Durham is one of the world’s great universities and one of the most distinctive. We produce world-leading and world-changing research across all four of our Faculties. Our education is challenging, enabling, research-led and transformative, and our wider student experience, delivered through our Colleges, Durham Students’ Union and Experience Durham, is among the best in the UK. We believe that inspiring our people to do outstanding things enables Durham people to do outstanding things in the world.

As a Russell Group University located in the North East of England, we believe that we have a valuable contribution to offer to this inquiry not only through the research and expertise we can provide on some of the areas being examined, but also as a significant participant in the North East region.

1. Summary

1.1 Regions, sectors and individuals will be hit by the economic impact of Covid-19 in a myriad of ways. Different areas of the country will recover at different times and with variable speed. The ‘new normal’ will shape the recovery of a region and lead to change in the structures and potentially sectors within it. Some of these changes will take time to manifest themselves. A recovery package that anticipates and looks to mitigate these impacts could prevent a long-term down-turn.

1.2 Support for our research intensive universities across the country will protect a critical base of skills, knowledge and innovation, meaning that the UK has a powerful set of resources to support the nation’s recovery. We must recognise the importance of research and development that goes on in our universities and how this can positively support businesses to grow and thrive.

1.3 Ensuring regions such as the North East of England continue to benefit from ongoing investment is vital to their productivity and success. Research-intensive universities, such as Durham University benefit from funding for research projects and this in turn can impact positively on our local area.

1.4 We welcome the Government’s drive to ‘level-up’, something that will be key to any sustainable recovery in the North East. This needs to be a core part of any recovery package, with fair and even distribution of support and opportunity across regions. Universities can be drivers of this approach as centres of research and innovation.

2. What core/guiding principles should the Government adopt/prioritise in its recovery package, and why?

2.1 Regions of the UK continuously compete with other global regions. In the North East of England, advanced manufacturing businesses compete with those in Foshan in Guangdong Province, China. To effectively compete, collaborate and become global corridors in their own right, these UK regions need to be put at the heart of any investment plan, especially at a time when forging global trade links is so essential to the future of the UK.

2.2 Regions are the growth engines of the UK economy. Developing strong and robust innovation systems are critical to building regional superclusters. These can act as the anchors for capacity building, training hubs and economies. Research driven universities can act as conduits for such an approach.

2.3 Universities contribute to their regions in a number of different ways. They are employers, educators; a link between the region and the rest of the country, as well as internationally. They also bring research excellence and expertise to a region. Universities are uniquely placed to support many strands of the rebuilding process: they are present in regions now and are already engaging in much of the activity that is needed.

2.4 Durham University, like other institutions, has shown how working in partnership with local authorities, policymakers, businesses and key stakeholders, they can support a rapid and effective response to a crisis such as the pandemic. Since the beginning of the Covid-19 outbreak, Durham University has been
part of the NE Covid-19 Economic Response Group established by the NE LEP (feeding in through Newcastle University), as well as the Local Resilience Forum.

2.5 Durham University Business School (DUBS) undertook analysis on the impact of Covid-19 on local business supply chains. Partnering with the regional Confederation of British Industry, DUBS provided tailored support to a number of businesses. Through collaboration with a number of organisations, including Make UK and the North East-based Innovation SuperNetwork, DUBS developed a toolkit to help SMEs design effective and resilient business models in response to COVID-19.

2.6 These collaborations highlight the value that higher education institutions contribute to their regional economies, which in turn supports the national economic recovery. Ensuring adequate funding to enable these partnerships to continue is critical for future regional and national economic growth, and should be a core principle of any recovery plan.

3. How can the Government borrow and/or invest to help the UK deliver on these principles?

3.1 The Government’s ongoing commitment to research and development, and its recognition of the role that the higher education sector can play in the country’s recovery are welcome. There is a real opportunity to accelerate opportunities for collaborations between universities, business and regional economies. In the North, the N8 Group of universities are worth £12.2 billion per annum, employing around 119,000 full-time jobs, and contributing £6.6 billion Gross Value Added to the economy.

3.2 Research budgets, like so many areas of the economy are coming under increasing pressure. There is a significant opportunity to revolutionise the way universities engage with businesses and communities across the country. Universities need certainty of ongoing research funding to continue generating ground breaking ideas; turning research concepts into real technologies, skills, employment, and ultimately economic growth.

3.3 The Intensive Industrial Innovation Programme, led by Durham University, in conjunction with Newcastle and Northumbria universities, is an illustration of this. It pairs PhD researchers with local business to help develop new technologies and products, which business would struggle to invest in otherwise. There are currently 57 researchers working with SMEs in the North East across sectors such as life sciences, digital and surface technologies, and energy.

4. Whether the government should give a higher priority to environmental goals in future support?

4.1 The Covid-19 pandemic has resulted in us having to adjust to a new and different way of working and living. The effect of this has shown the environmental benefits that behaviour changes can make. A lack of air travel, fewer car journeys, and a switch to more localised travel has had a positive impact on emissions levels, the atmosphere, and our environment more generally. Government must take the opportunity to develop policies that nurture these behavioural changes, such as investment in better broadband for home working.

4.2 As we look to rebuild our economy post-Covid, we should do it in a way that leaves us fiscally buoyant and environmentally responsible. A net zero economy must focus on re-skilling and retraining: investment in new, ‘greener’ skills for those seeking employment in our changing economy. A marrying of the economic and the environmental could, and should bring about growth in a more sustainable way, equipping people with new and vital skills that can help shape our economic growth in a more environmentally friendly way.

4.3 By encouraging research and development, innovation and knowledge transfer in the field of net zero, combined with appropriate policy adaptations, we can create new, greener industries. The Government

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1 https://www.n8research.org.uk/economic-impact/the-power-of-8/

2 https://theconversation.com/coronavirus-worlds-response-has-slashed-co-emissions-heres-how-to-keep-them-down-134094
should take this opportunity to be bold and take a lead in investing in such ventures. [Please note a separate submission from the Durham Energy Institute, Durham University which covers these areas in more depth].

5. Whether the Government should prioritise certain sectors within its recovery package, and if so, what criteria should it use when making such decisions? What conditions, if any, should it attach to future support?

5.1 Recovery needs to focus on short-term stabilisation and longer-term growth. Certain sectors within the UK have suffered a much more immediate impact than others. For some this will be a short-term effect; others will see the consequences of the pandemic impact their sector for longer. There is no single industry or sector that defines the UK. To ensure full and evenly distributed recovery, it is essential that the Government develops regional priorities with appropriate support, recovery, resilience and necessary growth packages.

5.2 To achieve this, adopting a differential strategy with localised conditions is essential. There is a huge variation across regions in terms of the sectors represented within them; seasonality; demographic and geographic diversity. By applying regional strategies, the Government can boost regional engines, which in turn help the national economic recovery.

5.3 For some, the changing economic circumstances post-lockdown present an opportunity to start-up a business. Where commercial opportunity is identified, or where alternative employment no longer exists, support should be given to help individuals successfully transition to self-employment, particularly where that business could support the creation of highly skilled, high-growth opportunities.

5.4 Longer term, investment in programmes such as the Northern Accelerator, which gives targeted support to academics looking to establish spin-out ventures, enables the transfer of technological know-how and research and development to the regional economy. Supporting these models of delivery across the country not only embraces the regional variations of industry and knowledge, but also drives economic and technological growth in certain areas where this might have been lacking in the past. Encouraging the sustainable development of spin-out companies in areas such as the North East, results in private investment in research and development that has to date alluded them.

6. How can the Government best retain key skills and reskill and upskill the UK workforce to support the recovery and sustainable growth?

6.1 Traditionally the UK has struggled with the migration of skilled workers from north to south. The development of regional superclusters will be essential in the challenge to retain skills, reskill and upskill a changing workforce. Universities, working in conjunction with further education institutions, are instrumental to the delivery of this approach.

6.2 Sustainable investment in research and technology, which can then be applied to industries and workforces in regions local to research intensive universities would have a positive impact not just on students learning new skills and taking them into employment, but the regional economy of an area as a whole. Graduate retention in regions is dependent on job creation on a level that uses the skills learnt.

7. Is the Industrial Strategy still a relevant and appropriate vehicle through which to deliver post-pandemic growth?

7.1 The medium and long term productivity aspirations that lie at the heart of the Industrial Strategy remain important and central to post pandemic growth. Furthermore, the focus on data, the use of AI and clean growth still are relevant. However, the economic circumstances in which the Industrial Strategy was produced are very different to our current situation and therefore it should be reviewed and broadened to incorporate the new challenges we face.

8. How should regional and local government in England, (including the role of powerhouses, LEPs and growth hubs, mayoralities, and councils) be reformed and better equipped to deliver growth locally?
8.1 The role of Research and Innovation in regions should be central to the future organisation of devolved powers. The current approach, with a combination of mayoral authorities, LEPs and councils is inconsistent across the country and adds artificial boundaries to areas that are already falling behind in national growth objectives. These boundaries often are a hindrance to institutions wanting to support local growth in disciplines where they have exemplary academic expertise. In the post-Covid period, more flexibility needs to be exercised to help enable the economic recovery in our regions.

8.2 The current system is at risk of delivering a two-tier economy which goes against the much needed ‘levelling-up’ in areas such as the North East. Durham City is a case in point. A small city, situated in a large rural hinterland, yet in close proximity to the larger urban areas of Newcastle and Teesside. Both Newcastle and Teesside have, in recent years, been awarded devolved powers and budgets, with Durham caught in the middle under the traditional County Council system.

8.3 Durham University operates collaboratively, taking an inter-disciplinary approach to the projects we are involved in. We work closely with other universities, local authorities, LEPs, the NHS and business. This approach has been at the forefront of our regional response to Covid-19 and must be able to continue, unhindered by artificial boundaries. Investment in sufficient analytical capacity regionally is also essential for regional and local bodies to have a full understanding on what drives growth in their area.

9. What opportunities does this provide to reset the economy to drive forward progress on broader Government priorities, including (but not limited to) Net Zero, the UK outside of the EU and the ‘levelling up’ agenda? What should the Government do to ensure that delivering on these priorities does not exacerbate the vulnerability of businesses, consumers and communities/workers that have been impacted by COVID-19?

9.1 It is anticipated that the North East will be hit significantly by the fallout of the pandemic and the recovery will be both slow and gradual. Current ONS data suggests that 61% of businesses surveyed reported a decrease in turnover outside the normal range at the end of July, the highest in the country. Just 21% of businesses said they had been unaffected, the lowest level in the UK. Suppressed demand for goods and services will hinder economic recovery. Providing for up-skilling and supporting businesses to grow and expand, rather than contract, is essential.

9.2 European Structural and Investment Funds (ESIF) will cease after the end of 2020, when the transition period with the EU ends. It appears the proposed replacement, the UK Shared Prosperity Fund (UKSPF), will not be functional immediately and that current allocations might be rolled over to 2021. Structural funds aim to strengthen regional economic performance and social cohesion. They are therefore of vital importance to the North East of England as we head towards the end of the Brexit transition period and deal with the consequences of the Covid-19 pandemic.

9.3 Application of research supports skills development and benefits economies through partnerships with business, local authorities and other key stakeholders. In this period, post lockdown, and with the ongoing threat from Covid-19, clarification of the process of accessing funds post-ESIF, and guaranteeing allocation to those areas most in need is essential to the recovery process.

9.4 Achieving a Net Zero economy will require new forms of innovation in both products and processes. Regions can focus on developing new processes that support the growth in a sustainable supercluster. Durham University’s involvement in the N8 Net Zero North project is an illustration of where low carbon goods and services can be developed through collaborations between universities and business.

9.5 The UK Government remains open to associating with Horizon Europe, which will be launched in January 2021. This option is included in the wider negotiations with the EU on the future relationship. One of Horizon’s strengths is the channelling of funding, through the European Research Council, to support outstanding individuals and projects, irrespective of discipline or research field, and produce high-impact ‘blue-skies’ creativity. This has helped UK universities and research institutions deliver research excellence in recent years. Horizon Europe association would catalyse future research that contributes to

ONS Business Impact of Coronavirus (Covid 19) Survey 13-26 July 2020
10. What lessons should the Government learn from the pandemic about actions required to improve the UK’s resilience to future external shocks (including – but not limited to – health, financial, domestic and global supply chains and climate crises)?

10.1 The current pandemic has highlighted the lack of investment in research that marries both the ability to perform complex modelling at a national level, with sophisticated regional and local analysis. National models can fail to demonstrate how different contexts account for different outcomes. These contexts could be any combination of geographical location, access to healthcare, strength and diversity of the local economy, population size and density, existing inequalities and health vulnerabilities. All of these factors, and more, are what account for how a virus spreads and affects a population.

10.2 Another limitation of national modelling is the failure to offset its long-term predictions with more regionally focused, short-term estimates, such as seven-day forecasts that are updated regularly. Providing only long-term forecasts leave local authorities and health providers guessing what to do next. Forecasts need to be updated regularly and rapidly, as soon as new data becomes available. Through adapting established data sharing agreements and utilising existing communication channels, local teams can respond in real time to the changing information needs of local health and public service providers.

10.3 Durham University’s COVID-19 Community Health and Social Care Modelling Team is an interdisciplinary group of researchers working to develop models grounded in the idea that local context and trusted relationships between researchers and local decision makers are key. The team is contributing to the Durham and Darlington Local Resilience Forum data cell and to the PHE North East and Yorkshire COVID-19 Modelling and intelligence group, responding directly to the needs identified by local NHS Trusts and authorities.

10.4 Local management relies on models that blend both social and public health factors in the local context to predict the effects of different interventions on potential spread. It also needs effective, trusted relationships between public health authorities, local government and researchers to ensure that information flows quickly in both directions to respond in real time to the local situation.

10.5 COVID-19 has put unprecedented strain on global supply chains across most product categories. It has exposed challenges associated with identifying and responding to significant changes in demand patterns during a pandemic. The ability to forecast excess demand during the pandemic early could have significant implications for both supply chain managers and policy makers. The former can benefit from early warnings about where resources will be needed and the latter from a data driven approach to government interventions, e.g. by prioritizing critical supply chains.

10.6 The pandemic and the associated global healthcare crisis left supply chains facing significant disruptions in the upstream, while hoarding and panic buying caused equally significant disruptions to the downstream. The balance of supply and demand was further impacted by travel restrictions and lockdowns implemented by several countries worldwide. Consequently, short-term real time forecasts about the pandemic and its effect on the supply chain have become an important managerial and policy-making imperative. Mid-and long-term forecasts are essential as well for supply chain planning.

10.7 The longer a lockdown lasts the higher the cumulative excess demand and the higher the need for planning for production and inventory. A policy recommendation for the Government would be to secure high volumes of inventory for such products before a lockdown and if not possible, consider radical interventions such as rationing.

10.8 Countries have different healthcare systems, run COVID-19 tests in different places, apply different policies, test with different devices and protocols, and report differently new cases and deaths. These factors complicate and limit the extent of accuracy that can be achieved from forecasting models. There is, therefore, an immediate need for a homogenous credible database to enable more accurate and comparable forecasting by the academic community, policy makers and supply chain professionals. Forecasting remains an essential part of many decision-making processes. Greater investment in research in this area is needed. 

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11. What opportunities exist for the UK economy post Brexit and the pandemic for export growth?

11.1 Higher Education remains an important export for the UK post Brexit. This high level of research capability relies on the collaboration of researchers from across the world. The Government must work with universities to understand needs in terms of access to the sector, visa requirements and continued levels of funding and investment, to ensure that research intensive universities in the UK remain attractive destinations for international study and collaboration.

ENDS.
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