

## LEVELLING UP

Cardiff University policy briefing, February 2022

### Overview

The UK Government's Levelling Up white paper<sup>17</sup> sets out plans to reduce differences between richer and poorer parts of the UK through 12 national "missions" aimed at reducing inequalities across society by 2030. These include a target on R&D spending, aimed at increasing public investment in R&D outside the 'golden triangle' by at least 40% by 2030, with a commitment from the Department for Business, Energy & Industrial Strategy to invest at least 55% of their domestic R&D funding outside the region by 2024-25.

Cardiff University welcomes both the principles and the scale of the ambition, but is urging the UK and Welsh Governments to work together to ensure that Levelling Up happens right across Wales, with a focus on creating long-term, high-quality jobs in industries of the future.

### Levelling Up for Wales

Research-intensive universities already inject nearly £87 billion into the UK economy every year through their research, teaching, exports, local buying power and other activities; they also support over 260,000 jobs across the towns and cities of the UK – the vast majority outside London.<sup>18</sup>

Between 2014 and 2020, more than 3,600 new jobs were created by spinouts specifically linked to Cardiff University, across 1,277 active companies with a combined turnover of £181m bringing £54m of local investment. One notable involvement is Cardiff University's status as lead partner in the world's first compound semiconductor cluster in Wales. CSconnected is positioning South Wales as a global leader in enabling new and emerging technologies.<sup>19</sup>

Yet beneath these impressive figures, Wales risks falling behind other parts of the UK unless there is sustained investment in our research and innovation infrastructure. The UK Government's white paper commits a total of £100m over three years to pilot three new Innovation Accelerators in Greater Manchester, the West Midlands, and the Glasgow City Region, with the potential for this initiative to be rolled out further in future. No equivalent Innovation Accelerator is planned in Wales, and although investment in the Cardiff Capital Region through the City & Growth Deal is welcome, the Levelling Up white paper contains no further promises of investment.

Public investment in R&D helps to leverage significant private sector investment. UK Government analysis indicates that an additional £1 of public spending in R&D gives rise to an increase in private R&D funding of £1.36 over a ten-year period.<sup>20</sup> According to the latest public data<sup>21,22,23</sup>, Wales has the second lowest level of overall R&D spending, the lowest level per head and second-slowest growth in private R&D expenditure

<sup>17</sup> UK Government (2022) [Levelling Up: delivering for all parts of the UK](#), London: UK Government

<sup>18</sup> Russell Group (2022) [Russell Group universities boosting the economy in every region of the UK](#), Russell Group website (accessed 11 February 2022).

<sup>19</sup> Welsh Economy Research Unit (2022) [Annual Report: compound semiconductor cluster in South Wales](#), Cardiff: CS Connected / WERU.

<sup>20</sup> Economic Insight (2015) [What is the relationship between public and private investment in science, research and innovation?: a report commissioned by the Department for Business, Innovation and Skills](#), London: UK Government.

<sup>21</sup> Office for National Statistics (2020) [Gross domestic expenditure on research and development, by region: UK](#), Newport: Office for National Statistics.

<sup>22</sup> Rhodes, C., Hutton, G. & Ward, M. (2020) [Research Briefing: research and development spending](#), London: UK Parliament.

<sup>23</sup> Welsh Government. (2020) [Research and development business enterprise expenditure: 2019](#), Cardiff: Welsh Government.

among comparable UK nations and regions. A 2020 report calculated that imbalances in R&D spending means that Wales is missing out on £420m on public R&D investment and a substantial private sector multiplier.<sup>24</sup>

Universities are more important for R&D in Wales as compared to the UK level.<sup>25,26</sup> In the last twenty years, higher education has twice overtaken the private sector for R&D expenditure (this has not happened at the UK level). If the UK Government is to make a success of levelling up in Wales, the HE sector must be utilised.

### UK Shared Prosperity Fund

One of the primary vehicles for levelling up is the UK Shared Prosperity Fund (UKSPF). The 2019 Conservative manifesto promised<sup>27</sup> the UKSPF would tackle "*inequality and deprivation in each of the four nations*" and at a "*minimum match the size of [EU structural] funds in each nation*". This has since been reiterated at the despatch box and in media statements.<sup>28,29</sup>

Pre-Brexit, Wales benefitted significantly from EU regional development funding. This was particularly important for universities, who received roughly £570m from European structural funds since the turn of the millennium. For Cardiff University, this funding was instrumental in several of our major initiatives, including our state-of-the-art Brain Imaging Centre, our Data Innovation Accelerator providing data expertise for small companies, and our contributions to the South Wales compound semiconductor cluster. Funding enabled co-operation between universities and wider partners, with a positive knock-on impact for the local economy.

The replacement of EU funds with a UKSPF represents both an opportunity and a challenge. This was recognised by the Welsh Affairs Committee, who recommended<sup>30</sup> that the UK Government should work with devolved governments to agree the priorities and operation of the UKSPF. Meanwhile, the Institute for Government has warned<sup>31</sup> that the UK Government's current approach to the UKSPF will risk duplication of functions, with the UK and Welsh Government funding similar initiatives that compete with one another – further increasing tensions between the UK and devolved governments.

### Recommendations

Cardiff University recommends that the UK Government should:

- Underpin regional development funding with a common framework to set the terms of co-operation between the four governments of the UK.<sup>32</sup>
- Not force regions and nations of the UK to choose between competing economic development initiatives (levelling up should not mean universities picking sides between Cardiff and Westminster).

Recommendations for Welsh Government are available separately from [PublicAffairs@cardiff.ac.uk](mailto:PublicAffairs@cardiff.ac.uk)

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<sup>24</sup> Forth, T. & Jones, R. (2020) [The Missing £4 Billion: making R&D work for the whole UK](#), London: Nesta, p7.

<sup>25</sup> StatsWales (2020) [Research & development expenditure in Wales](#), Cardiff: Welsh Government.

<sup>26</sup> Office for National Statistics (2020) [Research and development expenditure](#), Newport: Office for National Statistics.

<sup>27</sup> Conservative Party (2019) [Get Brexit Done, Unleash Britain's Potential: the Conservative & Unionist Party Manifesto 2019](#), London: Conservative Party.

<sup>28</sup> *Hansard* HC Deb, [vol.669 col.1007](#), 15 January 2020.

<sup>29</sup> Wells, I. (2020) [Brexit: Wales' EU aid replacement progress 'unacceptable'](#), London: BBC.

<sup>30</sup> House of Commons Welsh Affairs Committee (2020) [Wales and the Shared Prosperity Fund: priorities for the replacement of EU structural funding](#), London: UK Parliament.

<sup>31</sup> Nice, A., Paun, A. & Hall, D. (2021) [The UK Shared Prosperity Fund: Strengthening the union or undermining devolution?](#), London: Institute for Government.

<sup>32</sup> This could usefully draw on:

- Dougan, M. *et al.* (2020) [UK Internal Market Bill, Devolution & the Union](#), Edinburgh: Centre on Constitutional Change.
- Institute of Welsh Affairs (2021) [What does 'Levelling Up' mean for Wales?](#), Cardiff: IWA.