

20 January 2023

Rt Hon Jeremy Hunt MP
Chancellor of the Exchequer
HM Treasury

The Russell Group of Universities
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Dear Chancellor,

In his speech on 4 January the Prime Minister set out a vision for the future of this country founded on innovation. We share this vision.

As the UK's leading research-intensive universities, located in every region and nation of the country, Russell Group institutions are the engines driving the innovation we need to grow the economy, create jobs and solve major challenges such as energy security, inequalities and net zero. Businesses spun out of research at Russell Group universities in 2021/22 created more than 30,000 jobs and almost £5bn of private investment in towns and cities across the UK.

We welcomed your ongoing commitment to boosting public R&D spending to £20 billion a year by 2024/25 in the Autumn Statement. To maximise the opportunities of this funding and to realise our shared ambition for world-class education in the UK we have three key proposals:

- Supporting the development of clusters built on the success and talent of research-intensive universities and their world-class research
- Enhancing the cost-of-living support for students by changing the maintenance loan system so it better reflects current economic challenges, and
- Making effective use of the funding set aside for the UK's association to Horizon Europe or alternative schemes, which may include further extensions to the guarantee if necessary.

In the face of very challenging financial circumstances, including soaring inflation, our universities are working hard to manage the rising costs of cutting-edge research and innovation, and providing an excellent education to train the doctors, nurses, teachers, engineers, creatives and entrepreneurs the country needs. With a few targeted interventions, they can double down on efforts to maintain this critical talent pipeline for the future and truly make the UK a science and innovation superpower.

Development of innovation clusters

Universities are driving new technologies and ideas forward, creating jobs and opportunities throughout the UK – showing what they can do with the right backing.

Cardiff University has led the creation of CSconnected, a compound semiconductor cluster whose firms contribute over £120m to the Welsh economy and are reducing the UK's reliance on overseas suppliers. The University of Edinburgh's Bayes Centre for Data Science's high-tech cluster is attracting over £90m in external investment, creating hundreds of high-value jobs and leading the agenda in a growth industry. The National Automotive Innovation Centre – bringing the University of Warwick together with Jaguar Land Rover and Tata Motors – is the largest research centre of its kind in Europe, driving the future of the automotive industry – with over £5bn of projected benefit.

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Further backing for centres of innovation like this which can be found across the country could have an even bigger impact on the UK's economic recovery. One intervention which could provide a boost to innovation clusters across the UK is a Deep Tech Seed Fund, jointly supported by universities, private sector and Government (within the budgets confirmed in the Autumn Statement), to help deliver new, disruptive technologies that could create new businesses and boost regional economies by attracting investment and creating new jobs.

We believe a one-off £200m investment over three years, which could leverage a similar amount from other investors, would create around 700 new deep-tech spin-outs. We have already shared proposals with the Department for Business, Energy and Industrial Strategy, which we would be happy to share with you.

Cost of Living

Supporting students through the current cost-of-living crisis is a top priority for our universities. More than three-quarters are reporting concerns that the rising cost of living will affect how well they do in their studies and almost half say their mental health and well-being has been affected. Regrettably students are not eligible to access much of the support that has already been put in place by the Government for other citizens. Whilst our universities have increased their own student hardship funds by tens of millions of pounds this year, we need Government to step in with wider support for students.

We believe that for some students this will be the difference between them continuing their studies and not. If students are forced to drop out, it would have a damaging impact on their futures, not to mention the pipeline of skilled workers UK businesses, the health service and others need as they look to recover from the economic shocks of the pandemic and wider geopolitical events.

The Department for Education recently announced a 2.8% uplift to maintenance loans and grants. All additional support is welcome, but this number is a continuation of the decision not to uprate loans in line with inflation for the last two years. Our estimate is that this means an individual student, often the worse off, will have access to £1500 less loan support than they would have had if loans had been uprated by real inflation. We believe this could be changed in-year, providing students with immediate access to much needed financial help that would ultimately be paid back to the exchequer.

Longer term changes could include a mechanism allowing loan levels to be adjusted to actual inflation figures when they are significantly higher than forecast and a review of the parental earnings threshold, which has been frozen at £25,000 since 2008, meaning fewer students are entitled to the maximum level of support each year (the maximum loan is now only available to around 37% of students, compared to 57% in 2012). We also believe there is a strong case for the reintroduction of some maintenance grants when finances allow.

Horizon Europe

Another key area where the Government could really make a difference is to ensure the funding set aside for association to Horizon Europe or alternative programmes is used to best effect. It remains our strong belief that the UK's full association to Horizon Europe is a win-win outcome for UK and EU science and we have welcomed the Government's commitment to this goal.

The extension of the Horizon Europe guarantee until 31 March 2023 provides reassurance to the research community and ongoing opportunities to pursue proposals with the world-renowned, high impact European Research Council. We trust the Government will remain open-minded about further extensions to the guarantee beyond March as a stepping-stone to securing full association in the near future.

Nevertheless, we recognise that if progress towards association continues to be held up, the Government will need to launch a range of alternative schemes to make the most of the funding that has already been ring-fenced. These schemes should focus on ensuring the UK can continue to attract and retain talented researchers through the use of long-term grants and fellowships and allow us to strike exciting new global partnerships outside of the EU programmes by creating flexible and low bureaucracy systems for collaboration. Any alternative should also introduce new schemes to help SMEs and other businesses support innovation in industrial strength.

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We are engaging closely with BEIS and UKRI to support the development of these schemes should they be needed. However, it is important to stress that the UK should be ambitious about securing Horizon association and building stronger research and innovation links with partners around the world (including in Europe) if we are to maximise the potential of our research and innovation strengths.

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,

A handwritten signature in black ink that reads "Tim B." with a horizontal line underneath.

Dr Tim Bradshaw
Chief Executive, Russell Group