

The UK Shared Prosperity Fund should help to grow research and innovation capacity across the UK

A global science superpower

The Government's ambition is for the UK to be a global science superpower. To achieve this, it has committed to increase public funding for R&D to £22 billion per year by 2024 – 25 as part of its goal to increase UK investment in R&D to 2.4% of GDP by 2027, and 3% in the longer term. In addition, it has committed to ensure that the benefits of this investment are realised across the UK's regions and nations as part of its levelling up agenda.

UK Shared Prosperity Fund

The UK Shared Prosperity Fund (UKSPF) is expected to replace European Structural and Investment Funds (ESIF) later in 2021 with the objective of levelling up and creating opportunity for people and places across the UK¹. The Government has committed to match the total amount received through ESIF at the national level while the UK was a member of the EU at around £1.5 billion a year.

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Research and innovation are essential in achieving the Government's objectives for UKSPF to **level up and create opportunity across the UK for people and places.**

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ESIF have become a unique part of the UK's regional research and innovation funding landscape. They have added diversity to the landscape by providing support for places according to need, with the least advantaged regions receiving the most funding. To support its ambition as a science superpower and level up, the Government must use the UKSPF to maintain growth in research and innovation capacity across the UK through locally focused projects in areas such as skills development and SME competitiveness and by leveraging investment from other sources.

ASKS

- The Government should rapidly deliver the Shared Prosperity Fund and ensure that it continues to support research and innovation activities to avoid a funding cliff edge that leads to a loss of these activities and capabilities across all the UK's nations and regions. Once lost, these will take time and investment to rebuild.
- The fund must complement other new and existing initiatives at a national and devolved level which use data to target local strengths and excellence in research and build on different regions' comparative advantages including infrastructure and skills.

What support for research and innovation is at risk?

On leaving the EU, the UK will no longer access ESIF which provided need-based support for business and university research and innovation activities in the UK. The purpose of this funding is to drive economic development and reduce inequality at a regional level within Member States. Projects must be co-financed, with a typical match funding rate of 50 – 85%. The majority of support from ESIF in the UK has come from the European Regional Development Fund (ERDF) and the European Social Fund (ESF). There are also smaller UK funds which have a role in capacity building.

The UK is set to receive a total of €16.4 billion over the 2014 to 2020 period², which equates to an average of €2.1 billion per year. When combined with co-financing from the UK, €26.5 billion is expected to be spent on ESIF projects³. There is currently little detail about how UKSPF might replace these funds.

1. HM Treasury, Spending Review 2020, 25 November 2020; <https://www.gov.uk/government/publications/spending-review-2020-documents/spending-review-2020>

2. Under the Withdrawal Agreement, the UK will continue to participate in programmes funded under the current 2014-2020 Multiannual Financial Framework (MFF) until their closure. This means that the UK will continue to receive funds after 2020.

3. House of Commons Library, The UK Shared Prosperity Fund, 29 January 2021; <https://commonslibrary.parliament.uk/research-briefings/cbp-8527/>

Which parts of the UK could lose out if the UKSPF does not support research and innovation capacity?

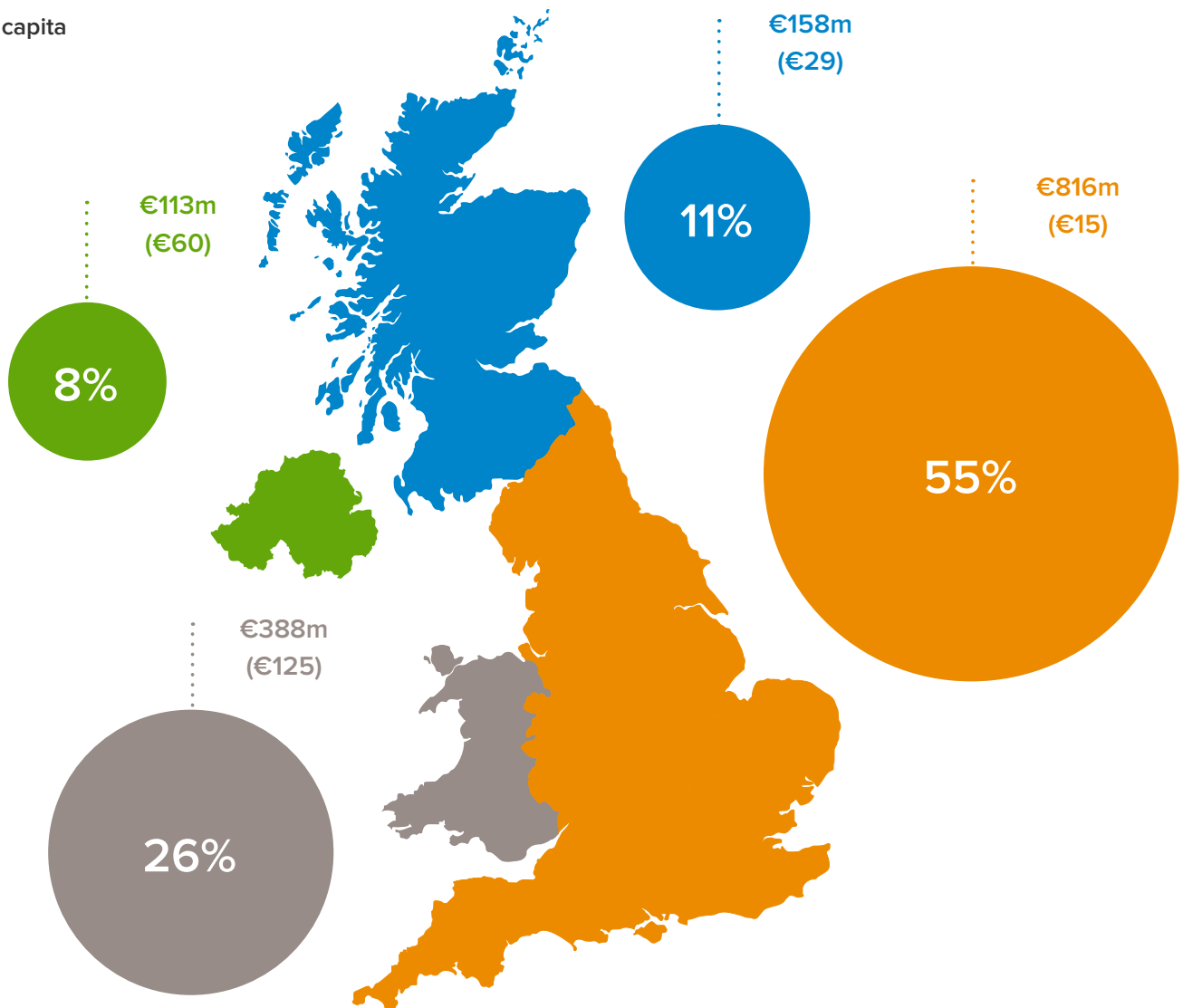
In the UK, over half of R&D investment is concentrated in three regions: the East of England, London and the South East. ESIF are allocated based on need and

therefore regions with economic output per person below 75% of the EU average are entitled to much more support than regions that are above this cut-off. As a result, Wales is due to receive an average of €125 per person per year and Northern Ireland €60 per person per year. The average in the UK is €23 per person per year.

FIGURE 1

Planned investment for research and innovation activities through the ERDF component of ESIF, 2014 to 2020⁴. These activities sit within the nine ERDF priority axes including '1: Research and innovation' and '3: Enhancing the competitiveness of SMEs'.

(€) = per capita



Source: Technopolis. 2017 The role of EU funding in UK research and innovation – an analysis commissioned by the UK's National Academies – The Royal Society, British Academy, Academy of Medical Sciences and Royal Academy of Engineering.

4. Technopolis, The role of EU funding in UK research and innovation – an analysis commissioned by the UK's National Academies – The Royal Society, British Academy, Academy of Medical Sciences and Royal Academy of Engineering, 2017; <https://royalsociety.org/-/media/policy/Publications/2017/2017-05-technopolis-role-of-EU-funding-report.PDF>

Universities use ESIF to support their communities

In 2018/19, half (£131 million) of UK university income supporting regeneration and development came from ESIF. This activity will have attracted match funding from other sources. Regeneration and development is a term for university-led investment in economic and socially beneficial projects.

“...clarity is urgently needed on the future of the UKSPF. This is especially important as regions develop their COVID-19 recovery plans, many of which require funding to support job creation, upskilling and retraining, business support and long-term visions for each region⁵.” CBI

The top 10 universities using ESIF to support regeneration and development in 2018/19

1. Swansea University
2. The University of Birmingham
3. Cardiff University
4. Aberystwyth University
5. University of Hertfordshire
6. University of Plymouth
7. The University of Lancaster
8. Keele University
9. Bangor University
10. The University of Exeter

TABLE 1

Higher Education Institution (HEI) income from ESIF (ERDF and ESF) to support regeneration and development in 2018/19⁶.

Region	Total income from ESIF (£)	No. of HEIs per region	No. of HEIs per region that use ESIF	Average income per HEI that use ESIF (£)
Wales	36,233,000	8	8	4,529,125
West Midlands	24,096,000	12	11	2,190,545
North West	15,315,000	15	9	1,701,667
Northern Ireland	3,172,000	4	2	1,586,000
South West	14,106,000	15	10	1,410,600
East of England	7,290,000	10	6	1,215,000
East Midlands	10,521,000	9	9	1,169,000
North East	4,859,000	5	5	971,800
Yorkshire and the Humber	5,505,000	12	8	688,125
South East	5,230,000	19	12	435,833
London	2,809,000	38	9	312,111
Scotland	2,471,000	18	8	308,875
Total	131,607,000	165	97	1,356,773

5. CBI, Reviving regions: Empowering places to revive and thrive, November 2020; <https://www.cbi.org.uk/media/5964/2020-11-reviving-regions.pdf>

6. HESA, Regeneration and development, accessed 23 February 2021; <https://www.hesa.ac.uk/data-and-analysis/business-community/regeneration>

Projects that have been enabled by ESIF

Cornwall and the Isles of Scilly Growth Programme⁷

The ESIF Growth Programme is worth over €600 million and has funded over 100 projects across Cornwall and the Isles of Scilly, including €91 million for research and development projects, with the overall objective to improve the quality of life of Cornish citizens. Example projects include AeroSpace Cornwall which aims to increase the supply chain cluster in the Space and Aerospace sectors and create highly skilled jobs, and Agritech Cornwall which aims to support businesses to drive growth, productivity and to exploit new market opportunities.

Catalyst (Northern Ireland)⁹

Catalyst, formerly the Northern Ireland Science Park, has been critical in making Northern Ireland the second-fastest growing region of the UK. The Centre for Secure Information Technologies, which sits in this cluster, has formed the centre of a local cybersecurity ecosystem that includes over 40 companies employing approximately 1,600 cybersecurity professionals and delivering £60 million per annum in salaries to the local economy. In its early formation, the Northern Ireland Science Park was supported by ESIF (through ERDF).

Sêr Cymru ('Star Wales') programme⁸

The programme was launched in 2012 with the aim to address the Science, Technology, Engineering, Mathematics and Medicine (STEMM) capacity deficit in Wales and build a stronger science base in Welsh universities. By November 2018, the programme had appointed eight new research chairs and over 100 fellows from more than 20 countries worldwide. ESIF (through the ERDF component) has contributed over €28 million.

Scottish Enterprise and the Highlands and Islands Enterprise

ESIF investments have been used extensively by Scotland's two regional development agencies – Scottish Enterprise and the Highlands and Islands Enterprise – to support businesses to innovate, resulting in new employment and economic development opportunities that would not have been available otherwise. For example, the Highlands and Islands Enterprise 'Innovate Your Business' programme is part-funded by ESIF (through ERDF). The programme is a one-to-one support service, and offers four areas of assistance: help to identify areas for growth; development of new products, processes or business models; design and implementation of collaborative projects; identification and securing of finance for innovation activities. There is also a small innovation grant scheme (up to £15,000).

7. Cornwall and Isles of Scilly Growth Programme website, accessed 23 February 2021; <https://www.cornwallislesofscillygrowthprogramme.org.uk/about-the-growth-programme/>

8. European Commission, Building research capacity in Wales, accessed 23 February 2021; https://ec.europa.eu/regional_policy/en/projects/United-Kingdom/building-research-capacity-in-wales-uk

9. The Royal Society, Research and innovation clusters, September 2020; <https://royalsociety.org/-/media/policy/Publications/2020/2020-07-research-and-innovation-clusters-report.pdf>