

# Maximising local economic impacts of R&D investment in the North East

Unattributed summary of CaSE roundtable at NETPark on Wednesday 4th December 2019.

This roundtable discussion with participants from across the North East's diverse research and innovation community, including industry, academia and local government, was convened to explore the distinctive role the North East can play in supporting prosperous communities across the UK through the Place agenda and investment in research and development (R&D). The strengths of the North East in increasing research intensity and the enablers and barriers on the path to meeting this goal were discussed.

This summary is not CaSE policy but will form part of our ongoing programme of work on the place agenda. CaSE are leading discussions across the UK to collect an evidence base on place-based R&D interventions and how different sectors collaborate to facilitate local economic growth. This roundtable is part of a series focusing on the Place agenda, to understand how best to support the delivery of local benefits and growth from R&D investment.

Summary of enablers and barriers of enhancing research and innovation in the North East

<b>ENABLERS</b>	<b>BARRIERS</b>
<ul style="list-style-type: none"><li>• Local Government support for innovation</li></ul>	<ul style="list-style-type: none"><li>• Perceptions of North East being far away from London and the South East</li></ul>
<ul style="list-style-type: none"><li>• Connectedness of local universities, business and local Government</li></ul>	<ul style="list-style-type: none"><li>• Difficulty in attracting VC funding</li></ul>
<ul style="list-style-type: none"><li>• World-leading universities in the region</li></ul>	<ul style="list-style-type: none"><li>• Potential loss of pivotal ERDF investment</li></ul>
	<ul style="list-style-type: none"><li>• Complexity of business innovation support, opportunities for less engaged business</li></ul>

## Opening remarks

It was agreed that Durham County Council, in the shape of Business Durham, were a great example of local Government being innovative in its approach to support and foster local R&D (including through NETPark). Business Durham had been effective in increasing connectivity between a variety of agencies across the Durham County area, but it was felt that there will always be improvements that can be made.

The significantly lower amount of R&D tax credit claims in the North East compared to London and the South East was highlighted along with the lack of availability of venture capital investment in the North East. It was felt that SMEs in particular were unaware of the support available to them.

Business Durham had adopted initiatives to provide businesses with the tools required in order to succeed. This has included supporting the retention of skilled workers from local universities by helping match businesses with talented individuals, being a body for advice and creating a Venture Capital Fund for innovative businesses.

## Strengths

R&D is a key enabler for productivity growth but capacity and capabilities for R&D need to be provided. Factors such as lab space, access to expertise, a local skilled workforce and access to finance are required to successfully grow R&D. The North East has lots of developmental space, and business incubators such as those at NETPark have been crucial in supporting innovative local businesses and start-ups.

There were some examples talked about that have helped to support business networks. By bringing businesses together in one location NETPark was able to support business collaboration and sharing of expertise. The Centre for Process Innovation (located at NETPark) had also used funding from European Regional Development Fund (ERDF) to help businesses access networks and expertise. Arrow, an ERDF-funded project run by Newcastle University is working to provide networks and matched funding for innovative businesses. There were also examples of old schemes, namely Innovate UK when it was called Technology Strategy Board, and SPUR run by the then DTI, as examples of good support schemes for small business.

The Northern Accelerator, a partnership between four universities in the North East, helps to support and accelerate the translation of world-class research in to commercial opportunities. The Northern Accelerator also provides the opportunity to test market interest for business ideas. The Accelerator also has a small seed investment fund to support ideas, and has a process for technology transfer. The Accelerator has been able to treble the number of successful spin outs in the last 3 years and have held discussions with Government to take learnings from the partnership. There were also examples of partnerships with Teesside University in mobilising knowledge exchange and in growing incubator spaces for digital technology.

## Barriers

The proportion of R&D investment made by Universities in the North East is much higher than the national average. Universities were also responsible for a higher proportion of patents than the UK average. This was primarily because businesses are underinvesting as a proportion, rather than

universities investing substantially more. The challenge for universities was finding support to commercialise ideas and bring them to market. It was felt that there is a need for a combination increased funding from public sources and Venture Capital, with the latter being concentrated in the South East.

The cost of living in the North East is favourable when compared with other parts of the country, but perceptions about quality of life outside of London and the South East needed to be challenged to attract more people from across the country. It was also felt that negative perceptions around travel time from London also needed to be challenged as the North East is a 2-3 hour train journey from the capital. There have been some changes to this, for example over the last few years of companies headquartered elsewhere in the UK that had been attracted to the North East because of the access to skills and comparatively low costs of space.

While the North East needed to compete with the 'Golden Triangle' for business investment and talented individuals, the region also had to compete against all parts of the OECD. It was felt a comparative strength of centres such as Oxford and Cambridge is the concentration of expertise and physical proximity to other experts in areas of science, engineering and technology. Networks were felt to be crucial in being able to support SME growth and as important, if not more important than access to funding. It was also felt that market access testing was an important ingredient in the success of a small innovative business.

It was remarked that there were pressures on local businesses and universities to contribute to the local economy but also to ensure that national and international partnerships could be fostered. While there were definite areas of crossover in regional strengths of the North East, such as in chemicals manufacturing, there were some mismatches between academic strength and industrial strengths. The statistics show that 50% of collaborative business investment in R&D in the North East comes from over 175 miles away, where many other regions have a higher proportion of investment come more locally.

It was said that the Shared Prosperity Fund would be crucially important for the North East in the event of the UK losing ERDF funding.

## Key elements of business support

As business incubators are not made to make a large profit, public sector interventions are required to support incubators. Pressures of getting a quick return public investment can often mean that there can be pressure to fill space as quickly as possible, or even sell extra space for alternative uses. It is incredibly important for the success of incubators to hold out for businesses that the space was originally designed for, and to retain some free space to allow businesses to grow. It was felt that local Government can de-risk these developments for business and be more entrepreneurial in its thinking towards providing incubation space for local businesses.

It was felt that providing businesses with the opportunity to access expertise about types of funding relief and support available to them would be crucial in making innovative SMEs more successful. It should include advice on types of funding available through Innovate UK, opportunities through Knowledge Transfer Partnerships, and advice on how to write grant proposals and building funding bids.

It was said that often businesses who are not used to regularly submitting grant proposals can be disheartened by being unsuccessful, as opposed to universities who understand that success ratios of

grants and are well set up to find funding. It was felt that more needs to be done to support business in this endeavour and support this enthusiasm.

Questions were raised about how to spread innovation support more broadly across all innovative businesses. Incredibly successful fast-growth companies will succeed in getting grant funding but supporting those businesses that are at an earlier stage or perhaps need more support in order to be successful needs to be better.

There were said to be a few key characteristics for a successful innovative business: a motivated individual to drive the business, a capable and skilled workforce, support for a great idea, the resources to exploit the idea and the ability to test for the marketplace. It is crucial to understand where the pinch points are for business in any aspect and put in place structures to support business to overcome any issues. Only in understanding the pinch points in a region can R&D flourish and support local regions.

Discussion continued to centre around skills, particularly the importance of soft skills to being entrepreneurial and managing a business. It was felt that universities could do better in teaching these soft skills. The future of business in the North East were almost entirely dependent on the availability of a skilled workforce.

It was said that it took a huge amount of effort to foster university and business partnerships, and while these partnerships can be successful with large businesses it felt that more support was needed to grow partnerships with SMEs. A challenge was issued across the room to look outside the North East for opportunities of funding and partnerships. Larger businesses often have to work across LEP boundaries, thus with multiple LEPs, which means working with different strategies and priorities.