



**Universities UK response to the UK Government
Review of the Balance of Competences between
the United Kingdom and the European Union –
Cohesion**

January 2013

Introduction

Universities are key drivers of economic growth and a vital part of the innovation 'ecosystem'. The strengths of the university sector in the UK include its diversity, flexibility, and strong commitment to collaboration and economic and social impact. Universities collectively help provide the crucial building blocks for the innovation ecosystem across a spectrum of activity, from world leading research, through technology transfer to SME support, business start-ups, science and technology parks, and highly skilled graduates. World class research and technological innovation form a part of a much broader ecosystem that includes the significant impact of the creative industries, health innovation and, increasingly, social innovation.

Universities play a major role in their local economies as linchpins of investment and economic growth. There is a complex funding environment for innovation and growth, which universities are at the centre of. Within this system, universities are highly adept at adding value by securing and coordinating funding from multiple sources as well as leveraging relatively small amounts of public funding into much larger investments, either from the private sector or from Europe.

Universities will have differing strengths across the spectrum of activity in different localities. As well as having an 'anchoring' role in relation to inward investment – through such initiatives as science and technology parks - they can also collaborate with other universities or regional groupings to meet the economic needs of a locality when these cannot be met by a single university acting alone. We should not forget that in geographic terms, the UK is relatively small. This should be a strength in terms of easier access to facilities, expertise and support, and more effective collaboration.

These strengths of UK universities have been reflected in their important role in delivering successful projects and activities under the cohesion programme. The review of cohesion funding should recognise the value of university activity supported by the fund, the significant benefits to businesses and the importance of strengthening and enhancing the contribution of universities.

We have been working with the Higher Education Funding Council for England and Research Councils UK on university engagement with European Structural Funds and this response draws on that work, which can be found at <http://www.universitiesuk.ac.uk/highereducation/Pages/StructuralandInvestmentFundsJointResponse.aspx>

2. To what extent have UK places, companies and workers benefited or not benefited from EU structural funds?

Universities have been significant participants in cohesion funded programmes across the UK and ERDF in England. Universities have been able to use their expertise and knowledge, strong local and regional presence and existing links with businesses to leverage additional funding to support a wide range of business engagement, innovation and knowledge transfer activities. These have included:

- Activities to encourage graduate enterprise and start-ups
- Placements, internships and project support to encourage SME engagement in higher level skills
- Support for SME networks to encourage collaboration and sharing good practice
- Support for the development of new technology and dissemination of new technology across businesses
- Support for SME development and growth

The involvement of universities in cohesion funded programmes has enabled a large range of business to benefit from university knowledge, expertise and skills.

3. Are the types of activity covered by the structural funds and the other funds outlined in this paper more appropriately funded at EU, national or regional/local level? Should all Member States or regions receive structural funds in future? If not, what should be the criterion?

Whilst it is clear that the areas that are most challenged economically should receive a greater share of the funding, there needs to be flexibility in where that funding might be spent and innovation needs to be supported across the UK. Universities operate at local, regional, national and international levels and have different strengths in different areas of expertise. The needs of a local area might be met by universities outside of the local area or collaboration across universities across regional boundaries. Cohesion funding should be flexible enough to take account of local needs but support an innovation infrastructure across the UK that is able to meet these needs.

It would be detrimental to business support, innovation and technology transfer activities and to the development of a knowledge based economy that enables the UK to compete internationally if cohesion funding was withdrawn without being replaced by equivalent funding.

8. What are the main barriers to accessing EU funds? What might be done to overcome these?

The biggest barrier in relation to ERDF funding is the financial accounting and administration requirements. Many universities engage successfully with ERDF and cohesion funds but the administration costs are relatively high and these create a greater barrier for either those new to cohesion funding or to collaboration across universities. The particular concerns that have been raised with us are:

- The scale and number of audits
- The inconsistency in audit requirements across different audits and auditors
- The changing audit requirements over the lifetime of a project.
- The very low threshold of materiality requirements, minor anomalies or issues relating to tiny amounts of funding can delay, add administration costs or risk the failure of whole programmes

The approach to audit can also create a risk averse environment where only projects with secure and predictable outcomes are supported, which can stifle the very innovation that the funds are seeking to support.

9. What practical steps could be taken to reduce the administrative burdens in getting funding from EU programmes?

- Where there are strong audit and accountability requirements in place and institutions have a good track record (for example with universities and local authorities) the burden of audit should be reduced significantly
- As far as is possible the audit requirements should not change significantly over the lifetime of the programme
- The materiality requirements should be reviewed and reformed
- Cohesion funding should learn lessons from the operation of Framework Programme funding which, whilst operating in a very different way to cohesion funds, successfully provides significant European funding without the same level of administration, audit and burden. This is especially important if the Commission is seeking to increase the alignment of the two funds.