

Science, skills and innovation: delivering growth and prosperity for the UK

The world-leading research and education at Russell Group universities delivers real economic and social benefits across the whole of the UK. Our universities inject nearly £87 billion into the national economy every year through their education, research and export activities. Their ground-breaking vaccine research was the cornerstone of the Government's roadmap out of lockdown. Located across every region and nation of the UK, our universities are hubs for innovation creating high-value jobs, new homes and vital infrastructure in towns and communities across the country.

We are ready to work with the Government on discovery research and innovation that will boost economic security, create new businesses and give people opportunities to succeed in an uncertain world. Our country's future will depend more than ever on ideas and talent to deliver sustainable growth, and through smart investment in R&D and high-level skills, we can help to revitalise the UK's economy and improve prosperity for all its citizens.

Backing new discoveries and innovations

We warmly welcomed the Government's commitment to increase public investment in R&D to £20bn per year by 2024/25. **Delivering on this ambitious commitment will leverage billions of pounds of private investment into UK R&D and the wider economy:**

- Since every £1 of public R&D investment leverages around £2 of private spending, this means business investment in R&D will rise to almost £40bn by the end of this parliament.
- Investment in science provides a proven return for Government spending: for every £1 of public research funding, Russell Group universities deliver an average return of £9 to the UK economy.
- Our universities are also dynamos for the generation of jobs and investment in all regions of the UK - in 2020/21 businesses "spun out" of our universities alone created 33,000 jobs and brought in £4.9bn of investment to towns and cities across the country.

Looking ahead to the next Parliament, we encourage the Government to set a target to boost R&D investment to at least 3% of GDP, as other major research nations have done.

This would send a clear message that the UK is open for business and ready to embrace the opportunities of a changing world. It would help further revitalise our economy, deliver crucial productivity gains and drive prosperity.

As the Government begins to plan its longer-term strategy on science and research, it should prioritise low bureaucracy, agile funding for discovery research. Boosting quality-related funding, which was key to the development of the Oxford AstraZeneca vaccine, will be crucial to support future scientific breakthroughs, boost the talent pipeline and power long-term, sustained, economic growth.

Maintaining UK leadership in global R&D collaboration

To deliver world-leading research and innovation and secure the UK's strategic advantage internationally, we must be able to collaborate with the best minds around the world. **The Government's determination to secure association to Horizon Europe has been welcome. Urgent action to deliver association and its benefits should remain a top priority:**

- Horizon Europe is the world's largest ever programme for collaborative R&D. Association will provide access to unprecedented opportunities for cross-border collaboration as well as a scale and breadth of funding and talent flow that will bring multiple benefits to Britain.
- It will also act as a springboard to partnerships with universities and businesses in other countries such as the USA, South Korea and Canada as well as developing nations.
- Horizon Europe allows the UK to continue to benefit from significant investment through the European Research Council (ERC), which is world-leading in funding only the highest-quality discovery research over the long term at all career stages. The UK won more than 1,800 ERC grants under Horizon 2020 – more than were awarded to the whole of France.

In the event association cannot be secured, it is right the Government has set out alternative proposals to deliver a bold, ambitious global research and innovation programme. This should be properly funded, drawing on the full £6.8bn committed for this purpose at the Spending Review 2021, and with a longer-term commitment to continue funding after 2024/25 covering discovery research, international partnerships and innovation.

Delivering the high-level skills the country needs

The UK's higher education sector has an international reputation for quality. Russell Group universities offer excellent teaching, delivering technical and academic education to address local skills needs and ensure graduates are well-equipped to contribute to our economy and society:

- Over 700,000 students study at our universities, including 4 out of 5 doctors and dentists.
- Our universities excel in the social sciences, humanities and creative disciplines, producing the skilled innovators that drive our growing service sectors and creative economy.
- 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.
- In total, 14 of our members deliver higher or degree level apprenticeships and five are leading or supporting the establishment of Institutes of Technology.

We want to build on the strength of this asset for the UK, by improving access to high-value degrees and maintaining their quality, to create the pipeline of skilled workers needed by employers. However, universities currently make a substantial loss in teaching UK undergraduate students as well as on research (where Research Councils only fund 71% of the full economic costs of delivery, contributing to an annual deficit of over £4.2bn in university research). Universities must cover the deficit drawing on other sources of funding like international student fees and business conference hire. As the shortfall increases with rising cost-pressures and record demand from home students, this model risks becoming unsustainable.

We estimate that without further intervention the average deficit universities would incur for teaching each undergraduate student will increase from £1,750 in 2021/22 to approximately £4,000 in 2024/25. Universities will continue to find efficiencies and protect the student experience, but nonetheless there is a clear risk to the quality of education as tuition fees have been frozen again. Worsening deficits could result in increasing class sizes, reduced investment in practical teaching, infrastructure and support services, and fewer places to study high-cost STEM subjects.

Action is needed to ensure long-term financial resilience, including a new funding package for 2024/25 and beyond that is fair to students, supports universities to deliver on Government ambitions and protects the UK's hard-won international competitiveness.