

## **HEI Funding and ‘Levelling Up’**

### **Purpose of report**

For discussion.

### **Summary**

Officers at the LGA have matched higher education institutions (HEI) to place and considered the economic impact on places that have received significant HEI funding in recent years compared to those that have not. The findings in this paper suggest that publicly funded HEI allocations have had a notable impact on the economic make-up of the areas that receive funding, in terms of job creation, productivity and occupational composition.

### **Recommendations**

Members of the City Regions Board are asked to:

- i. **Note** the summary findings of the project to date.
- ii. **Consider** the issues raised within the report, reflect on the proposed policy options and provide a view on next steps regarding higher education funding.

### **Action**

Officers to take forward work subject to the comments of members.

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## **HEI Funding and Levelling Up**

### **Background**

1. Universities spent over £150.6m on local outreach work with schools and communities in 2014-15. They are also responsible for a wide variety of direct spending through maintaining campuses, accommodation, and libraries.<sup>1</sup>
2. More broadly, evidence suggests that universities contribute £21bn to overall economic growth and support over 1m jobs.<sup>2</sup> Universities also contribute to the local economy through providing talented graduate labour, increasing productivity and making it more attractive for businesses to set-up in the area. With the Government's aim to increase R&D spending to 2.4 per cent of GDP, the impact of universities on local economies is likely to increase.
3. Within the context of the Government's levelling-up agenda, Lead Members asked LGA officers to examine the profile of HEI funding in England, including where public funding goes and the potential implications of this funding for place.
4. This paper outlines the findings of this research: considering HEI funding flows<sup>3</sup> down to the district level and outlining some of the characteristics of areas that receive funding, and those that do not.

### **Findings**

#### *HEI Funding to Place*

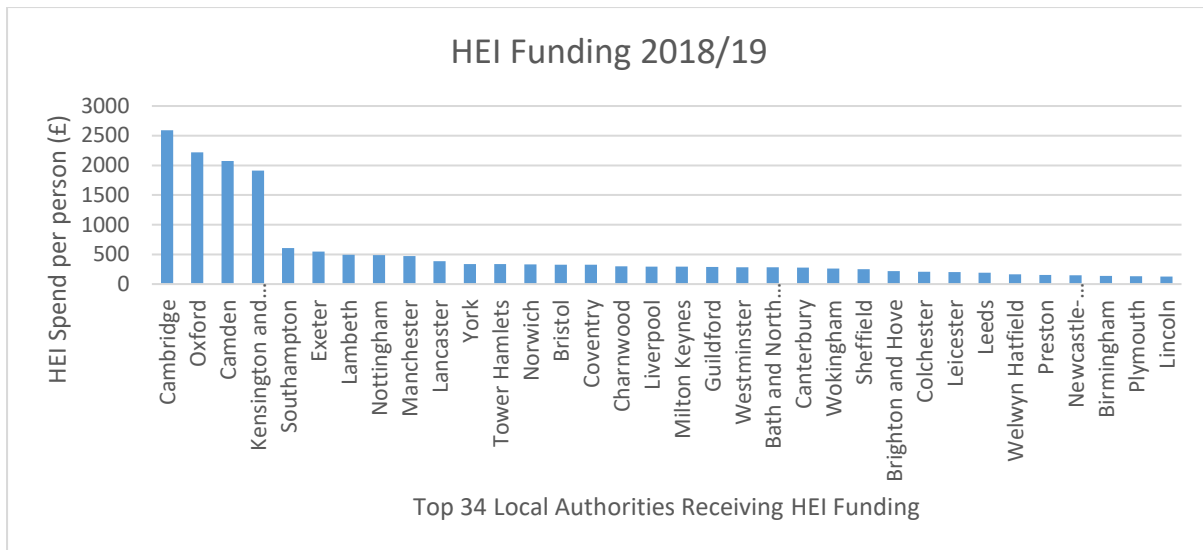
5. High levels of public funding have consistently reached the 'golden triangle' universities in Oxford, Cambridge and London. When matching these universities to place, Cambridge, Oxford, Camden and Kensington & Chelsea received £8,798 per head of the population between them, almost as much as the next 30 local authorities combined in 2018/19.

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<sup>1</sup> <https://www.universitiesuk.ac.uk/facts-and-stats/Documents/university-spending-explained-summary.pdf>

<sup>2</sup> <https://www.universitiesuk.ac.uk/policyand-analysis/reports/Pages/economic-impact-universities-2014-15.aspx>

<sup>3</sup> The funding discussed throughout the paper refers to funding from UK Research & Innovation (UKRI) and the Office for Students (OfS) from 2018. Beforehand funding was allocated through the Higher Education Funding Council for England. These agencies are or have been funded by the Department for Business, Energy and Industrial Strategy (BEIS) and the Department for Education (DfE).



6. Beyond the 'golden triangle', there remains significant disparities in HEI funding for place. For example, Manchester received £470 HEI funding per head of the population, while Bolton received less than £15. Similarly, Exeter received £548 HEI funding per head of the population, while Cornwall received just over £8 in 2018/19.

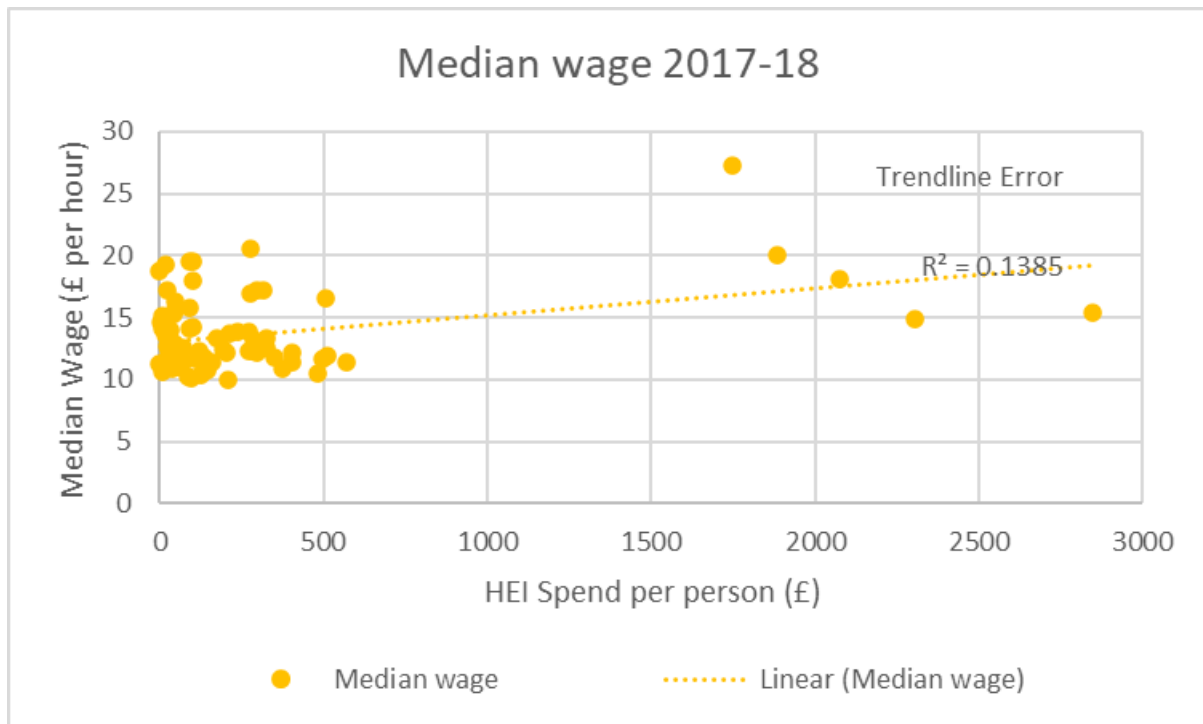
*Potential Implications for Place*

7. Job-related statistics:

7.1 Somewhat surprisingly, there appears to be little correlation between HEI investment per head into place and unemployment figures, claimant count or the Index of Multiple Deprivation (IMD) since 2015/16.

7.2 However, there appears to be a discernible and consistent link between HEI funding and jobs per head in the area, suggesting that jobs in the locality are filled by people outside of the local authority, rather than local residents.

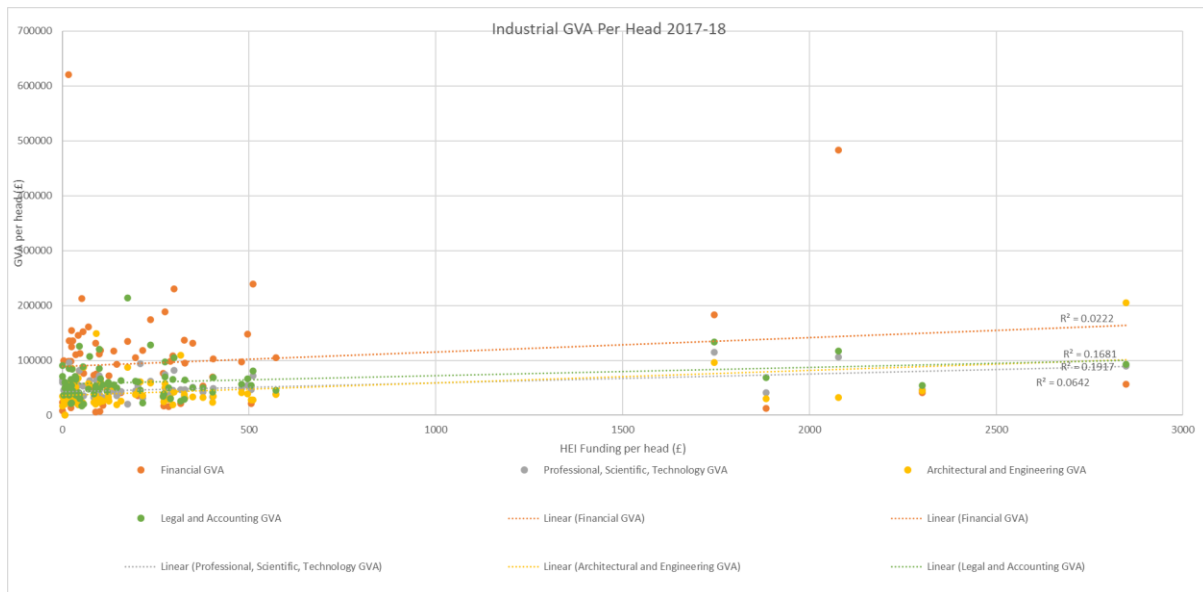
7.3 There is also a consistent link between HEI funding and the median wage in the locality.



## 8. Gross Value Added (GVA) and productivity:

8.1 The most striking links appear in the Gross Value Added (GVA) per head of certain industries that are heavily linked to Science, Technology, Engineering & Mathematics (STEM) subjects. For example, the Professional, Scientific & Technology industry alongside the Architectural & Engineering industry show a consistent correlation between HEI funding per head and the GVA per head of those industries.

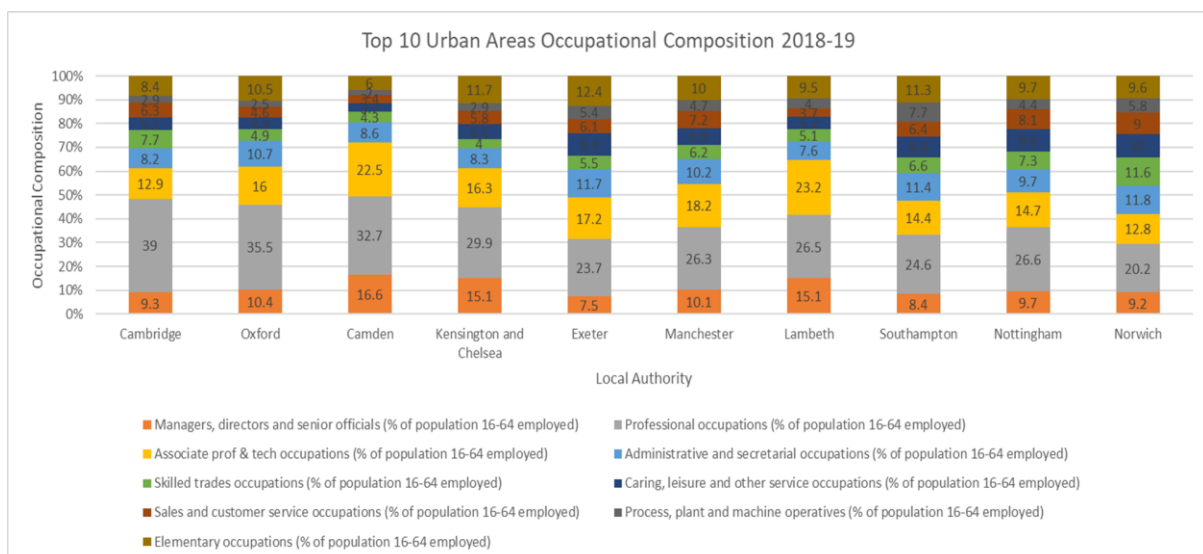
8.2 Other industries, like Legal and Accounting alongside Financial and Insurance, also show a slight correlation between GVA per head and HEI funding per head.



## 9. Occupational Composition:

9.1 There is a striking link between the occupational composition of areas that receive high levels of HEI funding per head and the composition of areas that receive lower levels.

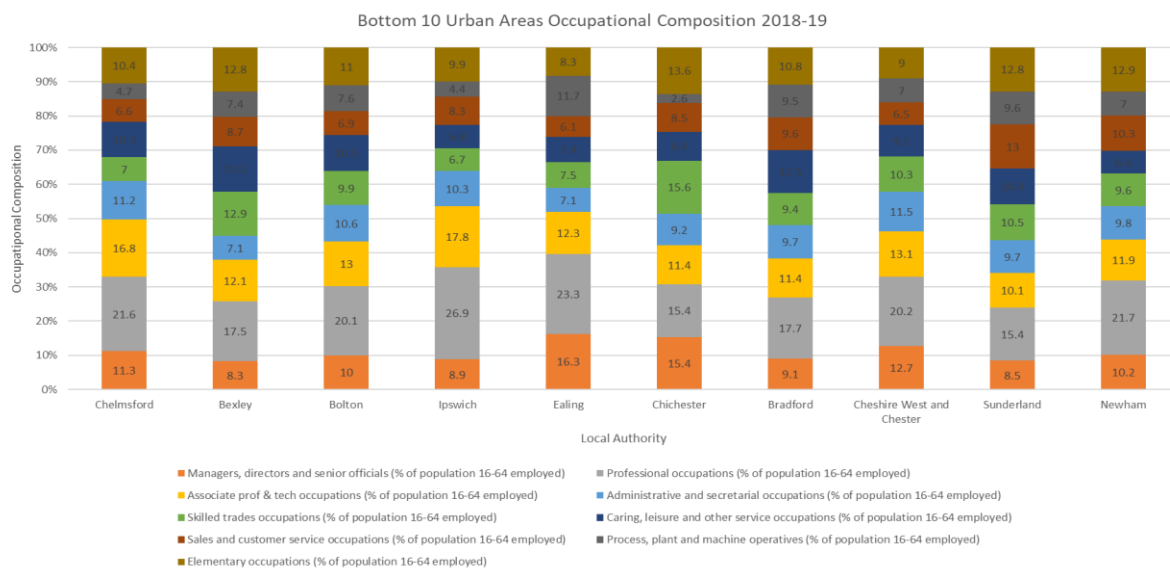
9.2 The top ten urban areas with the highest levels of HEI funding have relatively high levels of workers in occupations relating to the STEM subjects. For example, out of the nine major occupational groups, over 45 per cent are covered by Professional as well as Associate Professional & Technical occupations on average.



9.3 Conversely, less than 33 per cent in the ten urban areas with the lowest HEI funding are part of those occupational groups.

9.4 On average, almost 40 per cent of the occupational composition of the places with the lowest funding are made up by: Elementary; Process, Plant & Machine operatives; Sales & Customer Service; and Caring, Leisure and Other Services occupations.

9.5 Conversely, just over 30 per cent of the places with the highest levels of funding are made up of those occupations.



## Initial Conclusions

10. The data suggests that there may be two key findings relating to HEI funding and levelling up. First, that universities have a positive impact on the productivity of an area as well as its occupational composition – particularly in the STEM industries. Second, university funding would appear not to have addressed local unemployment and deprivation.

11. If these suggestions are indeed correct, HEI funding allocations must be cognisant of place and further aimed at ‘left behind’ areas to increase their GVA and skills mix. In short, there is a risk that simply shifting investment patterns will not impact on local inequalities.

## Policy Options

12. In reviewing this work, Members are asked to provide a steer on possible LGA lines regarding HEI funding and how the LGA should take this work forward. Set out below are a number of policy options for further consideration.

13. The Strength in Places Fund (SIPF) is provided by UKRI and aims to drive economic growth in specific areas of the UK, building on existing research excellence. It has invested £186m thus far in the first wave and is expected to bring significant benefits to localities.<sup>4</sup>
14. For example, 'Growing Kent and Medway' was awarded to south-east England which will build on the region's climate-smart food production and processing by supporting local growers and investing in AI and automation. This is expected to create 1,700 jobs and add £39m annually to the local economy.<sup>5</sup>
15. Therefore, SIPF is welcome but could be expanded and focused on areas with lower levels of GVA and a worse skills mix. Moreover, local authorities could be required as partners in the consortia bidding for SIPF funding – even if this is in an advisory capacity - in order to ensure the project is addressing local needs such as jobs and deprivation.
16. The Research Excellence Framework (REF) has been used to decide which universities receive the bulk of funding and has remained unchanged since 2014. The allocation criteria are set to be updated in 2021 and could include place-based needs as one of its key criteria.
17. Last month, the Government announced that the Advanced Research & Invention Agency (ARIA) was due to be fully operational by 2022, with an £800m fund per annum. ARIA is purported to back 'cutting-edge', 'high-risk, high reward' research and technology to create highly skilled jobs across the country.<sup>6</sup> In a similar manner to the SIPF, this could allocate funding to drive economic growth in 'left behind' areas, and build on the economic strengths of those areas.
18. An independent body could be created with a dual-function to a) hold the UKRI and the Office for Students to account for progress in productivity and reducing economic disparities, equipped with statutory powers<sup>7</sup> and b) support universities as they progress into a more civically-minded institution, specifically focusing on job-creation for locals and addressing pockets of deprivation in the locality.
19. Universities and local authorities could be able to bid in partnership for grants administered from UKRI, to ensure place-based socio-economic benefits are considered. Alternatively, the Government should allocate a new £1 bn 'Civic University Fund', as proposed by the UPP Foundation. This could be aimed at areas that are socially and

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<sup>4</sup> <https://www.ukri.org/our-work/our-main-funds/strength-in-places-fund/>

<sup>5</sup> <https://www.growingkentandmedway.com/>

<sup>6</sup> <https://www.gov.uk/government/news/uk-to-launch-new-research-agency-to-support-high-risk-high-reward-science>

<sup>7</sup> Richard A.L. Jones, *A Resurgence of the Regions: rebuilding innovation capacity across the whole UK*, 2019. [http://www.softmachines.org/wordpress/wp-content/uploads/2019/05/ResurgenceRegionsRALJv22\\_5\\_19.pdf](http://www.softmachines.org/wordpress/wp-content/uploads/2019/05/ResurgenceRegionsRALJv22_5_19.pdf) originally proposed giving similar statutory powers to the Industrial Strategy Council for similar reasons.

economically vulnerable and should include the local authority as a partner with the university.<sup>8</sup>

**Next steps**

20. Members of the City Regions Board are asked to:

20.1 **Note** the summary findings of the project to date.

20.2 **Consider** the issues raised within the report, reflect on the proposed policy options and provide a view on next steps regarding higher education funding.

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<sup>8</sup> <https://upp-foundation.org/wp-content/uploads/2020/10/2457-UPP-Foundation-Towns-Report-Part-II-V8-2.pdf>