RUSSELL GROUP

Russell Group submission to Budget 2021

Summary

- Russell Group universities continue to play a crucial role in the UK's response to the Covid-19 crisis and can be key drivers of economic and social recovery across the country as we emerge from the pandemic, boosting jobs, growth and prosperity across all nations and regions of the UK.

- We welcomed the increase in R&D spending announced at the Spending Review in November 2020 (SR20), particularly in light of challenging public finances. This will deliver significant dividends for the UK in terms of science and innovation-based productivity and growth for the future. To help realise this, we call on the Government to focus on the following priorities for the 2021/22 allocation within that SR20 envelope:

    - Making a meaningful commitment to supporting efficient, low bureaucracy, flexible research funding through a significant boost to quality related (QR) research funds and equivalent streams in the devolved nations

    - Making R&D spending more sustainable by increasing the level of full economic costs (FEC) recovered on grants so that universities have the financial capacity to deliver the world-leading R&D the country needs.

- It is an excellent outcome that the UK will be associating to the Horizon Europe programme following the deal reached between the UK and the EU. However, funding for the UK's association to Horizon Europe needs to be additional to the R&D allocations announced at SR20 if the Government is to achieve its ambitions to enhance our domestic R&D capacity alongside maintaining and enhancing the UK's position at the forefront of global science collaboration.

- We hope the Government will take the opportunity at the Budget to address the significant teaching deficits our universities are now facing across all subject groups, but particularly for STEM subjects and medicine. The need for a more sustainable funding base for teaching has become even more urgent within the context of the financial uncertainty caused by Covid-19, the additional students accepted in 2020 on the basis of centre assessment grades and the upcoming demographic shift in eighteen-year-olds.

- We hope the Government will prioritise crucial R&D investment within the changing overseas aid budget, particularly focusing on the Global Challenges Research Fund (GCRF) as way to bolster the UK's place in the world, make the UK a science superpower and support crucial international relationships.

- As the Government develops further details around the new Shared Prosperity Fund (SPF), close consultation with the devolved administrations and key stakeholders such as universities will help to maximise returns from the fund. In particular, consideration should be given to ringfencing a proportion of the SPF for R&I capacity building and tertiary-level skills and training.

- We would welcome any additional support the Government is able to offer to students who have been impacted by the national restrictions to curb the spread of Covid-19. In particular, creating a specific student hardship fund for students affected by the pandemic would be a very positive step.

1. Making the UK a Scientific Superpower

1.1 As the Government is looking to drive rapid social and economic recovery from the Covid-19 crisis, the UK's leading research-intensive universities can play a significant role in generating jobs, growth and prosperity across the whole of the UK.

1.2 The UK is a global leader in research and innovation, demonstrated most recently by the pioneering work on coronavirus vaccine development, novel treatments for the virus and the rapid development of new technologies. By prioritising this area of national strength, we can spearhead a stronger recovery across all nations and regions of the country. As such, we very much welcomed the announcement in the Spending Review in November 2020 that public spending on R&D would be uplifted to £14.6bn for 2021/22.

Horizon Europe

1.3 It is extremely positive that the UK and the EU were able to agree a deal in December 2020. We especially welcome confirmation from BEIS that this means the UK will associate to Horizon Europe, subject to ratification of the overall deal and finalisation of the Horizon Europe Programme regulations. We know this outcome is also strongly supported by business.

1.4 However, the Spending Review did not clarify where funds for participation in EU programmes would come from and we would welcome a commitment at the Budget (or ideally sooner) that these funds will be additional to the allocations announced at SR20. The exact cost of the UK's association to Horizon Europe is still to be published, but we are concerned that if these costs are to be included in the £14.6bn announced for R&D in 2021/22, this could potentially lead to very significant cuts to the domestic R&D budget – ultimately affecting both universities and businesses and running counter to the Government's ambitions to boost UK scientific output as part of making us a Scientific Superpower. **Confirmation that the UK will be able to enhance our domestic R&D capacity alongside maintaining and enhancing the UK's position at the forefront of global science collaboration would be very welcome.**

Balance of R&I funding[1]

1.5 When considering how to prioritise the spending of the 2021/22 R&D allocations, the Treasury and UKRI should give particular consideration to **delivering a significant boost to quality-related (QR) funding and equivalent streams in the devolved nations**. There is compelling evidence to show that QR funding relative to Research Council grant funding has decreased over time, from 80p in the pound in 2007, to 50p in the pound in 2018.[2]

1.6 Whilst it is important to redress this longer-term imbalance, for 2021/22 the Government and UKRI should particularly be looking to support research in the most efficient way possible. The UK's talented researchers have worked tirelessly over the course of the pandemic to deliver ground-breaking new insights and discoveries relating to Covid-19, whilst also ensuring other areas of vital work have been able to continue, covering issues such as pollution, green energy, antimicrobial resistance and non-Covid-healthcare issues, amongst others.[3] Shifting the balance from project-based funding (which requires lengthy submissions

[1] The Russell Group's input to the Spending Review contains detailed analysis and evidence on the current balance of research funding in the UK and we would refer the Treasury to this submission for further information: https://russellgroup.ac.uk/media/5879/russell-group-spending-review-2020-submission-september-2020.pdf

[2] ONS. Further details referenced in Russell Group submission to Spending Review pp. 6-8.

[3] Some examples of important research breakthroughs driven by Russell Group members in 2020 can be found here: https://russellgroup.ac.uk/news/a-year-of-breakthrough-research/

with relatively low success rates) to boosting QR and equivalent funds would help to protect high-value jobs and relieve pressure on our scientists and academics.

1.7 In addition, serious consideration now needs to be given to **increasing the level of full economic costs (FEC) recovered on grants**, including from Research Councils, government departments and NIHR, to ensure universities have the financial capacity to deliver the world-leading R&D the country needs. We recognise that within this annual allocation, it could mean funding fewer projects, but funding them on a more sustainable basis to maintain the highest quality outputs expected of world-leading British institutions.

2. Superb education, training and skills

2.1 The Spending Review did not include details on higher education (HE) funding for the coming year or beyond. However, we hope the Government takes the opportunity at the upcoming Budget to set out plans for sustainable HE funding for the year ahead. **Increased and sustainable funding for university teaching is needed on a per student basis to support economic regeneration after the pandemic and maintain high-quality HE in the UK which delivers for the individual *and* for Britain.**[4]

2.2 Recently-published analysis from the OfS shows that price groups across all subjects are now facing significant deficits, which will continue to grow as inflation erodes the real terms value of the teaching grant and tuition fees.[5] Indeed, if the current trend continues, the OfS has projected that by 2023/24 the unit of resource for teaching will be very similar in real terms to the level it was in 2011/12 (the year before the £9,000 fee was introduced, and a year in which the unit of resource was at a particularly low level because of cuts related to the 2007/08 financial crisis).

2.3 Based on the OfS' analysis and Peer Group TRAC Subject FACTS data, the Russell Group estimates that for our universities specifically, lab-based subjects such as chemistry, physics and engineering faced average deficits in 2019/20 of around £1,740 per year per student, while deficits for medical and dental provision were around £1,670 per student.[6] Medical, science, technology and engineering qualifications will be crucial in both protecting the nation's health and ensuring economic regeneration after the pandemic, but these deficits threaten the ability of universities to offer these courses. Even the most inexpensive classroom-based courses at Russell Group universities now operate at a loss of around £265 per student per year even before the additional costs of Covid-related mitigations are taken into account.

2.4 The need for a more sustainable funding base for teaching has become even more urgent within the context of the financial uncertainty caused by Covid-19, the additional students accepted in 2020 on the basis of centre assessment grades[7], and the upcoming demographic shift in eighteen-year-olds.

3. ODA spending

3.1 We understand a process is underway to decide how the temporary reduction in the proportion of the UK's GNI spent on overseas aid will be implemented in practical terms by

[4] A single cohort of UK-domiciled students at Russell Group universities is estimated to contribute more than £20bn to the economy over the course of their working lives, including a total of £11bn in tax and NI contributions: 'The economic impact of Russell Group universities (2017)'.
[5] Development of OfS approach to funding, September 2020.
[6] These calculations are based on Table B4, Development of OfS approach to funding, September 2020 and Peer Group A TRAC Subject FACTS data.
[7] UCAS data shows high-tariff universities saw a 13% increase in undergraduate acceptances in 2020 compared to the previous year, compared to 1% growth at lower tariff universities and 4% at medium tariff universities: UCAS Undergraduate sector-level end of cycle data resources 2020 | Undergraduate | UCAS

FCDO. Within this process, **we urge the Government to prioritise crucial R&D spending, in particular by ensuring the Global Challenges Research Fund (GCRF) can continue to be a successful and meaningful programme**. As well as addressing pressing challenges faced by developing countries, the GCRF has helped to bolster the UK's place in the world as a global leader and a science superpower and underlines the UK's position as a global actor, supporting crucial relationships around the globe.[8]

4. Shared Prosperity Fund

4.1 SR20 included the announcement that the UK Shared Prosperity Fund will ramp up over time and at least match EU Structural and Investment fund receipts of £1.5bn a year. Further details have been promised in the Spring and we strongly recommend that the process for allocating funds between regions, and for doing so efficiently and effectively, needs to be developed **in conjunction with the devolved administrations and key stakeholders such as universities to maximise returns.** Russell Group universities are based in every region and nation of the UK with close links to their local communities and businesses. This local expertise and proven track record of boosting local economies means they can have a key role in delivering maximum value for Government funding.

4.2 As the Government considers the annual allocation for the SPF for 2021/22 and how to prioritise spending, we would urge consideration to be given to **ringfencing a proportion of the funds for R&I capacity building and tertiary-level skills and training**. The funds could be used to invest in higher level technical skills linked to applied research and local industrial specialisms, and could also support small businesses to work with their local universities to identify opportunities for productivity gains and invest in CPD for staff, amongst other ideas. For example, Cardiff University has previously used European Regional Development Funds to support its state-of-the-art Brain Imaging Centre and its Data Innovation Accelerator for small companies to access data expertise. The 2014–20 EU regional funding programmes created an estimated 16,424 jobs and 2,463 enterprises in Wales, supported 22,164 participants into employment and helped 86,145 participants gain qualifications and another 4,642 into education and training.[9] The Government should consider carefully how the SPF can continue this record of training and job and business creation.

5. Covid-specific support

Support for students

5.1 This is a very challenging time for students, who have adapted admirably to the difficulties posed by the pandemic and the impacts on their university experience. Many universities were forced to reduce in-person teaching in December as a result of the introduction of the student travel window and many students who expected to be back on campus for the start of the new term this year have not been able to return due to national restrictions.

5.2 Universities are considering how best to support students and some have offered discounts or refunds on university accommodation. Unite Students, the UK's largest owner of student accommodation, has also announced a 50% rent discount if coronavirus restrictions have stopped students returning for their studies. However, students in HMOs let by private landlords are unlikely to receive rent refunds and some will therefore experience less financial support than others.

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[8] A briefing paper with case studies of Russell Group university GCRF projects can be found here: https://russellgroup.ac.uk/policy/policy-documents/research-spending-and-overseas-aid-a-case-for-the-global-challenges-research-fund/

[9] Welsh Government (2020) EU Structural Funds Programme 2014 to 2020: key indicator achievements, Cardiff: Welsh Government.

5.3 Of particular concern is that many students rely on part time work over the summer and Christmas breaks to supplement their maintenance loans. Few will have been able to do this over the last 12 months of the pandemic and they will not have benefitted from the furlough scheme either.

5.4 We are aware of the £256 million student premium and the additional £20m that was recently allocated to the fund (although this fund was cut by £16m in May 2020, so this only represents a £4m uplift). However, this is funding intended to support disadvantaged students in 'normal' years and we are concerned that it is not able to support the number of students experiencing hardship this year and the range of circumstances and additional support measures needed as a result of the pandemic. These include, mental health services, students' loss of earnings, digital and online learning provision, student retention and homelessness, amongst others.[10]

5.5 We would very much welcome any extra financial support that could be offered to students in light of the impact of national coronavirus restrictions on them. For example, creating a specific student hardship fund for students impacted by the pandemic would be a very positive step.

Support for researchers

5.6 UKRI's Covid-19 Grant Extension Allocation (CoA), announced last year to support researchers on projects interrupted by the Covid-19, was designed to mitigate the effects of the pandemic as they were known last summer. Since then, there have been further lockdowns in all nations of the UK. Whilst universities have sought to continue research as much as possible by keeping facilities open in a covid-secure way where possible, activities such as clinical trials and off-campus fieldwork have been seriously affected. Projects which are continuing are also being impacted by staff illness and caring responsibilities. Recognising that research is facing rolling (rather than one-off) disruption and resourcing challenges, universities would welcome the opportunity to work with UKRI on developing a new CoA (or a complementary vehicle) to address some of these issues.

5.7 PhD students are also facing ongoing disruption as a result of Covid-19. So far, UKRI has provided limited funding to support students, particularly those in their final year. As the pandemic continues to prevent travel, archival access, data collection and some in-person research, a greater number of students are likely to require additional support in the form of funded extensions in order to prevent the loss of a generation of researchers.

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[10]Further details are covered in an article on WonkHE from 20 October 2020: https://wonkhe.com/wonk-corner/all-the-times-that-dfe-has-respent-the-same-money-on-students-hit-by-the-pandemic/