



Business, Innovation and Skills Committee

Oral evidence: Business-University collaboration

HC 249-v

Tuesday 8 July 2014

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At 9.30am

- Iain Gray, Chief Executive Officer, [Technology Strategy Board](#)
- Professor Jackie Hunter, Impact Champion, [Research Councils UK](#)
- Dr David Sweeney, Director, Research, Innovation and Skills, [Higher Education Funding Council for England](#)

At 10.30am

- The Rt Hon the Lord Heseltine of Thenford CH

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Members present: Mr Adrian Bailey (Chair); Mr William Bain; Mr Brian Binley; Paul Blomfield; Mike Crockart; Ann McKechin; Mr Robin Walker; Nadhim Zahawi

Questions 226 - 310

Witnesses: **Iain Gray**, Chief Executive Officer, Technology Strategy Board, **Professor Jackie Hunter**, Impact Champion, Research Councils UK, and **Dr David Sweeney**, Director, Research, Innovation and Skills, Higher Education Funding Council for England, gave evidence.

Chair: Good morning. Thank you for agreeing to come before the Committee. In welcoming you, could I ask you to introduce yourselves, for voice transcription purposes, starting with you, Iain?

Iain Gray: Iain Gray, Chief Executive of the Technology Strategy Board.

Professor Hunter: Jackie Hunter, Chief Executive of the Biotechnology and Biological Sciences Research Council.

Dr Sweeney: David Sweeney, Director for Research, Education and Knowledge Exchange for HEFCE, the Higher Education Funding Council for England.

Q226 Chair: Thanks very much. Now, some of the questions that we ask will be person-specific; that does not preclude anybody else from chipping in if they feel they have got something special to contribute. Others will be to all members of the panel, but bearing in mind time constraints, do not feel that all members have to contribute if you feel that the previous speaker has said everything that you would like to say. I would not wish you to be inhibited if you want to add to or subtract from what that person has said, but please do not feel obligated to repeat what that person has said.

Okay, let's start. This is to all: what do each of you consider to be the three main barriers to improving business-university collaboration in the UK. Again, I stress that if the person who starts has said what you think are the three main barriers, there is no need to add to it. Does anyone wish to kick off with that one?

Dr Sweeney: Well, I think Alan Hughes, who gave evidence to you earlier, has done an enormous survey of academics to see the perspective from their side. He identified some reasons that were inhibiting more business-university interaction, and indeed pressure on academic time with the other duties that they have to fulfil was top of their list; bureaucracy was also on their list; and I think incentives to engage in more work were of concern to academics. The last thing that I would draw attention to is that sometimes the timescales that businesses are under makes it a challenge for academics to engage more, but we are starting from a strong base. By whatever measure you make internationally of our business-university interaction, we are in good shape, and it is about how we can do even better.

Chair: Good. Do either of you wish to add or subtract? Iain?

Iain Gray: Well, I would reinforce that we are building from a strong base. I would add that, from a business perspective, there is a very different dimension between what I would see as large corporate relationships with universities and the SME side of the community. With the small businesses, it is predominantly about a lack of understanding—there is a different language that is sometimes being used—and it is about finding the time and the cost to build effective relationships, and actually showcase those examples that already work. Sometimes there is a lack of understanding of where the successes already lie.

Professor Hunter: I suppose I am in a slightly unique position, in that I have worked for a large multinational and set up SMEs, and now I run a research council. I would echo exactly what David and Iain have said, but I would also place more emphasis on having systems that allow different ways of working. We are moving into an era where there are more opportunities. Large companies are adopting an open innovation agenda, but smaller companies need to look at best practice and be able to work more agilely. Lack of bureaucracy is really important for the SMEs.

Q227 Mr Binley: Could I ask a supplementary, Mr Chairman? I welcome that you have been involved in setting up SMEs and in corporate business. Can I ask whether your

other two colleagues have ever worked in the private sector in that respect, and if they have, would they tell us what they have done?

Iain Gray: My previous experience—30 years in industry—was at the large-sector end of the spectrum; I was Managing Director of Airbus in the UK. I have a very good understanding of large corporate relationships with universities. My experience with SME engagement has come much, much more from my most recent job with the Technology Strategy Board.

Q228 Mr Binley: But I assume, in your previous job with Airbus, that you were involved in supply chains and with the SMEs in that respect?

Iain Gray: I had a good understanding of how you build the supply chain.

Q229 Mr Binley: That helps us. Dr Sweeney?

Dr Sweeney: No, I have worked for the research councils and for universities.

Q230 Chair: We have a reasonable cross-section of experience. Can I just follow up with a second question? This is specifically to HEFCE and RCUK. The Government's response to the Wilson review commented that "there has been a decline in the number of students"—and that is full-time students—"taking sandwich placements over the last 10 years, and 70% of those placements are now provided by just 20 HEIs". What steps do you feel have been taken since 2012 to increase sandwich placements, or do you think they have dropped? This is specifically for you two, but obviously, Iain, if you would like to comment, please do.

Dr Sweeney: Well, we have taken two steps recently. One is to cap the fee, the tuition loan that is available and the fee that is payable on the year out, to 20% of the maximum fee, and the National Centre for Universities and Business has set up a website that really talks all about how to deliver good placements, because the availability of placements is a constraint on the number doing them. Sandwich courses are only one element of the benefit that students get from interacting with businesses during their degree, and we think that placements of all kinds carry value. For sandwich degrees, we have got to note that the number who start on a sandwich degree and switch to a normal degree is really very high indeed—about 40%. Also, there is a higher drop-out than on other degrees, so clearly, sandwich degrees are not for everyone, but the employment outcomes for those that do sandwich degrees are truly excellent.

We want to look at as many ways as possible of encouraging business involvement during the degree. We built up foundation degrees very considerably, but really a very high percentage of those were in the public sector, rather than the private sector, and we are exploring a range of skills-based options: in some cases with the research councils, and in some cases with the TSB, where obviously there is a tremendous success with KTPs. We are supporting professional doctorates, but we are also looking at specialist skills in the master's area, for example with the nuclear industry, and links to build new STEM provision. Chester and Lincoln are two examples where employers have been at the heart of the new development of curricula and courses in universities that did not previously

offer STEM provision, so we are about a range of activities and also tertiary solutions that offer greater business experience to graduates.

Q231 Chair: You have explained, if you like, the context of the policy. Has there actually been an increase in the number of sandwich places?

Dr Sweeney: No, there has been a decrease in the number of people starting sandwiches. It is actually not a massive decrease, but as a percentage it has decreased quite significantly. It is concentrated in relatively few places and, as I say, we do have to respect the choice of students in switching from sandwich degrees to non-sandwich degrees.

Q232 Chair: Can you identify a specific reason, or maybe several reasons, why this is so? Is it because some companies prefer the Knowledge Transfer Partnerships model? Is it because of the cap on fees and some universities do not want to engage, or just that other models seem to be taking preference?

Dr Sweeney: We have not done robust work that would enable me to speak completely convincingly. Certainly, placement shortage is an issue, and I know—although only anecdotally—that businesses are really often more interested in shorter-term placements than longer-term placements, and indeed I can understand the rationale for that, because it brings more students into business and is a more containable cost. I am not sure that there is any evidence that tuition fee rises have been a significant factor in this. We would have to do more work to establish that.

Q233 Chair: Jackie?

Professor Hunter: There are two things, one obviously looking at the graduate situation, which is where we are talking about the sandwich students. For graduates, there are other opportunities, such as summer internships that some companies run. I have been going around talking to students, new graduates and also companies, and I think there are opportunities there to stimulate that more, because that gives both the students experience of industry and what they might want to do next, and also gives the companies—as David said—a broader range of people.

In terms of postgraduate qualifications, the distinction is between the taught master's, which is done in the university environment, and the PhDs. The research councils have several schemes that are very heavily industry-focused in terms of enabling postgraduates to carry out their research in an industrial environment. The EPSRC runs the centres for doctoral training. The other research councils have the doctoral training partnerships. We also run CASE studentships, where the students spend up to 18 months in industry, and they are very valuable, both for the industrial partner, because it allows them in some cases to do more exploratory research, and for the student, because they give industrial experience. For example, there was a student who did a PhD at UCL with Unilever and subsequently has moved on, getting their doctorate at King's, and is still collaborating with Unilever. These schemes can build up relationships that are important for maintaining those kinds of links post-graduate. It is also important, of course, that you have the companies with the research bases within the UK to enable them to do the training.

Q234 Chair: Could I just pick up on something that you said, David? You said you had not done research. Given the importance of this level of engagement, do you feel that there is a piece of research that needs to be done that might enable the Government and universities to shape their policies more effectively to promote it?

Dr Sweeney: I think we should look more broadly, as we have done, at the outcomes for graduates and at broader forms of business-university student engagement than just sandwich degrees. Sandwich degrees are easy, because you can collect the statistics very readily, and they are an essential part of our provision, but I do not think we should concentrate on sandwich degrees to the detriment of other forms of placement and internship, which all parties value very highly.

Professor Hunter: In general, we could all be better at capturing what happens to students once they leave their degree and their postdoctoral training.

Chair: Robin, you wanted to come in.

Q235 Mr Walker: I just wanted to follow up on that point, because I agree that you want a range of different opportunities for people. One of the things that the University of Worcester has done in the past, which I have seen, is quite a successful postgraduate employment and placement programme, where they arrange support for postgraduates, and I understand that there have been some funding pressures on that in recent years. Do you have a view as to whether there should be better funding mechanisms for universities to support postgraduate employment schemes or traineeship schemes?

Dr Sweeney: There is work going on, led by the Treasury towards the Autumn Statement, on the postgraduate options. I am sure that funding will be a key part of that. We are all very nervous about how graduating students who have to repay will respond in terms of undertaking postgraduate study. Currently, you have got to look very carefully at the nature of postgraduate study to distil, as it were, what is going up and what is going down. It is almost unreasonable to talk about postgraduate study. You have got to look at specific examples like that Worcester one, and the role of funding interventions, first of all, has to be set against other priorities on the teaching budget and has to be set against other aspects of postgraduate provision. We need more examples like that of Worcester's, based on interactions with their partners, and we will achieve far more by encouraging universities to develop relationships with local national businesses than in any overarching approach we take.

Chair: Thanks, Robin. I want to move on, but before that, Iain, do you wish to add anything to this?

Iain Gray: Only that my friends and colleagues in business would all reinforce the importance of having industrial placements. There are industrial placement opportunities in many guises, but a review of the financing of industrial placements is something that would be very much valued by business.

Q236 Nadhim Zahawi: It is a question to Dr Sweeney: why does REF 2014 not measure the impact of research on a university's own teaching?

Dr Sweeney: The first thing to say is that future research excellence frameworks will take place after we have reviewed impact, which we have done as a developmental exercise for the first time. So although that was the decision this time around, we will be consulting everybody involved about next time. The rationale was quite simply that impact was not about something that happened in universities; impact was what happened in business and in wider society. We fund teaching at a £9,000 fee at a very reasonable rate, I think, for those disciplines where the research often does feed into the teaching, and if we said that the extra costs of doing research were justified largely by the contribution to teaching, we could be asked if we were over-funded. It is about ensuring that research benefits society more widely, and we should discuss, after we get all the feedback from the last REF, whether that remains the objective, or whether we are not encouraging the right things.

Q237 Nadhim Zahawi: Thank you very much for that. A question for Professor Hunter: the Gateway to Research launched six months ago. How many individual businesses have accessed the portal since then?

Professor Hunter: It has been, per month, about 14,000 hits. There is a range of businesses: that is nearly 100,000 since it has launched. Actually, I attended the launch in December, went home, and my daughter had started work for a multinational company. I said that I was attending this launch, and she said, “Oh, yes, I know about that. I have accessed it three times already today.”

Chair: That was not set up, was it?

Professor Hunter: I had not even briefed her. We know that there are companies like aerospace, GE, and large multinationals as well as academics, et cetera, accessing it. We have not tracked SMEs specifically, because we have not done a complicated login page because we wanted to make it really easy to look at, but what we are doing is looking at how we might capture that information in the next iteration of Gateway to Research. Certainly, the research councils do a biannual user survey, and that has just been completed. About 17% of respondents said that they had accessed it, and a very high percentage said they found it easy to use. I would anticipate that that would, of course, increase.

We are also working with TSB and NCUB to look at a brokerage system that will enable businesses, both large and small, to have much better access to the knowledge and the expertise in the research base in the UK.

Nadhim Zahawi: Did you want to add something?

Iain Gray: It was just to reinforce that the Technology Strategy Board’s funding programmes are also now all on the Gateway to Research. It is not just looked at from a university or a research council perspective; all the SMEs that benefit from Technology Strategy Board funding and grants would also appear on the Gateway to Research.

Q238 Nadhim Zahawi: That is all very good, and you gave us the number of hits and you described your daughter’s three visits. It would be very useful to get how many individual businesses.

Professor Hunter: That is what we are hoping to track in the next iteration.

Q239 Nadhim Zahawi: Can you let us have that?

Professor Hunter: We do not have that information, as far as I am aware. We know, through asking businesses, whether they have used it, but we cannot actually track the individual nature of the business.

Q240 Nadhim Zahawi: Your tech platform does not allow you to track that.

Professor Hunter: Well, we do not ask them to log on.

Q241 Nadhim Zahawi: But you do not need them to log on. You can track them through addresses, as individuals.

Professor Hunter: As far as I know, we have not done that. That is planned in the next iteration: to get more information about the nature of the users. What we wanted to do to start off with was to get people using it, and make it available to a platform.

Q242 Nadhim Zahawi: My next question was going to be about what processes you have in place to monitor and evaluate the use of the Gateway. Anecdotally, it sounds like it is doing well, but you need more hard evidence.

Professor Hunter: We need more hard evidence of the nature of the actual hits, and ideally, of course, we would want to make sure that we are reaching out to SMEs. There are developments under discussion for the next iteration of Gateway to Research.

Q243 Nadhim Zahawi: Developments are all good, but is there evaluation?

Professor Hunter: That metric, being able to capture that information, is absolutely part of what is going to be in the next iteration.

Q244 Nadhim Zahawi: When do you think you will have that?

Professor Hunter: We are discussing the plans for it now, and also the linkage to the NCUB platform. The timelines and everything will be sorted out by the end of the summer.

Q245 Nadhim Zahawi: So you will know the timelines by the end of the summer, or will it be over by then?

Professor Hunter: We will know the timelines for the NCUB platform, and we will know the timelines for implementing the upgrade, if you like, to Gateway to Research. I do not have the timelines.

Q246 Nadhim Zahawi: Could you let us have that piece of information, so we know when we can come back to you and ask for the evaluations?

Professor Hunter: We will.

Q247 Chair: I understand the difficulty of setting up something that gives you the full range of information you want, but where the bureaucracy of it could be a deterrent to

small businesses actually logging on. However, it would be very helpful to have any information on that as early as possible. Iain?

Iain Gray: It really was just to positively reinforce the role of the NCUB: the National Centre for Universities and Business, and their brokerage platform. It is a platform that will take advantage of existing databases like the Gateway to Research, and that really is the platform that will be of real added value to the SME that sits in one part of the country and is trying to access research capability in another part of the country. I would suggest and recommend that full consideration given to the NCUB brokerage platform in that question as well.

Q248 Ann McKechin: I have further questions for Professor Hunter. We have talked about Gateway, but you are on the record as stating that your organisation is specifically focusing on making approaches from business much less complex. Apart from Gateway, what other steps are you taking to address that issue?

Professor Hunter: For example, one of the ways we make it very easy for businesses to begin to interact with the research community is our innovation clubs. We have a number of research clubs; industry only has to participate in terms of 10% of the costs to establish any programme of research around those clubs, and they have been very successful in areas such as food and drink. We have set up networks, such as the Networks in Industrial Biotechnology and Bioenergy, with a number of research councils, so individual research councils and research councils working together try to do things, both at a networking scale—through these clubs—and at a scale, for example, with the catalysts, where we work very closely with TSB. That is more towards the later commercialisation and proof-of-concept area, where you have different schemes depending on whether they are small and university-led or more heavily involved in proof of concept, and then moving further towards commercialisation.

Q249 Ann McKechin: If I am in food and drink and a medium-sized company, and not necessarily right next to a university, how am I going to know about these network clubs?

Professor Hunter: We could probably do a better job of promoting some of them. One of the issues for the research councils is, obviously, that there is an enormously large number of SMEs, and we have to try to find ways of reaching them effectively without diluting our efforts too much. We do promote these, and if we think about food and drink or agritech, we go out to things like the National Farmers Union conferences. We go out to exhibitions where small companies will be, and also things like Innovate. They are all on our website; we publicise them very openly, and try to get people involved in that way, but clearly we have to try to make them as accessible as possible. However, it is not always as easy to reach the vast array of SMEs that you might like to. We are certainly working much more now, though, with some of the companies that we have not traditionally always worked with, and reaching out to them.

Q250 Ann McKechin: We have heard that your funding through impact acceleration accounts is allocated according to the scale of historical research, and there has been criticism of this. University Alliance were critical, and thought that it should be by open competition. Can you explain to the Committee why you thought that was the best way?

Professor Hunter: These impact acceleration accounts were pioneered by EPSRC, and EPSRC has very significant investments in these programmes. NERC also has a number of schemes running. The other research councils have smaller pilots, where we are piloting those particular schemes, but in terms of the EPSRC view, they wanted to place their impact acceleration accounts in a way where they already had significant investment to really realise the benefit of that investment.

Q251 Ann McKechin: Yes, but it does not necessarily follow where innovation would be if it is based on historical research. I mean, how are you going to actually allow new entrants to come into it if you simply base it on a historical research level? Presumably, you might use that as an initial base, but surely you are not proposing to follow that type of formula permanently?

Professor Hunter: The impact acceleration accounts, from an EPSRC perspective, really want to, as I said, build on their previous investments. The other research councils are looking at that model. We are doing much smaller investments in a broader range of universities, so I think the jury is out as to which of those models will actually be the most effective, but given that the EPSRC has these very significant investments, one can see why they would want to work with the universities to really make sure that they do deliver, and they do work with them to monitor the delivery plans.

Dr Sweeney: I would say that we are trying to cover two different kinds of activity. Through our Higher Education Innovation Fund—HEIF funding—for universities, we are attempting to support exactly the kind of thing that you describe, or to provide some contribution to support that, whereas I think the research councils are indeed about harvesting the best impact on the research that they have funded. I think the two complement each other really rather well.

Professor Hunter: Also, an individual university does not just have to use that impact acceleration account within its university. So, for example, Oxford has actually used its impact acceleration account to bring together a number of universities, such as Oxford Brookes and Reading, and work with the Local Enterprise Partnership and the community to try to build a regionally based network of academics and research. Although in that particular case it was awarded to Oxford specifically, they have used it much more broadly to create an ecosystem around that particular university.

Q252 Ann McKechin: You are probably stretching this issue of “broadly”, because people would not necessarily think of places around the M25 corridor as the definition of “broad”.

Professor Hunter: No.

Ann McKechin: To what extent are these funds based around the M25 corridor, and to what extent do they go to other parts of the United Kingdom?

Professor Hunter: I do not have to hand EPSRC’s list.

Q253 Ann McKechin: It would be helpful if we could get some geographical indicators, because in terms of regional development, if we end up just clustering the funds back down into one part of the country and not spreading it, I think there would be concerns.

Professor Hunter: There is a range of accounts across all the research councils, and they are distributed geographically, but I agree that we need to provide the Committee with the geographical indication, and we will, not just for the EPSRC ones.

Ann McKechin: Thank you.

Chair: I need to move on, but I know Brian had a supplementary.

Q254 Mr Binley: I want to widen this out a little bit, because I am fearful that you have the people you know, and you continue to work with the people you know, and that your missionary work is almost non-existent. I am a Northampton MP; we have lots of small high-precision businesses that are working on the frontier of autosport and a number of other areas relating to aerospace as well, and I just wonder whether you are doing enough to get to those very small companies working on the frontier. If you are not, how might you do that? It is very easy to settle on a small group of people—the Cambridge connection is one of those—where they get all the profile, and other people doing excellent work get none and get no money.

Professor Hunter: Obviously, it varies sector by sector, but certainly for us in BBSRC, we have a number of schemes where we do reach out. I mentioned the clubs, but we also have other schemes for engaging with businesses.

Mr Binley: Can I stop you? I am the vice-chairman of the LEP, and I do not see it. Now, carry on from there.

Professor Hunter: We do interact, for example, with the Surrey LEP.

Mr Binley: The Surrey LEP?

Professor Hunter: I am talking about BBSRC. It may be that there are more differences between the sectors, but I take your point. We could do a better job more broadly in terms of engaging with SMEs.

Q255 Mr Binley: Would you think about that and come back to us with some thoughts? What we are trying to do is widen what you do and make what you do more relevant to the nation's wellbeing. If you could think about that, I think we would be very grateful.

Dr Sweeney: To be fair, the University of Northampton is a significant player with the local LEP.

Mr Binley: Nick Petford is a good guy. We work very closely with him.

Dr Sweeney: They are in receipt of our Higher Education Innovation Funding to support them in doing that. I think the vehicle that you are looking at is already there. 100 out of 133 universities receive Higher Education Innovation Funding, and they receive it with a cap, which means that the money is not in any sense concentrated in the way that research funding is. The same is allocated for Oxford as for Coventry, for example, to encourage

universities—literally as broadly as possible—to engage with business and, indeed, with their Local Enterprise Partnerships.

Q256 Mr Binley: But Dr Sweeney, you wouldn't deny that the point I am making is a relevant point, would you?

Dr Sweeney: I think it is very important that all universities are encouraged to work with business, and that we fund them according to the performance they have in doing so. We fund them according to business metrics, not according to research metrics.

Q257 Mr Binley: Are you a cricketing man? That sounded like a very defensive straight bat. Could I just leave that thought with you? If you could come back to us with thoughts about how we could widen this, I would be very grateful.

Professor Hunter: One of the things that we do within the research councils to work with small businesses, though, is through our innovation campuses. With investment from government over the past few years, campuses at Babraham, Harwell and Daresbury have actually really stimulated the environment and leveraged inward funding in terms of enabling start-ups to access high-tech equipment and facilities that they would not be able to afford to access by other means. I completely agree: we will come back and talk to you in terms of the interaction with the LEPs, but we do have these other ways in which we can build on it, through stimulating the proximity and interaction of researchers.

Q258 Mike Crockart: I had a question for Mr Gray, and it is particularly about your initiatives to support innovation and, particularly, knowledge transfer. We have had a significant volume of evidence to suggest that the application form, particularly, for the Knowledge Transfer Partnership is overly long. We had comments such as that they found it surprisingly arduous, and that it took a two-month process of going backwards and forwards. If the regional adviser they had had not helped them so much, they would have given up the process. That is worrying, when it ended up with a successful project and a successful knowledge transfer between university and business. What are you doing to help to streamline that process?

Iain Gray: Let me just say a few words about the Knowledge Transfer Partnership scheme, and then address the question that you have made. In a landscape of ever-changing initiatives, the Knowledge Transfer Partnership is one of those long tried and tested schemes. It has had one name change, which was quite some considerable time ago, but the overall scheme is about 40 years old, so it is well proven. It is a very good scheme; it is essentially trying to introduce small businesses that have a particular problem to solve, and do not normally have access, to universities and, through the recruitment of an associate, to build a bridge between the university back to the small business. The associate helps solve the problem. About 75% of the time, the associate subsequently goes on and works for the business, so it is a very successful scheme.

The reasons for its success, I would argue, are around the quality of the projects and of the infrastructure.

Q259 Chair: Could I just intervene, Mr Gray? I think we all understand that it is very long-established and successful. What we are concerned about is the excessive

bureaucracy of accessing the scheme, and whether that is actually limiting the number of applicants.

Iain Gray: I was moving into that. For me, the success of the scheme is intrinsically dependent upon getting good-quality schemes, so it is about getting mentors and advisers working closely with business to understand what the problem is that it has been trying to resolve; it is trying to work with the universities to ensure that it is making the right connection. The time that you referred to is actually mostly time spent developing what the problem is and what the right way of solving it is, and it is an essential ingredient for success.

Q260 Mike Crockart: I am sorry, but the evidence that we have was that time was spent in filling out the form and making sure that it ticked all the boxes.

Iain Gray: I believe the real problem in time terms is about the recruitment process of the associate. To answer your very explicit question, we are streamlining the process. It is being made electronic; it is being made accessible to all parties simultaneously, so that it is a very good and efficient process. All those comments are being taken on board. The negative feedback that we get, by and large, is about the time taken to recruit the associate, and that gets characterised to us as a burdensome process. Typically, the time taken to recruit the associate is about four months. The paradox is that universities have a tried and tested model in doing that, but the companies that we are engaging with have never experienced KTPs, or by and large have not experienced KTPs. That is the *raison d'être* for a KTP: to introduce the company to the university in the first place. I would argue that it is a great scheme, but you are right: we need to streamline the form, and we are doing that. If you ask the same question in 12 months' time, I think you will get a very different answer on the form. The thing that we really need to address is the time taken to recruit the associate.

Q261 Mike Crockart: I am glad to hear that you are streamlining the form, not just taking the form and putting it online, because we have evidence from other schemes. When we went to Coventry University and looked at their innovation networks, it was a two-page application form for £10,000 worth of funding. That contrasts quite starkly with the size of the application and the length of the process that has to be gone through for the KTPs.

Iain Gray: I prefaced my answer in the way I did because I wanted to reinforce that what the process is trying to do is establish a quality project on both sides: the university and the business. That is what takes the time, and that is the streamlining that we need to do, and people are working concurrently on that. We as a Technology Strategy Board equally well run processes that have a one-page form where we can respond within four or five working days, so that concept is not alien. The reason that we do this particular process on the Knowledge Transfer Partnerships scheme is to ensure that we get a really good-quality product, a really good-quality project, and that, to my mind, is what has made the KTP a successful programme over the last 40 years. You have my assurance in terms of looking at how we can continuously improve the process, but it is that process of developing the project in its first place that takes time, and ensures the quality of the KTP programme.

Professor Hunter: It might be worth commenting that, for example, in the agritech area, we are setting up these agritech centres. It is a joint process with TSB, and what we are doing is having very short expressions of interest for the consortia so that people do not

spend a lot of time in writing something that is not going to be called forward to a full proposal. Wherever possible, we are trying to streamline these sorts of forms. That is something I am very passionate about.

Q262 Mike Crockart: Being absolutely fair, the evidence that we have received—even from that company that was saying that this was an arduous process, and that they almost did not get to the end of it—was very complimentary of the scheme in the end, and the benefits that came from it.

Iain Gray: That is the paradox.

Mike Crockart: It is sad that they almost did not follow through to the end of the process to get to that point.

Iain Gray: I take the feedback extremely seriously, and I reassure you that we are looking at how we can continuously improve it, but the robustness of the KTP programme depends upon the quality of the project itself. That is the bit that we put the time and effort into.

Q263 Mr Walker: Following up on this issue of building partnerships, one of the areas in which we want to see partnerships being built—and where they are being built quite successfully in some areas—is between catapults and universities, and we have had mixed evidence about the bidding process for universities to actually work with catapults. The Transport Systems Catapult was highly praised as an excellent example that had managed to get a lot of university collaborations in place very quickly. What process does the TSB have to ensure that all catapults and further centres have open and transparent calls, but also calls that encourage SMEs to engage as well as large businesses?

Iain Gray: It was interesting to read the various bits of feedback in the submissions. I would make a very bold statement up front: we put in place the catapults as a business-led initiative, which distinguishes them from university research institutes, which are university-led and business-engaged. The basis of the catapults is that they are business-led with universities engaged, and that is a very important principle for us. I think it is what makes catapults unique in an international context.

How do we engage with universities? Well, each of the seven catapults actually has different engagements with universities. Some of the original High Value Manufacturing Catapults—and I know the Committee visited at least one of the High Value Manufacturing Catapult centres—actually has university members on the board, and so universities are intrinsically engaged in the governance of the catapult itself.

The questions that have come back are at a different level to that, however. The questions are about how universities have engaged in the decision as to where the catapult would be located, and there are still some issues around universities as to why the catapults were not necessarily located on a university campus. I saw some of that come through in the evidence here, and, again, we were quite clear that we wanted the catapults to be business-led, to be a UK-wide organisation, and therefore not to be linked to a single university.

In terms of how universities engage in the research projects, that is through collaboration with business. They are free to bid on Technology Strategy Board programmes that will be

implemented at the catapult. There is nothing preventing any university in the UK participating through a collaborative R&D project at a catapult. In terms of some very specific examples, you talked about Transport Systems. Transport Systems chose to run a particular competition, and that competition was open-access and a number of universities bid into that: some on their own, and some in collaboration with business, so that model of bidding into competitions is very much an open process.

The last part of your question really gets to the heart of what the catapult is about, which is business engagement. It is providing access to small companies who might not otherwise have access to world-class equipment and world-class people. There is a real emphasis on us to develop an open innovation model. I think it would be fair to say that for the very first catapult, which was the High Value Manufacturing Catapult, we pulled that together from a number of existing facilities that had previous governance and membership relationships. What we are trying to do there is develop a way forward that will give good, open access to SMEs, because that is the heart of what the catapult model is all about.

Q264 Mr Walker: Clearly, there are some great examples of good practice there in some of these catapults. Is it your role to ensure that they are communicating with each other and sharing best practice, embedding these processes where they work, and communicating from one catapult to another?

Iain Gray: Yes, it is our role, and it is quite explicitly set up as a network of centres. If you look at, for example, the Satellite Applications Catapult, which is based at Harwell, that is working with life sciences, Cell Therapy, the Transport Systems Catapult, and High Value Manufacturing. If you look at the High Value Manufacturing Catapult, which has got seven separate facilities, it is bringing the Centre for Process Innovation, which is based up in the North-East of England, doing process industry activities, together with the composite facility down in Bristol. It has been a real, committed effort to make these centres network with each other. It is a network of centres: that is the USP.

Q265 Mr Walker: In terms of collaboration with SMEs, I was quite impressed during our visit to the Warwick campus and the Advanced Manufacturing Centre there to see that at one industrial estate in Worcester there were three medium-sized enterprises working with it. Do your Technology Strategy Board initiatives differentiate in any way between large, small and medium-sized enterprises?

Iain Gray: In terms of the catapults themselves, there are seven catapults, all addressing slightly different themes, and all with slightly different levels of maturity in terms of closeness to market. If you take, for example, the Cell Therapy Catapult, which is looking at new, emerging cell therapy and regenerative medicine treatments, it is predominantly about small biotech businesses. It is SMEs that are taking part in it. If you look at the High Value Manufacturing Catapult, then an awful lot—Brian talked about this earlier—is about building supply chains. It is about how you engage the large corporates and pull through the mid-cap companies, the SMEs, and build good, robust supply chains. A lot of the SMEs' engagement there is through supply chains, but there is disruptive technology as well that may come from SMEs. You are trying to provide access to those particular companies as well, so it is a complete mixture, depending on what theme you are at, but SMEs are at the very heart of the catapult model.

Q266 Mr Walker: To expand on that, you say that it is at the very heart of the catapult model, but in what ways are the catapults actually reaching out to SMEs, which might not necessarily have it being brought to them through the larger companies, who are more likely to already be engaged? You mentioned disruptive technologies there. Clearly, if you are a well-established, major manufacturer with an established supply chain, you do not necessarily want to encourage disruptive technologies to come forward and to benefit from the facilities that you are using. What proactive work is there?

Iain Gray: Part of the work is through the catapult itself and the catapult's outreach mechanisms, but I guess an important point to reinforce at this point is that the catapults are just part of a broader innovation support mechanism. The Technology Strategy Board is essentially supporting business through what I would describe as three key pillars: there is a funding pillar, there is a support pillar, and there is a connecting pillar.

If you look at the connecting part that we operate, for example the Knowledge Transfer Network mechanism, that has about 60,000 members. That is an intrinsic part of the overall family, so the outreach to these small companies that might not have direct access to the catapults is coming through a number of different means, and the Technology Strategy Board itself, through its different programmes, may be introducing companies to the catapult. The Knowledge Transfer Network is introducing small companies to the catapult. It is not just dependent on the management team, for example, of the catapults themselves. There are many ways to draw those companies in, and that is what we are trying to do.

Q267 Mr Binley: Specifically to Mr Gray: at this moment, there is a consensus that TSB is underfunded. Now, I would not expect you to say that that is not the case, of course, but I would want to know what the priority areas for innovation support are that existing funding does not allow the TSB to undertake. In a way, I think that touches on the point I raised before about SMEs, particularly those with a small number of employees working at the frontier, as it were.

Iain Gray: I am certainly not going to disagree with the assertion that we are underfunded.

Mr Binley: I thought you would not.

Iain Gray: I have consistently argued that we are underfunded. In terms of where I think the priorities lie, if you look at our programmes to support the SME community, then we are turning away around 75% or 80% of good-quality applications on the basis of the funding that we have got. It has got a 25% success rate, capped, simply, by the funding levels that are available to us, so there is a very significant scope for increasing the support of SMEs through increased funding. It is important to recognise in this context that it is not just about funding; it is about providing the backup to that funding through joined-up government access to coaching, mentoring, UKTI, and the Intellectual Property Office.

Q268 Mr Binley: So what you are telling me—and this is a problem with industrial tribunals, for instance, where the very small companies have not got the HR expertise—is that it is about the support for the operation that sits outside their direct expertise?

Iain Gray: I am saying that to make the SME successful in its innovation proposals, and to have that broader support, we have strong evidence to show that those companies that

have a broader support—as distinct from just funding support—are more likely to be successful.

Mr Binley: I am grateful for that. That is a very valid and important point.

Iain Gray: In a broader sense, to answer your question in terms of increased funding, the big question we get asked all the time is essentially scope increase versus scale. Everybody is forever talking about new initiatives and new ways of doing things. Scaling up the programmes and initiatives that we have is actually really important.

Q269 Chair: Just before you move on, Brian, could I just ask a very quick question? I think it was the Witty Report that suggested funding should increase from £160 million to £250 million. If you did have that £250 million, what sort of percentage of applicants would be accepted, do you think?

Dr Sweeney: That comment was about our Higher Education Innovation Fund.

Chair: No, I think it was TSB funding.

Iain Gray: Just to be factual about our current budget, our Technology Strategy Board core budget this year is just over £400 million.

Chair: It may have been the HEIF.

Q270 Mr Binley: I just want to probe a little further on this support element, which I think is very important. The smaller the SME, the less specific expertise they have got in those periphery areas, and it is a vital issue. I just wondered how you provided that, where you see there is a real need to provide it: whether you have it on-site in your operation, or whether you have connecting bodies that you use. How do you do that?

Iain Gray: About 18 months ago, we did a pilot with the School for Startups and the University of Plymouth. It is quite difficult to determine a cohort with and without this broader support, but we did, and the evidence was very strong that with this additional support there was much greater evidence of success. What we have been doing, and what we built into our new delivery plan, is asking how we can provide that support: not through ourselves but through providing the connections, whether it be through the Growth Hubs, the Growth Accelerator, or the Intellectual Property Office. It is not the ambition of the organisation to grow; there are plenty of other people there. Our ambition is to make those vital connections and help to support small businesses to achieve those vital connections.

Q271 Mr Binley: You clearly noted that I would be pleased to hear that. I am grateful. Could I move on to Dr Sweeney, and ask about the Higher Education Innovation Funding? Professor Alan Hughes said that that funding could be focused on HEIs that are more engaged in problem solving and local activities, rather than raw research, since quality-related funding is highly concentrated in the top research-intensive universities. He is being a little bit revolutionary from your perspective, I guess. Can I ask you if you think it is a good idea and, if you do, how you might progress it? You might say, “No, that is a bloody awful idea,” and so there is no second answer.

Dr Sweeney: I would not like to play a straight defensive bat on this one.

Mr Binley: Notice that it was a googly, so be careful.

Dr Sweeney: I did notice that. First of all, the Higher Education Innovation Funding is not used to support research. It is used to support business engagement, and the funding goes according to a series of metrics that measure the business engagement as the willingness of business to pay. The reason why many of our research-intensive universities are at the cap of the HEIF funding that I mentioned earlier is because they are doing the business with industry, and the return on investment from every pound we spend on HEIF is simply higher in those institutions than in others.

I think Alan probably means that those universities would do that anyway, but I am fairly sure that is not the case, because HEIF is actually used to hire the business support staff who support the business engagement, and it is used to buy out the time of academics to do it. I do not think that, if HEIF funding was withdrawn, universities would divert other funding to do that; I think they do it because we are encouraging them to do it.

I also think that, when we have increased the funding for those at the cap—as we did last time—we see a consequent increase in the income that they get from business, which is a measure of the business engagement. I think there is pretty solid evidence that the way to invest HEIF is along the same lines—at all times, we look for improvements to do it—and if we were to divert the funding to an entirely different group of universities with lower performance in business engagement, we would get much less of a return on that investment.

Q272 Mr Binley: This one comes out of the back of the hand, so I am telling you that the googly is coming now: you are really saying that he did not quite understand the situation?

Dr Sweeney: I do not follow that.

Mr Binley: Well, that Mr Hughes did not quite grasp what you were about, because you are saying that the stuff does not go through to research; it is channelled in a different way.

Dr Sweeney: Because each university has to provide us with a strategy for spending their HEIF money, and then report on how they spend it, we certainly know that it is not spent on funding basic research; it is spent on the support of business-industry engagement.

Q273 Mr Binley: So I repeat: Professor Hughes, in terms of his statement, did not quite understand the situation as he should.

Dr Sweeney: I think he is assuming that the incentives for universities to do business engagement do not require the spending of money, and that is a judgment that we must all make, rather than an evidence-based view. I think that we have seen, when we encourage universities with more money to do it, that those universities indeed do more business engagement. There is reasonable evidence that our approach is generally right, although as I say at all times you look at how you might do better.

Mr Binley: I think you spotted the googly pretty well.

Chair: I was going to say that is a response that would do credit to any Northamptonshire batsman. Unfortunately, I do not normally see such quality from Gloucestershire batsmen. William Bain, you have a supplementary; make it very quick, because we are running behind time.

Q274 Mr Bain: This issue about where we fund innovation is very important, because Will Hutton, in evidence to this Committee, told us that only 4% of private sector research and development is done by small and medium-sized businesses, with the rest being done by large conglomerates. Is it part of your remit to grow that share of the pie that SMEs take, and what examples are you taking from other countries with perhaps a better record of doing this?

Iain Gray: I think Will was making a very well-made point about the importance of large corporates and the way large corporates operate in the UK. Sometimes, in the focus around the SME agenda, we forget that, but one of our objectives in the SME base is to find those small start-up companies that will be the mid-sized companies and the large corporates in the future, and it only needs one or two billion-pound companies to come out of that small SME base, and we have been hugely successful from UK plc. From our perspective, it is important to work closely with the SME base. About 65% of our funding and our resource effort goes into small companies, and on the Smart Grant alone—which we talked about previously—about 60% goes to companies less than five years old, with less than 10 people. Our objective is to find those small companies in that population that will grow to be the billion-pound companies of tomorrow.

Chair: We are running behind time, but there are two more questions, and possibly a supplementary, from Paul Blomfield. If you could make your answers as brief as possible, that would be helpful.

Q275 Paul Blomfield: I will try to make the questions brief, too. I wanted to pursue an issue that was raised with us when we were in Coventry last week, about European funding. Mr Gray, I am conscious that TSB supports companies in gaining access to European funding. We spoke to the vice-chancellor of Coventry University—you are smiling as if you are anticipating the question.

Iain Gray: He is the new vice-chancellor. That is why I am smiling.

Paul Blomfield: He said that the UK approach to certain European funding streams was that if you could get European funding, great, but it was kind of replacement funding for money that would otherwise be available from government, as opposed to providing additional value. Now, do you think that is a fair comment, and to what extent do you think government funding programmes are aligned with European funding opportunities?

Iain Gray: There are two different angles on the European funding that we are engaged in. One is the European structural funds, and I know that in Coventry and the West Midlands, that is a really important issue. We are working across the LEPs to see what we can do to help reinforce matched funding through European structural funds. I think the comment that was being made was more around the Horizon 2020 programme.

Paul Blomfield: And rooted in his experience of FP6 and FP7, I think.

Iain Gray: It is important to recognise that the Horizon 2020 programme is a very significantly different framework from previous framework programmes and is much more closely aligned to the UK landscape, both in terms of challenge-led competitions and its focus around the SME agenda. There is a very big opportunity for us in the UK to leverage Horizon 2020 funding through business. We have always been very successful through universities, but I think this alignment of the Horizon 2020 challenges with our own framework presents a big opportunity for us.

Q276 Paul Blomfield: Is that different from FP6 and FP7?

Iain Gray: Yes, it is very different. His point was a legacy point, and it is really important to focus on these huge opportunities for UK business in Horizon 2020.

Professor Hunter: For example, it will fund individual SMEs, whereas before it would only do it in consortia. One of the issues, having actually been a SME being funded by the European Union, is the cashflow. We have been talking about timelines in the UK; in Europe, it is actually quite a significant issue for SMEs.

Q277 Paul Blomfield: I take that point, but the issue that we were trying to get to is this question of alignment of national and European programmes. I wonder—because I am conscious of time—if you could provide us with supplementary written evidence on where national and European funding opportunities are and are not aligned.

Iain Gray: I am happy to do that.

Professor Hunter: Would you like that from an academic point of view? The research councils have also got that information.

Q278 Paul Blomfield: That would be very helpful. I have one final question, with an eye on the clock, about the local growth hubs that LEPs are going to be establishing—perhaps all of the 39 LEPs. This is also a question to Dr Sweeney. How far do you think this will fragment or co-ordinate the innovation support landscape?

Dr Sweeney: I do not think I am the person to ask that question of, because the growth hubs are about business support and very much in Iain's area. Our chief aim in this respect is to support the engagement of universities with their LEPs, and indeed to facilitate them working with local businesses to access European structural funds. Our prime aim is to get more money into this system; the European structural funds are more money that is available, but it does require universities to work very closely with their LEPs, as Mr Binley was suggesting. We are coming at it from that thrust; I think the business focus of the growth hubs is for others.

Iain Gray: We are a UK-wide organisation, so it is 39 LEPs, including those in Scotland, Northern Ireland and Wales. In terms of working with the growth hubs in the LEPs—whether 39 is the right number or not is a different question—we are working with them.

Q279 Paul Blomfield: I am sure you are. The question is whether the establishment of growth hubs is going to complicate, in terms of fragmenting the landscape, or improve co-ordination.

Iain Gray: We think the growth hubs are good, and working with the growth hubs is good. What is really important, and what I see the role of national organisations like the Technology Strategy Board as being—because we operate into a global and an international market—is to make sure that we do not fragment it and become very parochial. For those things that we want to be good at from a UK perspective, we can make those links and join things up so that the growth hubs do not just limit activities to the perimeter of the LEP itself. We find effective ways of joining LEPs up, and joining businesses in a LEP with universities or other businesses elsewhere in the UK. I would argue that there is a strong role for both, and an effective role for the Technology Strategy Board is to help ensure that there is not fragmentation through the LEPs—that we see that small number of things that we really want to do well in the UK done well at a UK national level.

Paul Blomfield: Thank you. I do not think I have the chance to pursue that further.

Chair: Thanks very much. That concludes our questioning. Can I thank you very much for your contribution? I just add what I say to any witnesses: if you feel that there is an answer that you would like to have given but did not, feel free to submit it in a supplementary form, or indeed any other evidence that you feel you were not able to convey to us today. Please do so. Similarly, if we feel there is a question that we should have asked you but did not, we will write to you and would be grateful for your response. Thank you very much.

Examination of Witness

Witness: **The Rt Hon Lord Heseltine of Thenford CH,** gave evidence.

Q280 Chair: Good morning, Lord Heseltine, and thank you for agreeing to address the Committee again. Apologies for being slightly later than we intended. I am sure that you will be able to tell us everything that we want in the time available. I understand that we have got you until 11.45? Is that correct?

Lord Heseltine: I think so, yes.

Q281 Chair: Good. Right, let's crack on, then. I will start with the possible and perceived tension between, if you like, central business and local businesses. LEPs are expected to work with local businesses and local universities in order to drive innovation, and yet you have got BIS and TSB run by a government innovation policy that is nationally driven. Do you feel that these two approaches are incompatible, or could they actually complement each other?

Lord Heseltine: The latter.

Q282 Chair: The latter, yes. Do you wish to add anything more?

Lord Heseltine: There is a philosophical point about the role of central government and the role of local government, and how they interrelate. My full recognition is that governments are elected with policies; they are fully entitled to pursue those policies, so in

any localist agenda, the input of government will be very important. One is loosely talking about partnership, as opposed to a central imposition, and the philosophical area one has to explore is the way in which the government can implement its policies, engaging the maximum enthusiasm, choice and initiative from the local communities, who are obviously a vital part of any implementation strategy. It is a matter of how you actually make the machine work that combines the proper rights of government and the strengths of the local communities.

Chair: My next questioner is Brian Binley. I think you have got a declaration to make beforehand.

Mr Binley: I need to declare an interest. I am non-executive chairman of a company I founded, which works very much with Haymarket. It is right and proper that I say that, and say thank you, I suppose.

Lord Heseltine: I had better declare an interest as well, in that case. I do not know what it is, but I ought to declare it.

Mr Binley: Secondly, I need to say that I am the vice-chairman of the Northamptonshire LEP.

Lord Heseltine: I declare an interest in that, because I live in Northamptonshire.

Q283 Mr Binley: I know you do, sir. Thank you for that. Now, on to the question that I wanted to ask, and it is about LEPs, as you will understand. The Government has said that the universities are key to the success of LEPs, and I might add that we have a very good relationship with Northampton University, which is a very forward-looking university, I am delighted to say. However, three years after the LEPs' foundation, much of the evidence from the higher education institutions describes confusion around the role and the strategic priorities of LEPs. Do LEPs need further time to establish themselves, or does this point to a lack of strategy, and if it is the former in some cases—because I think the LEP situation is very patchy, actually—how might we improve that situation?

Lord Heseltine: I have got two answers to that specific question. The first is time; the second is competition. The LEPs have gone through a remarkable learning curve. The LEPs of today are unrecognisable from the LEPs of three years ago, and in a very short period of time, they have transformed themselves from basically a very small consultative process to today's driving position, in which they co-ordinate the wealth creators in an area and have massive influence on the allocation of government funds. That is just a piece of historical analysis of the last three years.

It would be amazing to me if there was not a varied patchwork of performance, for many reasons, and I will just give you an indication of some of them. First of all, there are parts of this country—largely, the less prosperous parts—that have been the recipients of government aid for a long period of time. They are used to the experience; they are experts at delivering the experience. The more prosperous parts have no such experience, and therefore have had to go through a catch-up process, which is only partially complete. There will also be, secondly, a varied quality of performance. That is why you need competition, in order to be sure that the standards that you emulate are those of the best, not the commonplace or, worst of all, the worst. Thirdly, and very interestingly, there will

be areas that do not have the inherent local strengths upon which to make an effective bid. Competition reveals that, and then focuses attention on the ability of government to address the structural weakness of those particular areas.

Q284 Mr Binley: Thank you for that. I am grateful. There are several reports—and the Witty Review of universities and growth is one of them—which have called for higher education institution representation on LEP boards. I am surprised that LEPs have not got that in the areas where they have got universities, because we certainly have in Northampton, with Nick Petford as the vice-chancellor. Having said that, what are the other key features of successful collaboration between LEPs and higher education institutions?

Lord Heseltine: People. It is down to people.

Q285 Mr Binley: It is just down to the quality of individual personalities. I am sure that is right.

Lord Heseltine: One should admire that, praise it, and recognise it. After all, what made those cities was people. It was not some great God-given master plan; it was just a huge range of buccaneers, who created this country in that extraordinary short period of time in the 18th and 19th centuries. We want to replicate that.

Q286 Mr Binley: But it is not about government in this respect; it is about people ensuring that the contacts are made and the partnerships developed, is it not?

Lord Heseltine: Correct. My experience of travelling extensively around the country, talking to LEPs, is that the universities play a very vital and interesting part. I am rather surprised that your question—I do not have the statistics—suggests that there is not a close relationship in some parts. I find that difficult to understand, but if it is the case, I reckon that the chances are it will be put right.

Mr Binley: Thank you.

Q287 Chair: I was intrigued by your comment about, if I heard it correctly, buccaneers on LEPs. Are you saying that they should be staffed by buccaneers?

Lord Heseltine: I was referring to the 18th and 19th century entrepreneurs. They were buccaneers.

Q288 Chair: It was not inspired by the presence of Mr Binley on one of them?

Lord Heseltine: I have to say that our commercial relationship is one that I have not studied.

Q289 Nadhim Zahawi: Lord Heseltine, the University of Hertfordshire and the Hertfordshire LEP said that the concentration of devolved resources around research-intensive universities by HEFCE and cities through the City Deal process and the City Skills fund left serious gaps in innovation funding that disadvantaged many other areas. Do you agree with that? Is that something that you have picked up on your travels?

Lord Heseltine: If you are travelling extensively amongst people who are responsible for activities, “funding gaps” is on everybody’s lips. Everybody wants more; it is human nature, and I do not criticise them for that. You will always find someone who has got criticisms. They may be legitimate or not, exaggerated or understated. The issue is how you address the issue, and to me there are two ways in which that particular question can be addressed: either through the mechanism of central government sponsorship, or by persuading the Local Enterprise Partnership to divert more of the money that is available to it in meeting that requirement. Those are general answers to your question; I cannot know about the Hertfordshire situation without a briefing, but those are the only two ways I can see that issue being addressed—if it is in the mind of government so to address it, because the Government may not take the view that there is a shortage of funding in that particular category. Again, that is a matter for government.

Q290 Nadhim Zahawi: That was really the point. Putting Hertfordshire aside and their LEP, what they are really saying is that because of the concentration by HEFCE on the research-intensive universities and then the actual mechanism of that, as well as the City Deals, from government and the City Skills Fund, because those mechanisms focus in a particular direction, you have got the outliers like Hertfordshire. Do you think that is a genuine concern?

Lord Heseltine: That is another manifestation of the same point: that we have not got enough funding, or that there is enough funding but other people have got it, which is virtually the same thing. The only way that you can meaningfully have a discussion about that is if you are deeply involved in the facts, and I am not.

Q291 Nadhim Zahawi: Fair enough. Catapults are national centres for innovation, which I am sure you are familiar with. Do LEPs need their own innovation hubs, similar to the Fraunhofer model?

Lord Heseltine: I believe that LEPs will consider such options, and where appropriate argue for them. I am familiar with catapults, which are a very welcome innovation, just as I am with UTCs, which are not dissimilar in this case. They are, again, a major innovation, and LEPs are urging, in some cases, for more. The excitement of all of this is that there is this local dynamic, looking at where they can stimulate growth and the pursuit of excellence, with the capacity to influence the flow of funds in that direction. It does require an element of discipline on central government to say, “If this is what you think is the best way forward, we will hear you,” as opposed to saying, “No, we have got a formula, and this is the formula and this is how it happens.”

Q292 Nadhim Zahawi: So less formulaic, less rigidity, and more flexibility.

Lord Heseltine: Absolutely, but there will always be an element of partnership. Central government has the right to have its policies implemented, and so a LEP saying, “Well, we fundamentally disagree with government,” is not going to make progress. It is just not a way in which you can see the system working.

Nadhim Zahawi: Thank you very much.

Q293 Chair: Could I just pick up that? You have quite rightly pointed to the potential innovation and drive that comes from, if you like, the localist approach there. However, they are in receipt of public money. Do you think that the Government's processes and ability to measure the effectiveness of LEPs as a basis for determining funding is adequate, or should it be refined, developed, or what?

Lord Heseltine: I think that there are significant opportunities to improve the administrative arrangement between central government and the LEPs. Having said that, the latest announcement yesterday does take the agenda forward, to the extent that we are no longer just talking about theory: we can look at the practice, and see what has happened after the first bidding round, because we have got a list of schemes. If I may make a suggestion to your Committee that you may find helpful, I could ask officials in the Cabinet Office to produce a list of the projects that have come from the Regional Growth Fund, the City Deals and now the single pot that relate to the partnership between universities and the wealth-creating sector.

Chair: I think that would be extremely helpful indeed. We would be most grateful if you could do that.

Q294 Mike Crockart: This question actually relates to your answer to one of the previous questions. You talked about LEPs looking for the best way forward for their area. Is there not a danger that much the same thing will happen under this structure as happened previously with the regional development agencies. They were criticised by one think tank IPPR, which described "biotech and ballet" as a shorthand for economic strategies. Are we not in danger of creating a similar situation where LEPs will look for the best way forward, and they will all identify biotech as the great new thing? How do we stop that from happening? How do we make sure that LEPs are trying to do effective collaboration, rather than looking for the next big thing?

Lord Heseltine: I am back on the first answer, and that is the relationship between central government and the LEPs. I see central government increasingly becoming a quality assurance presence, as opposed to an executive agent. In other words, they will be standing back to look at how the money is spent and how they can influence the search for diversity and quality, rather than being preoccupied with the actual execution of the policy; in other words, the local element will become more of the executive, as opposed to the central government, who will become more preoccupied with the quality arguments.

Now, that is a generalised answer to your specific question. When I talk to LEPs, there is always that danger, and we had this conversation best illustrated on the Humber, where Siemens have announced a very exciting development. The temptation is, therefore, for people to say, "Job done." Actually, however successful Siemens' investment turns out to be, the job will only be very partially done, because you are dealing with a huge company, very diverse, with many strengths and many opportunities.

If the LEP process is working well, and if they use the professionalism that is inherent in the LEP, they will not let themselves be focused on a tiny part—however important—of each local economy. They will see the picture in the round. That is absolutely essential, but in the bidding process, I would see the question you asked as being part of the Government's question: "This is your LEP bid. You are telling us that it is all about biotechnology; well, what proportion of the local economy is biotechnology? On your

wildest assumptions, how much more could it be, and what proportion would it then be?" The answer will, of course, be that it is very small now; however successful, it will still be very small, and you are left with a huge amount of the economy that you have not talked about.

Q295 Mike Crockart: I accept that. You talked about government's role being a quality assurance role. How do you stop that moving from being quality assurance to being picking winners?

Lord Heseltine: It is very difficult, because, of course, everybody does pick winners. One must not lose sight of the fact that, in the end, if you are spending money, you are not picking losers—at least, you are not intending to pick losers. The private sector makes as many mistakes as the public sector. The virtue of the private sector is that it identifies its mistakes much more quickly and eradicates them much faster and much more effectively. In the public sector, it is much easier to say, "Well, just another heave—another dollop of money, and it will all be alright on the night," and all the political pressures pile in behind that much more popular approach. I think we need to be mature about the words "picking winners", because the whole process of government support in these areas is about picking winners.

Q296 Mike Crockart: But if the focus is on picking winners and creating clusters where there is strength, how does that fit into the strategy of trying to get greater growth in the regions where those clusters, perhaps, do not already exist?

Lord Heseltine: That goes back to the third of the reasons I gave, where there is insufficient inherent strength. This takes you back to the article in *The Economist*, a year or six months ago, in which it argued that government should just face up to this and let those economies go. I wholly reject that; it is not going to happen, and the politics is just impossible, but I believe the morality is impossible as well. I welcome the clear articulation of *The Economist* that there is an argument of that sort that some people believe in; I do not, but they do. It is what they said to me in Liverpool in 1981: "Why bother? It is finished—done." I did not accept that view, and look at Liverpool today, thanks to the extraordinary resurgence of confidence and innovative behaviour by Liverpudlians.

Where there is no strength, and that would be my third category of possible reasons, then the challenge for Government is how to inject strength. I now look back on a lacuna in my report that I should have spotted at the time. It is what I call "bending spending". You see, my report dealt entirely with the funds available through local authority spending, a very large sum of money, but it is dwarfed by what is available in the big capital spending programmes in the rest of Government. You will think of defence, health, major roads, airports and academia. These are massive capital spending programmes. We are now dealing with the bids that are not very good because there is no basic strength. If you recognise that, then it is up to Government, in my view, to say, "What are we spending that could be diverted into those areas?"

I will give you an example. This is not a draft; I am talking out loud, but you will get the flavour. The regional hospital is always going to be very expensive and quite a long way away from most patients, because you cannot afford that many regional hospitals when

they are specialist and excellent. A huge number of patients are going to travel quite a long way to the regional hospital, which gives you flexibility about location. If you have a choice within a broad area of the country as to where to put the regional hospitals, the Government should question whether it should be in an area of relatively weak economic performance, because with a major regional hospital you can bring the pharmaceutical industry, the medical equipment industry, academia and UTCs—all specialists—in around that particular cluster that you are creating.

We have just brought, for example, the army back from Germany at a cost of I think £800 million, which is going into Wiltshire. It is a perfectly legitimate decision. It could have gone into a more deprived part of the country perhaps. I only raise the question; I am not advocating it or anything like that. Airport development, HS2 and the Chancellor's visionary statement about linking the Mersey to the Humber—these are major strategic wealth-creating possibilities. That is what I call “bending spending”: just looking at the profile of the national economy to find the weakest areas and saying, “What can we reasonably do?” I think one would be staggered by the discretion that is available.

Q297 Ann McKechin: Lord Heseltine, I wonder if we could just tease out a bit further this relationship between central Government and regional or local government. The Witty Review focused on industrial sectors rather than postcodes, and the Government's Eight Great Technologies campaign as well as the industrial strategy prioritised sectors rather than places. To what extent is this compatible with actually allowing local areas to try to set their priorities? Is this back to the issue that you mentioned earlier this morning, about setting a quality assurance or some degree of direction?

Lord Heseltine: To me, the question is based on industrial strategy, and how that process works. I personally am a supporter of the innovations that Vince Cable has been making in setting up these Industrial Councils, which must deal with issues like research, innovation and higher education in that they are all interrelated with a particular specialism. I put this as a legitimate policy priority of Government. So if, for example, you are dealing with the aerospace industry, Government wants to support it, which it has done in many ways through the Council. It is bound to wish to see that Government strategy reflected in the work of the LEPs, and it is quite entitled to expect that. It is equally entitled to say that we are funding A, B and C projects, or C, D and E research projects. We cannot afford to proliferate that into 20 different areas when we have concentrated on five. The LEPs, who are at the receiving end of that particular degree of support, know they have the Government support, and will be encouraged to build on it and extend it. It is all this concept of how the partnership works.

Q298 Ann McKechin: The point you made in response to my colleague Mike Crockart is about the fact the Government perhaps sets these policies and considers where, for example, a catapult centre might be in terms of an area that may be of low economic growth, which might be one way of attracting people into that locality, rather than spending the money in an area that is already pretty prosperous. Do you think that is the role of Government when it looks at that industrial strategy—that it also looks at how it tries to move the wealth out of perhaps more prosperous areas and into those that are less prosperous?

Lord Heseltine: I do not think I would use those words; I think we are probably quibbling. I am looking at concepts that build on strengths, and if there are no strengths, injecting strengths is a part of the strategy I would advocate. I am not sure we are very far apart.

Q299 Mr Walker: I want to ask about SMEs and their role in all of this—smaller businesses in general. First, after yesterday's announcement on the Local Growth Fund, I think it is appropriate to say congratulations on the influence that you have brought to bear on that, and the paradigm shift between the centre and the bottom-up approach. Just echoing your comments earlier on the buccaneers who formed the cities in the 18th and 19th century, I think it is appropriate that we should be having this debate under a portrait of one of the Chamberlain family, who had such an enormous influence on that process and brought so much understanding of the civic development of cities into national politics. Do you think that there is a genesis from what is happening with the LEPs and the devolution of an enormous amount of Government spending power to bring a new generation of politicians in from the provinces who can make big changes at the centre?

Lord Heseltine: I am trespassing outside my particular—well, no, I am not really. This is what I believe.

Chair: Has it ever bothered you before, Lord Heseltine?

Lord Heseltine: I was hoping you would say something like that. In my report, I published alongside each other the Redcliffe-Maud recommendations of the 1960s and the LEPs of today, and it is a bit of a historic joke. We all know where it is going and, I believe, so it should. I believe in unitary authorities. I was part of your father's remarkable reforms when we reduced 1,400 authorities to 400 in the 1970s, just after Redcliffe-Maud had said you should go down to about 60. I think he was right, and I am quite clear that we would be better with unitary authorities and with mayors in charge.

I was at a fascinating meeting in Liverpool a fortnight ago in which there were 100 mayors from across the world. The fascinating thing is that all have the same problem with this huge accumulation of humankind in dense urban areas: the problems of educating them and giving them skills, attracting investment, law enforcement, drug eradication and the general problems of poverty and trying to innovate and drive. The fascinating thing is that amongst the world leaders of this are British companies. We are renowned for our excellence in the financial services industry, but, my word, you go and look at the civil engineering and the architectural industries. These Brits are out there, all over the world, pioneering the best. You are at the heart of my conviction that we are heading in the direction of unitary authorities, with directly elected people running them, and, for our money, that we need.

Q300 Mr Walker: Thank you. I realise I have slightly taken us off the topic of university–business collaboration. I think your point there was very relevant though. A lot of the leading companies, in terms of the development of cities, are large companies coming out of the UK and doing business around the world. It has been put to us that only about 4% of the overall R&D spend of businesses in the university space comes from smaller businesses. We were just discussing this; Brian and I are a bit sceptical as to whether the number is actually that low or whether it is to do with the fact that larger businesses are more likely to be formal in their approach and therefore more easily measurable. Professor Alan Hughes

told us there is a real order of magnitude problem in thinking SMEs are going to do something dramatic on the research front. Do you agree with that?

Lord Heseltine: I am a bit of a sceptic about generalisations because I have no doubt at all that there are huge numbers of very small companies that are pioneering right at the front of the technological excellence. It is perfectly true that they do not have a fund distributed from central government, and therefore measured by the public accounting processes. What they do have is the genius of the university from which they came, and it is all in their head, and they are building extraordinary, very small companies based on their intellectual capabilities and their accumulated experience.

I do not know how you evaluate that as opposed to someone who gets a contract from Government to pioneer leading edge technology in aerospace. Equally, if you do give a contract—I mean I am guessing, but it would be a line of enquiry—if, say, X million goes to Rolls-Royce to do some carbon-fibre technology, how much of that X million is spent in Rolls-Royce as opposed to through the supply chain, which would not be measured?

I am a birdwatcher—this is not irrelevant. If you go into the jungles where the birds often are, you realise that you have got a myriad of species, most of which are very small, but without the canopy of the big trees, none of them would exist. So what I did in my report was to go to a very small number of very big companies and say, “Could you tell me how many subcontractors you have got?” Then I went to the biggest of the subcontractors and I said, “How many subcontractors have you got?” What you realise very rapidly, and this is the canopy all over again, is the giants are the jungle that actually supports countless small companies. Take away the canopy, and you burn up the small companies.

Q301 Mr Binley: I am going to push you just a little further to get this on record, because you know that we live in an area where motorsport and aerospace small companies operate sizeably. You also know that there is no structure—that they decide to make a change that is based on research, they put the change into effect, they move forward and it becomes a part of the process, but it is never written down anywhere. It is not a part of a formal structure, is it? That happens in our part of the world quite a lot. I just wonder if you would pay tribute to that, because I think Professor Hughes is so wrong, and we need to be firm in that respect.

Lord Heseltine: You are asking me whether the detail is recorded. I do not know, but I am not against recording for the benefit of others to learn. I think emulation is a very important part of what we are trying to do. Basically, what we are trying to do in this country is to raise the standard of the average closer to the standard of best. The great difficulty in this dialogue is that Britain has many of the world’s best companies, best universities, leading edge initiatives and all these things. We are absolutely at the frontier at the top end. So the debate can easily end by saying, “What are you talking about? We are already doing all these things. Look at all these great names out there doing this, that and the other.”

The answer comes when you say that our productivity is 20% below the Germans and the Americans. The answer comes when you realise we are now 21 in the world league of education. At the beginning of a recovery from the worst recession in modern times, we are short of skills. It is all in the substructure that we have concentrate—in showing people at that level how to do their job more effectively, not telling them, because that is a

disaster, but by exemplification, support, education or whatever it may be to raise the standards down at the bottom. It would be very interesting if Ministers, instead of going to the most successful companies and schools, went to the least successful companies and schools.

Chair: A revolutionary approach. William Bain, I think you have a supplementary.

Q302 Mr Bain: We heard last week from the University of Warwick and from Coventry University that in their view there is still too much of a silo mentality within Government, with individual Departments having their own agendas. Their sense was that there needed to be much more collaboration across Government in order to support the widest possible business-university engagement. Do you agree with that finding, and, if so, what changes to the machinery of Government would you advise making to increase and bolster that collaboration?

Lord Heseltine: I would agree with it, and it is, of course, at the heart of the report that I produced on how you start dealing with it. Let me say at once that, from where we were two or two and half years ago, we have moved a great deal. I pay tribute to those people, both in central government, conspicuously the Minister for Cities, Greg Clark, but many of his colleagues, and those at the receiving end, the LEP end, who have transformed the scenery in which this is all happening.

Now, your question is: has it gone far enough? My answer is no, I do not think it has. The challenge for central Government is to think more holistically about the local economy. The LEP represents a local economy; there are 39 of them. I do not know of machinery in government, other than through the City Deal process, that is looking from central government's point of view at those individual local economies. One of the recommendations I made in my report to try to deal with this was that each Cabinet Minister would be given a titular responsibility for two LEPs. All it meant was that they would meet perhaps once every four or six months with the Board of the LEP to discuss how things were going. They would not have any executive responsibilities for those LEPs in this capacity, but simply sit round the table, and instead of spending their day preoccupied by their functional responsibilities in Government, they would say, "Well, how are things?" The LEP would say, "This is where the problems are, this is what is not happening, these are the opportunities and this is where we would like to see more input," or less input, less bureaucracy or more bureaucracy.

Just that process of taking Cabinet Ministers out of their functional responsibility for a morning is important. It was the Cabinet Secretary's suggestion that that ought to be mirrored by Permanent Secretaries. If you think about a Permanent Secretary's job, they are functionally preoccupied. Their whole job is delivering a functional programme for Government. In their function, we all know, and your Committee is exploring this, there is an incredible overlap between all these different aspects of Government. They interrelate. Get them together and you get a bigger bang for your buck.

Getting Permanent Secretaries out of their functional silos, as I think your question asked, to think holistically just for a time would be two very simple cost-free initiatives at central Government level. The second area that needs to be addressed is how the local relationship between Government Departments and the LEPs works. At the moment, again, you have got these functional official divisions operating close to the LEPs, but not coherently.

There needs to be a local ear and voice of Government that has a more coherent, comprehensive approach, as opposed to a functional approach, alongside other functional approaches that do not correlate. I think that is how you create that, or frankly recreate it, because it did exist two or three years ago when there was a central civil servant locally based to co-ordinate the voice of government.

Then I think there is a third. In order to encourage and stimulate, one wants to think about the sort of person that the Government has in day-to-day contact with the LEP. Instead of being someone who sees his or her job principally as measuring, sponsoring and recording, you need more of an initiating spirit: someone who says, "Have you really done all you could in this area? We all live here in this local community. You seem to have got an awful lot of land that you are not using." In other words, someone who is on their side but questioning whether they are doing a good enough job. It is an attitude of mind in the Civil Service, and you may need to have more interchange between public and private sector civil servants, although that is not essential. I have worked with so many civil servants who had this quality that I am articulating, and I believe it would be an important innovation, logically associated with the devolution that I am talking about.

Q303 Mr Walker: Just to come back on the issue of public procurement, because your report specifically identified public procurement as an area where the Government could do more to prosper and support innovation. In its response, I see that the Government came back and talked about its Small Business Research Initiative, and talked about the way in which procurement can be used to support small businesses. Given what you were saying and the very striking analogy you were drawing of the jungle and the interrelationship between large businesses and small, is it right for the Government to focus specifically that procurement aspect on small businesses? We are about to see legislation coming, which we are deliberating next week, with a Small Business Bill coming into Parliament. Is all that focus on small businesses versus large actually a distraction, in some ways, from the aim of getting communities and economies to work together?

Lord Heseltine: Small businesses are politically sexy, so it is not surprising that people concentrate on them. One of the amazing phenomena of the last 18 months or so is the incredible number of small businesses that have begun and, one hopes, will succeed. I well understand why there is this preoccupation. I just sense that I am closer to the point of your question in that the big people have got a huge role in improving the quality of the smaller ones. The supply chain opportunity is absolutely fundamental in this respect.

One of our worrying points, if you talk to some of these big companies, is that their anxiety is about the quality of the supply chain. There are lots of exciting things going on. Again, it is exactly the point I was making. There are big, really successful companies driving the quality of their supply chain. We just need more of the big successful companies to do it.

Interestingly, where the universities are playing a role is in the creation of the growth hubs locally. If you look at the structure of this country compared with virtually every other capitalist economy, the quality of support for our companies locally is just not competitive. Again, there are big changes under way. Particularly UKTI are transforming the infrastructure through the chambers of international support for exports. The domestic scene is obviously vital if you are trying to get more exports: you have got to get more

exporters. The ones who are not exporting you have to get into exporting, so you are trying to get them, encourage and mentor them and all that. It needs some sort of effective infrastructure, which in too many places we do not have.

The universities have played an interesting role through the Regional Growth Fund, for example, in distributing money from that fund to the Wave 2 City Deals, to create chamber-based growth hubs. It is pretty piano stuff in politics; nobody is that interested in the minutiae, but the country is up against very formidable growth hubs in all our competing economies.

Q304 Mike Crockart: You have mentioned your report once or twice. We last spoke about it in this Committee in early 2013. At that point, you did say that 81 out of 89 recommendations had been accepted by the Government.

Lord Heseltine: That is true.

Q305 Mike Crockart: Or course, accepting recommendations and implementing them are two entirely different things. What is your overall assessment on how the implementation of your recommendations has gone?

Lord Heseltine: You are absolutely right to make the point that you can accept, and that can be the end of the story. I have not done a measurement, and it is quite difficult for me to say this, but I think my report has triggered a momentum that is unstoppable. It has broadly reached all-party support, which I set out to try to do. The issue now is not whether we do it, but how fast do we do it, and on what scale? That is the battle that I am very pleased to see. The Chancellor's speech in Manchester of Monday of last week is the most strategic speech I have seen a Chancellor make. It is all based on the sort of thinking behind *No stone unturned*. Whilst you can go through and find odd bits that the Government has rejected—there were those eight areas they rejected—and you can find some that they accepted but have not implemented, by and large the big thrust of what I recommended is moving as well as could reasonably have been expected, and all the evidence is the momentum is gathering pace.

Q306 Mike Crockart: So your judgment would be that it is not that useful to tick off which recommendations have made it into implementation because the agenda has changed and has moved to that more generally?

Lord Heseltine: As government reports go, we have not done badly. Not many of them get as much as that one has done, so I am well pleased. The mere fact we are having this discussion is an indication that the process is under way.

Chair: Lord Heseltine, we have finished our formal line of questioning. However, you have touched on a number of issues, some of which were not directly related to your responsibility or report, that we would like to question you on, and they cover a disparate range of subjects. First of all I am going to bring in Brian Binley.

Q307 Mr Binley: Lord Heseltine, it has been a fascinating discussion this morning. Being a businessman myself, I am delighted with the progress we have been making at the LEP level. We are genuinely making some really important progress to the point where I think both major parties are intimating that they will use LEPs more. Given that unusually

unified view, what more could they do? Which areas do you feel could be developed over the next four or five years to the benefit of the nation?

Lord Heseltine: You will not have had time to go through the detail of the Government's announcements yesterday, but if you go through it you will find that there are three small but significant areas that have not received any coverage, and it does not surprise me. The Department for Education has worked on an initiative with Northamptonshire and with the North East about the quality of education. The DWP has worked on employment initiatives in a small number of areas, including Buckinghamshire.

Buckinghamshire is very interesting, because it is an area with very high employment, large numbers of jobs, and yet 5% unemployed. So, examining why that is in benign economic circumstances is a very interesting area of co-operation between a major Government Department and a local authority. The third area, which is even more all-embracing than the two I have mentioned, is the work being done in collaboration with Graham Allen, the Member of Parliament for one of the Nottingham seats, looking at outer estates. This is very interesting; I have been up there and discussed this possible area of co-operation. All those three initiatives are within yesterday's Government response, so that really answers your question. Those areas could all be very seriously extended.

Q308 Chair: I have another couple of questions. First of all, going back to one of my earlier questions on the relationship between Government and LEPs—perhaps I should have pursued it further at the time—it occurs to me that you said, and I think I am paraphrasing you fairly, that there were grounds for improvement between the Government and the administration of LEPs. Could you be a bit more specific and point to one or two areas where you think things could be done better?

Lord Heseltine: Did we not do that? I went through the various proposals of the Cabinet Ministers and Permanent Secretaries taking a sponsorship role.

Chair: I think you did in answer to a subsequent question. I did not make the connection.

Lord Heseltine: No, I think I was answering that question.

Chair: So basically that is the way that you think administration would be improved?

Lord Heseltine: I made three suggestions.

Q309 Chair: Okay, we will look at those. Secondly, you touch on university technical colleges. I realise this is not specifically part of your particular report. I make it quite clear that I support UTCs. However, I do not think there is enough of them to provide on, if you like, the technical skills agenda that is needed to meet the demand. Do you think there is an argument for expanding the funding of them to incorporate BIS funds as well as those of the Department for Education?

Lord Heseltine: The funding is a matter for Government, but on the important question you put of whether we need more of them, the answer is yes. I came across a UTC the other day where a big company has undertaken to take every pupil coming out of that UTC. One company: every single person. You can say, "That is fantastic. What a success story." That is a perfectly legitimate observation, but to me it means we have not got enough.

Q310 Chair: Just following that through, and this is a slightly more philosophical question, do you feel that the creation of the UTCs is a reflection of the failure of the broader educational system to incorporate within its culture the priorities and curricula that are needed? Do you feel that by creating UTCs, in effect you may be reinforcing a separate silo between them?

Lord Heseltine: At the end of the 19th century, people started comparing our education performance with Germany and America adversely. This is not a party-political point, but Tony Blair's "education, education, education" reflected the facts that he saw at the time. It was the great area of priority. Michael Gove, who I believe is a very innovative and determined Secretary of State, is fighting the same battles.

To me—and I have never been in education politics—I see the whole issue of employment, of primary, secondary, further education and universities, as part of the same process. There is an argument for getting a much more co-ordinated approach locally, and I think the LEPs could do that. There are lots of stepping stones. Simply getting employers, public and private sector, involved in the career patterns and advice for schools seems like an elementary step, but you can build on that by having governors from the employing world. There could be websites talking about employment outside when they have left school. There are endless opportunities.

I go back to this Buckinghamshire experiment: when you start finding areas full of employment and yet 5% unemployed, and you go into it, what you find very rapidly is that there is a problem with the educational system. This whole thing has to be tackled constructively and coherently, involving employers in the process. There is a lot of goodwill from employers, who after all through their taxes pay the costs of employment, and they cannot get the skills. They have got complete identity of purpose in trying to lick this problem, but the system does not encourage them, or even allow them in some cases.

I do think the LEP journey and the wide acclaim from all the parties is a very important opportunity in dealing with this issue. At the moment, we have hardly begun.

Chair: Thank you. That certainly concludes questions on this subject. I would just like to conclude with a question that is almost totally irrelevant to the subject we have discussed, but did arise from a comment that you made. Since I have you in front of me, I cannot resist. I was very interested by your comments about being a jungle birdwatcher. Did your well-known nickname arise, as I have always assumed, from your historical mace-waving activities, or from your jungle bird-watching activities, or maybe something else?

Lord Heseltine: It arose because at a younger stage I was a birdwatcher, long before some highly impertinent person gave me the derisory name. No, I have been a birdwatcher all my life.

Chair: Thank you. That concludes our questions. Thank you very much, Lord Heseltine. As usual, you have been very good value for money.