to support universities to rapidly scale up their capacity to engage with businesses and drive innovation, we recommend scaling-up funding schemes with a proven return on investment. **For example, uplifting the value of the Higher Education Innovation Fund (HEIF) would enable universities to significantly step up their commercialisation and business engagement capacity, making a far larger contribution to growth across priority industrial sectors.** This would need to be coupled with continued support for a pipeline of discovery research through to innovation in order to drive economic growth and productivity gains for the UK.

## 2. Increasing the number of high-growth spinouts and start-ups

Building on adoption of the 2023 spinout review recommendations, research-intensive universities will explore further improvements to their processes and policies to make them easier to navigate and more attractive to investors. They will continue to support the building of business incubation and scale-up space and incentivise entrepreneurship.

But even more important will be tackling the long-standing investment and structural challenges preventing new businesses created by university research from starting and reaching their growth potential. To address this, we urge the government to **create a new 'Spark Fund' to bridge the early-stage funding gap that is limiting the number of spinouts available for private investment.** The new fund could leverage significant co-investment, spinning out high-growth companies in priority industrial sectors.

At later stages, the government could unblock access to finance for spinouts and scale-ups by encouraging the venture capital community to invest in high-tech companies through a targeted training programme. It should also use the power of public procurement more effectively to pull-through innovation. **Linking the delivery of the Industrial Strategy to the way government buys products, services and other solutions, through both its departments and agencies, could create strong signals to stimulate further private investment.**

As the government considers planning blockers with its new bill, we recommend addressing the specific planning and price barriers to vital new labs, business incubation and scaling spaces across the UK.



### 3. Creating an inclusive Industrial Strategy for the whole UK

Universities are working proactively with Mayoral Combined Authorities and local government to develop and drive place-based research, innovation and skills strategies. Importantly, they can link with partners within, and across, regions to convene and lead projects. Enabling this pooling of expertise and collaborative effort will aid the development of many more investable propositions for industry in the UK and leverage further investment from overseas.

Central government should **play a strategic coordinating role: ensuring universities can contribute meaningfully to local growth plans regardless of devolved structures, linking local growth plans to the Industrial Strategy, and capacity building across the regions and nations.** To maximise the impact of place-based funding, it should reflect genuine regional and national strengths with a clear path to impact and strengthen long-term international competitiveness of a region's R&I performance.

### 4. Developing a skilled workforce to meet the UK's needs

Universities will continue to work in partnership with other education providers and in their regions to deliver the high-level skills which will be crucial to securing economic growth and the UK's future global competitiveness. As government seeks to develop a national skills vision, universities can support efforts to forecast UK skills needs across priority sectors and across qualification levels.

Demographic change will accelerate the need for upskilling and reskilling the existing workforce and put pressure on the pipeline of new graduates into industry and the public sector. **Government reforms including the introduction of the Lifelong Learning Entitlement and the new Growth and Skills Levy should support higher-level training, upskilling and reskilling, driving productivity gains for the UK.**

### 5. Leveraging research-intensive universities' global reach

To attract further FDI into regions and nations across the UK, government should seek to harness research-intensive universities' global prestige and partnerships which act as powerful magnets for investment. **This requires policy stability on immigration, integrating universities' contributions into the wider UK offer to international investors, and working together with universities on a more joined-up global strategy for universities and research.**

In turn, research-intensive universities can build on a new global strategy to develop partnerships with overseas businesses and become an even larger part of the UK's 'value proposition' when seeking to build new trade and investment ties in high-growth sectors. Russell Group universities are also committed to working with government, businesses and partners across Europe to drive up participation in EU programmes, maximising the value of these funding schemes for the UK.

Together, we believe these actions can help drive innovation-led growth across key sectors of the economy, delivering high-value jobs and growth in every nation and region of the UK.



# HOW GOVERNMENT, RESEARCH-INTENSIVE UNIVERSITIES AND INDUSTRY CAN WORK IN PARTNERSHIP TO DELIVER AN INNOVATION-LED INDUSTRIAL STRATEGY

In our first Future Ready report, we showcased how the UK's research-intensive universities are already delivering on key Industrial Strategy priority areas. We set out specific suggestions for the design and implementation of the strategy and it was good to see some of these reflected in the government's recent green paper, "Invest 2035".



We have evaluated where our four main recommendations from *Future Ready: The role of research-intensive universities in an innovation-led Industrial Strategy* have already been enacted and where government should go further in the final design of the strategy:

- 1. Pursuing an approach that strikes a balance between mission and sector-based strategy.** In choosing to identify broad-based growth sectors, the government aims to improve private sector confidence to invest in the UK. The final strategy should recognise the spectrum of stakeholders that will support each sector and sub-sector, with universities viewed as a "core enabling sector". This would reflect the key role they will play in providing the critical inputs and infrastructure to all growth-driving sectors, whether through skills, research and innovation, business partnerships, civic institutions, or in attracting overseas investment. **Only universities can bring together science, technology, design and social science approaches to tackle complex industrial challenges from all angles.**
- 2. Ensuring the Industrial Strategy considers how to build a thriving economy for the UK into the 2030s and beyond.** The focus on delivering a 10-year strategy is encouraging and will help create sustained growth. **Resources must also match ambition, and decisions taken at Phase 2 of the Spending Review should ensure universities and researchers are able to continue driving the high-skill sectors and cutting-edge technologies that will create jobs and investment across the country.** Whilst maintaining stability, the strategy should also be adaptable, incorporating feedback loops to ensure its relevance amidst economic and technological shifts.
- 3. Introducing formal mechanisms to draw on university sector and academic expertise to inform the direction and implementation of the Industrial Strategy.** We welcome the inclusion of university and research sector representatives on the Industrial Strategy Council, demonstrating recognition of the role academic expertise and university partnerships will play in delivering an industrial strategy. **As part of this, we urge the Council to leverage the social science expertise within universities to steer, monitor and evaluate the government's chosen policy levers to ensure they are the best fit to maximise growth.**
- 4. Creating the right environment to build new public-private partnerships and attract investment to the UK.** It is welcome that the government is considering a wide range of policy levers to support delivery of the strategy across sectors. Each sector will require a different mix of skills, R&D, innovation and infrastructure, along with appropriate demand-side challenges, to deliver on the government's growth ambitions. The requirement for specific capabilities and resources will be even more pronounced as decisions are taken on which "sub-sectors", and which places, will be ear-marked for catalytic support by government. **A key consideration will be ensuring a joined-up policy environment with coordination across the regions and between the Westminster government and those in the devolved nations.**

In this second report, we have developed our thinking further, drawing on ideas and experience from a panel of industry and academic experts (see **Annex A**). We make a series of recommendations about how to maximise the contribution research-intensive universities can make to the Industrial Strategy, along with our partners in industry, government and the wider public sector. Partnership is a binding theme in our report and will need to be central to the Industrial Strategy if it is to be successful.

# 1. REALISING THE UK'S INNOVATION POTENTIAL BY STRENGTHENING UNIVERSITY-BUSINESS PARTNERSHIPS

**University-business partnerships, from longer-term embedded collaborations to shorter-term talent exchanges, accelerate the development and adoption of new technologies, products, and services. This boosts productivity, crowds-in investment, upskills workforces, creates well-paid jobs and, ultimately helps build a stronger, more resilient regional and national economy.**

**"GSK is a global biopharma company headquartered in the UK, investing over £1.5bn last year in UK R&D. As a key component of our R&D work, we have multiple large-scale academic collaborations in the UK in our aim to do world-class research with world-class scientists at world-class universities."**

**Robert Scott**

VP Genetics and Genomics, GSK

Many businesses invest in R&D in the UK because they want to work closely with research-intensive universities and the innovation clusters they support. Universities provide access to cutting-edge research, a pipeline of highly-skilled people and access to state-of-the-art facilities and infrastructure. Indeed, according to British Council analysis, the proportion of publications in the UK which involve collaboration with industry is higher (at 5.6%) than for the US (4.8%) and EU (4.1%). The analysis also found the quality of these collaborations is particularly strong for service sectors such as financial services and professional and business services compared to comparator nations.

However, the ability for universities to engage with businesses is decreasing. A 2024 NCUB report noted that "financial pressures have driven institutions to focus their engagement efforts on larger, high-value projects" resulting in over 4,000 fewer university-business interactions between 2021/22 and 2022/23. More generally, there was a £180m decrease in business investment in R&D in the UK in 2022, whereas other leading R&D-intensive nations are actively encouraging businesses to invest more in R&D.

## **Creating a stable, coordinated policy environment to encourage investment**

Members of our Expert Panel emphasised the importance of stability in funding streams and wider policy direction as a key factor informing R&D investment decisions. Frequent shifts in government strategy and lack of predictability in funding has been cited as a deterrent, especially in a financially constrained environment where there is already less appetite to invest in new and rapidly evolving areas of technology.

**Committing to a long-term strategy for industrial renewal will help provide a solid base on which to build new university-business collaborations and strengthen ongoing relationships.** Incentives attached to the strategy should operate over a period of years with stability in policy direction to maximise the chances of success.

To encourage investment and compete on a global scale, the policy environment also needs to be coordinated. This includes linking universities' and businesses' strengths to activate all resources and talent and create a globally competitive offer for partnership, creating supply chains in key sectors and developing a coordinated R&D infrastructure plan.



## Using challenge-based funding to facilitate university-business collaboration

We welcome the new R&D Missions Programme which aims to turn scientific advancements into real-world benefits, improving public services and quality of life across the UK. University-business collaboration will be at the heart of this. To maximise impact, we recommend that the funding mechanism builds on existing capability and experience from other challenge-based funding models.

Members of our Expert Panel highlighted the Industrial Strategy Challenge Fund (ISCF) as a successful initiative for fostering collaboration between academia and industry in key strategic areas. Its strengths lie in defining clear challenges and providing strategic roadmaps, effectively aligning efforts across sectors. This was particularly evident in Wave 3, where stakeholder consultations informed targeted programmes like Manufacturing Made Smarter and Industrial Decarbonisation. These initiatives promoted industry-focused innovation in collaboration with universities and were supported by senior champions who drove engagement and instilled confidence among participants.

**We recommend that the design of any challenge-based fund also draws on lessons from reviews of the ISCF programme considering how the programme can:**

- Be predictable over the long-term to encourage industry engagement
- Implement a faster “deal-making” review process to align with industry needs
- Allow flexibility to fund research at all technology readiness levels and for collaboration at all stages of the innovation process, including proof of concept and participation across regions
- Ensure end-to-end funding providing routes to different funding sources where necessary
- Attract collaborations where there is not an existing university-business connection
- Increase accessibility for SMEs e.g. by ensuring match funding requirements are not a barrier to involvement, or by providing tailored funding structures
- Ensure caps constraining academic involvement do not impact outcomes

## Scaling existing university funding mechanisms that are proven to drive growth

There are several funding mechanisms designed to support industry-university partnerships, each with a specific role. For example, the Higher Education Innovation Fund (HEIF) provides flexible funding to help universities engage with businesses and drive innovation. Innovate UK’s Knowledge Transfer Partnerships (KTPs) focus on de-risking early stage and co-investment with businesses, universities, and regional or national stakeholders. These partnerships help inject talent and innovation into SMEs with the express aim of boosting their productivity. Impact Acceleration Accounts (IAAs) allow universities to flexibly fund small-scale projects to accelerate research impact. These are complemented by regional initiatives like Investment Zones and City Deals.

Of these, HEIF has been particularly effective in fostering university-business collaboration thanks to its flexibility and stability which allows universities to adapt to local needs, invest in their unique strengths over the long-term, and attract and retain the right talent.

### The Higher Education Innovation Fund (HEIF)

**HEIF is one of the only funding streams that supports universities to deliver a range of innovation activities including university-business collaborations, licensing, creating opportunities for student entrepreneurs and supporting high-growth spinouts.**

The total HEIF fund is currently worth £260 million, with a maximum allocation of £5.7 million per university. This cap restricts the scale of innovation activities many universities can undertake. For instance, one university estimates that funding limitations have prevented 60% of their potentially viable spinouts from being developed. HEIF is flexible and long-term and as such is highly effective: every £1 invested in HEIF yields £14.80 in economic return for the UK. Large research-intensive universities deliver an even higher return on investment from their HEIF allocations, as much as 20:1 once spinout performance is accounted for.

The amount an individual institution can receive in recurrent HEIF funding is capped. This limits the scale of activity that universities can support. **Increasing the value of HEIF would enable universities to significantly step up their commercialisation and business engagement capacity and substantially increase the number of high-growth spinouts (see Chapter 2 for more information).** As an illustration, tripling HEIF could deliver over £11bn for the economy based on the latest evidence of economic impact from the funding scheme. In England, any uplift to HEIF could be distributed in line with the current formula, with caps on individual allocations being increased proportionally. Elsewhere in the UK, we urge the devolved governments to adopt equivalent mechanisms to HEIF and to ensure they are also funded at scale and pace. Importantly, scaling HEIF and its equivalents in the devolved nations should not be at the expense of support for discovery research. Ensuring a continued pipeline of research breakthroughs through to innovation will be crucial to realising the government’s mission to achieve sustained economic growth and productivity gains for the UK.



**Every £1**  
of HEIF yields  
**£14.80**  
in returns



For capital funding, the **UK Research Partnership Investment Fund (UKRPIF)** has effectively enabled universities to enhance UK research infrastructure, in part by reducing risks for business in creating joint facilities. These co-investments have increased the capacity of the UK's R&D infrastructure, strengthened university-business partnerships, increased universities' ability to commercialise research and enhanced their ability to attract other forms of funding and talent.

A 2024 review highlighted that many universities would not have achieved the same level of facilities, research quality, or partnerships without UKRPIF. This, in turn, has enabled universities to commercialise 9.7x more research outputs (e.g. patents) compared to the baseline according to an interim evaluation of the scheme. We recommend continuing this effective funding stream and considering opportunities to enhance its impact, especially for SMEs and to better leverage philanthropic investment.

Current VAT rules also hold back university-business collaboration, acting as either a disincentive for businesses to engage in R&D or sometimes resulting in business-university R&D occurring in buildings which are more than 10-years old, rather than state-of-the-art facilities. **Reforming VAT rules for new university buildings that will be used to undertake collaborative research projects with businesses would reduce costs (and therefore risks) associated with capital investment for collaborative R&D.** In turn, this could stimulate a wave of new investment and collaboration.

### Improving incentives for SME-university collaboration

In 2024, 99.8% of businesses in the UK were SMEs and accounted for 48% of business turnover. The last few years, however, have seen a rapid decline in SMEs' interaction with universities. The pandemic and the loss of the European Regional Development Fund (ERDF), which funded innovation and invested £3.7bn across the UK, are likely to have been key contributing factors. The NCUB found that university income from SME interactions would have been 29% higher in 2022/23 if the pre-pandemic trend had continued, with knock-on consequences for the productivity and growth potential of the UK's SME base.

Our panel members with experience of working with SMEs highlighted that the high costs, significant time investment, specific knowledge required, and perceived risks associated with R&D collaborations often discourage SMEs from undertaking R&D and partnering with universities. Navigating the innovation funding landscape and university structures can also be challenging, with connections that do exist often being based on existing networks rather than business need. Similarly, universities have noted the challenges of high transactional costs and difficulties in identifying and engaging with SMEs - in particular those that might be relevant but out of their geographic area - as these partnerships require substantial resource to establish.

Countries like Germany have addressed these challenges by providing targeted funding to encourage SMEs to participate in university partnerships, such as through the ZIM which is designed to support innovation in SMEs through simple access to grant funding for collaborative projects to drive market-oriented outcomes. **Strengthening incentives for UK SMEs to engage with universities, especially on larger scale projects, and increasing the navigability of the system would enhance their productivity, with knock-on benefits for economic growth.**

Knowledge Transfer Partnerships (KTPs) are also a useful way to increase university-SME collaboration. KTPs place highly-qualified graduates into companies to implement business solutions, new technologies and expertise over a 12-36 month period. In doing so, they bridge the gap between academic research and businesses helping them to innovate, increase competitiveness and therefore productivity. Between 2010 and 2020, KTPs generated up to £2.3bn in net GVA for the UK economy, returning up to £5.50 in net economic benefits for every £1 spent. Four-fifths of businesses that engaged with the scheme reported increases in productivity, profitability, employment, or turnover.

The main barriers to engagement are university and SME resource and a resource-intensive funding process, and **we encourage government to consider ways to increase participation in the KTP scheme.** Innovate UK could also explore ways of increasing the success rate for Accelerated-KTPs, which support shorter collaborations and where only around 34% of applications are successful.





# SOLUTIONS

## What can research-intensive universities offer?

- **Explore options for improving how accessible they are for businesses, especially SMEs.** This could include mapping SMEs in local/regional ecosystems, establishing clearer points of contact, tailored collaboration options and pathways for SMEs to engage, and training for academics to develop competitive proposals that appeal to industry objectives.
- **Work with local governments to help identify SMEs that might benefit from university expertise** to drive regional growth in key industrial sectors.
- **Engage with new challenge-based funds** utilising partnerships with large and multinational companies to accelerate progress in helping to deliver the government's missions on growth, opportunity, NHS reform, and more.

## What can the government do?

- **Develop challenge-funding linked to the Industrial Strategy** and as part of the R&D Missions Programme that incentivises collaboration between businesses and universities.
- **Significantly increase investment into the Higher Education Innovation Fund (HEIF),** to maximise the impact of a scheme that already has a proven track record.
- **Reform VAT rules** to enable new university buildings to be used for collaborative R&D which would also incentivise more capital investment.
- **When the government sets out its vision to support small businesses in its Small Business Strategy Command Paper, this should consider:**
  - Tailoring initiatives such as new mission funds to encourage SME engagement,
  - Providing support and training to navigate the innovation landscape and apply for funding, as many SMEs are unlikely to have expertise in-house,
  - Actively promoting and simplifying access to existing schemes that SMEs can benefit from e.g. R&D tax credits to encourage larger scale projects,
  - Piloting new SME-focused initiatives that overcome the barriers of limited resources and risk aversion.
- **Work with Innovate UK to consider how to increase engagement with KTPs,** in particular from SMEs not currently able to participate in the scheme.

## 2. INCREASING THE NUMBER OF HIGH-GROWTH SPINOUTS

**Universities are critical to a strong spinout landscape, as noted in the 2023 independent spinout review: they enable researchers to generate world-leading IP, nurture technical talent, and connect stakeholders within local ecosystems. While the UK has made significant progress in improving the spinout landscape, regional disparities in ecosystem maturity highlight the need for place-based interventions to address specific needs and leverage local strength.**

Unlocking the potential of the UK's world-class research across science, technology, humanities, and the arts through spinouts will require consolidating progress universities have already made in implementing the recommendations of the spinout review. This includes improving entrepreneurship within universities and agreements around royalties and equity deals. However, structural underfunding restricts the progress universities can make alone, especially at the early stage of the pipeline where there is less opportunity to attract private investment.

**"To increase the number of high-growth university spinouts and keep them in the UK as they scale, we need a coordinated approach to address funding gaps and ensure we have the right facilities in the right places."**

**Kathryn Chapman**

Executive Director, Innovate Cambridge

Whilst this section focuses on spinouts, broader support for the innovation ecosystem will also be crucial to drive growth. Licensing, for example, constitutes a significant share of commercialisation income and delivers real-world impact. Whilst social ventures spinning out from universities can deliver significant value for communities in areas like social care, education and health.

### Addressing the early-stage funding gap for spinouts

Both our Expert Panel and the spinout review identified access to early-stage funding as a key barrier to increasing the number of spinouts. This funding is crucial to advance ideas into investable propositions, covering proof-of-concept work, leadership team development, and securing experienced advisors.

At this stage, the proposition is too risky for traditional private investment and therefore requires government and university funding to progress. Currently universities try to pull together different blocks of funding from multiple sources to support this activity including from UKRI, philanthropy and regional funds. However, the landscape remains fragmented and difficult to navigate. In fact, the spinout review noted that “sometimes spinouts leave a university too early, simply in order to access funding that is only available to businesses, due to a lack of translational or development funds within the broader ecosystem”. Spinouts that are created too early are less likely to succeed.

To address this, the majority of Russell Group universities have established early-stage funds using HEIF, IAAs, and equity from successful spinouts. However, these funds fall significantly short of meeting demand (see Chapter 1).

We welcomed the government’s new £40m proof-of-concept (POC) fund as recognition of the early-stage funding gap. However, this must just be a starting point, as it falls a long way short of addressing the needs of the entire UK university sector. For comparison, KU Leuven in Belgium alone accesses €20m annually for POC funding. While initiatives like the Mansion House reforms and the Long-Term Investment for Technology and Science (LIFTS) scheme show promise, they are slow-moving and focused on later growth stages, leaving the early-stage gap unaddressed.

An additional challenge is the misalignment of funding for spinouts from translational to proof-of-concept stage and onward funding options. This is causing projects to stall and sometimes fail due to funding gaps delaying the spinout process. **We recommend funders such as UKRI, Innovate UK, and the British Business Bank (BBB) coordinate efforts to create a seamless continuum of funding for early-stage spinouts with high-growth potential. This should include an end-to-end, stage-gated model to avoid gaps and ensure impact is realised efficiently and at pace.**

**To address the gap in early-stage funding, we recommend a new ‘Spark Fund’ is established to increase the number of high-growth spinouts. This could be coupled with a mapping exercise to join up existing funding mechanisms with the aim of offering a clear continuum of funding across a spinout’s growth phases.**

#### A ‘Spark Fund’ to deliver more high-growth spinout companies

A new Spark Fund is needed to plug the gaps at the early stage of the spinout pipeline. This would increase the number of spinouts that successfully de-risk their plans enough to raise investment from the private sector.

The Spark Fund would be supported by co-investment from universities at the earliest stages (this would rely in part on an increase in the HEIF budget, as recommended in Chapter 1), and from private sources such as university-affiliated patient capital funds. The Fund should be aligned to the Industrial Strategy, boosting the number of high-growth companies in priority industrial sectors.

We welcome further discussion on the scope of our proposed Spark Fund as we work up a more detailed proposal with other key stakeholders in the sector.

### Scaling spinouts requires increased access to funding, talent and facilities

As Vice-Chancellor of the University of Oxford, Professor Irene Tracey, highlighted in her 2025 evidence to the Science, Innovation and Technology Committee, many promising companies, once de-risked and ready to scale, face barriers that lead them to leave the UK, taking their potential with them. Universities already play a critical role in overcoming some of these barriers by providing access to facilities, technical expertise, and resources from business schools. However, unlocking the full potential of high-growth companies will require a coordinated effort. The government will need to address gaps that universities and the private investment cannot, in funding, talent and infrastructure.

A crucial part of scaling spinouts is ensuring they have access to the private funding needed for growth. There is significant regional variation in the ability to access venture capital (VC) funding across the UK. The government will need to consider place-based interventions to ensure that all regions have the support they need to foster successful spinouts. Members of our Expert Panel noted that one reason for lower investment in spinouts is the lack of expertise and skills to grow high-tech companies. In fact, only 8% of those working in European VC firms have experience working in a start-up, compared to 60% in the US. To address this, the government could provide a clear, shared vision for growth and targeted skills development initiatives, working with the VC community to foster more cross-sector experience and a deeper understanding of deep-tech and life sciences in particular. This would reduce the perceived risks of investing in these pioneering industries.



Scaling isn't just about finance – it requires the right infrastructure and talent. Spinouts often struggle to attract talent in part due to the specialist nature of the roles but also due to limited resources and offer of benefits compared to international companies. Having tax incentives and a simplified visa regime for entrepreneurs would reduce these barriers – see Chapter 5 for further details. A study commissioned for the UK's 2017 Industrial Strategy found many startups view incubators and accelerators as vital to their success, especially for R&D-intensive businesses which require specialised equipment and facilities. Research-intensive universities are increasingly working together, sharing space across regions to support spinouts from one university as they scale and grow at another university with the necessary capacity. This model allows businesses to tap into innovation ecosystems across the country, particularly in areas with a critical mass of sector strength. Despite this, the availability of incubation and lab spaces is not growing fast enough, particularly in some regions.

The government will need to invest in facilities for spinouts, which cannot be easily secured through private investment due to the high risks and uncertainty involved. Members of our Expert Panel have welcomed the government's moves to simplify and expedite planning processes specifically for data centres. **We recommend that R&D facilities and business incubators are included in any streamlined planning regimes to help drive growth in Industrial Strategy sectors. In addition, general infrastructure, such as housing, schools and transport links, is essential to attract and retain talent to an area.**

Investing in this infrastructure will address the physical barriers that often force spinouts to leave their founding region, helping to keep talent and investment within the UK.



1,200

Russell Group spinouts supported more than

80,000

UK jobs in 2021/22

Credit: University of Bristol

### What should implementation of the AI Opportunities Action Plan look like?

The government has accepted all 50 recommendations set out in the AI Opportunities Action Plan, with the aim to maximise the potential benefits of AI and boost productivity, improve public services and drive growth. A clear strategy and investment from government will be crucial to ensure the UK can continue to compete internationally, attract research talent and reduce our dependency on other countries for supercomputing capacity. This will also be essential to drive adoption across the key sectors set out in the Industrial Strategy.

The decision to expand the capacity of the AI Research Resource (AIRR) by at least 20x by 2030 is welcome, as is the focus on removing barriers to AI infrastructure planning. Supercomputing capacity for AI and simulation has been a particular area of vulnerability for the UK: the UK's fastest system, ARCHER2, is now 62<sup>nd</sup> in the world, according to the TOP500 ranking of the most powerful supercomputers, and the UK's aggregate performance is just 0.7% of the global total, as other countries' levels of investment have begun to outstrip our own.

**Delivering the proposed long-term plan for the UK's AI and wider compute infrastructure needs, with accompanying investment, will be critical to realising the government's priorities of accelerating innovation and driving AI adoption across industrial and public sectors.** This should include Exascale capability, with applications across drug discovery, climate change, astrophysics and advanced engineering, among other fields.

The ambition to train tens of thousands of additional AI professionals and for the UK to increase its share of the world's top 1,000 AI researchers is also crucial in supporting the UK's AI ambitions. Research-intensive universities already play a key role in developing the skilled workforce needed – from digital research infrastructure professionals to domain-experts in AI, to conversion courses to develop computing skills in under-served groups – and we are ready to do even more.

### Creating a culture of entrepreneurship within universities

In recent years government, other funders, and universities themselves have taken positive steps toward raising the profile of entrepreneurship and innovation within universities. These include inclusion of 'impact' as a core component of the Research Excellence Framework (REF), increased HEIF funding and introducing the Knowledge Exchange Framework (KEF).

However, **researchers who choose to commercialise their work or spin a company out of a university are still a minority – a primary barrier to this is a misalignment of incentives.** Businesses often prioritise short-term, market-driven outcomes while academics are typically rewarded for meeting longer-term research objectives such as publications. This disconnect risks discouraging collaboration, reducing opportunities to co-develop solutions. Creating a more widespread culture of entrepreneurship in universities could be a big win for the UK.

**Our panel noted that research-intensive universities have already started to develop and embed solutions to create more entrepreneurial cultures within their institutions.**

This includes recognition of knowledge exchange in career paths and progression, fellowships in entrepreneurship, IP and commercialisation training for students and staff at all levels, and creation of new senior leadership positions responsible for innovation and economic growth.

Significant shifts in culture like this take time and the government can support these efforts. This could include introducing flexible funding mechanisms to encourage collaboration and mobility between academia and industry, supporting entrepreneurial training for academics, and ensuring the Industrial Strategy establishes shared goals to align academic research with industry needs. Building on university initiatives like those above will help enhance the economic impact of commercialisation activities across the higher education sector as well as their wider social impact.

### Creating demand-side pull for innovation

A number of the proposals in this report focus on stimulating investment in the commercialisation of ideas and talent from universities either into new standalone companies, or into established businesses or other organisations – for example in the public and third sectors. Whether this ultimately leads to commercial success or not will depend on the market's willingness to buy novel products, services or other solutions. In turn, some of this will be down to the absorptive capacity of potential customers, the price and/or features of what is on offer and the risk appetite of potential buyers. As the largest buyer of goods and services in the UK, the government has a very significant role to play.

Numerous studies have identified public procurement as an important mechanism for stimulating demand for innovation. **In developing the Industrial Strategy, the government should look closely at initiatives that have already been successful and what more it can do to stimulate demand-side pull for innovation using its own procurement power.**

In particular, there could be opportunities to set challenging goals linked to each of the eight priority sectors in the Industrial Strategy where the government wants to see a significant shift in the products, services or other solutions it buys through departments and agencies such as the MoD and NHS.

It would also be useful to review wider regulatory, legislative and financial levers that the government can use to stimulate demand for innovation from individuals and the private sector, especially where these align with the government's mission-driven priorities.

## SOLUTIONS

### What can research-intensive universities offer?

- **Improve the UK spinout process to make the system** easier to navigate and more attractive to investors building on current activity.
- **Support the building of business incubation and scaling space** including through partnerships to share space for spinouts where appropriate.
- **Build on existing best practice to incentivise cultures which support entrepreneurship and commercialisation within universities.** This includes recognising alternative academic pathways within promotion criteria and offering entrepreneurship training for staff and students. Universities can also support training and best practice sharing to grow the population of skilled people in the investment sector.

### What can the government do?

- **Join up the UK funding and investment ecosystem to support high growth spinouts.** UKRI, Innovate UK and the BBB should coordinate activity to offer a clear continuum of funding for early-stage high-growth university spinouts. This should be aligned to the new R&D Missions Programme so innovation can be pulled through to impact at pace.
- **Create a new 'Spark Fund'** to bridge the early-stage funding gap that is limiting the number of spinouts available for private investment. The fund could leverage significant co-investment, with a focus on spinning out high-growth companies in priority industrial sectors.
- **Support the scaling of spinouts** by working with the VC community to foster cross-sector expertise and reduce perceived risks in sectors like deep-tech and life sciences. Increasing the flow of venture capital from pension funds and other sources into university commercialisation will also act as a powerful incentive for VCs to understand the university spinout ecosystem.
- **Improve R&D infrastructure for spinouts by providing funding or co-investment for incubators, accelerators, and specialised facilities.** R&D facilities and business incubators should be included in any streamlined planning regimes to help drive growth in Industrial Strategy sectors. Efforts to improve regional infrastructure such as transport and schools will also help to attract and retain talent and reduce relocation pressures.
- **Use public procurement power and the full range of regulatory, legislative and financial levers available to stimulate demand-side pull for innovation,** aligned with the government's wider missions. This could include ensuring support for innovation and innovative delivery of public services is specified in a new National Procurement Policy Statement.

### 3. CREATING AN INCLUSIVE INDUSTRIAL STRATEGY FOR THE WHOLE UK

**The UK suffers from severe regional disparity, being one of the most unequal countries among OECD member states in terms of productivity and regional disposable household income per capita. A central objective of the Industrial Strategy should be to unleash the full potential of UK cities and regions, and the government has set a clear commitment to devolve more powers across the country.**

Research-intensive universities play a core role in this landscape, acting as conveners in every region and nation of the UK and supporting the partnerships needed across academia, industry, philanthropy and government. The ability of universities to bring together expertise from across disciplines is critical to driving these partnerships, with social science as important to technology uptake as engineers.

**"If you want to 'unleash the full potential' of cities and regions to create strategic, high-potential clusters, higher education will have a fundamental role to play."**

**Arnab Basu**  
CEO and co-founder, Kromek Group

Working in close collaboration with Mayoral Combined Authorities and local authorities, this means universities can deliver research and innovation that has wide-ranging impact for places and supports skills pipelines locally and nationally. The Industrial Strategy should seek to maximise the wider spillover effects of university innovation for places across the UK, realising not just wealth creation, but high-value jobs, infrastructure investment and regional regeneration opportunities.

#### Supporting universities to drive innovation-led growth across the UK

Across the UK, research-intensive universities have developed long-standing relationships within their local political ecosystems. Mayoral Combined Authorities (MCAs) in England and city deals and growth deals in Wales, Scotland and Northern Ireland have created a strong framework for universities to collaborate with their local government and industry partners. This has been facilitated by devolution deals, investment zones and the innovation accelerator pilot which all have universities at the core of delivery and development.

When considering devolved powers and how this links to the national Industrial Strategy, there is an emerging risk that places without the new mayoral strategic authority status could be disadvantaged due to a lack of formal collaboration mechanisms and additional funding opportunities. It is also important to note that even in places with this status, there may still be a lack of capacity and capability when it comes to funding for innovation.

Prior to 2023, universities ran successful innovation, skills and business support programmes funded through ERDF. When this funding came to an end following Brexit, over 100 programmes shut down. The UK shared prosperity fund (UKSPF) was supposed to replace the loss of European structural funds but failed to do so, particularly for university skills and innovation programmes due to a lack of knowledge within local government about the benefits of this kind of funding.

Government proposals for local growth plans can help address this issue. **Members of our Expert Panel have been clear that making innovation and skills central to regional development policy will be crucial to supporting high-potential clusters around the UK.** This should be coupled with capacity building for local government to increase understanding of the role of innovation in local growth, with universities ready to support this work through initiatives such as Civic University Agreements. Facilitating best practice sharing between the regions and nations would be particularly valuable – and we would also hope to see more engagement with the extensive economic, social, regulatory and business development expertise available across universities.

As part of the plans, government should also **consider opportunities to provide infrastructure funding for specialist facilities and scale-up space for hire.** This would act to de-risk commercial investment in new facilities across the regions.



Russell Group  
research &  
innovation added  
**£37.6  
billion**  
to the UK economy  
in 2021/22

## Enabling collaboration across regions and nations

Collaborative initiatives like Northern Gritstone, Midlands Engine, and SETSquared exemplify how partnerships between universities, investors, and industry can transform regional (and pan-regional) innovation capacity. These initiatives not only streamline research commercialisation but also provide mentorship and resources to academic entrepreneurs, in turn helping to support equitable economic growth across the UK.

**Coordinating funding opportunities and innovation facilities between regional and national levels will be crucial to maximising their impact.** This would support join up between regions with specialisms in similar sectors to ensure parts of the UK do not compete but collaborate to create UK competitive advantage. This would involve drawing on regional strengths to create a UK proposition which is internationally competitive and attractive to multinationals. The UK could learn from approaches in other countries such as the hub-and-spoke model utilised in South Korea's Innopolis initiative. Government can work closely with universities to map these opportunities.

In addition, and ahead of Phase 2 of the Spending Review, assessment of centrally run place-based R&I funding schemes and initiatives should be joined up with development of the Industrial Strategy. These are funding streams and programmes (such as investment zones) that run through a range of government departments and bodies, including MHCLG, DSIT, HMT, UKRI, Innovate UK and DBT, which fund universities and other partners to innovate and support local and regional growth.

This will help ensure delivery of clear place-based impacts, strengthening R&D performance, maximising existing regional strength and combining excellent research with translational capabilities where there are clear paths to growth.



## SOLUTIONS

### What can research-intensive universities offer?

- **Work proactively with their local governments and acting as conveners where needed.** This will help ensure innovation and skills are central to any devolved decision-making and local growth plans. This work can also include supporting capacity building within local government to understand regional innovation ecosystems and skills needs.
- **Share best practice between regions and between the UK nations** around how to foster a collaborative relationship between local authorities and academia, and drive regeneration and prosperity across the whole of the UK.
- **Consider opportunities to convene and lead collaborative place-based innovative projects in line with government priorities.** Pooling expertise in this way and working within, and across, regions could aid the development of investable propositions for industry from within the UK and overseas.

### What can the government do?

- **Ensure local growth plans have a clear relationship to the national Industrial Strategy** and universities have an opportunity to contribute as key partners for this work. Research-intensive universities' involvement will ensure local growth plans keep innovation and high-level skills at their core, maximising impact.
- **Support capacity building for local government to deliver funding and support for innovation-led growth.** This could include facilitating best practice sharing between the regions and nations, building on the intention set out in the Devolution White Paper.
- **Ensure place-based R&I funding and initiatives are connected to the Industrial Strategy to create a consistent funding framework.** Any funding streams should:
  - Strengthen the long-term international competitiveness of a region's R&I performance,
  - Invest in areas of genuine regional R&I strength, with clear paths to impact,
  - Support collaboration between partners, regions and nations,
  - Ensure coherence with other funding programmes intended to deliver on government objectives.

## 4. DEVELOPING A SKILLED WORKFORCE TO MEET THE UK'S NEEDS

**Evidence shows that around one third of annual average UK productivity growth is attributed to an expansion of skills in the workplace, with increasing numbers of graduates and postgraduates playing a crucial role in preventing a steeper decline in UK productivity. A diverse mix of skills across the UK will be fundamental to delivering on the ambitions for high-growth sectors. The Industrial Strategy presents an opportunity to identify key skills gaps and consider how different parts of the education sector can work together to address them.**

In 2023, the DfE's Labour market and skills projection for the UK showed that demand for those educated beyond a bachelor's degree will increase by 53% between 2023 and 2035, the biggest increase for any qualification level. Whilst skills needs will vary across industrial sectors and places, provision of high-level skills will be crucial to delivering economic growth and securing the UK's future global competitiveness. Universities can also support efforts to forecast UK skills needs.

**"To deliver a long-term industrial strategy universities, industry and the public sector should convene more frequently and intentionally, to identify and share the thorniest challenges and greatest opportunities where high-skilled research can bring outsized returns. Future funding and support should be targeted with these areas in mind."**

**Lucy Yu**

CEO, Centre for Net Zero (Octopus Energy Group)

### Delivering skills for growth through education partnerships

Members of our Expert Panel have highlighted the quality of partnership working between universities, industry and FE colleges that is helping close skills gaps and providing businesses with access to qualified staff, including workers with technical skills.

Research-intensive universities engage with employers in a number of ways, including directly recruiting students onto graduate programmes, offering industry placements, collaborating on programme design, offering degree apprenticeships and establishing apprenticeship placements. This is supporting critical skills pipelines in key growth sectors such as clean energy industries.

The current apprenticeship levy is a mechanism for employers to invest in the training and upskilling of their workforce, but since 2011, average training investment per employee has fallen by 19% (in real terms). Skills England should look to work with employers, universities and FE colleges to identify high-value courses, responding to industry needs, that could be funded by a more flexible Growth and Skills Levy. **For example, employers could be given the ability to spend 25% of levy funds on non-apprenticeship training, with a view to increasing this percentage (up to 50%) when the full impact of the policy change is measured and understood.**

### Boosting the UK's research-skills pipeline

Addressing growing gaps in the UK's research workforce also needs to be a priority. Research-active staff will be central to harnessing emerging technologies and solving complex challenges such as climate change. However, the number of new researchers starting a postgraduate qualification in the UK decreased by 12% between 2018/19 and 2022/23.

**We would like to see Skills England including postgraduate researchers in their mapping of current and expected skills gaps and for this to feed into the Industrial Strategy.** Close working between UKRI, the national academies, industry and universities is needed to understand how best to incentivise talent to enter and remain in the wider research sector. That means not just in academia but in industry and the public sector too. Stimulating the flow of researchers between different parts of the economy will be key, as will ensuring that the boundaries between academia and industry are sufficiently porous.



## Designing support for reskilling and lifelong learning

Widening and increasing participation in higher education has a broad range of benefits for high innovation and productivity-driven economies. Roughly 80% of the workforce in 2030 is estimated to be in employment already, with reskilling set to be a major challenge. Partnerships between universities and industry to deliver lifelong learning will be even more important after 2030 when demographic changes mean the number of 18-year-olds in the population will decline.

We support government's vision to incentivise flexible learning, but the current design of the Lifelong Learning Entitlement needs re-thinking. **Any system of lifelong learning needs to be flexible enough to meet the needs of learners at every stage of their skills journey, from basic skills to completing a postgraduate professional qualification.** The Netherlands, which performs strongly in key education and training measures, combines guidance to support alignment between learning systems and changing skills needs, with a greater emphasis on flexibility according to the nature of employer demand.

With such a model, universities will need to become more agile in building industry-relevant short courses that continue to champion quality and rigour but move away from traditional education delivery models. Developing these courses will require up-front investments and the funding model should reflect this.



At least  
**80%**  
of the 2030  
workforce is already  
in employment

## SOLUTIONS

### What can research-intensive universities offer?

- **Work with Skills England and industry to help provide evidence to support the development of a unified skills framework and map pathways for local skills infrastructure.** This can draw on learnings from universities' engagement with Local Skills Improvement Plans.
- **Build on best practice models and establish new partnerships with industry,** working more closely to better understand current and future skills needs to strengthen local economies.
- **Continue to work with UKRI, industry and others to secure a skilled pipeline of research talent for the UK.** This work can build on the Russell Group toolkit of actions funders, universities and publishers can take to collectively strengthen research culture in the UK, as well as subsequent work to share practice on supporting early-career researchers and those working at the NHS-research interface.

### What can the government do?

- **Set out its national skills vision through Skills England;** ensuring skills assessments are aligned with Industrial Strategy growth-driving sectors and sub-sectors (although not to the exclusion of other disciplines) and recognising the role that research-intensive universities can play in delivering growth and increasing productivity.
- **Work collaboratively with employers and apprenticeship providers to introduce the Growth and Skills Levy,** ensuring it continues to support higher-level apprenticeships for all ages, and other kinds of training that delivers productivity gains for the UK.
- **Ensure the design and implementation of the Lifelong Learning Entitlement incentivises universities to innovate** with new course offerings and to deliver the high-level training, upskilling and reskilling needed for future economic growth.



## 5. LEVERAGING RESEARCH-INTENSIVE UNIVERSITIES' GLOBAL REACH

The UK has more top-ranked universities than any other country apart from the US. This is a significant asset for our economy and society and a great soft power strength for the UK internationally. Universities derive enormous advantages for the UK from collaboration across borders, attracting talent and FDI and fostering the types of economic activity that international investors value most. Higher education is also a major export activity in its own right: the DfE estimates that higher education generates nearly £22bn through education-related exports annually.

"The UK's globally excellent universities can be a magnet for foreign direct investment and private equity. It's vital government empowers universities to operate in this space to unlock what is currently untapped potential."

**Jen Tippin**

Group Chief Operating Officer, NatWest



### Supporting universities to draw in foreign investment and trade

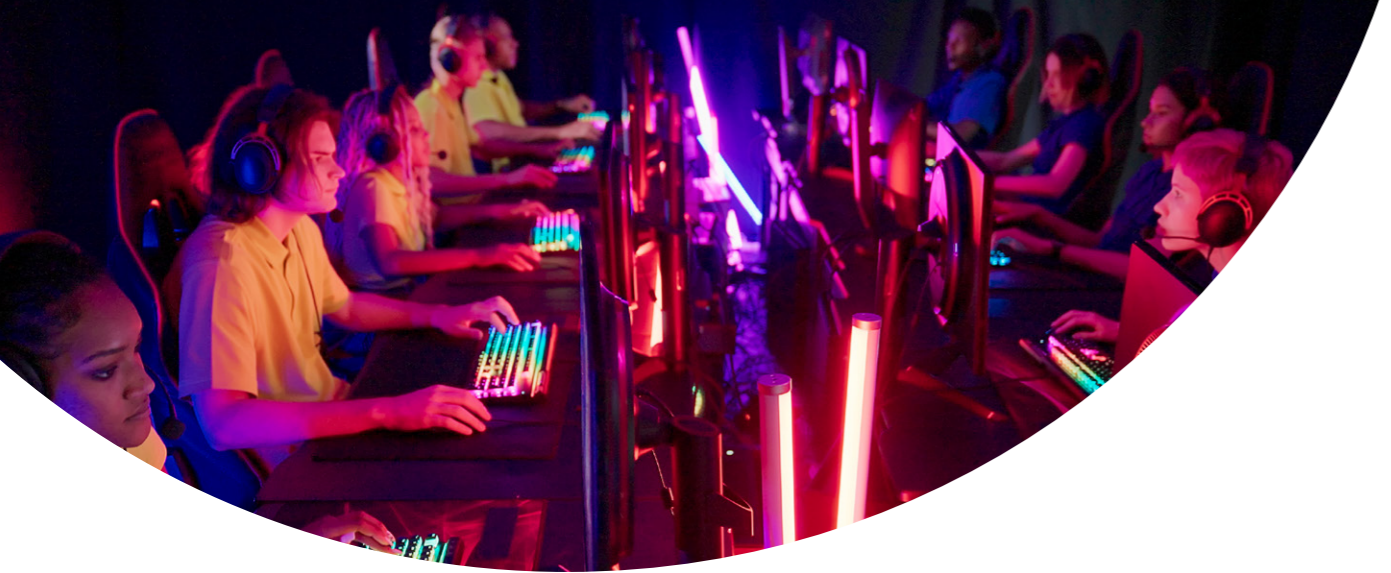
Universities already play an important role in attracting foreign investment to the UK, receiving just over £1.5bn in non-UK income for research grants and contracts in 2022/23 alone. They are part of the high-skill high-productivity ecosystem that is crucial to driving UK growth.

**The independent Harrington Review of Foreign Direct Investment recognised universities as a key UK R&D strength. Investors particularly value the types of innovative, R&D-heavy sectors where universities play a particularly large role.** When asked in the EY Attractiveness Survey, investors' top three recommendations for the UK to maintain its competitive position were: supporting high-tech industries and innovation (such as cleantech and healthcare); supporting SMEs (of which university spinouts and start-ups are often among the most innovative) and increased R&D funding.

Having access to a skilled workforce is a key factor for investors: 36% of overseas investors into R&D projects in the 2017-21 fDi Markets database said a skilled workforce was a primary motivator. Similarly, analysis carried out for the OECD highlights that universities are important drivers in the location of high-tech internationally mobile investments, not only because of the research base but also the supply of graduates.

The Entrepreneurs Network found that in 2023, 39 out of the UK's 100 fastest-growing start-ups had at least one foreign-born founder. Many of them came to the UK to study, and their businesses will have attracted millions of pounds in investment and created hundreds of jobs.





### Developing a more joined-up strategy and a stable international framework

In recent years, ever-changing policy and rhetoric about international students, visas, exports and security, and uncertainty over UK membership of international research programmes such as Horizon Europe, has held back universities from realising their full potential for the UK. It has also affected the overall 'welcome' the UK presents to potential international partners and talent.

The current review of the International Education Strategy provides an opportunity to consider how the UK might better maximise impact from the full range of universities' global activities. **Members of our Expert Panel suggested a coordinated, and joined-up, 'global' strategy is needed. This should encompass research and innovation partnerships and opportunities for philanthropic and business investment, as well as international students and transnational education arrangements.**

Mapping universities' international networks would provide government with a clear picture of existing collaborative strengths in priority sectors. It would enhance the UK's ability to pursue deeper relationships with existing partners and explore new opportunities for export-led growth. It could also support the FCDO's expert reviews of economic diplomacy, global impact and development. We could also learn from the US, which encourages collaboration between its state universities and inward investors as part of the companies establishing themselves in the region.

In the meantime, we welcome government's positive messaging in support of international students. A single cohort of international students contributes £37.4bn to the UK economy and these students also play an essential role in supporting universities' financial sustainability. Skilled international graduates add huge value to the UK workforce, and alumni help build links with overseas businesses, to the benefit of UK trade and FDI. However, changes to immigration rules introduced by the previous government, alongside other global factors, have driven international student numbers down significantly. In addition, increasing UK visa costs for international talent may also discourage skilled researchers, and the necessary talent to create and scale start-ups, from coming to the UK. In a Russell Group survey, around two thirds of members cited visa costs as a primary barrier to attracting talent. **It is vital that the government continues to offer a welcoming environment for international students and staff with stable, affordable and internationally competitive visa routes.** The current Graduate Route offer is vital to the UK's position as a destination of choice for international students and must be retained as a priority.

### Strengthening partnerships in Europe and beyond

Access to EU research and innovation programmes brings huge advantages for the UK. They boost jobs and opportunity across the country, build UK research capacity and capabilities and keep us at the forefront of key technological advances such as AI and clean energy.

Horizon Europe is the world's largest collaborative R&D programme, covering a full range of technology readiness levels – from fundamental research, through proof-of-concept, to much more applied activity. One of the programme's unique benefits is the opportunity for researchers to collaborate with industry across Europe and beyond, boosting the wider innovation ecosystem that the UK can tap into. These collaborative relationships are built over many years and providing certainty about future intent to associate will be crucial to rebuilding links between UK and EU researchers, innovators and universities following the hiatus after Brexit.

**An early declaration of intent to associate to Framework Programme 10 (FP10 – the successor programme to Horizon Europe) will help secure and enhance relationships with EU partners. This should include retaining fiscal headroom to associate to FP10 from 2028.** Full participation, with as few areas excluded as possible, would also complement UK-EU efforts to coordinate across military, economic, climate, health, cyber, and energy security.

There are also opportunities to strengthen research and innovation collaborations with like-minded countries elsewhere in the world. For example, in working with Australia and the US to deliver the advanced capabilities identified under Pillar 2 of AUKUS, including AI, undersea capabilities and quantum technologies.



A single cohort  
of international  
students contributes  
**£37.4bn**  
to the UK economy

# SOLUTIONS

## What can research-intensive universities offer?

- **Develop partnerships with multinational businesses and other international partners to attract economic activity to the UK.** Universities' research base, role in generating skilled workforces and partnerships with businesses can become an even larger part of our 'value proposition' when seeking to build new trade and investment ties in high-growth sectors.
- **Continue working with government, businesses and partners across Europe to drive up participation in EU programmes.** Universities are expanding funding teams, training applicants and helping identify potential partners. This will maximise the value of association to Horizon Europe and its successor programmes.
- **Support government in the development and delivery of a global strategy for universities** (see further details below).

## What can the government do?

- **Maximise universities' role in helping attract FDI and integrate this into the Industrial Strategy.** This should include mapping universities' global reach and networks, integration of universities' contributions into the wider UK offer to international investors (including within the GREAT campaign) and consideration of how OfI, SIN, UKRI and DBT work together internationally in different locations.
- **Integrate research-intensive universities' role in attracting overseas investment into a wider global strategy for universities.** Such a strategy could encompass research and innovation partnerships and opportunities for philanthropic and business investment, as well as international students and transnational education arrangements.
- **Offer stable, affordable and internationally competitive visa routes** for the international talent crucial to delivering UK economic growth, including university students and staff as well as executives with the skills to lead high-tech spinouts and start-ups.
- **Retain fiscal headroom to associate to FP10 from 2028.** This would give researchers, universities and industry partners confidence to continue building collaborative relationships and plan for the future.



# ANNEX A - RUSSELL GROUP INDUSTRIAL STRATEGY EXPERT PANEL

The content and recommendations in this report have been informed by input from the Russell Group Industrial Strategy Expert Panel. The panel is chaired by Professor Stuart Croft, Vice-Chancellor at the University of Warwick, and members are comprised of leaders in business, politics, and research and innovation.

The panel's deep knowledge spans key growth sectors like life sciences, clean energy and financial services, as well as experience founding and scaling companies and leading UK industrial strategy in government. Panellists are based across the UK's regions and nations and have provided rich and varied experiences around the current ecosystem for collaboration between universities, industry, local and national governments.



## Industry members:

### Arnab Basu

CEO and co-founder,  
Kromek Group

### Kathryn Chapman

Executive Director,  
Innovate Cambridge

### Greg Clark

Executive Chair, Warwick  
Innovation District

### Harry Destecroix

Founder of Science Creates and  
Managing Partner, SCVC

### Robert Scott

VP Genomics and Genetics, GSK

### Jen Tippin

Group Chief Operating Officer,  
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### Lucy Yu

CEO, Centre for Net Zero,  
Octopus Energy Group

## Russell Group members:

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### Stuart Brocklehurst

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Vice-President for Research and  
Innovation, University of Sheffield

### Uzma Khan

Vice-Principal for Economic  
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University of Glasgow

### Susana Mourato

Vice-President and Pro-Vice-  
Chancellor (Research), London  
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### Mary Ryan

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### Mark Spearing

Vice-President (Research  
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### Brian Walker

Strategic Advisor,  
Newcastle University

**Research-intensive universities are key delivery partners for the Industrial Strategy, working with government, industry, public and third sector partners to help transform our economy.**

## **RUSSELL**

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University of Bristol  
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Cardiff University  
Durham University  
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University of Glasgow  
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University of Liverpool  
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and Political Science  
University of Manchester  
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University of Nottingham  
University of Oxford  
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