

22 January 2024

The Russell Group of Universities
One Great George Street
London SW1P 3AA
T +44 (0)20 3816 1300
russellgroup.ac.uk

Rt Hon Jeremy Hunt MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London, SW1A 2HQ

Dear Chancellor,

As leading research-intensive universities, we welcomed the Government's commitment to invest at least £20bn a year in R&D by 2024/25 to increase UK productivity and growth, and to support our shared science superpower ambitions. We hope delivering on this commitment will be a key priority for this Budget, and for the Spending Review later this year. Our submission outlines a few ways in which we think the Government could seek to maximise the impact of this investment.

The economic value of R&D investment is clear. In an analysis that we will publish shortly, London Economics has estimated that in 2021/22 Russell Group universities' R&D and innovation activities alone generated £20.5 billion in GVA and supported more than 250,000 FTE jobs across the UK; with every £1 of public R&D investment adding more than £8.50 to the UK economy. This is in addition to the economic impact generated by wider productivity spill overs, all of our teaching and education-related activities, and the fees and spending from our international students.

We propose four areas for the Spring Budget where universities such as ours can, working with the Government, help make the most of planned R&D investment for the benefit of communities and the economy across the UK:

- 1. Advancing net zero ambitions through capital investments that improve the efficiency of university estates, enhance the UK's R&D landscape, and enable the testing of net zero infrastructure solutions that can be scaled up by local councils.** Universities provide a unique environment in which to test infrastructure solutions that could be scaled up for use by local councils, such as sustainable transportation, heating systems, facilities upgrade and waste reduction. Prioritising Government support through DESNZ's Net Zero Innovation Portfolio would provide funding currently missing from the sector and accelerate progress not just in universities but across multiple sectors and in local communities.
- 2. Removing the planning blockers to capital investment by providing a Research and Innovation Guarantee in the National Planning Framework.** This would help to fast-track applications, prioritising the building of economically beneficial R&D facilities and reduce delays. We see this as being especially useful in helping to attract overseas investment into the UK. Reforming VAT rules for new research facilities shared with business would be another low cost but highly valuable move to unlock development. This would help to support the development new clusters of high-tech businesses across the UK and allow existing successful clusters to grow.
- 3. Building on the momentum of your highly influential spin-out review by scaling proof-of-concept funding and delivering a new deep tech 'Spark Fund' to support hundreds of new spin-outs and unlock private investment –**
 - The £20m new proof-of-concept funding already announced is very welcome and should help address a gap in funding to ensure university ideas are ready for commercialisation. We hope this initial pilot can be scaled to ensure the fund can be as impactful as possible.
 - A new 'Spark Fund' could also help plug a gap in seed funding for high-potential spin-outs and start-ups, and would encourage further private investment. We estimate there is potential to deliver an additional £1bn of public and private investment by 2030 through such an initiative from an initial £400m investment, supporting over 600 new spin-outs.

- In addition to the above, the Higher Education Innovation Fund (HEIF) continues to deliver an excellent return on investment while helping to grow the UK's core innovation capabilities. We estimate that each additional £80m investment into the 'supplements' element of HEIF could deliver a return of nearly £1bn to the economy. Any investment here would of course also generate consequential funding in Scotland, Wales and Northern Ireland and we would hope that it could be used at the devolved level for equivalent purposes.

4. Building resilience by investing to strengthen our research base; protecting UKRI's share of R&D funding and, within this, UKRI's core research budgets. A thriving innovation-driven economy will require continued investment to maintain the strength of our research base.¹ Long-term, flexible and strategic funds like quality-related research (QR) funding and its devolved equivalents are particularly important in making the R&D system more resilient. It is therefore a concern that there has been a real-terms decrease in QR in recent years² and we would urge Government to use this Budget as an opportunity to address these cuts.

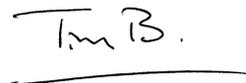
Whilst this submission has focused on proposals that would maximise Government's investment in R&D, it would be remiss not to highlight the financial difficulties our students are experiencing because of maintenance loans failing to keep pace with inflation. Our analysis shows that, should the DfE uprate maintenance loans for 2024/25 by the most recent projection for inflation Q1 2025 (2.5%), a full-time student living away from home outside London will receive £10,244 per year, leaving them £1,906 short of the £12,130 the loan would be if the Government had raised it in line with inflation since 2020/21. While universities are doing what they can to help with rising living costs, wider support is needed for all students. We urge Government to use this Budget as an opportunity to correct forecasting errors and uplift maintenance loans to reflect actual average inflation each year.

Russell Group Vice-Chancellors and I would be delighted to have the opportunity to discuss any of the issues raised in this letter with you or your officials.

Yours sincerely,



Prof Chris Day
**Vice-Chancellor and President, Newcastle University,
Chair, Russell Group**



Dr Tim Bradshaw
Chief Executive, Russell Group

¹ With only 3% of the world's researchers, the UK produces 7% of the world's publications and 14% of the world's most highly-cited research: <https://www.gov.uk/government/publications/international-comparison-of-the-uk-research-base-2022>

² In 2024/25, mainstream QR will have decreased by 14% in real terms since 2010/22, total QR funding will have decreased by 9%.