

Invest 2035: The UK's Modern Industrial Strategy: London Higher response

The UK's "Invest 2035" consultation sets out an ambitious vision for long-term sustainable growth by focusing on key sectors such as life sciences, creative industries, and clean energy. It emphasizes innovation, regional development, and global competitiveness as cornerstones of economic resilience and transformation. For London's higher education institutions this strategy is an opportunity to highlight the unique contributions the sector can make in driving innovation, supporting regional and global growth, and fostering entrepreneurial ecosystems. The responses below are informed by a member workshop held on 06 November.

1. How should the UK government identify the most important subsectors for delivering our objectives?

We support the government's ambitions to better utilise the research and knowledge from the UK's universities and higher education institutions. London's diverse institutions are well-placed to support a breadth of sectors and subsectors at both regional and national level. In addition to delivering skills, knowledge and research, higher education has a really important role to transition organisations and industries to new sectors and industries (adaption, transition, skillset, mindset).

It is important that the subtleties of differences between sectors and technological areas be respected when transforming objectives into planning. Pathways to success in each sector and technological area are shaped by the nature of that sector's work, research and careers. There is no single development plan that works equally well for artificial intelligence application and research contributing towards the green transition. Therefore, if we want to achieve great progress in many areas at once, the government must have flexible objectives for each sector, determined in conversation with representatives of the sectors themselves, that provide agility and enable each growth area to do its best work.

5. What are the UK's strengths and capabilities in these subsectors?

One of London's unique strengths is the density and diversity of world-leading higher education institutions that deliver education and research across a range of STEM and SHAPE disciplines including life sciences, creative industries and data & technology. London's universities and higher education institutions are powerful engines of economic growth, collectively educating over 507,000 students, employing over 223,000 people across all sectors of the UK economy and generating over £27bn in economic impact.

- Higher education is central to UK's strength to delivering and meeting the skills base and innovation needs for the identified 8 sectors
- Higher education can lead partnerships with industry, government and community (locally and globally)
- Higher education plays a crucial role in understanding and delivering the research needs and capability (capacity building)

6. What are the key enablers and barriers to growth in these subsectors and how could the UK government address them?

Numerous subsectors suffer from a lack of recognition of their economic potential and impact for example, subsectors of the creative industries. A current focus on supply side approaches to funding of courses has meant that a range of roles within these sectors simply cannot generate interest in courses that would likely be more beneficial to those wishing to work in the industry, whilst also addressing skills gaps. In film, for example, most of those studying film are likely to want to go on to be directors or producers but these are only a tiny fraction of the range of well-paid professional roles within the industry. The economic potential of the industry is held back by skills shortages in key roles, as demonstrated by the fact that the few specialist courses focussed on them often find almost all of their cohorts receive offers of employment before graduation.

By promoting the sector more broadly and working with schools and industry bodies to highlight the wider variety of roles within it, the government could help boost subsectors such as the creative industries. Furthermore, targeted funding to support small and specialist providers to expand provision in niche courses with high employment post-graduation would allow for more rapid growth within these sectors rather than relying on demand to fund expansion.

In general, the nature of degree funding (being tied almost exclusively to student choice rather than business or social need) means that certain subjects with high future skill demand are likely to fail to meet the needs of businesses without a degree of support to build courses prior to demand existing. Good quality careers guidance, and clearer learning and career pathways, can help resolve this.

There is also an opportunity to create more clearer investment and delivery pathways that link universities and industries with green growth outcomes (jobs, skills and scale). For example, across the built environment and clean energy industry.

London is widely recognised as one the top global centres for life sciences. The city was recently named the best city in Europe due to its 35 biomedical centres and strong record on investment and start-ups.

This has been acknowledged by Mayor of London, Sadiq Khan “Our world-beating life sciences industry is a key pillar of London’s economy, creating thousands of highly-skilled jobs, contributing billions of pounds to our economy, and improving our healthcare system, as we continue building a better and more prosperous London for everyone”.

7. What are the most significant barriers to investment? Do they vary across the growth-driving sectors? What evidence can you share to illustrate this?

Policy uncertainty has been a significant barrier to investment, exacerbated by shifting policy on visa requirements. Changes to the graduate visa and negative rhetoric towards immigration have impacted both international student recruitment and access to global talent – a message was sent that the UK is not open to business. Skills shortages are consistently identified as key obstacles to growth.

At the same time, many scaleups lack the flexible infrastructure required for expansion, including adequate physical space. Businesses often face challenges in securing the funding needed for growth. These difficulties arise from limited knowledge of funding processes, perceptions of short-term investor priorities, and a lack of collateral. Scaleups also frequently struggle to access markets both domestically and internationally.

Universities are under significant strain, with reduced capacity to pursue innovative opportunities. Financial and staffing pressures have limited their ability to take the risks they embraced a decade ago. Increasing teaching demands have left staff with less time for research and development. This lack of bandwidth has also curtailed collaboration with industry partners, as universities often decline R&D opportunities due to the associated risks. The issue is as much about the time investment available to build and sustain these partnerships, as it is about funding availability.

8. Where you identified barriers in response to Question 7 which relate to people and skills (including issues such as delivery of employment support, careers, and skills provision), what UK government policy solutions could best address these?

We welcome the merger of National Careers Service with job centres as a means to ensure all ages can access good careers advice. Ensuring that advisers maintain the latest careers information across all sectors will be critical.

While Local Skills Improvement Plans (LSIPs) have had some success, more could be done to support their implementation, and examples of good practice could be used to help local stakeholders collaborate more closely. Addressing issues within these plans could enhance employer participation in skills development.

We ask the government to make a long-term commitment to LSIPs by building on their existing work, ensuring that higher skills are considered within these plans, and that there are clear lines of communication with Skills England.

In particular, LSIPs could integrate universities to a greater degree. Universities have insights into emerging fields, research trends, and advanced skill requirements that can enhance LSIP outcomes and help them have impact over a greater horizon. Strong investment in skills provision, together with good partnership working could improve critical areas such as nursing provision. An example of this can be seen in the Office for Students awarding London Met £5.8m to support the creation of new nursing courses in London. New provision that that will supply 1,500 new healthcare employees to support the NHS.

Further government interventions could include removing rigid funding cliff edges that restrict learners from completing qualifications, introducing tax incentives to encourage employer participation. Funding pilots for innovative programmes could also be explored, such as vacation apprenticeships for university students that help them save money towards further study while gaining skills related to their future employment. Non-employment related degree programmes might not link to these skills.

The announcement of a further delay to implementing the lifelong learning entitlement was disappointing but the time gained should be used to work with the sector to prepare for a successful roll-out. For lifelong learning to work as intended and enable people to access tertiary education flexibly at any point they desire throughout their adult lives, there needs to be major investment in raising awareness of the lifelong learning entitlement and detailed consideration of how independent and impartial information, advice and guidance is made available to people through multiple media and format. This will require a significant culture change in the way we consider the role and place of tertiary education in the country.

The government should consider opening up the opportunity for universities to be able to deliver Adult Education Budget (AEB) funded provision to support greater skills development, and feeder pathways into study at HE level. Fund for Skills Bootcamp programmes should continue. However, more work needed to formalise working between businesses, universities, investors, and support agencies such as Grow London Local to simplify the messaging around accessing finance for start-ups and growth. More focus/support to help promote university's wider offer, such as continuing professional development courses, to international businesses and other organisations.

10. Where you identified barriers in response to Question 7 which relate to RDI and technology adoption and diffusion, what UK government policy solutions could best address these?

Improving tax incentives and simplifying the R&D tax credit system, particularly for SMEs, would be one key improvement. The current tax regime and R&D tax credits require a certain degree of sophistication for an organisation to navigate its way through the complexity of that system. There is a lot of tracking and evidence-collecting involved. This is very hard for small businesses and particularly small businesses in these key areas to manage. If the government is serious about scaling up small businesses, it needs to understand their capabilities and limitations with regards to the tax system.

Enabling in-kind contributions to public sector research, supported by tax incentives, could encourage private sector businesses to share research facilities with public research organizations, including higher education institutions. Currently, businesses face significant hurdles in collaborating with universities compared to working with other companies. To make private sector infrastructure, such as research equipment and facilities, accessible to universities, the tax framework for businesses must be improved.

Strengthening university R&D through implementing long-term funding cycles would address barriers, and we welcome the statement of intent in the budget to deliver on this. Through greater financial certainty, and targeted reductions in bureaucracy, the government can ensure greater efficiency from the London, and the wider UK's, research base. Foundational research remains the bedrock of further innovation and applied research. Without strong investment in foundational research the pipeline of discovery that leads to commercialisation and societal improvements is weakened. We urge the government to consider the value of long-term investment in foundational research that will work in tandem with more mission-led research and innovation.

There is an opportunity to gain insight from the REF 2021 impact case studies data to understand better what made partnerships work and what the challenges were to individual projects.

11. What are the barriers to R&D commercialisation that the UK government should be considering?

The current spin-out model relies on tenacity of individuals in a system where academic time is already stretched and the culture is often more focused on research excellence as opposed to commercial ventures. The current model is attractive to only a small number of academics. The UK could adopt ideas from countries addressing this issue.

For example, Germany offers schemes and support structures, through the [EXIST programme](#), that enable students, researchers and academics to take time out to commercialise their ideas. A grant funds researchers for one year to commercialise their concepts whilst more advance projects are provided with support for business planning and prototyping.

The UK, and particularly London, performs well in both student start-ups, intellectual property and university spinouts. Significant achievers across the capital represent a range of institution types, with the University of the Arts London, The Institute for Cancer Research, Kingston University London, UCL, the Royal College of Art and the University of East London¹ all ranking highly nationally. Small and large institutions, as well as specialist and non-specialist institutions, all demonstrate significant capacity to generate income from these types of ventures. London universities generate one spinout per £35.35 million of R&D expenditure compared to other global innovation hubs such as Boston and New York, which require significantly higher investments per spinout (£60.42 million, £54.5 million).² However, the UK seriously underperforms in the terms of scaling-up.

The Industrial Strategy should build on the work of the University Spin-out Investment Term Guide (USIT guide) and the Scale-up Institute to maximise opportunities for investment across London's diverse higher education institutions. Importantly, supporting diverse institutions will also ensure entrepreneurial students from disadvantaged and minority backgrounds are also better supported.

14. Where you identified barriers in response to Question 7 which relate to planning, infrastructure, and transport, what UK government policy solutions could best address these in addition to existing reforms? How can this best support regional growth?

London is a high-cost city with limited access to incubator and start-up space. The government should incentivise organisations that have access to space (such as Transport for London; TfL) to make this space available for commercial and community use.

The impact of policy change is often more acutely felt in London, which also makes the capital a testbed for developing, testing and honing innovative responses to overcoming regulatory barriers. For example, the existing devolution of the transport function could allow entities such as TfL to more readily invest in new technologies locally, which can then be translated or scaled across the country. With upcoming developments in English Devolution, there is scope for planning, infrastructure and transport policy solutions to be operationalised at this regional level, with light-touch regulation that fosters innovation.

There must also be alignment with the upcoming English Devolution white paper – subsequent devolved powers should enable mayoral combined authorities to deliver against the Industrial Strategy.

15. How can investment into infrastructure support the Industrial Strategy? What can the UK government do to better support this and facilitate co-investment? How does this differ across infrastructure classes?

Housing should be considered infrastructure for the purposes of government plans arising from the industrial strategy. Adequate supply of mixed housing, including student accommodation, is required across all regions of the UK. The under-supply of affordable housing in London and surrounding areas makes it difficult and costly for essential workers and for students and researchers to find suitable accommodation.

20. Do you have suggestions on where regulation can be reformed or introduced to encourage growth and innovation, including addressing any barriers you identified in Question 7?

Allowing a broader application of the skills levy would allow for more innovation in terms of training. Restrictions to the use of skills levy for a broad suite of level 7 qualifications may have the opposite effect reducing total uptake and undermining needed skills investment at managerial level. A more targeted approach to the removal of funding should be considered, particularly in the priority sectors identified where there are often skill shortages at the higher (management and leadership) level.

Another approach to increasing innovation in training and skills would be to introduce targeted tax incentives for employers offering in-demand apprenticeships, particularly within the various sectors which are targeted for growth. Tax incentives could be driven by the work of Skills England to ensure appropriate targeting.

Furthermore, government could adopt a more tailored regulatory approach that considers specific needs of different regions, with a focus on high-demand urban areas like London. These areas often require a more granular approach both in terms of regulatory support and investment to ensure inequalities aren't masked by high performing sectors in high population areas.

21. What are the main factors that influence businesses' investment decisions? Do these differ for the growth-driving sectors and based on the nature of the investment (e.g. buildings, machinery & equipment, vehicles, software, RDI, workforce skills) and types of firms (large, small, domestic, international, across different regions)?

Businesses are choosing not to collaborate with the higher education sector, even where higher education institutions have valuable knowledge and skills in growth-driving sectors. Businesses considering collaborating with higher education institutions are often prevented from establishing productive partnerships by a lack of tax initiatives making collaboration with higher education an unviable proposition. The current system for RDI-related tax credits requires organisations to have a highly expert team able to handle the application. Only the largest higher education institutions are able to manage this, as well as the related tracking and evidence collection.

Small businesses and small higher education institutions often lack the staff and expertise to manage this process, and in many cases are not aware that the tax for business/higher education RDI collaborations can be improved for them. If the tax infrastructure is set up to make private/public RDI collaboration feasible and economically attractive for both parties, businesses and universities will be able to create work that neither side could achieve on its own. University and private sector researchers have different perspectives that can benefit each other, and university researchers have long term, interdisciplinary and theory-informed knowledge that can be of great use to businesses. The strategy should incentivise engagement with businesses of all size, from micro and start-up to global corporates. Frameworks (and potentially funding) for universities to partner more effectively with other training providers such as further education colleges, and third sector organisations would align all actor and maximise impact.

The government should increase the value of tax credits available for private/public RDI collaboration and work towards enabling in-kind contributions to public sector research. If it is made easier for the private and higher education sectors to collaborate on RDI, there will be tangible long-term benefits for both parties. The many benefits of RDI work involving the public sector must be emphasised by this government. It is important to make clear to all relevant stakeholders that university departments in many key growth sectors are well-positioned to do essential research, including blue skies research, which would not work in a market environment, but will have beneficial implications for the private sector further down the line. University research is an important and inseparable part of the RDI environment.

22. What are the main barriers faced by companies who are seeking finance to scale up in the UK or by investors who are seeking to deploy capital, and do those barriers vary for the growth-driving sectors? How can addressing these barriers enable more global players in the UK?

Universities are key local actors, and alongside long-standing roles as cultural intermediaries, increasingly act as funders. Regulation around public finance that is complex to understand and learn can impede university deployment of capital, as institutions look at cementing their role as deliverers of knowledge exchange, research and innovation.

Higher education as a connector and funder is important in the attraction of international talent and investment via the recruitment and retention of global links.

The UK should look at successful international counterparts to London, such as New York City with its economic development corporations ([NYCEDC](#)), where vast economic development funds are invested in each of its boroughs, in partnership with its universities.

24. How can international partnerships (government-to-government or government-to-business) support the Industrial Strategy?

As set out in our [International Education Strategy for London](#) and [Beyond Borders](#) report, empowering and enabling international partnerships that involve educational institutions is of direct economic benefit to the UK economy and the Industrial Strategy: DfE figures show that in 2021, education exports and transnational education (TNE) were worth [£27.9 billion to the British economy](#), with higher education accounting for 77.9% of this figure. Government-to-government/business partnerships can facilitate relationship-building in the education space, as the above figure [includes](#) income from research and IP. Universities play a significant role in attracting foreign direct investment (more than [£1 billion](#) annually), and clusters of (i) high higher education concentration; (ii) large talent pools; and (iii) high productivity, such as London, are immensely desirable and effective in sustaining growth ambitions.

26. Do you agree with this characterisation of clusters? Are there any additional characteristics of dimensions of cluster definition and strength we should consider, such as the difference between services clusters and manufacturing clusters?

This consultation notes that 'successful clusters are characterised by strong concentrations of employment, output, high productivity, and innovation', within which clusters either have deep expertise in a concentrated spatial area, or encompass related businesses and employees in broad spatial areas that cross administrative boundaries.

London has both deep expertise in concentrated areas (e.g. the Knowledge Quarter and White City Innovation District), but also a vast number of businesses across multiple administrative boundaries. As well as the country's largest concentration of higher education, London is home to an exceptionally broad, as well as deep, array of clusters, providing more possibilities for partnerships and industry links. As a cluster of clusters, there are several deeply expert clusters located in close proximity, which are often co-located with academic expertise and access to strong talent pools.

The Department for Science, Innovation and Technology's own [clusters map](#) shows how multiple Real-Time Industrial Classifications (RTICs) overlap in London, indicating a high level of expertise, talent, business, industry and administrative co-location. London's sectoral and subregional strengths must be harnessed, and the nuances of the capital's innovation ecosystem must be taken into account through the local growth plan and industrial strategy.

Identifying successful smaller-scale pilots and projects, exploring the barriers to scaling up/wider application of solutions, and seeing what can be done on a pan-London level could help catalyse inclusive growth aligned with the industrial strategy. Through links with business, industry, schools, and further education, London's universities are well placed to deliver more inclusive models of innovation drawing upon diverse geographic and sectoral strengths.

28. How should the Industrial Strategy accelerate growth in city regions and clusters of growth sectors across the UK through Local Growth Plans and other policy mechanisms?

Sub-regional partnerships (such as the four in London) are crucial for delivering growth as they foster collaboration across boroughs, align strategies, and pool resources to address shared challenges and opportunities. They enable a coordinated approach to infrastructure, skills development, and business investment, ensuring that local needs are met while contributing to London's broader economic success. Universities play a vital role in these partnerships by driving innovation, providing skilled graduates, and acting as hubs for research, entrepreneurship, and knowledge exchange.

In Southwest London, the South London Partnership (SLP) has made significant strides in cluster development, particularly through its work on the South London Innovation Corridor. This initiative focuses on creative, digital, and tech industries, leveraging the presence of institutions like Kingston University and the University of Roehampton to foster entrepreneurship and innovation. By connecting businesses with academic expertise and research, the SLP has successfully cultivated a thriving ecosystem that supports start-ups, attracts investment, and creates high-value jobs.

30. How can the Industrial Strategy Council best support the UK government to deliver and monitor the Industrial Strategy? HE Representation

The Industrial Strategy Council has a key role to play in providing expert advice to government in partnership with stakeholders from across the UK. It is vital that universities, as engines of growth and significant actors in the RDI space, are represented on this council and are able to effectively identify opportunities for how the sector can deliver and monitor the industrial strategy. There is substantial expertise within the sector on the proposed approach to growth sectors and policy levers that can unlock investment and innovation opportunities.

31. How should the Industrial Strategy Council interact with key non-government institutions and organisations?

As the representative body for over 50 universities and higher education institutions with a breadth and depth of sector expertise and partnerships, London Higher is a conduit that can be used for effective communication between the Industrial Strategy Council and non-governmental institutions. We regularly convene stakeholders with significant insight into challenges/opportunities for both sector and place, and we regularly engage with all layers of local, regional and national government to advocate for higher education and research and highlight where it can support growth priorities.

Our work on civic, enterprise and research excellence showcases strong practice at local, national and international levels, and we provide regular opportunities for dialogue with senior stakeholders that allow innovation projects and policy solutions to be discussed and developed.

This would also serve to create policy join-up between the Industrial Strategy Council and government departments, allowing universities to navigate multiple policy priorities and effectively engage in delivering the industrial strategy.

32. How can the UK government improve the interface between the Industrial Strategy Council and government, business, local leaders and trade unions?

It is important that existing networks and structures are tapped into, allowing for regular exchange or policy and practice between national government and regional/industrial leaders. This could be through forums such as the London Partnership Board, Business Innovation Districts, London Anchor Institutions' Network, London Higher's Enterprise and Research Excellence networks, and allowing for greater mayoral/regional capabilities in order to operationalise local growth plans for the industrial strategy.

Universities will have a key role in regional and subregional collaboration alongside regional government to power economic growth. A more developed policy framework for enabling this collaboration would be beneficial and improve the interface between UK government and a range of subnational stakeholders.

36. Is there any additional information you would like to provide?

London's universities enrich their local communities, with a proven track record of strong civic impact. Over and above their roles in education and research, higher education institutions see the value of sharing their knowledge, expertise and resources to support the areas in which they are located. London Higher has collected over 300 case studies on our interactive Civic Map that demonstrate activity across areas such as business growth, sustainability, health and via cultural and creative initiatives.

University campuses are themselves economic hubs that add value to their local areas. Through procurement of goods and services, universities support the supply chains of large and small businesses across the UK. Students are also consumers that support the UK's retail sector, creative sector and night-time economy. For example, UCL alone generated £9.9bn of economic impact across the UK in 2018/19, which is comparable "every year to the trade boost delivered by the 2012 London Olympics".

However, to continue delivering for the nation, higher education in London needs a more stable financial foundation from which the capital's universities can drive forward the UK's global ambitions, deliver innovation-led growth that will benefit the whole country, and provide the opportunities for talented people from all backgrounds to thrive.

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