



Business, Innovation and Skills Committee

Oral evidence: Business–University collaboration

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At 10.00am

Rt Hon Greg Clark MP, Minister of State for Universities, Science and Cities, [Department for Business, Innovation and Skills](#)

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Members present: Mr Adrian Bailey (Chair), Mr William Bain, Mr Brian Binley, Rebecca Harris, Ann McKechin, Nadhim Zahawi

Questions 365–419

Witness: **Rt Hon Greg Clark MP**, Minister of State for Universities, Science and Cities, Department for Business, Innovation and Skills, gave evidence.

Q365 Chair: Good morning, Minister, and welcome. Can I thank you for agreeing to assist with our inquiry? Before I go on to the questions, can I offer you a belated congratulations on your appointment? I hope we have a long—well, not too long—relationship. We obviously know who you are but could you just introduce yourself for voice transcription purposes?

Greg Clark: My name is Greg Clark, and I am the Minister for Universities, Science and Cities.

Q366 Chair: Thanks very much. We will kick off. In BIS's written evidence to the inquiry, it outlines five benefits in investment in science and research, including delivering highly skilled people to our labour market, improving performance of existing business, creating new businesses, improving public policy and services and attracting foreign direct investment. Of those, which do you think you have been most successful at, and where do you think there is more scope for improvement?

Greg Clark: We have a good story across the board, but all of them are capable of improvement. Perhaps I can say a couple of things by way of introduction. I very much welcome the inquiry that you are conducting into this. This is one of the areas where we want to—as you have been taking in your evidence sessions—get the best advice. Where

there are Select Committee inquiries that are designed to help, it has always been my practice as Minister, and I have a good record of accepting recommendations. I have read some of the transcripts of oral evidence and the written evidence, and I very much see this as being an inquiry in which we will take your recommendations. I am sure there will be other sessions in which you will be holding me robustly to account for various things, and I accept that as well.

To take some of these benefits, getting highly skilled people into the labour market is a big issue for the whole world. We know that, if you want to earn your living in the future in a competitive world, you have to do so on the basis of the skills that you have to offer. It so happens in this country that one of our strengths is our universities and, in this competitive world, it seems to me a huge boon that we have a good start in the excellence of our universities. We are making a lot of progress here. We are, for example, the fourth largest producer—if that is the right word—of PhDs in the world, despite the fact we have less than 1% of the global population. This Committee knows very well our contribution to Nobel Prize winners over the years. We are very much seen as the source of skilled people. I was quite struck, in looking at some of the reports that have been issued from time to time, that there really is a consistent view that this is an area of strength that we should build on, so skills are very important.

In terms of the improvement of the performance of business, there is a global debate about productivity in economies, and that is intimately linked to skills. If you look back at the sources of productivity growth we have enjoyed in the past, it has been closely linked to innovation. There was a NESTA report that gave some evidence on that. Creating new business is one of the five. I have been spending quite a bit of time in my current job, and previously as the Minister responsible for local growth, visiting universities. In almost every place I have gone to, you now see incubator units, science parks and formally designated accommodation there to help businesses spin out of universities and to help universities sponsor new and growing business. I was at Keele University a couple of weeks ago seeing that.

We have a lot more to do, but we are making progress. The evidence of that is, if you take the MIT research that looks at the most highly regarded university-based entrepreneurial cultures and local ecosystems, that three UK universities are part of the top five. That is, as I say, as assessed by MIT, one of our rivals in that sense. We have made some good progress, but I am conscious that one of the purposes of this inquiry is to impel us further.

Q367 Chair: First of all, Minister, can I welcome your maybe qualified commitment to accepting our recommendations? We may, in time, hold you to account on that. Secondly, can I just focus: you mentioned a number of examples, but, when it comes down to it, how do you think progress in these areas is being measured?

Greg Clark: You measure it in different ways. For example, there are international surveys on the quality of the collaboration between our universities and businesses, and we are doing pretty well on that. There are some other surveys, for example, that look at the innovation side. There is a Global Innovation Index that shows us having progressively moved up in the rankings there. We are now second overall in the Global Innovation Index; we were 14th in 2010. The World Economic Forum Global

Competitiveness Index is another one of these surveys. The most recent one saw us move up from fifth to fourth on university-business collaboration. That is one of the ways in which we can monitor it.

The other is the creation of new businesses coming out of universities, and we see that more and more. I would say, across the board, universities now recognise the benefits of local economic leadership. This is something that has always been very close to my heart. As I have worked to try to help local economies prosper, it seems to me absolutely key that the universities should be leading that and taking an active role in doing so.

Q368 Chair: We are going on to this in a moment. You mentioned a couple of indices. Could I just ask you about the Hauser review of Catapults, which is due in November? What commitments have you made or will you make to acting on its recommendations?

Greg Clark: We have not had the report yet, so it is hard to commit to acting on its recommendations, but I am a big supporter of the Catapults. I think they have been a success, and we owe a debt of gratitude to Hermann Hauser for having recommended the approach. I was with, last night, my German counterpart, the Science Minister, Herr Schütte, and we were reflecting on the success of Fraunhofer and how we have taken some of the lessons from that here. We are very committed to it. We will see what Hermann Hauser recommends. One of the things we will want to do is make sure that the Catapults we have prosper, that we invest in them and that, as they put down their roots, they draw strength. However, we will also want to be open to expanding the number from time to time in the future.

One of the features of the science and innovation strategy I am working on—one of the themes we will look forward to in the next 10 years—is the need for agility in our arrangements for science and innovation. We know that the world operates at a faster pace than it did in terms of innovation. What might be an area in which we may not need particular support, and have not needed particular support in the past, we need to be fleet of foot to respond to in the future. We will give our response to the Hauser report when it comes out, but it will be a positive reflection on what has happened and will reaffirm our commitment to continuing that success in the future.

Q369 Chair: Do you agree that there is really not much point in commissioning a review if you are not committed to undertake the recommendations that arise from it?

Greg Clark: I daresay that, in the past, your Committee has considered reports that have been commissioned where the recommendations were not followed through, but I think you can take from the tenor of my remarks that I very much hope to be acting on the recommendations that will be made.

Q370 Chair: Okay, I do not think we will get much more out of you on that. Yes, we will come back to it if necessary. Can I just now go on to the research and development scoreboard, which is a means of benchmarking UK private-sector R&D activity against previous years, and of course against other countries as well? This existed until 2010 and was scrapped for financial reasons, I believe. It would seem to me to be quite a vital tool to measure this. Why was it scrapped and how much did it save?

Greg Clark: It was scrapped very early in the Government's period of office. Although, I was not a Minister in this Department—

Chair: I appreciate this was not your personal decision.

Greg Clark: I do not want to blame it on my predecessors. The point I was going to make was to accept responsibility. When I was in the Communities and Local Government Department at the time, we too had a cull of some of the statistics that were routinely collected. When we had to make the savings that we did, we did go through with a pretty fine-tooth comb the various activities, including data collection, that were not strictly necessary. A lot of it is helpful in different respects, but we did have to make some tough decisions, and I know that was one of them. My understanding was that it saved £500,000 a year.

Q371 Chair: It would seem to me that, if you are going to allocate R&D funding, it would be very useful to have a statistical picture of where best it historically has been deployed. How are you determining the allocation of funding now, in the absence of such a scoreboard?

Greg Clark: I would say a couple of things. One is that it was not the only statistical insight into research and development spending; there are others. I mentioned some of the surveys. They are qualitative, but some of them build on quantitative components. The Office for National Statistics have started to publish data on research and development, and employment linked to R&D, by the top hundred companies, for example. There are a range of different insights, so it was never the case that the R&D scoreboard was the only way of assessing this.

I know this is a theme of your inquiry so far from the evidence you have taken. R&D are three very simple letters or characters, but it would be wrong to think of this as something that is very straightforward and identifiable. To take universities and science, for example, a lot of what universities do in pure science ends up being very much about development and innovation, so it can be deceptive to look for a single statistic that captures the truth about innovation spending. Even then, that is—I was going to say “only half of the story”—probably less than half of the story, because you can spend money but it is the impact and the effect that has that is valuable. I daresay that the R&D scoreboard clearly contributed something of use to the debate, but I do not think it was essential, and there are different ways in which to get a picture of the R&D scene in the country.

Q372 Chair: Is there not a counterargument—because, as you said, no one index captures the whole picture—for having a range of them where each part will play a role in giving the whole picture?

Greg Clark: I accept that, Mr Bailey. I would be interested in your reflections on it. As I say, I do not think it is absolutely vital and essential. I do not think we are massively disadvantaged by not having it, but that clearly is a balance. I remember some of the statistics in the Department for Communities and Local Government. They were not collected for no reason; they had a benefit. A decision was taken. I would be interested in your views on this, though. This is an area in which I personally take an interest, as my background is as an economist and economists tend to quite like statistics.

Q373 Mr Binley: Minister, I do have some sympathy from the small business sector in not overloading small business with too many bureaucratic requirements. That does figure in this particular area of discussion. You will know I represent a constituency that is very involved with auto-sport and aerospace frontier technology. Very often, choosing winners there is not only difficult; it is almost impossible, because it depends upon all sorts of connotations that you cannot quantify. How can we ensure we are getting the best, without lumbering these organisations, most of which are small businesses, as you know, with more and more bureaucracy that is meaningless to them and simply puts them off, but nonetheless ensure that the sparks keep firing and the acorns keep growing?

Greg Clark: That is a characteristically poetic way of putting it, if I may say, Mr Binley, and you are right. As a constituency MP—I daresay we all have—I have had submissions from businesses wanting to be relieved of some of the burdens, for them, of providing information that cumulatively is useful. We do need to pay attention to that as well. Your example of motor sports is a good example of the nuances of this. What you have in Northamptonshire is an ecosystem. You have a variety of companies and individuals who are many of them not UK companies, but nevertheless very much investing in Britain and its knowhow.

Assessing the success of that is multifaceted. You can of course get financial figures, but I do not think that would capture the real power of it. You can look, for example, at the number of businesses clustered in the area that have their other R&D facilities or in some cases headquarters there. This is why we have the opportunity in Parliament, as you are today, to take evidence. As a Minister, one meets people, and I was advised by leadership councils in a lot of these areas to give a qualitative assessment to supplement the statistical assessment. These need to come together.

Q374 Chair: How much UK private-sector investment in R&D do you think there was last year? Is this increasing or decreasing?

Greg Clark: Again, it is difficult to say. Let me see if I can find the latest figures. The estimate I have is that, across the public and private sectors, there is something like £27 billion being invested.

Chair: That is public and private.

Greg Clark: Public and private.

Chair: The question was private.

Greg Clark: I think it is about two-thirds private to one-third public, from memory. I will write to the Committee with the latest.

Q375 Chair: That would be helpful. Perhaps it underlines the benefits of having the scoreboard.

Greg Clark: Then again, I would make two points there. One is that it is subject to the definitions. What is captured by “R&D”? A lot of what small businesses do, for example, would not be strictly captured as research and development, because it may be too small to be codified in that way, but nevertheless every small business I know spends a

lot of time thinking about its future, modifications to its products and which areas to go into, so it is not always the most reliable indicator. The second thing is, as I think the Committee will appreciate, spending is not the same as impact. You can spend a lot of money and not get much value for it. One of the strengths of the British record in science and innovation is that, for what we spend, we have done very well. We have had a greater influence than either the size of our population or our proportionate spend, so that I think should be an objective too, whether it is for companies or for businesses to get good value out of that.

Chair: I actually agree with you, but what I would say is that it once again reinforces and underlines the benefits of having a scoreboard to measure that. However, I think I have made my point.

Q376 Rebecca Harris: I am going to ask you about spend, specifically the Small Business Research Initiative. Your predecessor set out, earlier this year, that the spend on that would be increased for 2013-14 to £100 million in contracts through that initiative. Do you know if, first of all, that target was achieved?

Greg Clark: It was not. The latest figures saw a big increase of 75%, but it went up to £78.5 million against the £100 million target.

Q377 Rebecca Harris: Why was that?

Greg Clark: I will be candid with the Committee. I think we can and should do better with this. It is one of the big opportunities, it seems to me, for small businesses—I have said a number of times how important small businesses are—to be able to access some of the contracts, including R&D-intensive contracts, that the Government is in a position to procure. I think there is momentum with this. I have been candid with the Committee and said that we did not achieve that target and I want to go further, but an increase from £45 million, I think it was, the previous year to nearly £80 million—£78.5 million—is progress. One of the things, having taken up this portfolio in the last few weeks, that I intend to do is to go around the Whitehall Departments and say, “This is a serious policy commitment. It is, frankly, good for the Government as it is good for business, and we want to see further progress on this.”

Q378 Rebecca Harris: The target for 2014-15 is double that. It is £200 million. How on target do you think you are likely to be to make that?

Greg Clark: I do not have the latest assessment of that, but I know there is great recognition now of the importance of this. As I say, the target was missed, but there is momentum in this direction, and I want to see the opportunities increase in the future.

Q379 Rebecca Harris: £200 million is about 0.5% of the procurement budget, so it is quite small proportionally. The other question I have to ask you is: the Royal Academy of Engineering says that the US Small Business Innovation Research model is considered more effective in promoting collaboration within the supply chain. Why do you think this might be, and what steps can we take?

Greg Clark: Again, we should learn the lessons from this. The SBRI¹ was to a certain extent modelled on the success of the American programme, and the fact that we

had it at all is a recognition that other countries have been able to engage small businesses in relations with Government in intense R&D activity. We will be looking to see. These things do not stand still. If they are doing new things in their equivalent of the SBRI that we can follow, then we ought to learn from them. I am very keen to do that.

Q380 Mr Binley: I suppose one of the deep concerns I have, having seen this place work for 10 years, is that short-termism reigns, and it reigns in two ways. First, it reigns because we have elections regularly, less so than we did before because of fixed parliaments, but we still have them regularly. Secondly, we have too many changes in management in Government itself. Every new Minister who comes in thinks he has to make his or her mark. Very often, that is counter to good activity in this area, and you know that there is a lot of concern—and we have been told there is a lot of concern—about the way initiatives change again, again and again.

“A widespread perception is that the UK has good structures and governance for its research activities but tends to make frustratingly frequent changes to its innovation support.” That was one of the comments we received. Professor Alan Hughes said, “If I have a pet topic, it is: let’s stop inventing lots of new schemes.” I understand you want to improve the scenario, and I respect that. How do you do that and yet balance these fears from the sector that you are for ever meddling and for ever changing?

Greg Clark: It is a very interesting and profound question in this sense. I agree with Professor Hughes, and I agree with the view that simply planting a new seedling then pulling it up to see how it is growing and getting to the point of harvest and finding there is nothing left there is not the way to proceed. Particularly in the field of science and innovation, there is a premium to be enjoyed for having durable, long-term arrangements. Often, science and research is performed well over the life of one Parliament. People, if they are making a commitment, want to know that there is some stability there. This is not an area in which I would want to be changing things for the sake of it.

I also feel rather fortunate in that my predecessor as Science Minister, David Willetts, took that view, and some of the initiatives have been carried forward, including within, for example, the innovation landscape and the Catapults. Some of the Catapults build on long-standing institutions, such as one I know very well, the process industry’s cluster in the North East. There has been some continuity there. I absolutely recognise that. I hope you will find during the months ahead that I am not someone who wants to do what was once described as having a logo, a launch and a lunch. There is a great temptation for Ministers to come up with a new scheme, get a new name and a new logo, launch it and have a celebratory lunch to congratulate all concerned. It may be enjoyable, but a logo, a launch and a lunch is not the way that I would proceed.

To get to the heart of it, as I said a few moments ago, innovation, by its nature, is something that is fast-moving. The word has that connotation: that it is new; it has novelty to it. Sometimes, you will need to act quickly in order to capture for Britain the benefits of something new. I take, for example, one of the discoveries in recent years of graphene in the University of Manchester. We have a Nobel Prize winner, who happens to be in the University of Manchester, who is instantly courted by universities around the world saying,

¹ The UK scheme is SBRI (Small Business Research Initiative) and the US scheme is SBIR (Small Business Innovation Research).

“Come to us and we will set up whatever labs you need to host you and your research.” But, actually, he likes being in Manchester. The academic community around him is what has sustained his researches. What we were able to do was to move quickly and set up an institute in the University of Manchester for graphene, which I was there with the Chancellor a few months ago to open, in quite a short time. I think that was the right thing to do, because we would all be kicking ourselves if Stanford was the world’s centre for graphene research in five years’ time, having slipped through our fingers.

Whilst absolutely recognising and committing to your injunction not to fiddle around with things for the sake of it, we need to make sure we have in the system an ability to respond with alacrity, sometimes, in our interests. That is not terribly different from how a business might operate. You look for market opportunities, as well as sticking to your strategy.

Q381 Mr Binley: Absolutely right about that point. I did talk about short-termism, and you can be quite a revolutionary thinker on occasions. I have seen that in the 10 years. We were colleagues coming into this place together, so that gives you a little bit of a bond and a reason for keeping track of how people get on. We talked about whether there was stability, but I wonder whether you are going to be revolutionary enough to talk to your erstwhile colleagues in a potential change of Government to ensure that some of the things you are doing are brought in by them too, so that a change of Government does not necessarily mean on a regular basis a change of approach in areas of this kind.

Greg Clark: I should start by saying that I hope there will not be a change of Government.

Mr Binley: Of course, so do I, but that is not the point.

Greg Clark: I agree, in the sense that I think we had, in previous occupants of this portfolio—whether Lord Drayson or Lord Sainsbury—individuals who took the long view, and that is appropriate. It has long been my experience that the best policy is usually the long-term policy. If you set your sights on too short a horizon, you end up getting lost and confused. The best thing, it seems to me, is to work out the right answer and stick to it. I appreciate your remarks, Mr Binley. The approach I have taken in the portfolios I have had is to try to think through the fundamentals, to take advice from the experts—it is a great privilege of being a Member of Parliament and Minister that we are not short of experts willing to advise us—and then to reflect that in policy. I have tried to do that.

In so doing, you and Members of the Committee who have had some dealings with me would acknowledge that I do not have the slightest difficulty in working with people from other parties in this. What I have been able to do with our cities and counties has often been with people from rival parties, but we have been able to do the right thing for the long term. This applies just as much, if not even more so, to science and innovation.

Q382 Chair: Can I just follow the line of this question here? I do understand it is quite a tricky situation for you, insofar as you have got those involved in the industry, in research and development and so on, yearning for a bit of stability so they can make the necessary long-term business decision. Equally, you, as a Minister, quite understandably and legitimately, want to put your own imprint on the policy and, indeed, there is no point in having a Minister if they just let things go exactly as they have always gone. You could have

a ministerial autopilot on the policy, and there is no point in doing that. Given the fact that you obviously understand these tensions, can you encapsulate in a very pithy way what your vision for the sector is? How do you see it developing?

Greg Clark: You are absolutely right to note the need to bring these two forces into balance, but we do not stand still. We started out talking about the five different objectives. We have big challenges as a country to make further progress. We cannot stand still. For example, on getting skilled people—increasing the skills level of the country—we need to go further and faster. One of the things I am focusing on intently now is postgraduate education. We have some of the world’s best universities, but, it is not very easy for UK students who want to do postgraduate study to find funding. I would like to see a big change and a big possibility opened up for people at masters level in this country to have the ability to be trained at that level.

One of the themes that I am very conscious we need to push on is the need to favour and facilitate interdisciplinary research. A lot of the boundaries between disciplines and industries are disappearing. There is a danger that some of the stability that Mr Binley mentioned can fossilise an old way of thinking about the world, so it takes a deliberate effort to make sure the funding arrangements, for example, cross disciplinary boundaries. That is one aspect I think is important.

It may not be central to the evidence the Committee is taking at the moment, but there is a continuing problem—improving, but still a problem—of diversity in science and engineering. If we want to compete at the world level, we need to make use of all the talent available. There are still too few girls going into sciences at school. Through all the talented young women and people from other backgrounds who are not availing themselves of the opportunities, or being helped to do so, we are losing potential Nobel Prize winners and leaders of industry in the future, so that is an important aspect.

There is a lot to do and, when we publish the science and innovation strategy—as Mr Binley says, my habit is to work personally on the writing of these things—I hope that perhaps you will take evidence from me and you will see the height of our ambition that we will be setting forward for the next 10 years. The fact that it is for 10 years very much reflects Mr Binley’s advice that this should not just be seen for the term of office of a Minister or a Parliament, but to look, for the country, to the future.

Q383 Chair: You mentioned postgraduate work, and I welcome your comments on that. What you did not mention was the visa policy in the context of postgraduate work, which is also a problem. What are your thoughts on that?

Greg Clark: My thoughts are very simple and straightforward on this. We want the best people across the world to come to our universities. Our universities are world-beating. Science and research is international; it is not confined by boundaries. We have been absolutely clear, and I want to reiterate at every opportunity, that there is no cap on student numbers to universities in the UK. I will be going to India next month to send that message. We want the brightest and the best to be in this country. Universities are an important source of export earnings as well as being the centre of networks that create brilliance on which we depend, so it is very important that people understand there is no barrier to qualified people coming to UK universities, whether as students or whether as researchers.

Q384 Chair: I do not want to monopolise the business of the inquiry on visas, but you will be aware of the huge problems with India, in particular, on the perception of what is happening, as opposed to what the Government says is the reality on this.

Greg Clark: I am interested that you said “perception”, and it is important that we do change that perception. What we are seeing across the board on visa applications from overseas students is actually an increase over recent years.

Q385 Chair: A small increase, but a reduction in the proportion of an expanding market.

Greg Clark: No, I will come on to that. I met with the OECD recently. As you will know, the annual report the OECD publish of the international education scene was very interesting. We are the second most favoured destination for overseas students at the moment, after the US. Over recent years, our share has been increasing, whilst the US has been declining. It is my ambition for us to be the leading destination in the world for overseas students. That is what I would like to promote, and I will be sending that message when I go to India, and everywhere else I go. Of course, the universities in this country are an important means of communicating that as well. It is very important that the perception is informed by the reality that we are a place that welcomes overseas students.

Q386 Chair: The statistics I have demonstrate that there is an expanding market, and we are taking a declining share, although there has been a small absolute increase. In India particularly, there are real problems. If you would send those figures, that would be very helpful, so that we can examine them.

Greg Clark: I will.

Chair: I will turn back to you, Brian, because I did interrupt your line of questioning.

Q387 Mr Binley: It is always an interesting occasion when you do, Chairman. Minister, you said earlier that productivity was directly linked to innovation. I would add that, particularly for SMEs, innovation is directly linked to money. We have a concern in this respect. There is a widespread perception, as there was with structures in Government, that we are not spending enough money in relation to our competitors in supporting innovation and development. Iain Gray of the Technology Strategy Board has already said, “There is a very significant scope for increasing the support of SMEs through increased funding.” You yourself have said—though perhaps it was your predecessor, so I am willing to be corrected there—that at least £1 billion more of innovation spend every year across the UK could be the result of the Hauser report, and that means another £500 million of public investment, if we are going to reach that figure. You finally said we must do better at it in terms of this connection. I wonder whether you can give us any pre-Autumn Statement news to the effect that you will be doing better at it in this respect.

Greg Clark: I certainly cannot pre-empt the Autumn Statement.

Mr Binley: You can; it would be interesting.

Greg Clark: The Autumn Statement is not the time when these things are reviewed, anyway; it is the Spending Review, which will take place next spring. That is the time when the next set of budgets is established. It goes back to what I was saying. Of course investment in R&D is important and helpful. You are absolutely right in saying that, if you are not investing in it, whether in the private sector or in the public sector, or indeed in the university sector, you cannot make those innovations. I do not think there is a one-to-one mapping between the level of spend and what you get out of it, but you clearly need to have enough spend to make use of that. Over the Parliament, which has been a difficult Parliament in budgetary terms as we all know, the investment in science has been ring-fenced and the capital has been increased. We have established the Catapults and increased the funding of what is now Innovate UK for those Catapults, so we have made those investments. When I go round and visit them, there is a recognition that they have been succeeding in closing some of the gaps.

There is another opportunity, I would say—and you will know I have a particular interest in this—which is the role of local economies in engaging with investment in innovation, science and R&D. There are clearly national priorities and you have national centres of excellence, but there are big opportunities for the leaders of our local economies to engage with their local institutions. Coming back to the central theme of your inquiry, the relationship between universities, business and innovation, the local aspect of that has a lot further to go. You know something about that yourself.

Q388 Mr Binley: Many universities are now recognising the input of SMEs. For universities like the University of Northampton, it is vital that they do. 94% of the people who work in the private sector work in an SME. If they are not going to pay attention to that sector, they are going to pay attention to nothing in Northamptonshire.

Greg Clark: Absolutely. It has not always been the case, though. The Witty review is interesting. It talks about the third purpose of universities as a suggestion. The old town/gown divide is very much not the case anymore, but it is interesting how that was a description that could have been applied to some universities in the past. It is fascinating, and you know something about local enterprise partnerships, how every one of the local enterprise partnerships now has a Vice-Chancellor or senior university leader on their board. Interestingly enough, although it was one of the recommendations of the Witty report that this should be required, it happened before and without it being required, reflecting what you allude to, which is the recognition locally that, from the universities' point of view, they are intimately connected with their local economy; and, from local councils' and other business leaders' point of view, it would be extraordinary not to be benefiting from the leadership of the university in their area. That is one of the big changes that has happened and is deepening. It is a force for good.

Q389 Mr Binley: I am delighted to report that Nick Petford, our Vice-Chancellor, is on our board and does very well indeed. You might also like to know that we are the only board, I think, with a Member of Parliament as a vice-chairman. That may not be so good. Can we push you on this business of the people we are turning away? Iain Gray, again, said that 75% or 80% of good-quality applications for funding are being turned down. That must be a concern to you, particularly in areas like my own, where so many of these applications are from SMEs and where so much of the innovation is coming from SMEs. I wonder what words you might have to encourage us that this will improve.

Greg Clark: You see that as a problem, Mr Binley, but it would be a greater problem if, having set up these funding arrangements, there was such a paucity of good ideas that we were unable to find—

Mr Binley: Rarely do I see you using politicians' words; you have just done it. Now come to my question.

Greg Clark: The fact that we do have such vibrancy in the small business sector that they are coming up with great ideas and want to have co-funding is a sign of success. We should be clear about that. When we were allocating the local growth funds, for example, it was three times over-subscribed. If it were half subscribed, I would have been bitterly disappointed, because it would suggest that there was not the capability and the appetite.

Q390 Mr Binley: But you would still like to do better.

Greg Clark: We would like to do better.

Mr Binley: Let's go from there.

Greg Clark: I have been involved in some of this locally as a constituency MP, looking at some of the bids that have come forward and the scrutiny they get. A bit of competition so that it is known you have to make the best case is never a bad thing. However, you are absolutely right. Of course, we want to be able to fund more of these good ideas and good initiatives. The fact that we have good, fundable ideas before us is a happy situation rather than the reverse.

Q391 Ann McKechin: Mr Binley has quite rightly pointed you today to the issue about productivity. We now have the widest productivity gap in this country in 20 years in relationship with other G7 members. There must be a concern that the persistent structural gap that we have also with our competitors in research and development may be one of the root causes. If you compare ours at 1.7% of GDP with Germany's at 2.9%, that is a huge difference. You have mentioned it in talking to Mr Binley, but what direct policies and priorities do the Government have to try and tackle that productivity gap in the context of research and development?

Greg Clark: The to and fro I had with Mr Binley indicates my intentions on this. It is clearly a long-term challenge, not just for this country but for other countries around the world, as to how, in a competitive world, you can make sure you operate at the level of productivity that is based on the skills that allow you to produce enough to earn your way in the world. I do not think these are capable of short-term resolutions, and there are a whole number of areas. There is not a simple switch that can be flipped to change these things, but let me give some examples.

Education is the fulcrum of this. If I talk—as I am sure this Committee, when it takes evidence, does—to businesses where there are jobs that are technically demanding and often economically lucrative, what is the biggest issue that they, looking forward, are concerned about? They will say the supply of well-qualified students at every level: whether they are leaving school, college or university. That requires focus on making sure that people are choosing the right courses that equip them for these jobs and that they are getting a quality

education in each of these respects. I mentioned postgraduate education. At the highest level, it is now increasingly required in some industries and disciplines to have a masters degree.

Q392 Ann McKechin: It is an interesting point that we now have more people who participate in postgraduate courses than was the case 20 years ago, but the problem is that our productivity gap is actually much higher than it was 20 years ago. Whilst I am sure no one in the Committee would disagree with you about the need to focus on skills, particularly in STEM subjects, there has not been as a direct outcome of an increase in people going through higher education an increase in productivity. It would suggest that the problem is somewhere else, to a certain extent, in terms of the culture within companies about why they are not investing to the same extent as our international competitors, or even just across the Channel.

Greg Clark: It is multifaceted. I mentioned education, and within that there is postgraduate education. It is always going to be a smaller proportion of the electorate than everything else, but there is more that we can do to make postgraduate education, masters degrees, available to UK students. At the other end, in schools, one of the big changes that has taken place over recent years is the increasing standards of rigour in schools, reflecting what employers I know have given evidence to this Committee that they want to see, making sure people do not drop, for example, serious study of maths and sciences too early, which then precludes them from taking jobs that are at that level. Of course, productivity across the economy is the average of the—

Q393 Ann McKechin: I am not disagreeing with you on the issue of the need for a strong focus and priority by the Government on education and training, but I am really talking about the amount of investment made by the private sector in this country on research and development and, if I could take you on one step further, the strong evidence that public spend attracts private investment. Particularly when we are talking about new, innovative products, when the risks are much higher in the private sector, they would quite often look for the public sector to help absorb some of those risks. Without increased investment by the state, how are you expecting private sector investment to pick up?

Greg Clark: We talked about education, and you are absolutely right that investment in R&D is another important way in which the productivity of the companies, and therefore the people that work in them, improves. I agree with you that the contribution that the public sector can make in this is positive. There is a debate out there as to whether it crowds out private investment or crowds it in. If you go to a place like Cambridge, for example, where there is substantial public and university investment, it is clear that it has been a magnet for the success of our economy. I spent some time a few weeks ago in Exeter, and there we made a major announcement yesterday for a supercomputer for the Met Office—£97 million. It is something that will be of big value not just to the Met Office, important though that is—are we coming on to that?

Ann McKechin: I think you may be getting a question from some other Members of the Committee.

Greg Clark: But also to businesses there who are located on the new Exeter Science Park, so other businesses can benefit from that. I agree with you that, when done well and when you have the right structures that allow collaboration between the public sector and the private sector, it helps productivity. We should do more of that. What we

have done in spending money on the Catapults and increasing that investment over years, which was a gap that this Committee's predecessors had pointed to, has been important. Maintaining the science budget and increasing the science capital budget in difficult times has been a way to do that, but it is partly cultural.

One of the reports that you took made an explicit point; it was the conclusion of Sir Tim Wilson's report in 2012. He said that sustained improvements are best achieved through cultural change. One of the aspects of cultural change is a greater ability to work between the public sector, the private sector and universities, between technologies. Through what we have done on the Catapults and through Government investment, we have been consolidating our already good reputation there. Have we got further to go? Yes, of course we have, but, as Mr Binley says, we should do this for the long term, and not think that the outcome can be assessed in the short term, especially since we were talking briefly about education. A lot of the changes in education are for the generation that will come into the labour force in the years ahead.

Q394 Ann McKechin: Where does the Government expect to see the UK's total investment in R&D as a proportion of GDP by 2020 and 2025?

Greg Clark: We have not set a target for that, and for the reasons that I have said. It is not that I cannot see the attractions of a single, round number to aid the ability to take the temperature as to how we are doing, but it can be simplistic. I do not think a single number captures it.

Q395 Ann McKechin: So you think the Europe 2020 target of 3% intensity is a simplistic target.

Greg Clark: My view on targets generally is that you should use them sparingly. This is a debate as to whether we should continue to have targets. In the science and innovation strategy, this is one of the things I am looking at, and we are taking evidence from people who have made submissions. Perhaps when I unveil that we can look at that, but I would be interested in the Committee's Report, when you publish it, as to your view.

Q396 Ann McKechin: The CBI has called on the Government to set a long-term target. It is not just the European Union—I realise that is a sensitive subject for the Government—but the actual business community here in the United Kingdom is asking for this Government to set a target. You have talked about a long-term strategy and they have talked about a long-term strategy, so to have some point at which you can identify progress, I would argue, would be potentially helpful. I am not quite sure why a target would be, in this context, unhelpful.

Greg Clark: There is a long discussion to be had about targets. Where you set a target for things that are not within the gift of the Government—it is the private sector, for example—you are communicating something that is not really in the Government's—

Q397 Ann McKechin: You have a private sector organisation that appears to want to have it. If you are talking about working with the private sector rather than directing on top, I

take your point, but this is a call coming from business saying that this is the sort of aspiration this country should have.

Greg Clark: An aspiration is different from a target. Of course we want to see more investment in R&D, and I said that to Mr Binley. I take very seriously the views of CBI and other respected commentators, and I will reflect on what they and this Committee say. I would simply observe—as I am sure this Committee has heard, in the course of its years of taking evidence—it is probably not entirely unique or, indeed, unusual for organisations to recommend a target. There is often an appetite to do that. Sometimes it is right; sometimes it is wrong. When it comes to what the CBI are saying, I will reflect on it.

Q398 Nadhim Zahawi: Over this Parliament, we have seen the Treasury make one-off funding allocations to various projects: develop a network of quantum technology centres, at a cost of £260 million, and create a £75 million a year fund to improve the research and innovation capacity of emerging powers. The list goes on; there has been another £80 million to establish a global collaborative space programme. What is the role of Innovate UK in these allocations, and why are these funds not channelled through Innovate UK?

Greg Clark: Innovate UK has a role both in distributing funds through its programmes and its catalogue, and of course in advising Ministers on other areas of spending as well. There is some value in the way that we have set up the institutional arrangements whereby you have, for certain guaranteed disbursements, whether through Innovate UK or through the Research Councils on the science side, you essentially write a cheque and say, “Over to you to decide how these things should be disbursed”.

In addition to that, as long as it is in addition to it, it is important to be able to respond to new opportunities, and I mentioned graphene as a particular case in point but there will be others that will happen from time to time. It is also reasonable for the Government, in pursuing a strategic interest—for example, if you take the NHS, the contribution for particular research in saving lives and possibly reducing costs of the NHS is a significant public interest—to make a decision to fund investment in R&D there. I think we have got a reasonable balance. Of course, I will take the advice of this Committee and others as to how it is, but I do not think you would want to make it all without the scope of public policy, not least because this Committee from time to time will recommend that the Government does invest in things. It is one of the foundations of stability in the system that, for a large part of the budget, whether the innovation budget or the pure science budget, that is set by the experts, as it were.

Q399 Nadhim Zahawi: That is where I am coming from with the question; i.e. where do these allocations fit within the overarching innovation strategy? I get the analogy with business, where you have your strategy and then you do some one-offs, but it just feels like there is a pattern here that maybe the Treasury short-circuits the innovation strategy.

Greg Clark: The analogy with business is appropriate: you have your strategy, but then you need to respond to opportunities that, if you missed them, we would all regret. That is the balance we need to strike. That is why I am giving serious thought to the expression of that in the science and innovation strategy. As I say, if we did all one or the

other, they would both be wrong. You need to have that combination, while respecting very much the Haldane principle that, where you allocate a research budget, it is for the research community through its peer review process to determine the allocation of that; where it is additional, then it is reasonable to be able to be responsive.

Q400 Nadhim Zahawi: The Government response to the Science and Technology Committee's report on horizon scanning said, "Horizon scanning by the devolved administrations is a matter for them". How does that support a coherent UK-wide innovation strategy, and what role should Innovate UK have in horizon scanning?

Greg Clark: Horizon scanning is certainly a very important part of what the Government, and indeed governments, need to do. Again, the analogy with business is appropriate. You need to look at what your competitors are doing. What are the risks to the business? It is appropriate to do that. The Government chief scientist is leading the departmental scientific advisers in close collaboration with Innovate UK, and I have officials in my Department both from the research base and the innovation side. The fact that they are in close proximity helps with this. I daresay if we were to be members of one of the devolved administrations, to have the responsibility for looking at the future vested entirely in Westminster might be regarded as rather demeaning to their role, so I suspect that is one of the reasons that that opinion has been given.

Q401 Nadhim Zahawi: Let me take you on to higher education innovation funding. In its response to the Witty review, the Government stated it was "unable to commit to raising the level of higher education innovation funding at present", so does that mean you will reconsider increasing this funding in the future? What would it take to persuade you to do this?

Greg Clark: Again, it is a bit like Mr Binley's question of the number of applications for an over-subscribed fund. It is a better problem to have than the alternative. If we had higher education institutions who were incapable of coming up with good ideas, that would be a problem that I would suggest might be of greater concern to the Committee. We have made a lot of money available. £160 million is not to be sneezed at. The fact that it is seen to be, and is, successful is a good thing. As I said in answer to Mr Binley earlier, the way you run the economy is best done through a review of future expenditure at fixed points, rather than every six months. We have set the Spending Review; that sets the envelope, as you know, for this period. The next one is next spring. It is no doubt the case, and I am sure the Committee will reinforce it in its report, that the higher education innovation funding mechanism has been a success, and no doubt will be a prime candidate for investment in the future.

Q402 Nadhim Zahawi: How will the university enterprise zones be embedded in local innovation support systems? Do you envisage extending those enterprise zones beyond the core cities in the future?

Greg Clark: I was very taken with the submissions that came in to the invitation to have university enterprise zones. It seemed to do exactly what we all want to do—what this Committee wants to do and what the Government wants to do—which is to reinforce the already important connections between business, local economies and universities.

There are two points. One point that was made was that some of the places that were not selected, that were not part of the four, had pretty effective propositions that I would want to encourage. In some places, it was the core cities, as they name themselves, that were invited to bid. There are places outside these cities that could equally make a good case. I am personally open to looking at seeing whether we can build on this success.

Q403 Nadhim Zahawi: Would you consider allowing the university enterprise zones to offer the same incentives as established enterprise zones, such as support for superfast broadband?

Greg Clark: The enterprise zones that have been proposed often benefit from the connections that the universities have established, and that is one of the big advantages. I mentioned the Met Office supercomputer; we might be about to talk about it. That is on the University of Exeter Science Park. One of the benefits for the university and the businesses located there is of course the computer requires and will have a superfast broadband connection, so you are already building on success here. It does not need to be identical to the enterprise zones in other respects, because the universities themselves have a powerful pull and a powerful contribution to make.

Q404 Mr Bain: We move on to skills now. In July, the Committee visited Warwick Manufacturing Group. We heard about the university technical college that has been set up in conjunction with Jaguar Land Rover. What engagement does BIS have with colleagues in the Department for Education on the future of university technical colleges?

Greg Clark: Very close engagement, in two respects. I work very closely with the local authorities and the local enterprise partnerships, right across the country, who are almost without exception very strong supporters and advocates of the UTCs. It is something I feel very strongly about. Lord Heseltine is my advisor on local growth matters, and he and Lord Baker discuss this very often. It is reflected in a lot of the strategic economic plans of local enterprise partnerships. It goes back to the point I was making to Mrs McKechnie that getting the right early-level skills in place is an important contributor. We have that connection. I have a close personal interest in that. Then, of course, in the Department, Nick Boles is a Minister jointly in BIS and the Department for Education, so we have a foot in both camps there, not that they are rival camps. There is clear complementarity, which that reflects.

Q405 Mr Bain: Does BIS contribute financially to the support for UTCs?

Greg Clark: My understanding is it comes from the education pot, but, through the work that we do with local enterprise partnerships and the businesses, the in-kind support that they get from the Department is what comes from that.

Q406 Mr Bain: What do you think is the right role for BIS to play in supporting this form of skills development? How is that going to inform how you review the existing industrial strategy and the forthcoming innovation strategy the Government is going to produce?

Greg Clark: It is very closely linked. One of the biggest and most important sections of the science and innovation strategy will be about skills; fostering the skills we

need to prosper is absolutely at the heart of it. Through the work that I have done and continue to do in local growth, almost without exception, what the local businesses say they need is an ability to improve the level of skills available in their local economy. My role in this is to bring some energy in helping them get over some of the previous constraints here so they do have more influence over that. We have been quite successful, as you will know, through some of the City Deals in giving local businesses greater influence over some of the skills funding that has previously been set entirely nationally.

Q407 Mr Bain: One of the threads that run through the range of inquiries that this Committee has conducted and is conducting is the need to see more STEM graduates in this country. How can what the Government is doing with university technical colleges ensure that that aim is met? The tension we see is that automation has the potential to further hollow out the jobs market, and therefore it needs the Government to have an active policy for the future in order to overcome that potential trend.

Greg Clark: The first thing to say is that the trends in terms of courses selected by undergraduates in particular is very encouraging. I was at UCAS in Cheltenham for the A-level results day and the university admissions day. There has been a big increase in most of the STEM subjects this year, and that is enormously to be welcomed. That, in some ways, as you and the Committee know, is the outcome of choices that were made earlier in life. Some of the UTCs and some of the curriculum reforms will have their expression in a few years' time. I am very hopeful that we will see continuing expansion of students studying STEM at universities. As I say, it is already having that effect.

It is not unrelated, it seems to me, to the reform of student finance that we made, where students do have an interest in how employable they are going to be in the future. One of the things I know, as someone who was born and bred on Teesside, and which engineering employers on Teesside have said to me again and again over the years is: if only people knew what wonderful careers are available in engineering and technology at home on Teesside and are within grasp if they would only study the right things. Sometimes that is not known to people. People think that there are not many jobs in these sectors; that it is not terribly well paid, or that it is not very prestigious. That is the opposite of being the case. Some of the most prestigious careers now available are in engineering and science.

I had the great privilege of hosting with the Prime Minister a reception in Downing Street last night for some of our leaders in science, technology and engineering. My goodness, to be in that room with four Nobel Prize winners and some of our greatest industrialists just underlines that this is a wonderful choice for people. That choice is being made increasingly, and it leads me to be optimistic that the opportunities are now going to be picked up more than perhaps they were in the past.

Q408 Chair: Before we leave this theme, can I just ask you a couple of questions? UTCs, as far as I can see, are fine, and I support the concept. Obviously, we have not had any hard outcomes yet, but I am inclined to think that they will be favourable. My concern is that, to a certain extent, their existence reflects a lack of commitment to those STEM skills and potential engineering skills throughout the education system. They are there because the broader education system is not actually delivering on that agenda. Because of the limited

geographical location of UTCs, it could mean that a lot of potential STEM students miss out on this opportunity. What engagement are you having with your colleagues in the Education Department to see that the appropriate changes are made, in both the curriculum and the careers advice of the broader education system?

Greg Clark: First of all, I do not agree with you that they are an alternative to getting STEM education right in schools. In terms of the colleges, there are 56 either open or in development, so it is—

Q409 Chair: I am not saying they are an alternative. What I am saying is they are a reflection that it is not being as comprehensively delivered as it should be.

Greg Clark: That is to place a negative interpretation. The enthusiasm with which business has participated—some of our best businesses have participated in UTCs—is something that I know Members of this Committee have long wanted to see. It is real engagement by employers with education, so I think it is a good thing. In answer to the question: do I think that, over a long period of time, we have had an adequate level of STEM education, to use the jargon, in schools? No, I do not. That has been one of the reasons that the reforms we have introduced as a Government, engaging in some controversy in so doing, have been both to increase the rigour but also to emphasise the importance of maths and science in particular in schools. I think that is improving. In answer to the question of engagement, I am constantly engaged with this. Every discussion, I think it is fair to say, I have with local enterprise partnerships—

Chair: I am talking about the Education Department.

Greg Clark: I will say this. Every discussion that I have with local enterprise partnerships reinforces the point that what employers need, above all else, is people coming out of schools, colleges and universities with the right skills. I then take that into discussions with the Education Department. The science and innovation strategy we are working on, as I said to you in an answer earlier, will very much consider how we can improve and enhance the level of STEM education in schools, building on what has been progress over the last four years.

Q410 Rebecca Harris: I have a couple of questions. I should just explain to the Minister the slight hilarity at the mention of the Met Office supercomputer. I had wanted to give you perhaps an opportunity to talk about it, in any case, earlier, given that my constituency suffered some quite severe flooding recently, and anything that helps us predict severe weather events in future has to be an improvement.

Greg Clark: Can I say something about that? It is a big investment: £97 million. It is germane to the tenor of the Committee's discussions. It is a big strength of the UK that we have one of the most respected weather-forecasting institutions in the world. It is world renowned. We have some of the best scientists working both in the Met Office and in the universities that it collaborates with. To invest in that area of success seems to be a good piece of industrial policy for the country. It will now be the world's most powerful computer dedicated to meteorology and climate change forecasting, so we are incredibly well placed as a result of this. In particular, one of the most exciting things when I spent some time both at Exeter and for the launch that took place in London on Monday was the greater precision that brings. I know the floods in Canvey Island were a major trauma for

the people there. I know Rebecca Harris played a great role in leadership there, having to respond at short notice.

What this will allow is a greater notice to be given, with more accuracy, of events like that, including, which is particularly relevant for a place like Canvey, that the forecast will be able to be precise to a level of half a kilometre. I do not know how far from one side of Canvey to the other is, but it is within that scope. That will make a big difference for the ability to forecast and prepare for floods in particular places, and also other disruptive events. Half a kilometre focus will enable the Met Office to say whether Heathrow will be fogbound or not. It is not just the south-east of England, but whether the flights need to be cancelled at Heathrow. It has big commercial benefits and benefits to our constituents' lives, as well as putting us at the forefront of science.

Rebecca Harris: Thank you. Well, I am sold.

Q411 Chair: Before you go on, as a graduate of Exeter and still closely involved with the university, can I welcome this particular development?

Greg Clark: Can I just say one more thing to say on that, which you provoked me to say, Mr Bailey? It is very relevant. The decision to locate the supercomputer on the University of Exeter's Science Park rather than in the Met Office building itself has two big consequences. First, it consolidates the relationship with the university, but, secondly, having a cluster of firms—as I say, there are lots of commercial applications for this—on the science park, it seems to me, is a really brilliant example of exactly the theme of your research and this inquiry.

Q412 Rebecca Harris: I wanted to go back to a couple of issues we have touched on. You have touched on local enterprise partnerships, and you talked about the importance of having local leaders involved in this, but the National Audit Office says that most of the R&D spend is concentrated in London and the South East. Does that in any way indicate that LEPs outside these areas are failing to support R&D effectively?

Mr Binley: I beg your pardon?

Rebecca Harris: Apart from, obviously, Brian's.

Greg Clark: This is a peril of statistical definitions, because none of this is captured if you have accounts for a company that are not disaggregated, as most of them are not, by region. It is quite difficult to know. It might appear to be in London and the South East because that is where the company is headquartered and reporting, so I do not think it is possible to draw a very firm inference from that. My purpose in working with the local enterprise partnerships has been to give them a greater voice and enable them to make a greater pitch for their share of national funding for local growth. It has always seemed to me fairly apparent that, if you are investing in a particular place and trying to improve its capacity to innovate or the connections between local businesses, local universities and local authorities, the people who know it far better than anyone sitting in London are the people there. The move to establish the local growth fund is very much a recognition of that. It has been pretty widely welcomed. We talked at the beginning about operating in a non-partisan way. Amongst the biggest cheerleaders for this approach have

been people who are sadly not from our political party but are the leaders of authorities who have recognised that this is a big step in the right direction.

Q413 Rebecca Harris: I am pleased to hear you evangelising for local leadership, but we, as a Committee, have also looked at the development of LEPs, and they are very variable around the county. We have heard concerns that they are not investing in R&D. Are you finding that it is patchy? Are you visiting them all to make sure they are doing it?

Greg Clark: Yes, I have visited every one of them, and I see them very frequently. They are in and out of my office, if I am not in their patches themselves. There is a degree of rivalry. Perhaps the Member of the Committee who is a member of the LEP will see that they want to be the best. When we announced the growth deals, there was a certain amount of looking to see who had successfully negotiated what. However, there are particular places where there has been an important investment in science and innovation. Cambridge and Peterborough LEP has had a big concentration on that. There is a LEP called Enterprise M3, in which the University of Surrey have been playing a major part. In the north of England, the University of Manchester and the universities and colleges around Manchester have been very important players in that. Nancy Rothwell, the Vice-Chancellor of Manchester, has been a leading driver of the LEP there from the outset. In Cheshire and Warrington, again an area with a deep heritage in science, that is very much a focus of promoting and enabling Cheshire and Warrington to be one of the science centres of the country. That is apparent. Where everywhere has not reflected that, I think they can see the opportunities for it now.

They will be different, of course, and it is deliberately different. Andrew Witty's report said that you must make sure that every place is not the same, because everywhere has different strengths, so people will make different choices. Investing in the future: it is pretty hard to think of that without innovation being a major component of it. It is how we will earn our living in the future.

Q414 Rebecca Harris: Are you, on occasions, finding yourself trying to encourage LEPs to up their game on that, then?

Greg Clark: Yes, all of these things are negotiations between the Government and the local enterprise partnership. One of the principles that I brought to it was that we did not simply carve up this money that was in Whitehall and allocate it by formula to each of the places to spend as they wanted. I was advised by Lord Heseltine on this. They had to come up with proposals that were then evaluated, negotiated over, and the ones that were better were better funded than the ones that were not so good. That was absolutely a central tenet of the approach we took.

Q415 Mr Binley: On the question of LEPs, you will not be surprised that I have a couple of concerns. I notice your title is "Minister of State for Universities, Science and Cities", a pretty diverse grouping. I am concerned about cities, because one of the problems with the old RDAs was that they tended, particularly in the East Midlands and maybe other areas, to be very city dominated. We have three sizeable cities, Leicester, Derby and Nottingham, and poor little Northamptonshire hardly got a look in, quite frankly. I wonder whether your thinking is not only about cities, but cities and counties.

Greg Clark: It is, and I suppose this reflects your advice not to keep changing titles. I have had this portfolio for three, nearly four, years now. We started with the eight biggest cities outside London. Because the deals we struck were successful, we then extended them to counties and towns, and the growth deals we conducted in July were for all such places. I thought at the time, and my experience in the weeks since I have had this job has made it absolutely palpable, that the connections between local economies and the universities and businesses that are engaged in innovation are absolutely seamless. They are part of the same ecology. One of the mistakes that successive Governments have made in the past is to see them through departmental eyes, regarding local government as one set of things, universities as another, businesses as another. I have always been against government by silo. It seems to me, when you have these connections, you should try and bring them together. That is what I personally try to do. It works out that, almost every time I make a visit, you could describe it as a visit to a university, a visit to a local enterprise partnership or a visit to a research and science establishment with commercial applications.

Q416 Mr Binley: You are absolutely right, and I think it works very well. There is a feeling of coming together in ownership, rather than seeing boundaries in ownership, so I am pleased with that. I am also reassured by your view that cities should not be dominating; it should not be centred in that respect. My final question is really about money, because we have been very lucky, as you well know, and the county council has supported our own operation very well, but that is coming to an end. Money is becoming ever scarce now at that level. I wonder whether you understand that there is a need for some form of administrative costing or administrative money to be available. LEPs spend a minute element in administration against what RDAs spend, but they do need a bit of help here, and I am looking for some reassurance.

Greg Clark: We have funded, to the tune of about £500,000 a year, the LEPs, essentially.

Mr Binley: Yes, you have.

Greg Clark: That has helped prepare the strategic plans. We have continued that funding even though the preparation of the strategic plans has come to an end, so that is a reflection of what you say. That is my preferred way to continue that. What I do not want to see is that the LEPs become creatures of central Government.

Mr Binley: I accept that too.

Greg Clark: At the moment, they negotiate with me pretty robustly. I do not want them to be dependent, or, because my Department is funding them, seen as bodies that have to do what I say. They do not at the moment.

Q417 Mr Binley: I totally understand that, but you will recognise that there are certain areas where the lack of funds is a drag on the ability of the LEP to operate, I am pleased to say not in Northamptonshire, but there are other LEPs that are struggling to find the resources to do the work they are supposed to be doing. That variation is becoming more and more marked. I wonder whether you would at least relink at that.

Greg Clark: Of course I will, and I regularly meet the LEPs collectively, as well as individually—I am having a conference call with them shortly—as part of a regular discussion. As you say, Mr Binley, £500,000 has been made available to every LEP, and many of them have done extremely well in running themselves with that. The first thing I would encourage the LEPs to do is perhaps look to the example of Northamptonshire and other places to see what can be done.

Mr Binley: I will keep going at you on this one, but in other arenas.

Q418 Chair: Can I conclude with some questions about the National Centre for Universities and Business advisory hub? This is to set up and disseminate best practice amongst the local authorities, LEPs and the academic sphere. I believe you are scheduled to report later on. Where are you with this particular agenda?

Greg Clark: We are considering the submission that has been given to us by the NCUB. It will probably be later this year when we make an announcement, but it is being considered by my officials, and then they will advise me in my response to it.

Q419 Chair: Can you give a date?

Greg Clark: I cannot, at this stage, I am afraid.

Chair: We will continue to press you on that. That concludes our questions, Minister. Thank you very much for your attendance. There were one or two issues we asked for further clarification on, and we would be grateful to receive that. Thank you very much.

Greg Clark: Thank you very much indeed.