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10 March 2022

Dear Chancellor,

We warmly welcomed your decision at Spending Review 2021 to boost the UK's R&D strengths with record levels of investment. Ahead of the Spring Statement later this month, the below ideas are intended to capitalise on this investment: revitalising the UK's regional economies; securing our place in the world as a science superpower and innovation nation; and ensuring we have the pipeline of highly skilled talent employers need.

Science superpower

Your commitment to R&D will see public investment increase by around 34% by 2024-25, representing one of the most important investment programmes delivered by any UK Government in modern times. We fully support your ambitions here. We will play our part in turning that investment into new knowledge, ideas and talent which will benefit the UK economy, society and culture for decades to come.

We are also looking to strengthen opportunities for links with business, helping them to invest in their own research and innovation capabilities in the UK; and we are engaging with the UK's chief trade negotiators to ensure our new Free Trade Agreements maximise opportunities to build on the UK's strengths in higher education and research.

Fundamental to the UK's future as a science superpower – able to deliver solutions to major challenges such as decarbonisation and cancer, and secure our leadership in fields such as genetics, quantum and AI – is excellence in basic research across the widest spectrum of disciplines. This is what ultimately creates the pipeline of ideas feeding into major advances in medicines, technologies and our knowledge-intensive industries; and will also be critical in helping to train the future workforce in research skills. We therefore hope that a substantial portion of the additional R&D commitment will be invested in **sustainability and resilience for the UK research base**, and that the important role of arts, humanities and social science research is recognised alongside STEM disciplines.

Levelling up through the creation of new innovative businesses

The Levelling Up White Paper set out a vision for nurturing regional growth clusters across the country and we are keen to maximise the role our research-intensive universities can play in delivering this. A key barrier to the creation of new innovative spin-out businesses is a lack of early-stage venture capital funding especially outside of the capital. This is a particular issue for “deep-tech” companies where early-stage technology requires extensive R&D and capital investment before commercialisation.

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Addressing this gap in the market would enable the creation of genuinely disruptive technologies, transforming regional economies and creating new export revenue markets for the UK. A **new deep-tech university seed fund**, with co-investment from the Government, as well as the private sector and universities, would support new companies to bring high-value local jobs and leverage private investment into all regions and nations of the UK. A one-off commitment of £200m for the fund, for example, would support at least 350 new deep-tech spin-outs across the country. We have developed a worked-up proposal for such a fund with input from BEIS which we would be happy to share with you and your colleagues if this is of interest.

Securing the UK's strategic advantage in science and technology

We appreciate the Government's continued efforts to secure the UK's association to Horizon Europe. This will be the easiest route to maintaining and enhancing the UK's strategic advantage in science and technology as well as cementing our place in the world as a science superpower. Association would give us easy access not just to our European partners, but help facilitate key collaborations with other associated countries such as Israel and Norway, and with 120 other countries eligible to participate.

We recognise, however, that if association is not possible, we need an ambitious Plan B and we are working with BEIS to help develop this as soon as possible. We therefore welcome the decision to ring-fence funding for European programmes, or domestic alternatives, at the Spending Review.

In the interim period, the introduction of **the UKRI Horizon Europe Guarantee** has been crucial in supporting successful UK applicants who are unable to sign grant agreements until association is achieved. However, the list of calls covered by the original Guarantee is too limited. This means UK researchers with successful projects now have no certainty about whether they will be funded, and there is a very real risk of them being dropped from consortia altogether by European partners. Collaborations with international teams in cancer, biodiversity and climate change have so far been affected.

A fully-functional, extended Guarantee is needed to keep the door open for association while the wider political issues are dealt with. Time is of the essence, and we hope an extension to the Guarantee can be facilitated as soon as possible to protect and stabilise the important collaborations and cutting-edge research through Horizon Europe until the longer-term picture is clearer.

Strengthening the pipeline for high-level skills

Russell Group universities are committed to strengthening the pipeline for high-level skills right across the country, and we look forward to playing our part in the delivery of the Lifelong Loan Entitlement to help people access training and education throughout their careers. We would encourage the Government to look at **expanding the pilot to include Masters-level (level 7) provision** so more individuals have the opportunity to attain high-level skills. This would build on the existing role that flexible level 7 provision already plays in supporting employer-led upskilling and reskilling, offering a chance to quickly demonstrate positive returns from the LLE.

We also recognise the need to **ensure post-18 education funding remains on a sustainable footing** for taxpayers and graduates and welcome the additional £300m investment strategic teaching grants over the next three years, along with the continuation of capital grants at £150m per year. This investment will be important in enabling universities to manage financial pressures and maintain quality and choice for students.

However, freezing tuition fees inevitably reduces their value over time and we are concerned that the unit of resource available, even with the uplift, may not be sufficient. While universities continue to seek efficiency savings, our estimates project the value of the tuition fee in England could be as low as £6,300 in 2012/13 terms by the end of this Parliament. This, coupled with rising student numbers, will mean available funding is spread much more thinly. Ultimately, grant and/or fee funding will need to increase again to secure the sort of high-quality post-18 education talent pipeline our economy and society will need for the future.

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We would be very happy to discuss these issues with you in more detail if you would find that useful, and could arrange a meeting with our board of Vice-Chancellors at a convenient time.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Tim B.", with a horizontal line underneath it.

Dr Tim Bradshaw
Chief Executive, Russell Group