

Drivers of growth

Universities' enhanced civic role at the heart of national prosperity

Driving economic growth and securing institutional financial sustainability



Foreword

All our higher education institutions – from the smallest and most specialist to the ancient research powerhouses – bring benefits to their areas, in jobs, income and expertise.

Yet as a sector, we have tended to emphasise their education and research roles more than their civic contributions. We have tended to talk about teaching, research and ‘third-mission’ activity, suggesting one area is of less importance. In contrast, the most successful higher education institutions around the world tend to regard all three areas as being of equal merit and as mutually reinforcing.

This report seeks to re-centre the local and regional economic role of universities at a pivotal moment for UK higher education. There is a changed political environment including more devolution, and a continuing need to respond to big challenges, like climate change. This is daunting, but it also provides a real opportunity for universities that can adapt to the new future.

In the pages that follow are a number of constructive ideas including, moving from a position where partnerships between universities and employers have often been governed by serendipity to having a single front door that is easy to access, even for small firms. As the paper’s numerous powerful case studies show, this goal is far from unattainable.

There is an old saying that, “If you want to build a great city, create a university and wait 200 years”. This paper explains how to deliver that – but on a faster timetable.

Nick Hillman, Director of the Higher Education Policy Institute



*Welcome Week 2022
University of Salford*

Lloyds Banking Group and PwC UK are both longstanding supporters of the UK's university sector.

This report has been co-authored by Lloyds Banking Group (LBG) and PwC UK as part of a joint project to build on our respective longstanding and ongoing work with the UK higher education sector.



Support for the higher education sector is at the heart of Lloyds Banking Group's purpose of Helping Britain Prosper. Lloyds Bank is a leading provider of banking services to UK universities. Across the United Kingdom, Lloyds has a relationship with over 70% of higher education institutions, with some relationships spanning centuries.

As a trusted advisor, PwC UK has deep relationships across the UK higher education sector, and in the last year alone has worked with around a third of higher education institutions across a range of areas. PwC UK also develops and publishes regular reports to help inform and share perspectives within the sector.

The Rt Hon Jonathan Reynolds MP Secretary of State for Business and Trade

"Growth is the number one mission of this Government, and our modern Industrial Strategy will deliver this. The Industrial Strategy will be implemented in partnership with devolved governments, elected mayors and other local leaders to galvanise place-based growth opportunities. The UK's world leading universities are central to unleashing their regions' potential and the success of the Industrial Strategy's growth driving sectors."

The Rt Hon Baroness Smith Minister for Skills

"Universities should be anchors in their communities and engines of growth. The priorities for Higher Education reform we have set out will help them cement this status and support this Government's mission to fix the foundations of our economy. I am pleased to see the sector already engaging with us on these priorities, and welcome the PwC UK and Lloyds Banking Group's report as an example of how we can work in partnership with the sector to deliver our shared goals."





Summary

The UK has one of the world's leading university sectors. Universities are key national assets and important anchor institutions in their regions. With four of our universities in the global top 10 and 15 in the world's top 100¹, the UK is the second most popular study destination in the world.

From our interaction with universities across the country, we know that this is a moment of considerable challenge, particularly financially, for the sector. In January 2024, PwC UK published a report on the Financial Sustainability of the UK Higher Education Sector², commissioned by Universities UK, highlighting the financial fragility of the sector due to systemic challenges. In particular due to the erosion of the real-terms value of tuition fees, research being undertaken at a net loss, and an over-reliance on international student income. And, like other sectors, universities are having to address the net zero transition and invest in digital transformation. However, this is also a moment of considerable opportunity: the sector has been through a period of significant growth, with a diversifying range of income streams including through industry partnerships. There is also increasing recognition of the potential for the UK's universities to be central to the Local Growth Plans that are at the heart of the new government's ambitions.³

With this context in mind, LBG and PwC UK have come together to convene a conversation that seeks to address this question: can our universities make an even greater contribution to the places where they are based, and further strengthen themselves and their financial position in the process?

Our work throughout this year has been rooted in extensive engagement across the country. This has included face to face interviews, visits and roundtables with over 50 universities and wider stakeholders: experts in regional growth and place-making, regional and national policy makers, and leaders in business, finance and innovation. Our roundtable events in Belfast, Cardiff, Edinburgh, Leeds, Newcastle and Southampton brought together leaders across sectors to consider this opportunity and its challenges.

This report is based on these discussions and draws out examples of universities which are leading the way in their contribution to growth. Together with our own experience working with the sector, and the perspectives of leading practitioners, it sets out some key steps for this important role to be enhanced and strengthened.

We hope that this report both contributes to this important debate and acts as a stimulus to the strengthening of this role.

Introduction

Universities play a crucial role in our national life. We often consider the importance of their contribution to knowledge, inspiring others through teaching and through research which advances our understanding of the world.

Universities are also drivers of growth and prosperity, in particular by strengthening human capital and supporting innovation. One of the defining characteristics of the UK university sector is that it is physically embedded in cities and communities across our regions and nations, and is therefore uniquely placed to help address the UK's low-productivity challenges. This is timely in the context of a new government with a clear priority of securing economic growth, supported by a forthcoming Industrial Strategy and increasing devolution. In late 2024, the Secretary of State for Education indicated the government's view on the importance of universities in their local economies and communities, as civic anchors at "the beating heart of local life in our towns and cities".⁴

Alongside the direct economic importance of the sector, there is strong evidence of the role that universities play in driving growth and productivity, both in their regions and for the national economy. A 2024 review found that every £1 invested in higher education research generates additional annual economic output of nearly £5 across the UK economy, with UK higher education research resulting in over £40bn of increased private sector productivity each year.⁵

In preparing this report, we have encountered a wave of enthusiasm from universities, businesses and regional leaders for the potential of universities to be at the

heart of the renewal of our regions. Supporting regional growth was a foundational purpose for many of our universities, and has remained part of their work ever since. At a time when our university sector is facing significant financial challenges, there are opportunities for universities to strengthen their financial position and sustainability by further embracing this agenda.

Universities are refreshing and redefining their civic role. This enhanced civic agenda focuses on the contribution that universities can make to the growth and prosperity of their region through their teaching and research, rather than as a separate function. It recognises that, in many instances, a university can further serve its place by also being a leading nationally and globally connected institution.

We have heard shining examples of where this is being put into effect through long-term, strategic partnerships between universities, colleges and businesses: in research and knowledge exchange; through the creation of imaginative spaces where the industries of the future can be incubated; and, through the development of ambitious skills pathways tailored to the needs of local economies.

The new government has set out a strong emphasis on the UK's regions and nations, and is set to further strengthen the profile, responsibilities and financial autonomy of the UK's regional authorities and leaders. This creates a unique moment for universities to further strengthen their role as leaders and partners within their regions.



Our engagement has identified five necessary ingredients for success in driving local growth anchored by universities.

01

Purpose

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It is essential to place regional civic roles at the heart of universities' organisational and financial strategies. Universities have often seen civic endeavours as non-core and therefore distinct from the underlying organisational and financial strategy (and sustainability) of an institution, yet they are intrinsically linked. This represents a significant evolution from, and enhancement to, the more traditional and distinct civic agenda. Securing inclusive growth has the potential to benefit all: universities from greater student participation and demand; improved employment opportunities; and increased industry interest and investment through research contracts and other partnerships.

02

Collaboration

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Deep, long-term partnerships between regional education institutions, businesses and public bodies are central to universities' ability to create increased value for both themselves and their regions. While industry partnerships receive significant attention, the right collaboration between higher education and further education institutions across a region is equally important - complementing rather than competing. As anchor institutions, universities also play an important role of bringing partners together in clusters and in attracting more inward investment to regions.

03

System navigation

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Universities can make it easier for external stakeholders to collaborate with them by putting in place the right systems, spaces and people, alongside a proactive and outward facing approach. Many universities are seeking to streamline engagement through a physical or digital single front door, an accessible point of entry that articulates an institution's offering to prospective partners, supported by staff who are experts in engagement and business development.

04

Capability and culture

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Modern leadership is a necessary precondition of success, driving investment into appropriate capabilities and fostering a culture fit for the changing university landscape. The benefits of industry collaboration need to be cascaded throughout institutions to enable meaningful cultural change. Equally important will be reviewing and evolving existing workforce models and academic staff incentives, such that they encourage greater agility, commerciality and risk tolerance. Change can also be accelerated by bringing in new, different expertise in key roles.

05

Understanding value

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Universities, and the communities in which they are based, benefit when institutions recognise and maximise the value of their expertise and assets. This is enabled by a more rigorous approach to assessing that value, and supported by a consistent and considered cost model and pricing strategy. This can yield significant financial benefit and allow intentional choices and trade-offs to be made, including commercial returns and alignment to institutional mission.

The financial strength of an institution and the economic growth of its local region have a symbiotic relationship: hence the late Lord Kerslake referred to universities' civic activities that drive local economic prosperity as "enlightened self-interest". The current moment of regional devolution, and the recognition of place-based growth, provides a unique opportunity to strengthen the relationship between universities and their nation or region. Universities must make best use of this moment to shape regional policy-making, both as foundational partners in local growth strategies and through environmental and social priority agendas, such as the net zero transition. Reciprocally, regions must embrace the role of universities in driving innovation, research and development, and acknowledge the value they bring to local public services as part of the essential institutional infrastructure of places.

This moment provides an opportunity for the UK's regions and nations to harness universities' transformative potential to drive growth, address societal inequalities, enhance lives, and improve places.⁶

Achieving these ambitions will require change and proactivity: from universities, and from regional government and other partners, including further education colleges and employers. We hope this report offers some timely reflections on key areas of opportunity for universities and ways to grasp them. It showcases successful examples – from mature, large-scale civic strategies, to smaller initiatives being implemented at departmental level – that might inform approaches elsewhere, building essential scale for such activity. We hope that sharing these experiences will inform and inspire others, increasing the contribution of universities to economic growth, and in turn helping secure their long-term financial sustainability.



Key national assets

As world-leading research and education institutions, the UK's university sector makes a vital contribution to growth and prosperity, in particular by strengthening human capital and supporting innovation. A new UK Industrial Strategy⁷, alongside Local Growth Plans and increasing regional devolution, present a unique opportunity to strengthen this contribution, and bolster our university sector at the same time.

The university sector is one of the UK's key national assets, globally recognised for its excellent academic education and world-leading research. The UK's universities have a significant presence at the heart of our cities. The direct economic importance of the university sector is well recognised: in many regions universities are among the most significant employers, generating economic benefits through the presence of students and staff.

Alongside this, there is clear evidence of the role that universities play in driving growth and enhancing productivity, both in the regions in which they are based and for the national economy. The major international review by Anna Valero and John Van Reenen found that, even when controlling for other factors, those places where there has been an expansion in the number of universities have seen higher subsequent growth in GDP per capita.

The last century has seen a significant expansion in higher education, and their estimates imply that a historic doubling of universities in a region is associated with over 4% higher GDP per capita in that region.⁸

This should come as no surprise: the need to strengthen human capital and unlock innovation are at the core of the economic productivity challenge, and these are central to the role and purpose of universities. There are many examples throughout this report of the ways in which universities are actively advancing their contribution.

Increased private sector productivity is one of these key contributions. For example, productivity spillovers are enabled through direct Research & Development ("R&D") collaborations between universities and firms, the publication and dissemination of research findings, or through university graduates entering the labour market and passing on their knowledge to their employers.





Universities also generate spin-out companies, creating further economic benefits.

A 2024 study estimated that the economic impact of spin-out companies from the 24 Russell Group universities was over £17 billion, supporting over 80,000 jobs.⁹

Alongside innovation, human capital creation is a key economic contribution of the university sector, with benefits reaped both nationally and regionally. The University of Northumbria provides an excellent example, with over 60% of its students coming from the local area, many from areas with low university participation rates. Two thirds of the university's graduates move into employment in the region, fuelling the local economy.

The new UK government is focused both on increasing national productivity, and on addressing the need for growth in the UK's regions, with an industrial strategy under development to further these objectives.¹⁰ Compared to similar sized OECD cities, the UK's regional cities are less productive, generating fewer opportunities for their communities than equivalent European cities. There are opportunities to address these challenges together, by placing universities at the heart of the resurgence of the UK's regions, strengthening human capital and responding to the demand for skills.¹¹

Recent and continuing progress in regional devolution alongside a new UK Industrial Strategy create a landscape in which universities can further strengthen their contribution. Doing so will require change and proactivity: from universities; and from regional government and other partners, including further education colleges and employers. Our engagement as part of this report has drawn out some emerging lessons on what has enabled universities and their regional partners to go further. We have gathered these together as five building blocks, which form the structure of this report.

The example of Sheffield

In South Yorkshire, the University of Sheffield and Sheffield Hallam University have long been leading and supporting major partnerships in the region to deliver high-quality research, attract investment and support growth. Two areas of focus include the Advanced Manufacturing Innovation District (AMID) and Sheffield Innovation Spine.



Case study

Advanced Manufacturing Innovation District

The world's first Advanced Manufacturing Innovation District supports a collaborative ecosystem dedicated to driving innovation, fostering action-focused partnerships, and connecting South Yorkshire people to the opportunities and benefits of the region's innovation strengths. By bringing together industry leaders, SMEs, start-ups, academic institutions, and public/private solution providers, the Innovation District is creating a dynamic supportive environment where ideas flourish and businesses thrive.

Over £350 million has been invested in the District, which stretches from Sheffield to Rotherham. It includes world-class translational innovation facilities including the Advanced Manufacturing Research Centre (AMRC), the Sustainable Aviation Fuels Innovation Centre (SAF-IC) and the Gene Therapy Innovation and Manufacturing Centre (GTIMC). These assets have attracted international companies such as Boeing, Rolls-Royce and McLaren and led to South Yorkshire scale up champions such as Gripple and AESSEAL.

The District also covers assets clustered around the Sheffield Olympic Legacy Park and the English Institute of Sport such as the Advanced Wellbeing Health Centre, the Child Health Technology Centre, and Sheffield Hallam University's National Centre of Excellence for Food Engineering. These have attracted Canon Medical, BT and Google into the region.

Sheffield Innovation Spine

In Sheffield city centre, the focus has been on growing the innovation economy. This includes the targeted investment and use of land and other resources to develop the Sheffield Innovation Spine. It is a long-term spatial and economic strategy linking key infrastructure through a route connecting the two universities and concentrating intellectual property-rich businesses in the city centre.

Sheffield City Council, South Yorkshire Mayoral Combined Authority, The University of Sheffield, Sheffield Hallam University and Sheffield Technology Parks have partnered on a two-year project to develop and launch a prospectus that will incorporate innovation spaces such as laboratories and specialist facilities, alongside housing, public realm and economic development activity.

The South Yorkshire Investment Zone will support this vision and bring the inward investment required to link up the University of Sheffield's spinout pipeline growth with the growth of technology-rich start-ups in the city.



Purpose

Universities are increasingly defining their role in their region as part of their core purpose and an important part of their approach to research and teaching. This represents a significant evolution from, and enhancement to, the ‘civic’ agenda, which had too often been seen as distinct from universities’ core research and teaching roles.

Universities are now moving beyond their existing roles as major employers, researchers and educators. They are seizing the opportunity to have a renewed, more intentional relationship with the places, businesses and people around them as key elements of future success and institutional sustainability. Achieving this requires codifying this role as part of the core purpose of an institution, thus embedding it within strategy and implementing it through skills offerings, research agendas, industry engagement, estates/asset management and outreach. In order to do this, there needs to be an investment of time and resource to ensure a deep understanding of their region and its economic or other priorities, for example by establishing local growth partnership functions¹², as well as a need for clear internal and external messaging throughout the organisation. A failure to integrate this activity throughout an institution runs the risk of civic initiatives being a third leg or purely charitable endeavour.

In particular there can be a perception that engagement and focus on local communities and place is in direct competition with the national and international aspirations of universities. However, when done successfully, the regional and global role of universities can be mutually supportive: it is by being world-class, globally connected institutions that universities can be such powerful drivers of inclusive regional growth. By using their global reputation to act as a representative for their region, institutions attract international students, skilled people and higher quality foreign direct investment (FDI) for their region. For example, the University of Glasgow’s commitment to using its global reach and research strengths to benefit the city is core to its strategy. Please refer to the case study on the following page.

There is no one model for institutions in their regions. The diversity of the UK and its universities means that successful models are those based on a deep understanding of a place’s diverse heritage, economy, demographics, skills agenda and growth plans. For example, Aston University’s 2030 strategy considers its future “within our city, our region”. This recognises that its own history is intertwined with that of Birmingham and the associated connections with the industrial revolution and manufacturing economy, as well as wider social mobility.

An enhanced civic agenda

By their very existence as major employers, researchers and educators, institutions already have a significant impact on their local economy and community, but our engagement has revealed an enhanced and broader definition of the civic agenda that increasingly emphasises:

The contribution of universities to the inclusive economic growth of their regions;

The integration of the civic agenda into the teaching and research functions of the institution, with the potential to strengthen them, rather than being a separate function;

Recognition that in many instances a university can further serve its place by being a leading national and global institution. Local and international objectives can be balanced and are not necessarily in conflict;

This enhanced definition and civic role is increasingly being recognised. For example, it links strongly to the emerging concept of the fourth generation university¹³: “global universities that are fully integrated in their local innovation ecosystem with the aim of tackling worldwide societal challenges and driving regional economic growth”. It also echoes the City-REDI and National Civic Impact Accelerators 12 pillars of civic economic impact.¹⁴

Case study

The University of Glasgow's role as an economic anchor institution

The University of Glasgow was founded with a mission to serve the city and its people – a principle that continues to guide its work. Its economic anchor role is central to the University's strategy¹⁵⁻¹⁶ and has grown in recent years, ensuring the city benefits from its global reach and research strengths. The University's spinouts have raised approximately £65 million in the past year and employ more than 250 people.

The University is the lead partner in the Glasgow Riverside Innovation District (GRID)¹⁷, alongside Glasgow City Council and Scottish Enterprise. Further investments in GRID are set to expand the city's infrastructure for health and life sciences innovation – including the flagship Health Innovation Hub, scheduled for completion in late 2025. Delivered in partnership with Kadans Science Partner, and supported by Scottish Enterprise, the Hub will provide cutting-edge laboratory and office space, supporting the growth of spinouts, research commercialisation, while attracting new companies.

Working closely with community partners such as Glasgow Clyde College is key to broadening employment opportunities and contributing to a more inclusive economy. The University's GRID Civic Grant Fund has helped deepen relationships with the local community, while strengthened connections with Glasgow City Council and civic partners have enabled the University to play a central role in shaping future plans for the city and region.

Partick-Govan Bridge
University of Glasgow

Case study

Focusing on inclusive growth at the University of Salford

The University of Salford is rethinking its role to serve not only its students and staff, but to be a true anchor institution woven within the fabric of the city. Established in 1896, the University began as The Royal Technical Institute and is deeply rooted within Salford, one of the world's first industrial cities. Labourers in 19th century Salford 'invented the weekend' so building equity and prosperity are strong themes guiding the University.

The University's focus is on inclusive innovation and growth through strong partnerships with local government, business and the third sector; partner organisations include the BBC and Microsoft, and the NHS. It is advancing healthcare, assisting with energy affordability, driving economic growth, developing a workforce pipeline and shaping regional policy. The University works on over 1,300 projects with small and medium-sized enterprises (SMEs) each year, which is particularly crucial for Salford, where 95% of businesses fall into this category.

Underpinning Salford's approach is the importance of research, which champions themes focussed on societal inequity. The University of Salford has joined forces with the other universities in the region to create the Greater Manchester Civic University Agreement, helping to address skills gaps and inequalities, which are critical for inclusive growth.



02

Collaboration

Enduring partnerships are central to the ways in which universities are creating increased value for both themselves and their regions. While industry partnerships rightly receive significant attention, collaboration between higher and further education institutions across a region is equally important. As anchor institutions, universities also play a role in bringing partners together in clusters and ecosystems.

Partnership with industry is increasingly important as the university sector adapts to increasing financial challenges and to the constantly evolving skills landscape. For most businesses operating in the vicinity of a university, a focus of engagement with that institution is talent recruitment, a key enabler for local economic growth. A further critical role is translating research and knowledge generated in universities into real-world innovation. This brings meaningful benefits for cities and regions through, for example, productivity improvements in local SMEs and university spinouts which anchor themselves in the area.

We heard broad consensus that it requires a long-term and strategic view to build strong, enduring partnerships with industry. Yet too often universities rely primarily on personal relationships, potentially missing out on opportunities gained only through investment in qualified resource and digital infrastructure needed to support relationship management. Clear links to local economic priorities were identified as a key foundation for the strongest partnerships, for example defence industries clustered around the South-West, energy in North-East Scotland, and advanced manufacturing in the Midlands. The current development of Local Growth Plans, which set out clear regional economic priorities, provides a particular opportunity to strengthen and build new long-term partnerships around these priorities.

Universities' core activities can also support regional and local government. For example, research and data-sharing partnerships allow universities to benefit from access to substantial datasets, and in turn local councils are subsequently armed with robust and comprehensive analysis to inform decisions. One such example is the Scottish Institute of Policing Research, a collaborative venture involving 12 universities and funding from Police Scotland. The Institute was founded in 2007 to carry out high quality, independent research and to make evidence-based contributions to policing policy and practice. This helps to maximise the effectiveness of policing, including by addressing levels of violence and crime, which is an important factor in ensuring a place's prosperity.

A regional health skills partnership

The East of England Centre of Excellence for Health Apprenticeships (CEHA) provides a one-stop-shop pathway of apprenticeship routes in health and social care from Levels 2 to 7 for both clinical and non-clinical roles. CEHA is a partnership between the University of Suffolk, Suffolk New College, East Coast College, the College of West Anglia and two regional NHS Integrated Care System providers.

A hub-and-spoke model between further education providers and the University helps combat the challenges for learners in travelling to education providers in a large rural region. The University is exploring innovative ways to provide high-quality teaching without the need for apprentices to attend its Ipswich Campus, for example delivering the Nursing Degree Apprenticeship at The Place University Centre, Great Yarmouth.

As well as addressing NHS skills gaps and providing a clearer progression pathway, CEHA will also enable quicker identification of skills gaps in the East of England, allowing Integrated Care Boards (ICBs) to better plan recruitment activities.



A focus on supporting regional growth can also create the opportunity to unlock important collaboration across education providers. Institutions have been collaborating for decades, indeed centuries. They share resources and facilities, enter joint ventures and research partnerships, and participate in various regional (and other) groupings to collaborate. For example, Newcastle and Northumbria Universities' Collaborative *Newcastle Universities Agreement* informs how they operate together with the Local Authority and Mayoral Combined Authority in a strategic way. It paved the way for the recently announced Universities for North-East England, bringing together five universities with the Tees Valley and North East Combined Authorities.

More ambitiously, universities can combine their R&D offers to create a more powerful investment proposition. Midlands Mindforge will provide patient capital for regional university spinouts and early-stage intellectual property-rich firms. Similarly, Northern Gritstone was established with the assistance of the Universities of Manchester, Leeds and Sheffield to support the commercialisation of science and intellectual property-rich businesses from these institutions. In late 2024, the SETsquared partner universities (Bath, Bristol, Cardiff, Exeter, Southampton, and Surrey) and investment firm QantX announced a new £300 million spinout-focused investment vehicle.

Universities are amongst the most significant anchor institutions in many regions, and this can create an opportunity for them to play an active convening role. For example, the University of Birmingham and Aston University are committed to the Birmingham Anchor Network which collaborates on procurement, employment and the management of land and assets.¹⁸ The Leeds Anchor Network, of which Leeds Beckett University and University of Leeds are members

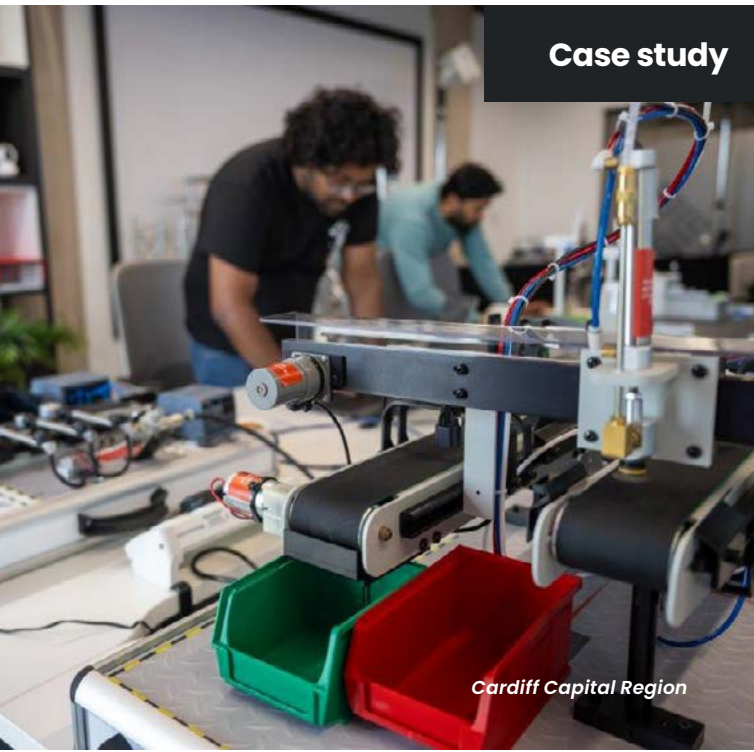
alongside the city's other main public sector employers, has increased the number of local businesses engaged in its supply chains with over £1bn of goods and services purchased locally.¹⁹

Universities can also organise innovative companies into hotspots in their vicinity. For example, a cluster of innovative marine firms has grown around St Andrews' Sea Mammal Research Unit. Complementarity between the businesses located there means they are together developing a package of services to sell and scale. Areas with these clusters are on average 7% more productive than those without, and this is especially valuable for growth.²⁰

The skills agenda provides a particularly important opportunity for more regional collaboration. Strengthening human capital is at the core of securing growth and universities, further education colleges, employers and local government can build skills partnerships tailored to local skills needs and growth plans.²¹ Strong partnerships between universities and further education colleges can also create more coherent regional skills pathways for local learners. We heard about the strong collaboration between universities, further education colleges, and employers in Northern Ireland. This has resulted in a new provision to meet economic needs and a shared commitment to greater careers advice and support, improving interactions with local schools.

Given the breadth and diversity of higher and further education providers, without strong partnerships they will not achieve the scale needed to have a meaningful impact on the regional economy. Equally, efficiencies and differentiation of provision that come from operating in partnership are another driver for institutions to act together to improve learner pathways, secure financial sustainability and deliver best value.²²





Case study

Building cybersecurity skills and growth in South Wales

Cybersecurity is one of the six priority sectors that has been identified by Cardiff Capital Region (CCR). A £6.6m South Wales Cluster Development and Growth Programme sees universities, further education and private skills providers collaborate to help people develop the skills needed for a career in the sector, creating a talent pipeline for local organisations.²³

Industry-academia partnerships help move knowledge from university-based experts into the sector, while business growth support helps local cyber businesses to scale. CCR's venture skills and talent programmes match the right people, roles and employers in the cluster.

The Cyber Innovation Hub (CIH) is a £20m co-investment between CCR and the Welsh Government with the aim of transforming South Wales into a leading cyber security cluster by 2030. CIH is led by Cardiff University and supported by the University of South Wales, the Alacrity Foundation and TramShed Tech, and aims to create a world-class pipeline of new cyber-security products, high-growth businesses, and technically-skilled talent.



Case study

The long-term partnership between Newcastle University and Procter & Gamble

Consumer products giant Procter & Gamble (P&G) has had a presence in North-East England for almost 100 years and has developed a strong partnership with Newcastle University. The partnership has enjoyed a wide range of successes, including several Knowledge Transfer Partnerships, research, licensing, workforce skills development, and even developing a new enzyme to improve laundry detergent performance at low temperatures. Recently, these achievements culminated in a Euro Connect + Develop Award recognising Newcastle University's role in providing unprecedented insights into consumer problems across multiple P&G business units.

At its core, the partnership can be distilled into a single word: trust. Making time to continually understand the culture, priorities, problems and interests of both P&G and university colleagues has been essential. The partnership has focussed on knowledge exchange rather than technology transfer, creating a richer collaboration.



Case study

A Midlands pan-regional inward investment campaign

The Invest in UK University R&D – Midlands Campaign²⁴ is attracting FDI into regional innovation activity to boost economic growth. This aligns with national and regional policy aims of improving local economies and universities' strategic priorities.

The Campaign's partners include all 17 Midlands universities, 65 Local Authorities and both Mayoral Combined Authorities, as well as other organisations such as development companies. An essential first step was assessing the existing R&D and innovation asset base and inward investment landscape within each partner and across the region. Shared areas of strength and opportunity were agreed to shape a set of propositions – such as Nottingham's Discovery Park and STEP Fusion in West Burton – and articulate a unique overarching offer for investors that can compete in a challenging global market.

Region-level scale is critical to the ability to compete internationally, and universities play a key role in convening partners and driving collaboration across traditional boundaries. A strong connection into Whitehall has led to a series of outbound missions which began in October 2024. The UK's first ever University R&D Overseas Investment Mission took over 25 Vice-Chancellors, academic leaders and regional partners to the Singapore Week of Innovation and Technology where the Campaign hosted the UK's Global Pavilion on behalf of the government.

Universities working together to target FDI with intentionality at a regional scale represents a step-change compared with historically siloed approaches and falls in a civic sweet-spot, where universities can strengthen themselves financially while simultaneously generating regional value and delivering upon a clear national mission for growth.



Case study

The Manufacturing Technology Centre in the Midlands

The Manufacturing Technology Centre (MTC) works closely with its three Midlands-based founding universities – Birmingham, Nottingham and Loughborough – and over a dozen others. Lloyds Banking Group, a major lender to UK manufacturing, has contributed £15m of funding to the MTC since its inception.

Through collaborating with universities on projects funded by the Engineering and Physical Sciences Research Council, the MTC directly employs academics engaged in research which helps improve the effectiveness of the local and national manufacturing sector through technology adoption.

MTC Training is currently working with the University of Birmingham to develop the content of a degree apprenticeship.

This new offer will boost opportunities and equality of access across underrepresented groups, while addressing current and future Midlands skills issues from net zero and battery systems to recycling rare earth magnets.



03

System navigation

Industry–university partnerships are vital for regional growth, with knowledge exchange an integral driver of productivity. Investment in the right physical and digital assets and capabilities is necessary to enable potential external partners to identify where and how they can collaborate with universities, to improve system navigation.

The UK’s university sector generates a wealth of knowledge, expertise and technology with the potential to drive productivity in the economy. In its raw state as academic research, it can be challenging to harness or translate this expertise and technology into private or public sector productivity. Improving the effectiveness of knowledge transfer is not a new problem, and many institutions invest in “research translation” capabilities. Our engagement has shown that there is the opportunity to improve the ways in which industry and other potential end-users of research, such as public services, are able to navigate the research ecosystem in the university sector.

We heard it can be difficult for both large and small corporates to identify relevant research, technology or talent in a timely way. This challenge is particularly acute for SMEs, who rarely have the capacity to seek out the research that could boost their productivity. An initiative that is intended to address this challenge is Konfer, an online tool created by the National Centre

for Universities and Business (NCUB). It aims to connect businesses and universities on innovation projects but it currently lacks scale and awareness. An international example that provides an effective model for this approach is Canada’s Business Benefits Finder, a digital tool to help SMEs navigate the government business support ecosystem. This includes support for research and innovation, whether seeking facilities, expert advice, funding, private sector partnerships or collaboration opportunities.

On an individual level too, there is a risk that the diversity and complexity of a university results in multiple external interfaces, perhaps as a result of a historic ‘let them come to us’ approach which we heard had been present in some institutions. This culture is shifting and, increasingly, universities are seeking to create a physical and/or digital single front door that clearly articulates an institution’s offering to prospective partners with an accessible point of entry. There is also an opportunity to invest in systems and people who can facilitate industry engagement. Strong examples of consolidated partnerships teams exist in several universities, including the University of Suffolk and King’s College London. Manchester Metropolitan University has established a Centre for Enterprise that specifically manages collaborative activity with local SMEs.

Finally, we heard compelling examples of how university partnerships could act on a global stage to attract inward investment. Universities – particularly when working together – are uniquely placed to attract inward investment through both their access to research and innovation, but also as providers of the high skills needed.²⁵





Case study

The Lincoln Institute of Agri-Food Technology

The University of Lincoln and civic partners founded the Lincoln Institute of Agri-Food Technology at the Riseholme Farm campus, supporting what is a strategic priority sector for Greater Lincolnshire. The University and Lincolnshire Local Enterprise Partnership have invested in the UK's first Net Zero Glasshouse facility to facilitate innovation that will drive food and energy security as well as creating high-value skills and jobs across the region.

The Glasshouse will establish a unique regional R&D ecosystem, providing a physical focus for innovation in AgriTech, enabling businesses to pool and coordinate resources, gain skills, uncover novel insights and engage in partnership projects.

The system aims to drive food and energy security as well as creating high value skills and jobs across the region: by trialling and demonstrating new product opportunities; increasing R&D and innovation; developing practical solutions to problems encountered or opportunities offered within the sector. The first project will involve collaboration between energy advisors and a global glass manufacturer providing cutting-edge materials that could help transform greenhouse production.

University of Lincoln

Case study

Liverpool's Knowledge Quarter

The Knowledge Quarter Liverpool (KQ Liverpool) is a 450-acre urban innovation district that brings together cultural and commercial organisations, academics, clinicians and scientists, to promote world-class innovation within the Liverpool City Region. It was founded on a partnership model between Liverpool School of Tropical Medicine, the University of Liverpool, Liverpool John Moores University, The Liverpool University Hospitals NHS Trust, Liverpool City Council and Bruntwod Sci-Tech to foster collaboration across academia, government, and industry.

KQ Liverpool has focussed on those areas where the City Region has world-leading capabilities, including health and life sciences, with emphasis on infection prevention and control; civic health and data; and, materials chemistry and AI solutions. Aligning with these sectors means the district has attracted targeted investment and nurtured a specialised innovation ecosystem.

KQ Liverpool also collaborates with local stakeholders to tackle key regional issues such as health inequalities, business support gaps, and social mobility challenges. It has created initiatives like the Future Innovators Programme to inspire young people and align their aspirations with future job opportunities in places such as Paddington Village, Liverpool City Council's flagship development site.



Knowledge Quarter Liverpool

04

Capability and culture

Cultural change is needed to take advantage of the opportunities from regional engagement, particularly those of a commercial nature. Bringing in expertise in key roles and investment in leadership can connect the whole organisation to the benefits of industry collaboration. Incentives for academic staff should continue to encourage more risk appetite and more agility to seize commercial opportunities as they arise.

Throughout our engagement, we heard that bringing about cultural change is a key enabler for this agenda, yet often one of the more enduring challenges. Those who had made most progress have been characterised by Vice Chancellors setting direction and leading from the front, along with clarity of messaging and consistent celebration of the value that industry partnerships are creating. One Vice Chancellor observed that, as their workforce largely lived in the region, they were able to see how industry collaboration brought benefits to local people, and this drove stronger staff engagement and made real progress on cultural change.



The internationally renowned success of the UK's universities is built on world-leading academic staff. A consequence of this strength can be that academic staff have often spent the majority of their careers within the university sector, sometimes within the same institution, resulting in a narrowness of perspective. We also heard that a lack of wider commercial capability (e.g. in contract pricing and negotiation) is a significant barrier to leveraging impact, and achieving value. With the growing complications of a multi-faceted and complex organisation in challenging financial times, an ever more sophisticated understanding of financial strategy and risk is necessary. In response to this, universities are increasingly hiring individuals from other sectors with critical skill sets, especially in commercial and local partnerships, including appointing more CFOs and Estates Directors with a wider breadth of expertise.

A key cultural enabler has proved to be agility and creativity around the deployment of research staff to be able to engage with external needs. For example, workforce models that facilitate industry engagement or provide capacity to enable a department to respond to opportunities as they arise. Some universities also facilitate industry studentships for their academics to encourage more interchange with business.

There are increasing examples of universities adopting incentives to encourage behaviour change. Some have introduced promotion criteria linked to commercialisation activity or industry collaboration; others incentivise a more cost or price-conscious culture at a faculty level through allowing teams to retain and reinvest surpluses generated through commercialisation activities. A number are making it easier for academics to engage with industry by increasing the skills of professional services staff and providing focussed support for intellectual property commercialisation.

Underpinning all of this is a need for strategic vision from Vice Chancellors and wider university leadership that ensures culture and capabilities transform to fit the new landscape they are operating in. Universities increasingly require the skillsets demanded in large private businesses - including capability to navigate geopolitics, commercial finance and risk management. It is important that central government and regulators are visibly supportive of this shift in skills and capabilities, including more professional practices and remuneration standards.

Case study

Building specialist capability in Exeter to partner with industry

The University of Exeter has established Green Futures Solutions as a new approach to partnering with industry. This model has recognised that having individuals with the commercial capacity and skills to engage with industry is key to success. Green Futures Solutions provides a team of impact fellows, dedicated solely to delivering commercial projects. This enables senior academics in faculty positions to contribute to projects efficiently, with the reserved capacity available to do the bulk of the work under their guidance. Roles have also been created for client engagement managers, typically hired from consulting backgrounds who bring expertise in monitoring and managing the pipeline of potential opportunities.

Building a culture to support industry engagement has also been essential. This has required a willingness to accept an appropriate level of risk from the uncertainty inherent in shorter-term projects. Additionally, it has placed value on engagement with industry for the strength it adds to research and teaching and for the difference it makes in the world. The University has adopted new promotion standards that provide clear career routes for staff focused on commercial work and has also made it clear within the institution and beyond that work with industry is vital to the University's mission.



Case study

Proactive support to the creation of university spinouts

King's College London has adopted an active shareholder approach to address some of the challenges faced by entrepreneurs seeking to commercialise intellectual property. The approach delivers less financial returns, but supports entrepreneurs by leveraging institutional capability and capacity to deliver end-to-end advice and support.

A new equity and licensing policy cements this commitment with academic founders holding 80% of shares. Further, a fixed low 1% royalty and a £50m royalty-free window, means cash is kept in the growing company, and transacting is efficient and simple. King's also makes IP developments and improvements to scale the new business and attract investment available. The active shareholder role tackles entrepreneurs' capacity challenge by supporting them to invest a day a week on their ventures at nil fee. Commercialisation and spinouts have been incorporated as an integral part of academic promotion, encouraging more young academics to pursue such activities.

Through the launch of accelerators, incubator space and the London Institute of Healthcare Engineering venture building programme, King's is establishing a central environment where diverse entrepreneurs, industries and investors can co-exist. King's Innovation Catalyst brings translation research, technology transfer and industry partnering support together to increase entrepreneurs' innovation literacy and skills. Additionally, a joint venture with British Land is creating a state-of-the-art lab and innovation campus in Canada Water for new, scaling companies.



05

Understanding value

By understanding and leveraging the value of expertise and assets, universities can increase their impact and help secure their long-term financial sustainability. This is enabled by a more rigorous approach to assessing the value of activities and adopting a strategic approach that is aligned to the institutional mission.

Throughout our engagement, it has been recognised that it is challenging for large and complex institutions to understand and articulate the value and the potential impact of their activities, which can affect how they approach industry partnerships. Alongside embedded cultures, this can limit an institution's long term financial sustainability, for example consistently undertaking industry research well below Full Economic Cost (FEC). Many institutions are now seeking to address this, for example by establishing centralised commercial functions to guide academics or by setting pricing strategies that are consistent across the organisation and busting myths around the risk of losing contracts from higher pricing.

More fundamentally, some universities are adopting an institutional-level approach to knowledge exchange, supported by consistent cost models and pricing strategies. This can yield significant financial benefit and improved impact. A better understanding of FEC or, in the absence of sufficient cost data, using benchmarking (e.g. private sector consulting) can underpin this. Such an approach allows intentional choices and trade-offs to be made including around commercial returns versus alignment to mission. For example, some institutions have set 100% FEC recovery as a minimum for the majority of large corporate contract research, but accept lower recovery levels for SMEs to ensure they too can benefit from knowledge exchange in strategically important areas. Equally, in some cases commercial rental rates are charged for the use of wet labs for commercial R&D activities, but community or impact focussed activities are charged at cost.

We also heard examples of how institutions can more systematically leverage the value of the assets they own. For example, many universities have substantial estates and expensive, specialist equipment, which is often underutilised. Prime real estate may be put to better, more strategic use for the local economy and aligned to the institution's mission, for example use by community groups or the NHS, or to drive commercial income for the institution.

Institutions can also bring significant value to place-making in their region through the creation of innovation districts. We heard examples including Imperial's White City Campus, Liverpool's Knowledge Quarter, Glasgow's Riverside Innovation District, Birmingham's Health Innovation District, UEA's Norwich Research Park and the new Manchester Innovation District. All were anchored by a University, bringing student and staff footfall, attracting and clustering industry, and coordinating councils, employers, real estate developers and funders. Such ventures rely on the non-financial values that institutions can bring as anchor tenants which should be recognised. By taking an equity stake in such developments, institutions can also benefit from ongoing rental income.

Professionalising approaches to alumni engagement and philanthropic fundraising was highlighted as having significant potential, with many universities having historically looked to the US for best practice to enhance their approach. Rapidly-shifting demographics among the wealthy, and more complex vehicles for non-commercial investment in good causes are challenging traditional advancement functions to adapt to new ways of working and develop capability. We heard of plans to bring greater strategic intent and targeted investment in specialist capabilities, to unlock the financial value of universities' reputation and relationships. Over the medium term, a renewed focus on growing endowment income, rather than only flow through revenue, has the potential to have a tangible impact on universities' long term financial resilience. Innovations in other sectors that have enabled personalised customer engagement at scale could modernise operations to become more efficient, productive, and sustainable.

Considerable attention has been given by government and universities to spinouts in particular. Key issues in supporting more spinouts are well-recognised, with publicised recommendations for improving university spinout success.²⁶ The 2024 Budget also committed new funding for projects focussed on improving support for researchers creating spinouts to commercialise cutting edge research. Whilst this is important, there are many other areas of knowledge exchange that secure less attention but can be further explored by universities. Examples include Continuing Professional Development, executive education, using existing intellectual property, and consultancy. These have the opportunity to increase local skills and the productivity of local employers, as well as earning the institution a financial return.

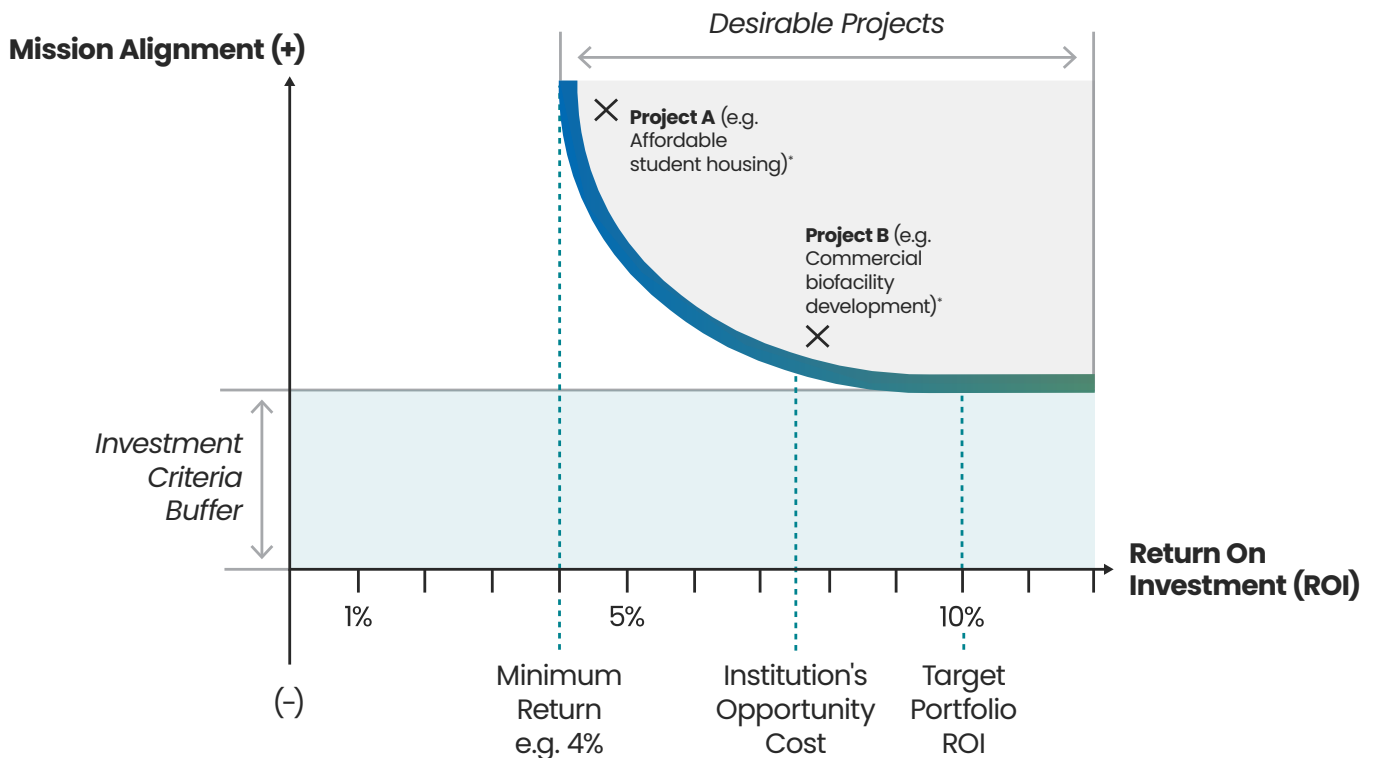
Case study

A portfolio approach to investments

Imperial College London's approach to investment management recognises that, in mission-driven organisations, there is a tension between the resources required to maximise impact and the financial sustainability of doing so. Investments more closely aligned to the university's mission are unlikely to yield as high a return as more commercial ventures.

Balancing this requires considered trade-offs and a clear and targeted plan. The temptation to maximise economic return needs to be tempered with a genuinely patient approach - focusing on measured and sustained net income growth.

Imperial's portfolio approach - illustrated in the diagram below - begins by setting a minimum return of c.4% alongside objective investment criteria to ensure that no investments come close to conflicting with the university's mission in line with their Guiding Partnership Principles, for example - no direct fossil fuel extraction via thermal coal or tar sands. Within these parameters, Imperial seeks to balance more commercial, higher return investments (such as the development of new bio-facilities), with lower return, longer term, and more mission aligned investments (such as affordable student housing). So that at a portfolio level they can ensure a sustainable return on investment in line with their own cost of capital.



*Illustrative projects only

Conclusion: a moment of opportunity

In October, the Government published plans for an Industrial Strategy emphasising the role of place and partnership. This has been backed by commitments to a further process of devolution of policy and funding to regional governments across England, and to work with the devolved governments of Scotland, Wales and Northern Ireland. With more Metro Mayors across England than ever before, some individual English counties receiving devolved powers and City Deals continuing to provide bespoke packages of support to cities across the country, the UK's regions and nations are increasingly important in setting the growth agenda.

Universities have an opportunity to lean into this and proactively play their part in shaping new or evolving regional policy, and in implementing local growth strategies. Universities will ultimately benefit financially from the long-term economic growth of, and increased inward investment into, their region. They will reap the rewards and synergies of improved regional collaboration, whilst improving public awareness and support for universities and the value they bring to their local communities.²⁷

Higher education in the UK is at a pivotal moment as the sector seeks to adapt its traditional business model to respond to ongoing financial challenges. The rise of regional devolution provides a timely and valuable opportunity. The Secretary of State for Education, in late 2024, called for universities to “drive growth around the country and serve the communities they are rooted in” – with priorities for universities, including a stronger contribution to economic growth, and playing a greater civic role in their communities – and wanting to work in partnership to achieve this.²⁸

Done well, regional growth strategies will recognise and build on places' unique heritage, opportunities and strengths – including institutions themselves. They will provide ways for universities to use their civic role to enhance their relevance, reach, reputation and diversify income streams, supporting greater resilience and financial stability. As this report shows, many universities are rising to this challenge – the opportunity for all universities – and for the UK – is to do so at scale, achieving their potential as drivers of growth.



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