



## Universities Scotland further submission of evidence to Economy, Jobs and Fair Work Committee inquiry on the European Structural and Investment Funds

Scottish higher education institutions (HEIs) interact with current European Structural and Investment Funds (ESIF) across a number of activities, including innovation and skills development, to contribute to smart, sustainable and inclusive growth.

The successor to ESIF should continue to have a focus on supporting economic growth and social cohesion, operating at a local level. HEIs should play an important role in the ESIF successor to achieve these outcomes so we are pleased to contribute to the Economy, Jobs and Fair Work Committee's work to develop a view for the ESIF successor.

Universities are often uniquely placed to support local growth given their position as 'anchor' institutions – rooted in the local community but with global reach, acting as a focal point for networks, producing highly skilled graduates and generating and exchanging knowledge. Universities are already making an important contribution to the Scottish economy and this is a strong basis to build from and develop through the ESIF successor.

### *Current spending priorities and approvals process*

There are a number of positive features of the programme. Two important features are: the longterm horizon (~6-years) for the strategy and goals of ESIF; the focus on capacity building. These should be maintained in future.

We have received feedback from members, particularly University of Highlands and Islands where ESIF has been hugely valued and impactful. However, there are a number of issues with the current (2014- ) programme that our members have highlighted:

- There is concern that funding mechanisms are not transparent and there is limited visibility on the process for developing priorities
- Where HEIs are involved with ESIF the experience is that reporting and auditing is overburdensome. This creates inefficiencies in programme delivery due to the level of effort expended in dealing with such requirements
- There have been a number of challenging situations where lengthy and complex processes have led to delays in securing funding which in turn can delay projects, or put them at risk
- There have been examples where a lack of early engagement with local stakeholders or inflexible processes have caused delays in programme initiation and delivery.

A real barrier with ESIF relates to the management of projects. Institutions have not received sufficient information on future funding which prevents them from committing to longer term undertakings (e.g. recruiting new staff, providing places on courses, particularly undergraduate degrees which are a 3-4 year commitment) because there has not been confidence in receiving funding over a >2 year term.

We see the above issues with Structural Funds as being surmountable in a successor fund.

### *How universities have interacted with Structural Funds (2007-2013)*



In the 2007-2013 programme fourteen different Scottish HEIs were lead partners in 60 ERDF projects. Many projects helped to build and embed the infrastructure needed to support closer engagement with the business community and to increase the commercialisation of university research<sup>1</sup>.

An example is the development of the Technology and Innovation Centre which included a £6.5M contribution from ERDF (2007-2013) to the total £90M investment to develop the centre to accelerate how academics and industry work together. It was 'developed with industry, for industry' and along with the surrounding International Technology and Renewable Energy Zone it is expected to generate 700 jobs and attract millions of pounds of inward investment to Glasgow.<sup>2</sup> The TIC has attracted support from a range of partners including ScottishPower, the Weir Group, GSK, Novartis, AstraZeneca and Fraunhofer UK, and since the official opening in 2015 and to mid-2016 more than 23,000 visitors have used the conference facilities, 'a clear demonstration of the TIC's ability to engage with its partners'.<sup>3</sup>

## Future programmes

### *Features of a future scheme*

One of the main benefits of ESIF is the long term nature of the programme which should support strategic planning. The importance of clarity at the outset of the programme will be critical to deliver on a longer term approach to deliver economic growth. The successor fund should be similarly long term in terms of setting goals and the funding settlement.

The fund should take a place-based approach to economic development which is consistent with both the Enterprise and Skills Review and UK Industrial Strategy. The fund should take a more granular approach to locality compared to two geographical areas of ESIF (Lowlands and Uplands, or Highlands and Islands).

We would anticipate that the successor fund will be allocated based on need and assess projects on the basis of impact i.e. a relatively modest investment or one with absolutely modest outcomes could have a significant impact in certain places. The Industrial Strategy reference to a 'rebalancing toolkit' could be a useful tool to inform the use of the ESIF successor fund.

We see an important principle of the ESIF successor should be additionality, so the successor scheme should not replace or duplicate existing funding streams, but must add value.

The successor to ESIF should be designed to enable synergies with existing funding schemes, whether Scottish, UK-wide (including Industrial Strategy related funds such as the Industrial Strategy Challenge Fund) or international (ideally to the EU's Framework Programme 9 for research and innovation). The fund should focus on building capacity across places, looking to escalate to competitive/excellence-based funds. There may be scope for a 'seal of excellence'<sup>4</sup> approach to enable high quality proposals from other schemes to bridge between different types of interventions (for instance from competitive to place-based support as is currently possible between Horizon2020 and other, whether ESIF or national, funding streams).

ESIF reporting and audit is very burdensome and the ESIF successor should be more risk-based and proportionate. Currently all ESIF funding is matched and allocated via Lead Partners (which include

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<sup>1</sup> Scottish Government ERDF 2007-2013

<sup>2</sup> What is the Technology and Innovation Centre?' [\[online\]](#)

<sup>3</sup> UKSPA case study (July 2016) [\[online\]](#)

<sup>4</sup> More information on the European Commission's seal of excellence approach is available [\[online\]](#)



Scottish Funding Council, the enterprise agencies and Skills Development Scotland) and, for certain projects, it may be appropriate to allow low risk institutions such as HEIs to act as Lead Partners. HEIs have the experience and infrastructure to manage such funding programmes.

We would support the fund being operated locally to meet local needs but within a structure that allows collaboration between areas across the UK. This will require a framework to set the strategy at the top level but detailed planning on governance and delivery at a local level.

### *A bigger role for HEIs*

HEIs have a great deal of expertise across: innovation; skills development; and, SME and business engagement that deliver a beneficial impact on the economy. For instance:

- Looking at the UK level, research undertaken by HEIs (in 2014-15) equated to more than a £1000 increase in income per household by benefitting the supply side of the economy<sup>5</sup>
- Education provided by universities is estimated to increase the value of graduates' human capital by 28% relative to pre-degree value<sup>6</sup>
- At a Scotland level, our universities worked with ~22,000 Scottish organisations including over ~16,000 SMEs in 2016/17 to support innovation, research, CPD and consultancy<sup>7</sup>
- In terms of local development, the University of Dundee supports 1 in 12 jobs in the city and started the project to bring the V&A Museum of Design to Dundee, the central piece of a £3bn waterfront redevelopment<sup>8</sup>

Working with universities could further promote regional growth and social cohesion and we see a number of routes for how the future fund could be used to support this, depending on local need. Ideas include:

- Projects to retain graduates in local areas, contributing to the local economy
- Programmes to enhance lifelong learning provision to support up- and re-skilling
- Supporting research and innovation infrastructure to enable HEIs to work with businesses
- Support businesses to access graduate talent via placement schemes
- Continue to support businesses, particularly SMEs, to innovate and work with HEIs. For example, Interface was funded by ERDF to deliver innovation vouchers and recent evidence showed that businesses supported by Interface generated £64.2M GVA/year supporting 1060 jobs<sup>9</sup>
- Supporting research capacity building by supporting the recruitment of research students and early career researchers
- Providing undergraduate level education to provide individuals with sought after higher level skills

### *Enabling HEIs and FE engagement with ESIF*

To realise the potential for this impact, an important factor for this will be to ensure HEIs and FE representatives are a part of governance structures from the start of the programme to develop local strategies and implement programmes. Having HEIs embedded in the governance structures will facilitate working with local partners such as local authorities. We have received positive feedback from members involved with City Region Deals, particularly the Edinburgh and South East Scotland City Deal, in terms of the joint work across local stakeholders. There may be scope to build on existing structures in local areas, such as those established in City Deals or existing structures in Highlands and Islands, to inform how the

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<sup>5</sup> 'The economic impact of universities in 2014-15', Oxford Economics (commissioned by Universities UK), October 2017. [\[online\]](#)

<sup>6</sup> *Ibid*

<sup>7</sup> Scottish Funding Council KTG metrics 2016-17

<sup>8</sup> 'Impact – economic, social, cultural', University of Dundee, June 2016. [\[online\]](#)

<sup>9</sup> Economic impact of Interface, BiGGAR Economics, September 2017. [\[online\]](#)



ESIF successor operates at a local level. The Enterprise and Skills Review emphasised the importance of regional partnerships which are tailored to the bespoke requirements of each area in Scotland – this locality of decision making, involving HEIs should be an important way of delivering the ESIF successor.

In establishing the future funds we also see a valuable role in engaging with academic expertise to help to ensure monitoring and evaluation is built into projects.

### *Opportunities and risks for the future fund*

#### *Opportunities*

- The opportunity is there to ensure the replacement for ESIF is locally focussed to deliver bespoke economic growth support but connected into other domestic and international funding streams to ensure complementarity (not overlap)
- Creation of less burdensome processes, contributing to more efficient delivery of projects
- Designing the fund with flexible processes (whether in prioritisation of resources or for administration) to ensure the successor to ESIF delivers on its objectives

#### *Risks*

- Without sustainable underpinning funding for universities –to provide teaching, research and innovation – there will be limitations to the university capacity to deliver their potential contribution to the ESIF successor (and regional growth more widely)
- There are risks around transitions from ESIF to the new successor scheme and it is crucial that the transition from ESIF to the new fund is well managed
- There are many interventions that are ongoing and highly valuable – for example Graduate Apprenticeships for skills development – and we would be concerned that a transition to a new fund could risk such projects.
- There is a risk that new schemes may inadvertently duplicate others. There should be a focus (as with current ESIF) on added value and not duplicating/replacing other funding streams.

## **ENDS**

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